

# Productivity Policies



John Van Reenen, May 14<sup>th</sup> 2021



Programme on  
**Innovation and Diffusion**



Centre for  
**Economic  
Performance**

# Exercise

- What kind of policies could raise productivity?



# Policies

- **Growth Plan**

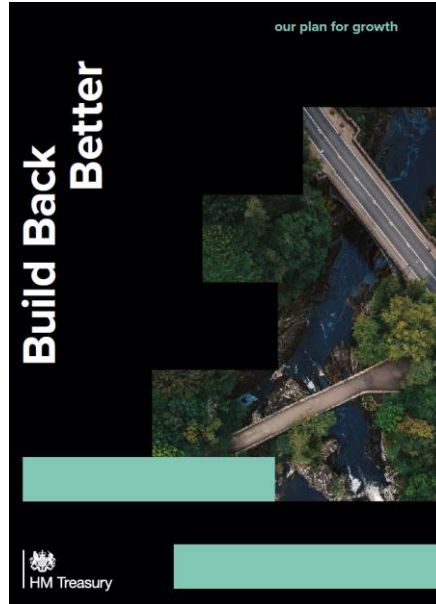
- Ideally, should put a portfolio of complementary policies together
- <https://www.gov.uk/government/publications/build-back-better-our-plan-for-growth/build-back-better-our-plan-for-growth-html>

- **Specific Policies**

- Focus on cost-benefit of various productivity policies

# Principles for Inclusive and Sustainable Growth

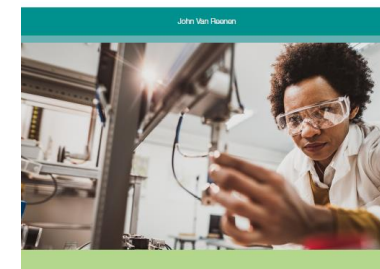
- Short-run



- Long-run

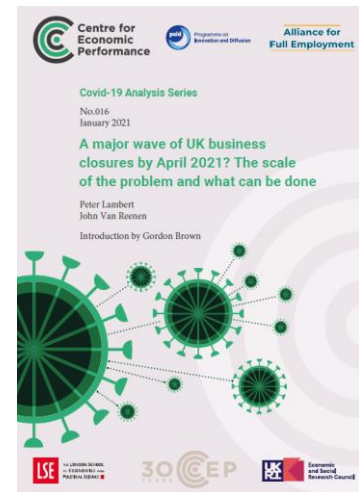
- Need to link together and be **evidence-based**

- For policy **details** see



# Principles for Inclusive and Sustainable Growth: Short-run

- Avoiding premature **austerity** prolonging depressed demand
- Balancing **Protection** and **Reallocation**
  - As we move into post COVID era, need to facilitate reallocation of jobs between firms.
- Many support packages due to have cliff edge in spring (CJRS, CGILS, BBLS, etc.)
  - Smooth the wind-down of worker and business support (reduces loss of viable skills and firms)
  - Will need some debt restructuring: debt-for-equity & write-offs
  - Combine with support for startups/growth



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- **Structural Policies: Building Flexible markets**
  - Competition policy (dealing with rise of mega-firms)
  - Brexit, Single Market, future trading relationships
  - Tax reform (*Mirrlees Review*: tax “bads” like carbon; transparency; neutrality)

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## **Principles for Inclusive and Sustainable Growth: Long-run**

