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**REGIONAL DEVOLUTION, CONTRACTUALISM  
AND THE CORPORATE CITIZEN**

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# REGIONALISM DEVOLUTION, CONTRACTUALISM AND THE CORPORATE CITIZEN

Ed Carson\* and Ben Wadham\*\*

## INTRODUCTION

Over the last thirty years the growth of world trade has been driven by an explosion in complex manufactures, particularly intermediate production goods (both the import and export of parts as well as a range of consulting services). This has made inter- and intra-firm transactions, as opposed to finished goods, the dominant type of transaction in world trade (Reich 1992). The notion of globalisation has emerged to describe the scale and character of this transformation of world trade, defined as 'the increasing global integration or congruence of physical financial and service markets' (NBEET 1995).

A key understanding of the forces of globalisation is that these effects are experienced both globally and locally. Moreover, while capital and corporate entities lose their allegiance to the nation-state there is a greater focus on market interaction at the local level. It was partly in light of this general recognition that the South Australian government recently reiterated a commitment to regional development as a high priority (SARDT 1999). More specifically, however, it was precipitated by recognition of a decline in trade in major regional centres in South Australia that dramatically reduced employment opportunities for the residents of major country towns and their hinterlands (SACES 1998; Stimson et al 1998).<sup>1</sup>

It has been observed that the issue of locational disadvantage and government policy is an 'old chestnut' for geographers, dating back to the 1960s and 1970s (Smyth and Reddel 1997; Beer 1994). Early in that period, Keynesian policies aimed to promote equality through maintaining demand and consumption among low-income workers in rural and remote areas. By the 1980s concerns about regional inequality largely disappeared from policy analysis.

Current interest in 'regional Australia' and 'the bush' by both major political parties, post-Hanson and post-Kennett, are manifest in commitments to provide

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1 This has been clearly documented by two research reports, one national and one specific to South Australia (NIEIR 1999; SACES 1998), that concluded that South Australia's regions and provincial cities are among Australia's poorest and represent a significant spatial concentration of low income and unemployment.

doctors and bill-pay centres to marginal seats, as well as the emergence of ‘Country Labour’. This suggests it is timely to consider the implications of putting the regional dimension back on the policy agenda. It will not be sufficient, however, to just add another item to existing frameworks of analysis. There is a need to reframe larger debates about the direction of Australian social policy as a whole, as well as employment policy specifically, if we are to move beyond the current focus on labour market flexibility and structural competitiveness.

In the conventional wisdom of current social policy, new public sector management promotes a search for efficiency and effectiveness in service delivery: firstly, through implementing principles of subsidiarity<sup>2</sup> and secondly through the creation of quasi-markets in the public sector. That is, it holds that decision making should be devolved to the lowest feasible level of administrative organisation and at the same time government departments should contract with other departments or agencies to deliver specific services funded on the basis of output. Depending on the emphasis in particular circumstances, either local government or non-government agencies are believed to be the most effective level of administration to deliver services such as labour market programs.

These two strands of the reconfiguration of the state and state services underpin regionalism and contractualism respectively, but they are in tension. This paper will address this with reference to aspects of the structural reform of employment and other services in South Australia over the past decade. We also consider to some extent the effects of this reform upon the relationship between the citizen and the state, and its articulation of difference.

## **REGIONAL DEVELOPMENT, CONTRACTUALISM AND EMPLOYMENT SERVICE REFORM IN SOUTH AUSTRALIA**

Over the last twenty-five years community organisations have been an increasingly important mechanism for delivering labour market programs. Indeed, the tradition of funding non-government organisations throughout Australia to deliver employment services has long constituted a split between the purchaser (government department) and the provider (non-government organisation), even though a formal declaration of the concept of the purchaser–provider split has come to prominence only in the 1990s (Lyons 1997; Nevile 2000).

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2 The concept of subsidiarity emerged in Catholic teaching in the nineteenth century and asserts that responsibility for any situation belongs first to those who are nearest to the problem. Only if a solution cannot be found by the individual does responsibility reside with the family. Only if the family cannot cope does responsibility reside with the local community, then the state, etc.

Following the recommendations of public choice theorists, moves to create a contestable market in employment services have been proceeding apace at both the Commonwealth and State levels since the early 1990s, with the funding process explicitly being shifted to emphasise service purchasing and tighter specification of programs.

