

1. Constitutional change and economic governance: territories and institutions

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Introduction

This paper is based on a two-year research project funded by the ESRC as part of the Devolution and Constitutional Change Research Programme (Grant L219252013). We examined the link between the devolution of power and the effectiveness of economic development policy across the four UK territories. The project took as its starting point the assumption that economic development does not come about solely as a result of economic factors or processes but is rather based on a series of institutional, cultural and social supports and mechanisms (compare Amin and Thrift 1994; Cooke and Morgan 1998; Putnam 1993; Storper 1997). It is clear that the process of devolution has significantly altered these supports and mechanisms in many ways. For instance, institutions of economic governance have been created and abolished, operate over new territorial scales and are staffed by different people. What was less clear is how these changes, brought about as a result of the devolution process, have affected institutions' capacity to act and accomplish their defined goals.

The overall aim of the project, then, was to examine the extent to which devolution has helped or hindered new organisations of economic governance to deliver their key strategies, focusing specifically on: the building of new institutions in devolved spaces of economic governance and the emerging issues and challenges therein; the nature of intergovernmental relations within these spaces in relation to levels of institutional co-operation and collaboration; the realignment of policy responsibilities and working practices; and resulting issues of good practice and 'better governance'. We have also been interested in connecting these grounded concerns with ongoing theoretical debates to inform our understanding of the role of devolution in the contemporary spatial reorganisation of the state.

These broad objectives were addressed through a mixture of documentary research and ninety-nine semi-structured interviews with key state personnel throughout the four UK territories. After surveying the main institutional changes that had recently

taken place within economic development across the UK, the main part of the empirical research was based on four in-depth case studies, which focused on: the organizations of economic development in the East Midlands region of England; the various bodies involved in coordinating economic development strategies in Scotland; the formation of Invest Northern Ireland (INI), the main body for implementing economic development policies in Northern Ireland; and the creation of Education and Learning Wales (ELWa), the agency concerned with all aspects of post-16 education and training in Wales.

Research Findings

In this short paper, we have concentrated on setting out our broad findings at a UK scale, rather than provide detailed results which might be applicable to some territories but not others. A very brief conclusion follows.

Institutional change

The project found major changes in the structure and institutions of post-devolution economic governance across all four devolved territories (see Goodwin et al, 2002).

In England, regional level administrative devolution was centred around economic development with the creation of the eight Regional Development Agencies. A ninth new economic development agency in London came within the auspices of the Greater London Authority. The devolution settlement established new state structures in the form of a Scottish Parliament, and elected Assemblies for Wales and Northern Ireland. Significantly, economic development was one of the key policy areas devolved to these new institutions. However, there is no necessary reason why these institutions should have changed the structures of economic governance - they could have left them untouched, and operated their policies through an existing set of agencies. In fact the political pressures felt in each territory as the newly devolved administrations sought to place their own stamp on policy development resulted in completely new configurations of economic governance - at both a

political and administrative level within the new Parliament and Assemblies, and at an implementation level 'on the ground'.

At a basic empirical level, devolution has been followed by a remaking of the institutions responsible for formulating and implementing economic development policy. We have witnessed a complex rescaling of economic governance, both vertically between scales and horizontally between institutions operating over the same territory, but the UK's asymmetrical devolution has meant that these new spatial divisions are uneven across the four devolved territories. Attempts at rationalisation have occurred, both at a formal governmental level, and at a more local delivery level, but these have proceeded very differently in each territory. Northern Ireland and Wales have perhaps seen the greatest changes. In the former, at a political level within the new Assembly, the Department of Enterprise, Trade and Investment and the Department of Employment and Learning have been formed, along with their respective Committees. The other major change has been the formation of Invest Northern Ireland to act as the lead agency for economic development in the Province, taking over the roles of the three previous economic development agencies, the Local Enterprise Development Unit; the Industrial Development Board and the Industrial Research and Technology Unit. Wales has also seen major changes at both political and delivery level. Within the Assembly, a new Ministry of Economic Development has been formed with Cabinet responsibility for indigenous and inward investment, EU Structural Funds, regeneration policy, industrial policy and business support, alongside the Education and Lifelong Learning Ministry which has responsibility for training, skills development and employment policy. The work of each Ministry is scrutinized by an Assembly Committee. In terms of delivery, the Welsh Development Agency assumed the responsibilities of the Development Board for Rural Wales and the Land Authority for Wales, and acquired many of the enterprise functions of the former Training and Enterprise Councils. Their training functions have been subsumed within a completely new agency, Education and Learning Wales.

The Scottish Executive has also taken the opportunity afforded by devolution to develop and rationalise its structures of economic governance. The Enterprise, Transport and Lifelong Learning Department (ETLLD) has responsibility for business and industrial policy, Lifelong Learning and Further and Higher Education. Other developments include the formation of a Ministerial Taskforce to give greater oversight at a national level of the operation of Local Economic Forums and the creation of Joint Performance Teams to set and monitor targets for Scotland's Enterprise Networks. These post-devolution developments emphasise the need for

joined-up government with regard to policy development, service delivery and performance assessment. In contrast to the other territories fewer new institutions have been formed to deliver economic development policy in Scotland, the major exceptions being the Local Economic Forums set up in April 2001.

