

**Role of Non-profit Sector in the Local
Administrative Reform:
Comparative Study between Japan and Korea***

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1. Introduction: Objectives of Research

From the 1980s, major developed countries faced the reform of government and public sector because of declining economy and accumulated financial deficits, and have been moving toward smaller government. In this undertaking, it is expected that the role of non-profit sector such as non-profit organizations and non-government organizations will be expanded. In our research, we focus on public administration especially on public service delivery systems. In this context, municipality governments are core elements in this research.

Japan and Korea are both promoting decentralization and devolving the government responsibility and function from central government to local governments. On the other hand, government is forced to become smaller due to the difficult government financial conditions. To make government smaller, privatization including out-sourcing or contracting-out of public services are essentially needed. The experiences of such undertakings have accumulated in the European and American countries based on the Christian tradition. However, such experiences may not be fundamentally useful under the different cultural tradition such as the Confucianism. The people's perception toward government and the idea and integrity of government officials are quite different under the different cultural environments. Both Japan and Korea have long tradition of the Confucianism and have adopted state-lead development strategies, and the people in the local communities tend to be rather dependent on the central government.

Both countries have such commonalities that theorizing the conditions on which non-profit sector can be qualified as reliable actor in delivering public services will provide significant insight for Japan and Korea in fostering non-profit sector for enhancing the public welfare under a small government.

Moreover, we will re-examine the new governance theory as well as social capital theory and explore how the theory can be applicable to Japan and Korea. In Japan there exists local self-governing body called "Ji-Chi-Kai" or "Cho-Nai-Kai," which is a voluntary community-based organization performing necessary functions for everyday life in the community. To compare with local self-governing body in Japan, we examine several community-based organizations, such as "Citizen Autonomy Committee," "Saemaeul Movement Associations," and "Tong" and "Ban" system including "Ban Sang Hoi", which are working for the delivery of everyday life public services.

In this research, we will explore comparatively the collaboration between the non-profit

contractor of public facility and local self-governing body.

As background information, the social and economic conditions of both countries are briefly described based on the statistics.

Table 1-1. Population and life expectancy

Data series	Total population	Population growth rates	Total fertility rates	Ratio of population aged 65 and over to the total population	Ratio of inactive elderly population aged 65 and over to the total labour force	Life expectancy at birth: men	Life expectancy at birth: women
Unit	Thousands	Annual growth in percentage	Number of children born to women aged 15 to 49	Percentage	Percentage	Number of years	Number of years
Year	2009	2009	2006	2009	2005	2006	2006
Japan	127,395	-0.14	1.32	22.8	38.3	79.0	85.8
Korea	48,747	0.29	1.13	10.7	19.1	75.7	82.4

Population and other demographic data are shown in the table 1-1. Japan has its population of 127,395 while Korean population is about 40% of Japan's. Looking at the total fertility rates, Japan's is 1.32, while Korea's is 1.13 far below the Japanese figure. Japanese ratio of the elderly is more than two times higher than Korean one. However, by taking account of the very low total fertility rate in Korea, the ratio of the elderly is expected to increase rapidly in the future. Life expectancy at birth for both men and women in Korea is slightly lower than that figure in Japan.

Table 1-2. GDP and GDP per capita

Data series	Gross domestic product	GDP per capita
Unit	Billion US dollars, current prices and PPPs	US dollars, current prices and PPPs
Year	2007	2007
Japan	4,295.9	33,626
Korea	1,201.8	24,801

Looking at the whole economy based on the data shown in the table 1-2, Japan's GDP totaled 4,295.9 billion US dollars, while Korean GDP was 1,201.8 billion US dollars. Japanese economy is 3.6 times bigger than Korean one. On the other hand, Korean GDP per capita is 74% of the Japanese one. This means that the living standard in Korea stands comparison with that in Japan.

Table 1-3. Economic structures

Data series	Value added in agriculture, hunting, forestry and fishing	Value added in industry, including energy	Value added in construction	Value added in transport, trade, hotels and restaurants	Value added in banks, insurance, real estate and other business	Value added in government, health, education and other personal
Unit	As percentage of total value added	As percentage of total value added	As percentage of total value added	As percentage of total value added	As percentage of total value added	As percentage of total value added
Year	2006	2006	2006	2006	2006	2006
Japan	1.4	23.0	6.1	19.5	26.7	23.3
Korea	3.3	30.6	9.0	16.9	21.2	19.0

Different situations are shown in the economic structure data in the table 1-3. Looking at the value added by industry, Korea is much oriented to the primary and secondary industries than Japan. On the other hand, Japanese economy is moving toward the tertiary industry such as transport, banks, real estate, health and education.

Table 1-4. Prices and Employment

Data series	CPI: all items	Employment rates: total	Self-employment rates: total	Unemployment rates: total
Unit	Year 2000 = 100	Share of persons of working age (15 to 64 years) in employment	As a percentage of total civilian employment	As a percentage of civilian labour force
Year	2007	2007	2007	2007
Japan	98.1	70.7	13.4	3.9
Korea	123.5	63.9	31.8	3.2

Some price and employment data are shown in the table 1-4. Japanese consumer price level is declining while CPI is going up in Korea. Look at the employment data, the percentage of employed persons to the total work forces in Japan is higher than that in Korea. On the other hand, the percentage of self-employed persons in Korea is higher than that in Japan. Unemployment rates in both countries are low compared with those of other developed countries.

Table 1-5. Government deficit, expenditure and revenue

Data series	Government net borrowing/net lending	General government gross financial liabilities	Public expenditure on health	Public social expenditure	Law, order and defense expenditure	Total tax revenue
Unit	As a percentage of GDP	As a percentage of GDP	As a percentage of GDP	As a percentage of GDP	As a percentage of GDP	As a percentage of GDP
Year	2007	2007	2006	2005	2006	2006
Japan	-2.4	170.6	6.5	18.6	2.3	27.9
Korea	4.5	28.9	3.5	6.9	4.2	26.8

Looking at the government financial situations shown in the table 1-5, Japan is suffering from the huge deficits accumulated in the last decade and currently, Japanese government has to borrow money to carry out government programs and projects. On the other hand, Korea has much healthier financial conditions.

As for the spending structure, the percentages of public expenditure on health and public social expenditure to the total GDP are much higher in Japan than in Korea. This means Japan allocates more tax money to health and social welfare areas than Korea. On the other hand, the percentage of law, order and defense expenditure to the total GDP is higher in Korea than in Japan.

Despite its serious financial condition, Japan’s total tax revenue as a percentage of GDP is slightly higher than that of Korea.

Data source: OECD. Stat Extracts, <http://stats.oecd.org/index.aspx>, Retrieved on 1 May 2010.

2. Theoretical Framework

2.1. From New Public Management to New Governance Perspectives

Several articles pointed that the term 'governance' is popular but quite imprecise. Rhodes (1997) suggested that governance has at least six uses, referring to the minimal state, corporate governance, the new public management, good governance, socio-cybernetic systems, and self-organizing networks. He stipulated that governance refers to “self-organizing, interorganizational networks” and argue these networks complement markets and hierarchies as governing structures for authoritatively allocating resources and exercising control and co-ordination. He defended this

definition, arguing that it throws new light on changes in government, most notably hollowing out the state, the new public management, and intergovernmental management. He also argued that networks were already a pervasive feature of service delivery in Britain, that such networks were characterized by trust and mutual adjustment and undermined management reforms rooted in competition, and that they were a challenge to governability because they became autonomous and resist central guidance.

The new governance points to four weaknesses in NPM as managerialism which extols the virtues of private management practice (Rhodes, 1997). First, managerialism adopts an intra-organizational focus. It concentrates on the '3Es' and value for money, on hierarchical control and the clear distribution of authority and responsibility. Although appropriate for managing line bureaucracies, this approach pays no attention to managing interorganizational links, to negotiating shared purposes where there is no hierarchy of control. Second, managerialism is obsessed with objectives, resurrecting management-by-objectives for the 1980s and 1990s. Third, NPM focuses on results. In an interorganizational network, no one actor is responsible for an outcome. There may be no agreement on either the desired outcome or how to measure it, and the centre has no means of enforcing its preferences. NPM may suit line bureaucracies but it is inappropriate for managing interorganizational networks and, more important such networks undermine NPM with its intra-organizational focus on objectives and results. Finally, there is a contradiction between competition and steering at the heart of NPM. The problem is there is a low level of interdependence between the several stakeholders and the resulting network is unstable and lacks the trust necessary to develop a negotiated equilibrium. The language of markets and competition of NPM serves only to compound the problem of steering.

Wright (1983) argues that intergovernmental management has three distinctive features such as problem solving, intergovernmental games and networking. It is about coping with several jurisdictions to solve particular problems and building networks of communication to produce such useful results. Agranoff (1990) referred that intergovernmental management is about separate organizations developing joint actions and finding 'feasible courses of joint management activity'. Klijn (1995) argues that networks do not respond to managers as system controllers. The effective manager plays a facilitative role, that is, does not seek to achieve their own objectives. They can pursue two broad strategies, that is, game management or identifying the conditions which will sustain joint action, and network structuring which involves changing the rules of the game. Alternatively, changes in the distribution of resources within the

network can be used to encourage some kinds of behavior, to introduce new actors to the network or to undermine other actors. Rhodes (1986) uses the notion of a policy network to explore the relationship between central and local government and describes both the rules of the game and strategies used by central and local government in the intergovernmental network. The strategies for managing the relationship include incorporation, consultation, bargaining, avoidance, incentives, persuasion, and professionalization. The game-like quality of network management is not specific to federal systems.

Several significant differences exist between governance and NPM (Peters, 1998: 231-3). First, governance always has been a central element of a democratic polity, whereas NPM is more ideologically driven. While new forms of governance such as networks, partnerships, public-private joint ventures, the inclusion of the voluntary sector in service delivery, ultimately maintain some degree of political control over the public service since it is seen as an extension of the public interest, NPM seeks to transform the public bureaucracy to a set of organizations whose only difference from private, for-profit organizations is the nature of the product that is delivered. Second, governance is about process, whereas NPM is primarily about outcomes. Understanding governance is largely a matter of observing and interpreting the process through which it evolves and what is the relative clout of the actors involved therein. On the contrary, NPM says very little about the process, which is focused almost exclusively on developing infra organizational management techniques that ensure customer satisfaction and efficiency. Third, NPM is an intraorganizational program of administrative reform whereas governance is interorganizational in perspective (Rhodes, 1997). The emerging forms of governance should be conceived of as alternative models of the pursuit of collective interests (Peters, 1996). Thus, governance is essentially a political theory, whereas NPM is an organizational theory. Fourth, governance is about maintaining public-sector resources under some degree of political control and developing strategies to sustain the government's capacity to act, whereas NPM is essentially about transforming the public sector. Governance refers to something that deliberately transcends the borders of government and where governmental structures coordinate and give direction to collaborative, public-private efforts (Kooiman, 1993; Rhodes, 1997). The perspective of the NPM strategy is more introverted and aims at altering state-society relationships only insofar as public-sector management models might replace traditional models of organizational management in the public administration and in the exchange between service providers and public-sector customers.

2.2. Contracting-out of the Delivery of Public Services

Contracting for services has become the most pervasive form of privatization, and has already gained a significant degree of legitimacy in the system of governance all over the world including Korea and Japan. Despite growing popularity, its rationale, purpose, and consequences remain a matter of heated debate. Advocates claim that contracting can increase efficiency, improve quality, enhance responsiveness, and lead to higher levels of client satisfaction (Ferris and Graddy, 1991; Stein, 1990). Critics argue that contracting does not necessarily improve organizational efficiency or service quality, that it hampers governments' institutional integrity, core competence, accountability, and that it has been stretched beyond its appropriate boundaries (O'Toole and Meier, 2004; Terry, 2006; Goodsell, 2007). Empirical results regarding contracting performance are mixed (Boyne, 1998; Lavery, 1999). Most scholars only agree that, so far, contracting out has only worked in certain service areas and under certain conditions (Hodge, 2000; Romzek and Johnston, 2002).

Previous research suggested, as the determinants of contracting performance, from external factors such as competition, service characteristics, institutions, to internal factors such as government's public management capacity. From the standpoint that external factors such as competition, service, legal and organizational institutions can be managed by government capacity eventually, much of the recent contracting studies focus on the importance of public management capacity (Kelman, 2002; Kettl, 1993; Milward, 1996; Brown and Potoski, 2003a, 2003c; Hefetz and Warner, 2004; ICMA, 1989, 1992; Lavery, 1999; Marlin, 1984; Prager, 1994; Rehfuß, 1989; Savas, 2000; Seidenstat, 1999; Wisemann, 1981). But empirical results analyzing the effect of public management capacity on contracting performance are mixed. Lamothe and Lamothe (2008) verified the positive effect of government's public management capacity on contracting performance in their model tests. On the contrary, Fernandez (2009) have empirically examined that the relationship between public management capacity and contracting performance appears to be more complex than previously theoretical hypothesis, involving interactions with moderating variables such as vendors type, and contract duration. This research, regarding public management capacity as monitoring contractor behavior and performance, points that monitoring may not improve contracting performance, and in some instances, the costs of monitoring may offset or even outweigh any benefits derived from it. Some experts have also noted that monitoring expenses can be considerable and that these expenses should be factored into the total cost of purchasing services before determining the efficiency of this

alternative (Rehfuss, 1989; Seidenstat, 1999). Moreover, the effectiveness of monitoring may depend on certain characteristics of the contractor or the service being outsourced. Much literature pointed out several conditions or factors as the accounting factors of contracting performance. First, contracting performance can be affected by competition (Borcherding, 1977; Savas, 1983; Schlesinger, Dorward and Pulice, 1986; Prager and Swati, 1996; Pack, 1989; DeHoog, 1990). Researches based on the public choice perspectives argue that competition can minimize inefficiency of monopoly, and lead to improved contracting performance. Past literature define competition as a market containing a range of provider alternatives from which government can decide who is best positioned to deliver the contract services with the highest quality, lowest cost, and greatest expertise (Van Slyke, 2003). However, the relationship between competition and contracting outcomes is complex and is likely to involve trade-offs between various dimensions of performance. Although competition should result in lower costs when contracting for services, it might also have negative effects on quality of service and service continuity (Kamerman and Kahn, 1989). Second, contracting performance can be affected by service characteristics. Williamson (1981) suggested that two broad types of service characteristics that impel transaction costs are asset specificity and service measurability. Asset-specific, and difficult-to-measure services make governments vulnerable to unscrupulous vendors who, as principal-agent theory suggests, may exploit their information advantage by lowering service quality and quantity (Brown, Potoski and Van Slyke, 2006). Third, contracting performance can be affected by legal and organizational institutions. These define the “rules of the game” (North, 1991). Yang et al. (2009), from an institutional perspective, explains that the importance of legal and organizational institutions is resulted from governance inseparability, a concept similar to path dependence (Argyres and Liebskind, 1999).

Much of the recent studies focus on the importance of public management capacity because external factors such as competition, service, and institution can be managed eventually by government capacity (Kelman, 2002; Kettl, 1993; Milward, 1996; Brown and Potoski, 2003a, 2003c; Hefetz and Warner, 2004; Lavery, 1999; Marlin, 1984; Prager, 1994). Brown, Potoski and Van Slyke (2006) mention that building contract management capacity includes acquiring and nurturing physical infrastructure, financial resources, and more important, human capital. However, scholarly attention to the importance of contract management capacity is only a relatively recent phenomenon and, thus, there is no consensus on exactly what managerial components are critical for successful contracting. Nonetheless, substantial efforts have been made in terms of trying to identify the core components of management capacity.

Brown and Potoski (2003a; 2003c) recognize three specific aspects that are related to a government's ability to effectively manage vendors. They are (a) feasibility assessment capacity to properly determine whether to make or buy, (b) implementation capacity to effectively execute and manage contracts, and (c) evaluation capacity to accurately and thoroughly evaluate contract performance to ensure accountability. Lamothe and Lamothe (2008), based on Ingraham, Joyce, and Donahue's (2003) study, consider three managerial components. They are (a) leadership setting priorities and coordinating activities, (b) the degree of integration and coordination among contracting units, and (c) the experience and expertise of the contracting staff. Yang et al. (2009), expanding Brown and Potoski (2003a)'s research, suggest four aspects that are related to a government's ability to effectively manage vendors. They are (a) agenda setting capacity to appropriately determine whether to make or buy, (b) formulation capacity to effectively set a fair bidding process, identify the best-fit contractor, and reach an excellent contract, (c) implementation capacity concerned with the actual production of goods or the delivery of services, and (d) evaluation capacity to evaluate contract performance to ensure accountability.

Although much literature emphasizes the importance of public management capacity for improving contracting performance, empirical results examining the effect of public management capacity on contracting performance are mixed. Lamothe and Lamothe (2009) have verified the positive effect of government's public management capacity on contracting performance in their model tests. On the contrary to this, Fernandez (2009) have empirically examined that the relationship between public management capacity and contracting performance appears to be more complex than previously theoretical hypothesis, involving interactions with moderating variables such as vendor type, and contract duration.

