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- **Sir Anton Muscatelli**, Principal and Vice-Chancellor of the University of Glasgow (AM)
- **Dame Diane Coyle**, Co-director of the Bennett Institute for Public Policy at the University of Cambridge, and Co-Director of The Productivity Institute (DC)
- **Andy Westwood**, Policy Director at The Productivity Institute and Professor of Government Practice at The University of Manchester (AW)

How often have you heard the word productivity during this election campaign? Not so much I suppose. Surely it isn't the most glamorous topic to get the votes coming. But how much will productivity matter to make all the election promises which you have heard about come to fruition? We are going to find out. Welcome to our election special of Productivity Puzzles. [Music plays]. Hello and welcome to Productivity Puzzles, your podcast series on productivity brought to you by the Productivity Institute. I am Bart van Ark. I'm a Professor of Productivity Studies at University of Manchester and I'm the Director of the Productivity Institute, the UK wide research body for all things productivity in the UK and beyond. Welcome to the special edition of Productivity Puzzles on the election of 2024. No, we hadn't seen it coming either and therefore had not planned this election episode before the summer, but here we are following the announcement of the general election in the UK on July 4th. And of course we won't spare you listeners by ignoring this and not shedding a light on the election from the viewpoint of productivity.

Those of you who've listened to the last episode of our trilogy on firm productivity may wonder what happened to that bonus episode that I promised on business model innovation with Chandler Velu and Charlie Mayfield, well, we have actually recorded that and you'll be able to listen to that when we release it in mid July. But in the meantime let's talk about the election. The election manifestos which were published in the second week of June 2024 sparsely recognised the importance of productivity. As I just said, it's not the most glamorous topic to voters to be excited about when you're canvassing on their doorstep. But for any incoming government productivity will need to run through the core of the policy agenda in the coming years, because, let's face it, most of the plans that are out there will only be possible if it goes together with faster growth in the economy.

Currently labour productivity measured as the growth in GDP per hour worth is on a growth trend of less than half a per cent. If you want to afford the much needed public investments in the economy without having to raise taxes or grow our national debt productivity will probably need to go up to about one and a half or two per cent growth. The good news is that that can

be done, as the UK has shown during much of the 1980s, 1990s and early 2000s, and it should be the ambition of a new government to realise another big acceleration in productivity growth. Pro productivity policies includes a wide range of policies.

Now, to be fair, most political parties in the plans and manifestos do get at bits and pieces of those policies and they may make a difference if fully implemented, properly funded, coordinated, and committed for the long term. The Productivity Institute just published a short document where you can find some analysis with the party manifestos related to our ten point policy agenda. The proof will ultimately be in the actual policy detail as it will emerge in the coming months. For now the conservative party manifesto presents policies that support innovation, infrastructure development and regulatory reform. The Liberal Democrats and the Labour party both dedicated sections in their manifesto with a focus on adding at least some more funding to public services and provide businesses with certainty about the path forward, fostering partnerships and aligning policies with long term growth and environmental goals.

But will it be enough, and what can reasonably be done soon and make a difference and what will need more time? To work us through this complex range of topics I have the pleasure of being joined by three very experienced policy researchers. Sir Anton Muscatelli, who's the Principal and Vice-Chancellor of the University of Glasgow, one of TPI's partner universities and economists who's worked on a wide range of issues on monetary economics and fiscal policy, international finance and economics. Sir Anton has been a special advisor to the House of Commons Treasury select committee on fiscal and monetary policy and he has advised the European Commission and the World Bank. Anton, great to have you on today and looking forward to your comments.

AM: Great to be here, Bart. Looking forward to it too.

BvA: It's been some time but I'm very happy to welcome back to our podcast Dame Diane Coyle, Professor of Public Policy at the Bennett Policy Institute at University of Cambridge. Diane is our theme lead in the Productivity Institute on knowledge capital and she's the lead editor of our productivity agenda which outlines the key areas for pro productivity policies which we published last year. Diane, good to see you back again.

DC: Thanks for inviting me back, Bart.

BvA: And last but not least we have also the pleasure of being joined by my TPI colleague, Andy Westwood, Professor in Public Policy, Government and Business at the Alliance Manchester Business School at the University of Manchester. Andy is the Policy Director for the Productivity Institute and a co-lead of our research theme on institutions and governance, and he brings a lot of experience on government policy, a lot of practical experience

too, especially also in the fields of higher education and regional development. Andy, great to have you this morning.

AW: Thanks, Bart. Lovely to be with you and to be with Diane and Anton.

BvA: Good. I'm sure we're all set up for a really good conversation here. A lot to talk about. Obviously a lot going on. But let's perhaps just begin to take a little bit of stock of where we are on pro productivity policies in the UK. What has been done well over the past couple of years or past couple of decades perhaps and where have we still a lot of homework to do, where have we perhaps even weakened compared to other countries. So maybe you can start by giving us a little bit of lay of the land.

