

Social Service Contracting-Out in Korea and Japan: Municipal Governments, Nonprofit Contractors, and Local Residents*

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Abstract: Focusing on the role of local residents' participation in nonprofit social service contracting-out, this research has three aims. The first is to reveal the commonalities and differences in the relationships among municipal governments, contractors, and local residents in Korea and Japan through the use of survey data. We observed several common elements between the two countries regarding the relationship between municipal governments and nonprofit contractors. However, the relationships between nonprofit contractors and local residents were quite different in each country because of their different local self-governing environments. The second is to identify the current types of local residents' participation in contracting-out, and to categorize them into inclusion of local residents as members of contractors, participation of local residents in governance mechanisms, open meetings, and involvement of local residents as volunteers. The final aim is to ascertain whether there are statistical differences between the respondents' perceptions in the two countries regarding the effects of local residents' participation on service responsiveness. Using an independent sample t-test analysis, we verified that Japanese municipal managers had more positive and statistically significant perceptions regarding the effects of open meetings, and Korean nonprofit managers had more positive and statistically significant perceptions regarding the effects of involvement as volunteers.

Keywords: social service contracting-out, Korea, Japan, responsiveness, local residents' participation

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INTRODUCTION

Since the 1980s, major developed countries have faced mounting pressures to overcome their declining economies and financial deficits, which have resulted in a shift toward smaller government via new tools such as privatization and contracting-out (Kim, 2000). Korea and Japan experienced similar pressure to pursue administrative reform in the public sector in order to reduce government inefficiencies and improve services. As a result of these pressures, many public services, such as refuse disposal and social services, have been contracted out to the private sector. A great deal of literature has demonstrated that contracting-out has become one of the most pervasive service provision tools at both central and local government levels, and has gained a significant degree of legitimacy (Kettl, 2000; Brudney, Fernandez, Ryu, and Wright, 2005). According to the Ministry of Public Administration and Security of Korea (2008), social service contracting with nonprofits is now the most popular form of contracting-out in Korea and Japan. As a result, the role of nonprofit organizations in social services provision has greatly expanded.

Nevertheless, there is a shortage of systematically collected empirical data on social service contracting with nonprofits. First, much of the previous work has been conceptual, prescriptive, and case specific rather than empirical and based on primary data collection, and it has scarcely focused on the relationship between nonprofits and local residents, although there has been an increase in empirical studies on the governments-nonprofits contracting relationship (Van Slyke, 2003; Brown & Potoski, 2003a, 2003c; Kang, Kim, Lee, & Ryu, 2009; Lee, 1998; Hwang, 2005; Yang, Hsieh, & Shiun, 2009).

Second, much of the literature regarding contracting-out as a means of privatization has emphasized cost savings and efficiencies through competition as the most important dimension of contracting performance under the New Public Management (NPM) trend. However, for social service delivery systems in particular, contracting-out was introduced to improve the quality of services by using the expertise and experience of the private sector rather than to save costs and lessen inefficiency. Recent studies point out that service quality is as important a dimension of contracting performance as cost savings and efficiency, or a more important dimension especially in regard to social service contracting (Boyne, 1998; Fernandez, 2009; Mun & Yun, 2006; Lee, Lee, & Lee, 2006). Some literature also empirically demonstrates that competition and contracting performance may not be directly related, especially in relation to social service contracting with nonprofits (Lamothe & Lamothe, 2009).

Third, past studies have suggested various variables as the determinants of contracting performance, such as competition, asset specificity, service measurability,

legal and organizational institutions, and public management capacity (Kelman, 2002; Brown & Potoski, 2006; Van Slyke & Hammonds, 2003; Hefetz & Warner, 2004). However, few studies have been conducted to show that collaboration or partnership between contractors and local residents are also important components of contracting performance, particularly with regard to the quality of services.

Previous contracting studies based on NPM perspectives may be criticized for not doing enough to promote the idea of collaboration or partnership between local residents and municipal government (Box, 1999; Vigoda & Golembiewski, 2001). While NPM has proved to be an advance over the classic views of public administration that see residents as subjects or voters, it is still very limited in fostering the idea of collaboration and partnership between local governments, contractors, and local residents, which are the essence of democratic civil society (Terry, 1998). Although NPM pointed out the importance of residents' participation for more responsive service delivery, it focused on their role not as partners (Vigoda, 2002a), but as clients.

Focusing on the role of local residents' participation in social service contracting-out, and based on local governance and partnership theories, this article will provide various empirical findings about the current relationship between municipal governments, nonprofit contractors, and local residents in Korea and Japan. Though there have been ongoing arguments about the costs and benefits of resident participation in the service delivery process (Irvin & Stansbury, 2004), we will focus on the advantages of resident participation for more responsive service delivery.

In this paper, the term *residents* will be interchangeable with *citizens*, because there is only one relative difference between them: the term *residents* emphasizes regional characteristics more than *citizens* does (Lee, 2005). Local residents can be defined as citizens who reside within a local government jurisdiction and also as users of local services. We define *resident participation* as resident actions that incorporate the demands and values of residents into public services, and that take part in public service provision processes as nonprofessional community members.¹ Based on new governance perspectives, we explore the current status of local residents as partners, and their participation with municipal governments and nonprofits as a means of improving the quality of contracting services in Korea and Japan.

The first section of this article shows Japan and Korea's common elements and dif-

1. This study uses local residents' participation as an influential variable for more responsive service delivery in social service contracting with nonprofits. Although it also examines the current status of collaboration between municipal governments and local residents, the focus is on the partnership between nonprofits and local residents. We emphasize both the organizational and individual level of local residents' participation.

ferences in terms of relationships among municipal governments, nonprofit contractors, and local residents, using survey data. Unlike countries in North America and Europe that are based on Christian traditions, Korea and Japan have long been based on Confucian traditions and have adopted state-led development strategies. Due to these different cultural traditions, the contracting practices and experiences of the United States and Europe may not automatically be applicable to South Korea or Japan. In addition, we must consider that differences in contracting practices might exist between the two countries as a result of distinct national histories, and in spite of their similar Asian cultural traditions. The second section identifies the current types of local residents' participation in contracting-out, and categorizes them based on four variables. The final section investigates whether there are statistical differences between respondents' perceptions in the two countries regarding the effects of local residents' participation, using an independent sample t-test analysis.

THEORETICAL AND PRACTICAL BACKGROUND

From New Public Management to New Governance

One branch of NPM seeks to eliminate inefficiency in government by moving many government functions to the private sector (Savas, 2000). Hood (1991) coined the term based on two forms of managerial reform: new managerialism and new institutional economics (Frederickson & Smith, 2003). *New managerialism* refers to the introduction of private sector management methods to the public sector. It stresses hands-on professional management, explicit standards and measures of performance, managing by results, and value for money. *New institutional economics* refers to introducing incentive structures into public service provision. It stresses disaggregating bureaucracies, greater competition through contracting-out and quasi-markets, and customer choice. Kim (2011) argues that the main ideas of NPM, such as clientalism and service user satisfaction, can be related to the New Governance (NG)—especially local governance—perspective. Since a great deal of literature notes that the term *new governance* is popular but quite imprecise (Frederickson, 2005; Lynn, Heinrich & Hill, 2001), we must define it and specify its scope.

NG can be broadly defined as “institutions designed to exercise collective control and influence” (Peters, 2000). But we try to follow a narrower definition of NG. Rhodes (1997) defines NG as “self-organizing, inter-organizational networks” and argues that these networks complement markets and hierarchies as governing structures for authoritatively allocating resources and exercising control and coordination. Some

scholars argue that networks were already a pervasive feature of service delivery systems, and that such networks were characterized by trust and mutual adjustment, undermined management reforms rooted in competition, and were a challenge to governability because of their autonomous nature and resistance to central guidance (Stoker, 1998).

Although NPM may be related to NG in its focus on clientalism and service user satisfaction, NG scholars have identified several weaknesses associated with the businesslike managerialism of NPM (Rhodes, 1997; Peters & Pierre, 1998). First, NPM adopts an intra-organizational focus, which concentrates on value for money, hierarchical control, and clear distribution of authority and responsibility. This perspective pays little attention to managing inter-organizational links or to negotiating shared purposes within contexts of little or no hierarchy of control (Jessop, 1997).

Second, NPM focuses on results rather than process. While NPM focuses almost exclusively on developing intra-organizational management techniques that ensure customer satisfaction and efficiency, NG is largely concerned with observing and interpreting the processes through which techniques evolve, as well as the relative clout of the actors involved. Because no one actor is responsible for an outcome in an inter-organizational network, NPM is inappropriate for managing inter-organizational networks and, more importantly such networks undermine NPM with its intra-organizational focus on objectives and results.

The final weakness is that competition is based on a low level of interdependence between several stakeholders, but it makes networks unstable and results in a lack of the trust necessary to develop a negotiated equilibrium. Since the purpose of this article is to examine the relationship between municipal governments, nonprofit contractors, and local residents in inter-organizational contracting networks, we will adopt the NG perspective, using local governance as a broad theoretical framework.

Responsiveness to Local Residents as the Core Dimension of Contracting Performance

Contracting performance is a multidimensional concept that captures important aspects of a service provider's performance on a contract. Most studies consider cost, efficiency, and service quality as three essential dimensions of contracting performance (Boyne, 1998; Greene, 1996; Lavery, 1999; Warner & Hebdon, 2001). Fernandez (2009) presented contracting performance as having eight dimensions: actual cost in comparison to projected cost, actual cost in comparison to in-house service delivery, quality of work, responsiveness to the government's requirements, timeliness, service continuity, compliance with the law, and customer satisfaction.