2.3. Citizen participation and responsiveness of public service delivery

Volunteerism can mean different things to different studies. The U.S. Bureau of Labor Statistics considers volunteers to be "persons who performed unpaid volunteer activities...through or for an organization..." (U.S. Bureau of Labor Statistics, 2008). The United Nations General Assembly Resolution adopted on 5 December 2001 defines volunteering as: "a wide range of activities, including traditional forms of mutual aid and self-help, formal service delivery and other forms of civic participation, undertaken of free will, for the general public good and where monetary reward is not the principal motivating factor" (UN General Assembly, 2001). The United Nations' Handbook on Nonprofit Institutions in the System of National Accounts defines volunteering as "work

without monetary pay or legal obligation provided for persons living outside the volunteer's own household." Penner (2002) defined volunteerism as long-term, planned, prosocial behaviors that benefit strangers and occur within an organizational setting. Based on this definition, he suggests that volunteerism has four salient attributes: longevity, planfulness, nonobligatory helping, and an organizational context. First, volunteering is usually a relatively long-term behavior. A recent national survey of volunteerism in the United States (Independent Sector, 1999) found that almost 50 percent of the people who volunteer do a regular rather than a one-time basis. Another recent survey of volunteers found that more than 90 percent of them wanted to engage in long-term volunteer activities (Volunteer Match, personal communication, September 15, 2001). And longitudinal studies of volunteers have found that once people begin to work regularly as a volunteer, a large percentage of them continue this activity for several years (Omoto and Snyder, 1995; Penner and Finkelstein, 1998; Penner and Fritzsche, 1993). Second, volunteering is typically a thoughtful and planned action. But data from national surveys of volunteers would seem to contradict this statement. In its national survey the Independent Sector (1999) found that about 90 percent of the people asked to volunteer agree to do so. However, it seems unlikely that requests to become a volunteer are directed at a random group of people or that people impulsively agree to become a volunteer at the moment they are asked to volunteer. Further, the work of Davis et al. (1999) suggests that before people actually agree to volunteer, there is some thoughtful consideration of both the costs and benefits of engaging in this action. Third, because the recipients of a volunteer's beneficence are either strangers or an organization that serves these individuals, the volunteer is not motivated by a sense of personal obligation to a particular person (Omoto and Snyder, 1995). They characterize this kind of prosocial behavior as "nonobligated helping." Finally, volunteerism is far more likely than other kinds of helping to take place within an organizational setting. There are certainly individuals who, on their own, engage in sustained, nonobligated helping of virtual strangers (Colby and Damon, 1992). However, most volunteers work as part of an organization (Independent Sector, 1999). Thus, organizational variables are far more important in volunteerism than in one-to-one, interpersonal kinds of helping.

Various literatures have focused on the motives for volunteering from social science psychology to organizational behavior (Clay and Snyder, 1999; Unger, 1991) Fisher and Ackerman's (1998) findings suggested reasons such as empathy-based altruism to the avoidance of stress and sadness. Finkelstein, Penner, and Brannick (2005) focused on these motives and suggested that volunteering satisfies individual inner needs by

expressing values, acquiring new experiences, using newly acquired skills, strengthening society or gaining career advancement. Scholars have also argued about the best methods to value volunteer time, how and when such is useful (Anderson and Zimmerer, 2003; Brown, 1999; Freeman, 1997; Handy and Srinivasan, 2004; Herzog and Morgan 1992; Jackson, 1996; Kushner, 2004, Neysmith and Reitsma-Street, 2000). Weschler and Mushkatel (1987) define volunteerism as citizen participation in public service delivery. They suggest three types of volunteer participation; coproduction, co-provision, co-financing. Kim, and Lee (1999), focused on citizen participation, examine the determinants of volunteering program performance. The results indicate that management system of volunteering program such as recruitment and arrangement activeness, and vendors characteristics such as nonprofit vendors, supplement by vendors are positively related to volunteering program performance.

2.4. Social capital theory

The concept of social capital has gained increasing popularity among many circles of social scientists since being introduced by Pierre Bourdieu and James Coleman in the 1980s. Robert Putnam's work on Italy (Putnam,1993) and his provocative claim that social capital is somehow in decline in the United States (Putnam,1995) stimulated a flurry of research and writing.

Coleman defines social capital as "a variety of entities having two characteristics in common: They all consist of some aspect of a social structure, and they facilitate certain actions of individuals who are within the structure.....Unlike other forms of capital, social capital inheres in the structure of relations between persons and among persons. It is lodged neither in individuals nor in physical implements of production" (Coleman, 1990).

Robert Putnam expanded this notion by linking ideas of social capital to the importance of civic associations and voluntary organizations for political participation and effective governance (Putnam, 1993, 1995, 2000). For Putnam, social capital is defined as "connections among individuals - social networks and the norms of reciprocity and trustworthiness that arise from them" (Putnam, 2000).

Norris (Norris, 2002) sees that three core claims lie at the heart of Putnam's theory on social capital. The first is that horizontal networks embodied in civic society, and the norms and values related to these ties, have important consequences. Second, Putnam argues that social capital has significant political consequences. Lastly, Putnam presents the evidence that civic society in general, and social capital in particular, have suffered substantial erosion in the postwar years in America.

Foley and Edwards (Foley and Edwards, 1999) reviewed recent empirical researches exploiting social capital concept and observed that the majority of these analyses, social capital is treated as an independent variable affecting such outcomes as civic engagement, national-level economic growth, volunteering, mortality rates, fertility, local economic development, neighborhood stability, government-community relations and organizational effectiveness.

Putnam (Putnam 2000) emphasizes the positive impact of individual social capital on the performance of political institutions, the development of effective and democratic governance, and important policy outcomes in areas such as education, health, crime, welfare, and economic growth.

According to Putnam (Putnam, 2002), the idea at the center of the theory of social capital is; social networks matter. Growing branch of literature on social capital refers to its external or public effects.

As for the Japanese society, Pekkanen (Pekkanen, 2003) observes that Japan has many of the small, neighborhood watch-type groups and the Japanese state has structured incentives to nurture social capital-type civil society groups and to discourage pluralistic, lobbying-type civil society groups. Here, the state has strong influence to civil society organizations. Such small neighborhood-based groups have maintained mutual collaborative relationship with the governments and some literature claims the boundary between the civil society organization and the government is not clear because the civil society organization plays assisting roles in public administration (Ito, 1980, Takechi, 1996) and also observes that the relationship between the civil society organization and the government is one-sided with the government intention overriding (Takechi, 1996).

From the viewpoint of civil society organization, there is much criticism about the strong influence from the government and the roles of neighborhood-based social capital type groups as subcontractors or field agents of the government (Matsushita, 1961, Akimoto, 1971, 1990, Matsuno, 2004). Inoguchi (Inoguchi, 2002) emphasizes incorporated civil society organization in Japan while Tsujinaka et.al (Tsujinaka et.al, 2009) describes the roles played by neighborhood-based associations in managing safe and convenient community life through the analyses of nation-wide survey data. In concluding, Tsujinaka et.al (Tsujinaka et.al, 2009) identifies future challenges concerning the study on neighborhood-based associations and suggests that the activities by neighborhood-based associations (social capital-type groups) may affect the outcomes of the policy measures of municipality governments as well as the performance of municipality governments.

3.Methodology and Research Design

Main methodology of the research is the survey of actual conditions and activities according to the following order.

- ① To conduct pilot surveys for making a hypothesis,
- ② To carry out full scale surveys to collect data for verifying the hypothesis,
- ③ To analyze the survey data to verify the hypothesis, and
- ④ Finally to draw the implications from the relationship between municipality governments, non-profit contractors and local self-governing bodies in contracting-out.

3.1. Pilot surveys

First step is to carry out pilot surveys in specified cities as follows.

Table 3-1. Municipalities in the pilot surveys

Name of the city	Population	
<u>Japanese side</u>		
Nerima-ku in Tokyo	708,194	As of 1 June 2010
Kawasaki-city	1,417,944	As of 1 May 2010
Hamamatsu-city	804,032	2005 Population census
Ena-city	55,761	2005 Population census
Matsumoto-city	227,627	2005 Population census
Tamana-city	45,341	2005 Population census
Miyazaki-city	398,971	As of 1 June 2010
Kobe-city	1,525,393	2005 Population census
Hadano-city	170,242	As of 1 June 2010
<u>Korean side</u>		
Seocho-gu in Seoul city	412,065	As of 31 December 2008
Suwan city in Gyeonggi-do	1,098,706	As of 1 June 2010
Daejeon city	1,487,985	As of 1 May 2010
Saha-gu in Busan city	368,371	2007 Population census
Gyeongju city in Gyengsangbuk-do	274,295	As of 31 December 2008
Gumi city in Gyengsangbuk-do	396,419	As of 31 December 2009

There were eight cities (two in Japan and six in Korea) where the pilot surveys were jointly conducted by the Japanese and Korean teams. Among these cities in Japan, there were five cities that have introduced the local self-governing district system. The system is a relatively new one for realizing more enhanced community-based public administration. In the district covering about 10,000 residents, the local consultation board is to be established for paying serious consideration of views and opinions of local residents concerning community's public administration. In Korea, six municipalities have chosen to study the social welfare service delivery system and local residents' self-governing bodies.

In the pilot surveys, we conducted interviews with municipality officials, non-profit contractors and local residents and also held meetings with them. We could collect various practices and experiences of municipality officials, non-profit contractors and local residents in contracting-out of public facilities.

Out of pilot survey data, we could identify the prominent example of collaboration between the contractor and local self-governing body and also find that the public facility for the handicapped conducted advanced practices in collaboration with the local self-governing body, especially in Japan. In the process of pilot survey, however, we also ascertain that various self-governing organizations in Korea are not the same compared to the self-governing body in Japan. Therefore, we try to identify which self-governing organizations in Korea can be analogous to "Ji-Chi-Kai" or "Cho-Nai-Kai" in Japan.

3.2. Making a Hypothesis and drawing up full scale survey plans

Based on the data and information collected in the pilot surveys, a hypothesis was made concerning the non-profit contractor and local resident. Full scale survey plans including sampling, field survey method and questionnaires were drawn based on the pilot survey data for verifying the hypothesis. Three kinds of questionnaires were set up; municipality government questionnaire, non-profit contractor questionnaire and local self-governing body questionnaire.

3.3. Conduct of full scale surveys and tabulation of the survey questionnaires

Two survey methods were taken on the Japanese side; internet survey and interview survey. On the other hand, mail survey and interview method was taken on the Korean side.

Only interview surveys were conducted for non-profit contractors and local self-governing bodies in Japan, so the sample size became rather smaller compared with the Korean one.

Table 3-2. Sample size of full scale survey

	Japan	Korea
Municipality government questionnaire	115	80
Non-profit contractor questionnaire	21	57
Local self-governing body questionnaire	21	66
Total	157	203

Research meetings were held in Japan and Korea to analyze and examine the survey data and to verify the hypothesis. Final report was prepared by the Japanese and Korean teams.

4. Hypothesis to be verified in the research

4.1. Cases in Japan

In the first year of the research project (fiscal 2008), some pilot surveys were carried out in Japan, namely Ena city, Matsumoto city, Miyazaki city, Tamana city, Kobe city and Hadano city. We could find some cases of cooperative relationship between private non-profit contractors and local self-governing bodies (Ji-Chi-Kai or Cho-Nai-Kai).

4.1.1. Case of Machi Dukuri Yamaoka in Ena city

Ena city, Gifu prefecture is located at the central Japan near Nagoya, with population 55,321, household 19,176 as of May 1, 2010.

The Yamaoka area is the southern part of Ena city. The population scarcely inhabits there. The main economic activities are agriculture, clay mining and agar manufacturing. Currently these economic activities are declining so that there are acute needs to develop the area by the residents themselves. The local self-governing body is very active in making the area livelier. It established a specified nonprofit corporation, Machi Dukuri Yamaoka, in 2003 as an apparatus for the area development. All residents in the Yamaoka area are the members of the corporation.

Ena city government has been promoting the contracting-out but no private business is eager to take any contracts in the scarcely inhabited area. Under such circumstances, Machi Dukuri Yamaoka took the contract to manage three public facilities, namely the day service center for the elderly, the health promotion center and the Iwakura park. Machi Dukuri Yamaoka also carries out several area development programs funded by the Ena city governments.

4.1.2. Case of Kita-Suma Child Care Center in Suma-ku

Suma-ku, Kobe city, Hyogo prefecture is comprised of the southern urban district and the northern district of which center is the Suma Newtown with a history of more than 40 years from the start of the construction work with population 167,802, household 71,658 as of May 1, 2010.

Kita-Suma (Northern Suma) Child Care Center, a school and social welfare corporation, runs 5 social welfare facilities (kindergarten, day nursery, nursing home, day care center for the handicapped, home care support center) and manages 3 contracted-out public facilities (after-school nursery for children, children's play hall, community inclusive support center).

The Kita-Suma Housing Complex was developed by a cooperative and a worker's bank in 1967. A local self-governing body was organized in 1968. After intensive discussion between the cooperative, the worker's bank and the local self-governing body, a kindergarten and a day nursery were established to provide pre-school education and care for children living in the Kita-Suma Housing Complex in 1969. The Kita-Suma Child Care Center, originally established by a cooperative, became a school corporation to run the kindergarten in 1978 and was also approved as a social welfare corporation to run the day nursery in 1979. The center's board of directors is comprised of the executives of the local self-governing body, the representatives of the parents and employees and the representatives from the worker's bank and the cooperative. And the center runs its operations based on the actual needs from the residents. In the 1990s, the elder resident occupied substantial ratio and how to care the elderly became serious issue. Accordingly, the Kita-Suma Child Care Center started a nursing home, a day care center for the handicapped and a home care support center. It runs these facilities by taking fully account of the needs of the residents and with cooperation of the residents. Kobe city government recognized the experiences of the center in managing the social welfare facilities and contracted out to manage its public facilities, namely the after-school nursery for children, the children's play hall and the community inclusive support center to the center. In these contracted-out public facilities, convenient and

high quality services are provided in cooperation with the local self-governing body. In the Kita-Suma Housing Complex, most of the household heads used to be the employees of major businesses in the Hanshin area and their age and life style and working environment were very similar so that they are still in close association with one another. The local self-governing body is very active to deal with various problems in the Kita-Suma Housing Complex.

4.1.3. Case of Kanagawa Kyodo Kai in Hadano city

Hadano city, Kanagawa prefecture is located at the central Kanagawa prefecture, near the Tokyo metropolitan area with population 170,220, household 70,083 as of May 1, 2010.

The Hadano Seikaen was established by Kanagawa prefecture government in 1961. It was closed in 1985 but re-opened in 1990 as a workplace and day service center for the mentally handicapped at the same time the management of the facility was contracted out to the social welfare corporation, Kanagawa Kyodo Kai. The facility is to admit mentally handicapped persons for job training as well as training in daily life skills. After the completion of the training, the trainees are to move to the living quarters located near the facility and to live a rather independent life with support from the Kanagawa Kyodo Kai. The objective of the facility is to make mentally handicapped persons live without difficulties among the ordinary people in the local community. So the cooperation between the facility and the local self-governing body is indispensable to achieve the objective. There are many occasions of cooperation and interchange between the facility and the local self-governing body. The head of the facility emphasized the importance of the interchange and cooperation in achieving the objective of the facility. The local self-governing body is willing to cooperate with the facility such as dispatching volunteers and co-organizing seasonal festivals at the facility.

4.2. Cases in Korea

In the first and second year of the research project (fiscal 2008, 2009), some pilot surveys were also carried out in Korea, such as Seocho-gu and Bangbae 1 dong in Seoul city, Suwan city in Gyeonggi-do, Daejeon city, Saha-gu in Busan city, Hwango-dong in Gyeongju city. Unlike the cases in Japan, we have difficulties in finding which organizations in Korea are analogous to Ji-Chi-Kai or Cho-Nai-Kai. Despite there are many discrepancies in the local self-governing historical context, current status between Korea and Japan, we could find relatively similar but quite different cases of cooperative relationship between private non-profit contractors and local self-governing

organizations such as clients' or users' voluntary organizations of the facilities, citizen autonomy committee, Tong and Ban organizations, and Saemaeul Movement organizations.

4.2.1. Case of the Yangjae Social Welfare Center in Seocho-gu

Seocho-gu is located in the southern urban district of Seoul Metropolitan City, with population 406,875, and household 152,245 as of December 31, 2009. Seocho-gu is composed of 18 dong, 501 tong, 3,498 ban as the citizen organizations, and also 5 bureaus, 1 inspection service, 27 divisions, 18 dong, 1 office, 1 assembly as administrative organizations.

The Gwanglim church which is a social welfare corporation runs 2 social welfare facilities within Seocho-gu. It runs Seocho Child Care Center, and Yangjae Social Welfare Center which are contracted-out facilities. In the Yangjae Social Welfare Center, small voluntary organizations, such as voluntary group for elderly or disabled, composed of the facility users were participating in the process of service delivery. The members of the organizations focus on the importance of the interchange and cooperation in achieving the objective of the facility. They are willing to cooperate with the facility such as volunteer activities and co-organizing seasonal festivals, program or campaign at the facility.

4.2.2. Case of the Tong, Ban System, and Ban Sang Hoi in Hwango-dong

Hwango-dong is located in the central district of Gyeongju City, with population 5246 as of December 31, 2008. Hwango-dong in Gyeongju City are classified into the rural areas relatively in Korea. We posit that Bansanghoi and Tong, Ban system are more actively run in Korea, so we choose Hwango-dong in Gyeongju City as a relatively rural area in Korea. There is the Tong and Ban system, one Ban consists of 20 to 60 households and one Tong consists of 5 to 10 Bans. This system was a state-lead self-governing system mainly for anti-North Korea purpose. Once a month, Ban Sang Hoi was to be held with representatives from all member households participating. Nowadays, Ban Sang Hoi remains just perfunctorily in Korea generally, but in rural areas like Hwango-dong it runs relatively actively and have the local residents participate in public service delivery system.

4.2.3. Case of Saemaeul Movement organizations in Gumi city

Gumi city is located in the western part of Korea's North Gyeongsang Province(Do), which has a population of 390,000 and has the biggest inland industrial complex in

Korea, covering 3.2% of North Gyeongsang Province (slightly larger than Seoul). The city includes 6 myeon (townships), including Seonsan-eup and Goa-eup, and 19 dong (administrative districts).