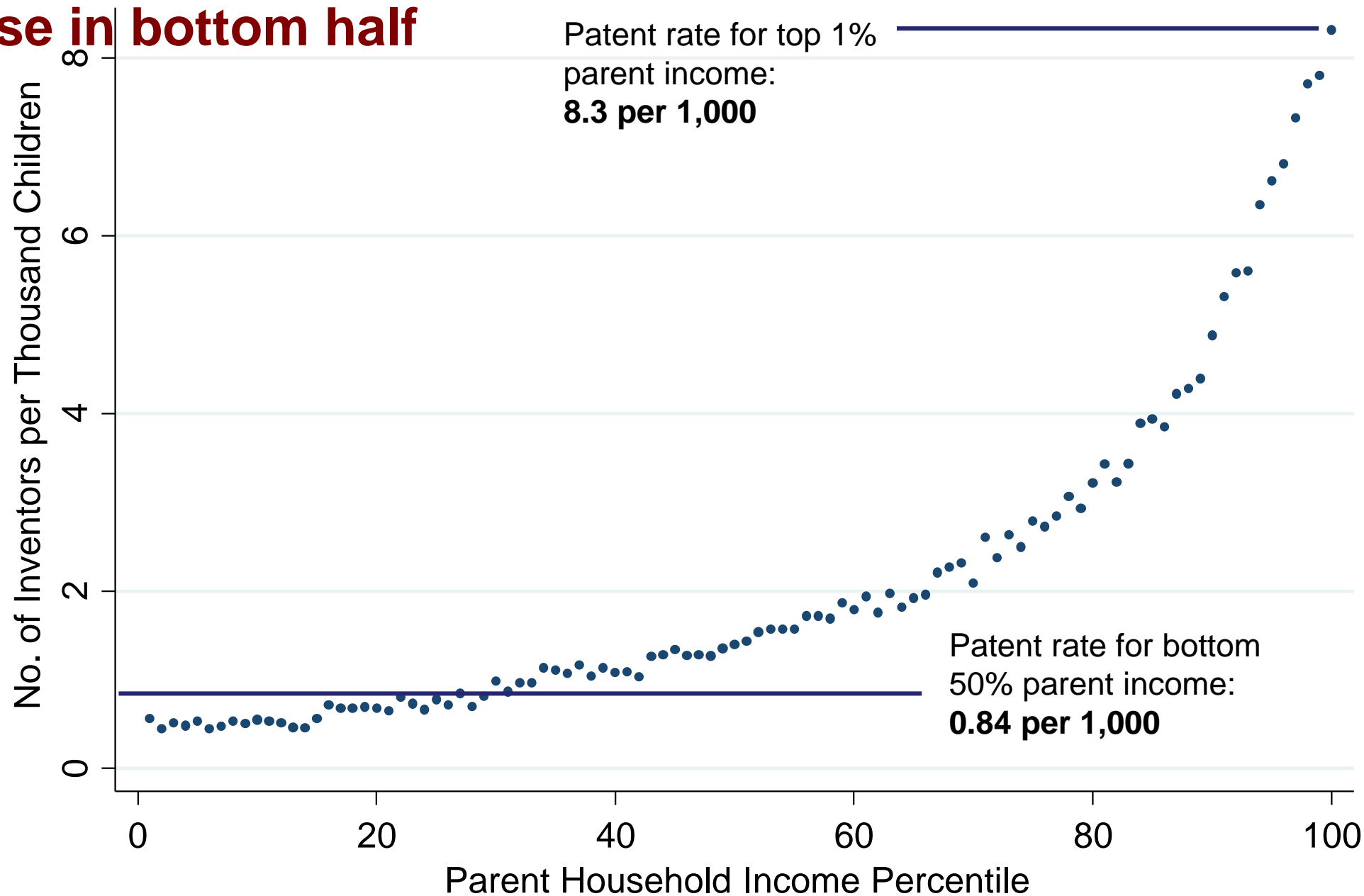
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- **Innovation Policies**
  - Base policies on What Works (“Lightbulb Table”)

(1)	(2)	(3)	(4)	(5)	(6)
Policy	Quality of evidence	Conclusiveness of evidence	Benefit - Cost	Time frame:	Effect on inequality
<b>Direct R&amp;D Grants</b>	Medium	Medium		Medium-Run	↑
<b>R&amp;D tax credits</b>	High	High		Short-Run	↑
<b>Patent Box</b>	Medium	Medium	Negative	n/a	↑
<b>Skilled Immigration</b>	High	High		Short to Medium-Run	↓
<b>Universities: incentives</b>	Medium	Low		Medium-Run	↑
<b>Universities: STEM Supply</b>	Medium	Medium		Long-Run	↓
<b>Exposure Policies</b>	Medium	Low		Long-run	↓
<b>Trade and competition</b>	High	Medium		Medium-Run	↑
<b>Grand Innovation Challenge</b>	Low	Low		Medium-Run	↓

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  - Competition policy
  - Brexit and Single Market
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- **Innovation Policies**
  - Base policies on What Works (“Lightbulb Table”)
  - Bind together around **missions**: climate change (Martin et al, 2021), healthcare
  - Demand **and** Supply side policies (“Lost Einsteins”)