DC: Clearly the reason that we're talking about productivity is that it's been flat lining in the UK for pretty much 15 to 20 years, and although productivity growth has slowed in lots of our peer economies it's done so more in this country than others, so we've got a particular problem. One can point to the very longstanding problems in the UK economy, and we'll probably pick up on these later in the conversation, but things that jump out to me are no rate of investment across the board, policy churn, and we're actually seeing in the differing manifestos the fact that there's remarkably little consensus among the parties about what needs to be done to get the economy growing more and therefore people's living standards improving more, because if the productivity growth doesn't increase then living standards aren't going to go up. That's what it's all about fundamentally.

Now, we do have some strengths. So you can point at areas of strength in technology. I'm talking to you from Cambridge where we've got the Cambridge tech cluster, we've got some real areas of R&D strength in a number of different technologies and universities. And there are a few good things that I could point to. In the budget Jeremy Hunt, the Chancellor, made permanent the 100 per cent tax deduction full expensing for investment in plant and machinery, so let's hope that sticks. The digital markets competition and consumers bill I think is a good milestone in an approach that is aiming to make markets work better for consumers. So there have been some good things, but that's against a background of a big long term problem and just too many changes in policy. People don't wait for long enough for anything to work.

BvA: You said there are some large differences between parties in how they're thinking about these things in the manifestos. My impression is that there is actually not all that much in it when it comes to this topic.

DC: Well, I guess what I'm thinking of is just a fundamental debate about what will boost growth. Is it going to be tax cuts, is it going to be investment? That's quite a key thing when it comes to what's going to happen to the public finances.

BvA: Where my concern is that the depth of the ideas in there is perhaps not all that deep as you would want to. But, as you said, we'll certainly come back to that. Anton, what's your impression of the lay of land at the moment?

AM: I think Diane has covered the main weaknesses, and I think it's really very serious. I think the current malaise in the UK is not just something that's happened in the last four or five years, it's something we've lived with since the great financial crisis. And I think that's where I do worry a little bit, as Diane has mentioned and as you have mentioned, do we have enough ambition in these party manifestos to tell us what we might do differently. If it's a complex mixture of investment, skills, regional inequalities, all of the above, you need a really complex plan and a delivery plan. I would agree with Diane that some things are positive. Despite everything our R&D intensity now has recovered to what it was before it dipped. We saw good increased in the 2000s around R&D intensity, and in fact although there's some questions about the data and how this has been collected lately, we are seeing the UK closer within the mix of OECD countries in terms of R&D spending as a percentage of GDPs. And that's great, but unless we take advantage of this wonderful R&D we're not going to turn around productivity growth.

BvA: Andy, you've been around in some of these election campaigns before. When it comes to this specific topic on productivity and growth I think more generally because productivity is obviously more closely related, do you think it looks different than it did, say, five years ago? Is the debate different at the moment when it comes to these kind of policies?

AW: I don't think it's that different. I think we're obviously in a particularly interesting political moment where Labour have written a manifesto for a government that they expect to form, so it makes the manifesto very cautious. The Conservative manifesto has majored on the particular direction of travel they've been taking in the last few years, and, as Diane's mentioned, that's very much focused on tax cuts, shrinking the size of lots of things. So there are some aspects that are different, some that are confirmation of directions of policy thinking that have been emerging over the last few years. But I think we should remember that these are very political documents, focused on people rather than people like us, except as voters. They're trying to set a story out obviously where votes can be won, but they're trying to set stories out that aren't going to go into huge amounts of detail in the policy approaches that are going to underpin their approaches to governing.

In the context of productivity, for example, you're never going to get a whole load of detail on productivity in some of the manifestos, particularly at this moment in time. Really that big moment for us I think is going to come with a promise of an autumn budget and attach to that details of the spending review that will either sit alongside it or come after that, and obviously by that stage, particularly in Labour's case if they form the new government then a much more detailed growth strategy. I think we just need to be careful

that the manifestos are a set of documents aimed very much at telling a story that will affect individual people and the real detail on productivity and growth we should expect much more from a budget in the autumn, a spending review or the process of planning towards a spending review, and a set of growth strategy documents that will accompany those set piece fiscal announcements. So it's important to remember that we're in the political moment rather than necessarily in the detailed economic moment about either what's happened or what's to come.

BvA: But let's look at the last 12 months that has led up to this. Of course you're totally right. Obviously these manifestos don't have a lot of rhetoric in it so maybe the differences are actually larger than they really are. But if you look at the discussion over the last year, for example, Labour, but also where the Conservative government has been heading in terms of their policy making the last year, where do you see the big differences?

