DWP commissioned ECOTEC Research and Consulting to undertake a study on effective governance structures for the devolved delivery of employment outcomes. Desk-based research on international approaches to devolving powers from central government to sub-national levels was complemented by a series of case study visits examining devolved approaches being taken forward in Britain. Key findings in terms of applying the lessons learned to potential approaches to devolved governance in the British context are as follows:

• Within devolved governance structures operating in the employment sphere in Britain, the experience and trust built up in recent years 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.

• There remain concerns amongst actors operating at the devolved level 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 role in ensuring that devolved governance can be 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.

• A well balanced approach to performance management and accountability is essential in the devolved governance context. Approaches to monitoring and managing performance should reflect the totality of activities undertaken within devolved arrangements. Equally, they should be carefully designed so as to effectively support the development of activities at devolved levels whilst not driving decision making.

• Where innovation is a desired outcome from developing devolved governance structures, promoting such innovation is as much about how those structures are implemented and managed as about the type of governance approach adopted. As such there is a requirement for active and ongoing intervention to maintain a focus on innovation as an explicit desired outcome, along with support and guidance to develop reciprocal trust between central and local levels.

• 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.

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Governance structures and the devolved delivery of employment outcomes

Ian Atkinson
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While gratefully acknowledging the assistance of those mentioned, the author would stress that the views expressed in this report are his alone and should not be ascribed either to individuals involved in the research or to the DWP.
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## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>CFO</td>
<td>Co-Financing Organisation</td>
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<tr>
<td>CLG</td>
<td>Department for Communities and Local Government</td>
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<tr>
<td>COSLA</td>
<td>Convention of Scottish Local Authorities</td>
</tr>
<tr>
<td>CSP</td>
<td>City Strategy Pathfinders</td>
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<tr>
<td>DAF</td>
<td>Deprived Area Fund</td>
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<tr>
<td>DEWR</td>
<td>Department for Employment and Workforce Relations (Australia)</td>
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<tr>
<td>DoH</td>
<td>Department of Health</td>
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<tr>
<td>DWP</td>
<td>Department for Work and Pensions</td>
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<tr>
<td>ERDF</td>
<td>European Regional Development Fund</td>
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<tr>
<td>ESF</td>
<td>European Social Fund</td>
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<tr>
<td>ESSMB</td>
<td>Employment and Skills Strategic Management Board</td>
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<tr>
<td>FFWS</td>
<td>Fit for Work Service</td>
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<tr>
<td>FND</td>
<td>Flexible New Deal</td>
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<tr>
<td>FSF</td>
<td>Fairer Scotland Fund</td>
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<tr>
<td>GO</td>
<td>Government Office</td>
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<td>GOR</td>
<td>Government Office Region</td>
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<td>HEP</td>
<td>Highland Employability Partnership</td>
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<td>LAA</td>
<td>Local Area Agreement</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>LEP</td>
<td>Local Employer Partnerships</td>
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<tr>
<td>LGA</td>
<td>Local Government Association</td>
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<tr>
<td>LSC</td>
<td>Learning and Skills Council</td>
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<td>LSP</td>
<td>Local Strategic Partnerships</td>
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<tr>
<td>MAA</td>
<td>Multi Area Agreement</td>
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<tr>
<td>NAW</td>
<td>National Assembly for Wales</td>
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<tr>
<td>NDPB</td>
<td>Non-Departmental Public Body</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<tr>
<td>PES</td>
<td>Public Employment Service</td>
</tr>
<tr>
<td>PLIE</td>
<td>Plan Local d’Insertion et d’Emploi (France)</td>
</tr>
<tr>
<td>RDA</td>
<td>Regional Development Agency</td>
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<tr>
<td>RES</td>
<td>Regional Economic Strategy</td>
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<tr>
<td>SBP</td>
<td>Swansea Bay Partnership</td>
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<tr>
<td>SFA</td>
<td>Skills Funding Agency</td>
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<tr>
<td>SNP</td>
<td>Scottish National Party</td>
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<tr>
<td>VCS</td>
<td>Voluntary and Community Sector</td>
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<tr>
<td>WAG</td>
<td>Welsh Assembly Government</td>
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<tr>
<td>WIA</td>
<td>Workforce Investment Act (USA)</td>
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<tr>
<td>WIB</td>
<td>Workforce Investment Board (USA)</td>
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<tr>
<td>WNF</td>
<td>Working Neighbourhoods Fund</td>
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Summary

Research context

Since 1997, the British Government has undertaken an extensive programme of welfare reform in the sphere of employment policy. While the overall approach is oriented around the view that the state should provide increased support for people to enter work, in return for more individual responsibility on the part of those seeking employment, reform of governance structures in the sense of administering and delivering policy is also central. Alongside this, a focus on addressing particular geographical concentrations of worklessness and deprivation has increased 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 the employment sphere in developed economies internationally has similarly led to growing experimentation with different forms of governance, and resulted in new approaches to administering and implementing public policy. Many such approaches relate to the devolution of powers from central government to other levels of government and different policy actors. Consideration of international practice in this area is thus a significant potential route to informing current and future developments in Britain.

In seeking to achieve the potential for improved effectiveness that stems from such approaches to the devolution of power, assessing governance models, arrangements and structures thus becomes a key consideration. While governance considerations have always been a key issue for the administration and delivery of employment policy, it is the concern with identifying what developments might be necessary and appropriate if devolution were to develop further that forms the particular context for this study.

1 The scope of the study encompasses England, Wales and Scotland but not Northern Ireland. Rather than using the term United Kingdom, therefore, Britain is used throughout the report to signify the three home nations that the Department for Work and Pensions’ (DWP’s) remit primarily relates to.
Research aims and objectives

Given the above context of potential developments towards furthering devolution in the administration of employment policy, the research presented in this report seeks to address a series of aims and objectives by way of learning lessons to inform these developments. The agreed aims and objectives for the study were as follows:

• compare governance structures for delivering employment programmes internationally with those in Britain;

• establish the characteristics of the most effective governance arrangements for devolving resources and responsibilities to localities whilst retaining a performance management and monitoring function;

• understand which governance arrangements result in the most cost effective delivery;

• identify barriers that prevent the development of effective governance structures;

• provide an understanding of the pros and cons of governance arrangements that have already developed in Britain;

• provide recommendations to policy makers and local partners as to how governance arrangements can be improved.

The research approach

To address the research aims, objectives and questions detailed above, the methodology and research approach developed for the study involved three main elements:

• A review of existing international evidence relating to governance approaches for the delivery of employment outcomes, with a particular focus on approaches involving the devolution of powers from central government and administrations.

• An investigation of devolved governance approaches for the delivery of employment interventions in Britain, drawing on documentary sources and a series of case study visits to seven sub-regional and local partnerships with a role in the devolved delivery of employment policy. These partnerships were selected to enable a geographical spread across Britain, specifically including partnerships from the devolved territories of Scotland and Wales. Each case study visit involved a series of face-to-face qualitative interviews with representatives from different partner agencies involved, and with different roles in respect of the partnerships concerned, supplemented by additional telephone interviews where interviewees were unavailable at the time of the visits.
• A comparative analysis of the findings of the international review and the investigation into devolved governance approaches in Britain, with the aim of providing insights and lessons for the potential devolved delivery of employment policy in Britain.

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;
• effectively co-ordinate activity at different spatial levels within this infrastructure;
• balance the granting of freedom and flexibility with effective performance oversight and accountability measures; and
• effectively resource a devolved governance approach at all spatial levels within the overall governance infrastructure.

Equally, a number of practical requirements in effectively operationalising devolved governance and meeting such challenges are common to both the British and international contexts. These include:

• the significant interventions required on the part of central administrations to support the development of local actors and structures to implement devolved governance;
• the need to 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;
• a commitment to ongoing and open dialogue amongst all relevant actors in assessing the operation of devolved governance structures, hence facilitating the identification of particular issues requiring attention and development of mitigating actions to address these; and
• a flexible and pragmatic approach to selecting particular devolved approaches on the basis of desired policy outcomes and the practicality of implementing these given the wider societal, political and administrative context in place.

Accepting these similarities, the wider political and administrative context as it relates to governance considerations differs notably between Britain and other similar developed nations. In turn, this gives rise to some particular challenges and issues in the British context. Notably, these revolve around potential moves towards devolved governance in a context where the administrative structures for policy development and delivery have historically been relatively centralised. The
wider lack of a devolutionary tradition as regards public policy in Britain, and the federal and municipal structures that support and facilitate this, further complicates efforts in this sphere. The relatively limited 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 developing devolved governance approaches

In seeking to consider potential moves towards 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. A range of issues are of relevance to this area of investigation. 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. Through examining these issues and questions, a series of key governance ‘challenges’ and ‘lessons’ can be identified from the literature on international approaches, and from the experience of devolved partnerships operating in Britain. These can be summarised as follows:

**Key challenges**

- The need to develop a suitable infrastructure with adequate capacity at sub-regional and local levels to facilitate the devolved governance of employment policy.
- The need to develop an explicit and clear demarcation of roles and responsibilities between central and local levels within the overall governance infrastructure.
- Responding effectively to the significant co-ordination issues in the British context of multiple, overlapping governance structures operating at different spatial levels.
- Generating the right balance between formalising governance structures at the devolved level, to ensure they are fit for purpose, whilst ensuring they retain the flexibility to respond to changing needs, policies, expectations and external contextual factors such as economic conditions.
- The need to guard against potential conflicts of interest within devolved governance structures, particularly where partners on strategic bodies represent agencies and organisations that also have the potential to engage in a delivery role.
- Establishing an employer-led approach to devolved governance structures in line with policy requirements in the British context, particularly in terms of enabling private sector representatives to play an effective and informed role.
- Addressing the difficulty of access to administrative data and the exchange of this between partner organisations within devolved governance structures.
Key lessons

• 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’\(^2\) 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

A wide range of issues and considerations are relevant in light of potential moves to effectively operationalise devolved governance in the sphere of employment policy. From the perspective of central government these 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 issues and considerations serves to identify a series of main governance challenges and lessons. These can be summarised as follows:

Key challenges

• Maintaining adequate feedback mechanisms to ensure ongoing learning is transferred back to government departments when devolving powers to sub-national levels.

\(^2\) In the sense used throughout, the term ‘Chinese walls’ refers to arrangements putting in place an information barrier between different parts of the same organisation to avoid any potential conflicts of interest or perceptions of such.
• Developing an effective co-ordinating role in the context of potential devolved approaches to ensure policy linkages between areas such as employment, regeneration and social inclusion are maintained at all levels within the devolved governance infrastructure.

• Mitigating potential issues within market based approaches to devolved governance, notably ensuring that providers are incentivised to pay equal or greater attention to those most distant from the labour market as well as those considered ‘easier to help’, along with maintaining a diverse provider base.

• Effectively combining different approaches to which current policy is committed from a devolved governance perspective – namely, competitive market driven approaches, along with approaches involving the use of multi-agency partnerships at sub-regional levels.

• Developing effective accountability and performance management frameworks to enable central government to maintain adequate oversight in operationalising devolved governance approaches.

• Developing robust comparative mechanisms to assess the true costs and impacts of different approaches to devolved governance which might be considered in the British context.

• Linked to the above, addressing the difficult challenge of determining meaningful metrics by which to assess the success or otherwise of activity by partnerships and organisations delivering devolved approaches.

• Balancing the need to offer a considerable level of on-going support and guidance to local partners as part of any potential moves towards progressing devolution, whilst maintaining the requisite distance to allow a culture of flexibility and devolved responsibility to become embedded in local governance structures.

**Key lessons**

• 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 in ensuring that market based approaches do not disadvantage clients further from the labour market.
• To the extent that facilitating innovation might be seen as a desired outcome from possible moves to progress devolutionary approaches, and might function as part of the rationale for such potential moves, it is clear that such innovation 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 to 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.

Applying the lessons of the study: key policy messages

A number of what might be termed ‘key policy messages’ can be identified from the research undertaken. They 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. These key policy messages are summarised as follows:

Key message 1: The devolved governance infrastructure

Amongst partnerships operating in Britain, the experience and trust built up in recent years 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 thus 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 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 sort of cultural shifts essential to developing 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. In respect of this, it is clear that encouraging innovation in this context is as much about how devolved governance structures are implemented and managed, as about the type 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.
1 Introduction

This report presents the findings of a study commissioned by the Department for Work and Pensions (DWP) entitled ‘Governance structures and the devolved delivery of employment outcomes’. This introductory chapter details the context for the research undertaken, its aims and objectives, the methodology adopted for the study, and outlines the structure for the remainder of the report.

1.1 Research context

Since 1997, the British Government has undertaken an extensive programme of welfare reform in the sphere of employment policy, with policy in this area rapidly developing and evolving with the production of a number of key policy documents, Green and White Papers, and reports. While the overall approach is oriented around the view that the state should provide increased support for people to enter work, in return for more individual responsibility on the part of benefit claimants and those seeking employment, reform of governance structures in the sense of administering and delivering policy is also central.

It should be clear from the outset that ‘governance’ as a concept is treated and understood in a particular manner in light of the aims and focus of this study. In terms of wider usage, the concept of governance has a range of meanings dependent on the context in which it is used. This covers specific usages around, for example, corporate governance, as well as wider definitions relating to the process of exercising political authority in respect of the administration of particular states, institutions and organisations. In the context of this study, governance as a concept is defined and used in two main inter-related ways: firstly, ‘governance’ refers to the mechanisms by which central government chooses to administer and deliver public policy, in this case employment policy; secondly, ‘governance’ is used in the sense of (devolved) governance structures at sub-national levels developed to facilitate these processes of administration and delivery.

The other key concept requiring definition in light of the study aims and focus is that of ‘devolution’. As used here in relation to governance and employment policy, devolution should be understood in a broad sense. It refers both to existing and potential moves to devolve powers from central government to localities in
terms of **policy** delivery on the one hand, and on the other, the treatment of the concept encompasses ‘devolution’ in the sense of contracting out **service** delivery to private and voluntary sector providers. For example, the City Strategy initiative represents an instance of central government devolving influence and responsibility for delivering employment outcomes to localities. Likewise, the approach taken in the first phase of the Flexible New Deal (FND) to deliver such outcomes through a market based, prime contractor model, where responsibility is devolved to private and voluntary sector providers, is also understood and treated as an example of devolution.

As the above discussion of the treatment of concepts would suggest, of particular interest in the context of this study are existing and potential future moves to devolve the delivery of employment policy and outcomes to sub-regional and local levels. This aspect of welfare reform was summarised in the July 2008 Green Paper as representing ‘…a *triple devolution*: to our advisers, to our providers and to local communities…’ (DWP, 2008a). The concern with devolving the delivery of welfare reform policy, and the changes in governance relationships implied by this, was confirmed in the subsequent White Paper of December 2008 with its outline of the *‘three levels of devolution’* (DWP, 2008b). In respect of devolving such power to local levels, a clear commitment is made in terms of:

‘…devolving power to the local level, from making sure local partners play an active role in our commissioning process, through to us handing over both funding and accountability for outcomes to local areas who request it and demonstrate their capacity to deliver.’

(DWP, 2008b)

These policy documents offer a recent articulation of a longer-term approach by DWP around the potential to devolve influence to sub-national levels and focus resources on particular deprived areas. The Department has instigated a number of pilot area-based interventions over recent years, examples including the Action Teams for Jobs, Working Neighbourhoods Pilots, and City Strategy Pathfinders (CSPs). The aim is to enable local actors working in partnership to develop specific approaches to addressing concentrations of worklessness based on their local knowledge and expertise.

Such developments mirror the concern across government with developing new forms of governance in terms of the administration and delivery of public policy,

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3 These three levels effectively represent an ‘offer’ from DWP to the local level in terms of ‘…progressively greater flexibility and discretion to tailor services to meet local needs…’ (DWP, 2008b). The three levels move from improved influence over contracting and improved communication between providers and local bodies (level 1), through bringing together funding streams at the local level to support shared commissioning of services (level 2), to the potential to fully devolve contracting responsibility in terms of money and control over commissioning to the local or sub-regional level (level 3).
in particular devolving some elements of responsibility for this administration and
delivery from central government departments to regional, sub-regional and local
levels. Examples of this wider concern with examining the potential of devolved
approaches include the Department for Communities and Local Government’s
(CLG) and DWP’s Working Neighbourhoods Fund (WNF) and the advent of Multi-
Area Agreements (MAAs).

The need to develop effective policy responses in the employment sphere in
developed economies internationally has similarly led to growing experimentation
with different forms of governance and approaches to administering and
implementing public policy. Many such approaches relate to the devolution of
powers from central government to other levels of government and different policy
actors. Such a trend mirrors that observed in public policy more generally\(^4\), which,
while most pronounced and widely discussed in Western Europe and comparable
nations such as those in North America, is also evident in developing nations
(Keating, 1998; Bird and Vaillancourt, 2007). Consideration of international
practice in this area is thus a significant potential route to informing current and
future developments in Britain.

In seeking to achieve the potential for improved effectiveness that stems from
such approaches to the devolution of power, assessing governance models,
arrangements and structures becomes a key consideration. While governance
considerations have always been a key issue for the administration and delivery of
employment policy, it is the concern with identifying what developments might
be necessary and appropriate if devolution were to develop further that forms the
particular context for this study.

