# Levelling Up: The Need for an Institutionally Coordinated Approach to National and Regional Productivity

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**Abstract**

The paper argues that the UK's endemic regional-national productivity problems cannot be addressed by the UK's current institutional and governance set-up. The economic development aims of the Levelling Up White Paper need to matched by an institutional schema which allows for proper analysis, consideration and engagement of multiple perspectives and stakeholders to be fed directly into the design of the policy making and policy-delivery process. This requires the ability to coordinate different perspectives and interests so as to facilitate learning and coordination within and across the systems governing economic development, in order to help develop a suite of policy actions which can be deployed medium and long-term. This capability currently does not exist in the UK governance and institutional system, and this paper therefore argues that the establishment of such an institution, body or forum is essential in order to fill the current governance vacuum. The paper argues that the nature, form and logic of such a body can be gleaned by observing various international comparator bodies which undertake different aspects of the types of roles and tasks that a UK body must necessarily undertake. The six international comparator cases drawn from across four countries comprise three national bodies and three regional bodies. The three national bodies are: The Australian Productivity Commission, the New Zealand Productivity Commission, and the Netherlands Socio-Economic Council, while the three regional bodies are the North of The Netherlands Socio-Economic Council, the New South Wales Productivity Commissioner, and the New York Regional Plan Association. The options for a UK body comprising elements of these six institutions are discussed in detail.

## 1. Introduction

In the UK there has recently emerged a widespread awareness of the scale of UK regional productivity imbalances and their role in holding back national productivity performance. Recent official publications, and most importantly the 2022 *Levelling Up the United Kingdom* White Paper (HMG 2022), have spelled out the imperative for Levelling Up, which in economic parlance is about promoting interregional convergence, and these publications have reoriented public debates to focus more deeply on the deep-seated structural problems of the UK's economic geography. As part of this, the role that the UK's over-centralised governance system has itself played in these growing inequalities is also nowadays widely discussed, and possible solutions are being sought to help rectify these regional productivity disparities. In particular, there are many discussions regarding how the UK can transition to a more balanced and robust economic geography of productivity growth.

The Levelling Up White Paper (HMG 2022) set out twelve 'missions' for action aimed at addressing long-term issues, covering variously issues associated with: employment and productivity including cities; the geography of R&D investment; local public transport connectivity: broadband accessibility; spatial variations in primary school attainment levels; skills training attainment levels across places; geographical variations in life expectancy; regional wellbeing inequalities; quality of renting and house purchasing opportunities; localised crime and security variations; enhanced devolution for local governance. Many of these issues are interrelated in different ways in different regions, and managing trade-offs and building complementarities between these themes is a major challenge. In particular, this is especially difficult in the context of missions, because mission-oriented approaches are inherently top-down both in concept and in nature and without any countervailing institutions or governance systems such top-down approaches will always revert to the default option of being centrally orchestrated in terms of design and delivery. In an already highly centralised country such as the UK, whose fiscal and accountability systems inherently militate against devolved governance (McCann 2022), this represents an apparent paradox, in that Levelling Up requires devolved governance but the logic of missions potentially exacerbates the centralising tendencies of the state.

This paper argues that one possible solution to this transition problem can be found in the creation of a statutory and independent organisation to address productivity and, more broadly, economic development, similar to commissions operating in other OECD countries.[1] The UK productivity and economic development arena lacks any meaningful institutions which can help to facilitate such transitions, whereas other countries have set up bodies explicitly charged with addressing these types of issues. Each of these commissions has a different history, but the remits, roles and activities of these various bodies offer insights into what might be possible in the UK, and how such a body, institution or forum might respond to the Levelling Up challenge set by the UK government. The contention of this paper is that a UK version of these various bodies, which draws on elements of each of them, could play an important role in the facilitating the Levelling Up transitions, by acting as a countervailing measure to the inherent

[1] In 2021, The Productivity Institute and the National Institute of Economic and Social Research launched a Productivity Commission. This commission, which is completely separate from government, consists of independent (mainly academic) experts who collect evidence and provide policy recommendation on pro-productivity policies. See: https://www.niesr.ac.uk/partner/productivity-commission

top-down centralising policy-control tendencies, and a catalyst facilitating genuinely multi-level governance and shared management responsibilities essential make Levelling Up work.

In the UK, calls for such a body, institution or forum addressing specific issues have already been made by Bell et al. (2021) with regard to the challenges associated with fiscal devolution and by the Common Futures Network (CFM 2017) and the UK2070 Commission (UK2070 2018, 2019, 2020) with regard to spatial planning and regional economic development issues[2]. The OECD find that well-designed pro-productivity institutions can generally improve the quality of the policy process and political debate, and can make a significant contribution to evidence-based policymaking, as long as they are properly resourced, genuinely independent, and leveraging expertise focussed on medium and long-term goals (Renda and Dougherty 2017). However, as Banks (2015) explains, designing and implementing pro-productivity policies is always difficult because of both the technical and political obstacles involved. Complex areas of policy rarely can be addressed by adopting 'off-the-shelf' policy frameworks and instead require careful ex ante design involving public consultation and ex post monitoring and evaluation (Banks 2015 p.6). At the same time, political opposition will always arise from institutions or interest groups who feel threatened by proposed policy or governance changes aimed at overcoming impediments to productivity improvements where these are of benefit to them. As such, in order for these technical and political difficulties to be overcome, institutional arrangements need to be put in place which communicate to as many stakeholders as possible the wider benefits of any proposed reforms and to consider the distributional effects of any proposed changes (Banks 2015 pp.6-7). In order to ensure that these capabilities are in place, institutions fostering productivity would need: (i) the capacity to generate such knowledge and information, and (ii) to be embedded into policy-making processes which influence productive performance, or at least to be in a position to influence decision-making in those areas. Banks (2015) also argues that there are three further features that would also seem to constitute 'de minimus' requirements of any productivity commissions, and these are: (iii) a mandate to focus on the economy-wide impacts of relevant policies and to identify changes that would generate gains for the community as a whole; (iv) the body must have sufficient independence to ensure that research, findings and recommendations are not susceptible to undue influence by special interests, and (v) the body's operating procedures and outputs that are open to public consultation and scrutiny (Banks 2015 pp.6-7). The institutional challenges involved in establishing and designing a body promoting pro-productivity policies are already significant, so the OECD (2022) has set out clear guidelines as to how pro-productivity bodies should be established and set up. Since 2016, some 17 EU countries have set up national productivity boards[3], which now also meet regularly to share experiences and evidence[4]. In some cases, these boards are housed within existing bodies such as the CPB in the Netherlands, or the National Competitiveness and Productivity Council in Ireland, while there are also examples

[2] http://commonfuturesnetwork.org/mdocuments-library#

[3] https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/national-productivity-boards_en
https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32016H0924%2801%29

[4] https://www.strategie.gouv.fr/debats/conference-productivite-competitivite-zone-euro-un-environnement-incertain

where countries have established new bodies, such as France's Productivity Council based at France Strategie[5].

In the UK case, however, the specific Levelling Up challenge relates to promoting productivity enhancing policies and changes which specifically help the economically weaker regions, and doing so in a manner which is in the national productivity interest (McCann 2022), and not simply in the local interest. As such, the UK challenge relates to many of the challenges evident in other countries, but also has very UK-specific elements which need to be considered.

In order to address these issues, the paper begins by setting out the current UK economic and institutional context shaping the Levelling Up challenge. The paper then reviews the nature, composition, roles and remits of six productivity and economic development commissions from Australia, New Zealand, The Netherlands and the USA, three of which are national in nature and three of which are sub-nation and regional in nature. We then distil the five essential common features of any such commission which must be in place for it to function successfully. Taken together these six institutions provide insights as to what might be possible in the UK, and the key features of the institutional design problem within the UK are articulated explicitly on the basis of these international comparator cases and also the specifics of the UK context. Finally, some brief conclusions are provided.