The reason we should divide contracting performance into multiple dimensions is that these dimensions differ substantially and possess inherent tensions. Empirical results generally suggest that only some contracting services have achieved cost savings, and these cost savings have not been accompanied by efficiency or quality gains (Hodge, 2000). Some scholars even argue that cost savings are achieved at the expense of service quality (Kammerman & Kahn, 1989). Therefore, these multiple dimensions are treated as separate indicators without forming an aggregated overall measure, assuming they may relate to contracting capacities in different ways (Fernandez, 2009; Yang, Hsieh, & Shiun, 2009). Due to the tradeoff between multiple dimensions of contracting performance, many studies confine their consideration to only one or two core dimensions of contracting performance.

Much of the previous literature regards contracting-out as a means of privatization, and has emphasized cost savings and efficiencies through competition as the most important dimension of contracting performance. However, considering that contracting in social service areas was introduced to improve the quality of services by using the expertise and experience of the private sector, we have to discriminate social service contracting from other types (Lamothe & Lamothe, 2009).

In so-called hard services, such as garbage collection or sewage treatment, which have high levels of asset specificity and service measurability, costs or efficiency are more important than quality. On the other hand, recent studies mention that, for social service contracting-out in particular, service quality is as important a dimension of contracting performance as cost savings and efficiency, or perhaps even more important (Fernandez, 2009; Yang, Hsieh, & Shiun, 2009; Mun & Yun, 2006; Lee, Lee, & Lee, 2006; Lamothe & Lamothe, 2009).

As we are interested in social service contracting, this article will focus on the quality-of-service dimension of contracting performance. But this dimension will be improved by subdividing it into more specific dimensions, following the example of Fernandez (2009). According to his classification, quality of work, responsiveness to the government's requirements, timeliness, and customer satisfaction can be placed under the category of service quality.

Meanwhile, a number of studies have started to take an interest in responsiveness to service users as a core element of various performance dimensions, noting its utility in improving service qualities. Therefore, as a dependent variable, we will focus on responsiveness to local residents' demands. Verba and Nie (1972, p. 300) define *responsiveness* as "a relationship between citizen and government, one in which the citizen articulates certain preferences and/or applies pressure on the government and the government in turn attempts to satisfy these preferences." Ostrom (1975, p. 275) defines it as "the capacity to satisfy the preferences of the citizens." Overall, respon-

siveness is mainly concerned with satisfying residents' demands and preferences.

Since NPM has increased pressure on state and local bureaucracies to become more responsive to residents, it forces bureaucracies to confront a growth in clients' passivism, and tends to favor the easy chair of customers over the turmoil of collaborative participation (Vigoda, 2002a).² On the other hand, NG pays profound attention to matters that transcend the borders of government, and where governmental structures coordinate and give direction to collaborative public-private efforts (Kooiman, 1993). Based on NG perspectives, collaboration and partnership between government and residents should be stressed to define responsiveness, as well as speedy and accurate response to clients and customer satisfaction.

Previous literature has considered various operational indicators as measures of responsiveness: speed, accuracy, timeliness, accessibility, convenience, comfort, fairness, expertise, reliability, efficiency, relations with residents, response to residents' demands, hospitality, transparency, and customer satisfaction. According to Wagenheim and Reurink (1991), responsiveness is composed of timeliness—such as in answering phone calls or questions and providing services promptly, as well as processing a purchase order, inquiry, or complaint. Thomas and Palfrey (1996) use speed and accuracy to measure responsiveness. Che (1997) considers speed, accessibility, response to residents' demands, and transparency as responsiveness measures. Park (2001) disaggregates responsiveness into accessibility, convenience, speed, accuracy, comfort, and fairness as core indicators of evaluation for service quality. Gwon (1997) use more specific indicators—expertise, fairness, efficiency, speed, accuracy, reliability, response to residents' demands, relations with residents, and convenience—to measure responsiveness for improving service qualities. Kim (2000) suggests that responsiveness, which means service satisfaction, can be measured by speed, convenience, and hospitality. Park (2001) uses accessibility, convenience, speed, accuracy, hospitality, comfort, and fairness as core indicators of evaluation for service quality. Lee and Fan (2010) suggest that core indicators of responsiveness are hospitality, speed, fairness, and customer satisfaction.

In sum, whereas some indicators—such as speed, accuracy, timeliness of response, and client satisfaction—may be derived from an NPM perspective, other indicators—such as accessibility to networks, reliability, relations with residents, and fairness—may be derived from an NG perspective. We divided indicators of responsiveness to resident demands into two categories: quality of services and service users' satisfaction.

Service quality has been defined as “a form of attitude,” related to but not equiva-

2. Although the NPM perspective also emphasizes responsiveness, it has focused on responsiveness to residents not as active partners but as passive clients.

lent to satisfaction, that results from the comparison of expectations with performance (Parasuraman, Zeithaml, & Berry, 1988). Other literature argues that service quality and satisfaction are distinct constructs, and satisfaction is an antecedent of service quality (Bitner, 1990). The most common explanation of the difference between the two is that perceived service quality is a form of attitude, a long-run overall evaluation, whereas satisfaction is a transaction-specific measure (Bolton & Drew, 1991). We measured the former by speed, accuracy, timeliness, convenience, hospitality, response to residents' demands, reliability, transparency, and relations with residents, and the latter by resident satisfaction, based on previous studies (see table 1).

Table 1. Our Measures of Responsiveness

Quality of services	speed, accuracy, timeliness, convenience, hospitality, response to residents' demands, reliability, transparency, public relations to residents
Residents satisfaction	service users satisfaction

Local Residents' Participation as a Factor Influencing Contracting Performance

Previous research has suggested external factors such as competition, service characteristics, and institutions, and internal factors such as government's public management capacity as the determinants of contracting performance. Since contracting was introduced as one form of privatization, much of the literature has argued that competition is the most critical factor of contracting performance (DeHoog, 1984; Ferris & Graddy, 1986; Song, 2005). Based on a public choice perspective, proponents of this view stated that competition can minimize the inefficiencies of government monopolies and lead to improved contracting performance.

Van Slyke (2003) defines competition as "a market containing a range of provider alternatives from which government can decide who is best positioned to deliver contract services with the highest quality, lowest cost, and greatest expertise." However, the relationship between competition and contracting outcomes is empirically complex and is likely to involve tradeoffs between various dimensions of performance (Fernandez, 2009).

Contracting performance can also be affected by service characteristics (Brown, Potoski, & Van Slyke, 2006). Williamson (1981) suggests that two broad service characteristics that impel transaction costs are asset specificity and service measurability. *Asset specificity* refers to the need for physical infrastructure, technology, knowledge, skills, and abilities that can only be acquired through on-the-job experience or highly

specialized investments. *Service measurability* refers to how easily and well public managers can assess the quantity or quality of services. Based on principal-agent theory, Brown & Potoski (2003b) demonstrate that asset-specific and difficult-to-measure services make governments vulnerable to unscrupulous vendors who may exploit their information advantage by lowering service quality and quantity.

Another factor affecting contracting performance can be legal and organizational institutions, which can be defined as the “rules of the game” (North, 1991). From an institutional perspective, Yang, Hsieh, & Shiun (2009) explain that the importance of legal and organizational institutions results from governance inseparability, a concept similar to path dependence (Argyres & Liebeskind, 1999).

Many recent studies emphasize the role of public management capacity, since external factors mentioned above can eventually be managed by government capacity (Brown & Potoski, 2006; Milward, 1996; Seidenstat, 1999). Brown, Potoski, & Van Slyke (2006) state that acquiring and nurturing physical infrastructure, financial resources, and more importantly, human capital is required for building contract management capacity.³

But scholarly attention to the role of contract management capacity is a relatively recent phenomenon; thus, there is no consensus on exactly what managerial components are critical for successful contracting. Though some substantial efforts have been made to identify the core components of contract management capacity, empirical results analyzing the effect of public management capacity on contracting performance are quite mixed. For example, Lamothe and Lamothe (2009) verify the positive

3. Based on the contracting process, Brown & Potoski (2003a, 2003c) divide contract management capacity into three categories that are related to a government’s ability to effectively manage vendors: (1) feasibility assessment capacity to properly determine whether to make or buy, (2) implementation capacity to effectively execute and manage contracts, and (3) evaluation capacity to accurately and thoroughly evaluate contract performance in order to ensure accountability. Lamothe and Lamothe (2009), based on the study of Ingraham, Joyce, & Donahue (2003), consider three managerial components of public management capacity: (1) leadership to set priorities and to coordinate activities, (2) the degree of integration and coordination among contracting units, and (3) the experience and expertise of the contracting staff. Yang, Hsieh, & Shiun (2009), expanding the research of Brown & Potoski (2003a, 2003c), suggest four aspects of contract management capacity: (1) agenda-setting capacity to appropriately determine whether to make or buy, (2) formulation capacity to effectively set a fair bidding process, identify the best-fit contractor, and reach an excellent contract, (3) implementation capacity, concerned with the actual production of goods or the delivery of services, and (4) evaluation capacity to evaluate contract performance to ensure accountability.

effect of public management capacity on contracting performance in their model tests, while Fernandez (2009) empirically demonstrates that public management capacity is not directly related to contracting performance. Examining the relationship between management capacities and contracting performance, he finds that it appears to be more complex than previously hypothesized, because of interactions with moderating variables such as vendor type and contract duration. Some experts have also noted that monitoring expenses can be considerable, and therefore these expenses should be factored into the total cost of purchasing services before determining the efficiency of contracting-out (Reh fuss, 1989). In addition, the effectiveness of monitoring may depend on the characteristics of contractors or the nature of the service being outsourced.

