

EP.4 - Productivity Puzzles Transcript

Can levelling up raise productivity in the Northern Powerhouse?

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Professor Bart van Ark What does levelling up mean for productivity in the north of England? Does it mean more roads and good train services? Better education, real innovation? And how will the Northern Powerhouse partnership help? We are going to find out. Welcome to *Productivity Puzzles*.

Hello and welcome to the fourth episode of *Productivity Puzzles*, a new series of podcasts on productivity brought to you by The Productivity Institute and sponsored by Capita. I'm Bart van Ark, and I'm a Professor of Productivity Studies at The University of Manchester. And I'm the director of The Productivity Institute, a UK-wide research body on all things productivity in the UK and beyond.

Today's show we're focusing on productivity in the northern part of England and more in particular, the role of the Northern Powerhouse partnership. That's a powerful concept introduced more than five years ago with the aim to rebuild a competitive economy in northern England. It aims to raise living standards across the region from Northumberland to Northern Wales and from Cumbria to the Humber.

And of course that includes some major cities such as Liverpool, Manchester, Sheffield, and Leeds, and is home to at least 11 million people. Many initiatives and policies of the Northern Powerhouse agenda have identified productivity as critical to the levelling up of the north. So do we make inclusive productivity growth a cornerstone of the levelling up agenda?

And for this, we are joined today by three panellists who can help us understand. First, Lord Jim O'Neill a vice chair of the Northern Powerhouse partnership and who helped to create it. He is a former commercial secretary to the Treasury and before that, he was chief economist at Goldman Sachs for many years.

Jim, welcome on the show.

Lord Jim O'Neill Thank you. Nice to join you.

Professor Bart van Ark Now in your whole career, you have talked about productivity, you know, and I ran into you at Goldman Sachs - you talked about productivity. So now we've had this terrible pandemic and it has brought a lot of changes. Do you think there's a real opportunity now for a productivity revival?

Lord Jim O'Neill Hope so. In the spirit of never letting a crisis go to waste, we certainly need it. Without it, the future won't be so great, but I think there is some enforced things that have happened in particular, the whole flexible working concept, that gives me some genuine hope.

Professor Bart van Ark Good. Well, let's see if we can make that hope come true for the Northern Powerhouse.

Our second panellist is Professor Dame Nancy Rothwell who's the president and vice chancellor of The University of Manchester and among her many roles she's chair of the Russell Group, a member

of the Greater Manchester Local Enterprise Partnership board and of the Northern Powerhouse partnership board.

Now until very recently, she was also the co-chair of the Prime Minister's Council for Science and Technology. Nancy, great to have you on this podcast.

Dame Nancy Rothwell Good to be here.

Professor Bart van Ark Now all of these roles that I was just rambling off a second ago, they all touched on regional issues, regional growth - productivity, again, being an important part.

So after so many years having worked on these topics, do you, or do you think we have a better understanding of what is driving productivity differences between regions?

Dame Nancy Rothwell So I think we do. I'm not an economist, but if there was one thing I think that's changed is the increased recognition that there are so many social factors, as well as economic factors.

This isn't just the nature of the business, the type, the way the business works. It's about skills. It's about health. It's about how many people are in work and what type of work. So I think we've taken a broader view of productivity that we did before.

Professor Bart van Ark And indeed, we come to talk about some of these social factors later on in our podcast, so that's very good to talk about that. Last but not least, we have Professor Philip McCann, who holds the chair in Urban and Regional Economics at Sheffield University Management School. He's also an Honorary Professor of Economic Geography at the University of Groningen. And that's where we know each other from.

Philip has led the Productivity Insights Network, which was a network proceeding The Productivity Institute. And he's now also one of the leaders in The Productivity Institute, particular productivity in place, and also is overseeing our Regional Productivity Forum for Yorkshire, Humberside and North East England, all part of the north.

Now, Phil, I could ask you the same question as Nancy, but, you know, you've done a lot of international comparisons of regions. So I would like to ask you, what would you like the north to aspire for? What is your favourite region in Europe or somewhere else in the world that you would like to north to look like?