## 2. Background to the UK Levelling Up and Institutional Problem

The UK has a deep-seated productivity problem (*The Economist* 2022), especially during the last decade. Between 2009 and 2019 the UK was the second slowest growing economy in the G7, after Italy and the latest forecasts give a similar prognosis for the coming years (*The Economist* 2022; *Financial Times* 2022). However, much of this associated productivity growth slowdown was associated with the productivity reversals and flatlining of many of the UK's regions, together comprising almost half of the population (McCann and Yuan 2022; McCann 2016: *The Economist* 2022). Between 1997 and 2007, all UK regions grew quickly by OECD standards such that the UK was the second fastest growing large economy in the G7 group of large OECD countries. However, in the aftermath of the 2008 crisis, the economically less productive regions of the UK economy declined, flatlined, or grew only very slowly (McCann and Yuan 2022). The result was that while London and its broad hinterland are still highly productive and resilient to these shocks (McCann and Yuan 2022), many parts of the country continue to face ongoing low productivity and productivity growth problems (McCann and Yuan 2022). If we only consider the southern regions of London, South East, East and South West along with Scotland, then we see that the more prosperous half of the UK collectively has a GDP per capita the same as Australia and Germany and higher than Canada and Finland, whereas the poorer half of the UK, comprised of the regions in the Midlands and North of England, plus Wales and Northern Ireland, have a combined GDP per capita score below the Czech Republic and Slovenia, and equal to Slovakia. No country in the OECD apart from Poland has such levels of interregional inequality (McCann 2020). In the UK, poor

[5] https://www.strategie.gouv.fr/english-articles/productivity-and-competitiveness-post-covid-cyclical-and-structural-analyses-third

national productivity and productivity growth is very much a geographical issue, and these national and regional productivity growth issues are therefore closely intertwined.

While it is nowadays generally understood that the UK has some of the widest interregional and interurban productivity inequalities of any industrialised economy (McCann 2016, 2020; Carrascal-Incera et al. 2020), and that by international standards, these interregional inequalities operate over very small distances, until very recently this was not the case. Mainstream thinking in economics had largely ignored these issues for many years. and this is also reflected in how questions about productivity are traditionally framed in policy discussions. Over more than four decades, the UK has adopted an overwhelmingly space-blind approach to economic policy (McCann et al. 2021), in which regional and spatial considerations have typically played little or no real role. To the extent that these issues were ever addressed by government, they were only ever a very marginal consideration, with total regional economic development expenditure never amounting to no more than 0.1%-0.2% of UK GDP (McCann 2016; Martin et al. 2021). However, this situation is now starting to change. The publication of the 2022 'Levelling Up the United Kingdom' White Paper (HMG 2022a) represents a much-needed, expertly constructed and long overdue recognition of the role that the regional productivity growth play in the national productivity growth story. The extensive and detailed analysis therein sets the scene for a wholesale reconsideration and reorientation of how the UK addresses economic development problems.

One of the key challenges facing the whole Levelling Up agenda is that the over-centralised nature of the UK governance systems has itself been a major contributor to the regional productivity imbalances (McCann 2016) which are at the heart of the deep-seated problems which the Levelling Up agenda is attempting to respond to. Yet, while the White Paper was an excellent document on many levels, of itself, it does not pave the way for the requisite governance reforms needed for Levelling Up to take place, in that it contained no legal provisions or specific recommended changes to the institutional make-up of the UK, other than recommending elected mayors at the county level or groups of counties (IFG 2022). At the same time, the various stated missions regarding progress on different socio-economic dimensions which were set out in the Levelling Up White Paper do not contain any specific details of how such missions are to be achieved, or what the institutional architecture for doing so looks like. These are all details which are still to be filled in, primarily by central government, and also to a lesser extent given their limited resources and autonomy, by sub-central government.

In order to begin to consider how such issues may be addressed, and what types of institutional changes might help facilitate and foster the Levelling Up agenda, it is first necessary to understand the key institutional features of the UK economic development governance landscape. Against the background of the UK's economic geography and its interregional productivity problems, from institutional and governance perspective, there are multiple challenges which need to be addressed in order for levelling up to be a reality, of which for our purposes here, three features are especially pertinent.

First, the *unbalanced power relations* between central government and sub-central government in the UK have almost no other parallels amongst OECD economies. The fiscal system of the UK is unlike that of any other industrialised economy, and without any federal institutional architecture, inherently works against devolved decision-making (McCann 2022). Moreover, many of the currently-proposed reforms to the system face the danger of exacerbating, rather than ameliorating, the regional inequalities, unless the underlying fiscal stabilised system is itself wholly reformed (McCann 2022). In terms of both fiscal and legal powers, the imbalance is immense, and even with the current tentative steps towards greater local devolution over recent years, the sums of money devolved to city-regions are miniscule in comparison to the size of their local economies and the challenges they face. These central-sub-central fiscal and power imbalances militate both against any locally-tailored policy-making and also inhibit risk-taking and governance innovation (McCann 2022). Only the three devolved administrations of Scotland, Wales and Northern Ireland have significant local powers, but in total they only account for some 15% of the UK population, so there are also scale-related imbalances with respect to highly-centralised England. Moreover, these features are also further exacerbated by the other features of the UK central-sub-central governance system outlined immediately below.

Second, there is currently very *limited genuinely devolved economic development capacity* in the UK, outside of the three devolved administrations and London and handful of the large city-region combined authorities. Local government autonomy (Ladner et al. 2019) and regional authority (Hooghe and Marks 2020) in the UK are akin to small central and eastern European countries. Moreover, the economic development capacity and capabilities of these local bodies vary enormously, with some institutions having significant research and analysis capabilities and strong engagement across their local industrial fabric, while other bodies have little or no such capabilities. Many of these bodies have little or no experience of working alongside other institutions outside of their geographical boundaries and across jurisdictional boundaries, making coordination on broader issues largely impossible. Over the last three decades, the various attempts by UK central government to implement institutional reforms aimed at fostering local economic development have foundered for different reasons. The Regional Development Agencies (RDAs) operating between 1998 and 2010 alongside the Government Offices for the Regions, had both policy design and delivery powers. However, a design fault of the RDAs was that although ostensibly they had a single pot of funding from which to draw and deploy policy resources, in reality these funds were top-sliced from central government departmental budgets. The unfortunate result was that central government ministers were continually interfering and overruling locally-designed policy proposals in their policy arena which differed from their own preferred national perspectives (McCann et al. 2021). The extent to which many RDA economic development programmes and policies were similar, was therefore not a result of imitation without consideration, but rather because of a genuine lack of governance autonomy. As such, the weaknesses of the RDA were largely a result of too much central government direction (McCann et al. 2021).

In marked contrast, their replacement bodies, the local enterprise partnerships (LEPs), have had little by way of either role, acting largely as a conduit for channelling funds emerging from policy initiatives designed by central government (McCann et al. 2021). The design and delivery activities of many LEPs have been limited, given that their original remits, legal bases and organisational logics were largely undefined from the outset (McCann et al. 2021). At the same time, the geographical definition of many of the LEPs bases little or no resemblance to the UK's economic geography. As such, rather than devolution, these forms of economic development policy schema reflect a combination of lower-level decentralisation and delegated responsibilities, rather than genuinely devolved policy making. Indeed, even now the architecture of the Shared Prosperity Fund (Brien 2022a,b; LGA 2022), the proposed replacement for the previous EU regional development funds, also operates in largely same way, and suggests very limited, if any changes, to this overall combination of very limited devolution and localism (Phillips and Zaranko 2022). Fragmentation and centralisation are still very much evident (Marlow 2022), along with major cutbacks in funding relative to the former EU funding schemes (Collier et al. 2022). The weaknesses of the LEPs were largely a result of too little central government direction, and a lack of central guidance and support regarding their design and remits. There had been little or no structured thinking regarding their role and objectives prior to their establishment.

Third, and a direct result of the first two features, is the *fragmentated and overlapping jurisdictional landscape* of the UK local and regional economic development governance system makes for an institutional environment which ranges from being somewhat unclear to being entirely opaque. The remits and roles of the different governance bodies in the arena, including devolved administrations, city-region combined authorities, local enterprise partnerships (LEPs), and new mayoral county-level bodies are evolving at different speeds in an intermittent fashion, subject to political changes and legal challenges. Indeed, this lack of clarity, allied with the power imbalances and the currently limited devolved powers and capacity, militates against more entrepreneurial approaches to local governance and institutional innovation. As such, it makes any steps towards more devolved decision-making haphazard and risky.