1.2 Research aims and objectives

Given the above context, the research presented in this report seeks to address
a series of aims and objectives to identify lessons that might inform potential
developments relating to the greater devolution of powers and responsibility. The
agreed aims and objectives for the study were as follows:

- compare governance structures for delivering employment programmes
  internationally with those in Britain;

- establish the characteristics of the most effective governance arrangements
  for devolving resources and responsibilities to localities whilst retaining a
  performance management and monitoring function;

- understand which governance arrangements result in the most cost effective
  delivery;

- identify barriers that prevent the development of effective governance
  structures;

\(^4\) For a wider discussion of this trend see Marks and Hooghe (2008).
• provide an understanding of the pros and cons of governance arrangements that have already developed in Britain;
• provide recommendations to policy makers and local partners as to how governance arrangements can be improved.

1.2.1 Main research questions
In addition to the above aims and objectives, the study also sought to address a number of main research questions as follows:
• How do the governance arrangements observed internationally compare to the structures that have developed in Britain?
• How is the success of these governance arrangements measured?
• How do governance structures relate to the effective setting and monitoring of outcomes?
• Have governance arrangements included central government agencies, and by what mechanisms?
• Which approaches are considered most (and least) effective, and why?
• Do differing governance structures result in differing costs?
• Do particular governance arrangements lead to innovative policy solutions?
• What elements/mechanisms are vital when considering the creation of new governance structures for delivering employment outcomes?
• How can we apply these lessons to the, often mature, arrangements already in place?

1.3 Methodology and research approach
To address the research aims, objectives and questions detailed above, the methodology and research approach developed for the study involved three main elements:
• A review of existing international evidence relating to governance approaches for the delivery of employment outcomes, with a particular focus on approaches involving the devolution of powers from central government and administrations.
• An investigation of devolved governance approaches for the delivery of employment interventions in Britain, drawing on documentary sources and a series of case study visits to seven sub-regional and local partnerships with a role in the devolved delivery of employment policy. These partnerships were selected to enable a geographical spread across Britain, specifically including partnerships from the devolved territories of Scotland and Wales. Each case study visit involved a series of face-to-face qualitative interviews with representatives from different partner agencies involved, and with different roles in respect of the partnerships concerned, supplemented by additional telephone interviews where interviewees were unavailable at the time of the visits.

• A comparative analysis of the findings of the international review and the investigation into devolved governance approaches in Britain, with the aim of providing insights and lessons for the potential devolved delivery of employment policy in Britain. In undertaking this process, discussion of the literature reviewed was combined with findings from the fieldwork undertaken to identify such insights and lessons.

1.4 Report structure

The remainder of the report is structured as follows:

• **Chapter 2** provides an overview of the ‘governance landscape’ in Britain and approaches to governance observable in the international context to set the scene for, and to contextualise, the analysis that follows.

The report then moves to consider a series of issues relating to governance grouped into two chapters, covering the requirements for developing devolved governance approaches and operationalising devolved governance:

• **Chapter 3** examines a series of issues around the requirements for developing effective devolved approaches to governance.

• **Chapter 4** considers a number of key issues around operationalising devolved governance.

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5 Partnerships consulted were: Birmingham City Region Employment and Skills Strategic Management Board (ESSMB); Edinburgh City Strategy Partnership; Highland Employability Partnership (Workforce Plus); Newcastle Futures; Swansea Bay Partnership; Tyne and Wear City Region Employment and Skills Board; and West London Working City Strategy Partnership.

6 Interviews covered, for example, members of partnership boards along with members of executive groups and working groups for partnerships.
Building on the analysis of these issues, the report then brings together the evidence gathered relating to Britain and elsewhere to draw some conclusions around effective governance for the delivery of employment outcomes:

- **Chapter 5** concludes the study through summarising the main strengths and weaknesses of the governance approaches considered, along with highlighting a series of key messages for developing effective devolved governance approaches in the British context.
2 An overview of governance structures internationally and in Britain

This chapter seeks to set the scene for the analysis that follows in the remainder of the report. In doing so, it first offers a broad typology of governance approaches to provide a framework through which to analyse the wide range of approaches evident internationally and in Britain. The chapter then provides an overview of what might be termed the ‘governance landscape’ for the delivery of employment policy in Britain, before briefly outlining some of the key approaches to governance that can be observed in the international context. To conclude, some of the key governance issues and challenges that emerge from this discussion, and which inform the focus of the remaining chapters, are highlighted.

2.1 A broad typology of governance approaches

In considering the different approaches taken to delivering employment policy internationally and in Britain, it is evident that recent decades have seen significant devolution in terms of delivery structures and approaches in a number of national contexts. While elements of public employment services and programmes in Britain, and in broadly comparable developed economies, are organised and delivered centrally by governments at the national level, a wide range of more devolved approaches to planning and delivery are also apparent.

To set a framework for discussing these approaches, and address the wider aims of the study (as discussed in the introductory chapter of the report), it is necessary to make some sense of this wide range of approaches. In line with this a broad typology was developed to guide the study, based on a review of international approaches to delivering employment outcomes in addition to those apparent in Britain. This seven-fold typology is outlined in Table 2.1.
It is important to note, however, that there is some inevitable overlap between the ‘types’ when considering how approaches work in practice. Moreover, within each broad ‘type’ or approach, a number of governance structures can be used to facilitate the administration and delivery of policy. For example, while national initiatives delivered locally can be defined as one broad approach to devolving governance of employment policy, within this different levels and forms of devolution in terms of the powers and responsibility for governance ceded to delivery partners are possible. Accepting these issues, the typology presented below does allow for the development of a broad analytical framework wherein the key features, potential strengths and weaknesses, and likely issues relating to particular approaches can be better defined.

Table 2.1 Broad typology of approaches to the governance of employment policy

<table>
<thead>
<tr>
<th>Type 1: Centralised delivery. This approach can effectively be viewed as the ‘do nothing’ approach to devolution, or equally the ‘reference case’, when considering some of the main approaches to devolved governance in policy delivery considered below. While the approaches outlined below are increasingly common, it is equally possible that Governments can choose to retain central control over particular areas of policy, or specific policy elements within these broad areas.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type 2: Providing greater local discretion within the public employment service. This approach involves central government permitting local offices within the relevant national public employment service to initiate different or additional activity aimed specifically at meeting local needs and enabling active participation in local partnerships. In essence, the approach seeks to mould national policy to meet real local needs, for example by ‘bending’ or adjusting mainstream programmes.</td>
</tr>
<tr>
<td>Type 3: Market based approaches. Area-based initiatives for employment may be broadly designed and managed nationally, but delivered locally by a contractor appointed through an open tendering process. The national employment service is thus essentially the purchaser of a service in the ‘marketplace’, and payment is typically closely tied to hard outputs achieved (i.e. people placed in work). Contractors may have the freedom to build local delivery capacity, tailor provision to local needs and involve local partners as they see fit. Importantly, however, the contracting organisation ultimately holds the authority to issue or terminate contracts, based on their view of what works most effectively in supporting people into work.</td>
</tr>
</tbody>
</table>

(continued)
Table 2.1  (continued)

Type 4: National initiatives owned locally. This approach involves conceiving, designing and funding programmes and initiatives at the national level, but managing and implementing them locally. In such instances local partnerships receive funding (sometimes after a competitive bidding process) and take a level of ownership of the initiatives. Partnerships may enjoy a degree of flexibility over priority objectives, activities and target groups; while performance is often judged by results, with a degree of freedom as to how these results are achieved and how progress is monitored.

Type 5: Recognition, promotion, and enabling of a national network of local partnerships. This approach offers recognition in national policy, practical support and the space for action to actors at the local level working in partnership. Funding may also be provided – core funding to enable the partnership to function, but often also more substantial funding to implement programmes of activity. As such, local partnerships are generally able to set their own objectives, with guidance and ‘monitoring by objectives’ being prevalent rather than micro-management from the national level.

Type 6: Locally-initiated activity. Whilst not the focus of the study, this form of employment delivery is an important contextual factor influencing the effectiveness of devolved employment programmes. Local bodies across the UK and in other countries have taken their own initiative in undertaking activity aimed at generating or influencing employment outcomes for individuals, often in partnership with others. A key question for national policymakers is how to harness the potential of such local initiative and partnership capacity, as a means of helping to fulfil broad national policy objectives for employment. Support can take different forms such as removing regulatory or legislative barriers for local authorities or not-for-profit organisations. Alternatively, it may take more active forms such as providing funds for capacity building or facilitating the access of social enterprises to public procurement. In such a way ‘type 6’ links to the more formal recognition and promotion of local partnerships described in respect of ‘type 5’ above.

Type 7: Full devolution of responsibilities. In a small number of cases national governments have fully devolved particular responsibilities for developing, implementing and managing employment programmes or initiatives to regional or local levels. Such approaches create both risks and rewards for local actors, though do offer the potential to focus in on local priorities in the context of greater flexibility and understanding of local labour markets. In such approaches sub-national government receives full budgetary responsibility for providing employment support and in some cases social assistance. As such, an incentive for effective employment programmes is provided to sub-national government – the more people that return to work, the greater the savings to the federal or local level.
2.2 Governance approaches to delivering employment outcomes in Britain

2.2.1 Key actors in delivering governance outcomes

Department for Work and Pensions (DWP) is the central government department with primary responsibility for employment policy across England, Scotland and Wales. The Department delivers services through a series of executive agencies, including Jobcentre Plus, along with sponsoring a range of Non-Departmental Public Bodies (NDPBs), public corporations and other arms-length and short-term bodies. However, there are an increasingly wide range of other actors with a role in this area. These include other central government departments whose remit intersects with that of DWP – for example, the role played by Communities and Local Government (CLG) in respect of the Working Neighbourhoods Fund (WNF), and the Department of Health (DoH) around the ‘working for health’ agenda including the ‘Fit for Work Service’ (FFWS) pilots.

At the regional level, recent years have also seen an increasing expectation that Regional Development Agencies (RDAs) will play a role in addressing employment and worklessness issues. It should be noted, however, that the extent to which RDAs play a role in this area varies, as reflected for example in the different levels of priority given to addressing worklessness in the Regional Economic Strategy (RES) produced by each region.

In addition, the dimension of European funded interventions with a connection to employment policy also provides a role for regional level actors. In terms of the European Regional Development Fund (ERDF), Government Offices (GOs) administered the previous (2000-2006) round, and act as Chairs for the regional Programme Monitoring Committees in the current round (2007-2013) which is being implemented on the ground by RDAs. In respect of the current European Social Fund (ESF) round, both RDAs and the Skills Funding Agency (SFA) operating at the regional level play a central role through acting as co-financing organisations (CFOs), with the CFO contracts being managed by GOs.

At the sub-regional level, local authorities and local level partners from the public, voluntary and private sectors have similarly become more significant actors in relation to delivering employment outcomes in recent years. In the English context, key developments in this area have encompassed the Local Area Agreement (LAA) and Multi Area Agreement (MAA) processes and infrastructures, including Local Strategic Partnerships (LSPs), along with the involvement of a range of bodies at the local and sub-regional level in delivering initiatives such as the WNF and City Strategy.

7 Key actors and structures for delivering employment outcomes in Scotland and Wales are discussed in more detail in Section 2.2.3.
As with the regional level, such developments can be seen as a result both of increased interest in considering the potential of devolved approaches on the part of central government (in terms of a top-down influence), and a growing concern amongst a number of local authorities and other local-level actors with playing an effective role in addressing specific local issues relating to employment (in terms of a bottom-up influence). The latter aspect of this is most clear in respect of areas with higher concentrations of deprivation wherein, for example, worklessness is likely to be prioritised in LAAs, and be a central concern of LSPs, along with such areas being likely recipients of the WNF.

While the above discussion has primarily been in the context of the roles of public sector bodies at different spatial levels, it is also important to note the increasing importance of private and voluntary sector actors in the governance landscape. In part this stems from government policy increasingly recognising them as key partners in delivering employment outcomes, as detailed in the Freud Report (DWP, 2007), subsequent welfare reform Green and White Papers (DWP, 2008a, 2008b) and DWP’s Commissioning Strategy (DWP, 2008c). It should also be noted, however, that the private and voluntary sectors have long had a role in delivering welfare reform policy, providing contracted and grant-based services. Increasingly though, and of specific relevance to this study, such organisations are playing a more strategic role around the development and design of employment initiatives and programmes. The role of voluntary and private sector organisations in LSPs and other local partnerships, including those connected with the City Strategy initiative, highlights one significant aspect of this for example.

2.2.2 Governance approaches evident in the British context

Increasingly, the delivery of employment policy in Britain reflects the sort of devolutionary shifts in governance approaches and structures discussed in Chapter 1. However, the picture that emerges when the various approaches to administering and delivering policy in recent years are examined is not straightforward. Certainly, the trend is not one of relatively uniform approaches to devolving power and influence to lower governmental levels. In contrast, in terms of the administration of employment policy and the relationships between the key actors involved, recent initiatives have seen a wide range of governance approaches covering and combining a number of the broad ‘types’ of approach outlined in Section 2.1.

Before considering these in more detail, it is worth noting that some aspects relating to the governance of employment policy and delivery remain relatively centralised in Britain when compared to some of the examples of international approaches discussed in Section 2.3. In part this stems from the concern with providing universal services and ensuring equity between different areas, bound up with the history and ideal of the universal welfare state. In terms of the administration of benefits and employment support services, for example, Jobcentre Plus largely operates on the basis of universal delivery models designed centrally, but delivered through its network of offices.
This is not to suggest that no discretion has been offered to more local levels. Decision making in respect of the allocation of the Deprived Area Fund (DAF) and Jobcentre Plus’ extensive involvement in local partnership working including Local Employer Partnerships (LEPs) provide examples of this, but overall there remain significant elements of a centralised model of delivering employment outcomes in the British context. As such, the first ‘type’ of devolved approach discussed in Section 2.1, that of providing greater local discretion within the public employment service, has been used in only a relatively limited way in the British context. To the degree that such an approach is evident, key issues revolve around how best to offer greater flexibility to local offices to respond to local needs, whilst ensuring that they still deliver services in a way consistent with national policy intent and the desire to ensure a level of consistency in service quality and offer.

Many of the key initiatives and programmes taken forward in recent years in respect of employment policy have involved a somewhat different devolutionary approach. A significant proportion of these represent either types 4 and 5 in terms of the typology presented – namely, national initiatives owned locally (type 4) and the recognition, promotion and enabling of a national network of local partnerships (type 5) – or a combination of these. In particular, the City Strategy initiative and the policy context influencing this approach, while conceived at the national level, represents a clear example of central government seeking to enable and promote local partnerships to influence and co-ordinate the delivery of employment outcomes at the local level.

At the level of implementation, there are notable variations in governance arrangements for each City Strategy Pathfinder (CSP), in the sense of particular partners involved and decision making and accountability structures on the ground. However, they all represent examples of the type 5 model in that CSPs have notable influence over setting their own objectives, are offered enabling flexibilities and support, and are monitored at a relatively high level rather than central government adopting more of a micro-management approach. Equally, there are also elements of the type 4 model of national initiatives owned locally in the sense of an initiative stemming from the centre, but one that relies very much on local management and implementation.

Other developments such as the use of MAAs, LAAs and LSPs in the English context to prioritise, promote and deliver employment outcomes closely align with key elements of the type 5 approach. As discussed in CLG’s guidance on roles and responsibilities in the local performance framework, the intention behind the LAA approach is to enable greater local flexibility and responsiveness, drive the development of effective local partnership working and governance arrangements, and develop a ‘lighter touch’ in terms of central government’s performance management role (at least in respect of organisations and partnerships seen as performing well) (CLG, 2008). As with the CSPs, the specific governance arrangements adopted by LSPs and other local partnerships on the ground vary considerably. In broad terms, however, such partnerships do represent a significant
move to more devolutionary forms of governance closely linked to this type 5 approach.

The development and administration of the WNF is perhaps the clearest example of an approach combining the type 4 and type 5 models discussed here. While administered centrally, the aim behind this approach is explicitly to empower local partnerships to manage and implement approaches designed at the local level. As noted in the Ministerial Foreword to the outline of the fund issued by CLG and DWP:

‘The Working Neighbourhoods Fund is not just about money. It is about new ways of working. Through the new Local Government Performance Framework and reforms to local government finance, local authorities have greater flexibilities to achieve the objectives which are most important to them and to local people.’

(CLG/DWP, 2007)

Again, therefore, while the overall framework for policy is developed by central government, in governance terms there is a clear move towards local administration and implementation.

Considering the type 4 and 5 approaches to devolved governance discussed above in the context of the aims of this study gives rise to a series of what can be termed ‘key governance issues’. In the main, these revolve around the balance between enabling local flexibility and innovation whilst ensuring adequate guidance from the centre to ensure the effective delivery of policy intent. In addition, where enabling local partnerships is a key element, issues around the cost implications of different models on the ground also become important, as do questions over accountability and the apportioning of risk in the relationship between central and more local levels.

The extent to which types 3 and 7 of the other broad models of governance outlined above (‘market based approaches’ and ‘full devolution of responsibilities’ respectively) are evident in the British context is more limited. The roll-out of Flexible New Deal (FND) through a market based, prime contractor model is the main example to date of a type 3 approach. However, there are clearly stated policy goals to extend market based approaches on the back of the Freud Report (DWP, 2007), the publication of DWP’s Commissioning Strategy (DWP, 2008c), and recent welfare reform Green and White Papers (DWP, 2008a, 2008b).