Professor Philip McCann Actually Bart for me, that's an easy question. I've said this publicly before, when I've spoken publicly or spoken with people in Whitehall or Westminster. For me, the part of the world that you (Bart) come from - the axis which leads from the low countries, the Netherlands and Belgium through broadly north Rhine-Westphalia, Germany, including the Ruhrgebiet.

Why do I say that? One because they've got infrastructure and mobility systems sorted out. I mean, you know as well as I do Bart, being Dutch, the Dutch complain about everything. I look at their infrastructure and think 'What are we complaining about?'. They've got no idea. Fantastic infrastructure, systems of cities where different places play roles, certain R&D centres, certain skill centres, certain clusters carefully thought out and planned.

That's another part of this strong culture of, kind of, thinking systemically, and then also the links with the north west part of Germany and this area around the Ruhrgebiet, going down through Dortmund, Cologne. You've got places which have turned around. You know, many people who look at places like Wuppertal, Duisburg, Dortmund.

How have they done that? If they can do it, why can't we? They've got the finance, the skills, the industry – it's all in place. It's not perfect, but it's miles ahead of where we are. And I think that's where we should be looking.

Professor Bart van Ark Well, it's hard for me to play favourites on this panel, but if I would have to you, you're favourite panellist from me today, obviously.

So that's all great comments, but let's go back to the north of England. And in particular, to this idea of the Northern Powerhouse that I had just introduced to you a second ago. And Jim, you are there right from early days. How did this whole Northern Powerhouse come about? And what is it that you really wanted to achieve when you set it up?

Lord Jim O'Neill I'll have to try very hard to be concise. I think I can credit her publicly. The actual creator of the name, or the phrase, was George Osborne's special advisor. And it came on the back of a number of conversations that I had with George in the role I was pursuing as the chair of the independent Cities Growth Commission that linked to what Nancy and Phil already touched on. As you know, well, Bart, we have this quite bizarre thing by the OECD standards - London completely dominating economic growth in the UK.

And so I was tasked with coming up with new ideas as to how that could be dealt with. Particularly, I emphasise, in a way to not damage London. And when I express it like this, I'm sort of slightly embarrassed because it was such a simple concept. And I remember the day of the event. I'm not sure whether Nancy, you were there – you might have been because it was a sort of interview we did with around the country with various local people. And the one we had in Manchester, I threw into the, the guests we had, 'What do you think of the idea of ManPool?' Because Manchester and Liverpool are what, just close to 30 miles apart. And quite a lot of people in the room kind of had a bit of a look of horror on the face. But within, when we actually got into that, in the commission, you know, we just as quickly realised that from the centre of Manchester to the centre of Liverpool, Leeds and Sheffield is shorter than the length of the Central Line tube in London.

And if you could put all of those together, not as a place, but as one economic unit, whether it be consumers or producers, hey presto, you've got an area that competes or could be as big as London.

And that, that was at the heart of it. And George essentially embraced it and made it an important part of government policy.

Professor Bart van Ark Yeah, and indeed 11 million inhabitants. So it's, you know, it's bigger than Belgium and bigger than Sweden, right?

Lord Jim O'Neill Yeah. Yeah.

Professor Bart van Ark So Nancy, you obviously saw this happening. And how did you from a Manchester perspective, see this as a good initiative?

Dame Nancy Rothwell I've always worried that regions, small regions in the UK are set up in competition against each other- football, good case in point, but that's fine. But you know, we shouldn't be just competing on everything between Manchester and Sheffield, Manchester and Leeds, Manchester and London. That's madness.

We're too small and too poor to be doing that. So I saw the Northern Powerhouse as a way of driving more collaboration and cooperation because there's no one city region or university or set of businesses that can deal with everything. So I was very keen to embrace it. And I do remember the

opening speech in Manchester when George talked about the Northern Powerhouse, which I think was named after a train wasn't it?

Lord Jim O'Neill Um, don't know

Dame Nancy Rothwell There is a train called the Northern Powerhouse.

Lord Jim O'Neill Maybe, maybe. They are, you're breaking fresh ground here, Bart.

Professor Bart van Ark So Phil tell us, you know, this initiative is a couple of years on the road now. Are we seeing it in the data? Do we see the north is beginning to pick up? Is the Northern Powerhouse visible in the data that you're looking at?

