

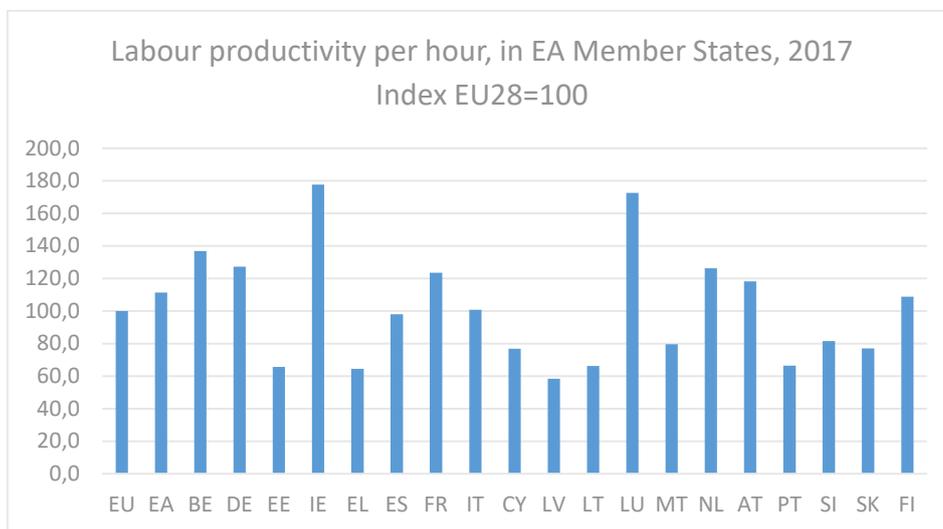
# The National Productivity Boards

*This document presents some features of the National Productivity Boards (originally proposed as Competitiveness Boards), introduced in the context of the deepening of the Economic and Monetary Union. It also provides some information on the status of implementation of National Productivity Boards in the Euro area Member States.*

In 2015, the Commission proposed that Euro Area Member States set up “[National Competitiveness Boards](#)”, as previously suggested in the Five Presidents Report on “[Completing the EMU](#)”: such bodies would help to reduce divergence among the economies of the Euro Area and increase ownership of economic reforms.

In 2016, the Council adopted the [Council Recommendation](#) “On the establishment of National Productivity Boards within the Euro Area” which specifies their objectives and tasks, their organisational and functional characteristics and their relationships with the European Commission, particularly in the context of the European Semester. Member States were required to implement the Recommendation within 18 months from its approval on 19 September 2016, i.e. by March 2018. The Commission is expected to prepare a progress report by March 2019.

The scope of the policies and trends to be assessed by the National Productivity Boards cover various issues, such as the capacity to innovate and to attract investment, the role of businesses and human capital, as well as cost and non-cost factors. Productivity and competitiveness are complex phenomena.



Source: Eurostat, data retrieved on 13 September 2018. Belgium: data for 2016.

The graph above shows how labour productivity per hour varied among Euro Area Member States, in 2017. Labour productivity is calculated as the GDP divided by hours worked: this indicator (one among the many that may be used) gives an overall idea of the productivity of national economies, and is expressed in relation to the EU average.



## Main functions, objectives and tasks

As regards their functions, the Recommendation proposes that the Member States will set up independent National Productivity Boards (NPBs), tasked “to analyse developments and policies in productivity and competitiveness, thereby contributing to foster ownership and implementation of the necessary reforms at the national level, and hence foster sustained economic growth and convergence”.

The analysis should take into account factors related to the euro area, as well as the EU policies implemented in this field. These Boards should review long-term drivers of productivity. Their analysis should address the role of innovation, as well as the capacity to attract investments, businesses and human capital, and other factors that can affect prices and the quality of goods and services, relative to those of the competitors.

The Recommendation indicates that the analysis of competitiveness should be underpinned by transparent indicators and, as far as possible, susceptible to a certain homogeneity across countries. In this connection, it notes that competitiveness is a broad concept, encompassing both developments in price and cost competitiveness and drivers of productivity, together with other considerations relating to exchange rates and certain factors affecting the ability to sell products.

In contrast with the [Independent Fiscal Institutions](#), which have an explicit mandate and act with binding numerical references that are coordinated at national and supra-national level, the NPBs do not have a reference framework. Accordingly, specifying NPB objectives, subsequent assessment of progress towards them and coordination at euro area level is difficult.