Saemaul Undong is considered one of the most successful community development movements of Korea in the 1970s (Lee, 2009). Saemaul Undong (New Community Movement), a movement founded in 1970 under former President Park, JeongHee, began to lose its popularity as it came under the control of the civilian-lead Korea Saemaul Undong Center. With the incidence of several corruption scandals in the 1990s Saemaul Undong had virtually become a forgotten experience of the past. However, with the dawn of the new century in 2000 Saemaul Undong has been revitalized in the Gyeongbuk province, such as Gumi city, Cheongdo gun, and Pohang city, and also in foreign countries such as Mongolia, Vietnam, and Congo. Saemaul Undong, which played an important role in making both economic growth and modernization of rural areas was inaugurated in 1970 by former president Park, JeongHee. Central government led the movement during early stage of Saemaul Undong. Due to Saemaul Undong, rural household income sharply increased. Rural household income was only 67% of urban household income in 1970, but this ratio increased up to 104%. After 1980s Central Saemaul Undong Organization took a leading role in promoting saemaul undong with legal and organizational support. Government support slowly diminished in the 1980s while Saemaul leaders have been active since the 1980s. Currently, Saemaul Undong operates with the Korea Saemaul Undong Center as its headquarters and 17 si-do associations, 234 si-gun-gu chapters, 75,155 Saemaul leaders, and 78,014 Saemaul women's association members.

4.3. Hypothesis of this research

We could observe from the above mentioned examples that non-profit organizations as contractors of social service facilities can deliver such services as responsive to the users' needs with collaboration with local self-governing bodies in Japan. To compare with local self-governing body in Japan, we focus on several community-based organizations, such as "Citizen Autonomy Committee," "Saemaoul Movement Associations," and "Tong" and "Ban" system including "Ban Sang Hoi", which are working for the delivery of everyday life public services as well as the facility users' voluntary organizations in Korea.

Based on these observations, the following hypotheses have been set up.

Where the people's self-governing bodies or self-governing organizations are active and strong, social service delivery by the non-profit contractors becomes more responsive and flexible to the citizens' needs.

Hypothesis 1:

A local resident inclusion as members in the non-profit contractor can contribute to more responsive service delivery by the contractor.

Hypothesis 2:

The local resident participation in the governance mechanism of the contractor such as an advisory committee can contribute to more responsive service delivery by the contractor.

Hypothesis 3:

Open meetings between the local residents and the contractor, which are held by the contractor, can contribute to more responsive service delivery by the contractor.

Hypothesis 4:

The local residents' involvement as volunteers in the activities conducted in the contracted facility can contribute to more responsive service delivery by the contractor.

In this research project, we conducted field surveys for municipal governments, non-profit contractors and local self-governing bodies in the case of Japan and facility users' associations in the case of Korea to collect necessary data for verifying these hypotheses.

Selection process of samples is as followed.

- Designation of municipality governments by taking account of the feasibility of field operation.
- Selection of a contracted-out public facility per municipality (It is preferable to select social welfare facilities such as a facility for the elderly or for the handicapped.)
- A local self-governing body residing in the same area as the contracted-out facility or a facility users' association became the sample.

In the field surveys, an expected case is as follows.

A non-profit organization enters into a contract with the municipality government for management of a social welfare facility. The contractor carries out its original activities based on the mission stipulated in its statute in conjunction with managing the facility. A local self-governing body or a local self-governing organization is active in the community. The contractor often holds meetings with the local self-governing body. The people staying in the facility are usually regarded as the members of the local self-governing body. The local self-governing body or a local self-governing organization dispatches volunteers to provide helping hands to the activities conducted in the facility. Having the interchange with the local residents, the contractor can deliver more responsive services to the customers' needs together with the customer satisfaction surveys and the periodical meetings with the municipality government officials.

5. Private non-profit organization: Brief outline of the system and activities in society

5.1. Japan

Nonprofit sector in Japan has moved toward new stage since the late 1990s. It is characterized by the radical increase of new type of nonprofit organizations. The emergence of the new nonprofit movement has been influenced particularly by the growing public interests in voluntary activities after the Hanshin-Awaji Earthquake of 1995 and the enactment of “the Law to Promote Specified Nonprofit Activities”(the NPO Law) of 1998. The NPO law created a new category of incorporated organizations for nonprofit and voluntary activities and enabled civic groups to acquire a legal personality known as “the Specified Nonprofit Corporation”(NPO hōjin) (Pekkanen, 2003). NPO hōjin is much easier to incorporate than traditional nonprofit corporations because there is less government regulations. According to the statistics of the Cabinet Office, over 40,000 nonprofits with the legal status of NPO hōjin are in operation in the whole country in the end of June 2010. This figure shows the rapid growth of new type of nonprofits in the last 8 years since the enactment of NPO Law.

Needless to say, Japan has a long history of nonprofit and community organizations. During the early Meiji Era, traditional nonprofit corporations known as “public interest corporations” were institutionalized with the enactment of the Civil Law of 1897. Public interest corporations known as “koueki hōjin” are furthermore, categorized into two types, “shadan hōjin” (incorporated association) and “zaidan hōjin”(incorporated

foundation) . In most recent years, public interest corporations have faced radical changes occurred by public administration reforms with the aim of clearly distinguishing between two different corporations, that is, those working for public benefit or not. Up to the end of year of 2008, existing public interest corporations were legally required to choose two different legal forms, public interest association/foundation with tax advantage or general association/ foundation with no or less tax advantage.

Subsequently other types of nonprofit corporations such as “shakai fukushi hōjin” (social welfare corporation), “gakkō hōjin”(the private school corporation), “shūkyō hōjin” (religious corporation) and others are institutionalized prescribed by different laws. The total number of these traditional nonprofit organizations is currently estimated to be over 200,000. After incorporation they are required, however, to follow strong regulations be supervised by relevant authorities who also have discretionary powers. Thus, civic and grass roots groups are reluctant to be incorporated in these traditional legal forms. Such reluctance and the demand for more civic oriented nonprofit form led to the enactment of the NPO Law.

Table 5-1 Main types of non-profit organizations in Japan

Type of organization	Legal base	Tax treatment	No. of organization	
Public interest institution	Civil Code	activities are taxed. Reduced tax rate is applied.	23,856	As of 1 Dec. 2009
General incorporated association/foundation	Act on General Incorporated Association and Foundations	activities are taxed. Ordinary tax rate is applied.	85	As of 16 Sept. 2010
Public interest incorporated association/foundation	Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundation	Tax-exempt, only profit making activities are taxed. Reduced tax rate is applied.	425	As of 16 Sept. 2010
Private school corporation	Act on Private Schools	activities are taxed. Reduced tax rate is applied.	7,806	As of 1 Apr. 2003
Social welfare corporation	Social Welfare Act	Tax-exempt, only profit making activities are taxed. Reduced tax rate is applied.	18,910	As of 31 Mar. 2009
Religious corporation	Religious Corporation Act	Tax-exempt, only profit making activities are taxed. Reduced tax rate is applied.	182,709	As of 31 Dec. 2007
Specified nonprofit corporation (NPO)	Specified Nonprofit Corporation Act	activities are taxed. Ordinary tax rate is applied.	36,601	As of 31 July 2010
Authorized local self-governing body	Local Autonomy Act	activities are taxed. Reduced tax rate is applied.	22,050	As of 1 Nov. 2002

Data source: Government website retrieved on 16 September 2010.

5.2. Korea

Although there are numerous types of NGOs that are currently operating in Korea, scholars are in disagreement as to how they should classify these organizations. Not only do the terms denoting 'nonprofit' vary from those that are broad in meaning, like 'mingan beyoungri danche (private NPOs),' to those that are more narrowly defined, like

'simin woondong danche (civic movement organization)' or 'Kwanbein danche (QUANGOs),' but are often used interchangeably without reference to their stipulated definition. At this juncture, attempt is to be made to characterize the various types of non-governmental organizations, with the focus on their main areas of activity and the legal foundations under which they operate as the linchpin (Kim, Junki, 1999; 2000).

First, the term 'NPO' or 'beyoungri danche' in Korean is an inclusive term referring to semi-public and private organizations whose main activities are in the non-profit areas. Korean NPOs include all entities that are not profit-motivated and are subject to what Hansmann (1985) calls 'non-distributional constraint.' NPOs include all incorporated and non-incorporated entities as well as semi-public and privately funded organizations. According to Kim and Hwang (2000), this means that 'most cultural and art organizations, foundations, nursing homes, research institutions, religious organizations, professional associations and interest groups' fall under the NPO category. Here, educational institutions and advocacy groups are to be added into the category. Because the term only emphasizes an organization's operational goal with respect to the motives independent of profit maximization, publicly financed but privately-run organizations are included in the term.

Since the term nonprofit encompasses various types of organizations, government-nonprofit relationship varies from adversarial (advocacy CSOs) one to cooperative (social service NPOs) one depending on nonprofit's functional area and the extent of state funding made available to nonprofits. For instance, educational institutions, cultural and arts organizations, and most social welfare agencies tend to maintain a cooperative relationship with the state since they tend to rely on state funding, while religious and professional organizations as well as most advocacy organizations keep an arm's length distance from the state.

Second, the term 'private NPOs' should be seen as the subset of NPOs and to be referring to the organizations that are privately-operated and funded. Although the term 'NPO' in most nations refers to privately run organizations, official statistical data in Korea often fail to distinguish between them and semipublic organizations. Private NPOs is a term that is also distinguished from those that are publicly financed and ran (QUANGOS). Further, those joint venture projects between the state and NPOs are excluded from this category. As they operate in diverse fields, their relationship with the state is also diverse. According to Kim and Hwang (2000), the term 'beyoungri mingan danche' carries a legal definition. The term is translated as nonprofit civil organizations (NCOs)

which is defined by the 'Law on Promotion of Nonprofit Civil Organizations' enacted in 2000. NCOs are defined as privately-run organizations with the following characteristics: (1) working in public interest issues, especially that of creating a more 'democratic society'; (2) not distributing the residual earnings; (3) being neither political nor religious; (4) having the membership of at least 100 individuals with at least a year's work in 'public interest seeking' activities; and (5) being registered with relevant ministries or local governments. This implies that NCOs do not include scholarly or professional associations, mutuals, social clubs, nor trade unions. Because the term is defined for the purpose of implementing the Law, they do not have to be incorporated or defined as an NPO by the tax authorities. The Law also sets out the extent of government support in terms of subsidies, special postage rate and other public support. It also stipulates certain conditions under which those organizations should receive funding from the state.

Third, incorporated NPOs (INPOs) refer to registered organizations that are set up under Article 32 of the Civil Law, the Private School Act Article 10, the Medical Act, the Social Welfare Activity Act, or any other relevant establishment acts that seek to support NPOs in their pursuit of various social and economic objectives. Those NPOs (*Beyoungri Burpin* in Korean) that wish to enjoy tax-free privileges must register with their supervising ministries, supplying them with information regarding their operation, instituted accounting, and internal management structure in accordance with the requirements. Article 32 of the Civil Law proscribes the legal basis for the formation of NPOs by stipulating that "associations or corporations in the field of science, religion, charity, arts, social interaction or otherwise not engaged in profit activities may be established subject to permission from a relevant supervising ministry (Article 32, Civil Law)."

Those incorporated NPOs that wish to enjoy tax privileges conferred to NPOs must be established under the relevant acts and must be recognized by the National Tax Office. The term INPO is used in the context of complying with relevant tax laws, including institutions like private schools, universities, and large hospitals. Also included in this category are cultural and recreational organizations, research and survey institutions, religious organizations, professional and scholarly associations, and social service providers formed as foundations or associations. In addition, those unregistered NPOs which come under the National Basic Tax Act (Article 13) may also be recognized as an INPO. Table 5-2 shows that the number of INPOs have increased steadily during the

1990s at the rate of 3 to 4 percent per annum. Since INPOs consist of diverse groups and organizations, it is difficult to isolate the precise cause of the growth. However, it appears that the growth of NPOs was 'induced' by the state through registration and administration process. That the state has various policy 'tools' that can influence the operation of these organizations and that they are created for specific purposes under the watchful eye of the state leave INPOs with no choice but to maintain a cooperative relationship with the state.

Table 5-2. Incorporated NPOs (1996-2003)

Year	1996	1997	1998	1999	2000	2001	2002	2003
Number	11,959	12,575	12,817	13,295	13,532	12,791	12,274	13,132

Source: National Tax Office (1999, 2003).

Fourth, the term public interest corporation (PICs) is either defined by the 'Act On Establishment and Operation of Gongik Burpin' or by the Article 12 of the Act on Inheritance and Transfer Tax. The former only includes legally established foundations and associations in scholarly, philanthropic and academic funding (scholarship and academic projects) activity areas and they are subject to close governmental monitoring. The latter is a broader term used in the context of an organization's tax status and is the sub-set of the NPOs. It includes 'public interest seeking organizations that were created by obtaining permission from relevant ministries.' The Law also lists the types of public interest corporations according to the following criteria: (1) religious organizations and private schools created by either Education Act or Private School Act; (2) social welfare service organizations created by the Social Welfare Service Act; (3) hospitals created by the Medical Act or Mental Welfare Act; (4) organizations created by the Act On Establishment and Operation of Gongik Burpin; (5) cultural and arts organizations; (6) organizations involved in public health and environmental protection; (7) community centers or any similar public use facilities; and (8) any other organizations which are designated as gongik burpin by the Prime Minister. These corporations receive special tax status with respect to inheritance and transfer taxes, corporation taxes, estate taxes, and certain excise taxes. Because they receive special tax treatments, they are required by the tax authorities to submit various reports concerning their activities including balance sheets and annual business plans. More than INPOs, PICs tend to maintain close relationship with the state. This is because their role is largely complementary to government activities and because of the funding support by the state.

Table 5-3 illustrates the growing trend of PICs in Korea. It indicates that PICs grew at a rate ranging between 1 to 5 percent per annum with the exception of 1998 when the number declined for the first time. It is interesting to note that organizations whose activities include scholarly, philanthropic, social welfare, and health issues grew at a faster rate than schools and religious organizations. The increased number of scholarly and philanthropic organizations reflect a growing awareness among industrialists to find ways to redistribute their wealth to the society. Also increased diversity in the academic subjects also led to an increase in the number of research institutes and professional organizations. The reason for the growing number of social welfare and health nonprofits is obvious: increased interests in the society for the rights of the poor and handicapped as well as the preferential tax treatment made available to these types of organizations.

Table 5-3. The Growth of Public Interest Corporations in Korea (1996-2004)

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004
Number of PICs	4,624	5,269	5,221	5,486	5,773	11,063	10,987	11,177	17,812
Schools	1,079	1,101	1,081	1,197	1,310	1,727	1,531	1,512	1,685
Scholarly and Philanthropy	1,114	1,157	1,204	1,392	1,413	1,826	1,862	1,896	2,333
Social Welfare	808	907	872	1,307	1,242	1,972	1,962	1,970	2,129
Health	237	261	276	289	274	382	380	377	457
Religious	215	195	189	424	543	3,810	3,890	3,881	8,561
Misc.	233	291	290	877	991	1,346	1,362	1,541	2,647

Source: National Tax Office (1999).

Fifth, in contrast to CMOs (simin woondong danche: civil movement organizations), there are numerous QUANGOS (quasi-autonomous NGOs) that maintain a close and highly cooperative relationship with the state. During the 1970s and 1980s, numerous QUANGOs were set up to undertake tasks delegated by the government, including the Samaul Movements, Korea Freedom Association, and Bareuga-salgi Movements. Because QUANGOs were heavily reliant upon state funding, the state often took command of their operations. These were convenient policy tools for a state that lacked grass-root organizations and aided the state in terms of creating favorable socio-political environments under which they could implement policies. For instance, these organizations played a key role in establishing social orders and etiquette before the

1988 Seoul Olympics while Samaul Movement organizations were instrumental in advancing modernization in rural areas through cooperative projects and collective farming in conjunction with the government's plans. Because these organizations were set up by the previous military regimes, they tend to exhibit right-wing tendencies.

Over the years, QUANGOs received most of the funding given to NGOs and maintained an intimate relation with the government. Of the 7.5 billion Won of general funding provided to NGOs in 1999 on merit-based competition offered by the Ministry of Governmental Administration and Home Affairs (MOGAHA), 41 percent went to those organizations which thought to have characteristics of QUANGOS (Kim 1999b). In addition, QUANGOs received money from the Ministry of Culture and Tourism as well as the Ministry of Agriculture. Before the merit based subsidy program was instituted in 1999, Samaul Woondong Organization received direct subsidies from the government, which constituted up to 80 percent of its budget.

6. Administrative reform in local governments; history, progress, current situation focusing on contracting-out

6.1. Japan

Overview

In the late 1990s, it became apparent that the local governments faced the urgent need to conduct administrative reforms in order to eliminate financial deficits accumulated during the late 1980s to the mid 1990s. In July 1997, the Decentralization Promotion Committee, an advisory body to the Prime Minister, submitted its second recommendation, in which it suggested that a new administrative reform guideline should be established so as to secure the smooth implementation of administrative reform programs of the local governments. Upon this recommendation, the former Ministry of Home Affairs prepared the guideline for promoting administrative reform of the local governments in November 1997. Since then, several cabinet decisions for promoting administrative reform in the local governments has been instituted including the Decentralization Promotion Plan in 1999, the Basic Principles for Administrative Reform in 2000, the Basic Policy on Structural Reform in 2001, the Regulatory Reform Action Plan in 2003 and the Policy on Administrative Reform in 2004. Taking account of the 2004 Policy on Administrative Reform, the Ministry of Internal Affairs and

Communications prepared the new guideline in 2005 for accelerating reform undertakings in the local governments and advised the local government to revise the current reform programs and to make intensive reform plans covering next five years.

Administrative reform programs of the local governments

The Japanese constitution adopts the principle of local autonomy and every local government is an autonomous entity from the central government and is responsible for public tasks in its geographical jurisdiction. When the central government would like to promote administrative reform in the local governments, it can only prepare a guideline and show it to the local governments to follow. As the central government has some power of allocating tax funds to the local governments, the local governments usually follow the guidance of the central government. As for the administrative reform, the local governments prepare their own administrative reform programs based on the guideline of the central government. Upon the 2005 guideline of the Ministry of Internal Affairs and Communications, every local government made five-year-term intensive reform plans. In the intensive reform plans, main subjects often included are the reduction of personnel, control of pay level, contracting-out of public facilities/programs and abolishment or reduction of current programs.

