

A STUDY OF STRUCTURING OF NEW MANAGEMENT SYSTEM FOR LOCAL GOVERNMENTS IN JAPAN

Takashi Goso¹, Shunji Kusayanagi², Seigo Nasu³ and Kotomi Uemoto⁴

¹ Postdoctoral Researcher, Social Management System Center, Kochi University of Technology, Kochi, Japan

² Professor, Infrastructure Systems Engineering, Kochi University of Technology, Kochi, Japan

³ Professor, Infrastructure Systems Engineering, Kochi University of Technology, Kochi, Japan

⁴ Ph.D Candidate, Department of Infrastructure Systems Engineering, Kochi University of Technology, Kochi, Japan

Correspond to goso.takashi@kochi-tech.ac.jp

ABSTRACT : Administrative works of local governments in Japan always have been led by central government. Local government organizations have gotten used to control of central government, whose organization is divided vertically into divisions. Such organizations as lack of cooperation of each administrative division could not define strategic goal appropriate for their district independently and could not give an efficient and optimized solution to their strategic goal. Under existing management system, it will be difficult for local governments to rapidly adapt to changing society. Under these circumstances, it is necessary for local governments to structure new management system independent on central government's instructions in order to manage appropriately.

Key words : Local Government, Organization, Decision-Making, Management System

1. INTRODUCTION

any local governments in Japan are in financial crisis. Administrative reform is necessary to provide enough service for residents. Local government's management system depends on control of the central government divided vertically into ministries. It is difficult to adapt to rapidly social change. Understanding resident's true "Needs" and proper service providing is necessary to manage local government appropriately. Appropriate organization, decision-making procedure and assessment tools are necessary to understand resident's true "Needs".

For this study, main researcher was stayed in public office and worked with officials about 10 months. Matters of discussion of municipal assembly, all administrative works in public office and decision-making procedures were investigated. Analysis of productivity improvement in administrative works and study of structuring new management system were carried out.

The purpose of this study is to structure an effective and efficient public management system, incorporating decision-making and productivity improvement analysis.

2. ADMINISTRATIVE SYSTEM OF LOCAL GOVERNMENTS IN JAPAN

2.1 History of and local governance system in Japan

Local governance system has been changed by the central government. Policy of the central government has been changing with the political and economic development.

Figure 1 shows Changes of local governance system and

number of municipalities. Before Meiji revolution (1868), Japan had over 70,000 villages. In 1872, these villages were restructured under 8,000 districts by new central government. Main purpose of this restructuring was resident registration. This registration was the database of military conscription. At that time, Japan was in crisis to be invaded. So, top priority of the central government was developing military strength. In 1873, the Conscription Law was enacted, and then modern military system began to be structured. In 1878, Japan got through crisis to be invaded, new districts were abolished and old villages system was come back.

Before Meiji revolution (1868), old Shogunate government concluded unequal treaties with the US, UK,

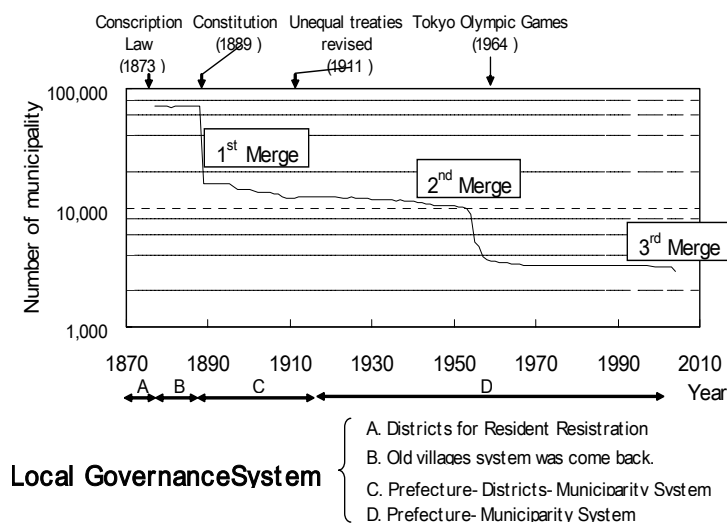


Figure 1. Changes of local governance system and number of municipalities in Japan