Engaging private and voluntary sector partners to implement programmes in a relatively wholesale way, as in the context of the FND, raises a number of governance issues. The extent to which oversight by the commissioning department is done through contractual and contract-compliance means, or by more direct involvement in partnership arrangements (such as the strategic level relationships envisaged in DWP’s Commissioning Strategy (DWP, 2008c, p.9)), is one such issue. Equally, issues over accountability arrangements more broadly and the apportionment of risk between the Government and providers will be
significant. Finally, in a related way to the sort of governance issues connected with type 4 and 5 approaches, in terms of balancing oversight with enabling flexibility and innovation, the need to ensure this in the context of the ‘black box’ approach anticipated will also be important.

The type 7 approach, involving full devolution of responsibilities, is largely absent in the British context in any developed sense. However, elements of the full devolution model are prefigured in the discussion of options for the ‘three levels of devolution’ in the 2008 welfare reform Green and White papers, and in the work of the Houghton review (CLG, 2009). At present, however, full devolution in terms of providing local partnerships with full budgetary and design responsibilities remains at the development stage, particularly from the perspective of working out exactly how this would be implemented in practice, and how local-central partnerships and accountability relationships would function.

In addition, other governance issues connected to such fully devolved approaches are likely to be relevant. Most notably, there is the question of how to develop the sort of devolved infrastructure that would be required to effectively implement such approaches in the British context. Equally, such approaches raise issues around consistency of service in different geographical locales. In light of this scenario, elements of models of full devolution that have been taken forward elsewhere are certainly of interest, though questions of their transferability are likely to remain in the near term given the lack of such a tradition in Britain, and the uncertainty that remains over how to take such an approach forward in practice.

Finally, it is worth briefly noting that the remaining governance type outlined – type 6 ‘locally initiated activity’ – is to some extent evident in the UK context in the sense of local authorities and partnerships using a range of funding sources (such as European funding and RDA single pot monies) to deliver relatively small scale locally developed initiatives. While such initiatives are not a direct concern of this study, given the focus on employment outcomes derived from national policy, they are nonetheless significant in providing another route through which broad national policy objectives can be supported.

In addition, such approaches are brought into focus in the sense that they are part of the local nexus of activities in particular areas that elements of a devolved infrastructure – MAAs or CSPs, for example – need to consider and where possible harness to support their aims around bringing coherence to local employment initiatives and provision. From a governance perspective, therefore, such approaches are relevant in the sense of their role in respect of delivery at local partnership levels, and in terms of having a relationship to national policy delivery at the local level. Issues around the extent to which taking forward devolved delivery of...
employment outcomes has managed to harness the potential of locally initiated activity, through being brought into the ambit of local governance structures for example, will thus be returned to later in this report.

2.2.3 Governance and the devolved administrations

Given that the scope of this study covers England, Wales and Scotland, it is also useful to briefly discuss the delivery of employment outcomes in the context of the devolved administrations in Scotland and Wales by way of adding to the picture being developed of the governance landscape in Britain. The first point to make is that employment policy is only constitutionally devolved in some specific and particular respects. As in the British context as a whole, therefore, DWP and Jobcentre Plus remain the key actors with primary responsibility for the delivery of employment policy and outcomes.

In both Wales and Scotland, however, the picture is slightly more complicated than this might suggest. In Wales, for example, as the finalised 2008 Skills and Employment Strategy and Action Plan notes:

‘…Although employment policy is not devolved, many of the policies that will contribute to achieving full employment – skills, health, childcare, local government, transport and regeneration – are the Assembly Government’s responsibility…’

(National Assembly for Wales (NAW), 2008, p.5)

Similarly, the Scottish Parliament does have devolved responsibility in the areas of training and employability and economic development – and therefore the Scottish Government, Scottish local authorities and other public and private sector stakeholders do have some influence on how Scottish employment policy is shaped, how activities are delivered, and what types of outcomes are achieved.

Equally, in terms of playing a role in what can be termed the devolved governance infrastructure around the delivery of employment outcomes, both devolved administrations are significant actors in this sense. In Wales, the Welsh Assembly Government (WAG) has worked in partnership with DWP and Jobcentre Plus, notably in the design, development and implementation of specific initiatives such as Want2Work and in integrating welfare to work programmes such as New Deal and Pathways to Work into its skills and employment ‘Careers Ladder’ approach⁹. In terms of delivery the Assembly Government also plays a role in the governance structures adopted for both the Rhyl and Heads of the Valley CSPs, in the latter case acting as the management/administrative lead and budget holder.

The situation in Scotland broadly mirrors that in Wales, in terms of the role of the devolved administration along with local authorities and partnerships also being significant in delivering employment outcomes. The overall approach in the context of political devolution is guided by Workforce Plus: an Employability

⁹ See NAW (2008), p.43 for an outline of this approach.
Framework for Scotland (Scottish Executive, 2006), published in June 2006 as a new employability strategy for Scotland. Overseeing and supporting this, the National Workforce Plus Partnership was established comprising a Partnership Board (representing key funders and major stakeholders including the Scottish Government), a National Delivery Group (representing each of the seven Workforce Plus areas plus Edinburgh as a City Strategy area), and a Stakeholder Forum (representing voluntary sector and public sector providers).

The aim of adopting the above governance approach was to align funding and strategy across key national organisations, ensure effective delivery is rewarded, provide a forum to respond to funding and flexibility challenges, disseminate good practice, and provide an opportunity for the Government to clearly reiterate the outcomes that it expects to be delivered (Scottish Executive, 2006). Thus, while Workforce Plus reflected a desire to devolve governance functions and responsibility to the local level and local partnerships, this was taken forward within the context of a broader governance framework situated at the national (Scottish) level.

The change in Government in Scotland to an administration led by the Scottish National Party (SNP) has since, in some respects, seen further moves towards a devolved governance approach, privileging the role of local authorities and partnerships in taking forward Scottish employability policy. This policy is clearly driven by a strong focus on an area based approach to tackling poverty and deprivation, as highlighted through the Government’s anti-poverty framework, published in 2008, which states that:

‘…by far the most frequent route out of poverty for working age adults is through well paid and sustained employment.’

(Scottish Government, 2008)

In support of its anti-poverty agenda the Scottish Government introduced the Fairer Scotland Fund (FSF) in 2008. This fund has been provided to each local authority in Scotland with the purpose of addressing area-based and individual poverty and disadvantage, and to enable people to access and sustain appropriate employment opportunities. In this context, local authorities have a significant degree of autonomy in how they deliver the outcomes that they have signed up to, under the November 2007 Concordat between the Scottish Government and the Convention of Scottish Local Authorities (COSLA). However, the Scottish Government retains a key governance role in determining the outcomes that all authorities must work towards, and in establishing the framework to monitor progress towards these outcomes.

As with Wales, the broad approach taken to governance and employment policy in Scotland typically relates to the type 2 and type 3 models discussed earlier. In both contexts, an enabling approach to supporting local partnership working and delivery is combined with devolving responsibility to local levels to support the implementation of national priorities and initiatives, with this operating within an
An overview of governance structures internationally and in Britain

overall governance and performance management framework provided by the national level.

2.2.4 Summarising the nature of the ‘governance landscape’ in Britain

As is evident from the above discussion, what can be termed the ‘governance landscape’ in Britain as regards employment outcomes is in many ways relatively complex. While DWP and Jobcentre Plus remain key actors, as regards employment policy and the delivery of employment outcomes, they are joined by a range of other actors at the level of the English regions and devolved administrations, and by a range of local level partners with an increasingly significant role. Moreover, in structural terms moves to devolve influence over delivering employment outcomes is reflected in a notable increase in partnership relationships, and consequent complexity in terms of governance structures and arrangements.

At the macro level, a number of broad approaches to governance in the sense of the administration and delivery of employment policy are apparent. In terms of moves towards devolving responsibility for employment outcomes, most commonly these reflect either type 4 or 5 in terms of the broad typology presented – namely national initiatives owned locally (type 4) and the recognition, promotion and enabling of a national network of local partnerships (type 5) – or a combination of these. Increasingly, however, other models based around more comprehensive devolution and market based approaches are becoming apparent, with the development of such approaches clearly anticipated by the direction of current policy. At the level of actual delivery on the ground, a wide range of governance structures established to guide the implementation of particular initiatives can be discerned that sit within these broader governance types.

2.3 Governance approaches to delivering employment outcomes internationally

In seeking to provide an overview of governance structures for delivering employment outcomes internationally, it is necessary to take account of the fact that a wide range of different types of approach or models are evident, with numerous variations within these broad models. Accepting this, the typology presented in Section 2.1 does offer a framework in which some of the key approaches to governance and governance models evident internationally may be outlined.

A relatively common approach apparent internationally involves the decentralisation of responsibilities for producing employment outcomes within public employment services in line with the ‘type 2’ model outlined above. Within this approach, overall policy is still set at national level and responsibilities are retained within the state administration, but more discretionary decision making in respect of activities and resource deployment takes place at lower levels. For example, the Hartz IV
forms in Germany incorporate the decentralisation of some decision making powers to local offices of the public employment service, with the aim of adapting services more closely to local needs. Decentralisation within public employment services has also taken place in a number of other countries, again for similar reasons around the presumed benefits of tailoring services and responses to local conditions – examples include the approaches to decentralisation taken in Austria and Denmark, and regionally based approaches characteristic of federal states such as Belgium, Canada and Switzerland

Forms of devolutionary approaches to the governance of employment policy evident in the international context also often take the form of enabling local partnerships to deliver employment outcomes. Canada and the United States (US) offer relatively developed examples of this approach. In Canada, responsibilities for delivering employment outcomes have been devolved to partnerships within its Provinces and Territories under so called ‘horizontal initiatives’, involving the federal and provincial government along with employers and other relevant local stakeholders (Walker and Sankey, 2008). While overarching guidelines are provided by the federal government to ensure consistency in the delivery of policy, local partnerships are provided with flexibility to make implementation decisions locally.

In the case of the US, Workforce Investment Boards (WIBs) are established for every state and local area in the US and its territories, established and funded under the Workforce Investment Act (WIA) enacted in August 1998. The Act defines the overarching policy framework for the workforce system, WIB membership and WIB responsibilities and provides a primary funding stream via state government to each local WIB. In addition to this primary funding stream, WIBs are charged with the administration and/or implementation of a variety of other funding sources. Significantly, as in the Canadian case, while the WIA provides an overall framework and guidance it also enables local partnerships to operate in a locally responsive manner through devolving decision making in respect of local workforce systems.

Internationally, as in the British context, there is significant overlap between approaches that can be defined as type 4 and type 5 within the typology presented. National initiatives being delivered locally also frequently entail enabling local partnerships on the ground, and putting in place suitable governance arrangements for this as part of their delivery. For example, in a related way to the approach taken to WNF in the British context, the French ‘Plan Local d’Insertion et d’Emploi’ (PLIE) represent a nationally inspired and initiated approach, delivered in a number of localities across the country with municipalities playing a lead co-ordination and

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10 The Hartz IV reforms introduced a new system of administration and payment for the long-term unemployed by merging unemployment and social assistance, along with providing more flexibility and responsibility for local budgets to local labour agencies and increasing the involvement of local authorities.

11 For a discussion of these approaches, see OECD, 2003.
While market based approaches have been trialled to lesser or greater extent in a number of international contexts, the most developed examples are probably those adopted in Australia and the Netherlands. In the Australian case, the Department for Employment and Workforce Relations (DEWR) established the Job Network programme as part of an approach to replace the public employment service with a contracted out service, wherein the latter’s functions delivered by a range of public, private and not for profit organisations. Similarly, in the Dutch case a ‘reintegration market’ was established in 2002 wherein municipalities and the social insurance agency purchase services from private providers on a competitive basis. In both these instances, and other examples where broadly similar approaches have been adopted, the drive behind establishing market based approaches has largely been around presumed increased efficiencies and resource savings, in addition to devolving responsibility to non-state actors and state actors at lower spatial levels on the basis of their potential to ‘unlock’ (local) knowledge and innovation in delivering national policy aims.

The final principal type of devolved governance approach to delivering employment outcomes evident internationally is that of models that adopt relatively wholesale forms of devolution to sub-national spatial levels. Perhaps the most far-reaching approach of this type involves the devolution of responsibility for social assistance in the Netherlands to the municipal level. In this instance, in effect the welfare safety net and responsibility for its operation is wholly devolved to municipalities, which have budgetary responsibility and a remit to purchase employment services through the ‘reintegration market’ mentioned above. This in effect means that municipalities act as a form of ‘prime contractor’ of the type evident in arrangements for delivering the Flexible New Deal in Britain (Finn, 2008). With budgetary responsibility within such a devolved framework, the municipalities manage local supply chains, provide employment services and purchase provision from the private sector.

As this brief overview indicates, many of the approaches to devolved governance that are evident internationally share common features with their British counterparts. Likewise, a number of the key governance issues highlighted in the earlier discussion of British approaches also relate to those seen internationally. The lessons available from international approaches such as those noted here are considered in subsequent chapters alongside the experience of devolved governance in Britain. Prior to this, however, it is worth briefly summarising some of these issues and challenges so as to pave the way for the discussions that follow.

13 See Finn, 2008, for a detailed discussion of these approaches.
2.4 Conclusion: Key governance issues and challenges

A number of key issues that frame the investigation presented in subsequent chapters of this report emerge from the above overview of the British and international governance contexts for delivering employment outcomes. It is clear that issues around the balance between enabling local flexibility and innovation, whilst ensuring adequate guidance and oversight from the centre to ensure the effective delivery of policy intent, are likely to be central. Such issues are relevant across a number of the broad governance models discussed, including those that might offer devolution only in the sense of providing more flexibility to local levels of the public employment service.

Where enabling local partnerships is a key element in approaches adopted, issues around the cost implications of different models on the ground also become important, as do questions over accountability and the apportioning of risk in the relationship between central and more local levels. These latter issues are also of particular relevance to more market based approaches, and will be central in any moves towards more wholesale devolution of responsibilities in terms of management and budgetary control moving to local levels.

In respect of market based approaches in particular, the extent to which oversight by the commissioning department is done through contractual and contract-compliance means, or by more direct involvement in partnership arrangements, is another key issue. Related to this, in light of the experience in the Netherlands and Australia, is the degree to which contractual and governance arrangements can safeguard elements of the stated policy intent seen as significant in the British context – in particular maintaining a high quality service and ensuring adequate provision for ‘harder to help clients’ within incentive based models.

Finally, in light of locally initiated activity, issues around the extent to which devolving delivery of employment outcomes manages to harness the potential of such activity, through being brought into the ambit of local governance structures for example, represents an issue that runs throughout later chapters.
3 Requirements for developing devolved governance approaches

This chapter examines a series of issues around what might be considered essential requirements or pre-requisites for developing effective devolved governance structures. It first looks at issues around developing the necessary infrastructure to facilitate a devolved approach, including considerations relating to the complexity of the governance landscape. The chapter then considers issues related to developing effective governance structures on the ground in terms of the operation of local partnerships. It then concludes by summarising the main governance challenges, lessons learned and policy messages emerging from this analysis.

3.1 Developing the devolved governance infrastructure

A clear lesson that emerges from considering international approaches to the devolved governance of employment policy concerns the need to develop a suitable infrastructure at sub-regional and local levels to facilitate this. This consideration is relevant across a number of different approaches to devolved governance. For example, where countries have taken the route of devolving powers to local branches of the public employment service, the efficacy of this has often been challenged by inadequate capacity and expertise at local levels (Organisation for Economic Cooperation and Development (OECD), 2006). Interestingly, this directly relates to a concern expressed by representatives of some of the partnerships consulted in the British context, where the limitations of local capacity and infrastructure in some areas were viewed as a likely barrier to progressing and deepening a devolutionary approach.

In the international context, an example of the issues that can stem from this can be seen in the concerns expressed in the early stages of implementation of the Hartz IV reforms in Germany, wherein greater influence and budgetary control
was devolved to local branches of the public employment service. In particular, these related to poor organisation and capacity at the local level, illustrating that the local infrastructure upon which discretionary decision making and budgetary influence are granted needs to be sufficient to enable this to function effectively (DG Employment, Social Affairs and Equal Opportunities, 2006). Similarly, the experience and review of New Zealand’s Regional Partnerships Programme highlights that where an approach of enabling a network of local partnerships is taken, capacity building and significant resource to develop the required infrastructure is key (NZ Ministry of Economic Development, 2003).

The literature on international approaches also commonly indicates that, in developing such a devolved infrastructure, an explicit and clear demarcation of roles and responsibilities between central and local levels is important in ensuring effectiveness. Again, this consideration appears to be relevant across all of the broad devolved governance approaches considered in the typology presented. The experience of initiatives such as the Territorial Employment Pacts in Austria, for example, illustrates the importance of such clarity, both between central and local levels and amongst partners involved at the local level (OECD, 2006).

As noted, the need to ensure an adequate infrastructure to support any moves towards devolved governance was highlighted by those consulted in the British context, and some of the particular issues that emerged as challenging effective governance in this area mirror those observed internationally. However, while the experience of partnerships thus far was commonly cited as representing, in the words on one interviewee, ‘…a steep learning curve…’, in several cases the point was also made that partnership working at the sub-regional level has developed a certain amount of momentum, allied to considerable experience. As such, the general perception was that the experience and trust built up in recent years does indicate that some of the infrastructure required for effectively devolving employment policy is in place, or at least developing well.