England remains something of an enigma within the territorial politics of a devolved UK. At one level the economic development of England is often conflated with broader policies relevant to the whole of the UK, especially through the activities of UK-wide Ministries such as the Department of Trade and Industry. There remains little territorial integrity for economic development at the scale of England, and indeed there is no economic development strategy for England as a territorial entity. Moreover, many of the changes to the structures of economic development in England - such as the establishment of the Office of the Deputy Prime Minister, the department for Work and Pensions and the Department of Education and Skills - have been prompted by Ministerial reshuffles and resignations rather than being any direct result of devolution.

Major issues and challenges

Despite this diversity of institutional restructuring there was a commonality in the major issues and challenges which the new institutions were addressing, and to which their strategies were orientated. We undertook an indicative content analysis of the strategies produced by each of the post-devolution institutions, and all were very similar. Each stresses the improvement of productivity and enhanced competitiveness as their main goals. All highlight an increase in entrepreneurship, an improvement in skills and learning, and the development of digital technology and Information and Communication Technology as the key means of reaching these goals. At times the strategies did take on a more local colour - Invest Northern Ireland's *Corporate Plan*, for instance stressed the need to develop a high wage economy to replace an over-reliance on low value declining sectors, and it also highlighted the potential role of inward investment and tourism in a province recently buoyed by a peace settlement. On the other hand *A Winning Wales*, the national economic development strategy of the Welsh Assembly Government, tends to play down foreign investment in favour of indigenous growth - perhaps mindful of recent high profile failures from overseas companies such as LG Electronics. In the main, however, the strategies and the challenges they outlined were very comparable. As two senior civil servants in Wales commented to us "we scoured the world looking for something a bit different...go over to Atlanta, New South Wales, you go to Queensland...there are no new solutions". There are however, as we have seen, a wide range of new institutions - raising the question of whether we are witnessing converging

strategies but somewhat diverging capacities to implement them.

Intergovernmental relations, institutional collaboration and the realignment of working practices

In order to assess how effectively the post-devolution institutions of economic governance are able to meet these challenges we undertook a series of case studies in each of the four devolved territories, designed to analyse the nature of intergovernmental relations; the level of institutional co-operation and collaboration and the realignment of working practices and policy responsibilities. We will deal with the latter dimension first, as one recurring issue mentioned by our interviewees is that of personnel - centred on the practices of those working for these new agencies and institutions, and on the links and networks which are formed between them. Put simply, those involved in economic development have had to make sense of these new post-devolution settlements - they have had to adapt to (and indeed adapt) the new institutions through their day-to-day working practices. Their informal rules of practice, the networks of trust and support they have built up - both within and between institutions - have put the flesh on the administrative bones that devolution put into place.

Yet we found that this has been far from easy. Invest Northern Ireland for example, was deliberately established as a Non-Departmental Public Body, at arms length from government to foster a sense of commercial freedom - yet 80% of its staff are civil servants on secondment, who have the option of returning to the civil service within two years of appointment. This in turn has facilitated a civil service style pay and grading structure, and fostered the notion that the new agency is not as flexible, innovative and risk-taking as its business customers would like. In Wales, ELWa has tried to forge a common working culture across staff who previously worked for the four TECs, the Further Education Funding Council and the Higher Education Funding Council - all of which had a variety of employment practices and pay differentials. Indeed, the recent Auditor General's report on ELWa pointed to the difficulties created by the organisational legacies of its predecessor organisations. Although such institutional bedding-down is to be expected, we found that the internal divisions within new organisations were deeper, and have persisted longer, than initially anticipated.

To move on to the other two dimensions, such divisions have also been reinforced by the fact that many of these new institutions are operating at new scales, and are having to co-ordinate their work with other organisations operating at different scales and over different territories. Our case studies identified a complex rescaling of economic governance, both vertically between scales, and horizontally between

institutions operating over the same territory. Each part of the UK has decided to tackle this complexity differently. Scotland has introduced Local Economic Forums to identify overlap and avoid duplication in business support, but it is questionable whether they have worked - we found some areas where they were perceived positively, but others which saw them as another layer of bureaucracy. In contrast to this more local approach, a central thrust in Wales has been to regionalise the governance of economic development around the four territories of North, Mid, South West and South East Wales. Much of the operation of both the Welsh Development Agency and ELWa is based on this emerging regional structure - especially ELWa, which has four regional offices and (at the time of the research) only a very small team covering all-Wales corporate functions. This has made communication difficult, and caused problems in balancing the demands of regional delivery within a national framework. In other words, we found that the spatial and scalar manifestation of the organisation possesses direct implications for the way it operates. It is significant, in this respect, that attempts to solve the recent well-documented problems associated with ELWa have, in part, been based on an increased emphasis on the national Welsh scale, and a related downsizing of operations within its four regional offices.