It is especially difficult in the UK to make progress on issues which require a degree of spatial coordination across local jurisdiction such as infrastructure provision and land use planning, inward investment attraction, broad-based innovation promotion, climate change mitigation and energy transitions, even in situations where it would be in the mutual local and national interest for such coordination to take place. This is critical, because many of the major economic development challenges associated with levelling up operate over large spatial areas, well beyond individual combined authority city-regions, counties or local enterprise partnership areas, and often including much broader hinterland or polycentric areas. For this reason, both the Industrial Strategy Council (ISC 2021) and the UK2070 Commission (UK2070 2020) advocated economic development powers being deployed at the scale of the former large Government Office ITL1 regions as well as the three Devolved Administrations, while the One Powerhouse Consortium (OPC 2020) recommended combining two or three such regions into even larger areas for the purposes of strategic planning. On the other hand, the type of civil society-based localism agenda (Kruger 2020) also embodied in the Levelling Up debates emphases very small area initiatives, often at the sub-urban or even local neighbourhood levels. The current UK institutional set-up for economic development finds it difficult to address both geographically broader and also geographically localised challenges, and largely for jurisdictional and legal reasons. The UK governance systems represent a combination of ultra-centralisation at the central government levels, and fragmentation at the local level. Apart from the three devolved administrations, there is, in effect, no meso-level of governance, as is typical in all other large industrialised states.

In terms of promoting higher productivity and better economic development across the UK regions, this combination of a lack of any effective meso-level of governance, allied with widespread fragmentation and devolution at small scales, leads to a fundamental problem which the current governance reforms outlined in the Levelling Up White Paper cannot address, and which have the potential to stymie or totally undermine the whole agenda: this is the question of scale. It is well known that many aspects of the economy require scale in order to drive productivity, and this is especially the case in terms of regions and economic geography. The international evidence on this point is overwhelming, but in the UK, the key regional economic problem is the lack of these scale relationships (McCann and Yuan 2022; McCann 2016). Therefore, promoting economic development in the UK's weaker regions requires explicitly addressing scale-related problems, alongside specifically local issues playing out at much smaller scales.

Addressing the scale-related problems facing UK regions requires overcoming two major governance challenges, neither of which are addressed by the proposed governance changes recommended by the Levelling Up White Paper. These two scale-related challenges are discussed in detail in McCann (2022), but here it is sufficient just to briefly outline them.

The first scale-related problem is that the architecture of the UK governance system is hyper-centralised, top-down and largely sectoral rather than spatial in thinking. This governance system is overwhelmingly pyramidal in nature, and can be depicted as Λ-shaped, i.e., an inverted V-shape governance system, whereby sub-central government is overwhelmingly dependent on central government funding, policy decisions and control systems. The Λ-shaped architecture of the UK governance system has two key features. First, this shape inherently maximises the degrees of separation between citizens and high-level decision-makers, and secondly it also generates congestion at the top of the pyramid for influence. Only well-connected businesses, social networks and London-based think-tanks and research institutes get a hearing (McCann 2022). The combined effect of this maximising of the degrees of separation along with the congestion at the top mean that the whole governance system inherently disincentivises and militates against any engagement from the bottom to the top (McCann 2022). As such, a key failure of the UK's pyramidal Λ-shaped governance system is that the central government fails to learn any new knowledge from local citizens, communities, and local governance activities (McCann 2022). While expert knowledge flows down the system almost no experiential and locally-specific knowledge flows up the system (Coyle and Muhtar 2021). The result is top-down policy-making which is largely devoid of any context, nuances or engagement with citizens (Slater 2022), and this represents profound and systemic *knowledge failure*, not simply a market failure or information problem as economists might typically frame it (McCann 2022). Other OECD countries address these knowledge problems by either becoming a small country, by federating or federalising, or by decentralising in the case of unitary states, such that the locus of high-level decision-making becomes heavily devolved to a meso-level of variously states, provinces, länder, cantons, autonomous communities, prefectures, or regional levels (McCann 2022). Across the OECD, although there is a wide range is sizes, the typical scale of these devolved decision-making institutions is a population of 3m-5m (McCann 2022)[6], and particularly in large countries. These sizes of polities are small enough to allow for ongoing mutual contact and knowledge flows between citizens and decision-makers, while also being large enough for the financing and staffing of a proper administration to be undertaken and for a policy to have an effect. Most of the areas to

[6] although they can range in size between a few tens of thousands (some Swiss cantons) to some 40 million as in the case of California

which devolved decision-making is being recommended in the UK are far smaller than this, especially county and LEP areas

The second scale-related problem is that across the OECD, sub-central governments have four basic functions, three of which naturally lend themselves to local accountability via local voting, and one of which does not (McCann 2022; Clark et al. 2010). The first three roles of sub-central government are what are known as *'citizen facing'* roles (Clarke et al. 2010) and these are, namely: the representation of citizens in the actions of the elected officials; the provision and delivery of household, personal and amenity-related activities and services; and the regulation of activities associated with the provision and enforcement of guidelines necessary for maintaining social order and community wellbeing (Clark et al. 2010; McCann 2022). These three 'citizen-facing' roles can typically be carried out effectively in terms of local government areas or even at smaller scales, but this is not the case for the fourth role of sub-central government, namely, the *'market facing'* role of stimulating and coordinating wider investment and economic development processes (Clark et al. 2010; McCann 2022).

The 'market facing' role of sub-central government is aimed at enhancing investment and economic development and this can rarely be justified at the very local level. Such activities typically are better undertaken at either a city-region scale or even at a wider regional level (UK2070 2020; ISC 2021), as the case in other large federal or highly devolved unitary countries. As mentioned above, in these other cases, many areas of economic policy such as foreign direct investment, supply chain development, skills training, innovation and R&D promotion are typically carried out at spatial levels of between 3m and 5m, because these economic development and investment activities operate in the context of wider and diverse market areas, geographies, timeframes, financing, partners and stakeholders, tools and audiences, well beyond very local areas (Clark et al. 2010; McCann 2022). Outside of the UK, in other large economies, many of these issues are rarely, if ever, addressed at a central national level, but instead are responded to primarily at the meso-level of governance. As a result, these more complex and varied 'market facing' activities often require different structures and organisational arrangements from the other three much more localised 'citizen facing' roles of sub-central governance (Clark et al. 2010). Enhancing the market-facing role of sub-central government is fundamental to Levelling Up, but the current devolution arrangements being advocated by the Levelling Up White Paper are largely silent on these issues.

In OECD countries, the meso-level governance tier is the arena where these market-facing economic development issues are typically handled as they offer the critical combination of short inter-personal distances allied with economic scale (McCann 2022). Moreover, the accountability dimensions of these activities are also typically addressed at these much larger scales, rather than at very local governance levels. In addition, these higher meso-levels of governance can also play a vital role in evening out local levels of competence and finances, thereby contributing to the equalisation within regions.

In the UK there is currently a great deal of confusion about the distinction between the three citizen-facing roles and the market facing role of sub-central government, with the widespread assumption that local cultural identity is essential for the accountability of all four sub-central roles. While it may well be the case for the three citizen-facing roles, this is not the case for the market facing role, because the activities and impacts span much wider geographies than local or county-level government. Other systems of accountability need to be developed. However, without any significant institutional or governance changes in the UK, and especially England, it is currently difficult to see how many of the intended goals of the Levelling Up White Paper can actually be delivered, given that fact that so little has actually changed in governance terms (Hawksbee 2022; Paun et al. 2022). The top-down ultra-centralised architecture of the UK governance systems has itself been a major part of the problem which Levelling Up is aiming to address (McCann 2016).

Therefore, in order to develop genuinely devolved decision-making and the associated policy-design and delivery capabilities essential for Levelling Up, these various insights and experiences suggest that in the UK getting the balance right between too much central government intervention and too little central government support in establishing greater local and regional devolved policy design and delivery is essential, and this itself requires much detailed thinking. Similarly, overcoming fragmentation and institutional opacity is essential in order to foster coordination on spatial issues.

