

GOVERNANCE: THE LOMBARDY WAY
Assessing an experience, designing new perspectives

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The ‘horizontal’ dimension: decentralisation, partnership, and governance of welfare

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Testo non rivisto dall’autore

Thank you. First of all, a number of apologies. I always find it helps to apologize: it saves time after the presentation. So, the first apology for the British welfare, the second one is to you as an audience, because you will either have to listen to my English or you will have to do the translation through the headphones. My third one is to the people who are doing the translation: there is a number of technical, difficult terms and we might be a bit confused. And finally, basically I am a specialist in the U.K. and I know some things about the international social democracy in the third way, but my knowledge of Lombardy is basically taken from the position paper that you have. Therefore, with those apologies done, I now proceed to what I am going to say.

As I can notice from the position paper, a number of speakers already have looked at the difference between horizontal and vertical subsidiarity, so we will not go through that again: more details are in the position paper. There are problems of definition, because as a few speakers have said, sometimes we use different terms and have problems in finding out what those things mean. We already agree there is a number of problems in defining governance. One of the problems is the few studies that I can find in literature examining both vertical and horizontal dimensions. Effectively, the different disciplines [...], they belong in different literatures. Therefore, some people will talk about the vertical dimension, other people will talk about the horizontal dimension, and very rarely you get the full focus, the whole picture. I did a search on what is called the Weather Science looking at the academic articles; from the years 2000 to 2007 in the social science literature only three articles actually have the term ‘horizontal’ and ‘subsidiarity’ in their title or abstract. Clearly, it is not a term that is commonly used in the social science literature.

I would now like to look at them both very briefly; we will look at the vertical dimension first of all. The words we find in that literature tend to have to do with

decentralisation, devolution, de-concentration, delegation, and, with a question mark, privatisation (some commentators think that privatisation can be thought of as part of the vertical dimension, other people do not). The term (opposite term) 'localism' has been in use for quite some time in Britain as some people are starting to talk about the new localism, and finally we have the term 'subsidiarity'. So this is – as Professor Martinelli said - a sort of multi-level way of looking at the vertical dimension of subsidiarity.

Let us now look at the horizontal dimension. This has to do with sort of a different literature and different ideas which look at aspects such as cooperation, partnerships and voluntary agreements. Now, in the U.K. I think there is a problem in looking at voluntary agreements, because it is really the State, the central government that has mandated, has forced these partnerships together. So, if you think about partners, the ideal way of having a partnership is to choose your own partner. There are some partners you may not want, therefore you want to choose them yourself; you would not want somebody else, for example the government, telling you that you must partner up and choose that particular person or body. That is the way the U.K. government has acted. There is a phrase that some people used to describe these partnerships in the U.K.: "putting mutual loathing aside in order to get your hands on the money". The ideal government only gives you money. Effectively, if it does what government wants you to do, you can choose your own partners, you get money by choosing the partners government has [...]. Therefore, the horizontal dimension really looks at issues having to do with partnerships, networks, privatisation, or, as we call it, purchaser/providers' place. In many countries the States actually both owned the hospitals and carried out the work; and in many countries now new public management arrangements are taking place. There is a purchaser/provider's place; in other words, the government commissions, perhaps pays, a private provider to carry out healthcare on its behalf. This is what some people use to call quasi-market, and you will be hearing this expression in the next couple of weeks quite a lot. A similar phrase that is being adopted is the 'enabling State', meaning that it is not the State that does things, but it enables other institutions to do it, partly by paying them. One final term often used in this set of literature is what is called the 'mixed economy of welfare': that is when it is not simply the State that can provide healthcare and facilities, as these are being provided also by the private sector, the voluntary or non-profit sector, the third sector organisations or, sometimes, by informal sectors (such as friends, families, relations, community). Sometimes people use to refer to decentralisation, again with a number of different meanings: decentralisations to political units (that is often called devolution) to independent, private institutions (called delegation) to private actors (privatisation). So this whole area called subsidiarity, along horizontal and vertical dimensions, or decentralisation, is very problematic when it comes to the terms adopted.