AW: The big difference, as Diane has already set out, is they're now starker. It's very clear from the Conservative manifesto and the announcements that preceded it their vision is now a much more right wing vision, it's about a much smaller state, more tax cuts promised in the future, a central view that a smaller state and paying less tax will drive growth. And Labour who are headlining on growth, and that's notable in itself, but doing so through an industrial strategy, through an active government. They're desperately trying to say that's not going to cost them a lot more money, although obviously we'll all have our own views about that over the course of a parliament or two. And of course the Lib Dems, and we shouldn't forget the Lib Dems in this, are also committing to an industrial strategy. Actually when you get down to the detail of an industrial strategy you do see that the Conservatives are still committing to spend lots of things on new technology, some of those strengths that Diane described. So there are still some similarities about growth, but those broad narratives about, one, an active government driving it and on the other a government very much stepping away and letting others do it is I think the key difference.

BvA: The point that you made on the Conservatives and their difficult relation to industrial strategy, we also made a comment on our election special which is on our website that although they don't mention it in the initial strategy there are clear elements of an industrial strategy also in the Conservative party manifesto.

DC: Well, I guess one of the issues that having an industrial policy or strategy or not is that all the other countries that we engage with in the world have industrial strategies and if we're the only one that's not going to do it we're going to lose that gain. So thinking about long term interventions and the supply side of the economy and playing to your strengths is really important. Digital is one of the areas where you might argue that UK has got real strengths, and we've got some great researchers, but it needs work because we've got very few large companies. The ones that we have that are sizable are owned by overseas companies now. There's a lot of very

small companies that need to scale up. That needs some kind of strategy in how do you grow that market, how do you ensure that the supply chain is in place, how do you ensure that the skills are in place.

So although there's lots of talk about digital, what I really hunger for and haven't quite seen from any party is a proper national strategy that covers everything from investing in data centres to the investing of data. I've seen it closest in a speech by Peter Kyle from the Labour party where he did touch on all of these different aspects for digital strategy but didn't quite describe it as this is an industrial strategy for an area of the economy where we could actually grow quite significantly in the UK.

AM: Yes, I would agree with that. I think what we've seen from Labour so far is an attempt to present us with a canvas, and Rachel Reeves' Mais lecture around Securonomics was an example of that. We want to create a more stable economy. There will be an industrial strategy but we're not going to show you all the detail on that yet. But one other area which I've felt they've been very silent on, and for good reason because it's been a difficult debate, is the interaction between an industrial strategy and trade policy. Let's assume that we are outside any kind of big trade area because that's what both main parties have committed themselves to. You still need to interact with the major trade areas because they will have industrial strategies that are now totally driving their trade policy. So how are you going to sit visa vee the European Union when it comes to the energy market, electric vehicles? That's going to be an important element of any productivity growth revival. So that's the bit that frankly hasn't been painted in at all and I really would like to see some kind of strategy emerging pretty quickly after the election.

BvA: So before you continue let's talk a little bit more about that, because you're absolutely right, of course that is not being debated very widely, except for the liberals of course, they are very clear about what they want in their relationship with Europe. The other two main parties are staying away from that for somewhat understandable reasons. But the question I think I have to you is what would like to have seen in terms of a trade strategy that would make a difference?

AM: Not easy because it takes two parts to negotiate a deepening of the trade cooperation agreement. Theresa May, as you remember, in an attempt to try and straddle the middle ground between being in a single market and being outside began to talk about elements of, I think they were called buckets, if I remember correctly, in different sectors and how you might reach deals in this. Now, we're getting some hints around financial services and one or two areas where there may be discussions, but I can understand why they don't want to do it because anything they say might be shot down by the European Commission, might be shot down by individual European countries. But in essence what they have to do is to explore a situation which hasn't existed before in Europe which is a large country like the UK with a sizable economy wanting to implement a new industrial strategy that

is going to impinge on Europe, and what do they do in terms of these big markets which they will be interacting in. I'm not expecting anything before the election. I think after the election what I would expect is perhaps a really intense period of negotiation to see whether anything can be done particularly around these key sectors.

BvA: Yeah, that's a really good point. I think you're absolutely right, whatever party's going to be in government they will have to be much clearer about that in going forward. Let's move on and take a bit of a deep dive on a couple of issues that we've already touched on in this beginning of our conversation. The one that I think you mentioned very early on, Diane, was investment, and of course investment is widely addressed in most of the manifestos and also in all the talk that we have around the elections. There is I think a fairly common awareness that investment in the UK is way too low, that we've been falling behind both in terms of business investment but also in terms of public investment, and this needs to get improved but obviously very much constrained by the fiscal rules and overall situation with our own economy and the global economy. So, Anton, what have you seen in the manifesto and also in all the talk around it that makes you comfortable that we have clear ideas about what needs to be done but also what is it where you think much more work is needed before we get this right?