Even if the fragmentation and overlapping institutional problems can be somewhat streamlined and rationalised, the current central-sub-central government power imbalances can only partly be responded to by empowering local and regional institutions via enhancing their fiscal and legal underpinnings. These changes are required in order to allow sub-central governments to become more proactive and innovative in local policy design and delivery. Yet, at the same time, many of the requisite behavioural changes can only be wrought by the actual experience of locally designing and delivering a greater range and portfolio of policies. The longstanding lack of local policy-making responsibilities and the associated lack of capabilities needs to be rectified jointly both via practice as well as institutional changes. In essence, this has to be a shared venture between different levels of government, in that it cannot be done by either local government alone or directed by central government. On the one hand, local governments need support in building up their capabilities, and on the other hand, central government needs support in helping local governments build up their devolved capabilities. Levelling Up cannot be orchestrated by central government, because central government itself has been a major part of the regional-national economic problem that Levelling Up is aiming to address (McCann 2016).

In most OECD economies there are intermediate meso-levels of government – variously defined as states, provinces, länder, regions, cantons, prefectures etc - which naturally act as the glue which facilitates economic development policy-making within a shared management framework across multi-level governance facilities and different spatial arenas. Even other large unitary states such as France and Japan have been through several decades of devolution, devolving economic development policy to units of typically between 3 and 5 million. Across most OECD countries, in many arenas of local and regional economic development these meso-level institutions play a crucial role, whereas these are largely absent in the UK (McCann 2022). As such, something of a new partnership approach needs to be developed between central and sub-central government aimed specifically at enhancing the institutional capacity and organisational capabilities of sub-central government in the economic development arena. OECD-wide (OECD 2019) evidence demonstrates that much of this can only be achieved by the actual experience of learning-by-doing and in the UK case, this is equally true for both sub-central and central government. This, however, still leaves open the essential challenge of exactly how central government can be encouraged to relinquish control in order to encourage and facilitate more devolved capabilities and actions. By definition, monopolies never selfreform, and this is as true for central government as it is for other institutions; either external shocks or external actors are needed to help alter the status quo.

In the case of the UK, and especially given the particular economic and institutional challenges facing the Levelling Up agenda, there is a case for the establishment of (a) new external actor(s) whose design and remit is explicitly aimed at facilitating this spatial and economic transformation agenda over the long-run. In particular, such a body, institution or forum would need to be able to undertake and facilitate roles which are currently not undertaken in the UK, and which international experience suggests are essential for promoting enhanced economic development. Given the specifics of the UK Levelling Up challenges, such a body would need: to be able to undertake and offer independent expert analysis on economic development to institutions in need of this; to galvanise evidence-based and policy learning from across the OECD in this arena; to facilitate the engagement of diverse stakeholders in order to bring multiple perspectives and insights to a specific regional or national productivity-related issue; to foster shared management in local and regional policy-design and delivery processes across different levels of government in order to correct for the pre-existing governance imbalances; to help in the coordination of long-term policy thinking and spatial planning, and; to encourage the brokering of long-term policy agreements between different stakeholders and jurisdictions. In particular, such a body or forum would need to be able to undertake each if these roles without being constrained either by the top-down institutional siloes inherent in central government or by the widespread institutional fragmentation evident at the local and regional scales.

This design of such an institution(s) might appear to be a tall order, yet there are already institutions elsewhere playing such roles, and therefore understanding the nature and roles of these bodies provides explicit pointers as to what such a UK body, institution or forum might look like. There are national bodies and also regional and local bodies operating in different OECD countries whose remits, roles and activities offer insight into what type of body, institution or forum could be set up in the UK specifically to foster Levelling up.

## 3. National and Sub-National Productivity and Economic Development-Related Institutions

There are a range of national bodies and institutions across OECD countries which address the complex issues underpinning national productivity performance (Banks 2015). The governance frameworks in this arena range thematically from relatively minimalist sets of institutions focused on regulation and competition policy to broader bodies considering socio-economic influences. All of the specific institutions and bodies being discussed here below encompass this much broader socio-economic approach, which obviously includes efficiency, regulatory and competition policy issues, but importantly these bodies are not confined just to these competition policy-types of questions. The enquiries they undertake are typically commissioned by national government, but sometimes these can be in conjunction with sub-national partners. In addition to narrower regulatory and competition policy issues, the commissions are able to examine distributional issues, issues which have cross-sectoral implications, environmental issues, trade issues, governance issues, legal issues, and also other issues of key social concern such as wellbeing, health, quality of life, and social inclusion, which do not neatly fall into traditional micro-economic types of arguments.

Most of the enquiries and projects undertaken by these bodies tend to last between six and eighteen months, and the commissions are typically working on several enquiries at the same time, with each enquiry or project being led by different commissioners. The Commissions have an informational and advisory role only. None exercise direct power and cannot of themselves implement any specific policies. Yet, their advice is actively sought, and their recommendations often taken up in the form of actions ranging from changes in policy setting to actual interventions. The work is aimed both at enhancing productivity and productivity-related issues and also finding ways to avoid future mistakes. As well as undertaking enquiries, these bodies typically also have their own in-house research expertise, and they have the capabilities to self-initiate research and produce research and discussion papers on key topics which are likely to arise in future enquiries. The commissions are typically funded permanently either by central government, by social partners or by other stakeholders or combinations of each of these, also depending on the nature of the enquiry. For our purposes when considering the UK's Levelling Up challenge, we examine the features and roles of six such bodies across four countries, three of which are national and three of which are regional in nature. The three national bodies are: The Australian Productivity Commission, the New Zealand Productivity Commission, and the Netherlands Socio-Economic Council, while the three regional bodies are the North of The Netherlands Socio-Economic Council, the New South Wales Productivity Commissioner, and the New York Regional Plan Association. We will now look at the key features of each of these bodies, and we begin with the three national bodies.

The Australian Productivity Commission (APC)[7] was established in 1998 under the leadership of Gary Banks, but the origins of the Australian Productivity Commission date back much further over a century to Australia's experience of tariff boards and industry assistance bodies. Discussions of the history behind the establishment of the Australian Productivity Commission are provided by Banks (2015) and Vines (2021). The APC currently has a dedicated staff of over 150, of which some two-thirds are economists. Many have expertise in other fields and are comfortable working alongside social policy experts, environmental studies experts, political scientists and people from other related fields. The commission can have up to a dozen commissioners in addition to the Chair, who has powers of a CEO and reports to the Treasurer. In all cases, the bodies discussed here frequently address topics which are politically sensitive, or which fall outside or overlap between the remits and siloed domains of individual ministries. The APC is typically conducting somewhere between half a dozen and a dozen enquiries or self-initiated studies per annum across a wide range of socio-economic arenas, from economic topics such as infrastructure performance and regulation, to social and environmental topics, such as the living conditions of indigenous communities or policies to address global warming. Over time, the APC has become more eclectic in terms of the issues it addresses and how it addresses them, given the evolving nature of the challenges that Australia and its component states face. The APC conducts public hearings and issues draft reports during its inquiries and while it is formally accountable to the national government, it consults with and can receive ideas for research topics from the states and territories. That said, it is operationally independent of government. Importantly, the parliamentary debates and official government responses on each recommendation must take place both in situations where the government

[7] https://www.pc.gov.au/

agrees to adopt and implement the recommendations and also explicitly where decides not to implement such recommendations. This ensures maximum visibility and likely political engagement from government and top-down national bodies as well as sub-central bottom-up actors.

