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## The city-region chimera: the political economy of metagovernance failure in Britain

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**Within the context of spatial rebalancing and a Northern (metro-region) Powerhouse, this article explores the implementation of the devolution of employment and skills within the Sheffield city region. We make both an original empirical and analytical contribution by suggesting that notions of governance and metagovernance failure are important for analyzing the development, tensions and contradictions of city region economic governance within the context of the UK Government's devolution and localism agenda (in particular "Devolution Agreements"). We consider that governance failure arises because of the primacy of a neoliberal-dominated strategy orientation towards the market and its failure in the delivery of skills. Governance and metagovernance mechanisms are unable to sufficiently coordinate effective responses to address a legacy of de-industrialisation, deep-rooted labour market and sociospatial inequalities.**

*Keywords:* city regions, devolution, governance and metagovernance failure

*JEL Classifications:* H11, H12, R51, Z18

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Policy makers are not faced with a given problem. Instead they have to identify and formulate their problem ... For all these reasons, there is all kinds of room for controversy over what 'the problem' is, and no way to settle the controversy by analysis. Here already, then, is a limit on analytic policy making, and a necessary point of entry for 'politics' and other 'irrationalities' in policy making (Lindholm, 1968: 13–14, emphasis removed).

Building on the City Deal agreed in 2012, the Growth Deals, agreed in July 2014 and January 2015 and initial Devolution Agreement, agreed

in December 2014, this Devolution Deal marks another step in the transfer of resources and power from central Government to the Sheffield City Region. This agreement will enable Sheffield City Region to accelerate the delivery of its Strategic Economic Plan, strengthening its position as a world class centre for advanced manufacturing and engineering (HM Government, 2015a: 3).

Chimera: a thing which is hoped for but is illusory or impossible to achieve. Synonyms: illusion, fantasy, delusion, dream, fancy (Oxford English Dictionary).

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## Devolution city-region economic and political geographies

Welcome to “Devo Sheffield”—a combined authority city-region that comprises the South Yorkshire council areas of Barnsley, Rotherham, Doncaster and Sheffield, alongside the East Midlands authorities of Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales and North East Derbyshire. As a part of the ongoing process of constitutional change and devolution in the United Kingdom, city-regions in England are being brought to the centre-stage of policy and politics to address, first, paraphrasing Lindblom (1968), the “problem” of economic growth and a rebalancing of this geographically to iron out issues of spatial combined and uneven development (on which, see Martin, 2015), and second, the “problem” of securing effective and accountable governance arrangements, whereby effective economic growth and development is contingent on open engagements with civil society. This model is being heavily influenced by the US “Metropolitics” agglomeration thinking of Katz and others, transferred at high speed into the UK with the creation of a “northern metro-region” spatial imaginary, elected “Metro-Mayors” (see RSA, 2014), and promises of additional functions to local states to create the conditions for “real control” (Wharton, 2016: 9)—being made concrete, at least in political discourse and rhetoric, through politically charged notions of the “Northern Powerhouse” and the Cities and Local Government Devolution Act (see New Statesman, 2016).

“Devo Sheffield” was accordingly coined on the 12<sup>th</sup> December 2014 by the Liberal Democrats to capture a historic “Devolution Agreement” made between the Sheffield City-Region and Central Government, and as noted in the second quotation above (HM Government, 2015a), it builds on City Deal and Growth Deals, introduced by the Conservative Government to create the basis for a “journey that sees the people of Sheffield

put in charge of their own economic destiny” (Otten, 2014: 1). Launched by Nick Clegg, MP for Sheffield Hallam (and at that time also leader of the Liberal Democrats and Deputy Prime Minister of the Coalition Government with the Conservatives), and following “Devo Manc” developments in Manchester, and subject to a directly elected Mayor being in place, “Devo Sheffield” promises to shift power from Whitehall to the Sheffield City-Region, anchored through a “big pot of money” £900 million agreement (£30m of funding for 30 years “immune from any spending review”), therein giving greater control over skills, transport, housing and business support (Beardmore, 2015: 8). Significantly, and hence the title of this article, Sheffield’s Devolution Agreement stall is largely concerned with locally making more of skills and employment; local councils and businesses will have control over the majority of the circa £150 million skills budget (2015–2021) for the first time. By combining skills with employment opportunities for all, through devolved funding, integrating systems and working towards local commissioning for increased powers from central government, the city-region is becoming responsible for “building a new skills system” (HM Government, 2015b). In short, “Devo Sheffield” is a “historic moment for the great city”, giving responsibilities to local leaders to push forward plans to strengthen the economy, and “without waiting for Whitehall to do something to the regions of England”, again (Beardmore, 2015: 8). The promise of a new city-regional era has been made, a “quiet revolution is underway” (HM Government, 2015b: 2), even a “second industrial revolution” (Burnett, 2016: 22), where skills and employment are the keys to unlocking this blighted post-industrial city, and according to the words of Chancellor George Osborne, “blazing a trail” for the rest of the UK, and beyond (Beardmore, 2015: 8).

These timely policy developments in England have deep ramifications for contemporary urban and regional political economy.

Firstly, they hit head-on the new neoclassical urban economics city-region building agenda of Storper, Overman, Glaeser and others. Storper's *Keys to the City*, the leading account on how economics, institutions, social action and politics shape development, for instance, makes the bold claim that “[c]ity-regions are the principal scale at which people experience lived reality”, hence understanding city-region development is “more important than ever” and “managing it will pose one of the most critical challenges to humanity” (Storper, 2013: 4). Focusing on the microfoundations of individuals, households, firms and groups interacting to make cities and change them, Storper's concern is more often than not with the notions of “winning” and “super-star” regions and cities (Hadjimichalis and Hudson, 2014: 213); the “big game to be hunted” (Storper, 2013: 4) appears to be charting growth and change to find success. We hear much less (and mostly nothing) in these literatures about “ordinary” regions that have experienced extensive de-industrialisation and face continual challenges. These accounts are often found elsewhere (see Bailey and Berkeley, 2014; Beatty and Fothergill, 2014; Meegan et al., 2014), and both agendas need to be connected, which we seek to address here.

Second, “Devo Sheffield” talks loudly to the decade of debates on state spatial restructuring (Brenner, 2004) and changes to the landscape of economic governance and public policy more broadly (Keating, 2013). This restructuring has often involved a tendency towards devolving employment and labour market policies and functions to cities and regions. There is now a considerable body of literature which highlights the inherent tensions, conflicts and contradictions embodied in these governance changes—for example, the tensions and conflicts between central and local objectives, competition and cooperation and entrepreneurial versus social inclusion objectives and also issues of power and representation (Danson et al., 2012; Goodwin et al., 2012; Pike et al., 2015). This article argues that, and

demonstrates how, all this is being intensified, and not resolved, through the processes and practices of devolution.