Additionally, these Boards are required to conduct an independent analysis of economic policy challenges in the fields of productivity and competitiveness. In this case, the Recommendation provides a certain degree of country discretion in defining the final mandate for NPB in each corresponding national institutional environment. Thus, each country decides whether the competencies of the NPB include proposing economic policy alternatives and monitoring those approved, or only analysing indicators. Restricting the role of NPBs to the latter tasks could limit the role of these institutions as catalysts and evaluators of the national reform agenda, although the existence of multiple interactions among structural policies makes it difficult to identify “best practices”.

### [The Five Presidents' Report](#) (p. 8)

*The creation by each euro area Member State of a national body in charge of tracking performance and policies in the field of competitiveness is recommended.*

*This would help to prevent economic divergence and it would increase ownership of the necessary reforms at the national level. These Competitiveness Authorities (CAs) should be independent entities with a mandate to ‘assess whether wages are evolving in line with productivity and compare with developments in other euro area countries and in the main comparable trading partners’, as already agreed by a large majority of Member States under the Euro Plus Pact. In addition, these bodies could be mandated to assess progress made with economic reforms to enhance competitiveness more generally. In the end, a competitive economy is one in which institutions and policies allow productive firms to thrive. In turn, the development of these firms supports the expansion of employment, investment and trade.*

*A euro area system of CAs should bring together these national bodies and the Commission, which would coordinate the actions of national CAs on an annual basis. The Commission should then take into account the outcome of this coordination when it decides on steps under the European Semester, in particular for its Annual Growth Survey and for decisions to be taken under the Macroeconomic Imbalance Procedure (MIP), including whether to recommend the activation of the Excessive Imbalance Procedure.*

## Organisation and independence

The Recommendation allows for different types of institutional design, provided certain minimum requirements are met, which guarantee functional independence, analytical rigour and transparency. These requirements aim to give credibility to these institutions. On this aspect, the Recommendation approved by the Council is highly flexible. Thus, NPBs may be newly created institutions, or be set up based on existing institutions, in order to harness accumulated knowledge and save in terms of administrative costs. In the latter case, the necessary measures should be taken to ensure their independence from national and European public authorities in designing and implementing competitiveness and productivity policies. Although the Recommendation requires that each Member State sets up only one NPB to fulfil the mandate, not all functions need to be directly addressed within the NPB; some can be developed in other bodies that would report directly to the Board, provided that their independence regarding performance and analytical rigour are guaranteed.

NPBs should also be underpinned by a national legal provision, although its rank has not been specified. In addition, the legal status should contribute to reinforcing the independence of the Board, endowing it with greater stability and guarantees of continuity.

Under the Council Recommendation, NPB heads should be appointed on the basis of the candidates' experience and competence. The resources available to them to fulfil their functions should be appropriate, and NPBs should have access to any information sources required to fulfil the mandate. Analyses and recommendations should be disclosed regularly; specifically, it is suggested that an annual report be published or that analyses be included in an already existing report.

## Links with EU Semester and role of the Commission

The Recommendation highlights that the Commission's role in coordinating economic policy at European level is not altered, and that the NPBs' conclusions and independent expertise could be used in the context of Commission's country specific recommendations within the European Semester and in the Macroeconomic Imbalance Procedure. Furthermore, the Commission could facilitate exchanges of views among NPBs, and a regular discussion should take place between NPBs and the [Economic Policy Committee](#).

## Background

In June 2015, the [Five Presidents' Report](#) on Completing Europe's Economic and Monetary Union set up a roadmap towards a deep, genuine and fair Economic and Monetary Union (EMU). According to the report, during the first stage (1 July 2015 - 30 June 2017) concrete progress towards an Economic Union of convergence, growth and jobs would rest on four pillars, one of which was the creation of **a euro area system of Competitiveness Authorities** (see Box). Another pillar was the establishment of an Advisory Fiscal Board at the EU-level (for details, see a separate [briefing](#)).

As part of the [package](#) of measures for a Deeper and Fairer Economic and Monetary Union adopted on 21 October 2015, the European Commission presented a [Recommendation for a Council Recommendation](#) on the establishment of **National Competitiveness Boards** within the Euro Area.

On [20 September 2016](#), the Council adopted the [Recommendation](#) on the establishment of **National Productivity Boards**, following its endorsement by the European Council, in accordance to Article 121(2) of the TFEU. The Council text was prepared by the Economic and Financial Committee and differed substantially from the Commission proposal. In particular, the Council revision reduced the tasks of the Boards and the role of the Commission. It also changed the timing for their implementation. The Annex presents the main differences between the two texts.