Professor Philip McCann There is actually, I mean, the key things around the cities. And Manchester, of course, was the pioneer in thinking much more systematically about working as a city region, aligning governance issues. And, of course, obviously Jim was instrumental in kind of moving a lot of that forward, but Manchester already had a 15-year history of trying to move in this direction and these things take time, but it's starting to bear fruit. There's no question Leeds would be another case. Again, you know, the data tells us that those cities are moving forward and they've probably got the scale to keep that momentum going, but it's not simply about scale, there's lots of other elements. Starting to see some positive things coming out of Liverpool, particularly the central part of Liverpool.

And then there are other parts of the North West and Yorkshire and the North East where you see things happening. But what I always emphasise is that we've got to understand the scale of the problem. I mean, the UK economy looks to me a bit like the Serengeti with Kilimanjaro behind it, or the south east Kanto Plain with Mount Fuji behind it.

That's literally what we look like. That's what the data tells us. So even today, Manchester would be the most prosperous of the big cities in the north. Leeds is very close, but they're only working at about UK average productivity levels. Now that shouldn't be the case. In similar cities across northern Europe and central Europe, similar scale cities have much higher productivity levels. And even in your own country, the Netherlands, much smaller cities, have gotten much higher levels of productivity. So there is good news out there. Things are slowly starting to move in the direction, but we mustn't underestimate the scale of what's at stake.

Professor Bart van Ark So Nancy, all the change that we've been seeing in Greater Manchester – has Greater Manchester done it on its own? Or has it actually benefited from being in the north? Or was it a burden?

Dame Nancy Rothwell I think it's probably benefited slightly. I'm from the north of England. Manchester's always had a little bit of a swagger, a little bit like if you won't help us, we'll do it ourselves. Having said that, it also benefited from a time when we had a Chancellor that was very supportive of growing economies outside London and the south east. And so Manchester was a good one. There's a sense sometimes that when you look at the data on the investment, Phil, his former colleague, Richard Jones have done a lot on this, when you look at the levels of investment in the northern cities versus the south east, it's not half, it's not a quarter. It's a tiny fraction, actually - transport being an obvious one. I mean, it's just, people talk about HS2, and I know it's very expensive. What about CrossRail? You know, if we could have that across the north, that would be incredible.

Professor Bart van Ark Well, that's a really good transition to what I want to talk about next, which is I think a key element of the Northern Powerhouse in its early years, which was really transport and connectivity. Maybe still the case. The vision was very much sort of linking up Manchester, Sheffield, Liverpool, Leeds, all close together.

Jim, has that agenda of trying to really improve the transport and connectivity, which, you know, started so early on, has that really been, been pulled off and is that moving?

Lord Jim O'Neill No, it hasn't been pulled off. It was a work in progress. And I think the government had bought in, in principle to the idea of a much better links, particularly via train between those places. But I think importantly Bart, and I reflect on it a lot myself often, I've talked to Phil about it quite a bit on and off the past year, you know, the reality of COVID-19 and what it means for all our lives, might have reduced the need for that part of delivering on the Northern Powerhouse, relative to others.

And as we're exhibiting through this discussion, arguably in the modern world, having everybody connected technology wise - which if it was truly of an Asian-style, first-class nature, let's call it - that might enable something else that's been going on, coincidentally, which is a quite interesting shift in relative house price patterns in the UK that started before the pandemic and seems to have been durable through it.

And if it were permanent, might encourage along with technology, people wanting to arbitrage these mammoth house price differentials in the UK in a way that has just never happened in my professional lifetime. That ultimately would still mean you need the transport links, but I'm answering you in that way that I think, you know, I, myself going right back to the start of it, thinking slightly differently about certain requirements in order to deliver it success than I would have done initially.

Professor Bart van Ark Hmm. And this is really important because now that we're talking about sort of a next phase of the Levelling Up agenda and the Levelling Up White Paper coming later in the year, thinking has to be put into what the transport infrastructure needs to look like, Phil, is that correct?