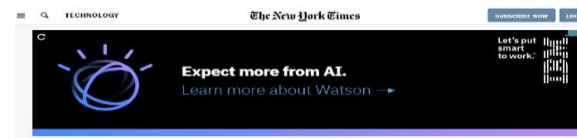
# Kids of rich parents in top 1% are 10x more likely to become inventors than those in bottom half



Source: Bell, Chetty, Jaravel, Petkova & Van Reenen (2019, QJE); USPTO- IRS data

# Finding the “Lost Einsteins and Marie Curies”

- Major impediment to innovation is that supply of talented inventors held back by class, race and gender (e.g. schools in low income neighbourhoods, exposure to role models; networks and mentors, discrimination, etc.)
- Unlocking this hidden talent could quadruple innovation rate
- An example of policies that help growth and equity



Wanted: 'Lost Einsteins.' Please Apply.



David Gross, of Pioneer, center, with Heidi Hartung, left, the group's operations manager, and Lorea Dominguez, one of its advisors. Jason Hesser for The New York Times

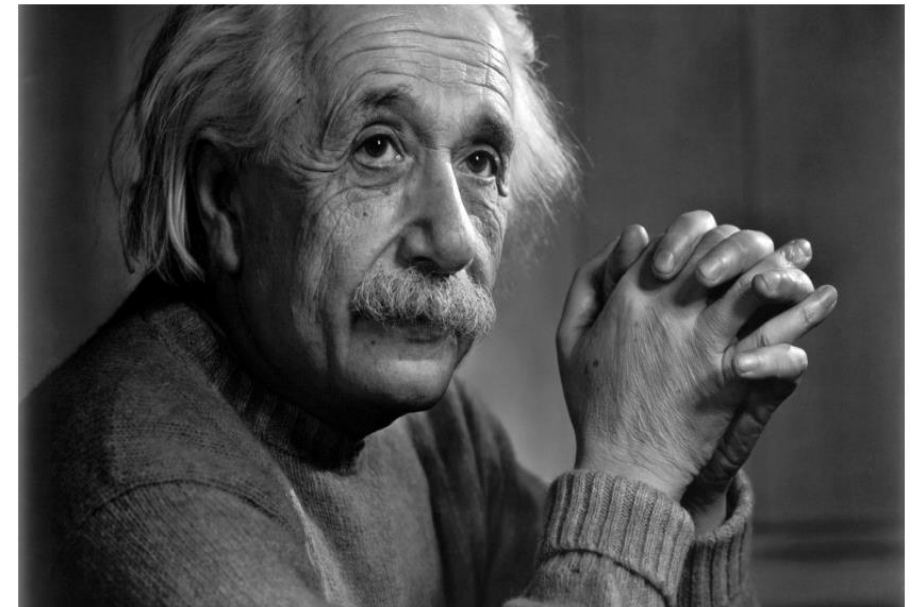
By Steve Lohr

Aug. 9, 2018

Leer en español

Silicon Valley has created a model for identifying and nurturing high-potential young companies. Pioneer, an experimental fund, hopes to do much the same thing for high-potential people.

The group, which is being announced on Thursday, plans to use the Internet-era tools of global communication and crowdfunding to solicit and help select promising candidates in a variety of fields, along with evaluations by experts. Its goal is to put more science and less happenstance into the process of talent discovery — and reach more



# Team Exercise

What new policy could raise UK  
productivity?

## **Team Exercise: What new policy could raise UK productivity?**

- Your Chance to solve the productivity puzzle!
- Questions to consider
  - Is there a (UK) problem in your team's area and if so what is it?
  - What policy (or policies) would you propose to address this? Please detail one of them
  - How would your policy address the productivity problem?
  - How would you evaluate whether the policy was working or not?
  - Have there been similar policies in the past, and if so, what do you think they did not work?
  - What is the political feasibility of the policy you have proposed?