France, Russia and the Netherlands. New central government aimed at revising those treaties. Modern law and local governance system, and enough power of nation were necessary to revise those treaties. Central government formulated a policy for “Enhancing the wealth and military strength”. From 1888 to 1889, the central government led to 1st merge local governments; over 70,000 villages were restructured to about 16,000 municipalities. This merge was a preparation of establishing modern local governance system. In 1890, Prefecture-District-Municipality System was started. Around this time, modern law and governance system was structured. For example, Constitution was enforced in 1889, and 1st national assembly was convened in 1890. Through Sino-Japanese War (1894-1895) and Russo-Japanese War (1904-1905), western countries recognized modern law, modern local governance system and enough power of Japan. So, the unequal treaties concluded in 1868 were revised in 1911.

Local governance system of Japan was established under the policy for “Enhancing the wealth and military strength” until the end of World War II (WWII) by the central government. It was centralized governance system.

After WWII, “economic growth” was the top priority of the central government. Centralized governance system was enforced for efficient and effective economic growth. All local governments were controlled by the central government. Until 2000, the central government had controlled local governments in entrusting some kind of administrative works to local governments.

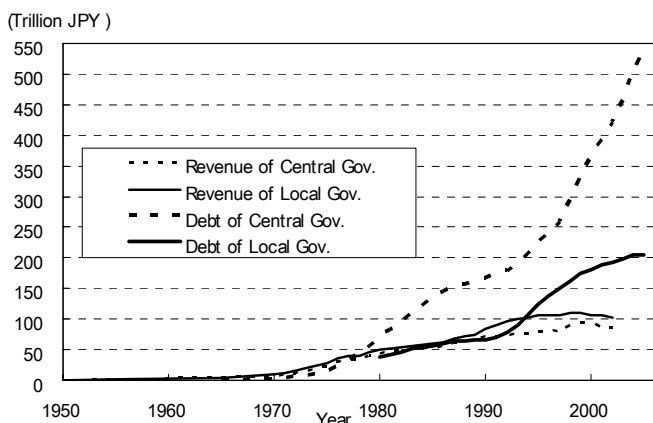


Figure 2. Revenue and Debt of Central and Local Gov.

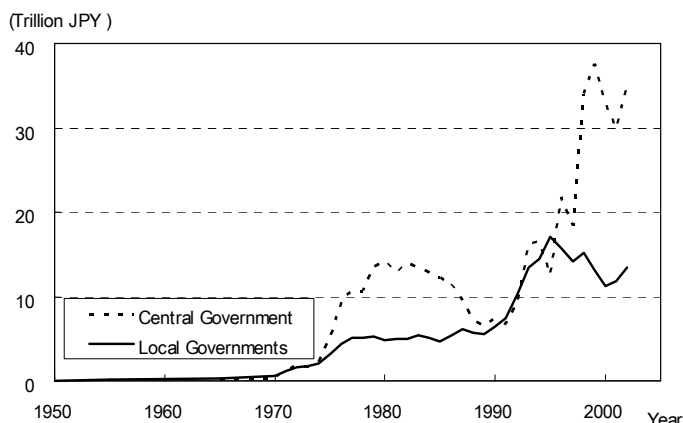


Figure 4. Annual National Bond and Local Bond.

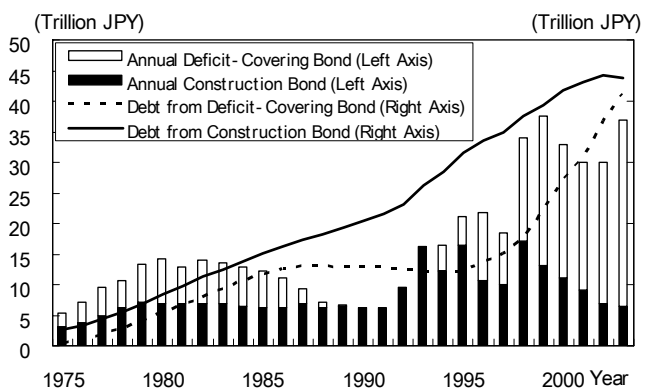


Figure 3. Annual National Bond.