Moreover, we seek to make a distinctive analytical contribution within and between these cognate literatures. With the exception of recent work on austerity urbanism and state failure in this journal (Peck, 2014), there are also theoretical and empirical silences in both these literatures on issues of “regulatory capacity” and “regulatory deficits” (Painter and Goodwin, 2000). The next section of this article accordingly bridges both concerns and analyzes the nature and limits to devolved city region building and particularly devolved labour market governances that feature so strongly in the “Devo Sheffield” devolution settlement.<sup>1</sup> With no regulatory powers and limited direct control and additional financial capacity, we suggest that “Devo Sheffield” is deeply bound-up with the contradictions facing (British) capitalism and the various government priorities in responding to them. The article thus raises deep and timely questions on the British growth model, analyses of state intervention therein and (transferable) dilemmas of city-region building in advanced capitalism. This is a “chimera”—an apt phrase that is only occasionally used in geographical analysis (see Bailey and Turok, 2001; Zuege, 1999) to describe state projects that are imaginative, even dazzling at times, though deeply implausible when unpacked in reality.

To push our conceptual and theoretical understandings further, the article then suggests that notions of governance and metagovernance failure are important in terms of understanding both the limitations to and contradictions of devolution and city-region building. Metagovernance—the “government of governance” through “overseeing, steering, and coordinating governance arrangements” (Bell and Hindmoor, 2009: 11)—has received minimal detailed attention in urban and regional studies (except by Whitehead, 2003), it is timely to engage with

these agendas, to show how and where geography matters and we would go as far as to suggest that devolution through city regions in England is producing spatially articulated metagovernance failures. Governance failure arises because of the primacy of a neoliberal-dominated strategy orientation towards the market and its failure in the delivery of skills. Governance and metagovernance mechanisms are unable to sufficiently coordinate effective responses to address a deep legacy of de-industrialisation, deep-rooted labour market and social inequalities. Depoliticized metagovernance coordination conflicts signal an ongoing democratic deficit in terms of accountabilities and transparency, which in itself leads to legitimisation problems within and between partnerships and in relation to wider civil society. The fourth section offers some conclusions and suggests avenues for future social science research on the metagovernance of devolved economic and political geographies.

### **“Slagheap to innovation district”? The restructuring of economic governance and skills in Sheffield**

Sheffield is the fourth largest city in England and is located in the South Yorkshire coalfield. Its economic base comprises steel making and engineering, and its politics was formed from a strong labour and trade union movement tradition, with the local authority controlled for many years by the Labour Party and with an active Communist Party which influenced work place and city politics. Sheffield was the centre point of the 1984–1985 miners’ strike and prior to that the steel-workers’ strike, which attempted to resist large scale restructuring and closures. In early 1980s, the city became a focal point of resistance to the Thatcher Government, with the local authority taking a proactive role in developing local economic initiatives, particularly in terms of employment and training. It promoted a progressive redistributive strategy

against the dominant neoliberal politics of Thatcherism.

From the mid-1980s though, both the economy and political governance landscape were to change markedly. Between 1979 and 1982, 45,000 jobs were shed in the core engineering and steel industries. Its employment and occupational structure has been transformed over the past 20 years (hence ‘Slaghead to innovation district’<sup>2</sup>), from a high-paid employment economy with a plentiful supply of skilled jobs to an economy where many of the new jobs created in the service sector tend to be low-paid. Also of importance is the existence of significant proportions of the working age population categorised as economically inactive and in receipt of sickness benefits, and where labour market exclusion and poverty occurs at a significant scale. Skills polarisation and segmentation thus became integral features of the labour market. Sheffield faces some distinctive skills challenges on both the supply and demand side of the labour market equation. On the demand side, the proportion of employers lacking any sort of strategic approach to the skills of their workforce is higher than the national average in Sheffield. On the supply side, a smaller proportion of the northern workforce possesses a degree and larger proportions have no qualifications. In some areas this results in a vicious circle of low skills and low productivity, or the “low-skills equilibrium” (Henderson et al., 2013).

During the 1980s the Thatcher Government’s neoliberalism had two major impacts—first, that the politics of redistribution was replaced by the politics of the market, where private interests were accorded prominence in terms of access to and as beneficiaries of urban policy. The second impact, and one that was related, was the shift in representational structures that increasingly marginalized the role of local government and the electoral democratic process, challenging traditional models of accountability in public services. A raft of private sector-led initiatives were developed, including Training and Enterprise Councils, as devolved bodies