Contracting-out of public programs/facilities is widely implemented by the local governments. Office cleaning, night watch operation, reception services, garbage collection and management of public facilities such as facilities for the elderly and day nurseries are often contracted out to the private sector.

Designated manager system

The designated manager system for managing public facilities was introduced in 2004 after the revision of the Local Autonomy Law. Management of such public facilities as community centers, day nurseries, facilities for the elderly and music concert halls can be contracted out to the private sector organizations together with all permission authorities. Local governments often build facilities for improving public welfare in their geographical jurisdictions. Before the revision of the law, local government often outsourced the maintenance of such facilities to non-profit institutions with public funding. After the law revision, whole management of such public facilities is to be contracted-out or to be carried out by the local governments themselves. Local governments are confronted with financial problems so that they often introduce the designated manager system in the public facilities for economizing and reducing public expenditures as well as improving the quality of services. According to the survey of the

Ministry of Internal Affairs and Communications, 70,022 public facilities have been contracted-out in the designated manager system as of April 2009. 58.7% of public facilities in the prefecture governments have been contracted out.

In contracting-out of social welfare facilities such as facilities for the handicapped and day nurseries, non-profit organizations are often selected as contractors. According to the above-mentioned survey, more than ninety percent of social welfare facilities have been contracted out to non-profit organizations. Non-profit organizations included are public interest institutions, social welfare corporations, Red Cross, local self-governing bodies and specified non-profit corporations (so-called NPO in Japanese).

6.2. Korea

In Korea, we can regard the reform movement of participation Government as the current administrative reform. President Rho's participation Government has started with his political intention that he would enhance people's participation in his government. Participation Government stressed balanced development including decentralization reform and performance oriented administration system and so on according to the President Rho's political faith. It is spoken that participation Government's reform strategy start after the Presidential Transition Committee represented 10 governmental tasks. And participation Government has established "Government Innovation and Decentralization Committee (hereinafter referred to as Committee)" in April, 2003 to implement government innovation and decentralization. Innovation reform different from former governments' have been made by Committee after committee pronounced the Road Map for administrative reform. Committee mapped out specific vision, goal and innovation procedure specifically. Committee decided 'together with citizen, efficient government' as government innovation goal and represented 10 agendas and 30 sub tasks in order to perform innovation goal. In sum, participation government maintained efficiency and trust of government and responsiveness toward citizen using 'operation system', 'government function and re-adjustment', 'constant evaluation system' and so on.

Participation government specially stressed bureaucracy participation and incentive system in innovation procedure, and focused on enhancing innovation capacity and transition process of culture. This strategy means that participation government preferred that culture oriented administrative reform besides voluntary and participatory innovation system. Learning organization theory has been introduced to promote active participation for the process of public opinion. In the mean time, the major ingredients of the decentralization reform road map were reflected in the 'the

decentralization special Act (hereinafter referred to as the special act)' in December, 2003. The legislation of the special act was considered as a turning point in the early period of participation government because several significant principles were included in the special act which were reflecting decentralization reform and major tasks made by government. There were seven directions of the decentralization reform and 20 specific reform tasks in the decentralization road map produced by participation government. Services contracting-out from the local governments to private sectors are included in these objectives. The seven reform directions are reallocation of administrative powers and functions between the central government and local governments, drastic reallocation of national finance, strengthening of the governing capacity of local governments, revitalizing of local councils and improving of the local election institution, promoting of local governments' accountability, revitalizing of civil society, and building of cooperative intergovernmental relationships between the central government and local governments.

7. Private non-profit organization in contracting-out: Relationship between the local governments and private non-profit contractors

In this chapter, we focus on these issues shown below.

- ① How the local governments identify the role of private non-profit contractors in providing public services?
- ② Do the local governments see private non-profit contractors as mere contractors to deliver public services cheaper than those directly provided by the local governments themselves?

7.1. Japan

Focusing on changing needs of governments, most local governments have been keen to contract out their services to local non-profit organizations, especially NPO hōjin type of nonprofits under the current local government reforms. Most local governments have sought for collaborations, which are occasionally called “partnership”, with local nonprofits for solving local issues and improving local public services. Nikkei Shinbun (Nikkei Inc.), a major news paper in Japan conducted the postal survey on 97 local authorities which includes 47 prefectures, 32 municipalities in which prefectural governments are located, and 18 ordinance-designated cities whose population is over around one million in March 2008. According to the fact finding from the survey, the

total number of partnership programs amounted to 5,842 in 2008. The number increased by around 7 percent compared to the figure in 2007.

In reality, most partnerships in public service provision are conducted in the form of contractual relationships. According to the national postal survey on nonprofit organizations (n=951, of which 373 replied) conducted by the Cabinet Office in 2004, over 80 percent of partnership programs with local governments were based in the contracts. Examining the national postal survey on 894 local authorities conducted by governmental research institute (Keizai Sangyo Kenkyujo, 2007) in 2006, 51 per cent of local authorities have contacted out their services to nonprofit organizations and 45.8 per cent of local authorities have not. 100 per cent of prefectural governments (n=28) and large cities' municipal governments(n=32) have contracted out to nonprofit organizations.

Furthermore, most local governments have outsourced management functions of the public facilities owned by them, such as museums, public halls, sports centers and volunteering support centers, to private nonprofits and businesses after the revision of "the Local Government Law" of 2003. Before the revision, management function of these public facilities cannot be delegated to private enterprises and nonprofit organizations except local governments or private corporations founded with shares from governments. In terms of management of all local public facilities, local governments are legally forced to leave these management functions to other corporations called as "Designated Managers" or to keep their hands directly after the enactment of the revised law. Local councils are required to stipulate the basic principle and designating procedure of the system in the ordinance. According to more recent government statistics (Ministry of Internal Affairs and Communications) of 2006, the designated manager systems were introduced in 61,565 government facilities in Japan. In terms of allocation among different private and public corporations, just 11.0 per cent of total facilities were contacted out to private companies, 36.2 per cent to traditional nonprofit corporation with tight government control, 50.0 percent to government or governmental institutions, just 1.7 per cent to NPO hōjin and 5.6 percent to other corporations. The progress of the new contracting system seems to be little and irrelevant to such new type of nonprofit organizations. However, in the specific areas, in particular nonprofit intermediary organizations, being designated manager is associated with their survival. Under this new contracting system based on the revised law, the private contractors can receive more discretionary power in the management over the facilities although both government and contractor sides share the responsibilities for efficient, effective and accountable operation of facilities. For instance, the private contractors can receive fee

of services as their own income if they have formal agreements with local governments. In addition, the terms of these contracts tend to be relatively longer than traditional contracts in which one year-term contracts are general. For example, the contractor can exchange 5 year-term contract with local government. It seems to be helpful to financial stability. In some cases the term can be over 10 years.

To be sure, this new system can be regarded as a financial retrenchment scheme. In addition, the “ownership” and ultimate control remains in the hands of the local government. Many nonprofit organizations are keen to be engaged in managing government facilities for their survival. The activities of nonprofit contractors seem to become part of government policy and be generally constrained by their regulations. In extreme cases, the capacity of nonprofit contractor might be constrained by institutional isomorphic pressures (DiMaggio and Powell, 1991).

7.2. Korea

A major change has occurred in the way public services are implemented in Korea. Instead of relying on in-house service provisions, the state is increasingly contracting out tasks to private vendors as well as public enterprises and government-affiliated organizations. According to Kim et al. (1999), the government designated over 209 services for contracting out in a 3-year period beginning 1997, an increase of 62% from the previous government, which had contracted out 129 services between 1993 and 1997. In addition, government statistics show that the proportion of budget allocated to private actors and local governments has increased from 5.8% in 1993 to 8.36% in 1999, implying that more tasks were either decentralized to local governments and/or contracted out to private agencies. By looking at the ministerial breakdown of the subsidy level, we noticed that the proportion of social welfare subsidies has gone up from 31% in 1994 to 37.35% in 1999, implying that more social welfare programs are being provided indirectly by nonprofit organizations. In monetary terms, the state budget on social welfare increased from 3.29 trillion won in 1997 to 4.78 trillion won in 2000, a 45.3% increase. Considering that only 3 out of 878 social welfare facilities were run by the state in 1999, this implies a substantial increase in the role of private nonprofit agencies.

Although private actors have a stronger incentive to improve the quality or work at lower cost than government workers (Hart, Shleifer and Vishny, 1997), the private contractor’s incentive to engage in cost reduction is typically too strong because he ignores the adverse impact of non-contractible quality. This implies that contracting out or privatization is preferred in cases “where quality-reducing cost reduction activities

can be controlled, when quality innovations are important, and patronage and powerful unions are a severe problem inside the government (Hart et al., 1997).” This means that in cases involving either complex or political issues, government monitoring of private contractors will be a prerequisite for successful contract outs. Plans to contract out services were mainly decided in a top-down fashion with little monitoring in place while line-managers were unfairly being held responsible for the program’s effectiveness (Kim et al., 1999).

8. Local self-governing environments: Role of local self-governing body in public administration

8.1. Japan

In this section, outline of local self-governing body such as “Cho-Nai-Kai,” its history, organizational structure, members, functions and relationship with the local governments are described as follows.

In Japan, there exists a local self-governing body, called “Ji-Chi-Kai” or “Cho-Nai-Kai”, as a grass-root informal organization. This body is usually translated as “neighborhood association” in English. According to Pekkanen, 2006, neighborhood associations are voluntary groups whose membership is drawn from a small, geographically delimited, and exclusive residential area (a neighborhood) and whose activities are multiple and are centered on that same area. According to Torigoe, 1994, such local self-governing bodies have five characteristics; membership is for household, covering a small geographical area (a neighborhood) and only one organization per one neighborhood, assuming all households are to have membership, conducting all service activities necessary for everyday community life and lastly playing a role of the field agent of government. This body is not a government organization nor established by the law but is rather grass-rooted. In both urban and rural areas there are “Ji-Chi-Kai” having similar characteristics as well as different and unique characteristics depending on the communities. Here, we would like to use “local self-governing body” (LSGB) to describe “Ji-Chi-Kai” or “Cho-Nai-Kai” in English.

Some sociology scholars claim that the history of the LSGB dated back to the Nara era or the Tokugawa era. At the Tokugawa era, there was Go-nin-gumi (a unit comprising five households) system to watch out one another, to have joint responsibilities and to

ensure reciprocal help.

After the Meiji Restoration, the LSGB, which were positioned out of the government system, took substantial responsibilities for community development such as building roads and disaster prevention. In 1940, the government made the LSGB as a lowest unit of the government; transforming a private voluntary organization into a compulsory organization in the government. In 1943, the LSGB came under the control of the Taisei-Yokusan-Kai (a society organized by the government for the promotion of assistance toward the Pacific war to collaborate with the government).

After the war, the GHQ of the Allied Forces banned the LSGBs in 1947. However, after Japan recovered the independency in 1952, the LSGBs came to appear in the communities as informal grass-rooted bodies.

Nowadays, the LSGBs commonly exist in the Japan's community and they are voluntary and non-profit organizations with or without legal person status. The LSGBs having meeting facilities or other properties can get the legal person status based on the Local Autonomy Law.

The LSGBs conduct various community-based activities; cleaning roads, gutters, rivers and streams, management and maintenance of household garbage collection sites, maintenance of roads and street lights, organizing local festivals, crime and fire prevention, disseminating information from local governments, cooperation with the elementary and junior-high schools, supporting the elderly and so on.

The organization and administration of the LSGB are illustrated as follows.

According to the LSGB charter of a certain town in Shizuoka city, the purpose of the LSGB as stated therein is "to promote the mutual friendship of the residents within the organization and joint welfare, as well as to smoothen the contacts and collaboration with the city administration and its related agencies." (original in Japanese translated by the author). The annex of the LSGB charter stipulates that the LSGB is divided into sections (bu) and further into sub-sections (kumi, a smallest unit consisting of 10-15 households). Each bu and kumi chooses among the members, a chief who contacts members within the units. All the section chiefs become the members of the board of directors of the LSGB. Each member, upon entry to the LSGB with the entry fee of 500 yen, pays annual fees (monthly fee is 400 yen per household) of 4,800 yen; each kumi chief collects the fees and often collected the Red Cross annual donation of 500 yen which is tax deductible. The kumi circulates the kairanban (a notice board which includes pamphlets and monthly journal issued by the city administration which is also

available from the HP of the city or any city administration buildings.).

Currently the rate of participation in the LSGBs in urban areas is declining in Japan. On the other hand, participation rate is still high in the local cities. All the households are in fact involved in the LSGBs especially in the rural area, where there are few other active civil society organizations and even if there are non-profit organizations, such organizations are usually created by making use of the framework of the LSGBs.

In the absence of other active civil society organizations in Japan, it turned out to be not only convenient and natural, but rather imperative for the local government to utilize the LSGBs in which most of the citizens as residents of the area customarily become the members for historical reasons.

In the pilot surveys, we could recognize very active LSGBs, which conducted various community development activities and social services to the residents.

8.2. Korea

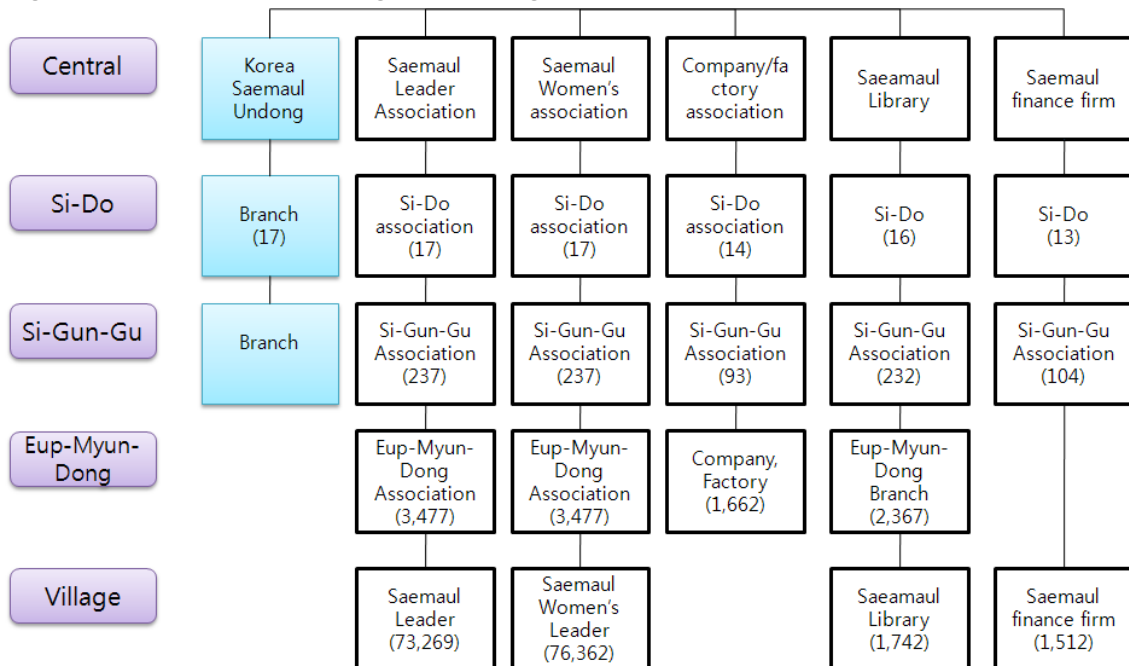
To compare with local self-governing body in Japan, we examine several community-based organizations, such as “Citizen Autonomy Committee,” “Saemaeul Movement Associations,” or “Tong” and “Ban” system including “Ban Sang Hoi”, which are working for the delivery of everyday life public services, as well as the facility users' voluntary organizations in Korea. First, there is the Tong and Ban system in Korea, which are analogous to the Japanese “Cho-nai-kai”. One Ban consists of 20 to 60 households and one Tong consists of 5 to 10 Bans. This system is a state-lead self-governing system mainly for anti-North Korea purpose. Once a month, Ban Sang Hoi was to be held with representatives from all member households participating. Nowadays, Ban Sang Hoi remains just perfunctorily in Korea generally, but in rural areas like Hwango-dong it runs relatively actively and has the local residents participate in public service delivery system.

Second, Saemaul Undong is considered one of the most successful community development movements of Korea in the 1970s (Lee, 2009). As a New Community Movement, a movement founded in 1970 under former President Park, JeongHee, began to lose its popularity as it came under the control of the civilian-lead Korea Saemaul Undong Center. With the incidence of several corruption scandals in the 1990s Saemaul Undong had virtually become a forgotten experience of the past. However,

with the dawn of the new century in 2000 Saemaul Undong has been revitalized in the Gyeongbuk province, such as Gumi si, Cheong do gun, and Pohang si, and also in foreign countries such as Mongolia, Vietnam, and Congo.

Saemaul Undong, which played an important role in making both economic growth and modernization of rural area was inaugurated in 1970 by former president Park, JeongHee. Central government lead the movement during early stage of Saemaul Undong. Due to Saemaul Undong, rural hoshold income sharply increased. rural household income was only 67% of urban household income in 1970, but this ratio increased up to 104%. After 1980s Central Saemaul Undong Organization took a leading role in promoting saemaul undong with legal and organizational support. Government support slowly diminished in the 1980s while Saemaul leaders have been active since the 1980s. Currently, Saemaul Undong operates with the Korea Saemaul Undong Center as its headquarters and 17 si-do associations, 234 si-gun-gu chapters, 75,155 Saemaul leaders, and 78,014 Saemaul women's association members.

Figure 8-1. Saemaetul Undong Center Organization



9. Outline of the survey conducted in Japan and Korea

So as to collect data to verify the above-mentioned hypothesis, the Japanese team and

the Korean team conducted field surveys respectively in Japan and Korea based on the same questionnaires in 2009. Three kinds of surveys were set up; local government surveys, non-profit contractor surveys and local self-governing body surveys in the case of Japan and facility users' association surveys in the case of Korea. Firstly sample municipality governments were selected and then a public facility contracted out to a non-profit organization was picked up. A local self-governing body residing near the public facility or a facility users' association was made a sample.