In sum, past studies have suggested that various internal and external variables are responsible for affecting factors related to contracting performance, but few studies have been conducted to show that collaboration and partnership between contractors and local residents (or between municipal governments and local residents) are also an important factor of contracting performance, especially in the responsiveness dimension.

To discuss the role of local residents' participation on responsiveness, it is necessary to review previous studies on resident participation. Resident participation has long been a subject of active discussion in the field of political and administrative sciences as one part of citizen participation. Citizen participation is often defined as "a citizen action that influences or seeks to influence policy decisions" (Nagel, 1987), "an action that incorporates the demands and values of citizens into public administration services" (Zimmerman, 1986), "a process wherein the common amateurs of a community exercise power over decisions related to the general affairs of a community" (Cunningham, 1972), or "an action for providing residents with opportunities to take part in policy process" (Glass, 1979).

Synthesizing those definitions, we define resident participation in this research as resident actions that incorporate the demands and values of residents into public services and that take part in the public service provision process as nonprofessional community members. In general, citizen participation, including resident participation, can be classified into two categories: political participation, such as voting in elections or getting involved in political proceedings, and administrative participation, such as demanding or keeping a close watch on administrative operations. Traditionally, political forms of participation—including initiative, referendum, recall, petition for audit, and petition for disbanding of local councils—have all been regarded as essential elements for the development of democracy (Lee, 2005). But recently, interest in administrative participation is increasing, because local residents can be seen as participatory partners or collaborators of local government or nonprofits in day-to-day public service delivery.

This article limits its discussion to administrative participation of local residents in social service contracting systems—which can be called participatory governance (Gaventa 2004), citizen-centered governance (Andrews & Shah, 2005), or state-in-society governance (Migdal, 1994)—because our focus is on the important role of local residents’ participation in service contracting-out based on the NG perspective and on partnership theory.

Scholars have described various types of resident participation. Arnstein (1969) has developed an influential typology of resident participation, and argues that participation is valuable to the extent that the redistribution of power enables the have-not residents to be deliberately included in the future. She also posits a “ladder” of empowerment with eight steps: manipulation, therapy, informing, consultation, placation, partnership, delegated power, and citizen control. But her classification has been criticized as a defective analytic tool, because it improperly fuses an empirical scale that describes the level of influence individuals have over some collective decisions with normative approval (Fung, 2006).⁴ Vigoda (2002a) presents an evolutionary continuum of the role of residents, government, and public administration authorities, and their reciprocal interaction, and illustrates that residents may be seen as subjects, voters, clients, partners, and owners. Based on his continuum, this article focuses on local residents as partners.⁵

Many scholars argue that resident participation in a Jeffersonian democracy will produce more public-preference decision making on the part of administrators and a better appreciation of the larger community among the public (Stivers, 1994; Oldfield, 1990). Much of the public management literature maintains that collaborative partnerships are a positive factor to be pursued by managers, since they are the new form of governance (McGuire, 2006). Agranoff and McGuire (2003) stress that collaborative governance builds collaboration and partnerships among private and non-profit organizations, and gives strong support to networks of organizations for public service delivery. Meier and O’Toole (2003) demonstrate that frequency of interaction is positively related to school district performance; the greater the number of actors with whom the superintendents networked and the greater the level of interaction, the higher the performance.

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4. There may be contexts in which public empowerment is highly desirable, but there are others in which a consultative role for members of the public is more appropriate than full citizen control.
 5. However, this study is different from Vigoda’s (2002a). Unlike our definition of responsiveness as including collaboration based on an NG perspective, he differentiates responsiveness from collaboration based on an NPM perspective.

Of course, there are ongoing arguments over the disadvantages of resident participation in the service delivery process as well (Irvin & Stansbury, 2004).⁶ Some studies have empirically demonstrated that public sector performance is negatively related to resident involvement (Vigoda, 2002b). Therefore, a great deal of recent literature has changed focus to address the conditions under which resident participation may be costly and ineffective and when it can thrive and produce the greatest gains in effectiveness (Howell, Olsen, & Olsen, 1987; Beierle, 1999; Innes, Gruber, Neumann, & Thompson, 1994). In this regard, we will identify whether the benefits of resident participation for more responsive service delivery are bigger than the costs in the case of social service contracting-out in Korea and Japan, using respondents' evaluations to make our judgment.

History, Legal Institutions, and Current Status of Contracting-Out in Korea and Japan

The 1990s economic crisis pushed the national governments of both Korea and Japan to initiate a privatization policy with contracting-out as the most common reform tool. In both countries, contracting-out was seen as a major tool for reforming government and making it more efficient and productive. The reform attempted to reduce the size of the bureaucracy, introduce competition to government, and make government accountable and customer-oriented (Park, 2004). All these were in line with the Anglo-American reform model based on NPM perspectives. National governments of Korea and Japan mainly contracted out operational services and pressed local authorities to contract out their services using financial mechanisms (Hodge, 2007). Park (2004) argues that the strong administrative culture of the two countries means that governmental core activities and strategic functions are rarely contracted out for public service delivery. The next sections offer a brief outline of the history, current status, and related legislation regarding contracting-out in Korea and Japan respectively.

Korea

With the economic crisis in 1997, the incoming administration of Korea, led by President Kim Dae-Jung, expressed its strong will to reduce the size of the bureaucracy.⁷

6. Unless resident participation is structured adequately, it can cause an undue burden on residents because of the time and other sacrifices required to participate. Costs may rise and fall depending on the location, duration, and required time and resource investment (Cooper, 1979).

7. Since 1970, the governments of the two countries had used a form of contracting-out to

In 1998, the Committee of Planning and Budget of Korea set up the Guidelines on Using the Private Sector for Providing Public Services, and included contracting-out as one of Ten Guidelines for Budget Planning. According to the guideline of invigorating the contracting-out of government functions, the Korean Ministry of Government Affairs and Home Affairs established the Annual Contracting-out Plans of Local Governments. The Kim Dae-Jung government promised that it would reduce its bureaucracy by 20 percent during the four-year period from 1998 to 2001. This was applied to all government agencies across the board, and meant local governments needed to reduce their staffing levels.

After implementing an early retirement measure, local governments contracted out many of their social welfare services in order to satisfy the mandated reduction target. As for the general departments, the Ministry of Government Affairs and Home Affairs of Korea is in charge of contracting-out. It sends the guidelines for contracting-out to each ministry every year and makes the final decision on contracting-out based on preliminary selection reports written by each ministry. So it is largely up to each ministry to decide which services, as well as how many services and activities, are to be contracted out. For social services, the Ministry of Health and Welfare is responsible for social service contracting-out at the central level. Additionally, most of the Health and Welfare Bureau, the Woman and Family Affairs, the Welfare and Woman's Policy Bureau, and the Self-Governing Bureau of each local government are in charge of social service contracting-out at the local level.

Legislation on contracting-out includes Article 96 of the Constitution, Article 6 of the National Government Organization Act, Article 104 of the Local Government Act, and Article 10-16 of the Rule on Delegation and Entrustment of Administrative Authority, a presidential decree. In addition, local governments set up their own ordinances for contracting-out. The guidelines for implementing contracting-out of public services in local governments enacted by the Ministry of Government Affairs and Home Affairs of Korea can be included in those legal frameworks (Kang, Kim, Lee, & Ryu, 2009). Legislation concerning nonprofit organizations includes the Nonprofit-Nongovernmental Organization Support Act of 1999, the Regulation for Establishment and Supervision of Incorporated Nonprofits, and the Act on Establishment and Operation of Public Interest Corporations.

The percent of contracted-out services has been greater at the local level than at the

enhance the efficiency of production by increasing competitive pressures on suppliers, and to reduce the size of the government sector. But the contracting-out of public services increased rapidly in the 1990s as one of the methods of administrative reform to lessen financial deficits.

regional or national level, since the majority of services are provided by local governments. Local governments contracted out most social welfare and recreational services, as well as wastewater treatment, garbage collection, and garbage incineration (Park, 2004). According to an e-mail survey on public service contracting-out conducted by the Ministry of Public Administration and Security of Korea (n=2,890, of which 2,800 replied), over 2,700 public services had been contracted out as of 2008. Social welfare services with nonprofits (about 30 percent) are the most contracted-out form in Korean local governments. More than one in three cases of contracting-out is related to social welfare services (about 40 percent), and most municipal governments (about 73 percent) contract out various publicly operated social welfare facilities to nonprofits, which include daycare centers for children, general welfare centers, centers for the homeless, rehabilitation institutes, centers for the elderly, and centers for the handicapped. Athletics and youth services also are often contracted out.

According to Article 6 of the National Government Organization Act, an administrative agency may contract out surveys, inspections, verifications, management, and other services that are not directly related to the rights and duties of citizens, to a juridical person that is not related to local government, but rather a corporation, organization, or its organs or other related individuals, following the conditions determined applicable by the Acts and subordinate statutes. Accordingly, it is possible for administrative agencies to contract out to third-party organizations, their organs, or other related individuals. But administrative agencies of Korea have instead only contracted out to private corporations (interview with the manager of Suwon-city).

Nonprofits related to social service contracting-out can be divided into two types: incorporated nonprofits and public interest corporations (Kim, 2000). Incorporated nonprofits (*beyoungri bupin*) are registered organizations set up under Article 32 of the Civil Law, the Private School Act, the Medical Act, the Social Welfare Activity Act, or any other relevant establishment acts that seek to support nonprofits in their pursuit of various social and economic objectives.⁸ Public interest corporations (*gongik bupin*) are defined either by the Act on Establishment and Operation of Public Interest Corporations or by Article 12 of the Act on Inheritance and Transfer Tax. The former only includes legally established foundations and associations with scholarly, philan-

8. The Civil Law sets the legal foundation for the formation of nonprofits. Associations or corporations in the field of science, religion, charity, arts, social interactions, or otherwise not engaged in profit activities may be established subject to permission from a relevant supervising ministry (Article 32 of the Civil Law). Incorporated nonprofits that wish to enjoy tax privileges must be established under the relevant acts, and must be recognized by the National Tax Office (Kim, 2000).

thropic, and academic funding and 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 describes a subset of nonprofits. It includes public interest organizations that were created by obtaining permission from relevant ministries.