Accepting this, the perception of the extent to which adequate capacity, expertise and well developed partnerships existed in terms of representing an adequate devolved governance infrastructure did vary. It should also be noted that the partnerships consulted were, on the whole, in areas which have had notable experience of adopting multi-agency and partnership approaches to addressing employment issues in recent years. In line with this, some consultees noted that developing a true devolved governance infrastructure across all sub-regions in Britain was likely to be a longer-term undertaking, particularly in light of the fact that some areas will be starting from a much lower base. Some form of capacity building and resource support funded by central government was thus seen as a likely requirement, an issue discussed in more detail later in this report at Section 4.6.

Similarly, looking forward some interviewees from the partnerships consulted expressed concerns over the fact that much of the developing infrastructure for devolved governance has been built with, and has a continued dependence on,
particular short term funding streams. This was likewise seen as a particular issue for policy makers to consider should a more wholesale approach to devolved governance develop, in that some form of resource transfer or consistent funding route from the centre specifically to support this would be required. Alongside this, the point was also made that the experience thus far suggested the benefits of taking a pragmatic approach in this area. As such, the importance and potential gains from building on what was already in place locally was stressed by representatives of several partnerships, with this being seen as helping partners to buy in to the process and avoid some of the inevitable difficulties in partnership formation if starting from scratch.

As in the international examples discussed, the concern over the need to clearly define the relationships between central and local levels within an overall devolved infrastructure was evident in the reflections of a number of representatives interviewed in the British context. Most commonly, this was expressed in terms of a lack of clarity over what was expected of local partnerships in the context of progressing devolution, and what the role of central government would be in contributing to this. This issue is explored in more detail in Chapter 4, but it is worth noting here in terms of the need to develop a clear account of which responsibilities lie where at different spatial levels in any multi-level governance approaches that develop around employment policy. Likewise, the respective degree of control and accountability over particular policy aspects at different spatial levels will evidently require some attention and clarity in developing a more comprehensive devolved approach.

### 3.1.1 Spatial issues and addressing the complexity of the governance landscape

This need for a clear and shared understanding of relative responsibilities at different spatial levels within an overall devolved governance infrastructure is of particular relevance to the British context. As outlined in the previous chapter, the ‘governance landscape’ evident in Britain is characterised by complexity in terms of a wide number of actors having a role at different spatial levels. Again, some relevant lessons in this area can be drawn both from the international evidence and from the experience of partnerships operating in Britain.

In particular, the experience of countries where a number of devolved activities have been developed in the same region or sub-regional area, or where multiple partners are necessarily involved, strongly indicates the need for active co-ordination in developing effective devolved governance approaches and structures. Walker and Sankey (2008), for example, discuss the importance of the ‘Vancouver Agreement’ in this sense in the Canadian context, with the agreement being developed to govern multi-level partnership working involving a wide range of agencies and partners. Likewise, the experience of instituting the Territorial Employment Pacts in Austria similarly indicates the need for such active co-ordination, in this case through the establishment of a central ‘Co-ordination Unit’ at the national level (OECD, 2006).
However, the active co-ordination role that appears to be required need not necessarily emanate from, or be driven by, central government as in these international examples. To some degree, the role anticipated for sub-regional partnerships in Britain such as Multi-Area Agreements (MAAs) and City Strategy Pathfinders (CSPs) is specifically to co-ordinate local activity in a similar way. Accepting this, such co-ordination in this sense generally relates to activity rather than structures, and it is clear that some of the co-ordination issues in the British context relate specifically to multiple, overlapping structures in the form of partnerships and so on operating at different spatial levels within, for example, a single region.

In the longer-term it is likely that any moves towards an expanded and deepened devolutionary approach will require increased structural co-ordination in this sense, and that central government will inevitably need to take a lead in this. At present, however, the experience of partnerships operating on the ground in the British context suggests that this complexity occasioned by multiple governance structures is not necessarily the significant barrier in practice that it might appear.

In some of the British cases examined, where governance arrangements are complex and exist at several spatial levels within a region, having some overlap of personnel within such partnerships, allied to clear routes for information exchange and cross representation on boards, was seen as representing a route through this. Importantly, however, the need to guard against duplication of activity (as opposed to structures per se) was felt to be key. As one interviewee noted, ‘…there’s a fair bit of clutter…but if there’s overlap, not duplication, then that’s good…’. In the context of the North East, it was also noted that having a common reference point for partnerships working at different spatial levels could also help address issues around complexity – in this case, the common reference point being the Regional Employability Framework developed in partnership under the auspices of the Regional Development Agency (RDA).

In addition, referring back to the example of the Vancouver Agreement, interestingly the experience of dealing with such a complex landscape in the British context appears to suggest that such formal mechanisms and agreements are not always required. While some of the partnerships visited had formalised aspects of their relationships with other governance structures operating at the devolved level, in general the use of memorandums of understanding and the like was not felt to be required. Again, this may be due to such ameliorating factors as those cited above around cross-representation, the development of clear information routes, and the presence of a common strategic reference point at the regional level.

In the near term, therefore, it may be that co-ordination to address spatial issues and complex overlapping governance structures in this sense may require a case by case approach. This is likely to depend on, for example, the interplay of different governance structures in place, and how well this works on a practical, day to day, basis, along with the degree to which there has been a history of partnership working in any particular area in question.
3.2 Developing effective governance structures at the devolved level

Much of the international evidence relating to developing governance structures at a devolved level tends to focus on generic lessons around effective partnership development. While reports such as the OECD’s *Successful Partnerships: A Guide* offer useful checklists of effective partnership characteristics\(^{14}\), the degree of practical learning (beyond a generic level) that could be applied to the British governance context from such studies is somewhat limited. With this in mind, the majority of evidence and examples discussed in this section are drawn from the consultations undertaken with partnerships in Britain.

Probably the key overarching issue in developing effective governance structures at the devolved level concerns the degree of formalisation required, particularly in relation to the increasing role that sub-regional partnerships are being encouraged to take on as part of the establishment of CSPs, City Regional Employment and Skills Boards and other similar developments. A number of the partnerships consulted have, to a greater or lesser degree, formalised their governance structures in response to gaining, or expecting to gain, increased responsibility for strategy setting and commissioning. For example, in the Tyne and Wear sub-regional context, while initially a steering group was established to oversee establishment of the area’s CSP, this has developed into the current City Region Employment and Skills Board situated within the wider City Region/MAA governance structure.

For a number of the partnerships consulted, such considerations raised issues around their legal status in respect of options for the greater formalisation of governance structures. Certainly, there was widespread recognition that devolved partnerships or governance structures of the type being examined need to have a certain level of formality, in terms of being fit for purpose given the role anticipated for them. This was seen as being the case particularly where such partnerships were seeking statutory powers over strategy setting for adult skills and, potentially, local employment development. However, in general those partnerships not legally constituted were ambivalent over this issue and tended to feel that there were no clear advantages or disadvantages to being formally constituted or not. On the basis of those consulted, it appears that partnerships choose how far to go in terms of formal constitution and legal incorporation according to a number of considerations – notably, the history of the partnership, the agencies involved, plans or otherwise for joint commissioning between partners, and whether there are options within the partnership to take on accountable body status.

Accepting the particular issues noted around legal status, examples of developing, as one interviewee put it, ‘tighter’ governance and accountability arrangements have been a key feature of implementing devolved structures on the ground. However, it is clear from the partnerships consulted that this has brought both

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costs and benefits, in addition to raising a number of further issues and challenges. In some cases, particularly in areas with a strong inclusive tradition of partnership working in the employment sphere, this shift has created local tensions where partners perceive that they have lost a voice or influence due to reductions in membership on main partnership boards. The need to handle such a transition carefully and sensitively was thus cited in several cases.

Some partnerships have also sought to retain the expertise of a wider group of people and/or organisations through establishing a series of sub-groups beneath a smaller main partnership group or board. In one case this was noted as involving a trade-off in terms of slowing decision making processes on the part of the main partnership group concerned. Greater definition of decision making responsibility and where this lies, allied to closer management of the sub-groups, has thus been required in this instance. Again, however, there was a recognition that with such ‘tighter’ governance comes issues around needing to carefully keep partners engaged, and the potential for greater costs and resource requirements from a partnership management point of view.

Equally, it should be noted that this process of evolving and formalising governance structures at the devolved level has clearly brought opportunities and benefits to partnerships. In one instance such moves gave the opportunity to re-think membership, leading to the partnership concerned spending some time identifying and engaging what was described as the ‘…right players…’. This is perceived as having paid dividends in terms of effectiveness, with the opportunity to reconsider which partners should sit where within the overall partnership structure also aiding this.

At the same time as some necessary moves towards formalisation, a number of consultees across the partnerships consulted also felt that there was a danger in over-formalising arrangements. This was seen as being potentially problematic and counter-productive in terms of reducing flexibility and responsiveness to changing needs and policy. As such, some partnerships were wary of establishing governance charters or constitutions that might, for example, specify set numbers of members from the private or Voluntary and Community Sectors (VCS), or that would require specific organisations to be represented. The importance of ‘organic’ partnership development was thus referenced, as was the ability to remain flexible in terms of structure, size, and membership.

From a central government perspective, the implication of this is that, while such an approach to prescribing structures and/or membership for devolved governance arrangements may be required in particular instances, this needs to be done carefully so as to not run counter to some of the key presumed benefits

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15 For example, where there is a policy driver towards developing boards with a majority private sector membership, or where certain national organisations are perceived as essential members of partnerships to deliver particular initiatives.
of devolving power and influence to lower spatial levels. Interestingly, a similar ‘lesson’ is cited in some of the international literature reviewed. For example, an evaluation of the experience of instituting Workforce Investment Boards (WIB) in California raises issues around the extent to which local partnerships need to be allowed space to develop organically, rather than being forced together through overly prescriptive membership guidance (Campbell et al., 2006).

Having noted this, however, specifically in relation to the issue of whether the partnerships consulted would wish to take on statutory powers, a number of key representatives felt that the formality attached to this could be a useful way forward in progressing the devolved agenda more generally. The perspective of such interviewees was that this signalled firm commitment from central government and devolved governance structures to work together. Likewise, it was noted that this level of formality was sometimes needed as a driver for, and to assist in, developing devolved approaches, for example through assisting partnerships to be able to bring particular strategic partners in.

Some related issues and lessons also emerged from the consultations with partnerships in Britain in terms of the structure of partnerships themselves, and the division of roles and responsibilities within this. In addition to generic requirements for good practice in partnership development, such as the need for a clear articulation of the roles and responsibilities of all partners concerned and shared commitment, a number of other more specific points were made. For example, where partnerships have both a strategic and delivery remit, the need to clearly separate these functions, with the structure of the partnership reflecting this, was stressed by several consultees.

Linked to this, in a number of cases the need to guard against potential conflicts of interest was cited as a key governance concern, particularly where partners on strategic bodies were representing agencies and organisations that also have the potential to engage in a delivery role. Some partnerships had already sought to address this through instituting ‘Chinese walls’¹⁶ to protect against such potential conflicts. In general, the perception was that this was working well, but needed constant review and conscious attention from a governance perspective on the part of multi-agency partnerships. This was seen as particularly key where partnerships anticipated moving to Level 2 commissioning/devolution according to the ‘three levels of devolution’ aspect of current policy. In another case, a partnership restricted membership from the private sector to business representative groups, in the shape of the Chamber of Commerce, along with companies unlikely to be bidding for contracts. However, in this instance it is recognised that the ‘employer voice’ has the potential to be diluted through such an arrangement.

¹⁶ In the sense used throughout, the term ‘Chinese walls’ refers to arrangements putting in place an information barrier between different parts of the same organisation to avoid any potential conflicts of interest of perceptions of such.
In addition, where sub-regional partnerships were developing employer-led boards with a strategic remit, and the potential to take on statutory powers around, for example, adult skills, the importance of a strong and effective ‘executive’ or operational support group for the strategic element of the partnership was seen as key. Where this was reported to be in place and working well amongst the partnerships consulted, this was seen as being as a result of several factors including:

- having an executive team lead with the seniority and gravitas to effectively interact with high level board members;
- developing a reputation as an honest broker amongst partners within this role, gaining trust and respect;
- having the capacity to provide effective informal and ad-hoc support to partnership/board members, particularly where they may be less used to operating in such a context – for example, in the case of some employer representatives for whom the intricacies of the employment and skills system may be difficult to grasp to begin with; and
- acting as an effective interface between the partnership and relevant central Government departments.

To conclude this section, from the above discussion it is clear that in developing effective devolved governance structures for the delivery of employment outcomes in the British context, a number of key issues and challenges require addressing. These may be summarised as follows:

- Developing an appropriate balance between formalising partnerships and retaining the flexibility to respond to changing needs, policies and expectations.
- Handling the transition to ‘tighter’ and more formalised governance structures at the partnership level carefully and sensitively.
- Using the opportunity to reconfigure partnership structures and membership in an effective way that is able to further contribute to operational and strategic goals.
- Developing structures and operational procedures within partnerships that effectively separate strategic and operational roles and interests.
- Developing a strong and effective executive support function with the respect and gravitas required to assist high level partnership members.

### 3.2.1 Engagement and partnership issues

In addition to the above issues around the structure of partnerships, several specific issues emerged from the consultations with partnerships operating in the British context in respect of membership and engagement. Perhaps the most significant of these concerns the challenges a number of partnerships have faced in establishing an employer led approach in line with policy requirements. In
addition to difficulties around the selection and recruitment of appropriate board members, the most notable issue here appears to relate to enabling private sector representatives to play an effective and informed role in terms of their contribution to this aspect of devolved governance.

In a number of instances, the move to employer led boards has led to significant difficulties in two main areas:

• firstly, the capacity of those recruited to play the strategic and decision making role anticipated of them in the context of an increasingly complex employment and skills policy landscape; and

• secondly, and related to this, the difficulty some partnerships have faced in retaining the engagement of high level individuals who have become frustrated with the difficulties and challenges of operating in what, for many, is a new and unfamiliar environment.

Given the centrality of the employer-led notion to current Government policy, these issues represent a significant challenge to instituting effective devolved governance structures and approaches. While the partnerships that have experienced these issues did not feel there were any easy solutions to this, several have put in place measures to mitigate the effects of these difficulties that are worth highlighting. For example, one partnership has sought to put in place deliberate capacity building measures to assist private sector representatives, consisting of pre-meetings and regular policy briefings in advance of formal board meetings. Likewise, the executive function of some partnerships have sought to ask employers for their ideas on how things might work better and have tried to respond to this, in addition to ensuring they are able to respond quickly and efficiently to ad-hoc support and information requests. While such measures are seen as assisting with the issues outlined, the additional burden in terms of resource requirements was in some instances seen as being considerable.

It is also important to note that it is not only the effective engagement of private sector representation that is a challenge for partnerships operating at a devolved level in the British context. Equally, gaining effective third sector representation has raised a number of practical issues and considerations. To some extent these relate to the sort of capacity and knowledge issues outlined in respect of employer representatives. However, engagement of third sector has also caused some issues of a different kind related to the spatial scale (sub-regional) at which some of the partnerships consulted were operating.

In the case of City Region partnerships difficulties in convincing the sector that it is properly represented had emerged, in part due to the fact that in some cases there was no representative body able to operate at this level. Again, this had required some work in exploring alternative options, though it was recognised that such capacity issues could not really be addressed directly by the partnerships themselves. Interestingly, however, in one instance the VCS itself had responded to this through developing a ‘City Region VCS employment group’ to provide this
representation which is seen as working well and gaining recognition/legitimacy from the wider sector.

As noted, the issues highlighted above around effective engagement are to some degree being addressed through a number of routes by partnerships and other actors at the devolved level. Accepting this, the issue over private sector representation in particular does suggest that some additional resource may need to be forthcoming from central government if the perceived benefits of such an approach are to be realised. This issue is considered further in discussing the role of central government in responding to governance issues and challenges in Section 4.6.

3.2.2 Data access and exchange

Before concluding this chapter, it is worth briefly highlighting one particular longstanding issue that represents another challenge to the effective operation of devolved governance structures – namely, issues around the difficulty of access to administrative data and the exchange of this between partner organisations. This issue was frequently cited as a barrier to effective devolved governance on the part of those consulted, both from the perspective of accessing data from central government departments, and in terms of data exchange between partner organisations involved in devolved governance structures.

While the sensitive issues and challenges regarding confidentiality and the use of data faced by government departments were widely appreciated by local partners, it was nonetheless generally felt to be a key issue requiring further attention. The need to develop more effective and easily implemented data access and transfer protocols, and facilitate greater data sharing to contribute to the strategic aims of local partnerships, were seen as a priority action for central government in helping to ensure the development of effective devolved approaches.

3.3 Conclusion: Key governance challenges, lessons and policy messages

Considering the above evidence gives rise to a series of key governance challenges, lessons and policy messages around the requirements for developing devolved governance approaches. These can be summarised as follows:

**Key challenges**

- The need to develop a suitable infrastructure with adequate capacity at sub-regional and local levels to facilitate the devolved governance of employment policy.
- The need to develop an explicit and clear demarcation of roles and responsibilities between central and local levels within the overall governance infrastructure.
• Responding effectively to the significant co-ordination issues in the British context of multiple, overlapping governance structures operating at different spatial levels.

• Generating the right balance between formalising governance structures at the devolved level, to ensure they are fit for purpose, whilst ensuring they retain the flexibility to respond to changing needs, policies, expectations and external contextual factors such as economic conditions.