As mentioned above, there exist the LSGBs called "Ji-Chi-Kai" or "Cho-Nai-Kai" in Japan. LSGB is not a government organization nor established by the law but is rather grass-rooted. In both urban and rural areas there are LSGBs having similar characteristics as well as different and unique characteristics depending on the communities.

On the other hand, in Korea there is the Ban Sang Hoi system quite similar to the Japanese "Ji-Chi-Kai" system. The system was established by President Park Chung-hee for anti-North Korea purpose, but nowadays the system does not work well in Seoul and other metropolitan areas. So in the Korean surveys, local self-governing body surveys were replaced by the survey of users' associations of contracted-out facilities.

9.1. Surveys in Japan

Municipalities are classified into four categories as follows by taking account of the objectives of the survey.

Objectives of the survey are to provide enough data for comparison between the rural area and the urban area, for evaluating the effects of local autonomy district system and for observing how leading cities (seat cities of the prefecture governments) cope with the contracted-out practices.

- ① Municipality in Yamagata prefecture (rural area)
- ② Municipality in Kanagawa prefecture (urban area near the Tokyo metropolitan area)
- ③ Municipality that has introduced the local autonomy district system (most of them have experienced the merger of municipalities. So they are located in rural area.)
- ④ Seat city of the prefecture government

e-mail addresses of these municipality governments were collected at the website. Based on the information collected at the website, municipalities are divided into two groups, namely municipalities for interview survey and municipalities for e-mail survey by taking account of the availability of contracted-out public social welfare facilities and survey efficiency. Total number of municipality in the universe and other relevant information is shown in the table 9-1 below. Total response rate was 77.2%.

Table9-1. Universe of the survey and the response rate

Kind of municipality	Total number of municipality in the universe	Number of municipality that responded the survey			Response rate
			Interview survey	e-mail survey	
Municipality in Yamagata prefecture	32	32	9	23	100.0%
Municipality in Kanagawa prefecture	28	23	7	16	82.1%
Municipality introducing the local autonomy district system excluding seat city	28	21	3	18	75.0%
Seat city of the prefectural government excluding Yamagata-shi and Yokohama-shi	33	25	1	24	75.8%
Other city	28	14	1	13	50.0%
Total	149	115	21	94	77.2%

Note:

1. Total number of municipality includes the municipality whose e-mail address could be found at the website. For example, in Yamagata prefecture, there are 35 municipalities but only e-mail addresses of 32 municipalities could be found. Also among 47 seat cities of the prefectural governments, 33 e-mail addresses could be found.
2. "Other city" includes Nerima-ku of Tokyo and Dazaihu-shi of Hukuoka prefecture and municipalities in Miyagi prefecture. These municipalities are included because they were studied in the pilot surveys.

The population of top ten big cities as well as bottom ten municipalities is shown in the table 9-2. The complete list of population in the respondent municipalities is attached as the Appendix 1.

Table 9-2. Population of top ten big cities and bottom ten municipalities

	Prefecture	Municipality	Population	Source
1	Kanagawa	Yokohama city	3679488	Estimated population as of 1 May 2010
2	Kobe	Kobe city	1525393	2005 Population Census
3	Kanagawa	Kawasaki city	1417944	Estimated population as of 1 May 2010
4	Fukuoka	Fukuoka city	1401279	2005 Population Census
5	Hiroshima	Hiroshima city	1154391	do.,
6	Chiba	Chiba city	924319	do.,
7	Shizuoka	Hamamatsu city	804032	do.,
8	Niigata	Niigata city	785134	do.,
9	Kanagawa	Sagamihara city	713885	Estimated population as of 1 May 2010
10	Tokyo	Nerima ward	707844	do.,
106	Yamagata	Oguni town	9742	2005 Population Census
107	Yamagata	Oishida town	8824	do.,
108	Kanagawa	Manazuru town	8232	Estimated population as of 1 May 2010
109	Yamagata	Mikawa town	8003	2005 Population Census
110	Yamagata	Kaneyama town	6949	do.,
111	Yamagata	Nishikawa town	6917	do.,
112	Yamagata	Funagata town	6671	do.,
113	Yamagata	Tozawa village	5915	do.,
114	Yamagata	Sakekawa village	5447	do.,
115	Yamagata	Okura village	4226	do.,

9.2. Surveys in Korea

In comparison to the Japanese side, municipalities are classified into two categories as follows by taking account of the objectives of the survey. Objectives of the survey are to provide enough data for comparison between the rural area and the urban area, for evaluating the effects of local autonomy district system and for observing how leading cities cope with the contracted-out practices.

- ① Municipalities in the Seoul Metropolis (urban areas)
- ② Municipalities in Gyeonggi-do (composite areas including urban areas near the Seoul metropolis in some districts, and rural areas in other districts)

Table 9-3. Total number of the responding samples, and the response rate

Kind of municipality	Total number of municipality that surveyed	Total number of municipality that responded	Response rate
Municipality in Seoul Metropolis	75	47	63%
Municipality in Gyeonggi-do	96	33	34%

Total	228	80	47%
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Note:

1. The Seoul Metropolitan governments consist of 25 self-governing Gu and the Gyeonggi-do governments consist of 27 Si, and 4 Gun. We selected three representative samples for each Gu in Seoul, and also selected three representative samples for each Si, and Gun in Gyeonggi-do according to the final lists.
2. We designed the survey allotting 4 questionnaires of all three types each municipality. We mailed to municipality with each 4 questionnaires of the all three types, that is total 12 questionnaires.

The Korean team, unlike the Japanese side, conducted mail surveys to all the municipalities and some follow-up telephone interviews during 2009 and early 2010. The mail address lists of these municipality governments were collected at the website firstly and completed with the help of the public managers of the Health and Welfare Bureau, the Woman and Family Policy Affairs, the Administration bureau in Seoul Metropolitan government and the Welfare and Woman's Policy Bureau, the Self-governing Bureau in Gyeonggi-do.

Based on the information collected the final list, the questionnaire was mailed to each agency, addressed to the key agency manager, depending on who would be most knowledgeable about the questionnaire. The survey was accompanied by a cover letter from us as well as a letter of support signed by the head of the Woman and Family Policy Affairs in Seoul Metropolitan and the Welfare and Woman's Policy Bureau in Gyeonggi-do. Total number of respondents in the universe and municipalities in the surveys responded is shown in the table 9-3 and 9-4. Total number of agencies that selected as a survey sample is 75 in the Seoul Metropolis, and 96 in Gyeonggi province. These samples were chosen by the recommendation of public managers working in the Woman and Family Policy Affairs, the Health and Welfare Bureau in Seoul Metropolitan and the Welfare and Woman's Policy Bureau in Gyeonggi-do. Total number of municipality officials that responded the survey is 47 in the Seoul Metropolis, and 33 in Gyeonggi province. Total response rate of the local government respondents was 47%.

Table 9-4. Municipalities in the surveys responded

Number	Name of City-Do	Name of Gu-Si-Gun	Population	Source
1	Seoul-si	Dobong-gu	367,998	2005 Statistics Korea

2	Seoul-si	Dongdaemun-gu	371,024	2005 Statistics Korea
3	Seoul-si	Gangnam-gu	508,108	2005 Statistics Korea
4	Seoul-si	Gangseo-gu	537,701	2005 Statistics Korea
5	Seoul-si	Gwangjin-gu	364,407	2005 Statistics Korea
6	Seoul-si	Jongno-gu	154,043	2005 Statistics Korea
7	Seoul-si	Jung-gu	126,679	2005 Statistics Korea
8	Seoul-si	Junngang-gu	412,380	2005 Statistics Korea
9	Seoul-si	Seocho-gu	370,850	2005 Statistics Korea
10	Seoul-si	Seodaemun-gu	340,327	2005 Statistics Korea
11	Seoul-si	Seongbuk-gu	440,254	2005 Statistics Korea
12	Seoul-si	Seongdong-gu	324,986	2005 Statistics Korea
13	Seoul-si	Songpa-gu	577,362	2005 Statistics Korea
14	Seoul-si	Yeongdeungpo-gu	392,507	2005 Statistics Korea
15	Geonggi-do	Ansan-si	669,839	2005 Statistics Korea
16	Geonggi-do	Anyang-si	609,886	2005 Statistics Korea
17	Geonggi-do	Gwangmeong-si	319,452	2005 Statistics Korea
18	Geonggi-do	Hanam-si	121,646	2005 Statistics Korea
19	Geonggi-do	Suwan-si	1,039,233	2005 Statistics Korea
20	Geonggi-do	Uiwang-si	143,568	2005 Statistics Korea
21	Geonggi-do	Yeoju-gun	98,441	2005 Statistics Korea
22	Geonggi-do	Yongin-si	686,842	2005 Statistics Korea

9.3. Questionnaires and question items

In the Japanese case, separate questionnaires were arranged for e-mail survey and interview survey.

e-mail survey : Short form questionnaire for municipality governments

Interview survey : Long form questionnaire for municipality governments

Long form questionnaire for non-profit contractors of public facilities

Long form questionnaire for local self-governing bodies residing near the public facilities

In conducting e-mail surveys, the short form questionnaire was sent via the internet as an attached file to the municipality government. The responsible unit in the municipality government sent back the completed questionnaire to the survey e-mail address.

On the other hand, interview surveys were conducted by one of the researchers. Relevant officials of the municipality governments, representatives of the non-profit contractors and heads of the local self-governing bodies were interviewed based on the

questionnaires. Some municipality officials sent their completed questionnaires via the internet after the interviews.

In the Korean case, long form questionnaires were used both for mail surveys and interview surveys.

Short form questionnaire for municipality governments is the simplified version of the long form questionnaire so that the outline of question items for long form are shown here (As for the detailed question items, see Appendix 2).

A. Questionnaire for municipality governments

- ① Items on the contracting-out and contractor
- ② Items on the relationship between the contractor and the local residents
- ③ Items on local-self governing environments

B. Questionnaire for non-profit contractors of public facilities

- ① Items on the contracts
- ② Items on the relationship between the contractor and the local residents

C. Questionnaire for local self-governing body located near the public facilities

- ① Main features of local self-governing body
- ② Items on the relationship between the local-self governing body and the municipality government
- ③ Items on the relationship between the local self-governing body and the contractor

10. Comparison of the survey results

In the comparison between the Japanese survey data and the Korean ones, local self-governing body questionnaires are to be excluded because different kinds of organizations were surveyed in Japan and Korea as mentioned above. Here, the local government survey data and non-profit contractor survey data are analyzed by comparing the Japanese ones with the Korean ones.

10.1. Local government surveys

Questionnaire of the local government surveys is divided into three parts; the first part

concerning contracting-out and contractors, the second part concerning the relationship between the non-profit contractor and the local residents and the last part concerning local self-governing environments. The comparison of the survey data is conducted separately according to this division.

10.1.1. Local government's views concerning contracting-out and contractors

10.1.1.1. Background and reasons of contracting-out

Table 10-1. Background and reasons of contracting-out

			① Reduction of government spending and public servants	② Improvement of the quality of public services	③ Development of the local economy	④ Expansion of the people's participation in the public service delivery	⑤ Request or order from the central government	⑥ To improve responsiveness of service delivery	⑦ To expand public service delivery	⑧ To use external civic expertise	⑨ To reduce admin burden of public servants/agency	⑩ Others
Biggest reason	Japan Total	100%	60.0%	27.0%	0.9%	3.5%	0.9%	5.2%	0.9%	4.3%	0.0%	0.0%
	Korea Total	100%	12.8%	29.6%	6.4%	3.8%	5.1%	1.3%	6.4%	26.9%	7.7%	0.0%
Second biggest reason	Japan Total	100%	28.7%	33.0%	9.6%	3.5%	0.9%	2.6%	7.8%	5.2%	7.8%	0.9%
	Korea Total	100%	11.4%	22.8%	2.5%	11.4%	12.7%	5.1%	5.1%	21.5%	6.3%	1.2%

60% of the sample Japanese municipality governments selected “reduction of government spending and public servants” as the biggest reason of contracting-out while only 12.8% of the sample Korean municipality governments selected this item. The most chosen item by the Korean municipality governments was “improvement of the quality of public services” (29.6%) and then “to use external civic expertise” (26.9%).

As for the second biggest reason of contracting-out, the most chosen item by the Japanese municipality governments was “improvement of the quality of public services” (33.0%) followed by “reduction of government spending and public servants” (28.7%). The most chosen item by the Korean municipality governments was “improvement of the quality of public services” (22.8%) followed by “to use external civic expertise” (21.5%).

10.1.1.2. The main reason of contractor decision

Table 10-2. Main reason of contractor decision

		①	②	③	④	⑤	⑥	⑦	⑧
		The proposed contract amounts were low.	The expertise and experiences of managing the same kind of facilities.	Deep involvement of community activities.	Political connection	Contractor's reputation	Size of contractors (financial/manpower)	Demand of the local citizens	Others
Japan Total	100%	2.7%	57.3%	23.6%	0.0%	0.9%	1.8%	3.6%	11.8%
Korea Total	100%	1.6%	65.7%	20.3%	0.0%	1.6%	4.7%	4.7%	1.4%

The highest percentage of the Japanese municipality governments responded “the expertise and experiences of managing the same kind of facilities” was the reason of deciding the contractor. 23.6% responded “deep involvement of community activities” was the reason. The Korean municipality governments responded in the same way as the Japanese counterparts.

10.1.1.3. Quality of facility management

Table 10-3. How the municipality government evaluates the quality of facility management after the contracting-out

		①	②	③	④	⑤
		Severe deterioration	Moderate Deterioration	No change	Improved	Much improved
Japan Total	100%	0.0%	0.0%	35.8%	62.4%	1.8%
Korea Total	100%	3.4%	8.5%	23.7%	61.0%	3.4%

No Japanese municipality governments responded the quality of facility management was deteriorated while more than 10% responded the quality was deteriorated in the case of the Korean municipality governments. On the other hand, nearly 65% of both municipality governments responded the quality was improved.

10.1.1.4. Ratings of the user survey

Table 10-4. Ratings of the user survey

		①	②	③	④	⑤
		Very low rating	Bad rating.	Average rating.	Good rating.	Very good rating
Japan Total	100%	0.0%	0.0%	14.7%	76.5%	8.8%
Korea Total	100%	0.0%	13.3%	30.0%	53.4%	3.3%

In the Japanese survey, only 34 municipality governments out of 115 responded. 85.3% of respondents chose “good or very good rating” in the user survey. On the other hand, all sample governments responded in the Korean survey and 56.7% of respondents

chose “good or very good rating” and 13.3% chose “bad rating.” 30.0% of the Korean respondents chose “average rating” while 14.7% of the Japanese respondents chose “average rating.”

10.1.1.5. Kinds of facility contracted-out to private non-profit organizations

Table 10-5. Kinds of public facility contracted-out to private non-profit organizations

		①	②	③	④	⑤	⑥
		Facility for the elderly	Facility for the handicapped	Other social welfare facility such as a nursery	Sporting facility	Other facility	No facility contracted-out to private non-profit organizations
Japan Total	Percentage of response in 115	72.2%	48.7%	67.8%	51.3%	76.5%	5.2%
Korea Total	Percentage of response in 60	48.3%	45.0%	78.3%	45.0%	18.3%	0.0%

In the Japanese survey, response rate was high for “facilities for the elderly” and “other facility.” On the other hand, response rate was high for “other social welfare facility such as a nursery” in the Korean survey. Except for the response rate for “other social welfare facility such as a nursery,” the Japanese response rate was higher than the Korean one.

10.1.1.6. Methods for supervising the contractor

Table 10-6. Methods for supervising the contractor

		①	②	③	④	⑤	⑥
		Physical inspection of the facility	Management report	Citizen satisfaction survey	Monitoring the civil appeal	Regular meeting with contractor	Others
Japan Total	Percentage of response in 115	41.7%	87.0%	24.3%	40.9%	33.9%	9.6%
Korea Total	Percentage of response in 78	78.2%	85.7%	58.4%	48.1%	71.4%	67.9%

It seemed that the Korean municipality governments made use of more various methods of supervising than the Japanese ones.

10.1.1.7. Conditions of appropriate management by the NPO

Table 10-7. Conditions that the private non-profit organization can manage the public facility appropriately

		①	②	③	④	⑤	⑥	⑦	⑧
		Personnel: number of the staff	Personnel: capability and expertise of the staff	Personnel: number of active volunteers	Financial strength	Cooperation with the community associations	Use of grass roots volunteers	Increase of job opportunities	Others
Japan Total	Percentage of response in 230	16.1%	33.9%	0.4%	27.8%	8.7%	0.0%	1.7%	2.2%
Korea Total	Percentage of response in 160	8.8%	33.1%	7.5%	20.6%	10.6%	8.1%	1.9%	1.9%

In this item, respondents were asked to select two conditions that the private non-profit organization can manage the public facility appropriately. The Japanese respondents regarded “personnel: capability and expertise of the staff” and “financial strength” as two important conditions. The responses by the Korean municipality governments have the same tendency.

10.1.2. Local government’s views concerning the relationship between the non-profit contractor and the local residents: local government surveys

In this part, local government’s views were collected concerning the following hypothetical question.

The level of involvement of local residents determines the quality of service (responsive service at the contracted-out public facility).

The level of involvement is given as follows.

- ① Local residents as the members of the contractor non-profit organization
- ② Local residents in the governance mechanism of the contractor non-profit organization
- ③ Local residents participating open meetings of the contractor non-profit organization
- ④ Local residents as volunteers in the contracted-out facility

10.1.2.1. Role of local residents as the members of the contractor

Table 10-8. Local residents contribute to more responsive service as members of the contractor

		①	②	③	④	⑤
		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	100%	0.0%	0.0%	34.7%	59.2%	6.1%
Korea Total	100%	9.7%	4.8%	14.5%	67.8%	3.2%

In this question, respondents (municipality government officials) are asked whether they agree with local residents being the member of the non-profit contractor contributes to more responsive service delivery by the contractor. 65.3% of Japanese respondents and 71.0% of Korean respondents agreed with the assumption. No Japanese respondents disagreed with the assumption but 14.5% of Korean respondents disagreed with the assumption.