The culmination of this process at the Commonwealth level has been the creation of the Job Network, requiring an expanded sector of private and community agencies to compete for authorisation and funding to provide employment assistance. Yet, while the previous system of Commonwealth Employment Service (CES) delivery of job search and other services to the unemployed has been replaced by contracts with these mainly non-government agencies, the Commonwealth has retained important regulatory functions in employment services. These include accrediting Job Network agencies, funding them and referring unemployed people to the agencies through Centrelink.

As with Commonwealth employment services, the States have long relied on funding non-government and local government agencies to deliver services. Since the early 1990s the South Australian government used the creation of its major employment and training program, KICKSTART, to signal a commitment to provide employment services at a regional and local level throughout the State via regional development boards.<sup>3</sup>

The SA government has an explicit position that any program it funds must not duplicate Commonwealth programs. Nevertheless, regional development boards have been able to run projects directly or allocate funds to local non-government agencies for activities that add value to projects partially funded by Commonwealth money, as well as supporting unemployed people not eligible for Commonwealth assistance. Many successful outcomes of labour market programs in regional SA have been on the basis that local agencies combined money from Commonwealth and State sources to offer a broader range of labour exchange, job search assistance and training than would have been feasible using funds exclusively from either source. 

This paper is not an evaluation of specific programs but is prompted by the observation that current manifestations of the SA government's commitment to regional devolution and contractualism are exemplars of trends in new strategies of governance Australia-wide, and as such they are useful sites in which to explore the strengths and weaknesses of those broader developments. Our intention in the rest of the paper is to elucidate some of the effects of this process of reform, its

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3 Note that RDBs do not quite coincide with either Commonwealth-established Area Consultative Committees (ACCs) or Regional Economic Development Organisations (REDOs).

tensions and its possibilities. In order to do so, we need to consider aspects of the principles of regional development and contractualism respectively in some detail.

## **REGIONAL DEVELOPMENT AND DEVOLUTION**

The notion of a 'region' is a relatively arbitrary one, often elastic and ambiguous in the way it is conceptualised. This word covers many different classifications including geography, topography, climate, culture and economy. For the SA Regional Development Taskforce (SARDT 1999: 5) the ultimate test for determining a region is whether 'people feel they belong to a region, and "compete" with other regions'. Such a 'sense of emotional attachment is developed over time and is difficult to undo' (1999: 5). Regionalism, then, is inherently connected to a sense of belonging and identification.

An important question, however, concerns the role of government in contributing to this formation of identity. The taskforce argues that 'local economies need to be fostered by governments that understand the complex mix of social, cultural, environmental and political factors which drive success' (SARDT 1999: 8). The taskforce also emphasises the importance of community building. This philosophy is based upon a belief that local communities are a crucial ingredient in 'creating future opportunities toward achieving sustainable economic development' (SARDT 1999: 7).

In the relevant South Australian policy documents, the focus on community building and economic development adopts a focus on the *social*, recognising that strong economic development relies upon building partnerships that integrate the social, economic and environmental aspirations of communities. The extent to which these aspirations need to meet the demands of global capital and the strategies of the public sector are not considered. But it is clear that communities that adopt a united approach, through identified agencies and a mode of representation that is businesslike, are the bedrock of this strategy of development. In the Regional Development Taskforce report there is explicit reference to the need for strong community leadership, 'particularly given that united and confident communities convey positive messages about regions to potential investors as well as to governments' (SARDT 1999: 7).

This provides evidence that the SA government's emphasis on regionalism and on community building perceives these strategies of devolution as integral to sustainable economic management. The concept of globalisation, and its effects, is a key legitimating concept in this approach. In this ideology the state is, rhetorically at least, merely another player with whom regions and corporations can seek to form contractual partnerships. While these strategies of devolution are suggested to be only one strategy amongst a number of others, there is a clear belief that regions, and their constitutive agencies, need to become unified corporate entities to survive in a world of increasingly mobile global capital. In

order to become a suitable 'partner' a region must achieve a corporate status on par with capitalist corporations and the state.

At the same time, in the quest for efficiency in service delivery, there has been a trend for State and Commonwealth government departments to withdraw from rural localities and retain a presence only in the biggest population centres, which are largely inaccessible to those in remote regions. While demand for employment assistance has increased, a range of related services that previously existed, such as in education and training, have decreased for people living in rural areas (Australia, Senate, Select Committee 2000). This is exacerbated by two factors.

