An introduction to devolution: how much difference has it made?

This issue of *Benefits* is concerned with the effects of the devolution of powers since 1997 to the new Scottish, Welsh and Northern Ireland administrations. The commissioned articles by Richard Parry and Lynda Bransbury look in some detail at what devolution has meant for social policy in Scotland and Wales, while Stephen McKay draws attention to broader regional differences.

In order to put these articles into context, this introduction draws heavily upon recently published work from the Economic and Social Research Council (ESRC) Research Programme on Devolution and Constitutional Change¹. The aim of this programme was to explore the implementation and the consequences of the devolution reforms. The programme has funded 35 research projects at universities around the UK and has worked closely with the devolved administrations, the UK government, think tanks and other experts to inform its work.

In June 2004 the interim findings of the research programme were published as a briefing document, and some sections of these findings are reproduced here².

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**Introduction**

Devolution has established new political institutions in Scotland, Wales, Northern Ireland, London and the other English regions since 1997. These devolution reforms have far-reaching implications for the politics, policy and society in the UK. Radical institutional change, combined with a fuller capacity to express the UK’s distinctive territorial identities, is reshaping the way the UK is governed and opening up new directions of public policy.

Where these reforms are leading is still not fully clear. Some see devolution as a destabilising process likely to produce conflict between the different parts of the UK. Others see the new territorial politics of devolution as a way of revitalising a union which had become imbalanced by an over-strong centre in Westminster.

The briefing presents a ‘bigger picture’ which looks beyond developments in the different parts of the UK to explore also the UK-wide implications of devolution. This UK-wide dimension has been neglected, perhaps understandably as policy makers have worked hard to transform devolution proposals into practice in each part of the UK.

We cannot present here a comprehensive analysis of all aspects of devolution because we are reporting only on the findings from the work the Programme has funded. There are inevitably gaps. But still this briefing will be essential for anyone looking for a ‘ready reckoner’ of the difference that devolution has made so far. A final section written by the Programme Director, Charlie Jeffery, provides a brief, analytical commentary.

**Policy variation**

The devolved institutions have started to make a significant difference in policy terms. The main policy differences in Scotland, Wales and Northern Ireland compared with Westminster are set out in the boxes below.

**Box One: Different public policies in Scotland since devolution**

- Free long-term personal care for the elderly
- Abolition of up-front tuition fees for students in higher education
- Three-year settlement for teachers’ pay and conditions
- Less restrictive Freedom of Information Act
- Abolition of fox hunting
- ‘One-stop shop’ for public sector ombudsman
- Abolition of the ban on ‘promoting homosexuality’ in schools by repeal of Section 2A of the Local Government Act (known as Section 28 in England)

The Scottish Parliament has clearly made a difference, with some of its new policies – for example, on long-term care and tuition fees – having a UK-wide resonance. The Parliament has also delivered in Scotland commitments which have eluded the Blair government in London, such as the abolition of fox hunting, and of Section 28.

Wales has fewer policy differences. Wales has less capacity to be different from Westminster, because it has no powers of primary legislation, and a smaller per capita budget than Scotland. When Alun Michael was First Minister there was little desire to be different, but when Rhodri Morgan became First Minister some distinctive policies began to emerge (described by Morgan as putting ‘clear red water’ between the Welsh and UK governments’ policy agendas). Under his ‘partnership’ (that is, coalition) agreement with the Liberal Democrats which ran from 2001-03, he delivered free school milk for all children under seven, a freezing of prescription charges, and free bus travel for pensioners from 2002. And in the 2003 Welsh election, which produced a majority Labour government, Morgan campaigned explicitly on his record of doing things differently from Westminster. A fuller list of distinctive Welsh policies appears in the box below.