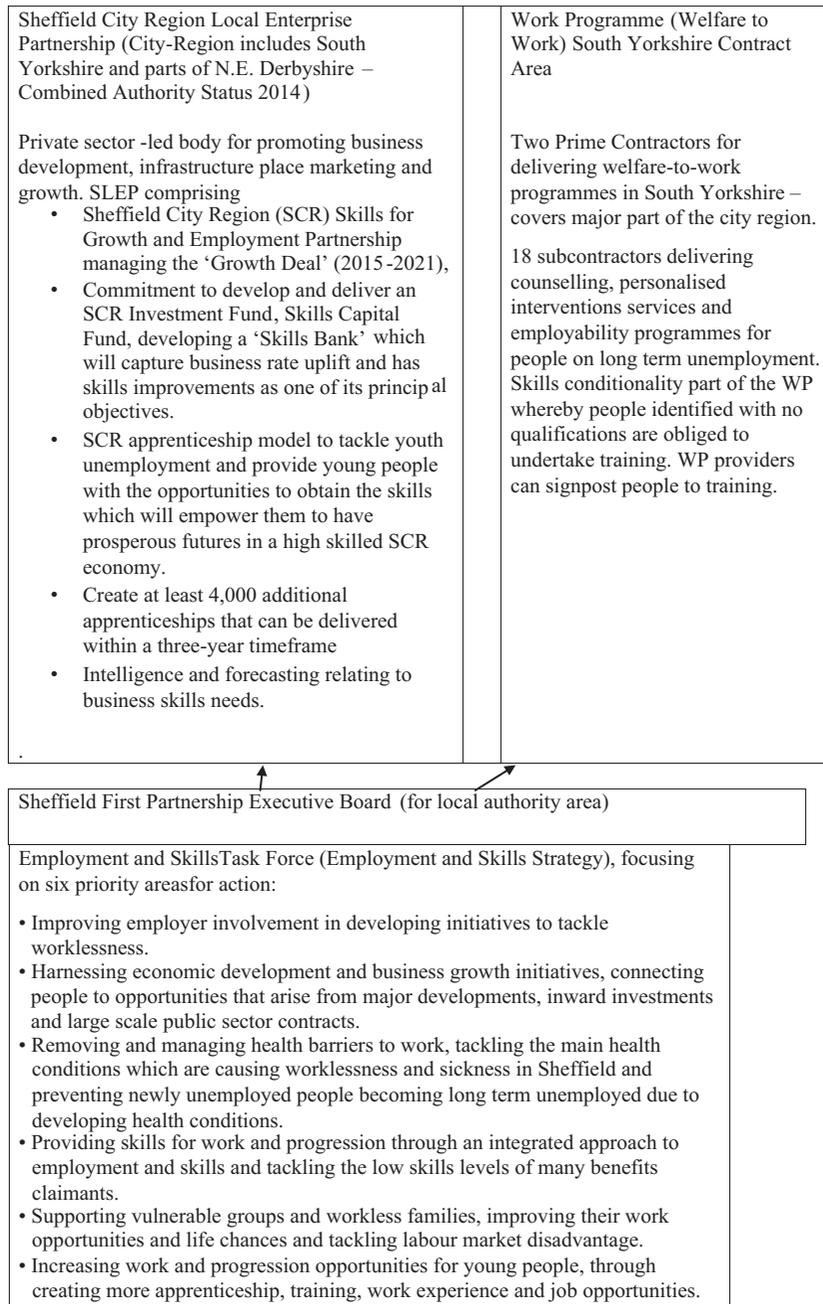
to cities and subregions charged with making the skills and training market. Despite there being serious, historical evidence-based, limits to creating an employer-led training market, New Labour continued with supply-side and market-driven skills policies. The devolution of employment and skills was a key element of New Labour's skills strategy through "centrally controlled" Local Skills Councils (LSCs), along with Regional Development Agencies and Sector Skills Councils charged with coordinating skills strategies across the regions. The City Strategy Pathfinder (CSP) pilot was accordingly established in 2006 with the primary aims of devolving welfare-to-work programmes for tackling worklessness and integrating employment and skills strategies. The CSP was seen as a vehicle to promote an element of devolved responsibility to local partnerships in delivering Pathways and was thus seen as a bottom-up process—partnerships and consortia were formed by local employment services along with local authorities, the private, voluntary and community sectors, where there was some discretion given to develop their own priorities and innovate with project development (Etherington and Jones, 2009).

The UK Government's skills policy, 2010–2015, was focused on further deregulation and on freeing colleges and training organisations from central and other external control in order to create a purchaser provider market for skills at the city level (see BIS, 2010). Furthermore, the coordination of skills has been put firmly in the hands of employer-led Local Enterprise Partnerships (LEP), established at the city-region spatial scale with a remit to regenerate local economies through investment in business and infrastructure. The Sheffield Local Enterprise Partnership, established in 2011 and bringing together local partnerships within the city-region partners, envisaged some link-up with both the employment (i.e. the Government's flagship welfare-to-work programme for long term unemployed the Work Programme) and skills agenda (i.e.

apprenticeships and work based vocational training) (McNeil, 2010). Within this new governance and policy regime, the Sheffield City Council initiated its Employment and Skills Strategy in 2012, which is coordinated by the Sheffield First Partnership established under the previous New Labour administration. A simplified overview of the structure of skills governance is shown in Figure 1.

The Government subsequently established "City Deals" as a means of first, seeking to resolve the coordination problems and political conflicts that accompany the new (and old) governance arrangements (see UKCES and Centre for Cities, 2015). Through skills and employment policies, City Deals are second seen as integral features of devolving funding to create the conditions for "open innovation"—a perspective on innovation districts where economy shaping, place making and social networking come together, "mingle" and are claimed to move places like Sheffield "up the value chain of global competitiveness by growing firms, networks and traded sectors that drive broad-based prosperity" (Katz and Wagner, 2014: 1). Sheffield LEP, in conjunction with the Sheffield City Region's Skills and Employment Partnership, has accordingly obtained the ability to control part of the skills budget so that it can respond more effectively to local business needs. The brokerage model, deemed necessary to "stimulate businesses to invest in skills", initially outlined in the document "Made in Sheffield—a deal for growth" (Sheffield LEP 2013b, 2014), sought to match local contributions (public and private) with national funding (on which, see Payne and Keep, 2011).

In turn, this has led to the "Sheffield City Region Agreement on Devolution" (HM Government, 2014) and the later "Sheffield City Region Combined Authority Devolution Deal" (HM Government, 2015a), which is currently considering different options for improving local governance and accountability. The Combined Authority is "exercising



**Figure 1.** Summary of skills governance for Sheffield City Region.  
 Source: Authors’ analysis.

management functions” in support of the LEP in implementing SCR’s skills and employment strategies, “representing” the democratic mandate of local leaders and “providing accountability in terms of performance, finance and statutory obligations”. Moreover, Sheffield City-Region is working with Government to deliver “integrated skills and training systems across the local area, driven by the needs of the economy and led by the private sector, giving local businesses the skilled labour they need to grow”. A £17 million Skills Bank, governed not by local partners but by PricewaterhouseCoopers (PwC), is operating to improve the skills base of the workforce, changing the way the skills system operates, by “placing the purchasing power for skills in the hands of employers”.<sup>3</sup>

By 2018/2019, the Sheffield City-Region will have full devolved responsibilities in relation to adult skills funding and provision (for those aged 19+). The LEP and Combined Authority will form a joint venture partnership with the Skills Funding Agency, which will be responsible for ensuring that a new, forward-looking system is in place by 2017. This arrangement will cover the Adult Skills Budget (other than participation funding for apprenticeships and traineeships); the Apprenticeship Grant for Employers (AGE); and through an enhanced version of its existing Skills Bank, Sheffield City Region will play a central role in enabling businesses, especially SMEs, to take up and invest in apprenticeships. Working within Government’s reform agenda for apprenticeships in which funding will be increasingly routed directly to employers, the Deal will enable businesses to liaise either with the SCR Skills Bank or directly with Government. Sheffield City-Region will also work in partnership with the National Careers Service on the “Inspiration” agenda to coordinate employer-education activity more effectively, building on the existing Enterprise Advisors pilot.