First, it can be understood in part as an unintended effect of a process of risk management, whereby the general deregulation and privatisation of the economy pursued by governments since the eighties has led to the progressive abandonment by private banks and other private entities of the regions. These private entities no longer have to compete with government-owned banks, insurance companies and health funds. Once privatised, they manage risk by closing potentially unprofitable country branches.

Second, the declared commitment to subsidiarity and regional devolution runs the risk of being limited by a shortage of funds and support services. The Productivity Commission has documented concerns about the extent to which the principle of giving responsibility to local and regional agencies, at the same time as funds for provision of services must be secured through competitive tendering, has had the unintended consequence of reducing funds available to service delivery agencies in rural and regional Australia (Productivity Commission 1999).

It is true that local community agencies have long been chronically short of funds to provide services, but this has been even more evident in recent years. There is, however, recent evidence that local community agencies in regional South Australia have been unable to win sufficient resources through these contestable processes to fund the services necessary to meet increasing demand (ACOSS 1998). This is all the more significant since the South Australian government committed itself to having all funding of services based on output models by 1999.

Typically, when policy analysts promote notions of subsidiarity and devolution they stress the need for strategic action by regional government departments and local agencies, and close networking with the public as well as industry groups. This is a consultative and participatory model that encourages a process of capacity building among these agencies in order to draw on their local knowledge, and promotes their role in mediating and promoting the interests of their clients.<sup>4</sup> In

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4 There are clear links with Robert Putnam's (1993) analysis of social capital building in northern Italy which focused on decentralisation of fiscal authority to regional governments to determine economic development, urban planning,

South Australia there has been a strong emphasis on the notion of ‘partnership’, which is consistent with a ‘South Australian Government Employment Partnership’ statement approved by Cabinet in May 1997. Examples of this commitment include, for example, supporting local community groups in a ‘Community at Work’ program that funded groups on the basis of a contract to deliver employment outcomes as part of community development initiatives.

A key point of this paper, however, is that there is a tension between the regulatory demands of a public choice model of compulsory tendering and a state desire and economic need to build social capital in the regions. The SA government’s declared commitment to regional autonomy in planning does not mesh well with a commitment to contractualism in a competitive employment services sector. The emphasis on centralised strategic planning, priority setting and specification of objectives need not necessarily conflict with a consultative and participatory model, but in practice there is some indication that it is seen to be so by the regional development boards.

Sitting alongside the declared commitment to a devolved and participatory model of employment services is a retention of centralised control in declaring priorities, objectives and targets in areas such as employment growth. Funding is strictly in terms of agreements to deliver specified services. To ensure pursuit of those outcomes, the relationships between the State government, the boards and the agencies that finally deliver the services are managed through a schedule of grants and contracts. At the same time as press releases proudly announce new contracts with regional development boards, the boards have seen their role in employment increasingly come under the auspices of ministerial authority across a number of portfolios, including regional development, trade and employment. This points to the issue of state power being exercised indirectly rather than directly, that is, being exercised through regulation, contracting and performance monitoring.

### **Hollowing out and rolling back the state?**

The Hayekian argument that the devolution of the state will promote the free market and bring greater freedom to all citizens is a significant element in the debate about the role of the state within democratic society (Hayek 1979). This notion suggests that the devolution of state involvement in social life is a positive move in the life and identity of the citizen. One question that emerges however is: Has state devolution led to greater autonomy and power at the regional and individual level?

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hospitals, health services, public works and housing. Putnam contended that it was the vitality of patterns of civic and associative life, such as trust, rotating credit, cooperation and mutuality that accounted for success or failure.

The debates on this issue have focused upon the trajectory of state bureaucratic power, concerned with either the devolution or the centralisation of state power and the state's subsequent relationship with the 'citizen'. Crook, Waters and Pakulski, for example, suggest that the contract state represents a 'rolling back' of the state and dismantling of corporatism (Crook et al 1992: 97). In a variation of that theme, Jessop (1994) suggests that this process represents a 'hollowing out' of the state, that the state centre is being diminished. One concern with this understanding of the redistribution of power, however, is that it is at risk of being unilateral and centrifugal—moving in one direction away from the 'discrete' entity that is the state.