The Implementing Act on Inheritance and Transfer Tax lists the following types of public interest corporations: religious organizations and private schools created by either the Education Act or the Private School Act, social welfare service organizations created by the Social Welfare Service Act, hospitals created by the Medical Act or the Mental Welfare Act, organizations created by the Act on Establishment and Operation of Public Interest Corporations, cultural and arts organizations, organizations involved in public health and environmental protection, community centers or any similar public-use facilities, and any other organizations that are designated as public interest corporations by the prime minister. Based on their legal or institutional status, we categorize nonprofit organizations as the contractors of social services into incorporated nonprofits and public interest corporations (see table 2).⁹

Table 2. Nonprofits in Social Service Contracting in Korea¹⁰

Type	Legal basis	Number
Incorporated nonprofits	Article 32 of Civil Law, Private School Act, Medical Act, Social Welfare Activity Act, other relevant establishment acts	19,203
Public interest corporations	Act on Establishment and Operation of Public Interest Corporations or Article 12 of Act on Inheritance and Transfer Tax	28,905

Source: National Tax Office of Korea, 2009.

9. These public interest corporations receive special status with respect to inheritance and transfer, corporation, and estate taxes and certain excise taxes. Therefore, they are required to submit reports on their activities, including balance sheets and annual business plans. More than incorporated nonprofits, public interest corporations tend to maintain a close relationship with the state (Kim, 2000).
10. The Implementing Act on Inheritance and Transfer Tax of Korea recategorized public interest corporations into private school corporations (n=1,749), social welfare corporations (n=2,830), religious corporations (n=17,958), academic corporations (n=3,163), art and culture corporations (n=673), medical care corporations (n=610), and others (n=1,922) as of 2009 (National Tax Office, 2009). Of these categories, private school corporations, social welfare corporations, religious corporations, and others are related to social service contracting-out.

Japan

In the late 1990s, Japanese local governments faced an urgent need to conduct administrative reforms in order to eliminate financial deficits accumulated from the late 1980s to the mid 1990s. In July 1997, the Local Decentralization Promotion Committee, an advisory body to Prime Minister Hashimoto Ryutaro, recommended that new administrative reform guidelines be established so as to secure the smooth implementation of local governments' administrative reform programs. The Ministry of Home Affairs prepared these guidelines in 1997. Since then, several cabinet decisions on administrative reform in local governments have been issued, 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.

To accelerate the Policy on Administrative Reform, the Ministry of Internal Affairs and Communications (MIC)¹¹ prepared new guidelines in 2005 and advised local governments to make intensive reform plans covering the next five years. Based on the 2005 MIC guidelines, every local government made five-year intensive reform plans, with the contracting-out of public facilities or public programs serving as their main objective.¹² As for the general departments concerned with contracting at the national level, the MIC is in charge of preparing the guidelines for contracting-out and for sending them to every local government. The Ministry of Health, Labor, and Welfare is responsible for social service contracting-out at the central government level.

Legislation concerned with contracting-out to nonprofits includes the Constitution, the Local Autonomy Law, the Civil Code, the Act on General Incorporated Association and Foundations, the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundation, and the Law to Promote Specified Nonprofit Activities. In addition, the Act on Private Schools, the Social Welfare Act, and the Religious Corporation Act exist as individual acts. Japanese local governments also set up their own contracting-out ordinances, similar to Korea's. Currently in

11. The MIC was created on January 6, 2001 by the merger of the Ministry of Home Affairs, the Ministry of Posts and Telecommunications, and the Management and Coordination Agency.

12. The Japanese constitution adopts the principle of local autonomy just as the Korean constitution does. Every local government is autonomous from the central government and is responsible for public tasks in its jurisdiction. When the central government would like to promote administrative reform in the local governments, it can only offer guidelines. But as the central government has some power to allocate tax funds to local governments, the local governments usually follow its guidance. Local governments also prepare their own administrative reform programs based on the guidelines of the central government.

Japan, most local governments (over 50 percent) have contracted out their services to nonprofit organizations under the local government reforms, focusing on the changing needs of national governments (Tsukamoto & Nishimura, 2006; Keizai Sangyo Kenkyjo, 2007). Therefore, most local governments have recently searched for ways to collaborate and partner with local nonprofits in order to solve local issues and improve local public services.

According to a postal survey on public service provision conducted by Nikkei Newspaper (n=97 local authorities replied) in 2008, and a national postal survey on nonprofit organizations (n=951, of which 373 replied) conducted by the Cabinet Office of Japan in 2004, most collaboration and partnerships in public service provision (over 80 percent) take the form of contractual relationships. Nonprofit organizations are often selected as the contractors in the contracting-out of social welfare services such as facilities for the handicapped, the elderly, and the youth and daycare nurseries. According to the 2004 Cabinet Office survey, more than 90 percent of social welfare facilities have been contracted out to nonprofit organizations. Nonprofit organizations as the vendors of social services can be classified as public interest institutions, specified nonprofit corporations, and local self-governing bodies.

The traditional nonprofit corporations known as public interest corporations (*koueki hōjin*) were institutionalized with the enactment of the Civil Law of 1897 during the early Meiji Era. Public interest corporations of Japan fall into two categories: incorporated associations (*shadan hōjin*) and incorporated foundations (*zaidan hōjin*). Public interest corporations have recently faced radical changes resulting from public administration reforms seeking to clearly distinguish the two types of corporation and assess whether they are working toward the public benefit or not. Existing public interest corporations were legally required to choose between being classified as a public interest association or foundation, which benefits from tax advantages, or as a general association or foundation, which receives little or no tax advantage, by the end of year 2008.

Traditional public interest corporations can be categorized as incorporated public interest associations or foundations under the Act on General Incorporated Associations and Foundations or as incorporated general associations or foundations under the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations. The total number of these traditional nonprofit organizations is currently estimated to be over 200,000 (Tsukamoto & Nishimura, 2006). Other types of nonprofit corporations, such as social welfare corporations, private school corporations, and religious corporations, are governed by different laws.

The second form of nonprofit in Japan is the specified nonprofit corporation (*NPO hōjin*), as stipulated by the Law to Promote Specified Nonprofit Activities (the Nonprofit Law) of 1998.¹³ Specified nonprofit corporations are much easier to incorporate

than traditional nonprofit corporations because there are fewer government regulations. According to the statistics of the Cabinet Office of Japan, over 40,000 specified nonprofit corporations were in operation throughout the country at the end of June 2010. This figure shows the rapid growth of new types of nonprofits since the enactment of the Nonprofit Law.

Third, unlike in Korea, the Local Autonomy Law of Japan clearly prescribes the authorization of local self-governing bodies as legal corporations (see table 3). Another difference in the contracting systems of the two countries is Japan's "designated manager system" for managing public facilities. It was introduced in 2004 after the revision of the Local Autonomy Law of Japan, which allows local governments to choose private organizations to run their facilities (Research Institute of Construction and Economy, 2005).¹⁴ The designated manager system in public facilities has often been used in recent years to lower public expenditures and improve the quality of services, because most local governments have been confronted with heavy financial problems. According to a survey by the MIC, 70,022 (59 percent) public facilities, such as museums, public halls, sports centers, and volunteering support centers, have been contracted out under the designated manager system as of 2009.

Table 3. Nonprofits in Social Service Contracting in Japan¹⁵

Type	Legal basis	Number
Public interest corporations	Civil Code	23,856
Specified nonprofit corporations	Law to Promote Specified Nonprofit Activities	36,601
Authorized local self-governing bodies	Local Autonomy Law	22,050

Source: National Tax Agency of Japan, 2009.

13. The emergence of the nonprofit movement has been influenced particularly by the growing public interest in voluntary activities after the Hanshin-Awaji Earthquake of 1995 and the enactment of the Law to Promote Specified Nonprofit Activities of 1998. This 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 (Pekkanen, 2003).
14. Before the revision, management of these public facilities could not be delegated to private enterprises or nonprofit organizations except in the case of local governments or private corporations founded with shares from governments. Public facilities in Japan were managed by the local government itself or by foundations like those of Korea.
15. Public interest corporations related to social service contracting in Japan can be categorized into private school corporations (n=7,806), social welfare corporations (n=18,910), and religious corporations (n=182,709) as of 2009 (National Tax Agency of Japan, 2009).

DATA AND METHODS

Data Collection Method

This study used both pilot surveys and full-scale surveys with managers of municipal governments, managers of contractors, and local residents in both Korea and Japan. Convenience sampling and interview survey methods were used for the pilot surveys, and convenience and quota sampling and mail or e-mail survey methods for the full-scale surveys.

Pilot Surveys

Pilot surveys were conducted jointly from late 2008 to early 2009 with three types of respondents: managers of municipal governments, managers of nonprofit contractors, and local residents.¹⁶ The managers of municipal governments and nonprofit contractors were defined as the people in charge of nonprofit contracting-out in municipal governments and nonprofit facilities respectively. Local residents were defined as people who not only reside in a particular place for an extended period, but also collaborate with nonprofits or municipal governments in the system or processes of nonprofit social service contracting-out. These three types of respondent were selected for the survey because they are all involved in contracting processes through networks, and all three perspectives are important.