10.1.2.2. Local residents in the governance mechanism of the contractor

Table10-9. Local residents contribute to more responsive service in the governance mechanism of the contractor.

		①	②	③	④	⑤
		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	100%	0.0%	0.0%	36.0%	60.7%	3.4%
Korea Total	100%	3.0%	15.2%	18.2%	62.1%	1.5%

In this question, respondents are asked whether they agree with local residents' participation in the governance mechanism of the contractor contributes to more responsive service delivery by the contractor. 64.1% of Japanese respondents and 63.6% of Korean respondents agreed with the assumption.

No Japanese respondents disagreed with the assumption but 18.2% of Korean respondents disagreed with the assumption.

10.1.2.3. Meetings between the local residents and the contractor

Table 10-10. Open meetings between the local residents and the contractor contributes to more responsive service delivery.

		①	②	③	④	⑤
		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	100%	0.0%	0.0%	16.0%	76.6%	7.4%
Korea Total	100%	8.9%	13.3%	11.1%	66.7%	0.0%

In this question, respondents are asked whether they agree with open meetings

between the local residents and the contractor contributes to more responsive service delivery by the contractor. 84.0% of Japanese respondents and 66.7% of Korean respondents agreed with the assumption.

No Japanese respondents disagreed with the assumption but 22.2% of Korean respondents disagreed with the assumption.

10.1.2.4. Local residents as volunteers in the contracted-out facility

Table10-11. Local residents being the volunteers at the contracted-out facility contributes to more responsive service delivery.

		①	②	③	④	⑤
		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	100%	0.0%	0.0%	29.6%	64.3%	6.1%
Korea Total	100%	4.5%	0.0%	25.4%	53.7%	16.4%

In this question, respondents are asked whether they agree with local residents being the volunteers at the contracted-out facility contributes to more responsive service delivery by the contractor. 70.4% of Japanese respondents and 70.1% of Korean respondents agreed with the assumption.

No Japanese respondents disagreed with the assumption but 4.5% of Korean respondents strongly disagreed with the assumption.

10.1.3. Local government’s views concerning local self-governing bodies: local government survey

In our hypothesis mentioned in Section 5 above, the strength and activities of local self-governing bodies are the key element to determine the quality of services delivered by the contracted-out public facility. In the local government survey, views and attitudes of municipality government officials toward local self-governing bodies were collected.

10.1.3.1.Types of local self-governing body

Table10-12. Types of local self-governing body

		①	②	③	④
		Community-based organizations	Mission-based organizations	An organization established by the government and the citizens are obliged to join.	Others
Japan Total	Percentage of response in 115	97.4%	27.0%	4.3%	3.5%
Korea Total	Percentage of response in 57	47.4%	14.0%	0.0%	1.8%

97.4% of Japanese respondents chose “community-based organizations” while 47.4% of Korean respondents chose this item. 27.0% of Japanese respondents and 14.0% of Korean respondents chose “mission-based organizations.”

10.1.3.2. Level of citizen participation in solving community-related problems

Table10-13. Strength of citizen participation in solving community-related problems

		①	②	③	④	⑤
		very weak	weak	neither strong nor weak	strong	very strong
Japan Total	100%	0.9%	3.5%	41.6%	46.9%	7.1%
Korea Total	100%	0.0%	5.3%	54.4%	33.3%	7.0%

54.0% of Japanese respondents felt citizens’ participation was strong but 41.6% felt neither strong nor weak.

40.3% of Korean respondents felt citizens’ participation was strong but 54.4% felt neither strong nor weak.

10.1.3.3. Types of relationship between the local self-governing bodies and the municipality government

Table10-14. Types of relationship between the self-governing bodies and the government

		①	②	③	④	⑤	⑥
		Information sharing	Informal cooperation	Subsidy (but no contracting out)	Contracting out	Full cooperation (Organizing committee)	Others
Japan Total	Percentage of response in 115	71.3%	30.4%	78.3%	54.8%	26.1%	11.3%
Korea Total	Percentage of response in 62	58.1%	24.2%	30.6%	29.0%	22.6%	4.8%

More than 70% of Japanese respondents selected “information sharing” (71.3%) and “subsidy” (78.3%). The most selected item by the Korean respondents was “information

sharing” (58.1%). In all, the relationship between the local self-governing bodies and the government seemed stronger in Japan than in Korea.

10.1.3.4. Local self-governing bodies have been active past a few years

Table10-15. Local self-governing bodies have been active past a few years.

		①	②	③	④	⑤
		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	100%	0.9%	0.9%	38.1%	53.1%	7.1%
Korea Total	100%	0.0%	15.9%	54.0%	28.6%	1.5%

In this question, respondents are asked whether they agree with the assumption that local self-governing bodies have been active past a few years.

60.2% of Japanese respondents agreed with the assumption while 30.1% of Korean respondents agreed with it. 15.9% of Korean respondents disagreed but only 1.8% of Japanese respondents disagreed.

10.1.3.5. Local self-governing bodies carry out their own activities to solve community-related problems

Table10-16. Local self-governing bodies carry out their own activities to solve community-related problems

		①	②	③	④	⑤
		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	100%	0.0%	2.7%	20.4%	63.7%	13.3%
Korea Total	100%	4.7%	20.4%	35.9%	35.9%	3.1%

In this question, respondents are asked whether they agree with the assumption that local self-governing bodies carry out their own activities to solve community-related problems.

77.0% of Japanese respondents agreed with the assumption while 39.0% of Korean respondents agreed with it. 25.1% of Korean respondents disagreed but only 2.7% of Japanese respondents disagreed.

10.2. Non-profit contractor surveys

Questionnaire of the non-profit contractor surveys is divided into two parts; one part concerning contracting-out, the other part concerning the relationship between the non-profit contractor and the local residents. The comparison of the survey results is conducted separately according to this division.

10.2.1. Non-profit contractor's view concerning contracting-out

10.2.1.1. Type of organization

Table10-17. Type of organization

			Public interest insitution	Social welfare corporation	Specified Nonprofit Corporation	Local self-governing body	Others
Japan Total	Number of sample	21	1	10	5	3	2
	Distribution	100%	4.8%	47.6%	23.8%	14.3%	9.5%
Korea Total	Number of sample	54	15	36	1	0	2
	Distribution	100%	27.8%	66.7%	1.9%	0.0%	3.7%

The first question is to survey the type of organization. In the Japanese case, public interest institutions are established based on the civil code with the permission of the supervising minister to carry out various public interest activities. Social welfare corporations are established based on the Social Welfare Law with the approval from the government to carry out social welfare activities. Specified non-profit corporations are established based on the NPO Law to carry out specified non-profit activities with mere certification of the government. Local self-governing bodies are mostly not legal persons, community-based informal organizations.

In this study, we focus on social services so that the ratio of social welfare corporation was high.

In the Japanese case, specified non-profit corporations and local self-governing bodies occupied substantial ratio. On the other hand, public interest institutions and social welfare corporations occupied 94.5% in the Korean case.

It seems that rather smaller and community-level organizations are active in Japan whereas more established organizations play a central role in Korea.

10.2.1.2. Room for improving the management of the facility

Table10-18. Room for improving the management of the facility by making use of the original ideas and methods

			Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	Number of sample	21	0	2	4	10	5
	Distribution	100%	0.0%	9.5%	19.0%	47.6%	23.8%
Korea Total	Number of sample	57	0	0	1	35	21
	Distribution	100%	0.0%	0.0%	1.8%	61.4%	36.8%

Respondents were asked whether there was room for improving the management of the facility by making use of the original ideas and methods. 98.2% of Korean respondents agreed. On the other hand, 71.4% of Japanese respondents agreed and 9.5% disagreed. Japanese respondents were more skeptical in making use of original ideas and methods than Korean counterpart.

It appeared that Korean respondents were very eager to make use of their original ideas and methods because the organizations were well established and large and had many experts on the specific fields.

10.2.1.3. Expertise of the contractor

Table10-19. Expertise of the contractor is made use of in managing the facility.

			Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	Number of sample	21	0	2	2	14	3
	Distribution	100%	0.0%	9.5%	9.5%	66.7%	14.3%
Korea Total	Number of sample	57	0	0	4	27	26
	Distribution	100%	0.0%	0.0%	7.0%	47.4%	45.6%

Respondents were asked whether the expertise of the contractor was made use of in managing the facility.

81.0% of Japanese respondents and 93.0% of Korean respondents agreed. 9.5% of Japanese respondents disagreed. In the Japanese case, local self-governing bodies were included and they did not have any expertise as an organization so that two respondents disagreed to this question.

10.2.1.4. Contractor's mission-related activities

Table10-20. Contractors carry out their mission-related activities together with facility management.

			Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	Number of sample	21	3	4	2	11	1
	Distribution	100%	14.3%	19.0%	9.5%	52.4%	4.8%
Korea Total	Number of sample	57	0	0	3	33	21
	Distribution	100%	0.0%	0.0%	5.3%	57.9%	36.8%

Respondents were asked whether contractors carried out activities stipulated in their statutes in relation to the facility management.

94.7% of Korean respondents agreed while 33.3% of Japanese respondents disagreed and only 57.2% agreed. This is due to the fact that in the Japanese samples, local self-governing bodies, which are community-based organizations without any strong mission, and specified non-profit corporations, which are small and often suffer from the shortage of staff, were included.

10.2.1.5. Mission-related activities contribute to more responsive service delivery

Table10-21. Mission-related activities contribute to more responsive service delivery

			Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	Number of sample	14	0	1	3	10	0
	Distribution	100%	0.0%	7.1%	21.4%	71.4%	0.0%
Korea Total	Number of sample	55	0	0	10	37	8
	Distribution	100%	0.0%	0.0%	18.2%	67.3%	14.5%

Respondents were asked whether mission-related activities in relation to the facility management contribute to more responsive service delivery at the facility. 71.4% of Japanese respondents and 81.8% of Korean respondents agreed. Mission-related activities can be carried out only when the contract is given to non-profit organizations. This favorable effect is regarded as one of the merits for the municipality governments to select non-profit contractors.

10.2.1.6. Conduct of users' survey

Table10-22. Conduct of users' survey

			Yes	No
Japan Total	Number of sample	21	12	9
	Distribution	100%	57.1%	42.9%
Korea Total	Number of sample	57	53	4
	Distribution	100%	93.0%	7.0%

57.1% of Japanese respondent contractors conducted users' surveys while 93.7% of Korean respondent contractors carried out users' surveys. In the Japanese case, especially at the facilities for the handicapped, the contractors did not carry out users'

surveys because they assumed the handicapped users did not completely understand the questions in the survey and could not express their own views.

10.2.1.7. Ratings of the users' survey

Table10-23. Ratings of the users' survey

			Very low rating	Low rating	Average rating	High rating	Very high rating
Japan Total	Number of sample	12	0	0	2	8	2
	Distribution	100%	0.0%	0.0%	16.7%	66.7%	16.7%
Korea Total	Number of sample	53	0	0	3	44	6
	Distribution	100%	0.0%	0.0%	5.7%	83.0%	11.3%

83.4% of Japanese respondents and 94.3% of Korean respondents answered the ratings of the users' surveys were high ones.

10.2.1.8. Contract contributes to strengthening the organizational foundations

Table10-24. Contract contributes to strengthening the organizational foundations

			Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	Number of sample	21	0	1	6	11	3
	Distribution	100%	0.0%	4.8%	28.6%	52.4%	14.3%
Korea Total	Number of sample	57	2	3	14	34	4
	Distribution	100%	3.5%	5.3%	24.6%	59.6%	7.0%

Respondents were asked whether this contract contributed to strengthening the organizational foundations of their organizations.

66.7% of Japanese respondents and 66.6% of Korean respondents agreed. 4.8% of Japanese respondents and 8.8% of Korean respondents disagreed.

More than 20% of respondents did not express their attitudes. The contract of managing public facilities often contributed to strengthening the foundation of non-profit contractors while about a quarter of them did not recognize the affirmative effects on the organizational foundations. This situation is understandable by taking account of the fact that some of the non-profit contractors were solely established to be the contractors of the public facilities. In such a case, the response was neither agree nor disagree.

10.2.1.9. Necessary revenues for the stable management of the organization

Table10-25. Necessary revenues for the stable management of the organization

		Subsidies and/or grant-in-aid from the government	Membership fees	Profits from the business activities	Others
Japan Total	Number of response	14	3	9	1
	Percentage of response in 21	66.7%	14.3%	42.9%	4.8%
Korea Total	Number of response	56	14	36	42
	Percentage of response in 57	98.2%	24.6%	63.2%	73.7%

Respondents were asked to select necessary revenue items for the stable management of the organization with permitting multiple choices.

The most selected revenue was “subsidies and/or grant-in-aid from the government” in both Japanese (66.7%) and Korean (98.2%) responses. The second choice was “profits from the business activities” (Japanese response 42.9%, Korean response 63.2%).

In both Japan and Korea, member fees and donations were minor contributors in the income of non-profit sector. On the other hand, the government was the most reliable contributor in both countries. Non-profit contractors were very concerned with the business profits they were making and this tendency was stronger in Korea than in Japan.

10.2.1.10. Revenues to be increased for the stable management of the organization

Table10-26. Revenues to be increased for the stable management of the organization

		Subsidies and/or grant-in-aid from the government	Membership fees	Profits from the business activities	Others
Japan Total	Number of response	12	2	8	1
	Percentage of response in 21	57.1%	9.5%	38.1%	4.8%
Korea Total	Number of response	51	1	21	39
	Percentage of response in 57	89.5%	1.8%	36.8%	68.4%

Respondents were asked to select revenue items to be increased for the stable

management of the organization with permitting multiple choices.

The most selected revenue was “subsidies and/or grant-in-aid from the government” in both Japanese (57.1%) and Korean (89.5%) responses. The second choice was “profits from the business activities” (Japanese response 38.1%, Korean response 36.8%). As for “membership fees”, only 9.5% of Japanese respondents and 1.8% of Korean respondents selected as revenue items to be increased.

These figures show that in both countries non-profit contractors expected the government to increase the funding while they emphasized the importance of business profits but did not have illusions about the membership fees to be increased.

10.2.1.11. Types of partnership with the government

Table10-27. Types of partnership with the government

		Information sharing	Informal cooperation	Subsidy (but no contracting out)	Contracting out	Full cooperation (Organizing committee)	Others
Japan Total	Number of response	19	5	7	21	4	1
	Percentage of response in 21	90.5%	23.8%	33.3%	100.0%	19.0%	4.8%
Korea Total	Number of response	37	26	52	47	4	21
	Percentage of response in 57	64.9%	45.6%	91.2%	82.5%	7.0%	36.8%

Respondents were asked to select types of partnership with the municipality government with permitting multiple choices. In the Japanese survey, all respondent organizations were the contractors of public facilities. 19 out of 21 respondents selected “information sharing” with municipality governments in the Japanese survey. In the Korean survey, most respondents chose “subsidy” and “contracting-out.” 64.9% of the Korean respondents selected “information sharing.” In the Korean case, not all the non-profit organizations became the contractors, some of them got subsidies from the government to manage the facilities.

It seems that the financial connections between the municipality governments and the non-profit contractors were very close in Korea, on the other hand such connections were getting weaker and non-financial connections were becoming closer in Japan.

10.2.2. Non-profit contractor’s views concerning the relationship between the non-profit contractor and the local residents

10.2.2.1. Local residents as the members of the contractor

In the Japanese survey, 70% of respondents replied there were local resident member in the contractor organization. On the other hand, 47.2% of the Korean respondents replied there were local resident members in the contractor organization.

Table10-28. Local residents are members of the contractor organization

			Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	Number of sample	20	6	0	0	9	5
	Distribution	100%	30.0%	0.0%	0.0%	45.0%	25.0%
Korea Total	Number of sample	53	8	4	16	23	2
	Distribution	100%	15.1%	7.5%	30.2%	43.4%	3.8%

Additional question was whether such inclusion of local residents as members of the contractor organization contributed to more responsive service delivery by the contractor.

Table10-29. Local residents as members of the contractor contributes to more responsive service

			Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	Number of sample	15	0	0	1	9	5
	Distribution	100%	0.0%	0.0%	6.7%	60.0%	33.3%
Korea Total	Number of sample	42	0	0	1	38	3
	Distribution	100%	0.0%	0.0%	2.4%	90.5%	7.1%

In the Japanese survey, 14 out of 15 respondents replied such inclusion contributed to more responsive service delivery. 41 out of 42 Korean respondents replied the same. Both Japanese and Korean contractors agree with the hypothesis of inclusion of local residents as organizational members contributing to more responsive service delivery even if there is quite a difference between the Korean responses and the Japanese ones concerning the percentage of contractors including local residents as their organizational members.

10.2.2.2. Local residents in the governance mechanism of the contractor

10 out of 20 Japanese respondents replied there were local residents in the governance

mechanism of the contractor. 19 out of 56 Korean respondents replied the same. Governance mechanism means a council or an advisory body of a non-profit organization.

Table10-30. Local residents in the governance mechanism of the contractor

			Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	Number of sample	20	5	1	4	7	3
	Distribution	100%	25.0%	5.0%	20.0%	35.0%	15.0%
Korea Total	Number of sample	56	7	16	14	13	6
	Distribution	100%	12.5%	28.6%	25.0%	23.2%	10.7%

Additional question was whether such inclusion of local residents in the governance mechanism of the contractor contributed to more responsive service delivery by the contractor.