Professor Philip McCann Yes. It's extremely important. I mean, when you asked me earlier about the question of your favourite places, we actually were doing - using various models, statistical models - comparing the Northern Powerhouse regions with the Dutch and the German cases. Exactly these cases, because we have to look for examples - where it works in other places - and we have to try and learn from those and think, well, what's appropriate. What can we apply in this context?

Because connectivities - it's not just about movement of people. It's about movements of ideas, movement interactions, it's people meeting each other, sharing information, financial ideas, it's all of that - geographers sometimes talk about the buzz in a city, this is what's absolutely critical.

And if places are really disconnected from each other, and even within our cities, we see great bottlenecks, you know, parts of east Manchester, don't connect with west Manchester, north and south Liverpool, Sheffield doesn't really connect with anywhere very well.

These are real problems, so we've got to find ways to connect, but it's not just about physical infrastructure. It's the whole societal infrastructure that underpins how productivity is generated. All those commercial buzz activities. That's really critical.

Professor Bart van Ark It's the society infrastructures, also the digital infrastructure, which is another part of this, right?

Professor Philip McCann Absolutely. Yeah.

Professor Bart van Ark Which is another nice segue into the other thing that's obviously very central to the power of the Northern Powerhouse, if you like. And that is the role of innovation and science and technology. So, Nancy, you've been very much involved obviously as head of the university with the whole innovation agenda, not just in Manchester, but also beyond. How can we be sure that these innovation assets and capabilities help us to improve productivity in the north?

Dame Nancy Rothwell So I think we've tended to focus, particularly in universities, on the R part of R and D. And actually, instead of saying research and development, I'd say research and diffusion. I think the big thing now is making sure that those ideas are translated.

Royce is a good example. I mean, it was set up with a strong industry collaboration. Not so much to do fundamental discovery - that's a little bit of it - but more to test out applications, prototypes and so on. And the same with probably the most famous material, graphene. The Graphene Engineering and Innovation Centre was set up to take early ideas into products.

And I think that's one of the things we've absolutely got to do and got to do it collaboratively as well as just independently. I was just on a meeting where the head of the CBI, who was saying that much of our investment in innovation has been driven by discovery. We now also need to look at how innovation is driven by the end user and how you make sure the two come together. So I think that's the big challenge for the next stage.

Bart van Ark And that's really, again, coming to connecting between businesses and the universities and the end users. Jim, is business responding to all these great innovation initiatives, not just in Manchester, in and other cities - we see them as well in Liverpool and in Leeds. Do we see that businesses are now beginning to see the north as an opportunity to invest in because there is an environment in which you can innovate and, and do good and cool and new stuff?

Lord Jim O'Neill I would say it's complicated, but I'd say the businesses' antennae is raised. You know, when the idea first came around, a lot of business was like, this you know, forget it. Again, it goes back to my own personal example. I'm born and raised in Manchester, went to university over the Pennines in Sheffield.

But once I left Manchester, that was it. You know, I thought I had to be down south if I wanted to have a prosperous life, et cetera, et cetera. The whole of my generation, at least those that are fortunate enough to have had a university education think exactly the same. And of course, especially those that have been to better universities - they're the ones that dominate the business scene in the UK.

And so the whole idea that you - at the end of the day, they're taking shareholder risk - that you just suddenly start investing in these places in the north that have been perpetual decline in their lifetime is not surprisingly regarded as highly risky. And here - an important part of the Cameron-Osborne agenda, which I think gets lost - is the mere frequency of how much they used the phrase Northern Powerhouse itself acted a magnet to business people to think, hang on a second. There seems to be something going on here. And even overseas, I used to travel in those days as I have done for much of my professional life to China a lot. And the kind of awareness of the Northern Powerhouse in China, Nancy came on a trip with us there once, I mean, it was just, and still is astonishing.

So businesses' antennae is there, but of course it wants to see profitable evidence of success. And it feels, particularly in the north west - it's not the case in other parts of the north yet touching on

what Phil said earlier - we're kind of getting there a bit and we're close. Close to some kind of virtuous circle, but I like to be quite cautious about it because you know, we're dealing with an enormous challenge here that goes back for decades.

Dame Nancy Rothwell Could I just ask?