• The need to guard against potential conflicts of interest within devolved governance structures, particularly where partners on strategic bodies represent agencies and organisations that also have the potential to engage in a delivery role.

• Establishing an employer-led approach to devolved governance structures in line with policy requirements in the British context, particularly in terms of enabling private sector representatives to play an effective and informed role.

• Addressing the difficulty of access to administrative data and the exchange of this between partner organisations within devolved governance structures.

Key lessons

• 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.
Policy messages

- Amongst partnerships operating in Britain, the experience and trust built up in recent years does indicate that some of the infrastructure required for effectively devolving employment policy is in place, or at least developing well.

- If moves towards greater devolution occur in future, it is important to recognise that 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. Some form of capacity building and resource support funded by central government is thus likely to be required.

- Much of the developing infrastructure for devolved governance has been built with, and has a continued dependence on, particular short-term funding streams. Should a more wholesale approach to devolved governance develop, some form of resource transfer or consistent funding route from the centre specifically to support this may be required.

- From a central government perspective, while prescribing structures and/or membership for devolved governance arrangements may be required in particular instances, this needs to be done carefully so as to not run counter to some of the key presumed benefits of devolving power and influence to lower spatial levels.
4 Operationalising devolved governance

Following on from the previous chapter’s discussion around the requirements for developing devolved governance approaches, this chapter turns to examine a series of issues related to operationalising such approaches. It first examines issues around devolving budgets within a devolved governance context, before addressing questions around the relationship between adopting particular governance approaches and generating innovation in policy development and delivery. The chapter then examines a series of issues around performance management and accountability, including issues around measuring the impact of particular approaches and cost considerations. The developing experience of instituting devolved governance in the British context is then briefly examined, before the role of central government in responding to a number of key devolved governance issues and challenges is considered. To conclude the chapter, a summary of the main governance challenges, lessons learned and policy messages emerging from this analysis are presented.

4.1 Governance and devolving budgets

One key route to instituting a more devolved governance approach concerns the ability of central government to devolve budgets to partners operating at sub-national levels to deliver agreed outcomes in line with national policy. Much of the learning in this area available from the international evidence relates to two broad approaches: Firstly, an approach of devolving full budgetary control for delivering employment outcomes to lower tiers of (regional, sub-regional or local) government; and, secondly, a market driven approach where providers receive delegated budgets to deliver pre-defined outcomes through the so called ‘contracting-out’ of welfare provision\(^\text{17}\). In many cases, both approaches involve incentivising state or non-state actors to deliver positive outcomes in return for rewards.

\(^{17}\) Constituting ‘type 5’ and ‘type 4’ approaches respectively in terms of the governance typology presented earlier in the report.
In respect of market-based systems, there is a growing literature identifying some of the main governance-related benefits and potential issues with such an approach. In terms of advantages there is some, albeit contested, evidence of efficiency savings, increased innovation, and reductions in overall benefit caseloads (Armstrong, 2009, Finn, 2008). However, analysis of systems in the US, Australia, and the Netherlands also highlights negative issues or consequences associated with such approaches around:

- less efficient feedback mechanisms to the centre concerning operational issues;
- reduced opportunities for ‘open learning’ and transfer of effective practice;
- fragmentation between different but related policy areas (for example, reduced strategic linkages between the employment sphere and that of local economic development or social inclusion);
- the potential for significant contraction of the provider base where large prime contractors come to dominate the market-place; and
- negative impacts on clients – in particular, those more distant from the labour market due to the common focus on incentivised payment by results approaches in such systems, and resultant tendency of providers to ‘park’ or de-prioritise such clients.

Accepting these issues, the experience of such approaches internationally does serve to illustrate some key learning points and potential ways of ameliorating some of the potential difficulties and negative consequences mentioned. To some extent these are reflected in the Department for Work and Pensions’ (DWP) own Commissioning Strategy – for example, its concern with ensuring that the market remains open to new entrants, and active approach to monitoring and performance assessment to open up feedback channels and assist with good practice transfer.

In addition, there is a growing consensus around the necessity of differentiated, so-called ‘escalator’ models of payment in incentive-based, payment by results, systems, also referenced in the Commissioning Strategy, to avoid problems of ‘parking’ clients and concentrating on the easier to help. Equally, a focus on

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18 The United States, Australia and the Netherlands tend to be the most studied nations in terms of such contracting-out forms of delivery. See, for example, Morrell and Branosky (2004), Campbell et al. (2006), Finn (2008), Armstrong et al. (2009) from which these negative issues and consequences are derived.

19 In this sense ‘escalator’ models are designed to incentivise providers to apply more attention to those further from the labour market by setting a series of thresholds in terms of job-entry numbers, after which the payment received increases. Thus, helping only those closer to the labour market attracts less financial reward for providers than if they are successful at moving those more distant from the labour market into work, the assumption being that achievement of these greater numbers of job-entries will necessarily involve placing those further from work into employment.
maintaining a stewardship role within the market, and active management of providers (involving face to face contact at events and so on), to address the issues of maintaining a transfer of learning and linkages between policy areas are likely to be important mitigating factors in developing such approaches to devolved governance.

While the partnerships consulted for this study in the British context have not acted as providers in such a market-based system, they have played a role in relation to what is at present the main example of such a governance approach in Britain – the roll-out of the Flexible New Deal (FND). In the main this role has revolved around influencing the commissioning process for FND contracts, and the experience of such partnerships thus far serves to illustrate some significant considerations around implementing FND-type approaches from a governance perspective.

In respect of the early stages of the FND roll out, some issues emerged over the degree to which partnerships such as those consulted were able to play such an influencing role. While there have been conscious efforts to further develop the approach to engaging local partners in commissioning processes, at the time the fieldwork was undertaken some partners raised issues in this area. These issues are worth noting as they have the potential to act as barriers to effective devolved governance in any similar future approaches that might seek to engage local partners in influencing the commissioning of centrally administered programmes. In particular, the partnerships consulted raised the following points:

- The use of commissioning timescales which some partners felt were unrealistic, making it difficult from their perspective to properly input into developing specifications for FND provision, and to contribute to the assessment of bids.
- A similar lack of time, in light of the resource constraints faced by local partners involved in City Strategy Pathfinders (CSPs), to develop co-commissioning bids.
- Limited feedback from relevant parts of DWP on whether, and how, CSP inputs to these processes have influenced specifications or the selection of consortia.
- Limited ability for CSPs to input their local knowledge on the performance and track record of particular providers under consideration in their locality.

While the second phase of the FND roll out has seen greater involvement of local partnerships, and a concomitant rise in the use of co-commissioning with a number of local areas, it would seem appropriate to bear such potential issues in mind for future activity of this type. Accepting this, it should be noted that, in general, those consulted did also welcome the opportunity to be involved in helping shape how devolution moves forward in this area.

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20 See Armstrong et al. (2009) for a fuller discussion of such ameliorating factors and Finn (2008) for a discussion of how the Australian Job Network has been adapted to address some of the negative consequences arising from a governance model based on a market driven approach.
Likewise, the opportunity to shape how the concept of the ‘three levels of devolution’ develops in practice was similarly welcomed, and there were some suggestions around how CSPs and similar partnerships could contribute to this. For example, one consultee noted that their CSP had the potential to act as a communication link and interface between prime contractors and the pool of (smaller) providers/potential sub-contractors locally – essentially providing a form of brokerage in this sense. Similarly, the contribution such partnerships could make to the ongoing performance management required for FND, and the consortia involved, was also stressed. In addition, consultees noted the potential (notwithstanding the process issues identified above) to play a more developed role in ensuring that activity delivered under FND, and other contracted-out initiatives, adds value to and complements existing sub-regional/local activity in future.

While this section has focused on commissioning through the competitive and incentive based route, as with the FND approach, it is worth remembering that this does not necessarily represent the only mechanism for channelling funds to local areas. There are numerous examples internationally and in Britain of providing blocks of funding to local partnerships within the context of national programmes with broadly defined objectives, the operation of the Working Neighbourhoods Fund being one such example. Where the partnerships consulted had experience of this type of approach, such a mechanism was seen as working well as a route to devolving governance. One such example concerned the delivery of the Deprived Area Fund (DAF) through the Swansea Bay Partnership, with perceived advantages of this approach including:

• The ability to ‘place’ DAF activity within the overall pattern of considerable existing activity in the area, rather than just bringing this in on top of existing activity.
• The ability to use existing links developed by the partnership with local specialist providers at the neighbourhood level, enabling an efficient distribution of ‘added value’ funds to address specific local issues or gaps in provision.
• The scope to use grant funding allocations to small providers, rather than engaging in a full competitive procurement exercise that some such providers would not have the capacity to respond to.

This also raises a wider issue around whether the prime contractor approach to commissioning represents the best route to channelling such funding in all contexts. The example of Swansea Bay indicates that existing, specifically localised, knowledge on the ground can provide another route to accessing experienced local providers, already embedded within particular neighbourhoods, beyond depending on the creation of local supply chains through a prime/sub-contractor model. Equally, it demonstrates the co-ordination benefits that can accrue in localities where a complex mix of provision already exists. This particular issue is relevant given that some of the literature on the marketisation of welfare systems and competition based approaches internationally suggests that such approaches can serve to prevent effective co-ordination with wider economic development and social inclusion initiatives (Finn, 2008).
While this should certainly not be taken to represent an either/or choice as regards these different options for devolving budgets, it does illustrate that various options are likely to be applicable in different circumstances. This is likely to depend in part on the policy aims of particular initiatives. For example, where initiatives seek to target specific localised concentrations of worklessness at the neighbourhood level, in areas with particular labour market contexts with more or less unique local characteristics, a similar route to that taken with DAF in Wales may well be applicable. Where such local targeting, conditions and specificity are less of a consideration, and an initiative is less spatially targeted and more targeted at, for example, particular customer groups, then a prime contractor model with competitive tendering may well be more applicable.

In a related way the need to retain a diverse provider base, and ensure that small locally focused organisations from the Voluntary and Community Sector (VCS) can retain a role, was cited as a concern by some interviewees from the partnerships visited. Again, some flexibility in approaches to devolving budgetary control beyond the prime contractor model and competitive tendering may thus be an option to retain. International experiences on the effects of similar models to that being adopted for FND tend to offer some support to this perspective. For example, the experience of the prime contractor model operating in New York City since the late 1990s seems to suggest that such approaches can lead to notable contractions in the ‘provider market’ (Armstrong et al., 2009). In turn, this suggests that the focus on market stewardship within DWP’s approach to commissioning is likely to be significant in ameliorating some of the potential issues with such approaches21.

To summarise these considerations around devolving budgets as an element of devolved governance, it is clear that in the British context attention will be required in terms of how to best combine different approaches to which current policy is committed – namely, competitive market driven approaches, along with approaches involving the use of multi-agency partnerships at sub-regional level with an explicit co-ordinating function. Deciding when and how to use both mechanisms as a route to devolving budgets, along with how to effectively co-ordinate and combine the potential contributions of these different forms of governance approach, represents probably the key challenge for central government in this area.

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21 Market stewardship emerges as a central theme in DWP’s Commissioning Strategy (DWP, 2008c), with a number of mechanisms being put in place to seek to ensure a diverse market in terms of providers. These include a recognition of the need to facilitate the entry of new providers into the marketplace, a Code of Conduct to regulate relationships between prime and sub-contractors, mechanisms to encourage provider feedback on the functioning of the system and to enable good practice exchange, and a ‘capabilities framework’ setting out the expectations of ‘first-tier’ providers and the supply chain.
4.2 Creating innovation through devolved governance approaches

A key question in light of operationalising devolved governance approaches in the British context relates to whether, and in what ways, particular governance models lead to innovation in the development and delivery of policy. Where reviews of international approaches to devolved governance have considered innovation, there tends to be a presumption that some form of competition in selecting proposed activities can drive innovation at the local level, as can an explicit aim of innovation set by central governments for partnerships to respond to and be rewarded for. Approaches such as those taken forward in Australia and the Netherlands have, in particular, been highlighted in this context. Indeed, part of the argument for more fully developed market-driven competitive forms of governance in particular rests on the presumed innovation that will flow from such models.

However, while the literature does indicate that opening up markets to a range of providers from different sectors (public, private, and VCS) can drive innovation, there appear to be a number of additional conditions that are required if this innovation is to be effectively encouraged and sustained. These include careful contract design that ensures that risk is apportioned to the right degree at different levels of governance structures, so as not to encourage a partial retreat into more conservative approaches on the part of those delivering services. There also appears to be the potential for innovation to tail off over time where large prime contractors or providers are involved in market driven systems, and there is thus a need to carefully manage the purchaser – provider relationship on an ongoing basis if this innovation is to be maintained (Armstrong et al., 2009). In part this appears to result from the potential for contraction in the provider base that can result from adopting a prime contractor model, as well as a transfer of knowledge as to what constitutes innovation in delivery away from government agencies that become more passive purchasers over time (Armstrong et al., 2009; Morrell and Branosky, 2004; Finn, 2008).

Other identified requirements for promoting innovation, even where governance models are specifically designed or presumed to encourage this, include:

- the development of strong trust relationships between central government and its partners at devolved governance levels, so that the confidence to be innovative is present;

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22 See, for example, Morrell and Branosky (2004) and DG Employment, Social Affairs and Equal Opportunities (2006).

23 See, for example, Morrell and Branosky (2004) and the discussion of transfer of responsibility to the Dutch municipalities.
• an explicit recognition of innovation as a policy aim and incorporation into contracting or monitoring arrangements on the part of central government; and

• recognition of, and reward for, success in being innovative.

The international experience of governance approaches other than those relying on market driven contestability, for example those resting on empowering local partnerships and using local structures to deliver national initiatives, appear to similarly confirm the importance of such considerations. Examples include lessons identified from the experience of implementing the Perspektive 50+ initiative in Germany and New Zealand’s Regional Partnerships Programme24.

Interestingly, while the partnerships consulted for the study in Britain tended to view innovation as a potential benefit of devolved governance approaches, innovation per se does not appear to have acted as a key driver for the partnerships in developing activities to date. In some instances, this was seen as reflecting the fact that a number of other aspects to devolved delivery have required more attention thus far, including building partnerships, negotiating roles and responsibilities, and mapping existing activity to improve efficiency and reduce duplication. Equally, however, some representatives were concerned that more guidance and support was required from central government to make the ‘freedom to innovate’ a reality, given existing perceptions of risk held on the part of some partnerships. Time, and the development of more mature partnerships, allied to the necessity for support and guidance to innovate, would thus appear to be significant considerations in promoting innovation through devolved governance in the British context.

Relating these findings back to the typology of governance approaches developed for the study, the evidence gathered suggests innovation is possible within a number of models and, equally, that each of the broad approaches to governance identified require some level of active intervention and management to promote innovation. While certain approaches perhaps have clearer potential to generate innovation – notably market driven approaches and those focused on enabling local partnerships to innovate within broad policy parameters – from the perspective of central government departments, innovation is as much about how devolved governance structures are implemented and managed as about the type of governance structure themselves. Certainly, across any of the broad approaches identified, promoting innovation through devolved governance structures will require:

• explicit guidance that innovation is a desired outcome from developing a (devolved) form of governance, and recognition from central government of achievements in this sense (for example, through ‘black box’ type approaches);

• reciprocal trust between the centre and governance structures at lower spatial levels to create a scenario where local actors feel empowered and that they have the freedom to innovate;

• a careful balance in terms of providing, on the one hand, enough guidance to ensure local partnerships are not stymied into inaction through simply not knowing how to respond to the offer of freedom to innovate, and on the other not overly prescribing how things should be done – essentially, offering enough input, guidance, reassurance and time while maintaining enough distance to enable partnerships to experiment, develop solutions tailored to local contexts, and to innovate; and

• where appropriate rewarding the development of innovative approaches, whether through increased resources to partnerships or forms of recognition such as awards.

Finally, it is also worth making the point that the actual impacts from any conscious promotion of innovative activity on the part of central governments should be considered and evaluated, given that there is no automatic link between innovative activity and positive outcomes. In adopting and promoting innovative approaches, therefore, examining whether such innovation actually has positive impacts becomes an important consideration.

4.3 Performance management and accountability

A key consideration for central government in developing successful approaches to devolved governance concerns the need to balance, on the one hand, the granting of power to sub-national levels with, on the other, the need to develop effective accountability and performance management functions to govern this. Previous international studies serve to illustrate a number of potential considerations in ensuring effective accountability in the specific context of partnership based approaches to devolved governance. These include ensuring adequate guidance for partners in terms of how far devolved responsibility goes, and establishing a strong monitoring framework and reporting procedures to facilitate performance management (Organisation for Economic Cooperation and Development (OECD) 2001). A further overarching challenge for ensuring accountability in this context is identified by Mosley (2003). This revolves around how to ensure clear a accountability chain between central government and local partnerships when those partnerships are comprised of a range of governmental and non-governmental actors, each with their own pattern of accountability relationships.
In many ways, the consultations with partnerships in Britain illustrate how these and connected issues are being played out on the ground. While, on the whole, the partnerships consulted were all comfortable with the broad level of monitoring and accountability expected, and felt this did allow them significant autonomy, there were also some specific issues raised. In the Multi Area Agreement (MAA) context, for example, representatives from one partnership felt that the performance management framework in place did have some problems attached to it, specifically in terms of adequately reflecting the totality of partnership activity, not being ‘light touch’ to the extent initially promised, and to some extent not always having the right measures in place. As one interviewee noted, ‘we need smarter outcome targets and measures of success’.