We used convenience sampling methods to select five cities (*si*) or counties (*gu*) in Korea (Seocho-gu, Suwon-si, Saha-gu, Gyeongju-si, and Gumi-si) and six cities (*shi*) in Japan (Ena, Matsumoto, Miyazaki, Tamana, Kobe, and Hadano).¹⁷ We drew small samples for this preliminary step of examining topics and testing questionnaire items. Although these samples were drawn by non-probability sampling methods because of time and cost constraints and were not very representative, we attempted to strengthen sample representativeness by using quota sampling methods. Specifically, we asked

16. Based on the provisions of the Constitution and the Local Autonomy Law, Korea and Japan each have three levels of government: national, prefectural, and municipal. This article focuses on the municipal level.

17. Seocho-gu is located in Seoul metropolitan city, Suwon-si in Gyeonggi province near Seoul city, Saha-gu in Busan city, and Gyeongju-si and Gumi-si in Gyeongsangbuk-do in Korea. Ena is located in Gifu prefecture, Matsumoto in Nagano prefecture, Miyazaki in Miyazaki prefecture, Tamana in Kumamoto prefecture, Kobe in Hyogo prefecture, and Hadano in Kanagawa prefecture in Japan. Ena and Matsumoto are in the Chubu region, Miyazaki and Tamana in the Kyushu region, Kobe in the Kansai region, and Hadano in the Kanto region.

the managers of Seoul metropolitan city and Kanagawa prefecture to select appropriate samples in advance, and then, considering their recommendations, we selected our samples, which appeared to be typical cases of nonprofit social service contracting-out. Next, we conducted interview surveys with all three types of respondents. Since the pilot surveys were conducted at a preliminary stage, in-depth interviews served as a better way of getting specific and detailed data about our topics and correcting for errors pertaining to all the questionnaire items.

In the pilot surveys, by using in-depth interviews, we were able to collect information related to several nonprofit contracting practices and experiences within the municipal governments, and also related to the relationship between municipal governments, nonprofit contractors, and local residents in both countries. Of course, some common elements between the two countries were observed in the relationship between municipal governments and nonprofit contractors. For example, features of nonprofit social service contracting-out—such as personnel, financial infrastructure, and informational infrastructure—were similar in both countries. However, we could also observe several differences between the two countries, especially in regards to the relationship between local residents' organizations and municipal governments or nonprofit contractors.

The most striking differences between the two countries derived from differences in local self-government. A local self-governing body in Korea cannot serve as a contractor for social service provision, because it cannot qualify as a juristic person under Korean law. But in Japan, local self-governing bodies can be considered juristic persons, and thus serve as social service contractors, as long as they have received accreditation from the head of the local government, due to a revision of the Local Autonomy Law in 1990.¹⁸

Therefore, prominent examples of the collaborative relationship between municipal governments and local self-governing bodies functioning as contractors were observed only in Japan. However, we could observe other types of local residents' participation in the systems of nonprofit social service contracting in both countries. For example, local residents' participation in governance mechanisms, open meetings, and local residents' involvement as volunteers occurred frequently in both countries.

18. We looked for several kinds of self-governing bodies organized by local residents in both countries. In Korea, resident autonomy committees, tong-ban bodies, Saemaul Movement organizations, and other resident committees, as well as resident voluntary organizations functioning as service users in the system of nonprofit social service contracting-out were surveyed. In Japan, self-governing bodies such as *ji-chi-kai* and *cho-nai-kai* were surveyed.

Full-Scale Surveys

After the revision of the pilot survey questionnaires, we designed three full-scale survey questionnaires: municipal government questionnaires, nonprofit contractor questionnaires, and local resident questionnaires. Full-scale surveys were conducted from 2009 to 2010 in both countries.

The respondents in the two countries were quite different in respect to the local self-governing bodies. Based on the results of the pilot survey, we were able to categorize four representative types of local residents' participation in the system of nonprofit social service contracting-out: (1) inclusion of local residents themselves as members of nonprofit contractors, (2) participation of local residents in governance mechanisms of nonprofit contracting facilities, such as advisory committees, (3) open meetings between local residents and nonprofit contractors or their managers, and (4) involvement of local residents as volunteers in the system of nonprofit social service contracting-out.¹⁹

To explore the similarities and differences of nonprofit social service contracting processes and the relationships among municipal governments, nonprofit contractors and local residents in both countries, full-scale surveys of the managers of municipal governments were first conducted. In selecting sample municipalities, we used convenience sampling methods in both countries. Seoul metropolitan city and Gyeonggi province in Korea and Kanagawa and Yamagata prefectures in Japan were chosen to make comparisons between urban and rural areas.²⁰ Because they were selected by non-probability sampling methods due to time and cost constraints, we admit that these samples are not representative enough of the population.

To evaluate the effects of local self-governing bodies' participation as contractors in the system of social service contracting-out, and to observe how leading municipalities of prefecture governments cope with contracting practices, we selected parts of municipalities that had introduced the local autonomy district system and seat cities of

19. Of these four types of local residents' participation, the first type only exists in Japan. Therefore, we decided to only ask Korean respondents about their perceptions related to the first type of local residents' participation, and their thoughts on the adoption of this kind of institution by Korea, and to exclude this from our direct comparative analysis.

20. Municipalities in Seoul metropolitan cities represent the most urban areas in Korea, whereas municipalities in Gyeonggi province include both urban areas near Seoul in some districts and rural areas in other districts. In comparison, municipalities in Kanagawa prefecture represent urban areas near the Tokyo metropolitan, whereas municipalities in Yamagata prefecture and municipalities that have introduced the local autonomy district system in other prefectures represent rural areas.

prefecture governments in Japan.²¹ After determining the scope of sampling for municipal governments, we then used quota sampling and convenience sampling methods in both countries. Seoul metropolitan city consisted of 25 self-governing districts (*gu*), and Gyeonggi province consisted of 27 cities (*si*) and four counties (*gun*). Since we decided to select three representative samples for each district in Seoul metropolitan city, and for each city and county in Gyeonggi province, by quota sampling methods, the total number of sample questionnaires for municipal governments (n=168) was 75 in Seoul metropolitan city and 93 in Gyeonggi province. The sample of municipalities in Japan (n=149) was drawn from the following five groups by quota sampling and convenience sampling methods: 28 cities (*shi*) in Kanagawa prefecture, 32 cities (*shi*) in Yamagata prefecture, 28 cities (*shi*) that have introduced the local autonomy district system, 33 cities (*shi*) that are the seats of prefecture governments, and 28 other municipalities (*shi or ku*) in Tokyo metropolis and other prefectures.²²

To gather data on municipal governments, mail surveys were primarily used in Korea and e-mail surveys in Japan. Follow-up interviews were conducted in both countries to inquire about obscure survey responses. To collect the mail or e-mail address lists of municipal governments in both countries, we searched official websites first and then collected the surveys with the help of public managers of the Health and Welfare Bureau, the Woman and Family Affairs, the Welfare and Woman's Policy Bureau, the Self-Governing Bureau in Seoul metropolitan city and Gyeonggi province in Korea, and in Kanagawa, Yamagata, and other prefectures in Japan.

Based on these address lists, the first set of questionnaires were mailed or e-mailed to the managers of municipal governments who were in charge of nonprofit social service contracting-out. Of the total number of questionnaires in Seoul metropolitan city (75) and Gyeonggi province (93), 47 and 33 respectively were completed and returned. The response rate was about 48 percent in Korea.²³ In comparison, among 149 municipalities in Japan, 23 in Kanagawa prefecture, 32 in Yamagata prefecture, 21 in cities

21. Because most of the municipalities that have introduced the local autonomy district system—such as Ichinoseki, Uda, Amami, Nobeoka, Oshu, and Okote—had experienced the merger of municipalities, they are mainly located in rural areas. Kumamoto, Hiroshima, and Aomori are examples of cities that are seats of prefecture governments, and Hukuoka prefecture and Miyagi prefecture are parts of other prefectures.

22. In the Japanese case, the total sample included the municipalities whose e-mail addresses could be found on their websites. For example, among 35 municipalities in Yamagata prefecture, only 32 e-mail addresses could be found. Among 47 seat cities of prefectural governments, we could find only 33 e-mail addresses.

23. Based on the fact that each municipal government in Seoul metropolitan city and Gyeonggi province has already contracted out with nonprofits, we were able to design quota sampling.

that have introduced the local autonomy district system, 25 in cities that are the seats of prefecture governments, and 14 in Tokyo metropolis and other prefectures completed and returned surveys. The response rate in Japan was about 77 percent.

Samples of nonprofit contractors and local residents were selected based on the recommendations of each municipal manager who was included in the municipal government samples. Based on these recommendations, we drew the nonprofit contractor samples and local resident samples by quota sampling in Korea and convenience sampling in Japan. Samples of contractors employed the same methods as those of municipal governments. In addition, mail surveys in Korea and interview surveys in Japan were conducted in order to gather data on nonprofit contractors and local residents (see table 4).

Table 4. Total Questionnaires and Responses

Type of questionnaire	Korea		Japan	
	Questionnaires	Responses	Questionnaires	Responses
Municipal governments	168	80	149	115
Nonprofit contractors	168	57	21	21
Local residents	168	66	21	21
Total	504	203	191	157

Questionnaire Items and Data Analysis Method

Based on the results of the pilot survey and other survey research (ICMA, 1992, 1997, 2002, 2007; Van Slyke, 2003; Marvel & Marvel, 2007; American State Administrators Project, 1998), we developed three comprehensive questionnaires; the main categories of questions are described in table 5. The unit of analysis for the surveys was the individual contractual relationship between municipal government and private nonprofit contractor.