Bart Yeah, of course. Nancy.

Dame Nancy Rothwell Yeah. So I, I think we're at a tipping point. Ten years ago, 30% of our graduates stayed in the region. Now it's 55% and that is largely because of the jobs being created. And I'm sure it's true at other cities as well. For the first time, for as long as I've known, venture capitalists are starting to say, I want an office in the north.

In the past, start-up companies all had to go to London to get investment. And international companies are starting to say, well, actually there's a lot more space. It's a lot cheaper. And they've got good connectivity. We'll look at Manchester or Leeds or Sheffield. So I think it is changing. I share Jim's caution. I think we're at a tipping point, but I've seen a big change over the last three years, I would say.

Bart Scaling up obviously is a key issue here, Phil and, you know, I think that's the key question here. Do we have to things in place to scale up some of these initiatives to a level that we can really be, you know, a powerhouse compared to the rest of Europe and the rest of the world.

Professor Philip McCann Bart, scaling up is the key question and it's on multiple dimensions.

We have a long tail of small firms, which are low productivity. Jim's talked a lot about this before. We need a lot of those to move forward, to scale up. We need capital markets, much deeper and much more varied capital markets in the north of England. I mean that, you know, the capital markets in Manchester, Leeds are tiny in comparison to two big centres in Europe.

What we need is to build those kinds of infrastructure, social infrastructure, all different types of institutional investment – evergreen, mezzanine, venture capital, angel investment. Because what we want is a scale-up also in the investors' community in the north because those are the people who've got the incentive to search out those opportunities.

You know, the markets in London are not going to jump on a train and go wandering around Blackburn and Blackpool looking for investment opportunities. But you know, those markets which are locally anchored in Manchester, Liverpool, Leeds, and so on, that's precisely where those guys can make those niche gains, those high yield investments.

So scaling up, it's on the level of firms, it's on the level of the liquidity and the depth of the capital markets and the variety of institutional and non-institutional investors. And then I think the other thing also, which is very important, there's also the governance changes. And again, Jim was leading on this for a long time.

You know, scale matters, city regions is the really the right way to start. It's not the solution and it's not the end of the game, but it's an important step to start to build those scale relationships. Because, you know, if you do have good ideas, you do have policies, they've got to be able to be brought about at scale.

And our institutional infrastructure has not helped us, but we are moving in the right direction. And the Northern Powerhouse is part of that jigsaw.

Bart: Yeah. The word social infrastructure was already mentioned a couple of times. And we're going to talk about it next, but first we're going to take a small break so you have a chance to hear an update on what else is going on at The Productivity Institute.

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Bart: Welcome back to my discussion with Jim O'Neill, Nancy Rothwell and Philip McCann on levelling up and productivity in the Northern Powerhouse. So, two other parts of this Northern Powerhouse concept that I'd like to discuss. And I want to start with human capital, with people and skills.

This is obviously key because everything that happens, happens because of people who are productive and creative and entrepreneurial. So, Jim, what are our main priorities in the region, what is our main challenge in the region to make sure that we've got the right level of human capital to drive things forward?

Lord Jim O'Neill: I mean, I often say on the broader, conceptual point, that there were six ingredients necessary to deliver success of the Northern Powerhouse - devolution, infrastructure, more business engagements, all of which we've touched on, more genuine responsibility and local ambition and then education and skills separately. And when pushed, I say all of them are equally important, but when really pushed, if I only had one, it's education. And I personally am a living proof of the benefit of that, I came through a pretty tough schooling system in south Manchester.

And I know endless people that I played with as a kid that didn't. And you see it in huge swathes of the north, around the big metro areas, importantly. But especially in the very remote places. Northumberland is one that I focus on a lot, in a lot of the old mining towns where the educational outcomes are just so poor compared to the national average as well as some of the top parts of the north.

Part of the challenge is there's a lot of variation - in the north parts of Cheshire and some of the better parts of some cities have very good outcomes, but the average number of places that underperform are very significant. And they need special devoted attention in order to change this now multi-generational issue because you have a lot of parents of young kids that don't themselves see any benefit of an education because they didn't have one themselves.