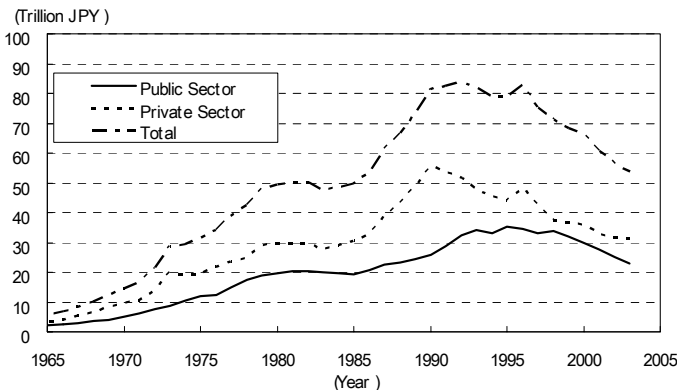


Figure 5. Construction Investment

From 1953 to 1956, the central government led to 2nd merge local governments; about 10,000 municipalities were restructured to about 3,500 municipalities. This merge aimed to develop ability of local governments for realizing effective economic growth. After WWII, Local governance system of Japan was established under “economic growth” policy.

Recently, 3rd merge of local governments is being carried out under “Decentralization” policy formulated by the central government. Economic growth was already realized. So, diversification of sense of value is carried out. It is difficult to lead every local government under the same policy made by the central government. But management system of local government is suitable to follow the central government’s policy. Management system of local government should be restructured to make enable them to make their policy by themselves.

2.2 Current condition of local government in Japan

Figure 2 shows revenue and debt of the Central and Local Government. In 2005, the central government was in debt for 538 trillion JPY, and local governments were in debt for 205 trillion JPY. Japan is facing financial crisis. Construction industry is blamed for this financial crisis. Is this true?

Figure 3 shows annual national bond. National bond is divided into deficit-covering bond and construction bond. After the end of the bubble economy, both deficit-covering and construction bond were increased. But, since middle of

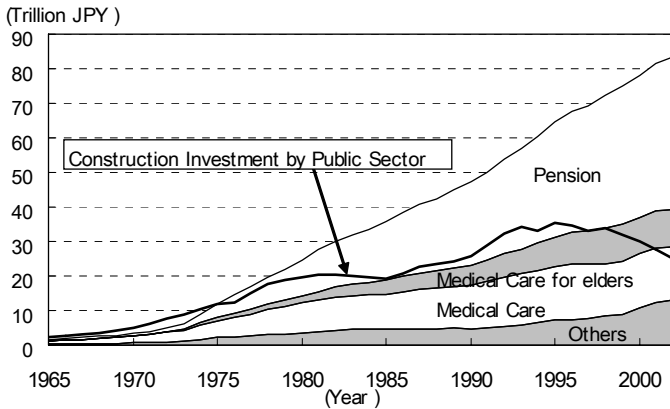


Figure 6. Construction investment by public sector and Social Security Budget

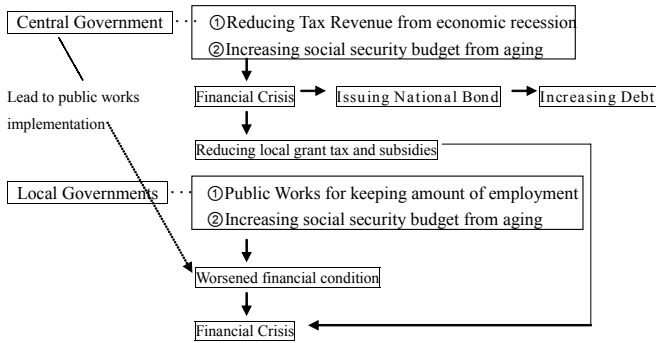


Figure 7. Mechanism of present financial crisis

1990's, construction bond was decreased for financial reconstruction. Figure 4 shows annual national bond and local bond. Generally, local bond is issued for implement construction projects. Since middle of 1990's, local bond was decreased in similar to construction bond of national bond. Figure 5 shows construction investment. Construction investment of public sectors was decreased from middle of 1990's. Reduction in construction investment led to decrease in construction bond and local bond.

Financial crisis are carrying out, in spite of construction bond and local bond were decreased as above. Main cause of present financial crisis is increased in deficit-covering bond.