This importance of suitable approaches to measurement was also raised in the more general context of assessing the success or otherwise of partnerships in delivering specific activity. In particular, some interviewees noted the need to develop more sophisticated measurement approaches that related closely to, and covered the totality of, the nature of the activities in question, rather than depending on more generic or easily available data. The literature on international experiences provides some evidence to support this in that, for example, overly focusing on measures around job outcomes can effectively crowd out other important aspects of activity that need to be measured, such as client satisfaction. This in turn suggests that, in developing effective performance measurement and management approaches, there is an important balance to be found between overburdening partnerships or providers delivering locally with excessive data collation requirements, whilst ensuring that the totality of their activity is reflected in performance measures used.

The need for performance management and accountability frameworks to assist in measuring performance, but not to drive decision making, was another consideration raised in the course of visits to partnerships. As one interviewee noted, performance management can add focus to decision making and the development of activities but should not drive them – the concern being that in some instances outcome measures are selected on the basis of available data, rather than what the partnership or governance structure in question really should be measured on. This was seen as having the potential to lead partnerships into basing decisions and choices over activities funded on meeting targets rather than addressing needs. From the perspective of ensuring effective governance this suggests the need for careful design of performance management frameworks, allied to a conscious recognition on the part of both central government and devolved governance structures of the potential for such unintended consequences.

See, for example, the discussion of how a strong focus on job outcomes as a primary measure in the New York City prime contractor model can come at the expense of a focus on the customer experience, and developing measures to assess this, in Armstrong et al. (2009).
In addition, while the need to ensure consistency of monitoring requirements for local governance approaches on the part of central government was recognised, the perception of some consultees was that some flexibility in developing locally specific monitoring mechanisms would be required if the issue of measures truly reflecting activity on the ground was to be addressed. This issue was also viewed as indicating the need for targets in any monitoring framework to be negotiated between central government and local governance structures, and for the latter to have a proper input into this wherever possible.

Likewise, the ideal of ensuring that targets incentivise true partnership working, and were of relevance to all involved, was also raised from the perspective of helping to ensure that all partners felt they had a stake in partnership activity, and that successes, as well as failures, could be recognised. Interestingly, while this is inevitably difficult to fully achieve, it does provide one solution to the challenge noted above – that of developing appropriate performance measures and accountability relationships at the partnership level when constituent partners have their own measures and relationships. To the extent that accountability at this level, and how partner performance is measured, can be developed in such a way as to fit with individual partners’ accountability and performance measurement responsibilities, this would thus appear to be beneficial from the perspective both of central government and of devolved governance structures.

Other indications of how to ensure an effective balance between facilitating a level of local autonomy within an effective performance management framework can be drawn from the experience of partnerships in the British context. One such indication concerns the need to develop a more transparent comparative assessment of partnership performance in the context of plans to devolve more power to those partnerships judged as successful, as outlined in recent policy documents. As representatives of one of the partnerships noted, such plans will require a more concrete and transparent way of assessing partnerships themselves, including criteria developed for this, to enable increased differentiation between partnerships as to when they are competent and capable to take on more influence. It is also worth noting that this issue, of how to effectively and fairly measure comparative success or otherwise, was seen as important in developing the trust required to take forward more devolved forms of governance amongst some of the partnerships consulted.

As well as performance monitoring in the sense of accountability of devolved governance approaches to the centre, interviewees also tended to note the importance of how performance monitoring and review was done within the partnership itself. This is recognised as potentially sensitive where particular partners take on lead responsibility for specific activity areas and are measured as such. The solution to this adopted by some partnerships involved being explicit about what the aim of such monitoring actually is, and developing trust on this basis – for example, through stressing that performance monitoring is not primarily

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1 See, for example, DWP 2008a.
a means of assessing each partner, but is more a means of looking at the pattern of activity in question and highlighting gaps and support needs.

While this is undoubtedly a difficult tightrope to tread, where appropriate it is likely that a similar approach can be adopted by central government in some instances so as to build trust on the part of devolved governance structures. In particular, where the emphasis is on building capacity and confidence amongst partnerships to act as effective local conduits for policy delivery, such an approach is likely to be both required and beneficial. Certainly, being explicit and open around the purpose and nature of performance management is likely to be a minimum requirement in most instances.

The above discussion around accountability and performance monitoring serves to highlight a series of key criteria in ensuring an effective balance between facilitating autonomy and ensuring adequate oversight on the part of central government in the British context. These can be summarised as follows:

• Designing frameworks for performance management that relate closely to the nature of the activities undertaken by devolved governance structures, rather than depending on more generic or easily available data.

• Developing a balance between overburdening partnerships or providers with excessive data collation requirements, whilst ensuring that the totality of their activity is reflected in performance measures used.

• Taking careful account of potential unintended consequences in terms of performance measures driving decision making, and ‘designing-out’ this potential as far as possible.

• Where appropriate and possible, adopting a negotiated approach to developing objectives and performance measures involving both central government and local governance structures.

• Seeking to incentivise partnership working through any measurement system developed by using measures that all partners have a stake in, and which relate, as far as possible, to existing measurement systems they are working under.

• Developing effective and fair comparative measures of partnership performance to facilitate a transparent approach to ‘earned devolution’ in terms of rewarding success with more power.

• Developing an explicit and transparent account of the purpose and scope of performance management in respect of different devolved approaches.

To some extent the above criteria are likely to apply across the different governance ‘types’ or approaches defined earlier in the study. However, it is worth noting that achieving an effective balance between privileging autonomy and flexibility on one side, and effective performance management and accountability on the other, is likely to vary between different models of devolved governance.
In particular, with models of governance based on enabling local partnerships to develop their own approaches and set their own objectives, developing a performance monitoring framework and measures collaboratively (between the centre and devolved governance levels) is likely to be key, as is adopting a more light touch approach oriented around assessing broad outcomes in addition to specific outputs. Conversely, market based approaches with a strong focus on incentivising non-state actors to deliver on the basis of payment by results will inevitably need a stronger, more objective, monitoring regime based on outputs, and a tighter approach to ongoing performance monitoring.

4.3.1 Measuring the impact or success of particular governance approaches

In a sense, part of the longer term rationale behind developing performance measurement and management frameworks in the context of devolved governance relates to gaining further insights into the comparative impact or success of different approaches in this area. However, comparing broad approaches in this way on the basis of existing evidence, both internationally and from Britain, is problematic for two main reasons. Firstly, there is the question of whether such comparison can ever be said to be truly comparing like with like, given that within any broad governance approach a wide range of particular structures models, and mechanisms can be observed. Secondly, in reviewing existing evidence the lack of robust measurements of impacts and success relating to specific approaches quickly becomes evident.

In particular, much of the literature focusing on devolved governance approaches, including that seeking to evaluate particular examples of this, tends to focus on measuring success in a broad process-based rather than impact-oriented sense. Examples of successful aspects of the operation of broad governance approaches are thus identified, as opposed to the overall success. Even where considerations of particular approaches (most notably those involving market based systems) focus on assessing impact, the evidence base for this is often limited or contested27. In part, this reflects the difficulty in measuring such outcomes noted above.

In a sense, these issues over measuring success and impact were reflected in the experience of the partnerships consulted in the British context. In the main, interviewees conceded that assessing the extent to which adopting more devolved modes of governance had led to positive impacts in terms of actual employment outcomes has been difficult. The feeling was that anecdotal evidence was in place, but that external factors such as the recessionary climate at the time of the research made assessing the impact of devolved governance on harder outcome measures problematic. In general, more direct research and evidence was felt to be required which would be able to fully trace the causality of impacts occasioned by governance structures on local employment conditions. In the absence of

27 See Finn (2008), where the evidence on performance-based contracting approaches is noted as being contested.
this, relating success to particular governance approaches was again seen as problematic and lacking any real robustness.

As indicated by the above factors, in the context of this study seeking to compare the success or impact of approaches at the level of those presented in the seven-fold typology outlined in Chapter 2 is of limited use. Further research specifically aimed at looking at this issue from a comparative perspective would thus appear to be required to gain any real insights in this area.

4.3.2 Cost considerations

In addition to looking at success and impact, part of the remit for this study involved examining any evidence that might be available in respect of the cost implications of particular approaches to devolved governance. To an extent, some of the same difficulties in terms of comparing the impact and success of different governance approaches noted above also apply to considering costs from this perspective. There are few robust assessments of the full cost implications of particular approaches to devolved governance, and the availability of hard figures relating to this is limited. Accepting this, the research did uncover some issues and wider considerations relating to governance costs that can be highlighted here.

Part of the reason for the difficulty in assessing the cost implications of governance approaches is reflected in the experience and views of those partnerships operating in the British context consulted for the study. Generally, those interviewed found it impossible to quantify the true operating costs of their partnership and associated governance structures, other than noting the considerable need for in-kind contributions – in one instance described as ‘massive’. In another case it was noted that ‘we haven’t worked out the costs as we’re too busy!’. The practical difficulties in assessing the full costs of partnerships and having the time or opportunity to do so thus emerged as key constraints in this area.

The most detailed information on costs gathered from the consultations with partnerships came from one of the CSPs consulted. In this case, it was noted that the seed corn funding provided to secure the early operation of the partnership is approximately £160,000 per annum. This, plus a local supplement from the wider partnership within which the CSP sits, covers the cost of the core team. This wider partnership absorbs the cost of their Partnership Manager’s time spent on the CSP which was estimated at 2.5 days per week. Again, given this ‘absorption’ and ‘in kind’ element quantifying governance costs in any accurate sense was seen as being difficult, though it was noted that any future evaluation activity could provide a useful framework and route to this.

While the costs relating to the development and operation of devolved governance structures were generally seen as considerable, in most instances interviewees across the different partnerships were convinced that the benefits accruing certainly outweighed the costs of governance, but again these tended to be difficult to quantify and to some extent intangible. In discussing this point, for example, one interviewee noted that ‘It’s impossible to measure value for money
as this is about incremental change and [the context is] very complex'. Accepting this, the feeling of partnerships operating sub-regionally but above local authority level was that devolved approaches at the right spatial scale were likely to, or should logically, offer savings, though the available evidence for this was largely anecdotal around reducing duplication of specifically local activity and the greater efficiencies accruing from this.

The limited hard evidence on costs of particular approaches to governance is reflected in the available literature relating to Britain and elsewhere. For example, even with approaches where there have been well-voiced assumptions over the potential for efficiency savings, as with so called ‘contracting out’ models, the evidence is often unclear. As an assessment of the Dutch and Australian models notes, although the cost-efficiency gains attributed to such models may appear significant, relatively little is known about the extent to which these gains have been offset by high transaction costs for the purchaser, providers and service users (Finn, 2008).

Similarly, while the literature often references the potential for higher costs where extensive local partnership working is a key requirement for, and feature of, devolved governance, there is little discussion of the precise extent of this or concrete examples of how this issue has been mitigated. In terms of the partnerships consulted, however, it is worth noting that in most cases partner organisations saw the costs involved as forming part of their overall remit in contributing to governance and policy delivery at sub-national levels. It is also evident that in the main these partnerships have taken a pragmatic approach to distributing resource burdens according to capacity and an implicit recognition of the need for fairness in this.

For example, several of these partnerships have effectively ‘passed around’ the accountable body status for particular initiatives between partnership members, taking this in turns and deciding on this in line with available capacity at particular times. In fact, the need to share costs and resource implications amongst partners engaging in devolved governance in this way was cited as having helped to develop trust and recognition of the shared endeavour involved, with pragmatism and fairness acting as effective guiding principles for this.

Accepting the willingness of local partnerships to absorb and contribute to operating costs, there was a concern expressed by some representatives of partnerships consulted that restrictions on local partner budgets stemming from the present economic conditions may be a problem in light of any potential plans to expand and deepen devolved governance approaches. The need for central government to ensure some ongoing support in funding terms was thus cited as a key consideration in this context. To some extent, the evidence from international approaches would seem to support this. For example, as an evaluation of the Workforce Investment Boards set up in the USA notes, having a ‘strategic remit’ is, in itself, insufficient; without sufficient dedicated funds, the partnerships involved struggle to retain interest, engagement, and operational viability (Campbell et al., 2006).
4.4 The experience of devolved governance in the British context

Consulting a number of British partnerships operating in the context of the devolved delivery of employment outcomes gave the opportunity to examine the overall experience of these partnerships to date. In general, there was a recognition that while challenges and issues have emerged in this context, considerable progress has been made and there has been a gradual move towards, as one interviewee put it, ‘…making devolved governance real…’.

Interviewees from one partnership in particular compared the current situation with that of five years ago, citing the development and implementation of the Future Jobs Fund as a concrete example of how things had developed, with greater opportunity to input and provide a local character to the initiative. In particular, the perspective of these partners was that, while five years ago there was little opportunity to input to the development of policy or particular approaches to addressing employment issues at the sub-regional level, and little ‘early knowledge’ of forthcoming initiatives, this situation had developed markedly in a positive direction. The operation of Jobcentre Plus and its relationship with other local partners was similarly cited as an example of change, the view being that in the past particular District Managers had been key gatekeepers in deciding whether certain activities were developed or not, whereas now there was much more of a partnership aspect to such decision making.

In addition, interviews with those partnerships taking forward devolved governance in the employment sphere indicates that partnerships generally welcome the opportunity to play a more influential role in policy development and implementation. Equally, there appears to be a genuine appetite for taking on responsibility for delivering employment outcomes at devolved levels. In line with this, key benefits of developing a devolved approach to governance noted by partners included:

- Reductions in duplication, in particular by creating an interface between Jobcentre Plus and other key local partners with a stake in the employability agenda.

- More rapid implementation of activities in terms of being able to respond to particular local issues and priorities.

- Improving the sharing of intelligence between the centre and localities (though with a recognition that there would ideally be potential to develop this much further).

- Spin-off benefits in terms of bilateral co-operation between individual organisations within wider partnerships around shared agendas.

However, it should be noted that several interviewees felt that a greater influence by devolved structures in influencing local and sub-regional employment outcomes was only one element to the potential of taking forward devolved approaches to
governance. The potential for such structures to feed back learning, innovation and experience to the centre, and thus help influence national policy priorities and the responses developed to them was also stressed. In the context of administrative devolution within the UK, the example was given by one partnership of their role in contributing to the National Delivery Group overseeing the development and operation of local Workforce Plus partnerships in Scotland. The potential benefits of a two-way street combining devolution of responsibility to lower spatial levels with feeding back learning upwards to central Government Departments was thus raised by several consultees.

While, as noted, the partnerships visited were generally positive about the experience of devolved governance in the UK thus far, it does appear that there are some variations in terms of how far such partnerships currently want devolved governance to go and in what direction. While some of the selection consulted were comfortable with the idea of gaining direct budgetary responsibility to commission interventions with defined outcomes, more commonly partnerships saw themselves as strategic rather than delivery instruments in the near term. As one interviewee noted, ‘…we don’t want the funding but the power over the framework that guides it…’ – the idea being to shape the deployment of resources in a more devolved and responsive way. Similarly, another commented in respect of engaging in level three devolution, ‘…full devolution would be a step too far…’.

This consideration of the overall experience of devolved governance in the British context thus far serves to highlight some messages likely to be of interest to policy makers. It is clear that significant progress has been made on the ground in progressing the devolutionary agenda, with a notable growth in experience on the part of those involved. Likewise, the degree of engagement that local partners feel in terms of contributing to the devolved delivery of employment outcomes has increased, and there appears to be a genuine appetite for taking on responsibility in this area. Accepting this, there are concerns over the pace of change in terms of deepening a devolutionary approach, and the degree to which the capacity of local partners would be sufficient to respond to this can be questioned in some instances. Finally, those engaged in devolved governance approaches are in general keen that in progressing the devolutionary agenda the ability to influence and shape policy, as well as the delivery of employment outcomes, should be a key consideration.

4.4.1 The role of contextual factors: the impact of the recession

Another opportunity provided by the consultations undertaken with partnerships was the chance to assess whether, and how, the recession and related contextual factors had influenced their governance arrangements. It was clear from the interviews conducted that, in general, the recession has led more to a change in strategic focus and delivery activity rather than a change in governance structures per se. As one interviewee noted:
‘It’s been a tactical readjustment more than an operational one, but we’ve had to widen and rethink our strategy’.

Accepting this, some partnerships did develop specific ‘recession working groups’, but the membership for these was drawn from existing structures, and the impact in governance terms was not considered to be significant. Interestingly, while the impact of the recession in governance terms has been marginal, despite the challenges it has presented for partnerships it does also seem to have had some positive spin-off benefits. For example, in several instances the experience of partnership working in the recessionary climate was seen to have actually strengthened partnership working. In particular, consultees from one partnership noted how this experience had led to closer working with the Learning and Skills Council and Jobcentre Plus, with greater integration and commitment to the governance structures developed being the result.

4.4.2 Issues relating to the devolved administrations

In terms of those partnerships consulted in Scotland and Wales, a further issue to be considered concerns the extent to which their experience of devolved governance has been different to their English counterparts, sitting as they do within a particular wider governance landscape. Perhaps the first thing to note is that at present representatives of partnerships operating in Scotland and Wales generally felt that there had been few additional issues, challenges or complications stemming from operating in a politically devolved context. As outlined in chapter two, the fact that employment policy is not on the whole a devolved matter in respect of the Scottish and Welsh administrations was a key factor in this.

