

Reform Efforts Toward New Public Management in Korea

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1. Relevancy of "New Public Management" Model

Since the late 1970s, Anglo-American English-speaking nations have been leaders in advocating and practicing "New Public Management" (NPM) as an administrative reform model. The pursuit of New Public Management-styled government innovation has not been unique to America. The so called "New Liberalist Regimes" in Western capitalist states during the 1980s clearly pursued this course under the heading of NPM (OECD 1995). NPM or entrepreneurial government, acting as a "small and efficient" organization, became the dominant concept in Japan as well.

Korea has also followed a similar course in government reforms. The ministry in charge of designing reform programs, the Ministry of Planning and Budget, in the Kim Dae-jung's government has declared entrepreneurial or business-like government as the major direction in reforming government.

There is no single NPM model of public sector reform. Countries have responded to reform demands and challenges differently. Nevertheless, common reform trends can be identified. Three vital elements of new public management stand out: (i) an emphasis on restructuring and downsizing, (ii) a closer focus on customer and result-oriented approach, and (iii) replacement of rigid traditional hierarchical government structure with competitive, autonomous, decentralized ones.

Concerning the institutional development of the Korean state apparatus, NPM has some positive policy implications for administrative reform in Korea (Jung 1999).

A first positive implication comes from the idea of the so-called "small government" of the NPM. This is relevant for administrative reform in Korea, where transition to and consolidation of political democracy and a free market economy should continuously be pursued while also curbing excessive state intervention in the civil society.

Second, the idea of employing 'corporate governance' models into public administration is also appropriate in Korea. This is likely that excessive bureaucratic mode of governance will be shelved by emphasizing the notions of client orientation or competition.

Third, the idea of providing front-line workers with more discretion in return for increased accountability is appropriate in remedying the problems

associated with Korea's top-down approach to policy-making and implementation. Such reform measures like downsizing, decentralization and the contract-based recruitment will contribute to the pluralizing of state apparatus and decision-making process in Korea.

Following the global reform trend, Korea has also adopted many reforms toward new public management, especially the Kim Dae-jung government. Economic crisis, telecommunication revolution, as well as globalization seem have steered the government towards NPM style of reform. Like many Western governments, the Korean government has been adopting such reform measures as reorganization and downsizing, deregulation and more discretion, and performance management, customer satisfaction administration, etc (Kim 1999).

2. Reforms of Restructuring Public Sector in Korea

(1) Reorganization and Downsizing of the Government

The Kim Dae-jung government has stipulated the values of "a small and efficient government" for all aspects of the public sector. The government is changing its role from that of a leader to a guide in the process of national development. Central government reorganization has already occurred twice in less than 2 years. First, following President Kim Dae-jung's inauguration in February 1998, the current Administration abolished the posts of two deputy prime ministers and reduced the number of cabinet ministries from 22 to 17. While the number of ministries and government officials has been decreasing in general, it sought to strengthen some civil service-related agencies such as the Ministry of Labor and the Food and Drug Administration through the reallocation of resources.

From October 1998 to February 1999, with its total cost amounted to 4 million US dollars, all central government ministries and agencies underwent performance evaluation with an eye towards a drastic reorganization. The goals of the management review and restructuring program were to enhance productivity and improve the quality of service and the operating system. A

total of nineteen private consulting companies, including consulting firms such as AT Kearney and Anderson Consulting, reviewed the government management. Just after the publication of the final report, a public hearing on government reorganization was held to collect public opinions.

The management review clarified the roles and division of responsibilities among and within ministries. The consultants then analyzed the civil sector jobs and recommended the introduction of an open career system and subsequently developed various performance indicators.

In May 1999, the government announced its second round of restructuring measures by trimming 120 separate departments and offices, eliminating 241 senior positions. It would ultimately lead to cut backs in 8,358 government positions as a result of the second phase of restructuring. When this is added to the first phase, the total personnel will be reduced by 14,861, or 10 percent of the total of 142,209 government employees. By 2001, the civil service workforce will be reduced by sixteen percent, or 25,955 positions.

(2) Restructuring Quasi-governmental Organizations

In order to alleviate problems of redundancy Korea restructured 131 quasi-governments. Greater autonomy was given in return for greater managerial accountability. Through this restructuring process, nineteen organizations have been merged or consolidated, and twenty-eight business activities were privatized or contracted out. Such efforts resulted in a reduction of 9,947 workers.

(3) Rationalizing Government-funded Research Institutes

The Korean government has rationalized government-funded research institutes in order to eliminate inefficiencies in these organizations. The excessive interference and control by supervising ministries were reduced and the supervisory role was transferred to five independent committees composed of experts from relevant fields. Through this restructuring, the government realized a total reduction of 3,099 staff (-16.7%) and 106 billion won (US\$134 million) in budget savings.

(4) Privatization & Restructuring of State-owned Enterprises

In order to rationalize the operations of state-owned enterprises (SOEs), a privatization plan was finalized. Greater autonomy was given to the management while they were subject to more rigorous performance evaluation. Twenty-six SOEs plus eighty-two subsidiaries were reviewed for restructuring. Their total gross revenue amounted to U\$50 billion, and total net profit were U\$1 billion. The total number of employees was summed up to 214,000 persons. Those SOEs, which were engaged in commercial activities and have no justifiable reasons to stay as an SOE were all subject to privatization.