**Delivering public policy after devolution: diverging from Westminster**

Two key questions here are: (a) does devolution result in the provision of different standards of public service in health or education, or in widening economic disparities from one part of the UK to another? If so, does it matter?; and (b) how might public finance better be distributed in order to fund post-devolution responsibilities in different parts and at different levels of the UK?
An introduction to devolution

The abolition of up-front tuition fees, but the levying of graduate contributions afterwards, is a policy first adopted in Scotland, which later appeared in Charles Clarke’s higher education White Paper for England. The Children’s Commissioner, first introduced in Wales, has since been legislated for in Scotland and established in Northern Ireland. Other issues such as free long-term care in Scotland, although not (yet) emulated, have set the terms of policy debates throughout the UK.

Devolution in these ways creates policy ‘laboratories’ which enable policy experiments in different parts of the UK. The costs of failure of introducing new policies are less great when they are restricted to one part of the UK, and the marker of success is imitation elsewhere.

Forces for policy convergence

Alongside examples of divergence from Westminster there are also powerful countervailing forces for UK-wide policy convergence, including the role of the Treasury in territorial finance and in setting the parameters for (some) policy debates around the UK. European considerations can also be a strong force for convergence in areas such as agricultural policy where, for example, the Scottish Executive appears to be prepared to accept the UK line on agricultural issues even where there is a distinct Scottish interest, as the price of maintaining access to Europe via London.

In other fields such as higher education there is an integrated and well-networked UK-wide policy community, which helps to contain strong political pressures for divergence in funding policy, access and links between higher education and the economy.

Economic disparities – and the role of the centre

One of the assumptions underlying devolution – especially in the Welsh and English cases – is that it would bring an economic dividend and address some of the problems of imbalance of a UK economy driven in large part by South East England. Those assumptions were probably over-optimistic. This at least is the message of the 2003 report by the Select Committee on the Office of the Deputy Prime Minister (ODPM) on regional economic disparities (in Eng-
land), and, more implicitly, of the establishment of a Public Spending Agreement Target in the 2002 Spending Review designed to reduce growth disparities among the (English) regions.

There is a growing consensus that a much more nuanced strategy is needed, which combines the decentralising thrust of devolution with a renewed role for central government in the evening out of economic opportunity in an approach carefully targeted on the differential policy needs of different places. As a report by the think tank Institute for Public Policy Research stresses, Hackney and Hartlepool may both face unacceptable high unemployment, but the means of addressing this has to differ from place to place, and has to involve central government in at least a coordination role.

There is a wider point about the role of the centre in a devolved UK. Devolution also transforms the role of the centre. It may do less, but it still has responsibilities in macroeconomic management and in maintaining some form of level playing field for competition and the provision of public services UK-wide. It has powerful policy and financial levers for these UK-wide roles. What it has barely done yet is to discuss how, and to what ends, it still needs to use those levers.

**Devolved economic policy making**

Policy capacities also vary from place to place. Devolution has seen a major reorganisation of policy-making structures for economic development. But reorganisation has not taken place on a standard model and may limit capacities to achieve overarching UK-wide goals post-devolution. Of the four UK nations Scotland has retained the most settled institutional architecture. Elsewhere, reorganisation has led to frictions within and between organisations and duplication of activity.

There are policy implications. Economic development policies are more streamlined in Scotland than elsewhere. There is emerging evidence that this has allowed Scotland to develop a more proactive strategy focused on harnessing the knowledge economy, whereas in Wales innovation may have taken a back seat amid the constraints of the weaker form of devolution there. In England there is a widespread sense that the forms of decentralisation proposed for the English regions are too limited to have much impact. Box Four sets out why.

**Territorial finance**

Territorial finance is an area in which pre-devolution arrangements (for Scotland, Wales and Northern Ireland) have been adapted quite smoothly to the new context of devolution. The Barnett formula was and remains the main mechanism for allocating changes to the ‘blocks’, which finance the activities of the devolved institutions.