Let us now attempt to understand more of the Lombard system. Together we have heard about the importance of subsidiarity, small intermediate units. A phrase that is used in the position paper is 'subsidiarity and automatic decentralisation'.

Another phrase that is used in the position paper is 'contractual relationships with the third sector actors'. I will explain this, although it might be a bit difficult. In the U.K. a number of commentators contrasted what they called the 'contract culture' with the 'compact culture' (where 'compact' is one of those words that can be used in different ways). In this sense compact does not mean small; rather it means a pact or an agreement. It relates to the idea that with a private company, say a private hospital, often you have a contract, but with a voluntary organisation you have a compact. Compacts are meant to be sort of perhaps longer-term and less formal agreements. Some economists have contrasted this in terms of spot vs. relational contracting. Spot contracts take place in markets with one-off transactions (I am going to shop, I am buying something, I go away, and never see that shopkeeper again). However, in the case of third sector we are often talking about more relational contracting, where you build that continuing relationship with the people who do provide it. Therefore, we are talking more about networks, partnerships and relationships. I think it is important to know what each partner brings to the partnership, and ask whether all partners are necessarily equal. In other words: can there be a power differential between partners? Finally it is important to address the importance of leadership. If you have a leader must you also have a follower as well? Is one of the partners more powerful than others, and how powerful can one partner be before the partnership ceases to be a partnership and becomes a hierarchical relationship? So, what is the tolerance, how much inequality of power can there be in a partnership?

The position paper talks about pluralist welfare and opening the system to private sector and freedom of choice. Again it refers to this phrase we have heard before 'from governments to governance'. One influential definition in the literature of governance is "self-organising, autonomous networks". To emphasize, in Britain most people think that a lot of the circled government networks are nothing of that type, because they are certainly not self-organising and not autonomous. In other words, many people think it is almost indirect central control by central governments. We have a phrase called 'the back seat driver', which means that the government is not in the front seat driving the car, it is in the back seat, giving orders to the people in its network. The expression I used earlier of the enabling State is something perhaps very new in Britain: we expect most of our institutions to be state-run, state-organised, the natural health service. But in many other countries the State does not own all the hospitals, does not own all the schools. This is something, in a sense, new for Britain, but something that has been around for many years in other countries.

One part I have picked up from the position paper was the idea of subsidies for families sending their children to non-state schools. We had an experiment in Britain about that. It was introduced by the Conservative government in the Nineteen-Eighties and was called the "assisted places scheme". It allowed poor parents to send their children to private or independent schools. The State paid parents, gave them money they could not afford to send their children to private school to allow them to buy an assisted place. So that is using the market with state money. Now – strange be enough – the current Labour government when came into power in 1997 abolished that. That was Conservative policies to do

with the market [...]. However more recently, Labour has introduced something that actually looks remarkably similar in healthcare: it is called the "choose and book system". This system allows patients to choose private hospitals at zero costs for themselves using government money. Ten years is a long time in politics : new Labour got rid of one scheme in education, and introduced a scheme in healthcare that looks remarkably similar.

The position paper states that subsidiarity does not simply mean reduce public intervention. The literature of the "mixed economy of welfare" differentiates between ownership (who actually owns facilities) and finance (you can pay a private or a third sector provider to have it provide the health care). Even if you do not own the facility, even if you do not pay for it, government can actually regulate facilities. One of the longest-lasting experiments in Britain to do with regulation was rent control. It was introduced in 1940 as a temporary measure, however it lasted throughout the Fifties and there are still some measures around today (very small measures). In this system government is saying to a private landlord: o.k., if you do not own your house, we are not going to give you money for it, we are not going to finance it; but legally it was saying: you cannot charge more than a certain amount for that house, for sometimes government regulates standards as well as price.