In an attempt to move beyond these notions of 'hollowing out' or 'rolling back', Newman and Clarke have suggested that the processes of change should be understood as a process of 'dispersal' (1997: 25). Newman and Clarke criticise earlier theories of state reformation that tend to pay more attention to shifts in the power of traditional agencies and neglect the ways in which new agencies are becoming involved in service planning and provision, how the boundaries between traditional and new agencies are being stated, or how 'the nature of power exercised through regulation, contracting, monitoring and surveillance' operates (1997: 26). Dispersal, then, describes the process by which the state delegates its authority to organisations that are empowered to act on its behalf.

At the heart of notions of 'hollowing out' or 'rolling back' is the idea of the increasing devolution of the nation-state's power and responsibility, but restructuring and the ideological practice of neo-liberalism is far more complex and pervasive than this. Just as the nation-state has undergone reform, so have most other levels of government and authority. Decentralisation has been the project of local councils, State governments and the traditional nation-state and it has covered many strategies including privatisation, deregulation and contractualism (Earles 1999). Thus it is misleading, and disingenuous, to speak of the unilateral redistribution of power away from the state. It may be more helpful to consider the regimes of meaning, practice and power that emerge within specific historical and cultural circumstances generating particular subjects. Dean refers to this as the study of governmentality (1999: 16).

For example, in the South Australian case, while the regional development boards are defined as having a strategic approach, they must nevertheless be increasingly concerned with cost-effective delivery of services. Such a concern means that they are critically involved in the implementation of strategic decisions that are made by the government in response to problems it has specified. In short this indicates, at the very least, a contradiction in the asserted redistribution of power—the power of program determination still resides within the central agency. The strategy of regionalism is strongly implicated in the generation of new citizens and communities as well as merely governing the distribution of funds.

Moreover, there is an obvious tension between building social capital and an unwillingness by the state to let go of regulatory control. Democratic civic processes are minor elements in the Australian state's model of corporate social capital, which seems to be essentially a top-down model controlled by élites. Regional development boards have chairs appointed by the Department of Industry and Trade, with membership primarily consisting of representatives of government agencies in the region. This does not constitute representation on the basis of a popular vote, because no one elects regional development board members.<sup>5</sup> Agencies such as regional development boards gain part of their legitimacy from the fact that they are separate from government, but at the same time these agencies are limited in fulfilling the promise of the devolution of power by state-determined contracting requirements. Rather than devolution manifesting in the growth of regional and local autonomy this autonomy has strings attached—strings that have their origin in the state purse and the state policy hub.

### CONTRACTUALISM AND THE CORPORATE CITIZEN

The contemporary desire for a free-market society is fertile ground for the burgeoning of a loyalty to contractualism, which is already directed toward serving the interests of some better than others. This 'new contractualism' (Yeatman 1995) is evident in the 1994 Job Compact by the Keating Commonwealth government, as is the increase in performance agreements between ministers and chief executives of public agencies in recent times. More recently and locally in South Australia, the leasing of the Electricity Trust, the privatisation of prisons, and the use of casemix in health care are all based upon a neo-liberal ideology of contractualism.

Contractualism is self-evidently a liberal enterprise, and the notion of the social contract is based upon two consenting, rational, free-choosing agents joining in association with mutual concerns in mind. The contract is supposed to be self-regulating, since 'each man, in giving himself to all, gives himself to nobody' (Rousseau 1982: 60). In other words the duty of contract is regulated within the duty to preserve the 'general will' of any given society. Locke (1965) furthers this notion, suggesting that beyond this social contract is the subject's 'right of exit'—the freedom to leave and forfeit the advantages of the Commonwealth. Contractualism in its many forms is propounded with liberal virtues in mind, but, as Kukathas (1992) points out, it is inherently illiberal in character when considered in the context of the subject's 'right of exit'.

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5 It may be significant, however, that the devolutionary processes discussed by Putnam (1993) were controlled by democratically elected regional governments rather than government quangoes, which may have afforded greater opportunities for disaffected groups to opt out of or modify processes that contravened their interests.