And it's crucially important that this is a priority.

Bart Yeah. So a lot of this is indeed I should say a generational issue and therefore it takes generations to change it and we need to do it and we need to commit to it, but we also probably need some quicker wins, right, in terms of we accelerate and skills of people in the workforce right

now. And is this another important priority? You know, you put the emphasis on education, but where's the skills part in this?

Lord Jim O'Neill: Well, if you look at the Queen's Speech that the Prime Minister has just given two days before we were chatting and certainly the media attention on it, skills rather encouragingly, particularly adult skills and life learning skills were seemingly the number one agenda under the levelling up concepts.

And I hope there's some sincerity to it because that would be a big difference than, than it's been the case for much of my lifetime.

Bart: Nancy, you know, before skills and before being able to educate people, you know, I need to be healthy and I need to have decent living circumstances. And that's sort of another key area of the social infrastructure. There's a striking number here from a report from 2018 called Health for Wealth. And that shows that 30% - so it was a four pounds per hour - gap in productivity between the regions in the Northern Powerhouse and the rest of England. And of that 30% of that difference is due to ill health and health inequalities in the region.

So that's a big number. So as you mentioned earlier, this is such an important part of what you think the Northern agenda has to be about. So can you, can you expand a little bit more on that?

Dame Nancy Rothwell: Yeah. I actually think that 30% is an underestimate because that figure is based on people who are no longer well enough to work – and we know there's 10 years less healthy living in the north compared to the south or periods of absence - what it doesn't take into account is the impact of health on educational attainment. There's a lot of evidence now that kids in deprived areas do less well at school because they have undiagnosed visual problems, hearing problems.

They're off more with respiratory infections. So that's probably even an underestimate and balancing up that health and that opportunities is going to be critically important because unless you've got healthy people, you're not going to have people who are able to work, but I would just come back to the point on the skills that you talked about with Jim.

I think you touched on it, but the key issue is it's not just the education and skills, it's the aspiration. In a lot of these very poor areas, in the schools: 'Why should I, I could never do it. That's not for me.' And I talk in a lot of schools and say: 'Do you want to go to university?.' Oh no, no. That's for clever people.

Now, don't tell me. There's nothing inherent about these regions that makes kids less clever. So a lot of it is about getting them to realise they can. And very often when you see one kid from a school go to university, then you start to see others follow or the same with siblings. So I think breaking in, in that way, and, Jim is leading a charity, Shine, which is doing a lot of work around this and we do a lot of work with local schools.

Bart: Yeah. And you know, as mentioned, this is a key underlying need in order to begin to, to actually train and educate and skill people. So it's very important. Let's wrap up with issues around policy and particular, sort of the, who should do the policy and who should do what policy, because that's, of course, one of the key issues is this whole devolution agenda.

And I think there's a general awareness now that if you want to develop a region, you can't run that from somewhere else, in this case from Westminster, you've got to empower people in the region to develop policies and get these things off the ground. But the question really is what's the right level of devolution here, right?

Because at some point you can go at such a local level with things that things get fragmented and not connected anymore, and we're losing this scaling up. So it felt like you could talk a little bit about that. What is the right level of devolution in order to get an agenda going that also allows you to create productivity to scale up and therefore become, you know, a reason that's visible in the rest of the world?

Professor Philip McCann: Yes. I mean, this is obviously a very difficult question. There's a lot of people discussing and thinking about this across the country now. I mean the basic principle is that exactly, as you just said, Bart is the idea of having an ultra-centralised top-down governance system where regions and localities are effectively run from somewhere else is really ridiculous.

And we also know in the data, it's bad. We know that countries which are much more devolved in terms of subnational governance, sub-state levels, actually they grow just as well as those which are more centralised, but they're grown much more evenly. So basically, more people across society in more places have a much bigger stake in the prosperity of the nation.

And that's across all indicators, not just economic, but also health-related, exactly as you've just been talking about. So the principle is very clear. The difficulty is the scale is different for different types of things. So for example, you know, in a prosperous region, you'll still have pockets of extreme problems, socioeconomic, of all forms.