In its [resolution of 17 December 2015 on completing Europe's Economic and Monetary Union](#), the **European Parliament** regretted that the Commission chose not to use the ordinary legislative procedure for the decisions regarding National Competitiveness Boards, and called on the Commission to make a legislative proposal to that effect.

## Progress in setting up NPBs or similar bodies

The table below provides a summary overview of the current status of implementation of NPBs in Euro Area Member States. It is based on information found in the [National Reform Programmes](#) (NRPs) and other official or publicly available sources. It shows that only **9 Euro Area Member States have or are planning to set up a National Productivity Board**.

Furthermore, three non-Euro Area Member States have already established NPBs, or similar: Denmark, Hungary and Romania.

Table: Current status of National Productivity Boards in the Euro Area Member States

Euro Area Member State	Information on NBPs from <a href="#">National Reform Programmes</a> or other official sources
Belgium	<p align="center"><a href="#">Conseil national de la productivité (NRP 2018, p. 31)</a> :</p> <p>« Comme le recommande le Conseil européen, la Belgique institue un Conseil national de la productivité. La proposition de loi en la matière est discutée actuellement au sein du Parlement. La proposition prévoit une collaboration entre des institutions existantes au niveau fédéral (Secrétariat du Conseil central de l'économie, Banque Nationale de Belgique et Bureau fédéral du Plan) et au niveau régional (les trois Régions). Les travaux devraient débiter en juin. »</p> <p align="center"><a href="#">Fédéral Planning Bureau, Conseil Central de l'Économie, Banque National de Belgique</a></p>
Cyprus	<p align="center">Cyprus Economy and Competitiveness Council (<a href="#">NRP 2018, p. 29</a>)</p> <p>“The Competitiveness Report will be the analytical tool for the assessment of the current situation regarding the performance of Cyprus vis-a-vis other countries and through time. It will also include an in depth sectoral analysis. The purpose is to guide policy makers in the prioritisation of reforms and policy development. An outline of the report prepared by the UAR has already been presented to the National Economic Council, the Fiscal Council and other representatives of the academia. The competitiveness report will be published on an annual basis and will be made available to the wide audience. The first report is expected to be published in October 2018.”</p>
Finland	<p align="center"><a href="#">Government Decision 29.6.2018</a></p> <p>“Suomen talouden tuottavuuden ja kilpailukyyn arviointia varten on tuottavuuslautakunta. Lautakunta on asiantuntijaelin, joka toimii valtiovarainministeriön yhteydessä.</p> <p>Lautakunta on toiminnassaan riippumaton kaikista julkisista viranomaisista, jotka vastaavat tuottavuus- ja kilpailukyypolitiikkojen suunnittelusta ja täytäntöönpanosta jäsenvaltiossa tai Euroopan tasolla.”</p>
France	<p align="center"><a href="#">Conseil National de Productivité</a> (25 Juin 2018)</p> <p>« Le CNP élabore un rapport annuel et organise une consultation des organisations syndicales et des organisations d'employeurs avant son adoption définitive. Si ces organisations émettent un avis sur le rapport, il lui est annexé. Le rapport annuel fait également l'objet d'une phase de consultation du public et de la société civile. Le collège d'experts peut saisir les organismes et administrations compétents pour mener des travaux et avoir accès aux informations utiles. Il bénéficie de l'appui d'un rapporteur général, Vincent Aussilloux, directeur du département Économie de France Stratégie, et de rapporteurs issus des administrations compétentes. France Stratégie assure le secrétariat général du CNP.</p> <p>L'ensemble des CNP européens seront organisés en réseau afin de procéder à des échanges et éventuellement de confronter leurs analyses. »</p> <p align="center"><a href="#">France Stratégie</a></p>
Ireland	<p align="center"><a href="#">National Competitiveness Council</a></p> <p>“The National Competitiveness Council was established by Government in 1997 as part of the Partnership 2000 Agreement.</p> <p>It reports to the Taoiseach and the Government, through the Minister for Business, Enterprise and Innovation, on key competitiveness issues facing the Irish economy and offers recommendations on policy actions required to enhance Ireland's competitive position.</p> <p>In accordance with the European Council recommendation of September 2016 on the establishment of National Productivity Boards by Eurozone countries, the Government mandated the National Competitiveness Council as the body responsible for analysing developments and policies in the field of productivity and competitiveness in Ireland in March 2018.”</p>