Accepting this limited devolution in respect of employment policy, however, it is clear that political devolution in both Scotland and Wales can act as an additional driver for partnership development in the sphere of employability. The development of some of the partnerships consulted – the Highland Employability Partnership (HEP) in Scotland and the Swansea Bay Partnership (SBP) in Wales – act as examples of this. The HEP was driven by the Scottish Government’s Workforce Plus agenda, for example, while the SBP is a sub-group of the South Wales spatial group under the auspices of the Welsh Assembly Government (WAG).

Administrative devolution for the British nations can thus serve to create additional opportunities and routes to devolve employment policy, in contrast to the assumption that might be made around this simply adding another complicating factor or layer to the equation. However, this does also suggest that an additional role is necessary for central government departments around liaising with the devolved administrations, and partnerships themselves, in ensuring that the latter can play an effective role both in supporting the devolved delivery of central government policy, and in responding to policy agendas being taken forward within the devolved nations.

In the current context, an example of how this dual response can work effectively through open communication and liaison was cited by some interviewees in
respect in the work of the SBP in Wales. While the partnership’s strategic approach to tackling worklessness takes its lead from the neighbourhood regeneration approach of the WAG, at the same time SBP also acts as a conduit for devolved governance from central government through its role in administering the DAF on behalf of DWP. Although there was a recognition amongst interviewees that the potential for competing priorities and agendas between the centre and the devolved administrations could create difficulties for the operation of partnerships, at present this appears not been the experience on the ground.

Accepting this, however, particularly in the context of Scotland, it was noted by representatives of the partnerships consulted that political developments such as the ‘National Conversation’ on Scottish Devolution and proposed Referendum (Scotland) Bill, and the future options for administrative devolution set out in respect of these developments, could have significant implications for relationships with DWP and central government at Westminster. While not an immediate concern, this was felt to have the potential to complicate any further moves to develop a devolved approach to governance in respect of employability in the British context, and will require ongoing monitoring both by DWP and the devolved partnerships being developed in Scotland and Wales.

### 4.5 The role of central government in responding to devolved governance issues and challenges

Perhaps unsurprisingly, much of the literature and available evidence on taking forward devolved approaches to the governance of employment policy internationally emphasises the support and facilitation role of central government as a key consideration. In particular, while different types of devolved approach have implications for the type, nature and level of support required, the necessity of such support is a common theme across all broad approaches. To some degree, this should already be clear from previous sections of this report, where particular challenges and issues relating to governance, and their implications for central government, have been highlighted. In addition, however, it is worth briefly discussing some of the key specific elements to this support and facilitation role here.

The consultations undertaken with partnerships operating in the British context serve to illustrate many of the support and facilitation considerations highlighted by the international evidence. As the experience of initiatives such as Perspektive 50+ in Germany suggests, a genuine commitment to, and shared understanding of, what constitutes devolved governance on the part of central government and its administrative departments is an essential pre-requisite for effective implementation. While the broad commitment to devolutionary forms

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28 See DG Employment, Social Affairs and Equal Opportunities (2006) for a discussion of the significance of such support and shared recognition as success factors in instituting devolved governance arrangements.
of governance was not questioned, elements of this theme emerged strongly in consultations with some of the British partnerships consulted. A number of representatives, for example, made the point that DWP itself needs to become more consistently attuned across the board to devolution as a potential approach to governance. One interviewee noted, for example, that while parts of the Department recognise the issues and are ‘...thinking in a more devolved way...’, other elements of the Department appear less understanding of the requirements for, and potential merits of, such an approach.

This also links to another theme consistently raised in consultations with partnerships operating in the British context – namely that devolved governance unavoidably entails significant time and resource commitments by partners on the ground, and that it is not always clear that the nature and scale of this is recognised by central government departments. In particular, the point was made by several interviewees that to play an effective support role in the devolved governance context, DWP requires a greater understanding of resource constraints faced by local partners across all its constituent parts. Often the perception was that DWP employees whose work relates directly to ‘Area’ policy have developed a good understanding of these issues, but those planning, for example, the timescales for commissioning under FND have at times done so in a way that has made it difficult for CSP to input effectively to this process.

In terms of constraints on local actors in the British context, skills and experience were also highlighted in some instances in addition to the above issues over time and staffing resource. Hence capacity building was highlighted as a necessity by some interviewees, given their view that the experience and skills required for effective devolved governance at local levels are not always evident as yet across enough individuals. This was seen as being a particular issue where partnerships are new, and are operating at a new spatial scale or in a new way. As one consultee noted, ‘...there is a bit of a skills shortage and the capacity to deliver devolution is an issue...’. This reflects a broader recurring issue in discussions of international approaches and devolved governance, with previous reviews of international approaches suggesting, for example, that where resources are available, capacity building, training and mentoring for developing partnerships is likely to be significant (Walker and Sankey, 2008).

This further links to another point made by a number of such reviews, namely that developing a devolved infrastructure requires time to develop the necessary cultural shifts amongst key partners to facilitate this. Implicit within this is that central governments have a role in encouraging and facilitating such cultural shifts, particularly in contexts such as Britain where the public employment service in the shape of Jobcentre Plus has historically been the primary agency responsible for delivering employment outcomes. Given this context (and linking to the point above around the need for a more thoroughgoing understanding of, and approach to, devolved governance on the part of central government administration), there

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29 See, for example Walker and Sankey (2008).
would appear to be a capacity building requirement across both the centre and sub-national levels in terms of developing an overall supportive infrastructure for devolved governance.

Another issue that emerged from consultations with partnerships in Britain in this context relates to concerns expressed by some that there is a need for more clarity on, as one interviewee put it, ‘...what devolution actually means...’. Again, this related both to central administration and to partners working in devolved contexts. In particular, the point was made that advancing and deepening devolution will require clear statements from the centre and from local partnerships so that, ‘...we know they are both talking about the same thing...’. Likewise, some interviewees noted what they perceived as a lack of clarity as to exactly how DWP interprets devolution resulting in some mixed messages, and a lack of certainty amongst partnerships as to whether this is the same, for example, as Communities and Local Government (CLG).

This theme of clarity also links to the need to fully and explicitly define the respective roles of different elements of a devolved governance infrastructure at different levels, which as noted in the previous chapter again emerges as a clear ‘learning point’ from the international experience of devolved governance approaches. In both the international literature and the consultations undertaken with partnerships in Britain, this is generally seen as a key aspect of central government’s role. More specifically, interviewees in some partnerships consulted in Britain felt that there was an apparent lack of clarity as to the role of Government Offices (GO) in the devolved employment agenda, and DWP's staff within these. This linked to a related concern that if the latter were in place to fully engage and support devolutionary moves then their numbers and capacity were unlikely to be sufficient for the task in hand.

Finally, in respect of this point around clarity and the role of central government, it is worth mentioning that such interviewees also often noted the importance of having a clear link in to relevant government departments and agencies for partners working at the devolved level. In some instances, this was already seen as working well, but the general perception was that maintaining such links was proving difficult in practice, in part due to staff turnover and changes in key departments. More specifically, representatives of one partnership noted that there is some confusion borne out of having a direct link to the national level in the shape of DWP, particularly through the Division managing ‘Area’ policy, but being less clear on how to develop links with Jobcentre Plus at the national level and how the interplay between local partnerships, DWP, and Jobcentre Plus might best function.

To summarise the above discussion, from the available literature and evidence internationally and in Britain, certain core elements of the (support) role played by central governments likely to be required irrespective of the nature of the governance model adopted include:
• A clearly articulated understanding of how governance is understood and defined amongst key players at all levels in the devolved governance infrastructure.

• Accessible and responsive ‘points of contact’ within the central administration whose role and support functions are clearly outlined to partners involved in devolved governance structures.

• A developed and sophisticated understanding on the part of central government and administrations around the resource and accountability constraints faced at devolved levels.

• Giving national political priority to initiatives being delivered at the local level, ensuring widespread recognition and visibility amongst key stakeholders likely to be involved at sub-national levels.

• Some form of capacity building guidance and/or support for partnerships, whether financial or through the use of in-kind resources from the centre.

• Provision of time, support and direction from central government to ensure that the sort of cultural shifts likely to be essential to developing a successful approach to devolved governance can be achieved.

While the necessity of these different elements appears clear, there is still a question around how far the support and facilitation role of central government can, should, and needs to go. Again this relates back to one of the central dilemmas in establishing effective governance structures – how to grant a level of freedom and autonomy to sub-national levels that effectively ‘makes devolved governance real’, and delivers the presumed advantages of devolution, whilst ensuring that central government plays enough of a support and facilitation role to ensure that the overall governance system is able to develop and function effectively.

Such an issue is illustrated in practical terms, for example, in questions around whether DWP should be directly represented on some of the sub-regional partnerships developing in the British context, and equally whether the resources available would permit this. The consultations held with partnerships highlighted that there are a range of views on this issue on the ground. While the practicality and desirability of such an approach was questioned by many in terms of DWP taking a regular ‘place at the partnership table’, there were equally a number of representatives who felt there should be more central government representation on a periodic basis, and in respect of particular aspects of partnership activity30.

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30 These particular aspects included, for example, the role envisaged for some partnerships such as those developed under the City Strategy in inputting local knowledge to the delivery of FND – the view being that DWP should also be represented at any fora arranged with FND providers for this purpose. Additionally, it should be noted that some examples of such direct participation do exist at present, as with the participation of DWP in partnerships to distribute the DAF in Wales.
While the international evidence appears to indicate that there are limited examples of such direct involvement of central government agencies in local partnership working – possibly as a result of greater federalisation/devolvement of power generally to the municipal level typically found in many other developed countries – there may be other considerations specific to the UK context that indicate the need for a greater level of support and involvement. One such concern is the apparent uncertainty on how far to progress devolution in the near term on the part of some of those involved at the devolved level in the British context, and the lack of clarity over the degree of autonomy those local partnerships keen to progress and deepen devolution at the local level actually have.

This uncertainty was frequently expressed in relation to partnerships as a whole struggling to unpick what exactly the proposed ‘…three levels of devolution…’ would constitute in practice, and what activities, strategic objectives and so on would be acceptable to central government or otherwise in light of this. Allied to a sense of limited capacity, whether in terms of resources or expertise, this appears to have led to uncertainty and nervousness as to how local partnerships will be able to deliver any potential expanded and deepened devolutionary approach. Again, this also relates back to discussions in the previous chapter around how to build the supporting infrastructure to implement a more thoroughgoing devolutionary governance approach given the current position.

Certainly, it would appear that Britain does not have as strong a local governance infrastructure at present compared to some other developed nations, with the obvious implication being that central government may thus need to play a more direct role in supporting and facilitating any further devolutionary shifts at sub-national levels. In the context of potential moves towards Level 2 and Level 3 devolution as expressed in recent welfare reform white papers, ongoing and detailed guidance is likely to be required, as is reflected, for example, in calls by the Local Government Association (LGA) for a more detailed ‘route-map’ for the three levels of devolution to guide partnerships in this area (see LGA, 2009a). A significant level of intervention and resource from the centre would thus be required in the near term to fully progress this agenda, and to ensure, for example, accurate transfer of policy intent throughout the different spatial levels of developing devolutionary structures.

4.6 Conclusion: Key governance challenges, lessons and policy messages

The above analysis serves to highlight a series of key governance challenges, lessons and policy messages. These are primarily considered from the perspective of central government, and may be summarised as follows:
Key challenges

• Maintaining adequate feedback mechanisms to ensure ongoing learning is transferred back to government departments when devolving powers to sub-national levels.

• Developing an effective co-ordinating role in the context of potential devolved approaches to ensure policy linkages between areas such as employment, regeneration and social inclusion are maintained at all levels within the devolved governance infrastructure.

• Mitigating potential issues within market based approaches to devolved governance, notably ensuring that providers are incentivised to pay equal or greater attention to those most distant from the labour market as well as those considered ‘easier to help’, along with maintaining a diverse provider base.

• Effectively combining different approaches to which current policy is committed from a devolved governance perspective – namely, competitive market driven approaches, along with approaches involving the use of multi-agency partnerships at sub-regional levels.

• Developing effective accountability and performance management frameworks to enable central government to maintain adequate oversight in operationalising devolved governance approaches.

• Developing robust comparative mechanisms to assess the true costs and impacts of different approaches to devolved governance which might be considered in the British context.

• Linked to the above, addressing the difficult challenge of determining meaningful metrics by which to assess the success or otherwise of activity by partnerships and organisations delivering devolved approaches.

• Balancing the need to offer a considerable level of on-going support and guidance to local partners as part of any potential moves towards progressing devolution, whilst maintaining the requisite distance to allow a culture of flexibility and devolved responsibility to become embedded in local governance structures.

Key lessons

• 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 in ensuring that market based approaches do not disadvantage clients further from the labour market.
• To the extent that facilitating innovation might be seen as a desired outcome from possible moves to progress devolutionary approaches, and might function as part of the rationale for such potential moves, it is clear that such innovation 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 to 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.

Policy messages

• 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 MAAs, CSPs and the like.

• Encouraging innovation is as much about how devolved governance structures are implemented and managed as about the type of governance structure themselves; active support and guidance from the centre is required to ensure that the ‘freedom to innovate’ can become a reality.

• In the context of further implementing the ‘three levels of devolution’, there is a need to develop effective and fair comparative measures of partnership performance to facilitate a transparent approach to ‘earned devolution’ (in terms of rewarding performance with more powers).

• 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 near term, any potential moves to expand and deepen devolution are likely to bring with them greater resource requirements on the part of central government and local partners. In particular, having a ‘strategic remit’ is not enough to ensure that devolved governance structures are effective; ongoing resource allocations to implement and maintain devolved approaches are required.

• Significant progress has been made on the ground in progressing the devolutionary agenda, with a notable growth in experience on the part of those involved, and there appears to be a genuine appetite for taking on responsibility by local actors operating in the devolved context – particularly in terms of the opportunity to influence and shape policy as well as the delivery of employment outcomes.

• 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 in terms of deepening a devolutionary approach and local capacity to respond to this.

• Central government and its departments thus have a key on-going role in ensuring that devolved governance can meet the aspirations outlined for it; this role is likely to encompass the provision of capacity building support for local actors, along with a recognition that time, support and guidance from central government are significant in ensuring that the sort of cultural shifts essential to developing successful devolved governance can be achieved.
5 Conclusion: Applying the study insights to the developing British governance context

To conclude this report, this final chapter first offers some overall comparative observations on the international evidence, and British experience, relating to devolved governance approaches for the delivery of employment outcomes. It then briefly returns to the typology of broad governance approaches outlined in Chapter 2 to summarise the main strengths and weaknesses of each. Finally, the report concludes by applying the insights gained to the developing (devolved) British governance context through outlining a series of key policy messages for consideration.

5.1 Comparing the international evidence and the British experience

The approach taken to this report has involved comparing international evidence on devolved governance with the British experience of instituting this on an ongoing basis in the preceding chapters. As part of concluding the report, however, it is worth briefly drawing together some overall comparative observations that emerge from this process.

At the broad level, the trend towards devolved governance and new approaches to achieving employment outcomes in the international context reflect those seen in Britain. However, more detailed consideration of the range of governance approaches to delivering employment outcomes evident internationally serves to illustrate that there are some notable differences, as well as similarities, when compared to the British context.
Many of the broad challenges to effective devolved governance approaches are similar internationally and in Britain. In particular, these revolve around the need to:

- develop an effective devolved infrastructure to facilitate the operation of devolved governance;
- effectively co-ordinate activity at different spatial levels within this infrastructure;
- balance the granting of freedom and flexibility with effective performance oversight and accountability measures; and
- effectively resource a devolved governance approach at all spatial levels within the overall governance infrastructure.

Equally, a number of practical requirements in effectively operationalising devolved governance and meeting such challenges are common to both the British and international contexts. These include:

- the significant interventions required on the part of central administrations to support the development of local actors and structures to implement devolved governance;
- the need to 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;
- a commitment to ongoing and open dialogue amongst all relevant actors in assessing the operation of devolved governance structures, hence facilitating the identification of particular issues requiring attention and development of mitigating actions to address these; and
- a flexible and pragmatic approach to selecting particular devolved approaches on the basis of desired policy outcomes and the practicality of implementing these given the wider societal, political and administrative context in place.

Accepting these similarities it is clear that, in particular, the wider political and administrative context as it relates to governance considerations differs notably between Britain and other similar developed nations. In turn, this gives rise to some particular challenges and issues in the British context. Notably, these revolve around instituting a devolved governance approach in a context where the administrative structures for policy development and delivery have historically been relatively centralised, and where devolution is intended to complement existing centralised delivery mechanisms. The wider lack of a devolutionary tradition as regards public policy in Britain, and the federal and municipal structures that support and facilitate this, further complicates efforts in this sphere. The relatively limited 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.
In broad terms, there are also some notable differences as to how common particular devolved governance approaches are in the British context when compared to similar nations. For example, the approach of providing greater discretion and flexibility to local levels of the public employment service, and the development of governance arrangements to reflect such an approach, is relatively common in comparable nations when placed against the British context. Again, this in part reflects the greater devolutionary traditions in other polities more generally. In such cases, the public employment service is often organised on a more devolved basis to mirror more federal political structures and the wider reality of greater powers and authority being vested in sub-national tiers of government.

Approaches resting on some form of enabling approach from the centre to local partnerships in delivering national policy, along with developing initiatives at the national level that are then implemented locally on a partnership basis, are evident in a number of instances in international contexts as well as Britain. In a broad sense, these tend to have relatively similar characteristics, and similar challenges relating to ensuring their effective operation as a devolved approach to governance. As is evident from the analysis undertaken, therefore, consideration of such approaches offers many of the more transferrable considerations and lessons between the international and British contexts.