Figure 6 shows construction investment of public sector and social security budget. Since beginning of 1970's, social security budget increased rapidly. Social security budget had exceeded construction investment of public sector.

Figure 7 shows mechanism of present financial crisis in Japan. Main causes of financial crisis of the central government were decrease in tax revenue and increase in social security budget. On the other hand, start of financial crisis of local governments was due to increase in public works. Amount of public works was decreased from middle of 1990's. But local grant tax and subsidies from the central government were reduced, and then financial condition of local governments became worse.

Causes of present financial crisis in Japan were decrease in tax revenue, increase in social security budget and public works for keeping amount of employment, and so on.

Table 1 shows source of revenue and annual profit of

Table 1. Source of revenue and annual profit of football stadium for World Cup 2002

Name	Project cost					Profit
	Total	General revenue	Subsidy	Local Bond	Others	
Sapporo Dome	42.2	-	-	29.6	12.6	+0.50
Miyagi Stadium	27.0	-	-	23.5	3.5	-2.02
Kashima Soccer Stadium	23.4	-	-	15.6	7.8	-1.50
Niigata Stadium	31.2	10.2	-	15.5	15.7	-1.80
Saitama Stadium	35.6	-	-	35.4	0.2	-6.90
International Stadium Yokohama	60.3	-	-	41.8	18.5	-1.64
Shizuoka Stadium	29.8	-	-	22.3	7.5	-3.30
Kobe Wing Stadium	23.0	5.3	9.7	8.0	15.0	+0.01
Oita Stadium	25.1	9.5	-	15.6	9.5	-2.50

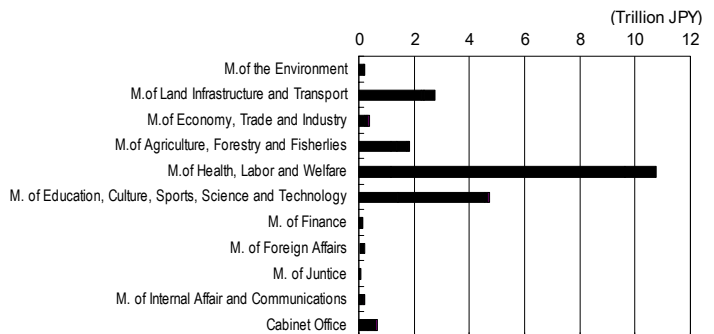
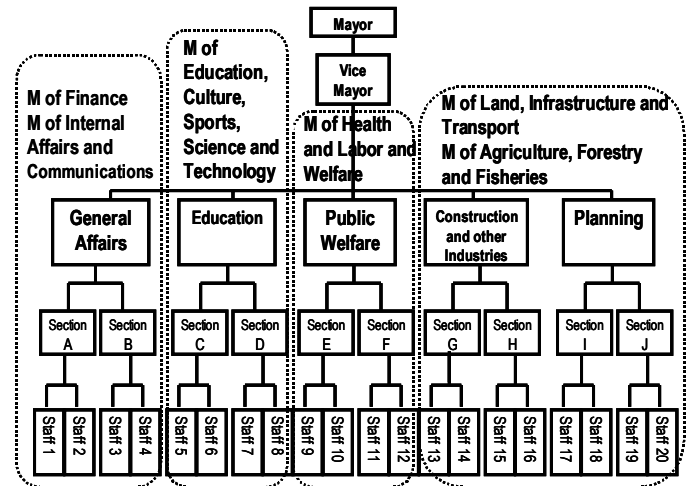


Figure 9. Amount of subsidy from each Ministry

football stadium for World Cup 2002. Many stadiums could not make profit. Background is that main purpose of public works and service providing is not to make profit. Benefit was not considered for decision-making. Therefore, evaluation standard became unclear, and then many service providing projects were implemented with overly optimistic outlook.

Moreover financial aid from the central government has led to implement projects. Not only subsidy but also local bond is financial aid from the central government. Because, to issue local bond, local governments were required to obtain approval of the central government, and part of debt from local bonds were often covered by the central government.