The other major (and often silent) policy initiative relates to welfare-to-work through the Work Programme (WP), involving a “provider led” approach in which welfare-to-work services for

longer term unemployed will be delivered by the private sector—usually large scale organisations (“prime” contractors), where other support services are subcontracted usually to the voluntary sector. A “black box” approach to the tendering has been adopted, essentially leaving the “prime” contractors to put together a package of employment support, which meets the specific needs of the local area. Contracting processes—steered from the centre by the Department of Work and Pensions and having a pricing structure with a payment-by-results performance framework—are central to the governance of this. As part of this model of delivery, the long-term unemployed can be sign-posted to training as part of their personalised support. The programme for the South Yorkshire contract area (covering most of the Sheffield CR) is delivered by two multinational companies—People Plus (formerly A4e) and Serco. Under the Devolution Agreements, the Sheffield City-Region “will begin to prepare for local commissioning”, whereby funding is combined through a single block allocation and implemented according to “locally informed choices”.

The central elements of the two strategies are quite similar—promoting employability skills for people of school-leaving age, raising attainment levels and developing apprenticeships. For the LEP, a key element of its focus is on business growth, and that strategies are linked to “flagship” projects such as building on the “knowledge sectors” and promoting the “knowledge economy” (Sheffield LEP, 2012, 2014). The changing governance landscape described above involved changes in party control of Sheffield City Council, where the Liberal Democrats were replaced in 2010 by a majority Labour party. In essence, the 2000s were characterised in changing control of the local authority between these two parties. The current administration has had to manage a rapidly changing governance landscape and negotiate new relationships such as the LEP and Work Programme Providers. Alongside this, the Sheffield Labour Party established the Fairness Commission in 2012 in order to develop a more socially inclusive approach to employment,

welfare and the environment. At least in terms of political and policy rhetoric, the Sheffield City-Region Devolution Agreements provides the basis for taking this forward. For policy-makers promoting Sheffield's Advanced Manufacturing Innovation District, which stands on the "Orgreave site where Arthur Scargill led his members from the National Union of Mineworkers as police clashed with them" (Burnett, 2016: 22), this is the "dawn of a new era," providing the basis for a "21<sup>st</sup> Century export book beyond the volatile EU market with a high skilled, modern manufacturing economy, combining digital innovation; world class experience, academic research, and a strong global brand" (see HM Government, 2014, 2015a). We now turn to consider some of the emerging on-the-ground contradictions and tensions of these shifts in the governance and regulatory environments of labour markets and the economy more broadly.

### **Restructuring of representational structures, new accountabilities and ongoing democratic deficits**

The Government "localism" agenda has involved a shift in responsibilities for labour market and skills policy to city-region actors, through the creation of the Local Enterprise Partnerships with a central role for the private sector in shaping strategic economic development policy (Pike et al., 2015). The emphasis on employer engagement and taking control of the skills agenda and market is a central plank of the LEP skills strategy (the Sheffield LEP Board is made up of 10 "business leaders" from the private sector and nine local authority leaders). The shift towards the market in terms of the purchaser-provider relationship has created tensions within the LEP in terms of provider involvement in policy formation. The college networks have voiced concerns over their role on the LEP, where they have access to actually influencing or shaping skills policy rather than being seen as a "provider" of skills (Davies, 2011). The LEPs role is evolving at the time of writing, but its actual link with the existing raft of city partnerships is unclear.

This is also exemplified in the way welfare-to-work programmes (i.e. the Work Programme) are delivered in the city region. The Work Programme has been devolved to regional/sub-regional contract areas. The two providers, Serco and People Plus (formerly A4E), which cover the Sheffield area, involve a proliferation of sub-contractors mainly from the voluntary and private sectors. The influence of the local authority on the way welfare-to-work policy is being implemented is minimal and its engagement highly constrained and limited to providing "wrap around" services (social, health and basic skills training) for more disadvantaged groups who are unable to access employment.

The Local authority raised critical questions at the early stage of the implementation of the Work Programme concerning the relationships between local partnerships and other services that support people into employment (Sheffield City Council, 2011). The privatisation model of delivery has been identified by some voluntary sector stakeholders as limiting the possibility of disadvantaged groups and communities in engaging and influencing policy. According to one source:

The competitive nature of the whole employment programme has reduces it to a cattle market, where contracts are given based on criteria where unemployed and disadvantaged groups have no say (Voluntary Sector Submission, Sheffield Fairness Commission, 2011).

This view, concerning a lack of voice, seems to be common within the Sheffield community and voluntary sector. According to another source:

In recent times, involvement in voice, influence and participation in services has been reduced significantly. This is counter intuitive in the context of the localism agenda (Sheffield Third Sector Assembly, 2014).

The scepticism about the contracting model seems to be prevalent amongst stakeholders. For example, health-service professionals considered

that their views regarding the needs of people with long-term health conditions were not incorporated into the welfare-to-work programmes. The Work Programme offers opportunities for the larger voluntary sector organisations to deliver welfare-to-work interventions, but there are no guarantees that the more experienced voluntary sector organisations in the welfare-to-work market, which have acquired the expertise in terms of delivery, will sustain themselves in light of their radically reduced grant allocations.

As the community and voluntary sectors are incorporated into the welfare market so their influence on policy has been reduced. This also occurred under the previous City Strategy Pathfinder in Sheffield implemented under New Labour, which promoted local commissioning and contracting in welfare services. According to an interview with one stakeholder:

The history of the role of the Sheffield partnerships seems to have given business interests a greater priority than an inclusive agenda. The aspirations of disadvantaged groups and communities has been neglected and there seems to be no indication that the new regime will be any different (the Labour Party took back control of the local authority from the Liberal Democrats in 2010) (interview with Trade Union Official, 2014).

The increasing emphasis upon private providers via the Work Programmes seems to have led to a greater disillusion from the voluntary sector in terms of their ability to shape policies and decisions that affect disadvantaged groups. There is evidence that these tensions are prevalent within local government and NHS organisations. The impact of the recession and cuts in funding to social programmes seems to have further destabilised local partnerships.