Briefly talking about the vertical system, here we are talking about devolved governance as money is transferred to the regions. It is a question about how much fiscal autonomy there is. Again, we have talked a lot about decentralisation in Britain, but in spite of the rhetoric and the talk, some people seem not to be aware of the fact that there has been re-centralisation, which is the opposite. That is because the government has very tight performance management central targets. In other words, it says to local doctors and local teachers: "these are things you have to do"; now having somebody in the centre giving you very clear targets, that does not seem to many people to be very clear decentralisation. Again, lots of talk about the new localism in Britain, in local governments. And one of the problems is that most money that is spent at local level by the local government in fact comes from national finance. So it is the national income tax which the government then transfers to local governments. The amount of money raised locally by local authorities is in fact very low in Britain.

There is one part of the picture which is a very clear devolution, that is the already mentioned devolution to the nations: Northern Ireland, Scotland, Wales. There is certainly some evidence of policy divergence, in fact Wales and Scotland in particular do things differently to England. There is differences in terms of students' finance, sending students to university, and in terms of long-term residential care. So there is certainly some evidence of devolution in terms of the nations.

Trying to draw things together, with regards to both vertical and horizontal subsidiarity, I think it is important to place the Lombardy model in some sort of conceptual or theoretical picture. The position paper draws in some ways on new public management, on what Harvard called the mixed economy of welfare, and, in some ways, on the third way. However, there are differences and I think one interesting part coming over again in about two weeks' time is whether it is the

same or different to the Lombard model. (From July, Tony Blair will have more time on his hands, so you might like to invite him across as a speaker; the problem is that I understand he has got very expensive speaker fees). Therefore how does the Lombard model relate to the third way? Is it simply a different variant, a different blend? There are different types of partnership networks. In some ways, it is similar to some of what is happening in the U.K. Michael talked about high and low road: does the road go further down perhaps in terms of decentralisation and subsidiarity? Another thought: is there a difference between rhetoric and action? In other words, lots of people talk about decentralisation in the U.K., but there does not seem to be too much evidence of it, apart from devolution to the nations. Therefore (it is what sometimes football managers talk about), does the U.K. talk a good game? Does it talk about things but not actually do it? Looking at literatures, do they have difference, and perhaps conflicting aims? In other words, what is decentralisation meant to do? What are its objectives? Are they different to the objectives of the mixed economy of welfare? I find it quite interesting. [...] theoretical sense. You can try to see how well the policy achieves what it is meant to do, for example in some sort of economic theory. And however, there are problems in theory to do with equity: different people have different needs on specific problems. Is there some commentators see that decentralisation might increase the differences between different parts of the country. There is also of course the problem of attribution, or causality; in other words, the fact that something has happened over the time that the Lombardy model has been in existence, does not necessarily mean that the model actually has caused it. Maybe things would have happened any way. Are there outside or external influences that might have caused differences any way?

Some of the problems that I see: the first possible problem is one of blurred accountant. In other words, which levels and institutions are responsible? To take a very simple example, if you contract a service (for example in Britain a lot of rubbish or refuse collection is contracted at private companies), and I have a problem (my bin is not being collected, or there are other problems), whose responsibility is it? Is it council's responsibility that implies the contracting? There is often that problem that each institution would blame the other one: "it is not my problem, it is their problem". Therefore, there is the possibility that this mixed economy of welfare, this contractual relationships possibly implies blurred accountability. At least, when government did everything, you knew who to blame, there was nobody else to blame. Now, both parties – government and perhaps the private or voluntary sector organisation – might try to blame the other one.

Another possible problem is the fiscal one. Will decentralisation and subsidiarity lead to greater regional differences or inequalities? We have in Britain something called the 'post-code lottery'. It means that where you live in the country will influence what sort of service you get. So if you live in one Health Authority, if you live in one post-code, you will have a different service to another Health Authority. Often you find it in terms of very expensive [...] . There are some cases of people who have actually moved from where they lived

because Health Authorities said: “sorry, we cannot afford to give that draw”; they have actually gone to another Health Authority who will give them that draw. People in that sense are voting with the feet, they are going to another local Authority where they will get a better level of service.

