

Governance structures and the devolved delivery of employment outcomes

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Research context and overall aim

Within British employment policy, an increased focus on addressing particular geographical concentrations of worklessness has led to interest around how to effectively devolve the delivery of employment outcomes to sub-regional and local levels. The need to develop effective policy responses in developed economies internationally has similarly led to growing experimentation with different forms of governance, many of which relate to the devolution of powers from central government. This study assesses such devolved governance models, arrangements and structures to inform potential devolved approaches to delivering employment outcomes in Britain.

Research approach

A review of international evidence relating to devolved governance approaches was combined with case study visits to seven sub-regional partnerships in Britain with a devolved role in delivering employment outcomes. Through a process of analysing the international evidence alongside the British experience of devolved governance in the employment sphere, the research sought to identify key considerations and lessons that might be applied to the British context.

Comparing the international evidence and the British experience

Many of the broad challenges to effective devolved governance approaches in Britain are similar to those that can be observed in the international context. In particular, these revolve around the need to:

- develop an effective devolved infrastructure to facilitate the operation of devolved governance;
- establish a clear rationale for, and approach to, devolving power and influence that is understood across the range of state and non-state actors involved in policy delivery; and
- effectively balance the granting of devolved freedoms and flexibilities with effective performance oversight and accountability measures.

Similarly, from a central government perspective, a number of key interventions required to enable effective devolved governance are common across a number of national contexts. These include:

- co-ordinating activity at different spatial levels within the devolved governance infrastructure;
- supporting the development of local actors and structures to implement devolved governance;
- effectively resourcing a devolved governance approach at all spatial levels;

- facilitating dialogue and feedback mechanisms amongst all relevant actors, hence enabling the identification of particular issues requiring attention and the development of mitigating actions; and
- flexibly and pragmatically selecting particular devolved approaches on the basis of desired policy outcomes, and the practicality of implementing these in the relevant wider societal, political and administrative context.

Accepting these similarities, the wider political and administrative context as it relates to governance considerations differs notably between Britain and other similar developed nations. This gives rise to some particular challenges and issues in the British context. In particular, these revolve around potential moves towards instituting devolved governance in a context where the administrative structures for policy development and delivery have historically been relatively centralised. The capacity levels for instituting devolved governance at local levels, and the consequent greater support required for this, thus represent particular characteristics and challenges in the British context.

Requirements for devolved governance approaches

In considering the potential for a devolved approach to the delivery of employment outcomes, establishing the main requirements or pre-requisites for effective devolved governance is an essential first step. In particular, questions around how to develop the necessary infrastructure to facilitate such an approach, along with how devolved governance structures might best be devised are central. A number of key lessons relating to the British context can be identified in respect of this. These include:

- where complex governance structures exist at several spatial levels within a given area, having some cross representation of personnel within those structures, allied to clear routes for information exchange, can help mitigate co-ordination challenges;
- having a common reference point for partnerships working at different spatial levels in a particular area can also help address issues of complexity – for example through developing regional level strategic frameworks to help guide activity;
- instituting ‘Chinese walls’ to protect against potential conflicts of interest within devolved governance structures can work well, but requires constant review and conscious attention from a governance perspective on the part of multi-agency partnerships;
- where sub-regional partnerships in the British context are developing employer-led boards with a strategic remit, developing a strong and effective ‘executive’ or operational support group for the strategic element of the partnership is important;
- capacity building measures to assist private sector representatives, consisting of pre-meetings and regular policy briefings in advance of formal board meetings, can enable them to play a more effective role in devolved governance structures.