Table 5. Full-Scale Survey Items

Questionnaire	Categories of questions
Municipal governments	1. Characteristics of contracting-out and nonprofit contractors 2. Relationship between contractors and local residents 3. Local-self governing environments
Nonprofit contractors	1. Characteristics of contracting-out and nonprofit contractors 2. Relationship between contractors and local residents
Local residents	1. Main features of local residents as partners in contracting-out 2. Relationship between local residents and municipal governments 3. Relationship between local residents and nonprofit contractors

To ascertain whether there were statistical differences between the two countries in respondents' perceptions of the effects of local residents' participation on service responsiveness, we used an independent sample t-test analysis, and verified that statistical differences do exist between the municipal managers' and nonprofit managers' perceptions.

Results and Findings

This section presents descriptive statistics of three types of survey respondents and three types of survey results for municipal government questionnaires, nonprofit contractor questionnaires, and local resident questionnaires. In the case of the local resident survey, it should be noted that there were many differences between the two countries in types and levels of local residents' participation. As mentioned earlier, local self-governing bodies in Korea cannot serve as contractors. For this reason, we will only present the main features of local residents, and the collaborative relationship between local residents and municipal governments or nonprofit contractors broadly, except the direct comparison between the two countries.

Descriptive Statistics of the Respondents

Municipal government and nonprofit contractor surveys showed no significant differences between the two countries in age, gender, and the number of service years concerning social service contracting-out. More than 80 percent of municipal respondents replied that the average number of service years for social service contracting-out was more than five (see table 6). But a considerable number of nonprofit contractor respondents (32 percent) replied that the average number of service years for social service contracting-out was less than five. This result shows that the turnover rate for nonprofit managers was higher than that of municipal managers (see table 7).

Table 6. Municipal Managers

Age	20s	30s	40s	50s and over	
	9.3%	52.3%	32.7%	2.2%	
Gender	Male		Female		
	41.5%		51.3%		
Years	Less than 5	5-10	10-15	15-20	More than 20
	15.4%	32.3%	13.8%	21.5%	4.6%

Table 7. Nonprofit Contractors

Age	20s	30s	40s	50s and over	
	7.7%	44.6%	35.4%	7.7%	
Gender	Male		Female		
	26.1%		72.6%		
Years	Less than 5	5-10	10-15	15-20	More than 20
	32.4%	37.1%	13.8%	11.4%	0.4%

However, several of the demographic variables of the local residents in the two countries were quite different (see table 8). Korean local resident respondents mainly included individuals or organizations that participate in the governance mechanisms of nonprofits, open meetings with nonprofit managers, or volunteer activities in the system of nonprofit contracting-out. In contrast, Japanese local resident respondents mostly consisted of local self-governing bodies that become contractors themselves in the system of nonprofit contracting-out.

Table 8. Local Residents

Age	20s	30s	40s	50s and over
Korea	0.0%	4.6%	26.2%	55.4%
Japan	4.5%	0.0%	13.6%	81.8%
Gender	Male		Female	
Korea	64.6%		21.5%	
Japan	81.0%		19.0%	
Education	Secondary school	High school	Technical/junior college	University/graduate school
Korea	0.0%	9.2%	29.2%	46.1%
Japan	0.0%	71.4%	4.8%	23.8%
Occupation	Homemaker	Retiree	Self-employed	Other
Korea	9.2%	6.2%	44.6%	26.2%
Japan	9.1%	72.7%	9.1%	9.0%
Income level	Low		Average	High
Korea	16.9%		33.9%	26.1%
Japan	42.9%		47.6%	9.5%

For this reason, we are able to identify distinctions between the two countries in some of the demographic variables of local residents. First, the majority of local residents in

both countries were over 50 years old, but Korean local residents were slightly younger. Second, male respondents were more numerous than females in both countries, more conspicuously so in the Japanese case. Third, the education level was higher among local resident respondents in Korea. Fourth, nearly half of Korean local resident respondents were self-employed, but more than 70 percent of Japanese respondents were retirees. In both, most local resident respondents were in the low- or average-income group, but more respondents in Korea were in the high-income group.

Municipal Government Survey Results

In the first set of questionnaire items for municipal governments, regarding the characteristics of social service contracting-out and nonprofit contractors, the great majority of Korean municipal governments chose the main reasons for social service contracting-out as “improving of the quality of public services” and “using external civic expertise,” whereas the great majority of Japanese municipal governments selected “reducing government spending and the number of public servants.” More than 10 percent of Korean municipal government managers agreed that the quality of facility management deteriorated after contracting-out, whereas no Japanese municipal government managers agreed. Korean municipal governments used more varied methods for supervising than their Japanese counterparts. Both governments had similarities in that management reports were most frequently used. These results are described in more detail in table 9.

Table 9. Municipal Managers' Responses on Contracting-Out and Nonprofit Contractors

01	The biggest reason for contracting-out: (1) reducing government spending and number of public servants; (2) improving the quality of public services; (3) developing the local economy; (4) expanding residents' participation in public service delivery; (5) request from central government; (6) improving responsiveness of service delivery; (7) expanding public service delivery; (8) using external civic expertise; (9) reducing administrative burden of public servants or agency; (10) other									
	1	2	3	4	5	6	7	8	9	10
Korea	12.8%	29.6%	6.4%	3.8%	5.1%	1.3%	6.4%	26.9%	7.7%	0.0%
Japan	60.0%	27.0%	0.9%	3.5%	0.9%	5.2%	0.9%	4.3%	0.0%	0.0%
02	Kinds of contracting facilities for private nonprofit organizations: (1) facility for the elderly; (2) facility for the handicapped; (3) other social welfare facility such as a nursery; (4) sporting facility; (5) other									
	1	2	3	4	5					
Korea	48.3%	45.0%	78.3%	45.0%	18.3%					
Japan	72.2%	48.7%	67.8%	51.3%	76.5%					

03	The main reason for selecting nonprofit organization as a contractor: (1) low proposed contract costs; (2) expertise and experience managing the same kind of facilities; (3) deep involvement in community activities; (4) political connection; (5) contractor's reputation; (6) financial or staff size; (7) demand of local residents; (8) other							
	1	2	3	4	5	6	7	8
Korea	1.6%	65.7%	20.3%	0.0%	1.6%	4.7%	4.7%	1.4%
Japan	2.7%	57.3%	23.6%	0.0%	0.9%	1.8%	3.6%	11.8%
04	Quality of facility management provided by nonprofit organization: (1) severely deteriorated; (2) moderately deteriorated; (3) no change; (4) improved; (6) much improved							
	1	2	3	4	5			
Korea	3.4%	8.5%	23.7%	61.0%	3.4%			
Japan	0.0%	0.0%	35.8%	62.4%	1.8%			
05	Supervising methods by municipal government: (1) physical inspection of the facility; (2) management report; (3) citizen satisfaction survey; (4) monitoring the civil appeal; (5) regular meeting with contractor; (6) other							
	1	2	3	4	5	6		
Korea	78.2%	85.7%	58.4%	48.1%	71.4%	67.9%		
Japan	41.7%	87.0%	24.3%	40.9%	33.9%	9.6%		
06	Ratings from user satisfaction survey: (1) very low; (2) low; (3) average; (4) good; (5) very good							
	1	2	3	4	5			
Korea	0.0%	13.3%	30.0%	53.4%	3.3%			
Japan	0.0%	0.0%	14.7%	76.5%	8.8%			
07	Conditions that nonprofit organizations needed to manage contracting facilities appropriately: (1) Personnel (number of staff); (2) personnel (capability and expertise of staff); (3) personnel (number of active volunteers); (4) financial strength; (5) cooperation with community associations; (6) use of grass-roots volunteers; (7) increase of job opportunities; (8) other							
	1	2	3	4	5	6	7	8
Korea	8.8%	33.1%	7.5%	20.6%	10.6%	8.1%	1.9%	1.9%
Japan	16.1%	33.9%	0.4%	27.8%	8.7%	0.0%	1.7%	2.2%

The second part of the municipal government surveys, concerning the relationship between nonprofit contractors and local residents (see table 10), showed both similarities and differences in municipal governments' evaluations of the effect of local residents' participation on service responsiveness in the system of nonprofit contracting-out.²⁴ In

24. To measure the managers' evaluations of municipality governments, the survey used 5-point

this category, service responsiveness was measured by the average score of two variables: quality of services and residents' satisfaction. The most striking difference between the two countries was that none of the Japanese municipal government respondents disagreed with the effects of all four types of local residents' participation on service responsiveness, while some of the Korean municipal government respondents did disagree. However, more than 60 percent of both nations' municipal respondents agreed that three types of local residents' participation had a positive effect on service responsiveness.

Table 10. Municipal Managers' Responses on the Relationship between Local Residents and Nonprofit Contractors

08	Inclusion of local self-governing bodies as nonprofit contractors contributes to more responsive social service delivery.				
	1 (disagree strongly)	2 (disagree)	3 (neutral)	4 (agree)	5 (agree strongly)
Japan	0.0%	0.0%	34.7%	59.2%	6.1%
09	Participation of local residents in the governance mechanisms of the nonprofit contracting-out system contributes to more responsive social service delivery.				
	1	2	3	4	5
Korea	3.0%	15.2%	18.2%	62.1%	1.5%
Japan	0.0%	0.0%	36.0%	60.7%	3.4%
10	Open meetings between local residents and nonprofit contractors contribute to more responsive social service delivery.				
	1	2	3	4	5
Korea	8.9%	13.3%	11.1%	66.7%	0.0%
Japan	0.0%	0.0%	16.0%	76.6%	7.4%
11	Involvement of local residents as volunteers in the nonprofit contracting-out system contributes to more responsive social service delivery.				
	1	2	3	4	5
Korea	4.5%	0.0%	25.4%	53.7%	16.4%
Japan	0.0%	0.0%	29.6%	64.3%	6.1%

In the last part of the municipal government surveys, concerning the local self-governing environments of the two countries (see table 11), twice as many Japanese as Korean respondents agreed that local residents' organizations have been active for the

Likert scales, such as 1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree; 4 = agree; 5 = strongly agree.

past five years. This suggests that the Korean municipal government respondents have less faith in the activities of local residents' organizations to solve community-related problems than the Japanese.