AM: Well, I think again what we're seeing is largely from Labour, again partly because, as Andy said earlier, the Conservatives are focusing on tax cuts and reducing the size of the state over the next few years. The problem with the Labour position is that they've had to retreat on some of the major investment, not promises but indications that they made earlier, partly because they were a bit concerned about how they were going to fund this. So the 28 billion around a green recovery disappeared, so instead we have a much smaller promise here. We have a promise around a national wealth fund which they want to capitalise, I think it's 7.3 billion is the figure. They've indicated one or two areas particularly around rebuilding the steel industry, upgrading ports and building supply chains and so on.

Now, 7.3 billion sounds like a lot of money to the everyday person, but actually it's a very small blip in terms of the public finances, and it's nowhere on the scale of public investment that will be required in some of these areas to, say, drive the net zero economy or indeed to make a substantial difference to drive productivity. Now, they've talked about this crowding in private funding. I think they've quoted a figure of £3 of private money for every £1 of public money around the national wealth fund. There is no description of the mechanism whereby that's going to happen. We know they've been talking to pension funds of course. They've had initial discussions, but I think we await to see the detail on all of that.

I mean, tying this to the fiscal rules, in a sense what Labour have had to do I think in their eyes to gain economic credibility with the electorate is tie their hands on the fiscal rules. I think as economists, many economists have

suddenly made the point that the current fiscal rules don't make a lot of sense. We have a high debt to GDP ratio in the UK, just shy of about 100 per cent of GDP, largely as a result of what's happened obviously over COVID. But there is no magical figure for the debt to GDP ratio. There's nothing which when you go above a certain level becomes unsustainable. So I would have liked them to begin to sketch out what an alternative fiscal rule might be, not simply one which says at the end of the forecasting period for the OBR we'd expect debt to GDP to fall. I don't think that's enough. I think they need to say exactly what they want to do around public investment within that.

Now, we have a hint again that public investment will not be rotted back into balance, that there will be borrowing for public investment, but we don't have any idea of the quantum there. So again I can understand for electoral purposes you don't want to go into that level of detail but soon after election and whether it's in the first spending review you really want a credible fiscal rule, a credible fiscal plan for public investment, otherwise I don't think we're going to get out of these doldrums.

DC: The Mais lecture that Anton mentioned earlier, Rachel Reeves did say that they would separate out capital and current spending, which is a good step towards the better fiscal rule, because the danger in seeing that as limiting what you can spend on investment is that you're trying to shrink the debt part of the debt GDP ratio and you end up shrinking the GDP part even more, so you're getting in a downward spiral. So somehow we have to bootstrap ourselves out of that and doing some public investment that crowds in private investment is part of it. Some of that is infrastructure. I would class some of education and health spending as investment as well because you don't have a knowledge economy with a population with a lot of long term sickness and where pupil spending has not been going up for years. So they all need some investment.

But there are also tools that the government can use to encourage private investment that don't involve spending money. Industrial policy tools like tax credits which are income that you're not going to get but that's because things are growing. Or advanced market commitments or an absence of policy churn, both of which de-risk private investment and help encourage that. And I think there's a whole array of tools that the next government will be able to use to focus on private investment too. And I would add also looking at the regulated industries where the regulators have let them get away with a shockingly low level of investment for too long.

BvA: Andy, what do you hear about this in Westminster behind the scenes? It's obviously very clear from an economist point of view that you hear Labour basically saying we can invest once we have growth, but we're probably in a situation in the UK where so many places are in such low growth modes that we can't just wait for the growth to happen unless we make an investment first. So we have to rethink this.

AW: There's just a huge moment coming shortly after the election where there'll be a period where the mood music changes, and really for Labour that's the moment to either take this opportunity and do something different or not to. Obviously in the election campaign and in the time leading up to it, somebody already touched on this with a discussion about Brexit and Europe, all the definition around the campaign has been led by the government. It's been these are the fiscal terms within which we want this election to be fought, and through the campaign we've seen the headlines on tax, on spending, various accusations about what different parties are going to do on that, and that has hemmed everybody in I think. But obviously it's hemmed Labour in, and, as Anton said, that goes back to having to row back on other spending commitments that they've had such as on the green prosperity plan many months ago. It's clear that for now and until the election happens all of that is being dictated...all of that debate is really being led and dictated by the Conservative party.

If Labour win and if they win with what's predicted to be a decent majority then all of that changes. All of that changes pretty much overnight. It's how much appetite they have to hit the ground running. As Diane said, with Rachel Reeves' announcements at the Mais lecture about spending rules particularly around capital and current spending there is a massive opportunity again running up to the autumn budget to spell out a different way of doing this. And I think the braver they are the better they will be. They will all be thinking back to that moment in 1997 when the Bank of England gained independence and the set piece moment that that offered a new government that wanted to signal change. And people are studying that for political reasons as well as economic reasons. Taking that opportunity and saying this is how we're going to think, this is how we're going to act, this is how we're going to use the mandate we've been given.