Yeatman (1994: 80) explains that the subject's rights and entitlements are structured by the contemporary liberal democratic impulse to conceive of 'citizens' as 'corporate citizens'. For example, when women or Aboriginal people wish to be heard by agents of the contemporary Australian state they must be part of an alliance that has certain essential characteristics, for example being women or Aboriginal. We assert that regions are increasingly asked to adopt a version of this corporate identity, to place themselves as corporate entities that can forge partnerships and contractual agreements with other corporate entities. Such forces are impelled by what Yeatman describes as a variant of methodological individualism (1994: 82): the imperative of the community to subsume the diversity of needs and aspirations of all members of the community under a 'fictional headship' and thereby to identify regions and their citizens as discrete and homogeneous classifications.

There are, then, winners and losers in this 'corporate economy' both between regions and within regions as needs compete to be acknowledged within the identity of the broader corporate region. This impulse to 'regional identity' is strongly liberal, subsuming difference within regions underneath the state-articulated identities. Those whose lives are generally subordinated to market culture, that is, women or Indigenous people, are subject to exclusion from such models of citizenship. Regionalism within this context seeks a particular subject, and it is therefore proselytising, applying the ideal of the bourgeois corporate citizen universally within contexts structured by difference.

Furthermore, reliance upon 'contract', manifest in the shift to the more explicit contractual model for funding community agencies (Lyons 1997; Stretton and Orchard 1994), can so reduce the importance placed on individual attributes that cannot be measured economically that communities' ability to build relations outside of the capitalist, corporate environment is not valued. Individuals are measured by their capacity to contribute to the dominant capitalist culture. Again, this illuminates the potential for diversity within communities and regions to be subsumed by the concentration of forces impelling a will to unity. There is a definite tension between the authoritarian regulatory tendencies of the state to foster corporatism and the need to build social capital in the regions.

Moreover, while the new public sector management approach consciously differentiates between (central) strategic allocation of resources and (devolved) implementation of services, the integration of regional devolution and contractualism relies on a reconfiguration of the agencies delivering the services. This reconfiguration has quite specific implications for notions of citizenship, community and individual responsibility. Shifts in funding and regulation at the Commonwealth and State levels entail the creation of a fully corporatised set of agencies in the employment services sector. Bringing community sector providers into increasingly state-defined service delivery activities obligates these agencies to

modify their processes and identities to different degrees, sometimes even to the point of undermining their distinctive support role for disadvantaged people and limiting their capacity to innovate and be flexible (Australia, CEO 1993).

Neo-liberal practices have resulted in a change in the role of the state in Australia's democratic polity and in the reconfiguration of the power dynamics between different levels of government: at the market, supra-national organisation, community and individual level. For Broomhill (1999: 116) the South Australian government's carriage of market-focused policy has led to a simultaneous downgrading of broader social policy goals. For Broomhill:

Neo-liberalism is engaged in a powerful discursive and political struggle to shrink the boundaries of the public sphere so that areas of social reproduction that were previously undertaken by the state are increasingly being redefined as being the responsibility of the private or household sphere (1999: 116).

'Dispersed' power has created the 'citizen as consumer' empowered to make 'choices' at the same time as it has intensified forms of centralised power and control through tighter fiscal control, new policy directions and closer monitoring and auditing (Kramer 1989). This indicates a shift in the operation of power between the state and the local entity: relying less on direct control and more on 'productive subjection through new discourses and practices' (Foucault 1977: 97).

So there is significant doubt about the status of devolution of power to regional individuals, agencies and regions themselves. While government funds are 'freed up' for non-government agency use, the use of the funds is governed by indirect meta-planning systems, in part manifest through quangoes such as regional development boards that remain obligated to state interests. There may be instances in which decisions are made in the interests of regional communities but, equally, there is the potential for decisions to represent the interests of global capital.

Decentralisation and contracting have placed a new emphasis on managerial and business skills. This stresses the need for public organisations to become more 'business-like'. The processes have subordinated public sector organisations to principles of financial management—the dominant 'rules of the game'. The twin concerns of financial and performance management have as their objective the promotion of public services that are more 'transparent' and more 'accountable'. The splitting of the functions of purchaser and provider means an increasing number of functions are being undertaken by agencies expected to reconstitute and present themselves as businesses by producing vision statements, mission statements, business plans and the like.

This is clearly evident in the establishment of the grant schedules and contractual conditions of Australia's new employment service sector at both the State and

Commonwealth levels. While the disbursement of funds from regional non-government bodies may be relatively new in the employment sector the control over their disbursement remains dictated by traditional authority, albeit by new techniques.