### **Austerity, uneven development and the employment crisis**

A crucial element of the politics of uneven development is the way funding cuts and

austerity measures are impacting on employment and skills provision. The City Council is facing a significant financial crisis—the revenue budget shortfall has been estimated to be between £53/57 million in 2012/2013 and £154–170 m in 2015/2016. So far, the budget cuts have taken place also within the local educational providers such as Sheffield College, a major public sector training provider, that involved job losses and redundancies. In relation to skills, as Ewart Keep observes, the reductions in the government’s Employment and Training spending announced on 26 June 2013 represent the point at which the entire edifice of traditional skills policy started to look unstable and probably unsustainable, particularly for provision beyond the compulsory phase of initial schooling. Between 2010/2011 and 2014/2015, cuts totalling 24.3% have been made in the overall Department of Business Innovation and Skills (DBIS) budget. Within this overall settlement, the DBIS and Further Education budget was reduced by approximately 25%. On current projections, the overall reduction in the DBIS budget between 2010 and 2018 is estimated to be 42.5% (Keep, 2014: 5).

Although there is no exact estimate of the skills funding gap in the Sheffield City-Region, skills surveys provide some insights into employer demand for skill funding. Businesses have reported, for instance, that they would be able to commit more financial resources to training if trading conditions were more stable or there was more certainty over the economy, and they would be more likely to use external training providers if there was greater public subsidy (42%) or lower course fees (34%), or if training was more tailored to their business needs (38%). Providers in Sheffield City Region were less likely to report being unable to meet demand, and over two-thirds of the providers in the Sheffield City Region would have liked to be able to offer new or different provision, but feel they are unable to do so, mainly because of uncertainties over funding and/or the need for capital investment (Ekosgen, 2012). The current

Sheffield CR LEP Strategic Economic Plan sets out an ambitious funding and project plan in order to close the skills and employment gap within the city region, which also entails considerable devolution of control of the way funding is managed and spent (Sheffield City Region Local Enterprise Partnership, 2014). There is inevitably a question over whether the funding that will contribute to the creation of 70,000 new jobs will be forthcoming from the Government in the context of current austerity plans.

The continued “underperformance” of the city-region economy is a cause for concern among local politicians and stakeholders (see Sheffield First Partnership, 2016b). An important example is the persistent jobs gap and shortfall, which characterises the labour market. The jobs gap is calculated by comparing the employment rates, i.e. the share of adults of working age who have jobs between different areas. The worst districts had an average employment rate of 68% compared with best group of districts comprising 79%. The number of jobs required in the worst districts to reach the national average and the “best” districts is then calculated, and this would involve significant numbers of new jobs that need to be created—(Beatty and Fothergill,

2014; Sheffield First Partnership, 2010: 25). Furthermore a “prosperity gap” of over £1.1 billion, due to a combination of economic inactivity, unemployment and low productivity sectors, characterises the local economy. It is estimated (see above) that an additional 70,000 jobs will need to be created within the SCR to “narrow the gap” with other parts of the country. It is, however, important to view this challenge in the context that other comparator areas will also grow. Based on the forecast growth in other parts of the country, the SCR would need to create around 120,000 jobs to have closed the gap with the national average in 2024. This would require GDP growth of almost 5% and “nowhere in the UK grows at this rate for such a sustained period of time” (Sheffield LEP 2014: 22).

Sheffield experiences skills polarisation and has a larger proportion of higher skilled people and University graduates than the national average (Sheffield First Partnership, 2016a). Weak labour market conditions and limited job opportunities means that graduates are often taking low paid, lower skilled jobs and, as Table 1 shows, there are significant numbers of people who possess no or low level qualifications. The number of pupils gaining 5+ GCSEs at grade

**Table 1.** Labour market and skills indicators for Sheffield.

	Sheffield	National
JSA claimants (insurance-based benefit)	17,795 (4.7%)	3.9%
ESA and IB (Sickness benefits)	24,600 (4.5%)	3.8%
Lone parents	5,600 (1.4%)	1.5%
Other on income related benefit	1,770 (0.5%)	0.4%
Overall unemployment rate (2013)	10.8%	7.8%
Employment gap	16,000	
JSA claimants per unfilled vacancy	8.8%	5.0%
Vacancy notification change (2009–2010)	2.6%	34%
Low skills occupations	42%	38%
Medium skills occupations	20%	22%
High skills occupations	38%	40%
Level 4 skills	32.5%	32.5%
Level 2 skills	69.5%	69.5%
No qualifications	13.4%	11.3%
Establishments with any staff underemployed (City Region)	42%	47%

Source: Sheffield First Partnership (2012: 8, Sheffield First Partnership 2014: 30) Henderson et al. (2013) and Office for National Statistics.

A\*-C including English and maths is low (49%) compared to a national average (58%). As such, Sheffield has moved from being the third best Core City on this indicator in 2006/2007 to the seventh best (of 8) in 2010/2011. At a time when the skills levels required for many occupations continues to rise, this could preclude many young people from well paid work (Sheffield City Council, 2013: 73). This contributes to a more competitive labour market and displaces other people further down the skills ladder (creating further unemployment), but it also under-utilises the skills of graduates. Currently, SMEs are not considered as the “normal” route for graduate jobs (despite the fact they represent 95% of the business base in Sheffield) and graduates do not know how to access SME jobs. Furthermore, SMEs can be reluctant to take on graduates, often because they feel they cannot offer the time or structured training programmes graduates need to make the transition from university into the workplace (see Sheffield First Partnership, 2012, 2013, 2014, Sheffield First Partnership 2016a).

The economic downturn, the lack of good quality jobs and “sustainable” jobs is a key issue. In Sheffield, Job Seeker Allowance (JSA) claimants have increased from around 8,000 pre-recession, to over 17,000 (2013), with young people aged 16–24 being particularly affected. In total there are 48,000 people claiming out-of-work benefits (Sheffield City Council, 2013: 75). The ratio of job vacancies to unemployed people has declined dramatically, which when combined with a dramatic increase in long-term unemployment, is an important indicator of how the economic downturn is impacting on Sheffield (see Table 1). With a mean average weekly wage of around £410, low-paid jobs compound these labour market dynamics (see Sheffield First Partnership, 2014: 17; Sheffield City Council, 2011). Discussions have accordingly been taking place in recent years on the “fragility” of the economy, with an increasingly unstable labour market and increasing poverty being witnessed (Sheffield First Partnership, 2013, 2016a, 2016b).

Vulnerable groups in the labour market are experiencing the damaging effects of the emerging employment and skills crisis. For example, differences in occupations undertaken by women showed an under-representation of female managers compared to the average in England, and the higher concentration of women employed in services—a sector notorious for its unstable employment and training opportunities. For example, 32% of women were employed in caring and customer service occupations compared to 7% of men (Sheffield First Partnership 2013, Sheffield First Partnership 2016a). As mentioned above, disabled people claiming incapacity benefit make up the largest cohort of people outside the labour market, and experience severe barriers in terms of accessing employment and skills (Sheffield First Partnership, 2012: 20).