AM: One of the points I've made in the last couple of weeks is that I think a new Labour government needs to buy itself some time. Whatever you're going to put in place around the infrastructure, productivity growth, public investment, is going to probably take three, four years to show in the growth figures. So the question is what are you going to do in the short run, around the short run conjunctural position, if you like, to make a difference? One of the things they could do, and unfortunately they are beginning to box themselves in slightly around net migration is to allow a bit more skilled migration in, particularly in sectors...and it doesn't have to be sophisticated high tech sectors. There's a lot of areas of the UK economy where of course you want to increase the supply of domestic skills, but in the short run if you manage to just release things slightly on that front you could generate enough growth to give yourself a little bit of margin for manoeuvre, not only on public investment but also on public services, where, let's not forget, there'll be a massive clamour for additional investment in that first budget, and they're going to have to hold the line. So I would like to see some relaxation of that in the short run to buy themselves a bit of time and to get a bit of an increase in GDP growth, even though that's not changing the trend of GDP growth in the long term.

- BvA:** Just to pursue that a little further as inactivity rate can definitely be reduced, we can bring some more people to the labour market, we can increase the amount of skilled workers but it will be probably within political constraints on how much that can be. It still feels to me that will be relatively small to make a difference. I understand the timing, but is it going to be big enough?
- AM:** It won't be big, you're absolutely right, but even if over the first two or three years you can gain point three, point four per cent in terms of GDP growth it will deliver enough room for manoeuvre in terms of public investment and public service investment, and they needed all they can get. You can imagine what would happen if, for instance, because of external factors we actually begin to have a slowdown in the UK economy, it would make their life even more difficult. So I agree politically this is difficult, but skilled migration is one of the few levers they can do something about pretty quickly. And after an election they won't have the same political pressure on them.
- DC:** The way that being quite short term is baked into the OBR's assessment, the Office of Budget Responsibility, so they look at what's going to happen if various things change, be it migration or investment, over the next three to five years, and they do look at the supply side of the economy, but nothing that gets done in the first two or three years will have a big impact for a long time. We're talking about long term things. So we do have a framework that militates against thinking about what will make a big difference in the long term, and I would quite like the next government to have a look at that bit of the OBR's remit.
- AW:** The first two or three years of particularly a Labour government, if they win, is going to be dominated by building institutions or rebuilding institutions. So we know that they're committed to bringing back the industrial strategy council, but essentially it will feel like a new institution possibly, we hope, with an expanded remit. But they're also committed to a new national infrastructure authority, Skills England, a series of new institutions across the spaces that we'd be looking at. But also a series of deep and big reviews and public sector reform in different parts of the world. So all of that takes a lot of time and a lot of effort and doesn't deliver a very quick return. In fact, it can be very challenging, particularly with trade unions in some of the public institutions, the public services. There is a big process of rewiring, reviewing, reforming and institution building that we're going to have to go through. And crucial to that I think will be how Labour approach a first three year spending review. Because alongside all of that recreation of the state if you like they're going to have to work out what pots of money each of those processes and each of those institutions get. I expect that they'll end up doing a three year spending review probably about 12 months in rather than this autumn, but at that point all the parameters will be set, but it's going to take us a little while to get there.

AM: I do hope they try to rebalance the spending department with the Treasury. Various people have come into this debate, even Gordon Brown essentially weighed in, and Institute for Government has and The Productivity Institute has. I mean, there are different ways of doing it. One way would be to create an executive committee of cabinet with all the relevant spending departments with both the Prime Minister and the Chancellor chairing essentially looking at cutting through some of the issues around the interface between different spending departments. And it really does matter. I've seen certainly during the Conservative years where there's been some very good interventions occasionally around levelling up. They've run into the limits of other departments. We need to join it up, and, as Andy says, we need to rewire the way which government works. So I really do hope they do that pretty quickly because again, as we've said, whatever they do in the first year or so will take years to actually have an impact.

BvA: Okay. Well, we still have more to discuss, particularly what we see in the parties' plans to help the economy become more innovation and skills based, although that was of course already mentioned. But also how can we have a better regulatory framework, especially around planning and infrastructure. But before that let's hear about what else is happening at the Productivity Institute.

[Music plays]

F: The Productivity Institute is a UK wide research organisation that is dedicated to understanding and improving productivity. Research covers a wide range of topics, including business investment and innovation, skills and further education, foreign direct investment and trade and the transition to net zero. The institute also provides detailed analysis of productivity in the English regions, Scotland, Wales and Northern Ireland. Visit www.productivity.ac.uk to access the Productivity Institute's resources including research papers, blog posts, insights and regional productivity score cards.