There, you want some sort of, much more hyper-localised types of institutional arrangements to target those. You don't want region-wide if the region as a whole is doing pretty well, you just want to keep that ship steered in the right direction, but you don't want to fundamentally change things. Whereas if you've got large regions where the problems are really widespread of a form that Jim was referring to, then you need a much bigger architecture in terms of how you think about that.

And trying to, kind of, fine tune a system that allows for more granular and local activities and actions in certain cases and bigger scale up actions in others is going to be a difficult problem. But I think now across the board, across the political spectrum, people are thinking about these things seriously.

And I go back to my early comments. I think the city-region model that Jim pioneered is the right way forward for the moment for certain places. And that's critically important because so much of the productivity challenge in the UK is the underperformance of the UK's big cities outside of the south east of England.

And, you know, it's the Manchesters, the Liverpools, the Sheffields, the Bradfords. They have to be punching at their weight because they are so much part of the story of how to pull the rest of the regions along with them, those smaller towns and so on. If those big cities don't work in the way that they do worldwide, then the ability to bring along the rest of the towns and the smaller places is much more limited. So the city-region model is correct. The problem is it's not the solution to all places. So there has to be a more variegated architecture that also allows for places in Lincolnshire.

What do you do about Herefordshire? Lincolnshire? These kinds of places which are isolated. They don't have big cities. Much of the south west of England looks like that as you know. So it's a complicated story, but we do need to be able to scale up, scale down from Westminster, but scale up from local. I think that's broadly the story.

Bart: Nancy you're on the board of the Greater Manchester Local Enterprise Partnership. Does that model work? And is that the model you'd like to see in other places as well, or are there important lessons learned?

Dame Nancy Rothwell: So I wanted to make a point to build on what Phil said, that there is also an 'it depends'. And the 'it depends' is very much on the ability of local leaders to manage that devolution and that needs a fairly mature group of regional government working with industry, working with other players.

I've been on the LEP in Manchester since it started, it works pretty well but that's because there's a good mutual respect and partnership between all the different parts - regional government, industry, health, universities, you know, with a common view. Now that isn't always the case. Greater Manchester, as Phil said, had the advantage of a Combined Authority for a long time.

So I think the LEP in Greater Manchester actually works well. I'm told that in other places it's not as good. And in some places it's completely dysfunctional. So I think it varies. So you do need to take account of local leadership and having that ability to work together to deliver a common problem.

And I go back to our shared friend Howard Bernstein, who always said 'Manchester first, politics second'. And I think that's an important mantra actually.

Lord Jim O'Neill: Completely agree with that.

Bart: And, indeed, it's like you say – it's the human capital and skills of policy makers that's also important here. So Jim, you've been vocal on this when the regional elections and local elections happened just a week ago, before we recorded this, you wrote a piece in The Times and said this is the time to really empower local leaders to drive this agenda.

So what is the key to that empowerment?

Lord Jim O'Neill: I think politically currently, to be honest, it's not straightforward. In fact, the nature of the current government's electoral success and the weakness of the Labour Party might encourage them to move away from further de-evolution to big cities, because they would see it in a narrow way of thinking as delivering success to an opposition that's almost permanently defeated, which is very unfortunate.

But that's going to be tricky to navigate. That said, and I hope the more thoughtful than those natural sort of national political instincts, I think the genie is out of the bottle. And not only is there other nations within the United Kingdom that are pushing for extreme forms of devolution, i.e. no longer being part of the United Kingdom. But you're going to see more and more big city regions that have seen some evidence of doing things themselves, considering all sorts of things that are perhaps even incomprehensible today, unless governments do give them more powers to set their own agenda.

To some extent, it's also true a bit with London, but definitely for some of these places like Manchester, which has the spirit that Nancy says and the sort of swagger to want, you know, to want better, and it's very important that the government doesn't get stuck in this tribal national mentality.

Bart: So I want to spend the last three minutes on looking forward a little bit. Last week, just before the regional and local elections, the government's announced that later in this year, they will publish a landmark 'Levelling Up' white paper. The Prime Minister has appointed Neil O'Brien, MP for Harborough as his Levelling Up adviser. So there's a lot of action here in, in Downing Street, and I'm sure, at least I wouldn't be surprised if all of you will be asked for advice, but here you can go on air.