The New Zealand Productivity Commission (NZPC)[8] was set up in 2011 under the leadership of Murray Sherwin, former Deputy Governor of the Reserve Bank of New Zealand, and its remit, legal and operational independence are enshrined in the Act[9] which established the NZPC. The Australian Productivity Commission (APC), and in particular the advice of its founding Chair Gary Banks, also helped in the process of designing and establishing the NZPC. Observers in New Zealand had for over a decade observed the activities and performance of the APC, and this experience helped smooth the process of establishing a similar body in New Zealand, to some extent modelled on the APC. The NZPC has a dedicated full-time staff of approximately twenty and the parent institution is the New Zealand Treasury. The NZPC is funded entirely by central government, except for joint funding with specific government agencies or ministries for specific research purposes where additional external capacity is needed. Over more than a decade, the NZPC enquiries have ranged from technological issues, public sector productivity drivers, better urban planning, low emission economies, new models of tertiary education, land use for housing, the effectiveness of social services, regulatory institutions and practices, trade relations, freight and transportation activities, housing affordability, local governance funding, to the immigration system. Similar to the APC, the NZPC enquiry reports are presented to the relevant Minister, the Minister of Finance, and the NZPC Act requires that the Minister table the report in the Parliament "as soon as practicable"; once tabled, it is then a public document. One recommendation of the NZPC itself was that the government make a formal response, a practice which has been generally adopted, although it is not specifically a formal requirement or obligation, nor is a parliamentary debate, which would only take place as a result of a specific initiative. The official response and any potential resulting parliamentary debate are intended to address the specific issues and recommendations of the NZPC, including where the New Zealand government decides not to implement such recommendations. A key experience of the NZPC is that the key issues regarding the institutional bottlenecks and missing links stymying progress on a particular matter are issues which traverse specific policy arenas or siloes and often spill over into other arenas. As such, they cannot be addressed within a narrow or siloed logic, but rather require more systemic approaches traversing different jurisdictions, institutional siloes, and communities of practice.

The Socio-Economic Council of the Netherlands (Sociaal-Economische Raad Nederland SER-NL)[10] was established immediately after the Second World War and comprises representatives of employers, employees, and independent crown-appointed experts. The tripartite composition of the SER-NL is ensured by having equal numbers of commissioners from all three main constituencies. The SER-NL is comprised of 36 commissioners, of which 12 are crown appointed, plus a full-time dedicated staff in its secretariat/bureau in The Hague of some 70 people. The Crown-appointed members include representatives of the Dutch Central Bank and the Netherlands Bureau for Economic Policy Analysis and the President. The SER-NL is independent from the government, including financially. The funding of €15m annually comes

[8] https://www.productivity.govt.nz/

[9] file:///C:/Users/mg1pm/Downloads/New%20Zealand%20Productivity%20Commission%20Act%202010-1.pdf

[10] https://www.ser.nl/en

from the private sector. The whole SER-NL meets monthly, and sub-committees working on specific issues also typically meet monthly, as well as monthly meetings of the crown commissioners. The remit of the SER-NL is both research-related, investigating issue of public concern, and also as a mediating forum for reaching agreements to be recommended to government. This formation of the SER-NL in the post-war reconstruction era to some extent can be understood in the context of the so-called Dutch 'polder' model which emphasises the reaching of broad-based agreements in social and economic issues. Consultation, deliberation and collaboration are seen as being paramount in the process of searching for agreements, and this is tradition still maintained today. Employers and employee organisations always seek the advice of the independent experts on a nonpartisan basis. While the early focus of the SER-NL was on labour relations and bargaining, its remit has naturally widened to broader societal issues, as the deliberative model which also addresses distributional issues represented by SER-NL is increasingly seen as being well-designed to address broader modern socio-economic challenges including social resilience and inclusion. Advisory reports are always made publicly available and can be produced on request of government bodies or unsolicited. Engagement with SER-NL requires pre-commitment from all stakeholders in order to reach agreements before advisory reports are be published. This pre-commitment to compromise is essential so as to address the trade-offs inherent in so many of issues being addressed. In addition, in order to counteract any potential rent-seeking or monopoly extraction-type behaviour, in a situation where others are all in agreement, any representatives using hold-out tactics are made public. In other words, moral suasion is an important feature of the work of SER-NL.

As well as these various types of national productivity-related institutions, there are also a range of sub-national productivity-related institutions whose different roles, remits and structures are instructive.

In the case of The Netherlands there are four sub-national regional socio-economic councils in the North of the Netherlands, Overijssel, Noord Brabant and Zeeland. The regional socio-economic councils in their present form have typically been in operation between 15 and 25 years, but were based on predecessors with other type of members that were established in the 80's and early 90's. The socio-economic council of the North of the Netherlands (Sociaal-Economische Raad Noord Nederland SER-NN)[11] was established in 2007 and just like SER-NL comprises representatives of employers, employees, and independent experts. Employees and employers are organized at the level of the North of the Netherlands consisting of the three provinces, namely Groningen, Drenthe and Friesland, although since 2018 it is only the Groningen province that operates as part of the council in an official capacity. The council is funded 50:50 by the province of Groningen and also by the national SER-NL, as described above. The regional socio-economic council responds to requests from the provinces and local municipalities to address issues of regional concern, but can also give unsolicited advice. SER-NN as a whole meets five times per year and in addition each sub-committee of the SER-NN has several meetings for each piece of advice it is working on. The SER-NN also meets with the President and a sub-committee of the national SER-NL in The Hague or in a region twice each year to ensure that regional issues are discussed at the highest levels[12], and tables joint

[11] https://www.sernoordnederland.nl/
[12] https://www.ser.nl/en/SER/About-the-SER/SER-in-the-region

letters to the national SER-NL on various topics two or three times per year. Occasionally a representative of the regional SER's joins sub-committee of the SER-NL. The SER-NN utilises economic and socio-economic principles to articulate problems and in searching for potential solutions it is able to organise focus groups and deliberative engagements with regional stakeholders, leveraging its advantage of being close to the local citizens and communities. The emphasis of its work is on finding practical solutions that can be implemented with the agreement and support of local stakeholders. Much of the research of the SER-NN is sub-contracted to universities and research institutes, given that it does not have a full-time bureau capacity in the way that the national SER-NL does.

The Australian State of New South Wales (NSW) has taken a slightly different approach to these issues. The state has set up a NSW Productivity Commission[13] which works primarily via the convening power and authority of a Productivity Commission*er* (NSWRC) model, rather than a productivity commission, as such. The State Productivity Commissioner, Peter Achterstraat, was a former Auditor General of NSW and currently holds several private sector board roles. The NSWPC model emphasises objectivity and independence of the commission*er* rather than commission independence per se, in the sense that while the commissioner is already highly connected across the commercial and governance fabric of the state, the commissioner is able to talk to anyone in ways that civil servants are not able to do. As Auditor General there is sometimes reluctance on the part of potential stakeholders to engage with the state role because of a concern of being criticised, and this experience meant that sometimes when recommendations were made, although they were initially accepted by the stakeholders, in reality they were sometimes not implemented. Moreover, there are serious governance imbalances within the state that limit engagement. NSW sub-state level governance is comprised of some 120 local councils, many with a population of less than 70,000, which are tiny in comparison to the NSW state with a population of 8.2 million. The 2014 *Fit for the Future* (NSWG 2014) local government amalgamation programme was only partly successful, and dependent on the mutual willingness of local councils to amalgamate. This inherently creates capability imbalances in terms of governance and capacity in state-local relations, and although some of them have formed regional associations of councils (RACs) for specific strategic purposes such as procurement, there are still serious governance challenges at the local level. The commissioner model therefore allows the NSWPC to play more the role of a 'friend' seeking positive solutions and outcomes beneficial for all, rather than being seen as an agent of a higher-level governance. Australian states have real powers and situating this role at this levels offers the possibility of effecting real change which is also locally tailored.

The Regional Plan Association[14] of the wider New York metropolitan urban region was established in 1922 and operates across the interconnected New York-New Jersey-Connecticut metropolitan region of 28 million people, spanning 31 counties, 782 municipalities and 13,000 square miles, and area approximately equal to the north of England. The New York Regional Plan Association (NYRPA) provides strategic and comprehensive planning capabilities, services and support to the region. The NYRPA is a not-for-profit forum funded by both national and regional philanthropic donations as well as by major employers in the region,

[13] https://www.productivity.nsw.gov.au/
[14] https://rpa.org/

some of whom are represented on the organization's Board of Directors, and all of whom have a major stake in the long-term success of the NYRPA. In addition, there is also some ad hoc government and corporate support on specific issues and projects, although no individual funder accounts for more than 5% of the NYRPA's budget. The original decision to establish it in this form rather than as a public body was because of the need to ensure it had both cross-party consensus and longevity, and this also allows the NYRPA the freedom to take positions on various issues which disagree with politicians and public agencies, wherever necessary.