BvA: Welcome back to the special election episode of Productivity Puzzles in which I'm discussing the challenges for a new government to raise productivity growth as the key to improve the economy of the UK. I'm discussing this with Sir Anton Muscatelli of Glasgow University, Dame Diane Coyle of Cambridge University, and my Manchester colleague Professor Andy Westwood who heads the Productivity Institute's policy work. Now, Andy, let me turn to you. Talk us a little bit though some key policy pillars of a more productive economy and that skills and innovation. One of the UK's problems is that we have too few companies, too few regions and places in the UK that are really innovating and firing on the productivity results from that, and to a large extent that really starts with skills. Too little supplier skills in those areas, perhaps too little demands in relation to that, and certainly there's a mismatch, the skills that we do have quite often tend to be in the wrong places in the UK. It's a longstanding

problem. But where do you think the parties have real thoughts about making this work better?

AW: Well, none of the main manifestos are lacking measures on skills policy. Lots of pledges to increase apprenticeships, for example, in the Conservative manifesto at the expense of higher education places. Others, Lib Dem and Labour, just to increase particularly apprenticeship options for young people. Lots of commitments for FE reform. Labour are keen to create a new generation of what they're calling technical excellence colleges. That's a proposal that's been around for a while. Lots of interest in how these translate to good jobs, not just for young people but good jobs for everybody, particularly in the towns, cities and regions that haven't done so well in recent decades. But obviously there's a lot of talk. There's a little bit less talk about how much funding goes to those things. A little bit less talk about particularly apprenticeships, how much it's dependent on employers stepping up to offer the jobs and offer the training within which apprenticeships have to happen. And I think a degree of uncertainty about how further education apprenticeships, lifelong learning and universities fit together in this space.

They're all part of the human capital picture nationally and within regions and within countries of course, because a lot of these responsibilities have devolved across Scotland, Northern Ireland, Wales and England and they operate differently in each place. We should also look here not just at the main manifestos in the general election, we've also had a load of elections for mayors and new combined authorities in England. Many of those manifestos headlined on skills apprenticeships, creating good jobs, and as well as on transport, housing, all the things that we would I think agree with in terms of areas to focus on for the next few years as those institutions evolve and get built up.

I think the crucial thing will be how those different layers relate to each other. What is going to be the relationship between these new headline policies that are promised by different parties at a national level and the various strategies that different mayors, whether it be Andy Burnham in Greater Manchester, Kim McGuinness in the North East, Tracy Brabin in West Yorkshire, Richard Parker, the new mayor in the West Midlands, how they mesh together, where the power really sits to respond to employer investment and how those areas drive some of those new local growth strategies, whether they're local industrial strategies or local growth plans. And different political parties obviously have different names for that and different mechanisms. That I think will be very interesting to watch.

DC: This seems a really important potential area to me because the kind of mismatch that you were talking about, Bart, differs greatly in different places depending on what the economic activity is, and one of the shortages that always emerges in conversations in our regional productivity forum in this region is the shortage of people with mid level technical skills, so not necessarily degrees but the technicians that would work in the high tech

companies, for instance. Exactly what they do, that depends on what are the big companies and the supply chains operating in the region. That's the kind of coordination that's much easier for local government to do than of people sitting in Whitehall and Westminster to do. So if you want to tackle the mismatch problem then devolving some of that coordination and funding seems really important to me.

BvA: So, Anton, you're leading a major university and have been leading that for many years in an eco setting in Glasgow where you're so engaged with the business community but also with the technical education community. We're facing quite a few headwinds in the next couple of years and it comes to overall funding for education. Where do we think we need to make most progress?

AM: I absolutely agree that we need to make most progress around those intermediate level skills but also where those feed into higher education occasionally. I mean, a large number of universities are now involved in apprenticeship delivery as well, and actually it's back to a point that Andy made. One of the big problems so far is that Labour has set out that they do worry about the funding elements and how they interface between different parts of the tertiary system, but there isn't a grand plan. And even if on day one they say well, look, there's a problem here and we're going to have to address it and we're going to set up a review of funding of tertiary education it's going to, again, take two or three years to deliver that. So I think some of the answers will lie, as Diane and Andy said, in what happens locally in terms of coordination. It's some of the unglamorous but important stuff around getting greater collaboration between FE and HE. To be fair actually in parts of the UK like Scotland they've generally been better, although I will say one thing that in terms of funding graduate apprenticeships that's generally been better in England than it has been in Scotland because of the nature of the funding system.