The final problem has really to do with subsidies, in other words, if you have wealthy regions and poorer regions, will the wealthy regions continue to wish to subsidise the poorer ones? You notice it by the way that my spell-check does not come very well on that one. But, devolution in the U.K. e.g. is perhaps increasing strains because the most wealthy part of the U.K. is London and the South-East, and people in London and the South-East are increasingly complaining that they are sending money to Scotland and Wales, the poorer parts of the U.K. People in London think that the money is going elsewhere, and, even worse, that in some ways they are having a worse social, welfare, health services because they are giving money elsewhere. Let us take the example of prescriptions, (the ticket, it is called). In Wales, for some specific groups of population, now there are three prescriptions, and people in London are having to pay for them, are sending money to Wales to allow the people in Wales to have a cheaper or better service (a zero-cost service), which they can't afford in London because the money has gone elsewhere. So increasingly [...] strains on this sort of fiscal transfers.

We are leading towards some conclusions. Certainly, from my limited knowledge, the Lombardy model seems a very bold, and actually far-reaching model. I agree with Prof. Martinelli that clearly no off-the-shelf solution will work in terms of the literature of policy transfer and policy [...]. There is a nice saying about new, or shortly to be, Prime Minister, Mr. Gordon Brown. He is meant to be very keen on American solutions, so what some officials say is that if you want Gordon Brown to adopt a policy, you have to say to him: “that is how it works in Wisconsin”. However, just because something works in this concept, it does not mean it will work in Britain: you have to look very carefully at these ideas of policy transfers, of importing and exporting policies. However, certainly I think you need to perhaps look at the goals, the evaluation of the goals; certainly look at the importance of considering policy transfer. I just apologized at the start of my limited knowledge of Italian (that is why I am speaking in English), but one of the few words in Italian I do know is perhaps reasonably fitting for the Lombard model, and that is ‘*frizzante*’.

Answering to questions:

Answer first. I will be brief. I know better than to give long answers just before lunch. So, the first answer is to Prof. Martinelli. I think one of the problems is that compacts have not got a very clear definition. It is one of those nice words that everybody uses but no-one quite knows what exactly they are. But I think most

people would answer that one of the key elements, or features, would be trust. I am not a legal expert, but I mean some people talk about [...]complete and incomplete contracts: clearly, in incomplete contracts, there is no trust. Therefore what used to happen years ago in Britain was that voluntary organizations got block grants, and, under the contract culture, they got very clear money in order for services. I suppose in some ways that compact culture is a retreat back towards the sort of trust that the block ground system got. You do not mind if it is the last thing that they do (you are giving them some autonomy, some trust and part of this long-term, continuing relationship).

So, very briefly, I will just touch on two issues that most directly affect what I said. I think you are a very intelligent audience where you tend to agree with most things that they say. First of all briefly referring to what Prof. Palumbo said; yes, I certainly agree with the importance of evaluation and I think that one of the problems is that many evaluators, at least in Britain, are not really clear whether they are evaluating processes or [...], in other words a lot of people ask the question: “does partnerships work?” And they are not really clear whether the partnership is an end in itself or whether it only works if you can demonstrate clear, improved [...]. One of these very large [...] went through lots and lots of articles and in the end we had only a handful of articles that actually looked at processes or mechanisms.

Secondly and finally, Prof. De Carli, yes, I think we do not know clearly if government / governance works. Back in Britain, there is this assumption that partnership is a good thing and there is no point to test it because we assume that partnership works. You mentioned the idea of quasi-markets: obviously we will be hearing more about this in the following weeks particularly from Prof. Le Grand. Certainly in his view both quasi-markets and choice are a good thing (obviously provided they combine the best of both worlds: if you get the best of the market world and the best of the governance world) because you are giving people services with choice at reduced or/and zero cost.