Table10-31. Local residents in the governance mechanism of the contractor contributes to more responsive service

			Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	Number of sample	15	0	1	4	8	2
	Distribution	100%	0.0%	6.7%	26.7%	53.3%	13.3%
Korea Total	Number of sample	44	0	2	4	30	8
	Distribution	100%	0.0%	4.5%	9.1%	68.2%	18.2%

In the Japanese survey, 10 out of 15 respondents replied such inclusion contributed to more responsive service delivery. 38 out of 44 Korean respondents replied the same.

In the Korean case, less than 50 percent of respondents include local residents in the governance mechanism of the contractors. On the other hand, nearly 90 percent of respondents recognize the importance of such inclusion in providing responsive services. In the Japanese case, half of the respondents include local residents in their governance mechanism while 66.3% of respondents agree with the hypothesis. It can be said the Korean respondents hope the local residents play important roles in providing better services on the other hand the Japanese respondents select the answers by taking account of the experiences of inclusion of local residents.

10.2.2.3. Meetings between the local residents and the contractor

In the Japanese survey, 81.0% of respondents replied they held open meetings between local residents and the contractor. On the other hand, 35.8% of the Korean respondents replied they held such meetings.

Table10-32. Open meetings between the local residents and the contractor

			Yes	No
Japan Total	Number of sample	21	17	4
	Distribution	100%	81.0%	19.0%
Korea Total	Number of sample	53	19	34
	Distribution	100%	35.8%	64.2%

Additional question was whether such meetings contributed to more responsive service delivery by the contractor.

Table10-33. Open meetings between local residents and the contractor contributes more responsive service.

			Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	Number of sample	17	0	0	3	12	2
	Distribution	100%	0.0%	0.0%	17.6%	70.6%	11.8%
Korea Total	Number of sample	23	0	1	1	18	3
	Distribution	100%	0.0%	4.3%	4.3%	78.3%	13.0%

In the Japanese survey, 14 out of 17 respondents replied such meetings contributed to more responsive service delivery. 21 out of 23 Korean respondents replied the same.

In this question, the trend of the Korean and Japanese responses is the same as that of inclusion of local residents in the governance mechanism of contractors. The Korean contractors expect more than the current practices while the Japanese contractors recognize the importance based on their undertakings.

10.2.2.4. Local residents as volunteers in the contracted-out facility

In the Japanese survey, 15 out of 21 respondents replied there were local resident volunteers in the facility. On the other hand, 11 out of 55 Korean respondents replied there were local resident volunteers in the facility.

Table10-34. Local residents as volunteers in the contracted-out facility

			Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	Number of sample	21	4	1	1	13	2
	Distribution	100%	19.0%	4.8%	4.8%	61.9%	9.5%
Korea Total	Number of sample	55	2	14	28	5	6
	Distribution	100%	3.6%	25.5%	50.9%	9.1%	10.9%

Additional question was whether local resident volunteers contributed to more responsive service delivery by the contractor.

Table10-35. Local resident volunteers contribute to more responsive service delivery

			Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Japan Total	Number of sample	16	0	0	1	13	2
	Distribution	100%	0.0%	0.0%	6.3%	81.3%	12.5%
Korea Total	Number of sample	54	0	0	0	28	26
	Distribution	100%	0.0%	0.0%	0.0%	51.9%	48.1%

In the Japanese survey, 15 out of 16 respondents replied local resident volunteers contributed to more responsive service delivery. All Korean respondents replied the same.

In this question, the response tendency is the same as the previous questions. As for the relationship between the non-profit contractor and the local residents, the Korean contractors have not yet fully get the local residents involved in providing services with high expectation that such involvement enabling more responsive service delivery. The Japanese contractors have enough experiences in involving the local residents in managing public facilities and their answers are based on the real practices.

10.3. Financial situation of the non-profit contractor

10.3.1. Japanese case

In the Japanese survey, financial data and information were only collected from 15 non-profit contractors out of 21 contractors that responded the interview surveys. They are classified into four groups in the context of organization type; four specified non-profit corporations, nine social welfare corporations, one LSGB and one

incorporated education institution. As the social welfare corporations and the incorporated education institution carried out various projects and programs, it was rather difficult to collect the financial data of whole corporations during the interviews. So, these corporations and institution only provided the financial data concerning the contracted-out facilities. The specified non-profit corporations are small in scale so that they provided financial data for whole organizations.

Here, some explanation should be made concerning “approved business.” Before an establishment starts to provide specific social services such as nursery services for the elderly and employment support services for the handicapped, it is to get approval from the local governments based on the relevant laws and regulations. In providing these services, the establishments are paid by the government (in the case of the Long-Term Care Insurance System, the government pays ninety percent of total charges) as well as the service users (in the case of the Long-Term Care Insurance System, the users pay ten percent of total charges) to cover the costs of the services. This kind of business is called “approved business.” “Approved business” is supervised and controlled by the government and its profitability is regulated by the government.

Table 10-36. Income of the non-profit contractors: specified non-profit corporations (Japanese data) Income of fiscal 2008

Kind of facility	Member fee	Government subsidy	Government contracting-out	Income from the approved businesses	Other commercial income	Donation	Others	Total
Facility for the handicapped	0.0%	9.7%	7.3%	74.6%	8.4%	0.0%	0.1%	100%
Facility for the handicapped	0.2%	0.6%	0.0%	96.9%	0.0%	0.1%	2.2%	100%
Facility for the elderly	0.0%	6.3%	92.9%	0.0%	0.5%	0.0%	0.3%	100%
Other social welfare facility	0.2%	0.0%	99.6%	0.0%	0.2%	0.0%	0.0%	100%

Looking at the percentage distribution of income by kind of income in the case of specified non-profit corporations, we can identify income from the government contracting-out or income from the approved businesses occupied substantial share. Three out of four corporations got more than ninety percent of their income from the government contracts or the approved businesses.

Table 10-37. Income of the non-profit contractors: social welfare corporations (Japanese data) Income of fiscal 2008

Kind of facility		Member fee	Government subsidy	Government contracting-	Income from the approved businesses	Other commercial income	Donation	Others	Total
Facility for the handicapped	Contracted-out facility only	0.0%	17.7%	0.0%	81.7%	0.0%	0.0%	0.6%	100%
Facility for the elderly	Whole corporation	0.0%	0.3%	0.0%	95.3%	0.1%	1.1%	3.2%	100%
Facility for the elderly	Contracted-out facility only	0.0%	0.0%	0.0%	98.4%	1.6%	0.0%	0.0%	100%
Facility for the elderly	Contracted-out facility only	0.0%	0.0%	90.2%	0.0%	9.7%	0.0%	0.1%	100%
Facility for the elderly	Contracted-out facility only	4.2%	5.5%	5.4%	68.4%	1.5%	0.1%	14.9%	100%
Other social welfare facility	Contracted-out facility only	0.0%	0.0%	65.7%	0.0%	34.3%	0.0%	0.0%	100.0%
Other social welfare facility	Contracted-out facility only	0.0%	6.3%	92.9%	0.0%	0.5%	0.0%	0.3%	100.0%
Other social welfare facility	Contracted-out facility only	0.0%	0.0%	97.3%	0.0%	2.7%	0.0%	0.0%	100%
Other social welfare facility	Contracted-out facility only	5.9%	3.2%	0.0%	61.0%	0.1%	0.9%	28.8%	100.0%

As for the income data of the social welfare corporations concerning the contracted-out facilities, income from the government contracts or income from the approved businesses occupied substantial shares. Five out of nine corporations earned more than ninety percent of income from the government subsidy and government contracts and approved businesses. The other four corporations received more than half of their income from government contracts and approved businesses.

Therefore, the financial conditions of the non-profit contractors are heavily dependent on the government contracts, subsidies and government approved businesses. The weight of other revenues such as member fees and donations is very small.

10.3.2. Korean case

Table 10-38. Income of the non-profit contractors: specified non-profit corporations (%), Income of fiscal 2008 (Korean data)

Kind of facility	Facility for the handicapped			Facility for the elderly			Other social welfare facility		
	①	②	③	④	⑤	⑥	⑦	⑧	⑨
Member fee	14.3	0.0	0.0	8.4	0.0	0.0	0.0	0.0	0.0
Government subsidy	67.1	63.5	70.8	76.8	9.1	34.2	26.0	64.8	48.0
Government contracting-out	0.0	0.0	11.3	0.0	0.0	0.0	0.0	4.2	26.1
Other commercial income	4.5	33.0	9.9	0.0	72.8	47.7	4.6	2.8	5.1
Donation	10.3	2.8	2.4	4.5	15.5	5.9	67.3	14.9	13.1
Others	3.8	0.7	5.7	10.3	2.7	12.2	2.2	13.3	7.7
Total	100	100	100	100	100	100	100	100	100

In the Korean survey, financial data and information were collected from 53 non-profit contractors out of 57 contractors that responded the mail surveys. They are classified into three groups in the context of organization type; 34 specified non-profit corporations (including private non-profit organizations), 15 social welfare corporations, and 4 incorporated education institution. Here, the financial data from nine specified non-profit corporations are shown below as representative data.

Looking at the percentage distribution of income by kind of income in the case of the contractors of facilities for the handicapped, we can identify income from the government subsidies occupied substantial share, more than sixty percent. As for the contractors of the facilities for the elderly, some corporations get substantial money from other commercial income. Among the contractors of other social welfare facilities, there is a corporation whose donation income occupies 67.3%. Overall most of the specified non-profit corporations depend upon the funding from the government such as subsidies and contract money. Member fees and donations usually occupy a small percentage in the total income.

Next, the financial data from seven social welfare corporations are shown in the table below as representative data. Like the above mentioned specified non-profit corporations, income from the government subsidies and contracts occupied substantial shares. Six out of seven corporations earned more than sixty percent of income from the

government subsidy and government contracts. The weight of other commercial income varies between 4.4 % and 35.0 %. The share of member fees and donations is relatively small.

Table 10-39. Income of the non-profit contractors: social welfare corporations (%), Income of fiscal 2008 (Korean data)

Kind of facility	Facility for the elderly		Other social welfare facility				
	①	②	③	④	⑤	⑥	⑦
Member fee	0.0	0.0	0.0	0.0	0.0	0.0	2.8
Government subsidy	61.6	66.8	30.6	50.5	51.2	43.8	46.9
Government contracting-out	0.0	0.0	21.0	15.3	21.0	22.7	29.7
Other commercial income	20.5	25.4	35.0	11.6	4.4	15.4	9.3
Donation	8.2	5.3	8.6	9.2	15.3	9.8	7.2
Others	9.7	2.5	4.8	13.4	8.1	8.3	4.1
Total	100	100	100	100	100	100	100

All together, the financial conditions of the Korean non-profit contractors are heavily dependent on the government subsidies and contracts. The weight of member fees is minimal and some contractors earn substantial money from other commercial activities and donations.

10.3.3. Japan-Korea Comparison

The financial structures of the Japanese non-profit contractors are very similar to those of the Korean ones. They depend on the income from the government such as subsidies and contracts. Japan's social welfare corporations rely on the income from the government approved business, namely the government as well as facility users pay the costs of services provided by the corporations.

The Korean non-profit contractors get income from more various sources than the Japanese counterparts. However, both Korean and Japanese non-profit contractors mainly depend upon the income from the government with relatively small amount of income from member fees and donations. Without income from the government,

non-profit contractors could not survive in both Japan and Korea.

11. Relationship between the LSGBs, non-profit contractors and municipality governments: Survey data from the Japanese LSGB questionnaire

Twenty-one local self-governing bodies (LSGBs) locating nearest to the contracted-out public facilities were surveyed in Japan. The participation rate was 86.6% and the average number of executives was 23.1. The main features of the active member were 60 years old or over, male, retired, high school graduates and average or low income. 17 respondents agreed the level of government involvement in the LSGB was deep. Types of partnership with the city government were information sharing (19 respondents), informal cooperation (10 respondents), subsidy, but no contracting out (11 respondents), contracting out (12 respondents) and organizing committee (11 respondents).

Table 11-1. Relationship between the LSGB and the non-profit contractor

	The LSGB or the organization established by the LSGB is a contractor.	There are local residents who are the members of the non-profit organization.	Local residents are included in the governing council of the organization	Periodical meetings concerning the management of the facility	Dispatch of volunteers to the social welfare facility	Relational activities apart from the management of the facility	No involvement
Total	5	7	7	9	4	7	2
Percentage of response in 21	23.8%	33.3%	33.3%	42.9%	19.0%	33.3%	9.5%

Based on the data from the pilot survey, the types of relationship between the LSGB and the non-profit contractor are classified into 6 categories; ①the LSGB or the organization established by the LSGB being a contractor, ②local residents as the members of the contractor, ③local residents included in the governing mechanism of the contractor, ④periodical meetings concerning the management of the facility, ⑤dispatch of volunteers to the facility and ⑥relational activities apart from the management of the facility. The Respondents were asked to select among 6 categories the type of relationship with the non-profit contractor, permitting multiple choices.

9 out of 21 respondents selected periodical meetings. 7 respondents chose “local residents as the members of the contractor,” “local residents included in the governing mechanism of the contractor” and “relational activities apart from the management of the facility.” Five respondents chose “the LSGB or the organization established by the

LSGB being a contractor.”

Along with the questions in the local government survey and non-profit contractor survey, the LSGBs’ views were collected concerning the following hypothetical question.

The level of involvement of local residents determines the quality of service (responsive service at the contracted-out public facility).

The level of involvement is given as follows.

- ① A LSGB or the organization established by the LSGB is the contractor
- ② Local residents as the members of the contractor non-profit organization
- ③ Local residents in the governance mechanism of the contractor non-profit organization
- ④ Local residents participating open meetings of the contractor non-profit organization
- ⑤ Local residents as volunteers in the contracted-out facility

Table 11-2. The LSGB or the organization established by the LSGB is a contractor.

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Number of sample	8	0	0	3	4	1
Distribution	100%	0.0%	0.0%	37.5%	50.0%	12.5%

Table 11-3. Local residents as members of the contractor

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Number of sample	9	0	0	3	5	1
Distribution	100%	0.0%	0.0%	33.3%	55.6%	11.1%

Table 11-4. Local residents in the governance mechanism of the contractor

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Number of sample	8	0	0	4	4	0
Distribution	100%	0.0%	0.0%	50.0%	50.0%	0.0%

Table 11-5. Meetings between local residents and the contractor

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Number of sample	12	0	0	2	9	1
Distribution	100%	0.0%	0.0%	16.7%	75.0%	8.3%

Table 11-6. Local resident volunteers

		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Number of sample	11	0	0	2	8	1
Distribution	100%	0.0%	0.0%	18.2%	72.7%	9.1%

According to the responses from the LSGBs shown in the tables above, most of the LSGBs agreed that all these five types of relationship between the local residents/LSGBs and the non-profit contractors contributed to more responsive to the users' needs.

12. Relationship between the non-profit contractors, users' associations and municipality governments: Survey data from the Korean questionnaire

In Korea, we could not identify local self-governing bodies which have similar functions to the Japanese ones. Local self-governing bodies are to play supporting roles in managing public facilities. Instead, associations organized by the users of the contracted-out public facilities (users' associations) were made respondents in the Korean surveys.

66 users' associations were surveyed in Korea. The participation rate was 83.2% and the average number of executives was 8.4. The main features of the active member were 40-50 years old or over, male, self-employed, undergraduates and average or low income.

50 respondents agreed the level of government involvement in the users' associations was deep.

Types of partnership with the city government were information sharing (22 respondents), informal cooperation (31 respondents), subsidy but no contracting out (29 respondents), contracting out (6 respondents) and organizing committee (11 respondents).

Table 12-1. Relationship between the users' association and the non-profit contractor

	Users' association or the organization established by the users' association is a contractor.	There are local residents who are the members of the non-profit contractor.	Local residents are included in the governing council of the non-profit contractor	Periodical meetings to exchange information and opinions concerning the management of the facility	Dispatch of volunteers to the contracted-out public facility	Relational activities apart from the management of the facility	No involvement
Total	0	11	11	6	19	15	1
Percentage of response in 65	0.0%	16.9%	16.9%	9.2%	29.2%	23.1%	1.5%

The types of relationship between the users' association and the non-profit contractor are classified into 6 categories as mentioned above; ①the users' association or the organization established by the users' association being a contractor, ②local residents as the members of the contractor, ③local residents included in the governing mechanism of the contractor, ④periodical meetings concerning the management of the facility, ⑤dispatch of volunteers to the facility and ⑥relational activities apart from the management of the facility. The Respondents were asked to select among 6 categories the type of relationship with the non-profit contractor, permitting multiple choices.

19 out of 65 respondents selected "dispatch of volunteers to the facility." 6 out of 65 respondents selected periodical meetings. 15 respondents chose "relational activities apart from the management of the facility." There was no respondent that chose "the users' association or the organization established by the users' association is a contractor"

13. Role of the local self-governing bodies in securing better public services

In our hypotheses, we assumed that there existed local self-governing bodies in both countries. However, we could not identify the entities which had similar functions as the Japanese "Ji-Chi-Kai" in Korea. Therefore, we could only make use of the results from the local government surveys and non-profit contractor surveys to verify our hypotheses.

The tables for the relationship between the local residents and non-profit contractors described above (tables 10-8, 10-9, 10-10, 10-11, 10-29, 10-31, 10-33, 10-35) obviously support our hypotheses.

we can calculate the mean values as follows by allocating one to five points according to the responses (strongly disagree; one point, disagree; two points, neither agree nor

disagree; three points, agree; four points, strongly agree; five points).

Table 13-1. Mean values for the local government surveys

Variables	Country	N	Mean
Inclusion of local resident member	Korea	62	3.50
	Japan	98	3.71
Governance mechanism participation	Korea	66	3.44
	Japan	89	3.67
Open meetings	Korea	45	3.36
	Japan	94	3.91
Volunteers involvement	Korea	67	3.78
	Japan	98	3.77

Table13-2. Mean values for non-profit contractor surveys

Variables	Country	N	Mean
Inclusion of local resident member	Korea	42	4.05
	Japan	15	4.27
Governance mechanism participation	Korea	44	4.00
	Japan	15	3.73
Open meetings	Korea	23	4.00
	Japan	17	3.94
Volunteers involvement	Korea	54	4.48
	Japan	16	4.06

In both tables 13-1 and 13-2, mean values are more than three points. The responses from the local governments and non-profit contractors in both Japan and Korea implicitly support our hypotheses. Actual confirmation of the hypotheses needs quantitative performance indicators. Here, further research undertakings are needed.