Operationalising devolved governance

In light of potential moves to effectively operationalise devolved governance in the sphere of employment policy, significant considerations include: how best to devolve budgets to sub-national levels; whether particular governance approaches are likely to lead to innovative activity; how to devolve powers to local levels whilst retaining an effective performance management role; and the role of central government itself in supporting and facilitating devolved governance. Examining British and international evidence relating to

these considerations serves to highlight several key lessons relevant to the British context, notably:

- there is a need for ongoing management and ‘market stewardship’ in the context of contracting-out welfare provision to maintain open and diverse markets, ensure a transfer of learning back to the centre, and maintain policy linkages across different but related policy areas;
- carefully designed ‘escalator’ models of incentive payments are likely to be required to ensure that market based approaches do not disadvantage clients further from the labour market;
- where innovation is seen as a desired outcome of adopting devolved governance approaches, this will not simply emerge and be maintained as a result of selecting a particular governance model. Rather, it requires active and ongoing intervention to maintain a focus on innovation as an explicit desired outcome of devolved governance, support and guidance to develop reciprocal trust between central and local levels, and the provision of recognition or ‘rewards’ for innovation;
- performance management and accountability frameworks need to be adapted according the nature of the devolved governance approach in question – while models aimed at enabling local partnerships to deliver outcomes may require a negotiated and ‘light touch’ approach to performance management, competitive market based approaches are likely to require a stronger, more objective, monitoring regime based on outputs;
- the role of central government is key in making devolved governance approaches work, in particular through the provision of accessible and responsive ‘points of contact’ within the central administration, developing a full and nuanced understanding of the resource and accountability constraints faced by actors at devolved levels, and providing ongoing support and guidance to those actors.

Conclusion – applying the lessons of the study: key policy messages

A number of key policy messages can be identified from the research undertaken. These messages are designed to be considered by policy makers in the context of potential moves to further expand and deepen approaches to devolved governance in the sphere of employment policy. The messages can be summarised as follows:

Key message 1: The devolved governance infrastructure

The experience and trust built up in recent years amongst partnerships operating in Britain indicates that some of the infrastructure required for effectively devolving employment policy is in place, or at least developing well. However, if devolutionary moves are expanded, for example to encompass all sub-regions in Britain, the process of developing an infrastructure to support devolved governance on a wider scale is likely to be a long-term undertaking – particularly in light of the fact that some areas will be starting from a much lower base. Much of the developing infrastructure for devolved governance has been built with, and has a continued dependence on, particular short-term funding streams. Should an expanded approach to devolved governance develop, some form of resource transfer or consistent funding route from the centre specifically to support this may be required.

Key message 2: The pace of change in establishing devolved governance and support requirements

Despite the progress made on the devolutionary agenda, and the growing experience of actors operating at the devolved level, there remain concerns amongst such actors over the pace and scope of change, and local capacity

to respond to this, should moves towards devolution increase. In such a context, central government and its departments would have a key on-going role in ensuring that devolved governance can be effectively operationalised at the sub-national level. This role is likely to encompass the provision of capacity building support for local actors, along with recognition that time, support and guidance are significant in ensuring that the cultural shifts essential to successful devolved governance can be achieved.

Key message 3: Performance management and accountability

A balanced approach to performance management and accountability needs to: reflect as closely as possible the totality of activities undertaken by devolved governance structures; take careful account of the potential for unintended consequences in terms of ensuring that performance monitoring does not drive decision making; be negotiated between the centre and devolved levels where appropriate; and facilitate effective, fair and transparent assessment of comparative performance between devolved governance structures in the context of 'earned devolution'.

Key message 4: Using devolved governance as a vehicle to create innovation

Encouraging innovation is often cited as a presumed or desired outcome of devolved models of governance. It is clear that encouraging innovation in this context is as much about how devolved governance structures are implemented and managed, as about the types of governance structure themselves. Innovation through devolved governance will not simply emerge and be maintained as a result of selecting a particular governance model. Should innovation be viewed as a desired outcome, active and ongoing intervention is required to maintain a

focus on this as an intended result, along with support and guidance to develop reciprocal trust between central and local levels, and the provision of recognition or rewards for innovation.

Key message 5: Co-ordinating different approaches to devolved governance

In the context of the greater use of contestability and market based systems as one route to devolved governance, there is a need for ongoing attention, co-ordination and management on the part of Government to ensure this complements, and does not cut across, devolved multi-agency partnership approaches in the shape of Multi-Area Agreements and City Strategy Pathfinders.

The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 84712 804 1. Research Report 678. August 2010).

You can download the full report free from: <http://research.dwp.gov.uk/asd/asd5/rrs-index.asp>

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