## The Aim

- Discuss the questions in your group (5 groups of 6-7 people). **15 minutes** discussion
  - Don't feel you have to answer all the questions! Some will do.
  - Bernardo will be dropping into the breakout rooms if you want to ask questions
- Prepare to give a **5 minute (max)** verbal presentation
- Nominate someone to present (or I will choose based on names!)
- Then we will have a **5 minute** discussion
- Then at the end we will have a general discussion and wrap-up



# Policy Teams: Is there anyone not allocated?

## A. Human Capital: Education, Training & migration

Victoria Dare

Gita Dean-Andrews

Oliver Haydon

Jessica Hodgson

Sarah Pemberton

Alexander Scott

Jamie Weatherhead

## B. Technology: R&D, Innovation & Adoption

Lucy Aldous

Steph Dales

Matt Foster

Naomi Radcliffe

James Snook

Sam White

## C. Competition and Trade Policy

Matthew Brown

Roald Dickens

Philip Flaherty

Rosie Milton

Hannah Riches

Tessa Robins

## D. Public Sector Productivity

Richard Banks

Holly Cassel

Edd Hair

Alex Higgs

Elie McDaniell

Katherine Newall

## E. Place: Transportation, Housing Policy, and Labour Mobility

Zainab Agha

Jim Bennett

Laura Farhall

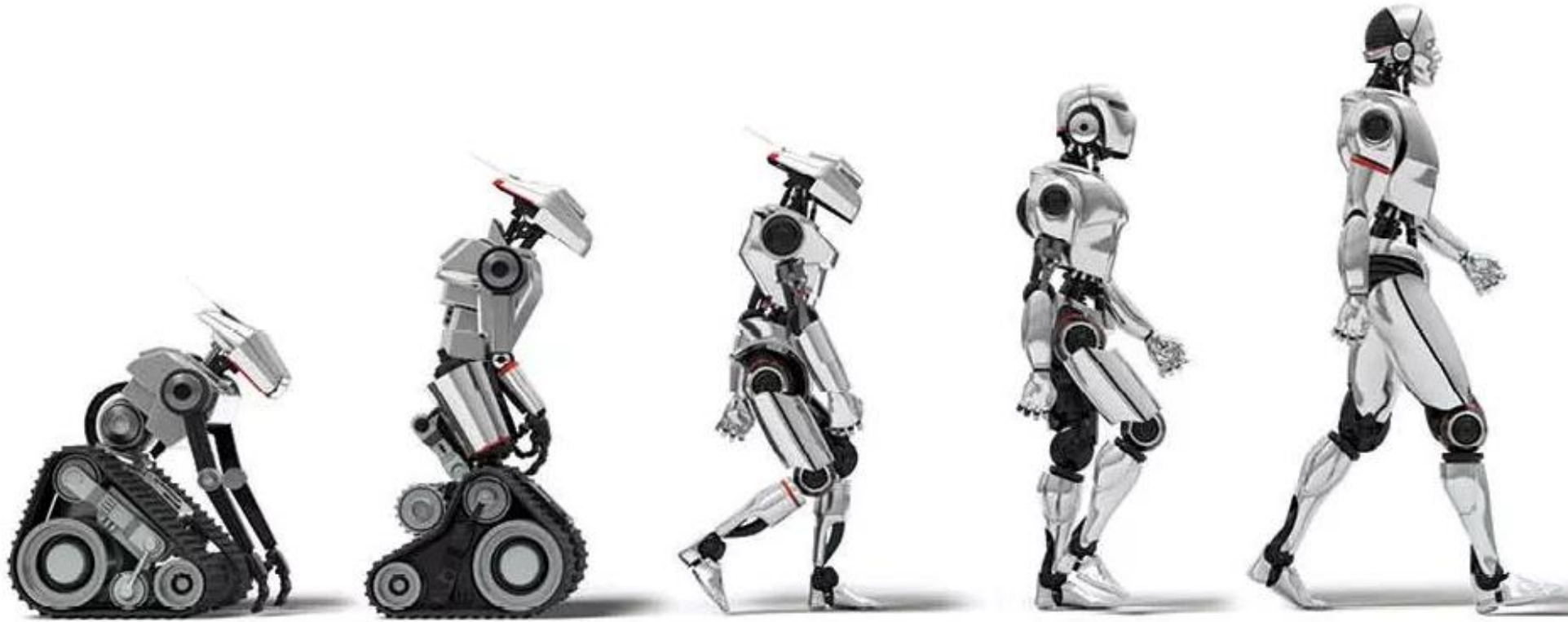
Hayley Johnson-Hurst

Deborah Lewis

Sravya Rao

Amanda Roper

**THANKS!**



# Timing

- My material 15 minutes
- Organization of team exercise 5 minutes
- Team discussion: 15 minutes
- Team Presentations and Q&A: 5 x 10 minutes = 50
- Wrap up: 5 minutes