Table 11. Municipal Managers' Responses on the Local Self-Governing Environment

13	The level of residential participation in solving community-related problems: (1) very weak; (2) weak; (3) neither strong nor weak; (4) strong; (5) very strong					
	1	2	3	4	5	
Korea	0.0%	5.3%	54.4%	33.3%	7.0%	
Japan	0.9%	3.5%	41.6%	46.9%	7.1%	
14	Types of local residents' collaborative organizations: (1) community-based organizations; (2) mission-based organizations; (3) organizations established by the government which local residents are obliged to join; (4) other					
	1	2	3	4		
Korea	47.4%	14.0%	0.0%	21.8%		
Japan	97.4%	27.0%	4.3%	3.5%		
15	Local residents' organizations have been active during the past five years. (1 = disagree strongly; 5 = agree strongly)					
	1	2	3	4	5	
Korea	0.0%	15.9%	54.0%	28.6%	1.5%	
Japan	0.9%	0.9%	38.1%	53.1%	7.1%	
16	Types of relationships between local residents' collaborative organizations and municipal government: (1) information sharing; (2) informal cooperation; (3) subsidy (not contracting-out); (4) contracting-out; (5) full cooperation (organizing committee); (6) other					
	1	2	3	4	5	6
Korea	58.1%	24.2%	30.6%	29.0%	22.6%	4.8%
Japan	71.3%	30.4%	78.3%	54.8%	26.1%	11.3%
17	Local residents' organizations are carrying out their own activities to solve community-related problems. (1 = disagree strongly; 5 = agree strongly)					
	1	2	3	4	5	
Korea	0.0%	2.7%	20.4%	63.7%	13.3%	
Japan	4.7%	20.4%	35.9%	35.9%	3.1%	

Nonprofit Contractor Survey Results

The first set of questions for nonprofit contractors addresses the main characteristics of social service contracting-out and nonprofit contractors. Korean respondents identified 95 percent of their country's nonprofits as "social welfare corporations" or

“public interest institutions,” while Japanese respondents identified a substantial proportion as “specified nonprofit corporations” or “local self-governing bodies.” In this respect, we can see that more officially established organizations play a central role in the system of nonprofit social service contracting-out in Korea, whereas smaller community-level organizations are more active in Japan.

On the question of the most important revenues that they now receive for stable management of the organization, the great majority of nonprofit contractor respondents in both countries selected “subsidies or grants-in-aid from the government.” The second choice was “profits from business activities,” which was chosen by a slightly higher percentage of Korean contractor respondents than Japanese ones. This suggests that nonprofit contractors were strongly concerned with business activities and their profits; this tendency was stronger in Korea than in Japan. In both countries, “member fees and donations” were minor contributors, while the government was the most reliable contributor. The results on the question of the revenues that they most hope will be increased reveal that nonprofit contractors in both countries hoped that the government would increase funding, while recognizing the necessity of business profits more conservatively, and showed relatively little concern regarding membership fees, which were to be increased.

Regarding types of partnership with municipal government, most Korean respondents chose “subsidy” or “contracting-out,” while almost all Japanese respondents selected “contracting-out” or “information sharing.” This demonstrates that financial connections between municipal governments and nonprofit contractors were stronger in Korea, while non-financial connections such as information sharing were stronger in Japan. These results are presented in more detail in table 12.

Table 12. Nonprofit Contractors' Responses on Contracting-Out and Nonprofit Contractors

01	Type of organization: (1) Public interest institution; (2) social welfare corporation; (3) specified nonprofit corporation; (4) local self-governing body; (5) other				
	1	2	3	4	5
Korea	27.8%	66.7%	1.9%	0.0%	3.7%
Japan	4.8%	47.6%	23.8%	14.3%	9.5%
02	There is room for improving facility management by making use of original contracting ideas and methods. (1 = strongly disagree; 5 = strongly agree)				
	1	2	3	4	5
Korea	0.0%	0.0%	1.8%	61.4%	36.8%
Japan	0.0%	9.5%	19.0%	47.6%	23.8%

03	Expertise of nonprofit contractors constitutes an important part of managing the facility. (1 = strongly disagree; 5 = strongly agree)				
	1	2	3	4	5
Korea	0.0%	0.0%	7.0%	47.4%	45.6%
Japan	0.0%	9.5%	9.5%	66.7%	14.3%
04	Nonprofit contractors carry out activities that are stipulated in their own statutes for managing the facility. (1 = strongly disagree; 5 = strongly agree)				
	1	2	3	4	5
Korea	0.0%	0.0%	5.3%	57.9%	36.8%
Japan	14.3%	19.0%	9.5%	52.4%	4.8%
05	Activities for managing the facility that are stipulated in nonprofit contractors' own statutes contribute to more responsive social service delivery. (1 = strongly disagree; 5 = strongly agree)				
	1	2	3	4	5
Korea	0.0%	0.0%	18.2%	67.3%	14.5%
Japan	0.0%	7.1%	21.4%	71.4%	0.0%
06	We conduct a user satisfaction survey.				
	Yes			No	
Korea	93.0%			7.0%	
Japan	57.1%			42.9%	
07	Ratings of user satisfaction surveys: (1) very low; (2) bad; (3) average; (4) good; (5) very good				
	1	2	3	4	5
Korea	0.0%	0.0%	5.7%	83.0%	11.3%
Japan	0.0%	0.0%	16.7%	66.7%	16.7%
08	This contract contributes to strengthening the organizational (personnel and financial) foundations of nonprofit contractors. (1 = strongly disagree; 5 = strongly agree)				
	1	2	3	4	5
Korea	3.5%	5.3%	24.6%	59.6%	7.0%
Japan	0.0%	4.8%	28.6%	52.4%	14.3%
09	Necessary revenues for stable management of the facility: (1) subsidies or grants-in-aid from the government; (2) membership fees; (3) profits from business activities; (4) other				
	1	2	3	4	
Korea	98.2%	24.6%	63.2%	73.7%	
Japan	66.7%	14.3%	42.9%	4.8%	

10	Preferable revenue for stable management of the facility: (1) subsidies or grants-in-aid from the government; (2) membership fees; (3) profits from business activities; (4) other					
	1	2	3	4		
Korea	89.5%	1.8%	36.8%	68.4%		
Japan	57.1%	9.5%	38.1%	4.8%		
11	Types of partnership with municipal government: (1) information sharing; (2) informal cooperation; (3) subsidy (not contracting-out); (4) contracting-out; (5) full cooperation (organizing committee); (6) other					
	1	2	3	4	5	6
Korea	64.9%	45.6%	91.2%	92.5%	7.0%	36.8%
Japan	90.5%	23.8%	33.3%	100.0%	19.0%	4.8%

The second category of questions in the nonprofit contractor surveys addressed the relationship between nonprofit contractors and local residents and its effect on service responsiveness. To the question of whether local residents were included as members of nonprofit contractors, none of the Korean nonprofit contractor respondents replied yes, but more than two-thirds of Japanese respondents did. Respondents in both countries agreed that inclusion of local residents as members of nonprofit contractors contributed to more responsive service delivery, even though that option has not been introduced in Korea yet. Responses are described in more detail in table 13.

Table 13. Nonprofit Contractors' Responses on the Relationship between Local Residents and Nonprofit Contractors

12	Local residents are included as members of nonprofit contractors.				
	No	Yes			
Korea	100.0%	0.0%			
Japan	30.0%	70.0%			
13	Inclusion of local residents as members of nonprofit contractors contributes to more responsive social service delivery. (1 = strongly disagree; 5 = strongly agree)				
	1	2	3	4	5
Korea	0.0%	86.5%	2.4%	3.5%	7.1%
Japan	0.0%	0.0%	6.7%	60.0%	33.3%
14	Local residents participate in the governance mechanisms of nonprofits.				
	No	Yes			
Korea	66.1%	33.9%			
Japan	50.0%	50.0%			

15	Participation of local residents in the governance mechanisms of nonprofits contributes to more responsive social service delivery. (1 = strongly disagree; 5 = strongly agree)				
	1	2	3	4	5
Korea	0.0%	4.5%	9.1%	68.2%	18.2%
Japan	0.0%	6.7%	26.7%	53.3%	13.3%
16	There are meetings or get-togethers between nonprofit managers and local residents.				
	No			Yes	
Korea	80.0%			20.0%	
Japan	28.6%			71.4%	
17	Open meetings between local residents and nonprofit managers contribute to more responsive social service delivery. (1 = strongly disagree; 5 = strongly agree)				
	1	2	3	4	5
Korea	0.0%	2.5%	2.5%	45.0%	7.5%
Japan	0.0%	0.0%	17.6%	70.6%	11.8%
18	There is involvement of local residents as volunteers in the system of nonprofit social service contracting.				
	No			Yes	
Korea	29.1%			70.9%	
Japan	23.8%			76.2%	
19	Involvement of local residents as volunteers in the system of nonprofit social service contracting-out contributes to more responsive social service delivery. (1 = strongly disagree; 5 = strongly agree)				
	1	2	3	4	5
Korea	0.0%	0.0%	0.0%	51.9%	48.1%
Japan	0.0%	0.0%	6.3%	81.3%	12.5%

Local Resident Survey Results

Questionnaire items addressing local residents were divided into three parts. However, we will not compare all survey results between the two countries directly here, because the two countries' respondents differed. Most Japanese respondents were members of local self-governing bodies, so some questions at the organizational level were developed only for them.