To investigate the difference in the mean scores between Korea and Japan, an independent sample t-test was conducted. The results of the t-test are shown in the tables 13-3 and 13-4. As shown in the table 13-1, the respondents of local governments in Japan obtained a higher mean score as compared to their counterparts in Korea, except

volunteer involvement item. As such, the respondents of local governments in Japan have more positive perception about the effect of inclusion of local resident members, governance mechanism participation, open meeting on social service responsiveness. Also, the results in the table 13-3 indicated that there was strong significant difference in the means value of open meeting variable ($p=.001$). Due to the results, the null hypothesis about open meeting effect on service responsiveness is rejected. On the other hand, there were no significant differences in the mean value in the inclusion of local resident members, governance mechanism participation, volunteering involvement effect on service responsiveness.

Table 13-3. Independent t-test results of local governments

Variables	Country	N	Mean	t	Sig. (two-tailed)
Inclusion of local resident member	Korea	62	3.50	-1.53	0.13
	Japan	98	3.71		
Governance mechanism participation	Korea	66	3.44	-1.918	0.058
	Japan	89	3.67		
Open meetings	Korea	45	3.36	-3.48	.001**
	Japan	94	3.91		
Volunteers involvement	Korea	67	3.78	0.089	0.929
	Japan	98	3.77		

*significant at 0.05, **significant at 0.001

(Equal variances not assumed)

The following Table 13-4 shows the opposite results of local government in the table 13-3. The respondents of nonprofit facilities in Korea obtained a higher mean score as compared to their counterparts in Japan, except the inclusion of local resident member item. As such, the respondents of nonprofit facilities in Korea have more positive perception about the effect of governance mechanism participation, open meeting, volunteer involvement on social service responsiveness. The results indicated that there was a significant difference in the means value of volunteer involvement variable ($p=.003$). Due to the results, the null hypothesis about volunteer involvement effect on service responsiveness is rejected. On the other hand, there were no significant differences in the mean value in the inclusion of local resident members, governance mechanism participation, public hearing effect on service responsiveness.

Table 13-4. Independent t-test results of NPOs

Variables	Country	N	Mean	t	Sig. (two-tailed)
Inclusion of local resident member ¹	Korea	42	4.05	-1.365	0.19
	Japan	15	4.27		
Governance mechanism participation ²	Korea	44	4.00	1.252	0.216
	Japan	15	3.73		
Open meetings ³	Korea	23	4.00	0.315	0.754
	Japan	17	3.94		
Volunteers involvement ⁴	Korea	54	4.48	3.218	.003*
	Japan	16	4.06		

*significant at 0.05, **significant at 0.001

(1, 4: Equal variances not assumed, 2, 3: Equal variances assumed)

14. Future Challenges: what we can learn from the experiences of Japan and Korea?

14.1. Summary and conclusion

While the Japanese municipality governments face the urgent needs to conduct administrative reform for cutting government spending, the Korean counterparts are confronted with the growing needs of social services under the insufficient infrastructures. Taking account of these different circumstances, among many reform items, the contracting-out of public facilities, especially social welfare facilities in principle, was selected for comparative study.

The uniqueness of our research is to show what the common elements are and what the differences are in the relationship between municipality governments, non-profit contractors and local residents between Japan and Korea under the government contracting-out arrangement by making use of the survey data. Field surveys were conducted in both countries with the same survey designs including questionnaires developed from the comparative perspective.

In contracting-out of public facilities, the Japanese municipalities did so in order to reduce the government spending and civil servants, while the Korean municipalities did so to improve the quality of services and for seeking external civic expertise. The background of contracting-out is different between two countries.

On the other hand, contractors were selected based on the expertise and experiences of managing the same kind of facilities, and municipality governments regarded the capability and expertise of the staff and the financial strength of the contractors as necessary conditions for non-profit organizations to manage public facilities appropriately in both countries. In both countries, municipalities made use of various methods to supervise the contractors to deliver quality services. Non-profit contractors mostly depended upon the government funding and did hope to increase the income from the government in both countries. Thus, as for the relationship between the municipality governments and non-profit contractors, we could observe common elements between Japan and Korea.

On the contrary, the self-governing environments in the community were quite different between the two countries. According to the survey data, the Japanese municipality governments, non-profit contractors and “Ji-Chi-Kai” (local self-governing bodies) were connected and collaborated in running the contracted-out facilities for more responsive service delivery. In Korea, we could not easily identify the same kind of entities as the Japanese “Ji-Chi-Kai.” Users’ associations of the contracted-out facilities were surveyed instead of “Ji-Chi-Kai.” Their involvements in running the facilities were not as participatory as the Japanese counterpart.

In conclusion, the conditions on which non-profit sector can be qualified as reliable actor in delivering public services are: expertise and financial strength on the non-profit sector side, appropriate supervising mechanisms and funding on the government side. In both countries, member fees and donations were minor contributors in the income of non-profit sector. The collaboration between the municipality governments, non-profit contractors of public facility and local resident was high and beneficial to improving the quality of services in Japan. In the Korean case, however, each actor was contributing to the services more independently which raises the question of coordination and collaboration in terms of the network. In addition, we could not find a local self-governing body similar in functions as the Japanese “JI-Chi-Kai” in Korea. Further research efforts are needed to explore in this respect.

We could get the survey data from the local governments and non-profit contractors to support the following hypotheses.

Hypothesis 1:

A local resident inclusion as members in the non-profit contractor can contribute to more responsive service delivery by the contractor.

Hypothesis 2:

The local resident participation in the governance mechanism of the contractor such as an advisory committee can contribute to more responsive service delivery by the contractor.

Hypothesis 3:

Open meetings between the local residents and the contractor, which are held by the contractor, can contribute to more responsive service delivery by the contractor.

Hypothesis 4:

The local residents' involvement as volunteers in the activities conducted in the facility can contribute to more responsive service delivery by the contractor.

14.2. Future challenges in Japan

In Japan, we could not collect quantitative data to verify the hypothesis. Research efforts to get quantitative performance indicators are needed in the future.

As for the surveys on the Japanese side, sample size of non-profit contractors and the LSGBs is rather small, twenty-one. And some remarkable undertakings were observed at the specific facilities. Further research undertakings are needed to have more quantitative data as well as larger sample size enough to be categorized by type of facility.

14.3. Future challenges in Korea

There is the tong and ban system and the Saemaul movement. The government has enacted "local self-governing committee" system under the Nom Hyon Administration. Partly because of some regionalism in Korea, municipality governments did not take necessary actions to introduce this system at one time. Some governments started to convene the committees soon after the system was introduced, while other governments did finally organize the committees after Mr. Lee Myon-baku was elected as President. As a whole, we could not get necessary data and information to describe the community-level self-governing activities in Korea. In this context, further research efforts are needed.

Appendix 1. Population of the respondent municipalities in Japan

	Prefecture	Municipality	Population	Source
1	Yamagata	Yamagata city	256,012	2005 Population Census
2	Yamagata	Tsuruoka city	142,384	do.,
3	Yamagata	Sakata city	117,577	do.,
4	Yamagata	Yonezawa city	93,178	do.,
5	Yamagata	Tendo city	63,864	do.,
6	Yamagata	Higashine city	45,834	do.,
7	Yamagata	Sagae city	43,625	do.,
8	Yamagata	Shinjo city	40,717	do.,
9	Yamagata	Kaminoyama city	36,013	do.,
10	Yamagata	Nanyou city	35,190	do.,
11	Yamagata	Nagai city	30,929	do.,
12	Yamagata	Murayama city	28,192	do.,
13	Yamagata	Takahata town	26,026	do.,
14	Yamagata	Shonai town	24,677	do.,
15	Yamagata	Kahoku town	20,738	do.,
16	Yamagata	Obayazawa city	20,695	do.,
17	Yamagata	Kawanishi town		do.,

			18,769	
18	Yamagata	Yuza town	16,852	do.,
19	Yamagata	Shirataka town	16,331	do.,
20	Yamagata	Yamanobe town	15,415	do.,
21	Yamagata	Mogami town	10,761	do.,
22	Yamagata	Mamurogawa town	10,054	do.,
23	Yamagata	Oe town	9,915	do.,
24	Yamagata	Oguni town	9,742	do.,
25	Yamagata	Oishida town	8,824	do.,
26	Yamagata	Mikawa town	8,003	do.,
27	Yamagata	Kaneyama town	6,949	do.,
28	Yamagata	Nishikawa town	6,917	do.,
29	Yamagata	Funagata town	6,671	do.,
30	Yamagata	Tozawa village	5,915	do.,
31	Yamagata	Sakekawa village	5,447	do.,
32	Yamagata	Okura village	4,226	do.,
33	Kanagawa	Yokohama city	3,679,488	Estimated population as of 1 May 2010
34	Kanagawa	Kawasaki city	1,417,944	do.,
35	Kanagawa	Sagamihara city	713,885	do.,
36	Kanagawa	Yokosuka city	420,300	do.,

37	Kanagawa	Hiratsuka city	260,063	do.,
38	Kanagawa	Chigasaki city	234,674	do.,
39	Kanagawa	Atsugi city	225,474	do.,
40	Kanagawa	Ebina city	127,239	do.,
41	Kanagawa	Isehara city	100,981	do.,
42	Kanagawa	Ayase city	82,992	do.,
43	Kanagawa	Zushi city	58,899	do.,
44	Kanagawa	Miura city	48,384	do.,
45	Kanagawa	Samukawa town	47,765	do.,
46	Kanagawa	Minamiashigara city	44,151	do.,
47	Kanagawa	Oiso town	32,775	do.,
48	Kanagawa	Hayama town	32,502	do.,
49	Kanagawa	Ninomiya town	29,633	do.,
50	Kanagawa	Yugawara town	26,663	do.,
51	Kanagawa	Oi town	17,829	do.,
52	Kanagawa	Kaisei town	16,336	do.,
53	Kanagawa	Hakone town	13,348	do.,
54	Kanagawa	Nakai town	10,026	do.,
55	Kanagawa	Manazuru town	8,232	do.,
56	Shizuoka	Hamamatsu city	804,032	2005 Population Census
57	Niigata	Niigata city	785,134	do.,
58	Aichi	Toyota city	412,141	do.,
59	Aomori	Aomori city	311,508	do.,
60	Iwate	Morioka city	287,192	do.,
61	Nagano	Matsumoto city	227,627	do.,
62	Niigata	Joetsu city	208,082	do.,
63	Miyazaki	Miyakonojo city	133,062	do.,
64	Iwate	Oshu city	130,171	do.,
65	Iwate	Ichinoseki city	125,818	do.,
66	Miyazaki	Nobeoka city	121,635	do.,
67	Akita	Yokote city	103,652	do.,
68	Ishikawa	Kaga city	74,982	do.,
69	Nagano	Ina city	62,869	do.,
70	Iwate	Miyako city	60,250	do.,

71	Hokkaido	Ishikari city	60,104	do.,
72	Miyagi	Kesennuma city	58,320	do.,
73	Gifu	Ena city	55,761	do.,
74	Akita	Noshiro city	51,703	do.,
75	Fukushima	Shirakawa city	47,854	do.,
76	Kagosima	Amami city	47,212	Estimated population as of 31 May 2010
77	Kumamoto	Tamana city	45,341	2005 Population Census
78	Nagasaki	Hirado city	38,389	2005 Population Census
79	Nara	Uda city	35,822	Estimated population as of 1 June 2010
80	Kobe	Kobe city	1,525,393	do.,
81	Fukuoka	Fukuoka city	1,401,279	do.,
82	Hiroshima	Hiroshima city	1,154,391	do.,
83	Chiba	Chiba city	924,319	do.,
84	Okayama	Okayama city	674,746	do.,
85	Kumamoto	Kumamoto city	669,603	do.,
86	Kagoshima	Kagoshima city	604,367	do.,
87	Ehime	Matsuyama city	514,937	do.,
88	Oita	Oita city	462,317	do.,
89	Ishikawa	Kanazawa city	454,607	do.,
90	Nagasaki	Nagasaki city	442,699	do.,
91	Gifu	Gifu city	399,931	do.,
92	Wakayama	Wakayama city	375,591	do.,
93	Kagawa	Takamatsu city	337,902	do.,
94	Akita	Akita city	333,109	do.,
95	Gunma	Maebashi city	318,584	do.,
96	Okinawa	Naha city	312,393	do.,
97	Shiga	Otsu city	301,672	do.,
98	Fukushima	Fukushima city	290,869	do.,
99	Ibaraki	Mito city	262,603	do.,
100	Fukui	Fukui city	252,220	do.,
101	Mie	Tsu city	165,182	do.,
102	Miyagi	Shiogama city	57,715	Estimated population as of 31May 2010
103	Miyagi	Shibata town	38,532	Estimated population as of 31July 2010
104	Miyagi	Kawasaki town	10,583	2005 Population Census
105	Miyagi	Murata town	12,740	2005 Population Census

106	Miyagi	Osaki city	136,482	Estimated population as of 1July 2010
107	Miyagi	Tome city	89,316	2005 Population Census
108	Miyagi	Misato town	25,681	Estimated population as of 31May 2010
109	Miyagi	Ishinomaki city	163,335	Estimated population as of 31July 2010
110	Miyagi	Okawara town	23,515	Estimated population as of 31July 2010
111	Miyagi	Taiwa town	24,776	Estimated population as of 31March 2010
112	Miyagi	Higashimatsushima city	43,295	Estimated population as of 1May 2010
113	Miyagi	Marumoro town	15,952	Estimated population as of 1July 2010
114	Fukuoka	Dazaifu city	69,433	Estimated population as of 31July 2010
115	Tokyo	Nerima ward	707,844	Estimated population as of 1Aug 2010

Appendix 2 : Questions in the Questionnaire

Questionnaire for municipality governments

1. Background and reasons of contracting-out; the biggest reason
2. Background and reasons of contracting-out; the second biggest reason
3. Kinds of facility contracted-out to private non-profit organizations. Multiple choices.
4. The main reason of selecting this private non-profit organization as a contractor
5. Quality of facility management provided by the non-profit organization
6. Supervising means by the city government. Multiple choices.
7. Ratings of the users in the survey
8. Conditions that the private non-profit organization can manage the public facility appropriately. Two choices
9. If there is a local resident member in the contractor, such inclusion contributes to more responsive service delivery by the contractor or not
10. If the local residents participate in the governance mechanism of the contractor, such inclusion contributes to more responsive service delivery by the contractor or not
11. If the contractor organization holds open meetings between the local residents and the contractor, such meetings contribute to more responsive service delivery by the contractor or not
12. If the local residents are involved as volunteers in the activities conducted in the facility, such involvement contributes to more responsive service delivery by the contractor or not
13. The level of citizens participation in solving community-related problems
14. Types of self-governing bodies. Multiple choices
15. Local self-governing bodies have been active past a few years or not
16. Types of relationship between the self-governing bodies and the city government. Multiple choices.
17. Local self-governing bodies are carrying out their own activities to solve community-related problems or not

Questionnaire for non-profit contractors of public facilities

1. Type of organization
2. Room for improving the management of the facility by making use of original ideas and methods.

3. Expertise of the contractor is made use of in managing this facility or not
4. Contractor carries out activities stipulated in the statute of the contractor in relation to the facility management or not
5. Activities stipulated in the statute and conducted in relation to this contracted facility management contribute to more responsive service delivery or not
6. Conduct of users' satisfaction survey or not
7. Ratings of the users in the survey
8. This contract contributes to the strengthening the organizational (personnel and financial) foundations of the contractor or not
9. Necessary revenues for the stable management of the contractor. Multiple choices.
10. Preferable revenue for the stable management of the contractor. Multiple choices.
11. Types of partnership with the city government. Multiple choices are allowed.
12. There are many local residents as members in the contractor or not.
13. With local resident members in the contractor, such inclusion contributes to more responsive service delivery or not.
14. Level of the local resident participation in the contractor's governance mechanism is high or not
15. With local residents participating in the governance mechanism, such inclusion contributes to more responsive service delivery or not.
16. Is there any meeting or get-together between your organization and local residents?
17. When there are some meetings or get-together between your organization and local residents, do you agree such meetings contributes to more responsive service delivery by your organization?
18. Do you agree there is any involvement of the local residents as volunteers in the activities conducted in this facility?
19. When the local residents are involved as volunteers in the activities conducted in this facility, do you agree such involvement contributes to more responsive service delivery by your organization?

Questionnaire for local self-governing bodies located near the public facilities(Japanese survey)

1. Participation rate
2. Number of executives
3. Features of the active members (Age group, Gender, Education level, Income level, Occupation)
4. Relationship between your organization and the city government; Government

involvement in a community self-governing body. Do you agree the level of government involvement in a community self-governing body is deep?

5. Types of partnership with the city government. Multiple choices are allowed.
6. Involvement in the non-profit organization, which is the contractor of the social welfare facility located in the community. Multiple choices are allowed.
7. When your organization or the organization established by your organization is a contractor, do you agree such arrangement contributes to more responsive service delivery?
8. When there is a local resident member in the contractor organization, do you agree such inclusion of local resident contributes to more responsive service delivery by the contractor?
9. When the local residents participate in the governance mechanism of the contractor organization, do you think such inclusion of local resident contributes to more responsive service delivery by the contractor?
10. When the contractor organization holds open meetings between the local residents and the contractor, do you agree such meetings contribute to more responsive service delivery by the contractor?
11. When the local residents are involved as volunteers in the activities conducted in the facility, do you agree such involvement contributes to more responsive service delivery by the contractor?

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