Issues of scale are equally important in the other territories. In England the regional scale is obviously paramount in terms of economic governance, but in the East Midlands, which we examined as a case study, they have formalised a sub-regional scale of operation through the introduction of Sub-regional Strategic Partnerships to co-ordinate and deliver the Development Agency's agenda on the ground. While the Regional Development Agency sees these as a key mechanism for translating policy into action, other agencies in the East Midlands are wary of yet another scale of operation, which has to negotiate a working relationship with the Government Office, local authorities and Local Strategic Partnerships. What does seem to have been received positively in the East Midlands has been the development of an Integrated Regional Strategy. Originally produced by the Regional Assembly as the region's sustainable development strategy, the IRS is now drawn on as an overarching regional strategic framework that can unite other regional strategies, integrate regional policy-making and provide a framework for developing future regional policies. In this sense it provides a way of negotiating integrated policies in a multi-level policy making and governmental environment. Such co-ordination was, however, rare; the norm in all areas of the UK was one of competing and overlapping competencies, rather than integrated co-ordination (see Jones et al, 2004).

Best practice

This brings us on to the issue of best practice, and we found a wide variety of administrative and delivery mechanisms which acted to facilitate effective economic governance. We only have room here to give a few indicative examples. In Scotland, for instance, Joint Performance Teams were established in 2001 alongside the publication of the Scottish Executive's economic strategy *A Smart Successful Scotland* (SSS). Their overarching goal is to articulate the overall policy direction of the executive in the economic governance field, to link the work of the Executive with that of the Enterprise networks on the ground and to measure progress toward the goals set out in SSS. It does this through a sophisticated performance measurement regime, which assesses progress against twelve objectives, each broken down into one lead measure and two supporting measures. While other territories of the UK have developed methods and systems for evaluating performance, the Scottish model represents the most comprehensive and sophisticated approach. In Northern Ireland, INI has developed a fluid regional structure to facilitate delivery of its policies and avoid duplication. The regional offices of the organisation deal with regional clusters of local councils and other agencies that are not necessarily coterminous with INI's regional boundaries. This allows external actors to choose which regional office to approach over any particular issue, and gives them access to the most appropriate programmes irrespective of location. As noted above, the clearest instance of best practice in the East Midlands is the Integrated Regional Strategy. In addition to this, however, it is notable that the Regional Development Agency has pursued an agenda for economic inclusion, seen as an important tool for combating the wider problems of social exclusion. This is aimed at supporting community regeneration via small capital projects, promoting the growth of social enterprises and establishing a community development finance initiative. In this way the economic development agency has intervened in what are traditionally seen as issues of social and community policy, in order to facilitate a more inclusive and 'joined-up' approach to both economic and social decline. In Wales, we would want to emphasise the potential for best practice linked to the so-called 'twin engine' model of economic development existing at the regional scale, where the operations of ELWa, as a provider of education and skills training, and of the WDA, as a facilitator of entrepreneurship, have been interlinked. This has the potential to create an effective, coherent and holistic approach to economic development within the four Welsh regions, most clearly reflected in the context of the Regional Economic Fora and the Regional Statements of Needs. It is unfortunate, in this respect, that ELWa's regional mode of operation has been difficult to sustain and may well call into

question the effectiveness of this innovative approach to economic development in Wales.

Conceptual innovations

During the course of the research we reviewed existing debates on economic governance and state restructuring - such as those around the new regionalism, multi-level governance and the political-economies of scale (see Goodwin et al, 2003) - before concluding that a modified version of Jessop's strategic-relational state theory (2001; 2002) offered the best route to understanding contemporary state restructuring. In this work, Jessop identifies the 'hollowing out' of the national state form as being of critical significance. However, building on our empirical work we have extended this by suggesting that a focus on 'filling in' is also valuable. This is because the hollowing out metaphor, especially in its discussion of denationalisation, refers to a potential rescaling away from the national state, both upwards and downwards, at a series of levels from the local to the supra-national. In this sense it lacks specification. The use of filling in as a concept draws attention to such specification, but focuses on the manner in which power is being transferred and on the scales it is being transferred to. It also allows a specification of the relationship between different tiers of the state, and stresses the active and contested nature of state reformation - a process we very much witnessed through our empirical work.

Conclusion

Our project has revealed a significantly uneven institutional geography following devolution. This possesses the potential to create uneven 'capacities to act' by economic development institutions, which in turn may contribute to an uneven pattern of economic success and/or failure across the UK (Goodwin et al, 2002). Early warning signs of such uneven capacities are becoming evident in the arguments being made by some parts of the UK for greater administrative and fiscal autonomy for their own economic development institutions, and in increasing concerns over inter-territorial economic competition (for detailed discussions, see Goodwin et al, 2003). In this sense a longer term tracking exercise on the links between economic development and devolution would be valuable - not just for revealing the impacts of devolution on economic development, but also for assessing the potential influence of uneven economic development on the future shape of the (devolved) Union.

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