The participation rate of local residents in the system of nonprofit social service contracting-out was reported as more than 80 percent in both countries. More than two-thirds of Korean respondents agreed that local residents have a close relationship

with their municipal government; they selected “information sharing” and “informal cooperation” as the most frequent types of partnership with municipal government. Japanese respondents selected “information sharing” and “contracting-out.” While “participation as volunteers” was most frequently selected in Korea, “periodic meetings” was most frequently selected in Japan. Questions in this part of the survey are detailed in table 14.

Table 14. Local Resident Questionnaire Items

01	Participation rate; number of executives (only in the case of organizations)
02	Features of active members: age, gender, education level, income level, occupation
03	Relationship with municipal government (from very weak to very strong on a five-point scale)
04	Types of partnership with municipal government: information sharing, informal cooperation, subsidy, contracting-out, full cooperation, other
05	Type of participation in the system of nonprofit social service contracting-out: inclusion as a member of a nonprofit contractor, participation in governance mechanism, periodic meetings to exchange information and opinions concerning the management of the facility, participation as volunteers
06	Inclusion of local residents as members of nonprofit contractors contributes to more responsive social service delivery. (disagree or agree on a 5-point scale)
07	Participation of local residents in the governance mechanisms of nonprofits contributes to more responsive social service delivery. (disagree or agree on a 5-point scale)
08	Open meetings between local residents and nonprofit contractors contribute to more responsive social service delivery. (disagree or agree on a 5-point scale)
09	Involvement of local residents as volunteers in the system of nonprofit contracting-out contributes to more responsive social service delivery. (disagree or agree on a 5-point scale)

Independent Sample T-test Results

To assess statistical differences between Korean and Japanese respondents in the mean scores of each type of survey response, we conducted an independent sample t-test analysis. We excluded all the local resident survey results in the direct t-test comparison analysis, because of the conspicuous differences between respondents in the two countries. We also excluded the first type of participation of local residents, since local self-governing bodies are only able to serve as nonprofit contractors in Japan.

By allocating one to five points based on the responses (strongly disagree to strongly agree), we were able to measure the mean values of the municipal governments’ and nonprofit contractors’ responses as shown in tables 15 and 16. In both tables, the fact that all the mean values are greater than three reveals that the managers

of municipal governments and nonprofit contractors in both countries perceived the positive effect of the three types of participation by local residents on responsiveness.

Table 15. Independent T-test Results for Municipal Managers

Variables	Country	N	Mean	t	Sig. (two-tailed)
Participation in governance mechanisms	Korea	66	3.44	-1.918	0.058
	Japan	89	3.67		
Open meetings with local residents	Korea	45	3.36	-3.480	0.001**
	Japan	94	3.91		
Involvement of local residents as volunteers	Korea	67	3.78	0.089	0.929
	Japan	98	3.77		

Equal variances not assumed.

* Significant at 0.001.

Table 16. Independent T-test Results for Nonprofit Contractors

Variables	Country	N	Mean	t	Sig. (two-tailed)
Participation in governance mechanisms	Korea	44	4.00	1.252	0.216
	Japan	15	3.73		
Open meetings with local residents	Korea	23	4.00	0.315	0.754
	Japan	17	3.94		
Involvement of local residents as volunteers	Korea	54	4.48	3.218	0.003*
	Japan	16	4.06		

Equal variances not assumed.

* Significant at 0.005.

As reported in table 15, the respondents from Korean municipal governments obtained a lower mean score than their Japanese counterparts, except for the voluntary involvement item. As such, the respondents from Korean municipal governments had more negative perceptions regarding the effect of participation in the governance mechanisms of nonprofits, and of open meetings with local residents, on service responsiveness. Also, the results indicate that there was a strong statistically significant difference between the mean values of open meetings ($p = 0.001$).²⁵

25. In the case of municipal government surveys, the number of service years of municipal managers could affect their evaluation of the effects of local residents' participation. To verify whether this was the case, we conducted a one-way ANOVA test using the Korean

Table 16 shows the opposite results when compared to those of local governments. Korean nonprofit respondents obtained a higher mean score than their Japanese counterparts in nonprofit respondent surveys. This suggests that Korean nonprofit respondents have more positive perceptions related to the effect of the participation in governance mechanisms of nonprofits, open meetings with local residents, and the involvement of local residents as volunteers on service responsiveness than the Japanese respondents. There was also a statistically significant difference in the mean values of the volunteer involvement variable ($p = 0.003$).

CONCLUSIONS AND DISCUSSION

Focusing on local residents' participation as an important new factor of service responsiveness in the system of nonprofit social service contracting-out, we first attempted to show what the common elements and differences were in the relationships among municipality governments, nonprofit contractors, and local residents in Japan and Korea by using three types of survey data.

Many common elements are shared by the two countries in nonprofit social service contracting-out. In the relationship between municipal governments and nonprofit contractors, the contractors were selected based on their expertise and experience in similar kinds of facilities, and the capability and expertise of nonprofit staff and the financial strength of the facilities were the most necessary conditions for nonprofit organizations to manage the facilities appropriately. Municipal governments in both countries have also made use of various methods for supervising the contractors' responsiveness, such as management reports, regular meetings, and physical inspections. Nonprofit contractors in the two countries have mostly depended upon government funding. Profits from business activities formed the next greatest portion of their income and were also mentioned as a source that they preferred to be increased, while membership fees received the least attention as a revenue resource.

municipal government survey data. The Japanese cases could not be analyzed because of the lack of data. Korean municipal government respondents were divided into two groups: those who had served less than 10 years and more than 10 years. The descriptive statistics and the one-way ANOVA test results are summarized in Appendix Table 1. The results show that the higher the number of service years of municipal managers, the lower the mean values of their perception of all three effects of local residents' participation on service responsiveness. However, there were no significant differences between the two groups statistically. Therefore, further research should be carried out after extracting sufficient compatible data.

In spite of their similarities in many respects, we found some differences in the relationships between municipal governments and nonprofit vendors. Though management reports were most frequently used in both countries, Korean municipal governments used more varied methods for supervising contractors' service responsiveness than their Japanese counterparts did, such as physical inspection, citizen satisfaction surveys, and regular meetings with the contractors. Also, Korean nonprofits were more frequently managed by the specific statutes of the facilities than were Japanese nonprofits. This is because local self-governing bodies that were community-based organizations without a strong mission were included as nonprofit contractors in Japan. In addition, whereas subsidy was the most common type of partnership between government and vendors in Korea, information sharing was the most common type in Japan. This means that financial connections between municipal governments and nonprofit vendors were relatively important in Korea, while non-financial connections were more important in Japan.

Relationships between nonprofit contractors and local residents in the two countries were quite different, because of the distinct local self-governing environments in the system of nonprofit social service contracting-out. The biggest difference between the two countries is that while Japanese local self-governing bodies can themselves be contractors and actively participate in the system of nonprofit social service contracting-out, especially in rural areas, Korean local self-governing bodies can almost never be contractors themselves, although they can actively participate in the system of nonprofit social service contracting-out. As a result, we might conclude that Korean municipal governments and nonprofit contractors were loosely connected and collaborated with local residents as partners in the contracting system for more responsive service delivery, while Japanese municipal governments and nonprofit contractors were more closely connected and collaborated with local self-governing bodies throughout the entire contracting system for a more responsive service delivery.

After conducting pilot surveys and full-scale surveys with the three types of respondents in both countries, we identified and categorized the current types of local residents' participation in nonprofit social service contracting-out into inclusion of local residents themselves as members of nonprofit contractors, participation of local residents in the governance mechanisms of nonprofit facilities, open meetings between local residents and nonprofit contractors, and involvement of local residents as volunteers in nonprofit facilities.

Finally, using an independent sample t-test analysis, we verified that Japanese municipal managers had more positive and statistically significant perceptions of the effects of open meetings with local residents for more responsive service delivery than the Korean respondents, and Korean nonprofit managers had more positive and statis-

tically significant perceptions of the effects of involvement as volunteers for more responsive service delivery than the Japanese respondents.

This study has several limitations attributable to the problem of perception data, small sample size, particularly in terms of the contractors and the local residents in Japan, and the need for a more specific design to test the effect of local residents' participation on service responsiveness. In this study, we only observed the respondents' individual perceptions or subjective evaluations of the effect of local residents' participation on service responsiveness. Future research is needed that collects larger samples and considers the characteristics of the respondents, such as number of service years, in order to better generalize the specific results. Furthermore, hard data or separately collected data on all the variables would be useful in order to test the effect of local residents' participation on service responsiveness.

Appendix Table 1. Descriptive Statistics and One-Way ANOVA Test Results

Variables	Descriptive statistics					ANOVA test (between groups)		
	Group	N	Mean	Std. deviation	Std. error	Sum of squares	F	Sig.
Participation in governance mechanisms	1	23	3.38	1.117	0.244	0.921	0.734	0.397
	2	18	3.06	1.124	0.281			
Open meetings with local residents	1	16	3.44	1.153	0.288	3.288	2.049	0.165
	2	11	2.73	1.421	0.428			
Involvement as volunteers	1	20	3.75	1.070	0.239	3.023	2.107	0.106
	2	17	3.18	1.334	0.324			

Equal variances not assumed.

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