Main judgment standard of granting subsidy or local bond by the central government has been "fitting regulation or not". Feasibility has not been likely to be important judgment standard. Under this condition, local governments

have not been used to judge by themselves, organization have corresponded to the central government organization which is divided vertically into ministries looks like Figure 8.

Not only Ministry of Land Infrastructure and Transport, but also other ministries grant subsidy as shown in Figure 9. . Not only public works division but also other divisions in local governments had been in the similar situation as above paragraph. So, local government's administrative management system needs reform for every service area.

3. MANAGEMENT SYSTEM OF LOCAL GOVERNMENT IN JAPAN

3.1 Reforming of governance systems by the central government

3rd merge of local governments is not carrying out just as planned. Main reason is that residents do not understand vision of new municipalities. The central government entrusted local governments to make region's vision. But local governments are not used to make region's vision by themselves. Local governments have followed policy formulated by the central government. Management system of local governments is not suitable for making region's vision.

The central government is trying to reform their financial system by reducing local grant tax and subsidies and transfer jobs and services to the local government, instead tax source will transfer from the central government to local government. Along with these reforming, restructuring of subsidies is carried out. Mainly the existing subsidies were reformed to grant for a total package consisting of multiple projects with a common strategic goal. Characteristics of new type subsidies are as follow.

1. Local governments are required to plan a total project package for a regional development.
2. Projects consist of a total package should contribute to the common strategic goal.
3. Local governments such as cities, towns, and villages can directly apply for some types of new subsidies without any prefecture's intervention.

Applying this new type subsidy is difficult for local government. In 2005, Japan had 2350 municipalities. But

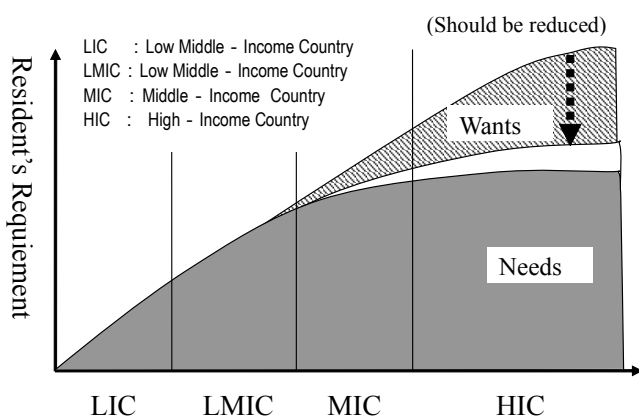


Figure 10. Relationship of "needs" and "wants"

only 374 municipalities were able to apply this subsidy system. Finally, all municipalities were granted this type subsidy. The central government formulates policy of decentralization, but management system of local government to realize decentralization is not provided.

2.2 Mechanism of financial crisis of local governments

"Developing welfare for residents" is the role of local government formulated in Local Government Law. To develop welfare for residents, "true residents' needs" and "residents' wants" should be classified. Figure 10 shows relationship of "needs" and "wants". Under the short of supplies, "needs" and "wants" are almost same. As the economic grew, "wants" are estranged from "needs". Figure 11 shows trend of GNP per capita, construction investment and social security benefits expenditure in Japan. At the beginning of 1970's, Japan was middle-income country. Turning point of construction investment and social security benefits expenditure can be recognized at the beginning of 1970's. At the beginning of 1970's, needs of infrastructure was almost provided; wants of social security were began to grow. Therefore, "wants" were estranged from "needs" from the beginning of 1970's.

3.3 Characteristics of local government organization

Private companies provide both "customer's needs" and "customer's wants" for their profit. If one service could not generate enough benefits, they can stop service providing. The other hand, role of local governments is fulfilling "resident needs". In principle, service providing by local government is based on "resident needs". Even if one service is not feasible, local government should provide this service for resident's welfare.

Moreover, act of local government is prescribed by many regulations such as subsidy system. Not only specification but purpose of service providing is sometimes changed by these regulations. In local governments in Japan, it is difficult to realize purpose-oriented management.

