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Public Management

#6 privatization and productivity (methods of privatization)

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Today's goal

- Classify and understand the way of public management
- Classify and understand the methods of “privatization”
- Redefine the meaning of “productivity”

How to be better the performance of public sector?

● Privatization

“move” or “replace” the direct operation of public entities/ services to private.

● Encourage public sectors “more effective”

Install several techniques/improve environment for making public sector more effective.

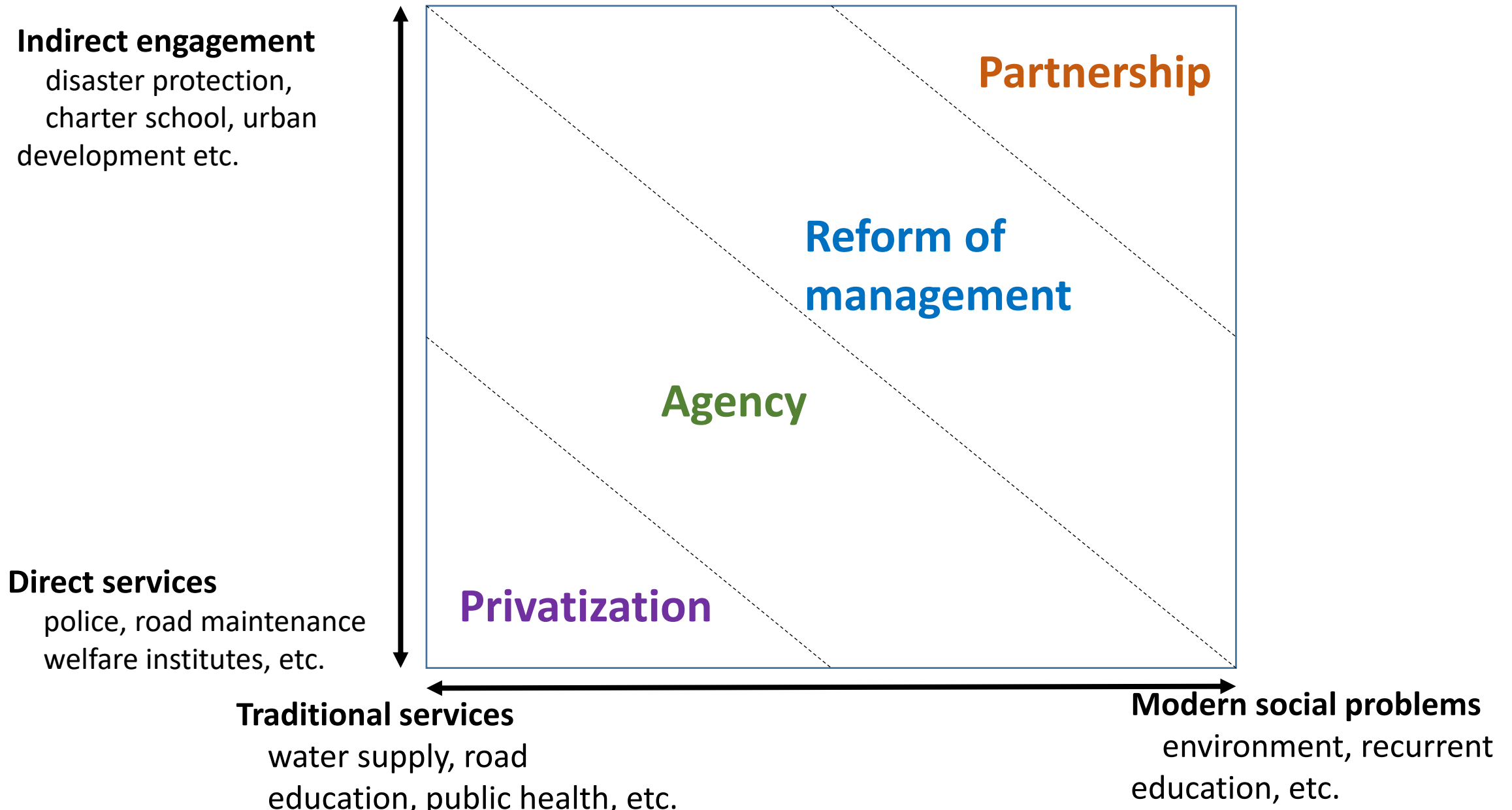
Note !

The methods of privatization do include not only changing the owner from public to PROFIT organization, but also including transition to NOT FOR PROFIT organization.

Privatization of such public organization that having monopoly power sometimes get few effectiveness.