Moreover, as a consequence of these processes of restructuring, there is a clear indication of the realignment of the relationships between the state and the citizen. The development of contractually ordered relationships between the individual or the agency at regional level under the indirect authority of the state supports Muetzelfeldt's argument that citizens are increasingly situated within meta planning incentive schemes: 'incentive structures within which citizens are positioned elicit from them conduct through which they end up acting as agents of the state' (Muetzelfeldt 1992: 13). Individuals and agencies must be innovative, but necessarily within the parameters set by the state.

Yet this process has also fragmented any notion of the public, with the public being defined in multiple relationships with the state through specific relationships with agencies (users, consumers, communities or stakeholders). In such terms the citizen or the local agency is objectified in market terms as a potential contractual agent—an agent that is businesslike, corporate and implicitly rational and equal.

Moreover, in South Australia a debate exists that questions whether employment development agencies have a role in welfare that is assisting 'disadvantaged' people to find work. This question implies that there is a danger of those with welfare 'needs' falling out of the realm of possible contractual clients by virtue of their inability or resistance to becoming a market agent. Indeed, if one cannot or does not wish to be a consumer, a stakeholder or a client then one's 'right of exit' is severely limited, not to mention one's rights as a citizen of the state. This question demonstrates the exclusory nature of regionalism within neo-liberal ideology, as we have discussed, and indicates that a citizen or group that doesn't meet the ideal of the bourgeois corporate citizen can be considered as falling outside of these agencies' 'core business'.

The use of the contract is no longer restricted to the organisation and management of the public sector; it now governs the relationship between government and citizens. What was once a political association now takes on an implied contractual form. Interaction within such agencies is also structured by contracts, with funding determined by them, but also characterised by employment, largely in terms of performance agreements and short-term project-based employment contracts.

Some scholars have argued that systems based on contracts, rather than just on devolution, acknowledge there are two or more parties and that the contracts implicitly acknowledge Rawlesian rules of justice. It would then follow that this offers potential for positive developments in 'new contractualism', since the 'new contractualism' and its parallel processes may provide new opportunities for the

democratic project (Yeatman 1995). We do not, however, subscribe to that position because it avoids the issue of analysing power in contractual relations between citizens and agents in differing structural locations and, more generally, it begs the question of the nature of democracy. The issue that remains, therefore, and which is central to this assessment of policy direction, is that there is a fundamental tension between contractualism and regional development as it has emerged in South Australia and, indeed, Australia.

## SUMMARY

There has, without a doubt, been a consistent world-wide reconfiguration of aspects of the structure and role of the Keynesian welfare state. The dominance of market ideology was evident in Thatcher's Britain and Reagan's USA and now in Howard's Australia. Similarly, John Olsen in South Australia has enthusiastically embraced neo-liberal strategies of governance that have brought distinct changes in the relationship between the state, society and the individual. This paper has attempted to present both a practical and a theoretical basis for understanding some of these changes and their implications.

We have observed that, rhetorically at least, devolution is an attempt to increase subsidiarity—the increase of local decision making and resource control. We have argued, however, that devolution, through the strategies of decentralisation and regionalisation, has contributed to a reduction in support for public needs. This has occurred, in part, through an agency theory that requires regions and local communities to be more active in negotiating their future. But it has also occurred, in part, as the unintended consequence of a strategy of contractualism shaping the way in which regions and agencies must compete for resources.

Devolution is not systematic and emphatic, but partial and tentative. We assert that this is not merely a result of a time lag in the transition from centralised control to devolved responsibility, but a systematic and structural inconsistency in the neo-liberal project. We also assert that this has real implications for how the citizen is seen by the state, how their needs are constructed and their ability to manage the imperative towards greater self-regulation. What is clear is that the two strategies of reform we have discussed appear to be at odds with each other, and such tensions are likely to constitute a limiting factor on the effectiveness of Australia and South Australia's declared commitment to increased regional autonomy, as well as having serious implications for the state management of difference. This ideological trope is exclusionary by nature, generating a relationship between the citizen and the state that rests upon the ideal of the bourgeois corporate citizen and the bourgeois corporate state—a relationship of ascetic self-regulation and mutual obligation.



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