**Box Four: Deficits in English regional governance**

- The powers decentralised to regional development agencies – which would be exercised by future elected regional assemblies – are too modest to achieve any ambitious economic development strategy.
- There is insufficient capacity to join up initiatives in interlinked policy fields, such as between transport, economic development, or rural policy.
- Current and future powers and structures may not be sufficiently adaptable to the different needs of English regions; the South East, for example, sits uneasily in English devolution because the policy challenge there is to manage the problems of economic success, whereas the main concern behind government policy on the English regions is to boost poorly performing regions in the North.

The Barnett formula has a convergence property which, if rigorously applied, should lead to the convergence of historically higher per capita public expenditures outside England onto the lower English level. The formula does appear now to be operated in a stricter manner, so that noticeable convergence can be expected in the medium term. This may produce a greater potential for conflict over resource allocation.

If the formula continues to be strictly applied, economic modelling suggests that the long-term effect would be to produce a contraction of employment in the Scottish economy of up to 5%. Projections of the effect of levying the ‘tartan tax’ (the power of the Scottish Parliament to vary UK income tax rates by ±3%) are that it would lead, in the long term, to contraction in Scottish GDP, employment and population, assum-
ing that workers would seek to restore their post-tax wage either through pay demands or migration.

As the process of English regional devolution goes forward, calls for a reconsideration of English and UK-wide territorial finance will grow. However, the transparency of the current funding system remains low, and the availability of data poor, perhaps in part consciously so that the potential for a more open reform debate is restricted. There is least transparency in the case of England, where Whitehall departments have typically failed to recognise or measure the regional impact of the programmes they fund (as recent research commissioned by the Treasury, ODPM and the Department for Environment, Food and Rural Affairs has shown).

**The pressure for reform**

There is a growing sense in English regions, ranging from the underperforming North to over-heating London under the Greater London Authority, that public spending is too low relative to regional needs. This sense, together with any concerns about the convergence effects of the Barnett formula in Scotland, Wales and Northern Ireland, is likely to generate pressures for a region-by-region needs assessment exercise. However, for that to happen adequate data for the comparability of services across all UK territories will need to be collected and made available.

This briefing paper draws attention to the following key points:

- Devolution has led to substantial policy innovation in Scotland, Wales and Northern Ireland and opened up real alternatives to policies decided at Westminster.
- Devolution opens up scope for a widening of economic disparities among the UK’s nations and regions.
- If the narrowing of economic disparities is an important policy goal – or, equally, if common standards of public services in other fields are desirable – then UK central government needs to reinvent itself as guarantor of UK-wide minimum standards.
- The UK’s system of territorial finance is at best intransparent. There is an urgent need for better data and easier comparability of socioeconomic conditions (‘needs’) and public expenditures across all the UK’s nations and regions.
- Devolution has been implemented remarkably smoothly because of: continuities of procedure and personnel from the pre-devolution era; pragmatic responses by the UK and devolved authorities to new challenges of coordination in policy making; and Labour’s electoral pre-eminence since 1997 in Britain.
- These are conditions unlikely to last. The UK’s governments should flesh out the institutional arrangements for intergovernmental relations now so that future conflicts – which will become inevitable when different parties are in power in different places – can be effectively managed.
- The government of England and the English regions has become more complex since devolution to Scotland, Wales and Northern Ireland. Whitehall has not yet got to grips with its new territorial roles and needs to ‘mainstream’ England-wide and English regional issues more systematically.
- Although devolution has led to significant new policies, public opinion in Scotland, Wales and Northern Ireland feels that it has not yet made much difference to the way they are governed. This perception does not mean that the public has turned against devolution, but rather that it is still felt that Westminster is too powerful. Reaction against an over-powerful centre also appears to be driving (rather lower) levels of support for regional devolution in England.
- Devolution is the most popular constitutional preference in Scotland and Wales, and even in Northern Ireland, despite the marked polarisation of views around the Unionist–Nationalist divide that was confirmed when Ian Paisley’s Democratic Unionists and Sinn Féin made significant gains in the 2003 Northern Ireland election.
- The 2003 election results in Scotland and Wales were marked by the sense that devolution in practice has so far made little difference. This sense of disappointment helped produce a low turnout and, in Scotland, a shift in support from ‘establishment’ parties like Labour and the Scottish Nationalists to a series of minor parties and independents.
- Devolution has not strengthened adherence to Britishness and seems to have sharpened national identities in England, Scotland and Wales. But at the same time citizens continue to profess multiple identities such as English and British, Scottish and British, and with those multiple identities suggest that there is no threat as yet to cohesion of the UK union.
Notes:

1 The Devolution and Constitutional Change Programme was set up by ESRC in 2000 to explore the series of devolution reforms which have established new political institutions in Scotland, Wales, Northern Ireland, London and the other English regions since 1997.

2 The Briefing Paper ‘Devolution: What difference has it made?’ as well as more information about the whole research programme can be found on the Programme website at www.devolution.ac.uk. The Programme Director, Professor Charlie Jeffery, can be reached at ESRC Devolution Programme, Institute for German Studies, University of Birmingham, Birmingham B15 2TT; tel +44 (0)121 414 2992; fax +44 (0)121 414 2992; e-mail devolution@bham.ac.uk

Commentary by Professor Charlie Jeffery, Programme Director, Devolution and Constitutional Change

Devolution has bedded in remarkably smoothly. But it remains a fractured project, a collection of separate initiatives which lacks an overarching sense of purpose. Enid Blyton might have called it The mystery of the missing centre. UK government in Westminster and Whitehall has been slow, complacent even, in thinking through devolution. No other decentralised system has been conceived and operated with such little conscious attention to statewide coordination of government activity. This is an omission that will become a problem when the current benign climate of Labour dominance and budgetary growth fades.

That devolution lacks a compass is shown in the questions of policy variation and economic disparity. How much of each should we have in a common state? The initial instinct was to let the various devolved flowers bloom. There is some concern in Whitehall now to set limits, at least on economic disparities, at least for the English regions. There needs to be more concern, not (necessarily) in reducing differences between territories but in establishing where the outside limits to difference should lie.

Devolution changes the content of UK citizenship. Being a citizen post-devolution can mean that the state – UK-level or in its devolved incarnations – provides different standards and services in different places. Of course it also did previously, but on a smaller scale in both theory and practice. What has been lacking since devolution is a restatement of what minimum level of state provision should be available to all on equal terms no matter where anyone lives.

There are plenty of indications that people want such minimum standards: concerns over ‘postcode lotteries’, a sense that the ‘North–South divide’ is a problem, the iconography (if not the practice) of the ‘national’ health service. Some of the most potent indications surround the terminology of ‘need’ which pervade UK territorial finance debates. Special needs in one place that require compensation also require some kind of tacit or explicit consent in other, less ‘needy’ places that compensation will be given. There is a veiled assumption in the idea of need about UK-wide solidarity. It needs to be unveiled so that an open and sensible debate can be had about who gets what and why, and about why everyone should, in some fields of state activity, get the same from the state across the UK.

There are some pointers in public opinion about a UK-wide capacity to create a sustainable trade-off between solidarity and variation. People in Scotland, Wales and Northern Ireland seem to think they get too much government from the centre, and too little scope for making decisions closer to home. Much the same could be said of the debate on English regional devolution. At the same time, however – with exceptions in Northern Ireland – people combine a strengthening sense of (sub-UK) national identity with continuingly strong attachments to some idea of Brit- ishness.

Devolution in all these senses – relations between governments, outputs of the state, public attitudes – is not about ‘either–or’ questions, but ‘both–and’ equations. But no government in the UK – in Westminster or beyond – has put much effort into defining the UK-level and UK-wide dimensions of any of these equations. Without such efforts devolution runs the danger of drifting into a centrifugal dynamic. And that is not what it was meant to be for.