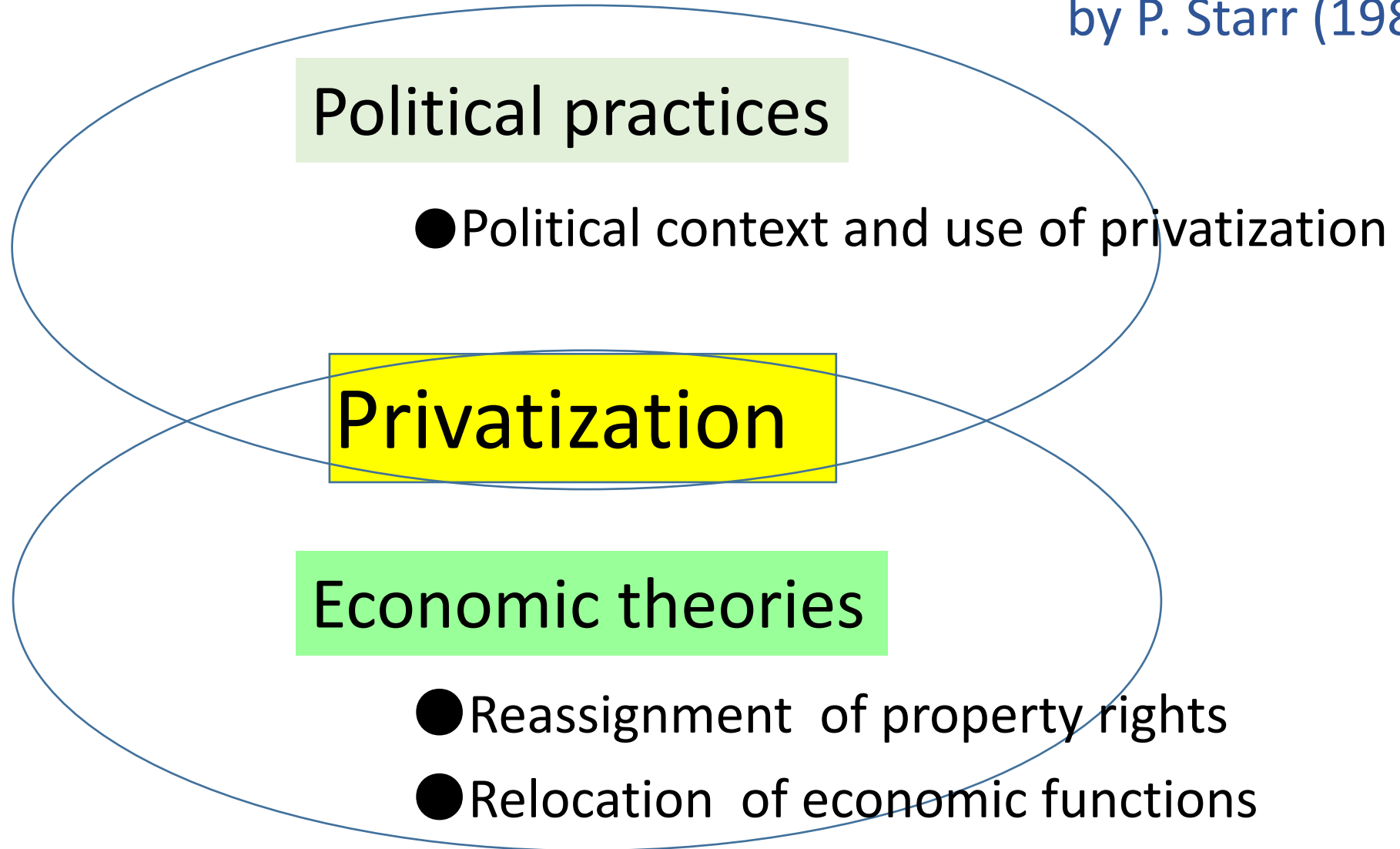
Gradation of “efficiency seeking” method

by Yamauchi, Ueyama (2012)



Concept and Classification of privatization

by P. Starr (1989)



Four meanings of privatization

1. Abolishing programs public sector carried on and being taken by private sector.
2. Properties public sector holds being transferred to private sector.
3. Public responsibility of service provision being transferred to private sector with remaining authority of purchasing services in public sector.
4. Businesses and services public sector are expected to provide will be able to transfer to private sector by deregulation policy.