Euro Area Member State	Information on NBP from <u>National Reform Programmes</u> or other official sources
Lithuania	<p style="text-align: center;">National Productivity Board (NPB) (<a href="#">NRP 2018</a>, p. 15)</p> <p><i>“At the end of 2017, the Lithuanian National Productivity Board (hereinafter – the NPB) was established at the Ministry of Economy that performs an analysis of the development of competitiveness and productivity as well as the factors stimulating them and prepares proposals for improvement of further policies”</i></p>
Luxembourg	<p style="text-align: center;"><a href="#">Conseil national de la productivité</a> (23 April 2018)</p> <p><i>« Les ministres réunis en conseil ont marqué leur accord avec la mise en place d’un Conseil national de la productivité au Luxembourg. Afin de mettre en œuvre la recommandation du Conseil de l’Union européenne sur la création de conseils nationaux de la productivité, il est proposé de s’appuyer sur trois organismes nationaux existants. En occurrence il s’agit de l’Observatoire de la compétitivité du ministère de l’Économie (ODC), l’Institut national de la statistique et des études économiques (STATEC) et le Conseil économique et social (CES). »</i></p> <p><a href="#">Observatoire de la compétitivité du ministère de l’Économie (ODC)</a>, <a href="#">Institut national de la statistique et des études économiques (STATEC)</a> <a href="#">Conseil économique et social (CES)</a></p>
Netherlands	<p style="text-align: center;"><u>Netherlands Bureau for Economic Policy Analysis</u></p> <p><i>“In April 2017, the Dutch Cabinet appointed CPB to be the National Productivity Board for the Netherlands. CPB is in a unique position, as, in the EU, it is often regarded as a model. In this first communication, CPB describes how it will be fulfilling its NPB role.”</i></p>
Slovenia	<p style="text-align: center;"><a href="#">Institute of Macroeconomic Analysis and Development (IMAD)</a> (17 April 2018)</p> <p><i>“Following the Council recommendation on the establishment of national productivity boards, the Government decided to assign the tasks of the productivity board (monitoring and analysing developments in the field of competitiveness and making them publicly available in an annual report) to IMAD.”</i></p>

Sources: EGOV based on [NRPs](#), [European Commission](#) and [Banco d’Espana](#) (2016).

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## Annex: Comparison between the Commission proposal and the Council Recommendation

### Competitiveness and Productivity

The Council replaced the *Competitiveness Boards* with *Productivity Boards*.

### Tasks of the Boards

In the Commission text, the Boards were tasked:

- to monitor performance and policies in the field of competitiveness in Member States;
- informing the wage setting process by providing relevant information; and
- assessing policy challenges and formulating policy advice in the field of competitiveness and on the implementation of Country Specific Recommendations.

According to the text adopted by the Council, the Boards are tasked with:

- diagnosis and analysis of productivity and competitiveness developments;
- independent analysis of policy challenges in the field of productivity and competitiveness.

### The role of the Commission

According to the Commission text, the Commission was tasked to coordinate the activities of the Boards and take into account inputs from the system of Boards in the context of the European Semester, including the Macroeconomic Imbalance Procedure and the Country Specific Recommendations.

The Council text reads: *“the Commission could facilitate the exchange of views among the national boards”*, and discussions should take place with the Economic Policy Committee. The annual reports could be used by Member States and the Commission in the context of the European Semester.

### Composition and independence

According to the Commission, Competitiveness Boards should be structurally independent and underpinned by national legal provisions, including a statutory regime grounded in national laws and adequate resources.

According to the Council, Productivity Boards should be endowed with functional autonomy *vis-a-vis* any public authority. To fulfil their tasks, they should be underpinned by national provisions ensuring a *“high degree of functional autonomy and accountability”*, including:

- the capacity to communicate publicly in a timely manner;
- procedures for nominating members on the basis of their experience and competence;
- appropriate access to information to carry out their mandate (the reference to appropriate resources in the Commission text was dropped).

The analysis could be produced by existing and separate bodies provided that it is of the same high quality.

### Transparency and accountability

Both the Commission and the Council text states that the Productivity Boards should make their analyses publicly available.

### Timing

The original deadlines proposed by the Commission for the implementation of the recommendation and for the Commission progress report were 6 months and 12 months respectively since the adoption of the decision. The Council changed these two deadlines into 18 months and 30 months respectively.