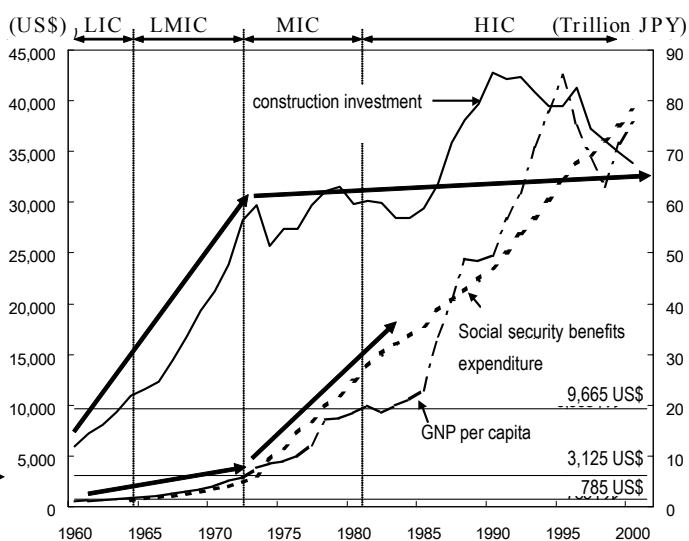


Figure 11. GNP per capita and service providing

4. BASIC STUDY TO ESTABLISH NEW MANAGEMENT SYSTEM FOR LOCAL GOVERNMENT

4.1 Necessity of new management system

Under present financial system, financial aid from the central government is necessary to manage local governments. Residents hope that their local government gets sufficient financial aid from the central government to provide service. At present, local governments are expected to provide “residents’ wants”.

After that, management system that can find out true “residents’ needs” will be necessary. For independent local management, amount of burden and works of local government and residents should be balanced. This is the basis of finding out true “residents’ needs”. New management system to find out true “resident needs” logically is proposed as named “New Local Public Management System”.

4.2 New Public Management (NPM)

NPM is the new administrative management system that was introduced into UK, Australia, NZ, etc, in 1980s¹⁾. NPM was quite effective for administrative reforming in these countries. Some local governments introduced NPM in Japan, and certain effects were found out. Past NPM and character of Japanese local government management were considered, and following problems were found out.

- Unsuitable decision-making from lacking actual information caused by separating administrative division and project implement division
- Developing vertically divided divisions caused by transfer competence from administrative division and project implement division

Activity of reforming decision-making procedure based on restructuring administrative work system was not found out. Following problems have been remained

- Making suitable purpose and goal of project
- Optimum budget portfolio for strategic goal
- Project assessment for different service area

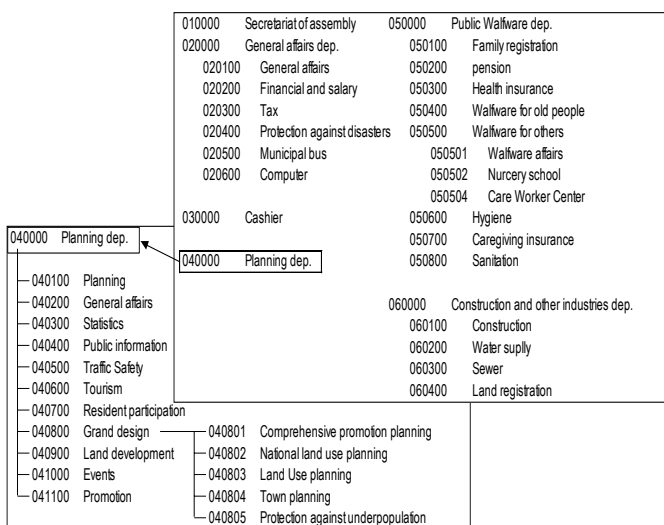


Figure 12. Part of WBS in a certain Public Office

4.3 Investigation on actual situation in small local government

To find out problems of administrative works, main researcher was stayed in public office and worked with officials about 10 months. Matters of discussion of municipal assembly, all administrative works in public office and decision-making procedures were investigated. After that, analysis of productivity improvement in administrative works and study of structuring new management system were carried out.

① Making WBS (Work Breakdown Structure)

All administrative works were numbered and organized as WBS (Work Breakdown Structure). Figure 12 shows part of WBS of local government. This WBS is useful to clarify administrative work procedure and responsibility of each administrative section, which enable us to analyze characteristics of them and to suggest proper decision-making system.