Lone parents who have also have been targeted for welfare-to-work interventions through stricter benefit conditionality. This harsher work-first regime is not seen to be effective in progressing lone parents into sustainable employment. As one Lone Parent Advisor commented:

The new rules for lone parents make assumptions that people with children of school age are ‘ready’ for the labour market and are able to engage with work related activity. The assumption is that the person has sorted problems such as debt and relationship breakdown and often this is not the case. Furthermore one of the biggest barriers is accessing skills and this is currently a challenge due to the current funding arrangements (Interview, 2014).

The Work Programme (WP) performance for “signposting” disadvantaged groups into employment has generally been poor: Table 2 shows employment outcomes compared with targets shows underperformance by providers in South Yorkshire. In theory, the WP should also be giving priority to sustaining employment (in employment for at least 26 weeks), which would mean that providers will give some priority to

**Table 2.** Work programme outcomes for the Sheffield City Region.

Local authority	Job outcome measures % covering first 24 months of referrals	Unemployment rate
Doncaster	26	10
Barnsley	24	10
Rotherham	26	12
Sheffield	25	10
Chesterfield	30	4
Bolsover	39	3
NE Derbyshire	30	3
Derbyshire Dales	25	4
Best District: Hart	50	3
Worse District: Ceredigion	18	3

Source: CESI (2014).

clients accessing skills. There is a lack of data held at the Sheffield City-Region level to assess this, although national evaluations show that the WP is not providing sufficient opportunities for unemployed people to access training (Devin et al., 2011: iii). The National Institute of Adult Continuing Education (NIACE 2012), in its own survey of providers, found that 11 of 18 prime providers are committed to providing some element of skills training, although this seems to be at a very basic level (e.g. online employability testing and basic IT skills). This suggests that:

Those who are disadvantaged will be provided limited opportunities to break from the low pay ‘no pay-low pay’ cycle. This is why we see the skills strategy as important as welfare-to-work as a route into viable employment (Interview with Sheffield City Council Officer, 2014).

Because of the fear that contractors will override employment strategies produced by local partnerships, as occurred in certain instances under the previous City Strategy Pathfinder, the implementation of the Work Programme is creating further challenges for the strategic partnerships. As one stakeholder commented, “there is little incentive for the contractors to engage with the partnerships.” Another interviewee observed “contractors are advised to link with local partnerships and it is not mandatory. Nor is there likely to be any sanctions

if they don’t” (Interview, 2014). The lack of public transparency in terms of the delivery model of Serco and People Plus was seen as a problem. A4e would not publicly consult on their delivery plan for confidential reasons (Interview, 2014).

A central element in enhancing skills of unemployed people and workers in Britain over the last 25 years is promoting the role of employer-sponsored training. Overall the track record for the UK is low compared with international comparator countries, and Sheffield reinforces this pattern (see Lindsay et al., 2013). In 2010, for instance, less than half of all employers surveyed in the Sheffield City-Region (49%) had a skills budget and had trained at least one member of staff. Furthermore, only 25% of employers surveyed had invested, or were likely to invest in, apprenticeships. This pattern shows no signs of altering in the current (devolving) context: evaluation data highlights a “reticence of employers to use cash to fund activity [which] suggests work is still required to sell the benefits of training” (BIS, 2015: 12), and HM Treasury (2015: 24) analysis reveals “a rapid decline in the amount and quality of training undertaken by employers over the last 20 years”.<sup>4</sup> The result is persistent weak innovation, poor receptiveness to new technologies and, as a consequence, low productivity and weak competitiveness (Sheffield First Partnership, 2013, 2016a, 2016b).

## The political economy of governance and metagovernance

Despite the rhetoric of “localism” over the past 5 years and “milestones” being claimed on a “devolution journey” (HM Government, 2015b: 2), the different actors and coalitions of interests in the Sheffield City-Region are involved in a constant struggle to access, distribute and stake a claim in resources and influence. Sheffield’s Fairness Commission represents a turn towards a more socially inclusive agenda, although this in the context of outsourcing, deep cuts to the local state and implementation of austerity policies by the Council. There is no indication that the Labour-controlled Council is taking an oppositional position against the austerity policies; the cuts are being implemented, managed and internalised within the Labour Party and the various partnerships. There is growing unrest within the city and protests appear to be intensifying. This is the context in which local policies are now being implemented—increasing tensions and disaffectedness are now apparent within the Town Hall and the partnerships (see [Sheffield First Partnership, 2016b](#)).

Given that under “Devo-Sheffield”, policy-makers within the city and city region have given priority to upskilling and wider access to training, the gap between intentions and outcomes have never been greater, as the economy becomes more unstable and the continuing deregulated labour market gives rise to more pronounced social and spatial segmentation. The continued almost “path dependent” nature of policy discourses around engaging employers and greater coordination of different stakeholders, policy regimes, budgets and partnerships represent a reworking of the governance arrangements to provide a “best fit” model to address the employment and skills crisis. So far, despite the “Fairness Commission” good intentions to recognise at least the social divisions that are endemic features of contemporary restructuring, policy actors, politicians and business leaders are locked into the market model of delivery, neoliberalising modes of representation and subsequent failures

in economic regulation. Sheffield clearly has a “deficit in local regulatory capacity” and some state forms and functions are clearly “counter-regulatory” (Painter and Goodwin, 2000). How can we interpret what is happening here and also advance analytical debates in the social sciences?

Governance failure, i.e. the “failure to redefine objectives in the face of continuing disagreement about whether they are still valid for the various partners” (Jessop, 2000: 18), is occurring. There are a number of dimensions to governance failure, which are embedded in local economic and social development. First, and as we have demonstrated, is the apparent tension between devolving responsibilities in relation to policy formation and implementation and the tendency towards centralisation in decision making, whereby local actors are charged with implementing nationally determined targets and programmes. The challenge here is the adaptation of national programmes to local conditions. Second is the increasing tendency towards institutional and policy fragmentation at the sub-regional level, with issues of accountability being raised. Governance becomes a new site for conflicts and political mobilisation, as the nature and complexity of partnerships means that involvement of more and more “actors” and “stakeholders” involved in the design and delivery of labour market programmes. Outcomes at one scale may depend upon performance at another scale of governance, therefore coordination dilemmas can occur. Furthermore, these coordination mechanisms may have different “temporal horizons” and there may be continuous tensions between short term and long term planning goals in policy planning. Third, and related, is the failure of current policies to address deep-rooted problems of labour market inequalities that are integral to market failure. This is exemplified in Sheffield by the employment gap and lack of sufficient sustainable employment growth to “revitalise” the city-region economy. Finally, governance in the form of economic partnerships, dominated by private sector interests, is continuing to replace elected

and representative government in terms of local economic development, which in itself poses a number of problems between government and its elected representation model of democracy and partnerships, and which tend to be elite-forming with blurred lines of accountability, often far removed from those who are disadvantaged and disenfranchised. Depoliticization is occurring, as opaque representational structure and lines of accountability close down and restrict possibilities of negotiation and contestation.