The NYRPA is comprised of a highly regarded technical staff of some 40 people plus another 40 volunteers, as well as a board of governors comprised of senior people from different commercial, professional and government backgrounds, and with remits ranging from federal to state, city and local government arenas. The work of the NYRPA has four main themes, namely, energy and environment, housing and neighbourhood planning, transportation, and governance. In terms of the energy and environmental issues, the NYRPA's approach to addressing the climate change agenda is by means of proactive regional planning, smart policy development, and advocacy for sustainable land use practices. For the housing and neighbourhood planning agenda, the work of the NYRPA focuses on finding ways to make the region affordable for everyone and builds collaborative local plans focused on healthy, inclusive, and well-designed communities. In the transportation agenda, the work of the NYRPA helps to shape and strengthen the connected infrastructure and network systems, and in the case of governance, the NYRPA programme assists with the much-needed governance reforms to the governments, institutions and agencies which are responsible for investments and policies that cut across the region's three states and municipalities. In its century of activity, the NYRPA has produced over 400 reports, and its work always has a long-range time horizon of two decades or more.

The focus of its work tends to be in difficult contexts, addressing challenges that the standard political processes find hard or impossible to address, including many cross-jurisdictional challenges. The major strategic focus of the NYRPA is on struggling places, so out of the 762 municipalities, most of the work is with 100 or so localities and even this is concentrated in some 30 or so areas, and with no interactions with many of the wider region's wealthy localities. The key work of the NYRPA is via cross-jurisdictional convening and brokering functions between geographically contiguous municipalities or groups of municipalities on a thematic basis. Over the last century it has produced four regional plans, of which the fourth was published in 2019 (NYRPA 2019), and these provide the overall framework within which specific planning actions and interventions in localities are recommended and agreed.

The key aspects of the work of the NYRPA are longevity, continuity and working 'behind-the-scenes'. The research and advocacy roles of the NYRPA operate over medium and long-term public interest perspectives spanning decades, well beyond the life-cycles of individual political administrations, and this is especially so regarding infrastructure-related issues. Much of the work of the NYRPA takes place behind-the-scenes, in that it is away from the glare of either the media or politics, and emphasises long-term trust-building relationships to develop long-term perspectives for strategy development and action. Politicians typically receive the public credit for successful implemented ventures, whereas the crucial behind-the-scenes work of the RPA remains largely out of the spotlight, thereby enabling the institutional trust building which is so crucial for long-term strategic approaches. Moreover, over time the rotating high-level composition of the NYRPA's Board of Governors also builds a diaspora of advocacy across multiple arenas of governance and society. There are also other similar bodies in the US such as SPUR[15] in the San Francisco Bay Area, which operate on largely similar principles to the NYRPA, and many of these principles and approaches are also being deployed in region-wide spatial planning activities in cities such as Sydney.

## 4. The Essential Features of a Productivity Commission

The five key common features of each of these six national and regional Commissions in Australia, The Netherlands, New Zealand and the USA are independence, legitimacy, expertise, transparency, and longevity. These five key features are essential in order to persuade different stakeholders and all interested parties to engage with the commission's work in a constructive, substantive and detailed manner.

### *Independence*

In the case of the Australian, Dutch and New Zealand models, *independence* is enshrined in an Act of Parliament which set up these bodies as independent crown entities, which ensures that the activities of the commissions are not subject to any external political pressures. Although much of the work of the national bodies is publicly funded either by different arms of government or national stakeholders, it is not subject to the political whims of those in power. In the case of the sub-national state commissions in Australia and The Netherlands, these are funded at the state level and province levels, respectively, and as such, are to some extent subject to the political whims of local politicians and governments. In the case of the NYRPA, the independence is ensured by the fact that the forum is funded by a diversified mixture of philanthropic, corporate and public endowments and donations, which is independent of any particular political party or of any business or industrial interest groups, and with no dominant funding stream from any particular donor. However, the notion of independence also extends beyond funding, in that it is also about ensuring the credibility and authority of all of the actions and activities of the commissions. Independence is absolutely critical in situations where the data is simply not available and evidence has to be derived from different sources, formats and experiences (Banks 2011). In this sense, moral suasion rather than formal powers is an essential feature of the commissions' activities, and the essential independence of the commission is also ensured by the other four key features of the commissions, as listed below. Finally, independence also requires that the original terms of reference for any enquiry requested by government should not try to specify the answers being sought.

### *Legitimacy*

The *legitimacy* of these commissions is driven by the fact that their remit from central or sub-central government is explicitly to talk to all potential stakeholders, and in particular, to those constituencies who typically feel marginalised from such discussions. Giving voice to all parties is a key feature of legitimacy, precisely because all stakeholders engaging with the commissions feel that their views have legitimacy, and that this legitimacy is itself explicitly

[15] www.spur.org

acknowledge by the commission. The aim of the commission is to help to find solutions or ways of making progress on an issue or set of issues which are in the mutual wider benefit of all those affected by the issue. The objective is to ensure that progress which is ultimately beneficial to all parties can be achieved. Most important reforms may involve some losers, as noted above, but a key benefit of these processes is the ability to clarify these distributional implications and to consider the scope for ameliorations such as adjustment support or compensation schemes. As such, optimal solutions as textbook economists might understand them are rarely, if ever, on the agenda, with practicability, actionable suggestions and ease of implementation being high priorities. Recommendation are explicitly intended to avoid both rental capture by any particular parties, and not to entrench or enhance any pre-existing monopoly or monopsony-type interests.

The fact that the commissions do not represent any particular interest group or power structure is essential in order to encourage participation with the commission's activities, and over time the legitimacy of the commissions increases as citizens, businesses and governments and all see the outcomes of their work and their ability to shift public debates and perspectives, based on evidence and engagement.

*Expertise*

The commissions all reply heavily on *expertise*, and there are three aspects to this. First, the national commissions build up dedicated internal analytical teams comprising primarily economists, but also other areas of expertise including variously sociologists, geographers, psychologists, environmental scientists, public policy scholars, legal experts and data scientists, amongst others. This is essential in order to ensure the development of internal capabilities, such that the commissions are not overly reliant on external expertise. External experts are regularly brought in for fixed periods on particular enquiries or assignments, but external experts are also likely to be working for other bodies and priorities, so having the internal capabilities is essential to ensure both legitimacy and independence. The NYRPA has a dedicated internal team of planners and associated skills with high levels of technical expertise.

Second, both the Dutch and the Australian national commissions have crown-appointed commissioners, internationally recognised experts in their own domains, who are directly appointed by the crown, and therefore independent on the commissions' own functions or history. These appointees are politically independent, based on longstanding track record of international excellence in their own fields, and these appointments are typically of a 3-5 year cycle period, after which they can be re-appointed for additional terms. Most commissioners' maximum remits are typically for 8-10 years. In the Dutch SER, the independent crown appointed expert commissioners are typically in regular ongoing contact with the staff members of the bureau, and they also have their own meetings independent of either the employer or employee organisations. The Dutch regional socio-economic councils also have independently appointed experts, typically from universities and research centres.

Third, the topics for any enquiry should be the sorts of issues where the commission has something distinct to bring to the analysis, in terms of the breadth of the issue which commissions can address or the systemic perspective which the commissions can deploy. Moreover, as already mentioned, the topics should be tractable in some sense.

*Transparency*

The *transparency* of the enquiry processes and the different aspects of the work of the commission is essential for building public confidence. This is ensured via three main aspects. Firstly, the enquiry processes proceed in a well-publicised manner with a call for evidence and the details and accessibility of a consultation process, followed by the publication of a draft interim report, a follow up consultation on the draft report, and the publication of a final report. Secondly, all of the documents produced by the commissions at each interim and final stage of the process are made publicly available and posted on the official websites of the commissions. All stakeholders involved in the discussion and deliberation processes are also listed. Thirdly, in the case of the Dutch, Australian and New Zealand national commissions, the reports and recommendations produced by the commissions have to be tabled and addressed in a debate in parliament, and the government has to respond publicly to each of the recommendations, including and especially in the cases where they decide not to implement such recommendations. In terms of the involvement of the media as part of ensuring transparency, in the case of the Australian and New Zealand Productivity Commissions journalists are encouraged to challenge and question the draft initial or interim reports, as well as the final report. In the case of the Dutch commissions, journalists are able to question members of the commissions, but not until the final reports have been produced, ensuring that the deliberative and negotiation-related activities of the commission are not affected by media or political pressures. Either way, engagement with the media is a crucial part of the transparency dimension.