And, the question is, so from your perspective and particular perspective of raising productivity and what I would perhaps call inclusive productivity, because that's been so central to our discussion, what should be the top priority for you and his white paper?

If there will be one or two top priorities, what should I be given? Jim, let me start with you.

Lord Jim O'Neill: It's tricky, because as I've said, here's at least six different ingredients necessary. But I'd like them to consider in the spirit of something like the setting up of the Bank of England as an independent body that's now permanently part of British life. They need to perhaps consider bringing in an institution that is ran by elected experts, but includes powerful independent voices on a rotating basis to drive these things and have it as part of the permanent framework, irrelevant of which particular government's in power. The Bank of England's independence of course came from Tony Blair and it's, you know, not withstanding its own challenges, it's sort of thrived and succeeded through different colours of political parties.

And that I think we need to take the tribal politics out of this admirable effort that a government needed to kickstart.

Bart: Nancy

Dame Nancy Rothwell: I would probably, if pushed, put skills at the top of the agenda like Jim. But I'd also put in there a caveat that I think there isn't a single answer because I think it varies depending on different places.

I've been very heavily involved in the work of the Council for Science and Technology on R&D as a means of levelling up. But the key points that we would make as we have done in the first letter is R&D on its own is not enough. If you haven't got the people, the infrastructure, the governance, et cetera, it won't work.

And it certainly won't work for every place because in some places it's going to be a key driver. In other places, outside the city regions, unless they've got something very specific there you could argue, you know, West Cumbria - nuclear, Teesside - hydrogen possibly, but in general, it's going to be different and it's going to be at different stages for each one.

So I'm a bit wary of a single solution. I think we need a bit more nuance than that.

Bart: Yeah. There's clearly not a silver bullet by which we can do this. And that's a very important message coming through here. But if you would have to choose Phil, and you can just add to the other topics that already been on the agenda, or what you add to that agenda?

Professor Philip McCann: For me, the key thing is that devolution aimed at fostering, and I think you're right, inclusive productivity. This has to be productivity enhancement that cuts across society and is impacted in terms of good quality jobs, good wages, good entrepreneurial innovation culture, health-related, the whole thing.

But this is not something that can be done from Westminster and Whitehall. I think there's still a lot of people in the government system down in London who think this is something that government can kind of orchestrate, central government. It can't. What's needed is, cities and regions need to be given the toolkit and the powers and the legal authority, backed by central government, but they need to be given these powers and tools to actually start to develop these things and drive them locally.

Because that's then how you get, you know, local investors, local businesses, local civil society agents of all forms, interested and incentivised to get involved because actually there's something going on here, it's going to be big, we're going to be given the tools to do it.

That's how you build a coordination. And that's the key thing. It's not something that Whitehall or Westminster can do to the regions. But they need the tools basically to do it themselves.

Bart: Yeah. And that really shows the complexity here, right. Because you can, in a way, plan for all of this. If there's one takeaway from this discussion here it's that yes, you can put structures in place, but it's our people who are running it and there are different levels of which you can do things very well. So it's really complex. And sometimes you just need to experiment and see what works and what doesn't. So, a lot to come.

Lord Jim O'Neill, Dame Nancy Rothwell, Professor Philip McCann, thank you so much for joining us today, it was a great discussion.

Lord Jim O'Neill: Thank you, Bart. Thanks for having me.

Professor Philip McCann: Thanks a lot Bart. Thank you very much.

Dame Nancy Rothwell: Thank you.

Bart: Thank you. In our next episode, we will be talking about the future of work and how new technologies and innovation are changing the demand for skills and what we need to do to prepare our schools and colleges and businesses for building that skills base. You can sign up for the series for your favourite platform to make sure you don't miss out on any future episodes.

If you'd like to find out more about our events and other work at The Productivity Institute, please visit our website at productivity.ac.uk. Or follow us on Twitter and LinkedIn. Productivity Puzzles was brought to you by The Productivity Institute and sponsored by Capita. And this was me again, Bart van Ark, at The Productivity Institute.

Thanks for listening and stay productive.