

An Empirical Study on the Privatization and it's Reverse of Local Government in Korea

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1. Background & Research Questions

Background

- Korea Local government provides 6,229 services by contracting out in 1999(Ministry of Public Administration and Security, 1999), but 11,647 in 2012(Board of Audit and Inspection, 2013).
- Nevertheless tremendous increase of number of contracting-out, some parts of services are back in public sector.

Research Questions

- What factors affect decision contracting out or it's reverse?
- Especially reason why emerging contract back-in
 - Traits of contracting-out
 - Contract-out form
 - Monitoring



2. Literature Review

Contracting back in

- Contracting back-in may reflect market success where competition increases efficiency(Lavery, 1999)
- In other cases it reflects failure of markets to meet desired outcomes or failure of government to adequately manage and monitor contracts(Sclar, 2000; Hefetz and Warner, 2004)

Principal Agent Problems

- Transaction cost theory in public organizations combines both individual and organizational behavior to address principal agent problems in government organization(Williamson, 1996).
- Goal incongruence between governments and their contractors may reduce privatization or increase contracting back-in(Hefetz and Warner, 2004).

Monitoring and Engagement

- Contracting requires clear evaluation and performance measurements(Eggers, 1997)



3. Data & Method

Data

- **Collecting local government's contracting out data for audit & inspection(Board of Audit & Inspection of Korea, 2013)**
- **244 local government in Korea from FY 2009~2012**
- **Total number of contracting out is 11,647 in 2012**

Method

- **Probit analysis**



4. Model & Variable Definition

Independent variable	Description
Contract-out form	-degree of competition -period of contracting out -the number of bidding participation
Traits of contracting-out	-rule or legislation -adequacy evaluation before contracting -kinds of service
Monitoring	-performance measurement -the number of performance measurement

Dependent Variable

- The level of **contracting back-in** as a proportion of total service provision

Control Variable

- Census population



5. Results (services with Highest Levels of Contracting in or out)

High Contracting Back-In

school meals

wastewater treatment

emergency health care

utility maintenance

voucher

health care

High New Contracting Out

solid garbage

wastewater treatment

local gymnastics

child care service

parking lot
management

emergency health care



5. Results(probit analysis)

N=10,323, chi-square $p=.000$

Degree of competition

period of contracting out

the numbers of bidding participation

rule or legislation

adequacy evaluation before contracting

kinds of service

Performance measurement

the number of performance measurement

Back In

2009 to 2012

-.102*

-.124*

-.215**

-.056

.199**

.024

.199**

.218*



Thank You!

Any questions or remarks?