At the same time, the processes of deliberation and advocacy initiated by these commissions also involve high degrees of discretion, and this is the case for both national and regional commissions. Addressing complex societal issues requires trust-building between people and institutions in order to facilitate cooperative behaviour and the development of a shared common purpose and goals. Such delicate deliberation processes demand discretion as they are being undertaken, and this discretion is not in conflict with the principle of transparency. Of essence, deliberative processes must take place ‘behind-the-scenes’ and behind ‘closed doors’, precisely in order for people and institutions to be able to come to agreements which are to be made transparent.

*Longevity*

Having longevity is essential for the commission’s credibility for two reasons. First, longevity is required in order for the commission to follow through on the monitoring of its recommendations and to assess the extent to which the issues it has advised on are in reality being adopted in the medium and long-run. Second, this longevity is also essential in order to ensure that all stakeholders engaging in the commission’s activities and processes themselves take long-term views on issues, rather than being driven primarily by short-term considerations. Third, longevity is essential if the private sector and civil society sectors are going to take the commission’s recommendations sufficiently seriously as a platform for action. Fourth, some of the issues and recommendations do not immediately translate into policy due to changes in circumstances, changes in ministers or changes in governments, and it can sometimes take several years for commissions' recommendations to be realised in public policy. Longevity is therefore essential to allow for such timelines, and also to facilitate monitoring of the progress of the implementation of recommendations.

While these five features are common for each of these six bodies, where the regional and national commissions do differ slightly is in terms of their scope and engagement. The regional commissions are somewhat closer to the citizens and communities than the national commissions, in that they have a more particular geographical focus and as such, are able to engage in more detail with particular localities. Much of their work is taken up with finding very specific and actionable to solutions to local problems which can be readily implemented in the local context. In contrast, the national commissions have a wider remit, and are able to address issues on a wider scale, aiming to reconcile competing interests, and searching for solutions which tend not to be specific to a locality or region. Their recommendations tend to be on a somewhat higher, broader and less-specific level than those of the regional commissions, which tend to be more specific in both focus and context. As such, while the national and regional commissions share many common features, they also differ in terms of their remits and focus.

## 5. The Regional-National Productivity Institutional Design Problem: Options

The design and remits of the various different productivity, socio-economic and regional planning commissions investigated here each offer various insights into the nature, and possible solutions to, the UK-specific regional-national institutional design problem. As already mentioned right at the outset, the institutional challenges involved establishing and designing a body, institution or forum promoting pro-productivity policies and which also explicitly address the Levelling Up challenge shares many of the challenges evident in other countries, but also has additional and very UK-specific elements which need to be considered. In particular, the body or institution must have sufficient authority to influence decision-making both centrally and regionally, while also providing a non-partisan platform for facilitating horizontal and vertical cooperation between levels and jurisdictions of governance. Following parallel debates in the USA, the UK body, institution or forum needs to be a thought-leader, a capacity-builder and a coordinator, as well as possibly a resource provided, although the latter is a topic for further debate, whereas the former three features are essential (Liu et al. 2022). On the basis of the OECD (2022) guidelines, the experience of the six international comparators examples discussed here, and also explicitly considering the specific issues associated with the Levelling Up regional-national productivity challenges (McCann 2016), at this stage there are various key features which any such institution(s) should exhibit:

(i) First, any UK regional-national institution for productivity must be genuinely independent in order to ensure both objectivity and longevity. This independence must also extend to resourcing and staffing questions. At present, almost all local and regional economic development-related advice in the UK is generated via the private sector consultancy arena, but the types of systemic issues being considered here go well beyond anything that an individual consultancy can provide. At the same time, the UK experience is one of constant instability and changes in the institutional and policy landscape (IFG 2017; Cook et al. 2020), as new government and ministers aim to change the governance system to suit their own preferences. In Australia, a lack of any statutory or legal basis has weakened or even undermined the state-level productivity commissions in Victoria[16], Queensland[17] and South Australia[18], all of which at various stages have either been re-absorbed into other institutions, or their remits have shifted somewhat between a productivity focus to something closer to a competition and regulatory focus. In The Netherlands, the regional commission for the province of Zeeland is also currently on the verge of being wound up, but in two other provinces there are currently plans to establish a regional SER. Given the UK history of institutional instability a statutory basis of independence would appear to be essential, but the ongoing personal engagement of appointed commissioners along the lines of the NSW Commissioner model would appear to be advantageous. Moreover, the lack of any major philanthropic tradition in the UK probably rules out this type of funding model as the major source of independence. In other words, a body or forum whose primary funding comes vertically from central government, but which has statutory independence and longevity, is one obvious option, but this faces the risk of central government undermining the body via cutbacks in funding. Another alternative approach would be for sub-central government bodies throughout the country to agree to provide annual funding along the lines of the German Ländespraesidenten-Conference, a regular grouping of the leaders of the Länder with no statutory role but huge power and influence both amongst the Länder and with central government. This nationwide and horizontal binding-in of sub-central government would then guarantee the financial independence of the body or forum from central government. In either the vertically-funded or horizontally-funded arrangement, if additional philanthropic funding could also be guaranteed, then that would further bolster the independence and capabilities of the institution. Indeed, even a combination of vertical, horizontal and philanthropic funding might be a workable solution, thereby binding in all elements and forms of governance into a common endeavour.

In the UK there is already a precedent for such a body and the statutory basis of this type of independence, given that this is already enshrined in the establishment of the UK National Infrastructure Commission. The members or commissioners for a UK regional-national productivity and economic development body, institution or forum should be appointed for fixed but renewable terms, and in order to ensure genuine nationwide participation, some commissioners should be nominated by each of the regions, with some members or commissioners also appointed by the Crown, i.e., central government, independent of any particular region. In terms of the commissioners' own independence, it is possible for some commissioners to be already working in the arena, as is the case with the commissioners in the UK National Infrastructure Commission. Each of these features will help to ensure independence alongside engagement.

[16] https://www.dtf.vic.gov.au/victorian-competition-and-efficiency-commission

[17] https://www.treasury.qld.gov.au/queenslands-economy/office-of-productivity-and-red-tape-reduction/
https://www.treasury.qld.gov.au/queenslands-economy/office-of-productivity-and-red-tape-reduction/former-queensland-productivity-commission/

[18] https://www.sapc.sa.gov.au/

(ii) Second, the new body needs to establish its own internal expertise with a highly experienced bureau in the policy and policy-learning arena, including a strong technical secretariat with expertise in economic modelling and analysis, amongst other fields. This requires central government funding in order to be to scaled up, with further funding from the bodies initiating enquiries or requesting assistance. The Netherlands, New York and Australian secretariats have some 70, 80, to 150 staff, respectively, and these numbers indicate the complexity of the issues being addressed and the institutional capacity required to address these issues. Given the sheer scale of the UK's Levelling Up challenge and its critical role in the UK's long term productivity growth future, the internal capabilities of any UK institutions should be of similar orders of magnitude as these Dutch, New York or Australian cases. Moreover, for legitimacy reasons, the new body, institution or forum should have capabilities at least equal to any other research institution or consultancy operating in this arena, as well as the ability to bring outside expertise into its activities on a case-by-case basis.

(iii) Third, the choice of topic or theme on which the UK organisation's work centres should be able to come from either central or sub-central government bodies, within the gauntlet of challenges thrown down by the Levelling Up White Paper providing the framework in which requests should be made. One of the key features of each of the six commissions surveyed here is that the nature of the topics investigated, deliberated and recommended on, go much further than a very narrow definition of productivity which focuses primarily efficiency criteria. These broader and more nuanced interpretations of productivity-related issues are very different to what many observers might expect be the issues which economists consider. Issues of resilience, safety and security, wellbeing and quality of life, as well as distributional and inclusion impacts are all explicitly considered, given that they heavily shape societal responses. In the UK context, this implies that both the economic dimension of Levelling Up as well as the social dimensions of Levelling Up are central features which the commission should address. This mix of thematic areas for investigation, deliberation and negotiation links short-term to medium and long-term agendas, and does so explicitly from a cross-silo and cross-sectoral perspective. These types of commissions are uniquely placed to address these complex issues in a multi-thematic and multi-method manner which allows for engagement across multiple stakeholders and constituencies. Indeed, the genuine combining of analytical, empirical and experiential knowledge is something which is central to the work of these commissions, and underpins the participatory legitimacy of their activities, not least when making recommendations.