The other types of approach to devolved governance identified earlier in the report – those involving a ‘full’ devolution of responsibilities to local levels and those using market based mechanisms – while not widely apparent in other countries, are more fully developed in some particular nations than is currently the case in Britain. Again, therefore, such approaches offer some important learning for the British context. This is evident principally in terms of solutions to mitigate against some of the widely identified potential pitfalls with market based models, and in the sense of highlighting some of the key requirements for instituting more wholesale devolutionary approaches. In the context of plans to widen and deepen devolution in the employment sphere in Britain, in part through using such approaches, this learning is likely to be key, and has influenced the policy messages included at Section 5.3.

5.2 The strengths and weaknesses of different governance approaches

Examining the strengths and weaknesses of all the individual devolved governance approaches evident in Britain and internationally is beyond the scope of this study. However, the governance typology outlined earlier in this report can be used as a basis to identify some of the main strengths, weaknesses and potential pitfalls or ‘issues’ with the broad governance approaches established at the outset. These are summarised in tabular form below:
Table 5.1  Providing greater discretion within the public employment service: strengths and weaknesses

<table>
<thead>
<tr>
<th>Type 1: Providing greater discretion within the Public Employment Service (PES)</th>
<th>Main strengths</th>
<th>Main weaknesses</th>
<th>Key issues</th>
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</thead>
<tbody>
<tr>
<td>• Accessing and recognising the expertise of local offices</td>
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<td>• Potential to access devolved input into local policy design and delivery</td>
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<tr>
<td>• Strong accountability and two-way communication structures</td>
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<td>• Ability to encourage innovation in the context of well defined and understood parameters</td>
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<tr>
<td>• Ability to institute locally attuned added-value activity with low overhead/transaction costs</td>
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<tr>
<td><strong>Main weaknesses</strong></td>
<td>• Limited opportunity to directly bring in 'new' views from other organisations and actors at the devolved level</td>
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<tr>
<td>• Significant monitoring requirements for the central administration to ensure consistency of service offer</td>
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<tr>
<td>• Likely variations in capacity at local levels to respond to offer of greater discretion</td>
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<tr>
<td>• Dependence on variable local infrastructure</td>
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<tr>
<td><strong>Key issues</strong></td>
<td>• Potential to generate unequal service 'offer' that is easily recognisable for clients of the PES</td>
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<tr>
<td>• Potential for local offices to 'drift' away from national policy intent</td>
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<tr>
<td>• Potential for conflicting approaches to develop in different areas</td>
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<tr>
<td>• Potential for national/local responsibilities to become blurred</td>
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</tbody>
</table>
Table 5.2  Recognition, promotion and enabling of a national network of local partnerships: strengths and weaknesses

<table>
<thead>
<tr>
<th>Type 2: Recognition, promotion and enabling of a national network of local partnerships</th>
<th>Main strengths</th>
<th>Main weaknesses</th>
<th>Key issues</th>
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</thead>
<tbody>
<tr>
<td><strong>Main strengths</strong></td>
<td></td>
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<tr>
<td>• Opportunity to bring in the expertise of a range of actors at the devolved level</td>
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<tr>
<td>• Provides a conduit for the development of locally responsive suites of activity</td>
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<tr>
<td>• Opportunity to reduce duplication and increase strategic co-ordination of local activities</td>
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<tr>
<td>• Spin-off benefits from bilateral/shared activity developing amongst partners</td>
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<tr>
<td>• Provides a mechanism to encourage budget pooling and shared commissioning</td>
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<tr>
<td><strong>Main weaknesses</strong></td>
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<td></td>
</tr>
<tr>
<td>• Notable start-up and ongoing costs related to partnership operation</td>
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<tr>
<td>• Significant co-ordination requirements at both central and devolved levels</td>
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<tr>
<td>• Difficulty in apportioning responsibility on the part of sponsoring/co-ordinating Department where partners at local levels are outside of that Department’s remit</td>
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<tr>
<td><strong>Key issues</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>• Potential for varying performance between partnerships</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>• Potential for local issues and conflicts between partners to affect performance</td>
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<tr>
<td>• Potential for one or two ‘powerful’ partners to dominate</td>
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<td></td>
</tr>
<tr>
<td>• Space and time required to allow partnerships to grow organically</td>
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<tr>
<td>• Potential for different accountability responsibilities of different partners to cut across the ideal of partnership working</td>
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<tr>
<td>• Potential to add complexity in terms of creating multiple overlapping governance structures at local levels</td>
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</tbody>
</table>
Table 5.3 National initiatives owned locally: strengths and weaknesses

<table>
<thead>
<tr>
<th>Type 3: National initiatives owned locally</th>
<th>Main strengths</th>
<th>Main weaknesses</th>
<th>Key issues</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ability to develop a nationally recognised profile for initiatives but still benefit from local adaptation</td>
<td>Significant monitoring burden for sponsoring Departments in terms of developing performance frameworks</td>
<td>Potential for variable implementation in different areas</td>
</tr>
<tr>
<td></td>
<td>Effective way to ensure funding is allocated according to identified local needs and priorities</td>
<td>Significant requirement for strong financial accountability mechanisms and monitoring</td>
<td>Potential for issues to emerge around how particular areas have chosen to allocate budgets</td>
</tr>
<tr>
<td></td>
<td>Opportunity to engage a range of locally experienced delivery partners</td>
<td></td>
<td>Potential for ‘pet-projects’ to be instituted at local levels counter to the main aims of the initiative</td>
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<td></td>
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<td></td>
<td>Potential for significant policy drift given the extensive and potentially difficult monitoring requirements</td>
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<td></td>
<td></td>
<td></td>
<td>Potential to add to a ‘proliferation’ of different activities and initiatives at local levels</td>
</tr>
</tbody>
</table>
Table 5.4  Market based approaches: strengths and weaknesses

<table>
<thead>
<tr>
<th>Type 4: Market based approaches</th>
<th>Main strengths</th>
<th>Main weaknesses</th>
<th>Key issues</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Potential for significant efficiency savings on the part of central administrations</td>
<td>• Reduced opportunity for ‘open learning’ and the transfer of effective practice</td>
<td>• Potential for innovation to ‘tail off’ due to a contraction in the market and reduced recognition of what constitutes innovation at the centre over time</td>
</tr>
<tr>
<td></td>
<td>• Efficient way to encourage innovation through bringing a range of expertise to ‘the market’</td>
<td>• Increased difficulty in gaining feedback from delivery structures to inform ongoing improvements and to inform the development of new programmes</td>
<td>• Potential for fragmentation between related policy spheres</td>
</tr>
<tr>
<td></td>
<td>• Potential to reduce overall costs for the central administration</td>
<td></td>
<td>• Potential for negative impacts on clients, particularly those distant from the labour market</td>
</tr>
</tbody>
</table>

Table 5.5  Full devolution of responsibilities: strengths and weaknesses

<table>
<thead>
<tr>
<th>Type 5: Full devolution of responsibilities</th>
<th>Main strengths</th>
<th>Main weaknesses</th>
<th>Key issues</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Opportunity to ensure that provision is fully aligned with local needs</td>
<td>• Inevitable issues around ensuring equity between areas and the consequent ‘political’ risk to central Government and administration</td>
<td>• Potential for significant difference in service offer quality and choice between different areas</td>
</tr>
<tr>
<td></td>
<td>• Opportunity to link provision to democratic local accountability</td>
<td>• Fairness and equity considerations become a notable additional responsibility for central administrations</td>
<td>• Potential for political conflict and division between central and local levels to affect service quality</td>
</tr>
<tr>
<td></td>
<td>• Opportunity to institute strong incentives for efficiency savings through allowing local levels of government to re-invest surpluses</td>
<td>• Dependence on the capacity and effectiveness of local governance structures</td>
<td>• Potential for significant capacity issues to emerge in respect of particular local areas</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Potential for high operation costs and reduced economies of scale</td>
<td></td>
</tr>
</tbody>
</table>
5.3 Applying the ‘lessons’ of the study: key policy messages

A wide range of governance lessons and key policy messages have been identified throughout this report, and in particular in the conclusions to the preceding chapters. It is not necessary to repeat all of these here. However, a number of what might be termed ‘key policy messages’ can be identified from the research undertaken. They 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. These key policy messages are summarised as follows:

**Key message 1: The devolved governance infrastructure**

Amongst partnerships operating in Britain, the experience and trust built up in recent years 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 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 sort of cultural shifts essential to developing 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. In respect of this, it is clear that encouraging innovation in this context is as much about how devolved governance structures are implemented and managed, as about the type 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 (MAAs) and City Strategy Pathfinders (CSPs).
Appendix

Research tool for fieldwork

Case study topic guide

Begin by briefly outlining the aims of the research and objectives for this interview. Explain our understanding of ‘governance’ in the context of the study and the types of issues we will be looking to explore.

Introduction/background information

1. Please briefly outline your role in respect of [insert partnership name].

2. Check information gathered on the partnership and fill any gaps, in particular:
   – Why the partnership was established and how
   – Key objectives
   – Key relationships with other governance structures (local partnerships, regional and national organisations) – i.e. how the partnership fits in with the wider delivery of employment outcomes.

Governance structures adopted for the partnership

3. Using information gathered, confirm and probe on the nature of governance structures adopted and the idea behind this. For example, in terms of:
   – how the governance structure emerged – e.g. was it developed locally or imposed as part of a particular initiative etc?
   – partners – numbers, types of organisations, etc.
   – accountability arrangements
   – how the local partnership relates to regional and national policy and actors.

4. What (if any) alternative arrangements were considered and why were these rejected/the approach taken selected?
5. What are the key governance ‘issues’ that have arisen in establishing and developing the partnership and how have these been addressed?

6. (If not covered) To what extent have governance arrangements been formalised and how?
   - Implications of the approach taken;
   - Positive/negative outcomes of approach to formalisation.

7. (If not covered) How are the private and third sectors involved in the partnership and its governance arrangements?
   - Is any support provided to facilitate the participation of such organisations?
     Do you feel this is sufficient and why?
   - What are the costs and benefits of this?

**General operation of the partnership**

8. Can you describe how the partnership operates in broad terms?
   - Is there a dedicated partnership manager or partnership executive – what are the costs/benefits to this? If not, why?
   - How often does the partnership meet.

9. Can you outline how decisions are made and implemented within the partnership?
   - How is the agenda set in terms of the issues the partnership is involved with?
   - How is strategy set and actions decided upon?
   - Who is involved and how?

10. How effective and efficient have the processes put in place to facilitate agenda setting and decision making proved to be, and why?
    - Are there any specific elements of this that have proved effective/efficient or otherwise and in what ways?

11. To what extent is there a tension between involving all relevant partners in such processes and achieving progress in terms of effectively taking actions forward?
    - If so, how have you sought to address this and to what effect?

12. Has the current economic and labour market context led to changes in how the partnership and its governance arrangements operate?
    - Have any specific changes been made as a result of the recessionary climate and why/with what aim (e.g. changing organisations involved, creating specific working groups etc.)?
    - Do you have any evidence as yet on whether these changes have had a positive effect and how?
The position of the partnership in the wider ‘governance landscape’

13. Given the complexity of the ‘governance landscape’ for delivering employment outcomes (as regards the number of actors involved and multiple governance systems present) how does the partnership ensure that it effectively ‘fits’ into this landscape and can effectively fulfil its objectives?
   – What consideration has been given to this?
   – Has this involved any formal processes (e.g. mapping relevant actors and initiatives, discussion with other actors/partnerships)?
   – Have any formal arrangements resulted (e.g. service agreements, forming part of an overall employment strategy adopted for the locality/sub-region/region)?

14. Have there been any issues or barriers encountered in terms of establishing the role and position of the partnership in this governance landscape?
   – How have these been addressed and to what effect?

15. Are there any lessons you have learned in terms of effectively combining with other governance structures and levels?

The role of governance in increasing effectiveness and innovation

16. Please outline the presumed benefits of adopting the governance arrangements put in place. Probe on the following where required:
   – greater autonomy/flexibility and local responsiveness
   – improvements in service delivery
   – efficiency/cost benefits
   – facilitating effective partnership working

17. To what extent have these presumed benefits been achieved?
   – Go through each area of presumed benefits systematically – have they materialised or not, how and why?
   – What actual evidence is available for this?
   – Probe on how this compares to previous approaches of which the interviewee has experience.

18. Do you feel the partnership has been able to develop particularly innovative policy solutions to generate positive employment outcomes and how?
   – To what extent is this innovation traceable to governance related considerations and how (both in terms of the partnership’s position in the wider governance landscape for delivering employment outcomes, taking in regional and national actors, and in respect of the specific governance arrangements developed for the partnership ‘on the ground’)?
– Have there been any barriers that have stilled innovation – what are these and how have they been addressed?

19. From your perspective what are the key governance related ‘success factors’ that have influenced the effectiveness and potential for innovation or otherwise of the partnership?

20. Are there any lessons learned in terms of what governance arrangements are less effective or that can be problematic?
   – Probe for detail on any difficulties/practice that proved less effective than hoped and why
   – How were these difficulties/issues addressed?

21. In general, what have been the particular advantages of adopting the governance arrangements put in place and (where relevant) the particular disadvantages?

22. Are there any ways in which governance arrangements might be improved and how?

Cost effectiveness/efficiency considerations

23. Can you estimate the costs of running the partnership/governance arrangements?
   – Were set up costs/seed-corn funding required and how much?
   – Do you have a sense of the direct (ongoing) costs involved?
   – Indirect/in-kind costs (to degree that these can be estimated).

24. How would you describe the relationship between the governance structures established and cost?
   – i.e., what are the cost implications of adopting the particular governance structures that you have instituted?
   – Did cost considerations influence the development of the governance arrangements established and how?

25. How do you feel the costs of the partnership relate to the benefits that accrue
   – e.g. in terms of benefit savings/tax and NI contributions?
   – Have any actual cost benefit analyses been undertaken as part of an evaluation etc? Gather evidence if possible.

26. Over time, have you identified ways in which governance-related costs can be reduced and how has this been achieved?
   – Probe on any approaches to increasing efficiency and their impacts.
Performance monitoring and accountability

27. How is the monitoring of processes and impacts relating to the partnership undertaken, and what role do governance structures play in relation to this?
   – Where does responsibility for outcome monitoring lie?
   – What accountability mechanisms are in place?
   – In particular, how is the partnership accountable to higher governance levels (e.g. regional, national)?

28. Does the partnership specifically assess the effectiveness of the governance structures in place and how (e.g. internal/external evaluation/review)?

29. How has the partnership sought to effectively combine the requirements of accountability to higher governance levels with acting flexibly at the local level?
   – What issues/difficulties have emerged in this area and how have they been addressed?

30. How is performance monitoring used to improve service delivery?
   – Are there any specific ways in which you ensure this happens?
   – Does the way in which governance arrangements are constituted contribute to this and how (e.g. use of internal monitoring group, external accountability/evaluation mechanisms etc)?

Barriers to effective governance

31. Has the partnership encountered any particular barriers to establishing effective governance structures and arrangements?
   – Cover barriers in respect of both the wider governance landscape for delivering employment outcomes (taking in regional and national actors) and in respect of the specific governance arrangements developed for the partnership ‘on the ground’;
   – Probe on the specific nature of these, the impact of them, and (where applicable) how they have been addressed.

32. (If not covered above) To what extent have multiple overlapping governance arrangements in the partnership’s geographical sphere of influence caused issues/difficulties?
   – How has the partnership sought to address this?
   – Has this been done in any formal sense (e.g. mapping different governance structures and relevant actors and how the partnership fits in/relates to these)?
   – Are there any particular lessons that can be drawn from your experience of operating in such a context?
Closing/overall reflections on partnership functioning and governance arrangements

33. Do you have anything further to add on what has worked well in respect of the approach to governance taken and why. Equally, anything relating to aspects that have worked less well and why?

34. Do you have any further comments to make or information that you feel would be useful to the study?

Thank the interviewee for their participation and contribution to the research. Make arrangements for any future liaison/collection of materials and additional evidence etc.
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Governance structures and the devolved delivery of employment outcomes

by Ian Atkinson

DWP commissioned ECOTEC Research and Consulting to undertake a study on effective governance structures for the devolved delivery of employment outcomes. Desk-based research on international approaches to devolving powers from central government to sub-national levels was complemented by a series of case study visits examining devolved approaches being taken forward in Britain. Key findings in terms of applying the lessons learned to potential approaches to devolved governance in the British context are as follows:

• Within devolved governance structures operating in the employment sphere in Britain, the experience and trust built up in recent years 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.

• There remain concerns amongst actors operating at the devolved level 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 role in ensuring that devolved governance can be 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.

• A well balanced approach to performance management and accountability is essential in the devolved governance context. Approaches to monitoring and managing performance should reflect the totality of activities undertaken within devolved arrangements. Equally, they should be carefully designed so as to effectively support the development of activities at devolved levels whilst not driving decision making.

• Where innovation is a desired outcome from developing devolved governance structures, promoting such innovation is as much about how those structures are implemented and managed as about the type of governance approach adopted. As such there is a requirement for active and ongoing intervention to maintain a focus on innovation as an explicit desired outcome, along with support and guidance to develop reciprocal trust between central and local levels.

• 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.

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