The technical range of privatization

- **Denationalization**
- **Contract out**
- **Voucher**
- **Franchise**
- **Proportion of stock sharing**

“Agency” as a form of privatization

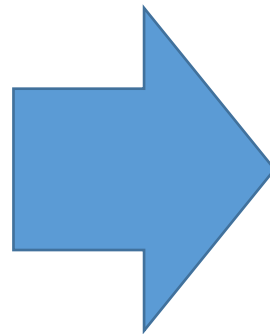
Before

Kanagawa prefecture

Hospital operation and management section

Own, operate and manage five prefectural hospitals

Suffered by Busy and complexity of management



After

Hospital operation and management section

Kanagawa pref. hospital agency

Introduction of “productivity”

What is “productive”

● Input-output relationship

Same input level

Same output level



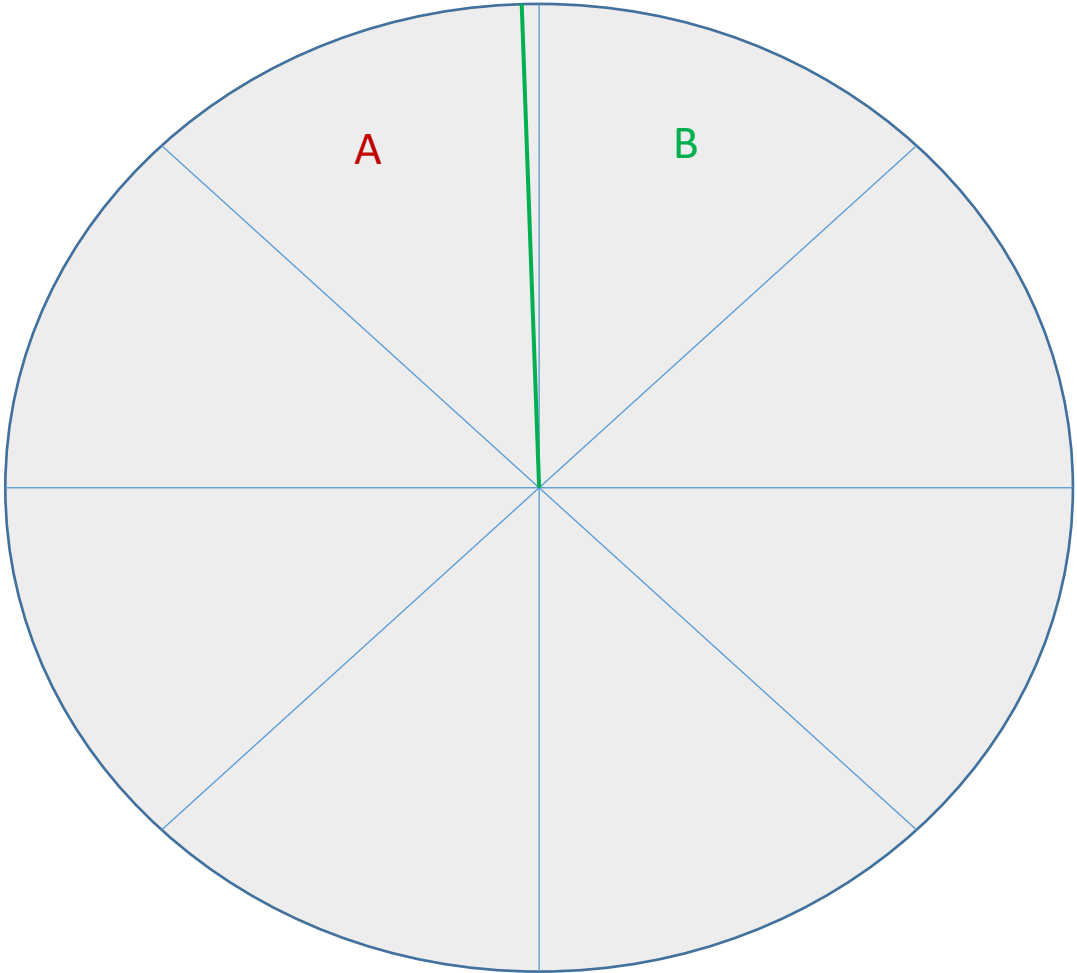
higher output level

lower input level

● Most effective pathway

Among several ways of allocation, find best one

Simple example



$$A = B$$



$$A < B$$

Cutting $A=B=C=...H$ is the best way of allocation

Think about “good performance”

| City | Total expenditure (¥1000) | No. of operation | Cost per operation (¥1000) | Population | No. of operation per 100000 pop. | Cost of operation per population (¥1000) |
|------|---------------------------|------------------|----------------------------|------------|----------------------------------|--|
| O | 50200000 | 205036 | 244.8 | 2640000 | 7766 | 19.1 |
| K | 6924000 | 26464 | 261.6 | 670000 | 3950 | 10.3 |
| ON | 2517866 | 6509 | 386.8 | 151189 | 4305 | 16.6 |
| CN | 1686932 | 3756 | 449.1 | 118458 | 3170 | 14.2 |
| KK | 13194684 | 46795 | 281.9 | 987337 | 4733 | 13.4 |
| S | 4271500 | 12886 | 331.5 | 253000 | 5093 | 16.8 |
| | | | 資料：各市消防局統計によるH19年度データ | | | |

No. of operation per 100000 pop.