As noted by Bakker, these processes have been neither “tidy in practice” nor “linear in fashion”: market failures, state failures and governance failures coexist, “exhibit a range of failures,” and are used to justify the “problem” requiring ongoing state intervention. Moreover, as forms of governance become more widespread, as we have demonstrated, “the question of governance failure becomes more acute” (Bakker 2010: 45). Given the timely nature of city-region building occurring across the globe, finding an answer to governance failure is where debates could fruitfully focus next. “Metagovernance” offers one avenue for exploring this.

Metagovernance involves attempts to manage the ongoing complexity, plurality and tangled hierarchies characteristic of prevailing modes of coordination (see Jessop, 2000, 2008, 2015, 2016). It involves, then, continually defining and redefining drawing boundary-spanning roles and functions, creating and recreating networking and linkage devices, sponsoring and redesigning new institutions, identifying appropriate lead strategic institutions to coordinate other partners (in this case, the Sheffield City-Region Combined Authority), and continually generating discourses and narratives on the economy (the “shaping of context,” according to Jessop 2011) to facilitate relative geographical coherence through repetition of the “problems” to be addressed and the solutions to these. Government plays an increasing role in metagovernance: providing the ground rules for governance and regulatory order in and through which governance partners can pursue their aims and seek to ensure the compatibility

or coherence of different governance mechanisms and regimes; seeking to balance and rebalance power differentials by strengthening weaker forces or systems in the interest of social cohesion or integration; and providing political responsibility in the event of governance failure (Whitehead, 2003). These emerging roles means that networking, negotiation, noise reduction and negative as well as positive coordination occur “in the shadow of hierarchy.” It also means that, as Jessop reminds us, there is “the need for almost permanent institutional and organizational innovation to maintain the very possibility (however remote) of sustained economic growth” (Jessop, 2000: 24). This is certainly the case in the Sheffield City-Region, which is being produced through a combination of political fiat, central government diktat and local state opportunism. The research agenda put down by Jessop for doing metagovernance, which we have sought to answer head-on with “Devo-Sheffield,” is the

extent to which the multiplying levels, arenas, and regimes of politics, policy-making, and policy implementation can be endowed with a certain apparatus and operational unity horizontally and vertically; and how this affects the overall operation of politics and legitimacy of the new political arrangements (Jessop, 2008: 222).

Effective governance and metagovernance, in turn, depends on displacing certain governance problems elsewhere and/or on deferring them into a more or less remote future. Whereas the positively charged devolution city-region policy discourses framing the Sheffield problem point to a can-do “steering optimism,” where there is deemed to be a capacity to engage fruitfully and with purpose to produce temporary spatio-temporal fixes, our analysis in this paper points to “steering pessimism” and a crisis of crisis-management. This article has highlighted the underlying long-term structural economic obstacles to effective governance and metagovernance, that, “by virtue of the simplification of the conditions of action, so often

lead to the “revenge” of problems that get ignored, marginalized, displaced, or deferred” (Jessop, 2011: 117). This sort of simplification found in “Devo-Sheffield” is evident in attempts to define problems as societal in scope and as requiring consensual governance, rather than as conflictual effects of exploitation, oppression or discrimination that can be only resolved by addressing fundamental structural and strategic patterns of domination. A website, with postings since the launch of “Devo Sheffield”, offers some insights into this.<sup>5</sup>

What is ‘Sheffield City Region? Is it an organisation, some sort of quango, a government department? And how is it to be held accountable? Where’s the role for residents to steer changes and set the agenda?

Sounds like a glorified talking shop. There has been virtually no discussion of these City Deals ... for me this is a backward step not a forward one.

The problem is ... this handout to City Regions will be instead of a comprehensive devolution agenda, but is simply yet another last minute sticking plaster to hide the fact that noting of substance has been achieved by yet another government.

### **Metagovernance futures: devolution, dynamics and dilemmas**

Depoliticizing conflicts in order to settle them, or stripping otherness of any yardstick the better to solve its problems—this is the madness which our time identifies with a reasonable and easy democracy that harmonizes state initiatives with the nature tendencies of productive society, with its efforts and desires (Ranci re, 2007: 105–106).

Within the context of spatial rebalancing and a Northern (metro-region) Powerhouse, this article has explored the implementation of the devolution of employment and skills frameworks within the Sheffield City Region. The UK

Conservative Government has taken a “localist” approach to urban regeneration, which positions subregional economic development and city-region building as the primary policy tools for growth and also tackling spatial inequalities. There is certainly a gap in our knowledge in terms of how city-region growth strategies, welfare-to-work programmes and employment and skills initiatives contribute to economic and employment growth, and we have sought to address this, as well highlighting the complex issues around facilitating access to employment and skills by disadvantaged groups and geographical areas.

On this, we have highlighted three main tensions in the current devolution settlement, as applied to the Sheffield City-Region through the Devolution Agreements. First, devolution is doing very little to address economic and social disadvantage in the Sheffield City-Region, which is stubbornly embedded on several levels: there is a relative low level of economic performance, with GVA ranked 38 out of 39 city-regions; the lack of employment demand and poor jobs growth compounds this, with, as noted above, an additional 70,000 jobs needed to narrow the gap with other parts of the country; low pay, skills and in-work poverty mean that work is not an automatic route out of poverty; disability health and labour market disadvantage is a significant policy challenge; women and young people are particularly disadvantaged in terms of employment and pay, with a higher proportion of women paid below the living wage compared to men in the Sheffield City-Regions, and some 22% of 16–24 years old unemployed (see Hunt, 2015).