I would add one other thing which I think is quite important, because Andy spoke quite a bit about obviously mayoral devolution to city region level, but one of the problems for Wales, Scotland and Northern Ireland is that there's this other layer which is around devolution, and devolution in the UK has been set up in such a way as to completely separate certain areas of competence. I really think again it's something that Labour will need to address. They will need to look at what do you do about interventions in a city region like Glasgow. Now, the Conservatives have done it simply by saying we've got some money here and we'd like to interface directly with the city regions where they've done city deals. I think it needs something more systematic in terms of how the multiple levels of government interact in the UK so that Wales and Scotland particularly don't get left out of these discussions around what do you do at city region level. Because if we're serious about local growth deals they can't just apply to the West Midlands, Manchester, Liverpool, et cetera, they've also got to apply to cities like Glasgow, Cardiff, et cetera.

BvA: Before we move on, Diane, I really wanted this segment to be about skills and innovation because they're obviously so clearly connected. When you think about innovation the question really is to what extent does a new government really have to take a leading role? We're facing some really large technologies like artificial intelligence, for example, where you think there is a large role for government to bring the various partners, business, education system and the public sector together. Do you see there's clear thinking around this in politics or do you think there's still a lot of hard work to be done there?

DC: It seems to me to be a problem with coordination. So it isn't that we don't know what needs doing, it's what are the institutional arrangements of coordinating across all the different entities both public and private that would be involved in that. That's why an industrial strategy is important because it does offer the way of doing that. The Labour party's talking about mission boards that would coordinate across its different missions. They're quite broad. So it doesn't really speak to the very locally focused specific strengths that we're talking about. I think we need a map of which parts of the country do which things well, and in a much more granular way than the policy discussions usually take place, because there are different kinds of AI, there are different kinds of biomedicine and different areas and universities will have quite variable strengths, so can we probably using local vehicles put together the coalitions that will be needed to deliver both the public policies and the private investment that's needed. That includes things like utilities. If you're going to do AI you need data centres and you need electricity supply to data centres. Who's going to make sure that the grid has the capacity to enable that? So it's a big coordination problem.

AW: Yeah, I think that's absolutely it. It's very difficult when you enter government not to very quickly see all the different plans you've put in place, whether that's in manifestos or in access talks, get developed, and quickly the departments that are responsible for those run away with them. So in the case of skills in England the Department for Education could very quickly get obsessed with what skills England looks like, how it works, how apprenticeship reform works, and immediately you forget all of those really front and central challenges that Diane's just described about coordination and place and industrial strategy. If what we know needs solving to make this deliver growth and productivity and good jobs in regions that have lacked them then the thing that we most want to see is diffusion building absorbed to capacity so that workforces in those places, new technologies can take strengths and assets of particular sectors and deploy them in growing workforces around the country. Then you need to resist that temptation of just allowing the different silos to get on with their own things, and you need to consciously build those ways of working at the local level.

If, for example, Labour do go down the road of mission boards they need to work out a way of making those things central to them and making, whether it's mayors of Greater Manchester or possibly even mayors of Greater Glasgow, Anton, part of this conversation, and instrumental at

leading it, because otherwise you end up with a skills system doing what it's always done which is its bit somewhere over here, the R&D system doing what it's always done which is its bit probably somewhere else, and government not really paying enough attention to bringing them together and aligning them in the places that really need those connections to work.

BvA: Okay, so the last couple of minutes of this podcast I want to spend on what is a bit of an evergreen during elections which is regulation. So politicians of all kinds like to tell us that they don't like regulations, they don't like red tape, they want to get rid of it, until they're in government. But at the same time we also know that in an increasingly complex economy, as we've been discussing, you cannot simply rely on the famous or invisible hand of the market. So we need institutions and some rules that make them work, and that certainly matters for productivity. We can talk about regulation from many perspectives but I think the one big issue that's looming very big at the moment is the role of planning for infrastructure but also for housing and for other spatial issues. It sort of clearly feels that we're not doing this right in the UK right now, haven't been doing it right for a very long time. Is it really more difficult here than it is elsewhere what should be done now, and have any of the parties come up with ideas that would make a difference?

AM: One of the things that makes the UK much more complex is actually its spatial inequalities. The fact that so much economic activity is driven in the South and South East of England, that of course some of the issues there around planning are complex. At the end of the day, look, if you listen to the business community, British Chambers of Commerce or other business voices, it's very clear what they are saying needs to be done to the planning system. They want some urgent improvements. The first is resourcing the planning system properly. One of the really big issues, and I see that in cities like Glasgow, there aren't enough planners, frankly, so council planning teams are understaffed and actually supplying some of that, and again you're coming back to the tertiary sector having to fulfil a need pretty quickly, so no matter what system you have, unless you have a properly resourced council planning system, regional planning system you can't do anything about it.