In the six international cases surveyed here, the enquiry topic requests typically come from government. In the case of the national commissions in Australia, New Zealand and The Netherlands, national government typically choose topics for enquiries and agree terms of reference with the commission. In the case of the state-level bodies in Australia, states can also request or commission enquiries, and requests for the NYRPA come from local municipalities or counties, as is the case for the province-based regional commission in The Netherlands. There are also some specific cases where requests to the national commissions are partly a shared venture between local and national governments. As such, in the UK case, requests for enquiries or assistance should be able to come from both local and regional bodies, either individually or collectively, as well as from central government. This also rules out any top-down imposed mission-oriented approach to prioritisation, and this is essential to foster both bottom-up learning as well as top-down consideration. In addition, the enquiries and research of the body can also dovetail with those arising from other bodies. In Australia, the work of the Australian Productivity Commission and also the state-level productivity commissions interact from time to time with the work of Infrastructure Australia[19], the Australian equivalent of the UK's National Infrastructure Commission, as does the work of the NZPC with the NZ Infrastructure Commission[20], while the work of the Dutch socio-economic councils often interact with the work of the CPB Netherlands Bureau for Economic Policy Analysis and the PBL Netherlands Environmental Assessment Agency. Indeed, the Crown-appointed members of the SER-NL include representatives of the Dutch Central Bank and the CPB Netherlands Bureau for Economic Policy Analysis. Having specific remits for these institutions does not in any way preclude working on issues which build on and complement the work of other institutions and agencies. In the UK there are various other such bodies producing research which can be incorporated into the work of the proposed institution either via literature reviews or bespoke work programmes.

(iv) Fourth, the new body's or forum's work practices must build trust with potential partners and stakeholders. Independence is not simply a legal or statutory matter, but also a question of ethics. Moral suasion plays an important role in the increasing the impact of the work of all of the institutions surveyed here, and building of trust-based inter-personal relationships across the UK's economic development landscape must be a clear priority. Having a wide range of members drawn from different walks of life helps with this process, as long as their role is explicitly understood as not advocating for, or defending, their own particular sector or interest group. This is critical, because in all of the commissions surveyed here, a work style which is intentionally and explicitly collaborative is essential. A key focus of these bodies is to foster engagement and discussion and this deliberative approach itself, allied with the research capabilities and expertise of the bodies, is what helps to draw out the evidence, insights and ideas on which recommendations for action will be based. Indeed, in case of the Dutch national council, pre-commitment is essential, ensuring a willingness to find solutions and to foster collective responsibility and agreement. This principle of horizontal pre-commitment to an agreement is essential for the group of stakeholders to address the compromises which are always evident in trade-offs, in the hope thereby that complementarities can be constructed. In particular, in the case of the three regional commissions in NSW, NYRPA and SER-NN, the regional convening and brokering functions are critical, and this is also true for the national commission in the Netherlands (SER-NL). As such, a UK body, institution or forum needs to display a convening and deliberative dimension which also develops a culture of the seeking of agreement and commitment on the part of all stakeholders engaging with the new entity.

(v) Fifth, another design problem concerns the relationship between national and regional representation and activities. The remit of the new institution would be explicitly to foster Levelling Up, so the regional and local focus would need to be built into its core roles. At the same time, the experience both the Australian and Dutch sub-central bodies, and especially in the light of the constant top-down orchestrated institutional instability in the UK, suggests that a national-regional body, in which the overall legal independence of the national body also covers its regional arms, would be essential. At the same time, the overall forum or institution would still need regional representatives as part of its governing body and this representation must be nationwide. The US Federal Reserve and the German Fraunhofer Institutions both

[19] https://www.infrastructureaustralia.gov.au/
[20] https://www.tewaihanga.govt.nz/

have this kind of national-regional organisation, in which the regional bodies play a central role in the operations and activities of the national forum as well as in their own regions. An alternative model of separate bodies is also possible in the UK, and again there is already a precent for this. In the UK the three Devolved Administrations[21] have their own independent national infrastructure commissions, whose remits are functionally and legally independent from each other and also from the UK-wide National Infrastructure Commission, in part reflecting the fact that different forms of infrastructure have different patterns of UK-wide or devolved responsibilities (NIC 2018). In the case of an organisation or group of organisations addressing national-regional productivity and productivity-related issues, it would be possible for the devolved administrations to have their own entirely independent bodies in a manner similar to the Australian states, whereas this would be unrealistic in the case of England, given the need for an independent legal base.

(vi) The final design problem concerns the topical remit of the body or forum. The core economic problem facing many of the regions of the UK is their underlying poor productivity performance, which itself underpins the low prosperity and broader socio-economic weaknesses of these regions. The specific economic and governance features of the UK's regional-national economic problem (McCann 2016), means that the remit and focus of the new body, institution or forum has to be squarely on the core issues of productivity and regional economic development. The body must avoid becoming too widely dispersed in its areas of enquiry and deliberation, and it must only address other broader topics in the specific sense that they have direct or indirect implications for the productivity and economic development agenda. Otherwise, the focus of the commission or forum will tend to be pulled in too many different directions and its remit and mission will consequently tend to drift away from the core issues which mark the UK out as an outlier amongst rich countries. The most important economic challenge facing the UK economy, and which shapes almost every other societal issue, is that of poor productivity and in particular the poor productivity of almost half of the UK population (*The Economist* 2020). This is the key challenge which needs to be addressed.

## 6. Conclusions

The contention of this paper is that an independent and statutory organisation for productivity and economic development could be very important in the UK in order to ensure that the Levelling Up transition processes are both meaningful and effective. While the arguments for Levelling Up were expertly made in the 2022 Levelling Up White Paper, the current institutional and governance set-up is still ill-suited and ill-equipped to bring about the intended transitions. While setting out missions is important from the perspective of driving goal-oriented policies, such mission-oriented approaches inherently lean towards further top-down and centralised policy orchestration, something which is fundamentally at odds with Levelling Up. Similarly, simply asking localities to draw up and develop economic development plans which are then assessed by central government for funding readiness simply perpetuates the status quo. In contrast, the type of body, institution or forum being proposed here would explicitly adopt a different perspective, whereby the role of central government and of any

[21] https://infrastructurecommission.scot/
https://gov.wales/national-infrastructure-commission-wales
https://www.gihub.org/articles/infrastructure-commission-northern-ireland/

ostensibly ‘national’ policies in these processes are open to questions just as much as that of sub-central government. The new organisation could be expanded from, and built upon, the experiences from the current UK Productivity Commission, which was established by The Productivity Institute and the National Institute of Economic and Social Research in 2021.[22] This commission has no statutory affiliation with government and is a body which is primarily focused on pro-productivity policy recommendations at the national level. The scope of the work of the newly proposed institution would be much wider, and would also include deep engagement at the regional level, but this body provides a potential template for how to move forward. Importantly, if well-designed, such an institution would be uniquely equipped to address both vertical and horizontal governance relationships as well as spanning public, private and civil society arenas in the search for a common purpose underlying all national and regional actions. While some may argue that the Westminster system is inherently more resistant to allowing independent bodies to influence the policy-making process than the governance systems operating in other countries, the experience of both New Zealand and Australia suggests that there is nothing inherent about this. Similarly, suggestions that such a body or forum would not work in a primarily unitary country are belied by the experience of both The Netherlands and New Zealand. Finally, the argument that institutional fragmentation precludes the effective operation of such bodies is refuted by the US example. As such, taken together, the six independent productivity and economic development bodies surveyed here each provide clues as to how such a body or forum may be constructed and operated within the UK in the service of Levelling Up.

[22] See https://www.niesr.ac.uk/partner/productivity-commission
https://www.niesr.ac.uk/wp-content/uploads/2022/06/Productivity-in-the-UK-Evidence-Review.pdf

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