Second, employment and skills provision is compounding this through policy fragmentation, limited transparency and accountabilities. According to some stakeholders, the city-region as an economic entity faces challenges primarily due to overlapping boundaries—three local authorities are in two city regions, and the Derbyshire local authorities are also involved with employment and skills initiatives developed by Derbyshire Employment and Skills Board. The lack of boundary alignment underlines an inherent problem

with coordinating city-region and local authority employment initiatives with Work Programme providers. The growth model in itself will contribute to increased numbers of jobs but there is a view that these will not be accessed by disadvantaged groups. There is a concern that this model is weak in terms of social inclusion policies and that it restricts the voice of disadvantaged groups to be heard within the city-region policy process. Moreover, there have been weak links between welfare-to-work programmes and city-region initiatives and partnerships. The Work Programme seems to have been “parachuted” into the regions with relatively little consideration in terms of how provision is coordinated with local services.

Third, in the context of austerity, funding cuts are adversely impacting on the employment and skills system and the devo “big pot of money” (see above) are not plugging this gap. The [National Audit Office \(2015\)](#) reports that over the 5-year period 2010/2011 to 2014/2015 the government will have spent £6.2 billion on local growth programmes, including that spent via RDAs and their legacy and spending on new funds and structures. By comparison, the RDAs spent £11.2 billion over the preceding 5-year period 2005/2006 to 2009/2010. Adult Skills budget cuts have been ongoing for a number of years and we would argue is unsustainable. The Government is clearly prioritising apprenticeships in terms of skills policies and funding and an issue raised is how disadvantaged groups are to access Apprenticeships, given the importance of FE Colleges, which are experiencing funding cuts as we highlighted, in providing training for disadvantaged groups. The Government will have reduced its funding to local authorities by an estimated 37% by 2015–2016. A significant funding gap is emerging within local government as a result of this and we have underlined how local authority cuts are undermining and hindering the effectiveness of skills and employment programmes. Those services that are crucial to assisting disadvantaged groups into employment are delivered or coordinated by local authorities and are being cut back. We would argue that these cuts are hindering city-region growth objectives.

City-region building frameworks clearly have a long way to go to address these dilemmas, and the current obsession with deal-making public policy, which is “founded upon territorial competition and negotiation between central and local actors unequally endowed with information and resources, leading to highly imbalanced and inequitable outcomes across the UK” (O’Brien et al., 2015: 14), will only compound the deeply historical problem of uneven growth that is occupying much media attention in the UK (see Pike et al., 2016). Building on the innovative thinking of colleagues seeking to effectively spatial rebalance the economy in advanced capitalism (Martin et al., 2015), we would favour approaches that offer growth based on social inclusion (adopt options which ensure that economic activities are more jobs rich, the poorest benefit the most); exercise redistribution and fairness (central government needs to acknowledge that the poorest areas, after decades of deindustrialisation and underinvestment, need a “hand up”); promote excellent public services to attract economic success (we need a new central local relationship, founded on trust and a genuine localism, which appreciates the wider value of local government activity and strengthens local capacity to act in the interest of local people, communities and places). This in turn suggests the need for inclusive and accountable models of governance and commissioning; a needs-based approach to employment and skills; a targeted job creation programme; refocusing the outcomes of employment support on earnings and not performance indicators based on benefit off-flows; and targeting funds around integrated employment and skills to provide in-work support and progression.

Last, in terms of its analytical contribution, the key arguments put forward are that concepts of governance failure and metagovernance are important for analyzing the development, tensions and contradictions of city-region economic governance within the context of the UK Government’s devolution and localism agenda (in particular “Devolution Agreements”). Using the tools of geographical political economy, perhaps it is time to grasp the contradictions of space

and start thinking about “devolved” city-region building as spatially-articulated metagovernance failure, where different and multiple spatial frameworks appear to be operating at the same time and evoking a crisis of crisis-management (Jessop, 2016). The displacement of contradictions witnessed here, which are likely to be replicated across the Northern Powerhouse, and which are providing the basis for the reproduction of the sociospatial relations of capitalism, certainly warrants a detailed comparative analysis across the UK and beyond. On this, and building on the quotation above from Rancière (2007), there is an urgent need to consider the links between, in this case, the ongoing depoliticization of economic development and its governance in and through the existence of what have been termed “post-democratic” and “post-political” frameworks of performative and situated (apparent) consensus building (see Allmendinger and Haughton, 2012), and the ongoing “march of neoliberalism” (Hall, 2011: 6) as a market-making machine continually depoliticizing the social through its *economization*. Behind the chimera of the Sheffield City-Region is an ongoing brutal logic of labour market segmentation, flexibilization and shifts in power relations between capital and labour through the weakening of collective bargaining and employment rights, creating the conditions for control over work arrangements and the casualization of employment (part-time, temporary and zero-hour jobs). We must, as Rancière (2007: 106) points out, “repoliticize [these] conflicts so that they can be addressed, restore names to the people and give politics back its former visibility in the handling of problems and resources”

### Endnotes

<sup>1</sup> The research draws on funded projects, undertaken between 2009 and 2016, deploying semi-structured interviews with labour market policy actors and city-region stakeholders, as well as extensive discourse and narrative policy analysis, to collectively get a handle on how policy problems are constructed and told and interventions subsequently formulated (on which, Jessop, 2013).

<sup>2</sup> This locality booster-phrase is taken from the Northern Powerhouse call-to-arms expressed by Sir Keith Burnett, Vice-Chancellor of the University of Sheffield (see Burnett, 2016: 22).

<sup>3</sup> The key responsibilities of PwC are to manage “the procurement of training providers, employer engagement and marketing, operation of triage and brokerage services, supporting development of Skills Deals and overall contractual, performance and financial management of the fund.” See <http://sheffieldcityregion.org.uk/skills-bank/> (Accessed 18 March 2016).

<sup>4</sup> Despite this, the Chair of Sheffield City-Region LEP, James Newman, stated: “2015 is a year of opportunity for the Sheffield City Region. My legacy is for the private sector to be engrained in every aspect of economic development” (<http://www.rothbiz.co.uk/2015/01/news-5002-sheffield-city-region-secures.html> (Accessed 18 March 2016). The HM Treasury solution (after highlighting private sector enabled market forces and historical voluntarism as the problem) supports this: “A new approach is needed which puts [large] employers at the heart of paying for and choosing apprenticeship training” (HM Treasury, 2015: 24).

<sup>5</sup> See <http://www.libdemvoice.org/devo-sheffield-announced-transport-skills-business-support-housing-no-mayor-43737.html> (Accessed 18 March 2016).

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