The other thing is probably trying to create a more stable planning system. Again, that's what business wants. They don't want a system that's changing all the time, and that operation has to be relatively unhindered for a certain period of time. And then I suppose, and this is where it gets controversial, do you drive greater business need, do you prioritise business need more within those planning decisions around both housing and indeed things like Diane already mentioned, great connectivity, et cetera. I think you do have to, but that will make you pretty unpopular as a government because of pressures, particularly in crowded areas like the South and South East of England. So I think these are the kind of things that have to be done, but I do worry that Labour government will come under pressure pretty quickly by people who say well, actually we don't want lots

of new housing built here, we don't want greater connectivity to run across our beautiful local landscape, et cetera. Really difficult decisions there I think for an incoming government.

DC: It's not just business need, is it? It's also environmental need. Do you want a wind farm spoiling your view? Are we allowed to put solar panels on the roofs of old buildings in Cambridge? That's just a straight choice.

BvA: So having some professors of public policy here, including yourself, Diane, I think a key question here is probably true for any policy but certainly here is the sequencing of this, where do we start, both from what is possible but also what is delivering results that people will buy into and that gives political parties the remit to actually do it. How would you outline an agenda there that could get things going?

DC: Oh my goodness, what a question. Any new government will have to start with things that are going to improve people's lives daily because the everyday experience of potholes, can't get an appointment at the GP, even in your engagement with the private sector you quickly get into voicemail or chat bot hell and you can't choose what tariff is going to be best for you. Life has got complicated and worse off for lots of people, and the cost of living crisis on top of that. So there have to be some short term things and I would concentrate on the health service I think because that affects so many people and it has a longer term impact on human capital, the economists' unlovely term for the ability and productivity of the workforce. So I'd probably start there. But it's going to be tricky. I'm very glad I'm not Rachel Reeves or whoever would be a Conservative Chancellor were they to defeat the opinion polls and form the next government.

BvA: Andy, going back to planning, infrastructure for a second, particularly when we look at the North of England where you and I are and some of the challenges that we're facing there. You mentioned earlier the important role for the wider authority mayors to play in this as well. So what is the connect here between central and city level, regional level that is where you need it?

AW: This is going to be one of many fascinating things, particularly if Labour win the majority that the pollsters predict. As Diane and Anton have both said, there are going to be some big fights. We shouldn't underestimate actually how much Starmer and his colleagues in the Labour front benches have said that they're up for those fights on public sector reform and planning reform. It feels like there's some ambition to really take those on. All the political lessons, particularly if you win a big majority, is do them early. If you're going to upset people you're better to do it sooner rather than later. And they'll all be aware of that. I think knowing that you're prepared to have those fights and knowing that you need to do that quickly I think will be very interesting because I think they will also need to find ways to do exactly what Diane's just described, because if you're going to have those fights

you're going to upset people early on, you've also got to find ways to make people think things are improving quickly at the same time.

Around planning, that needs to be about infrastructure, it needs to be, whether it's health, education, some of the softer social infrastructure, people need to be able to see that things are developing alongside those developments, whether it's housing or infrastructure, that people might be anxious about. But I think it also comes down to that relationship between the centre and the local. It's been fascinating, and in the election campaign Keir Starmer has obviously made a very big deal about changing the Labour party and he's done this, he's done it from the centre. That's a centralised approach to managing a political party. But in all of the discussions I've just been outlining a lot of that will depend on a much more distributed, devolved set of conversations. So how Keir Starmer gets on with Andy Burnham or how Kier Starmer gets on with Kim McGuinness or whoever in all the mayors that have recently been elected or re-elected. And that's not going to be easy. There isn't a roadmap for that. None of the agenda over the next five weeks or five years is going to be easier if those relationships don't work, and I think putting a lot of effort early on into that relationship between the centre, between the national and the local, and recognise that I'm mainly talking about England here, needs to be a big objective for the labour party if they form the next government.

BvA: Well, as you just said, I'm with you, and I'm happy not to be in the shoes of these politicians that need to do this. I think we first have to wait now for the voters, what they want their country to go. But this is a bunch of topics here that we will get back to and I hope we will have an opportunity with the three of you to talk this through at a later point during the year to see where all of this is going. But for now thanks very much for bringing these issues on the table and I hope it was very informative for the audience. Certainly it was to me. Thanks very much for joining us this morning.

DC: Thank you.

AW: Thank you.

AM: Thank you.

[Music plays]

BvA: As mentioned, you can download the productivity agenda and the Productivity Institute's election document from the show notes or our website for more background on pro productivity policies and what the parties have to offer. As I also mentioned during the intro, we owe you the bonus episode on business model innovation with Chandler Velu from the University of Cambridge and Charlie Mayfield, former CEO of John Lewis. That will be released in July, so that will give you some good listening opportunities for what no doubt will become a beautiful summer. You can sign up for the entire Productivity Puzzles series through your favourite



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[Music plays]

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