② Investigation of decision-making procedure on previous project

Decision-making procedure on some previous projects was investigated. Alternative measures were not studied because of strategic goals were not made, or unsuitable goals were settled. Project feasibility study was not enough. Following characteristics of management system caused these problems.

- Top-to-down decision-making procedure without brain-function
- Inappropriate assessment system

Present management system is suitable to follow the central governments’ policy. It is difficult for local government to make appropriate strategic goal and target by themselves. It is difficult to find out true “residents’ needs” by this management system..

5. ESTABLISHING AND INTRODUCING NEW MANAGEMENT SYSTEM

5.1 Activities for establishing new management system

To solve above problems, flowing activities were done.

① Organizing lateral administrative functions

In order to assure appropriate decision-making procedure, organizational reform was necessary. Lateral functions such as hearing, making strategic goal, and studying measures

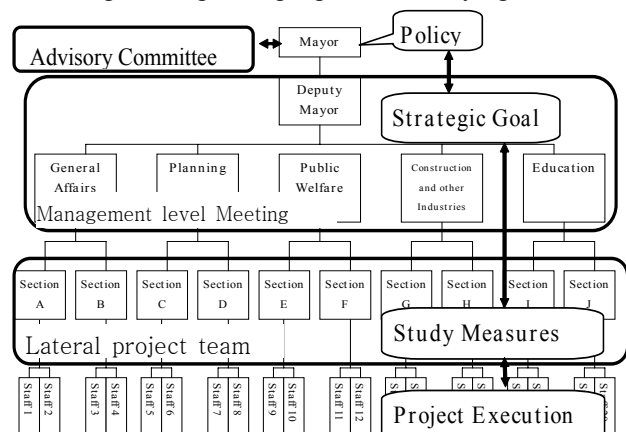


Figure 13. Concept of lateral organization

Table 2. Matrix assessment for waste reduction

Strategic Goal	Course to achieve strategic goal	Divisions			
		Public Welfare	Planning	Construction and other Industries	Education
10% Reduction of burnable waste	1. Reduction of plastic shopping bag	- Preparing lending shopping bags - Price increasing in trash bags	- Advertisement by magazine or Cable TV		
	2. Recycling	- Plastic tray recycling - Paper recycling	- Advertisement by magazine or Cable TV		- Garbage collection by pupil
	3. Compost	- Subsidy to buy compost making machine	- Advertisement by magazine or Cable TV	- Making compost from kitchen refuse	

Figure 14. Policy portfolio for waste reduction

Preparing lending shopping bags and Advertisement	540,000 plastic shopping bag will be reduced
Price increasing in trash bags	30 JPY/ bag
Plastic tray collection for recycling	4 times per month
Paper collection for recycling	8 times per month
Subsidy to buy compost making machine	11,000 JPY/ machine



were organized to assure enough lateral cooperation and communication between administrative sections. Figure 13 shows a concept of lateral organization.

② Matrix assessment procedure for policy portfolio and assessment standards

To study measures transcending each division, assessment system and judgment standard should be provided. Matrix assessment is proposed as the assessment system. Waste reduction project was the first example of the proposed system which is to cut the expenditure of the local government and environmental impact. Table 2 shows Matrix assessment for waste reduction. Many measures for waste reduction have been settled based on same kind of measures by other municipalities. By using this assessment system, measures will be selected logically. Figure 14 shows Policy portfolio for waste reduction.

③ Input-Output analysis

Input-Output analysis is generally used as the assessment tool for regional development. But, small local governments cannot make Input-Output table because of lack of their ability. In this study, Input-Output table for a small municipality was made from Prefecture's Input-Output table and industrial statistics of this municipality. Using this Input-Output table, some measures for regional development were analyzed. Industrial structure was reflected to result of this analysis.

④ Preparing work standard

Work standard have not been prepared in local governments. Work standard develop effectiveness and accuracy of routine works. Moreover, new project assessment system needs work standard for officials. In this study, work standard of routine works and new assessment work for environmental sanitation works was prepared.

6. CONCLUSIONS

Management system established in this study aims to realize administrative reforming and decentralization. This is prototype management system. To spread new management system, it is necessary to customize for each local government. Under decentralization, local government should develop their ability to manage their region. Management system established in this study was proposed measures for developing ability of local governments.

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