The government sold its shares in five SOEs (Korea Technology Banking Corp, National Text Book Co., Ltd., Pohang Iron & Steel Co., Ltd., Korea Heavy Ind. & Construction. Co., Ltd., and Korea General Chemical Corp.) Six others (Daehan Oil Pipeline Corp., Korea District Heating Corp., Korea Electric Power Corp., Korea Gas Corp., Korea Telecom, and Korea Tobacco and Ginseng Corp.) will undergo a phased privatization. An additional thirteen SOEs, including Korea National Tourist Organization and Korea Petroleum Development Corp., were restructured.

3. Reforms for Performance Enhancement

(1) Creating Executive Agencies

In order to improve efficiency, the heads of executive agencies were granted greater autonomy in budget and personnel decisions. Agencies were allowed to introduce open, competitive recruiting processes for chief executive positions. Selected through this open system, chief executives are required to develop three-year medium-term plans as well as annual strategic plans. A three-year plan specifying the goals and tools for the management is to be negotiated between the chief executive and the minister. Agency chief executives are required to renew their contract every three years. The

government designated ten pilot agencies including the Driving and Vehicle Licensing Agency, National Science Museum, National Central Theater, National Medical Hospital, etc.

(2) Outsourcing

In order to increase efficiency, the Korean government contracts out those activities which are thought to be better performed by the private sector. The government selected eighty eight activities for outsourcing including works on setting up the Administration Information System, the Library Information System, and building management, to name a few.

(3) Deregulation and More Discretion

The government created a new systematic mechanism to carry out regulatory reforms. The Framework Act on Administrative Regulation, which took effect in December 1997, systematically reviewed various regulations. All regulations lacking a legal basis were subject to abolition or were replaced by regulations based in law. The duration of the regulations also must be clearly prescribed. President Kim Dae-jung recommended each department reduce more than 50 percent of regulations under their jurisdiction. This rapid deregulation strategy caused some apprehensions regarding negative social costs such as crime or pollution problems. The Korean government decentralized recruitment authority for lower-level officials from the central personnel agency to the ministries. The government also opened 30% of senior government positions to outside candidates.

In addition, a plan for a "total government workforce control system" is under way. The system aims at enabling each ministry to efficiently and effectively cope with changing administrative demands and to contain the expansion of the government workforce. The new system will limit the total number of employees of the whole central government in advance.

(4) Performance-based Personnel System

To strengthen the civil servants' competitiveness, the Korean Government is trying to develop a new personnel system. The government has introduced 'a yearly remuneration system' for assistant ministers and bureau directors in the central government. Under this new salary system, the level of compensation will be differentiated within each pay grade band depending on performance.

The pay structure of Korean government employees has been based on seniority in the past. Employees were paid according to their years of service with automatic salary increases every year. Additionally, they were given a seniority allowance and a long-career allowance. Employees received automatic raises regardless of job performance.

This has now changed. The Ministry of Government Administration and Home Affairs (MOGAHA) established a performance-related pay programme for all government employees, which took effect on January 1, 1999. A performance award is given in form of a salary increase or lump sum award, depending on the rank of the employee in the public service.

For performance-based pay, performance appraisal is critical. Thus the government has set up a kind of Management by Objective (MBO) system, focused on using appraisal to raise performance levels and to develop employees to their full capacity, eventually to achieve organizational goals. All government employees should establish their own objectives in accordance with the annual goals of each ministry. Performance appraisal should occur on a regular basis, normally once a year (Kim 1999).

(5) Citizen's Charters of SOEs and Public Agencies

In order to improve the quality of public services and to achieve customer-oriented government reform, citizens' charters were established in SOEs and Public agencies. Nineteen SOEs and ten pilot agencies, including local health service organizations, police departments, the subway system, and the Passport Office have also established service quality standards which has specified the quality of services clients should expect and hence a more specific form of citizen charters.

4. Challenges and Future Tasks

The reform idea of so-called "results-oriented management" needs to be examined carefully while reviewing the case in Korea. In the case of advanced nations, the legislative branch has established its autonomy from the executive branch while a "Weberian bureaucracy" and a robust tradition of procedural legitimacy have been established. Unlike these nations, Korea is at a stage where these traditions are still developing. Thus, the emphasized assertion of autonomy and discretion in the administrative organizations may go against securing administrative responsibility, which is one of the most needed criteria in Korea. Direct control by the "consumer," rather than by representative institutions, as the control measure over administrative agencies and bureaucrats has, in fact, many shortcomings. This is true in Western nations as well (Garvey 1995).

Also, customer-oriented reforms do not assume that each customer's demand may contradict one another. Since there are numerous suppliers in a market, the customer for expensive goods with high quality and the customer for cheap goods with low quality can meet their needs without conflicts. Yet, this is not the case for government. Different people's demands for better environment with high taxes and more pollution with low taxes cannot avoid coming into conflict. These conflicts, after all, must be solved in the political process. In a private market with multiple suppliers, the use of specific goods may be abandoned. On the other hand, the governmental market has a monopolistic character which makes that kind of abandonment impossible (Kettl 1995).

Next, the ideology of "small government" is not as simple in Korea as is the case in the Western nations. The latter has conducted welfare state policies for several decades which seems to have distorted incentives of recipients and as a result, are engaged in reducing the inefficiencies caused by these policies. But Korea not only has little relevancy with regards to the pursuance of welfare state policy. It, in fact, has actively required more state involvement in dealing with social problems, brought on by rapid industrialization (Jung 1999).

As seen in the United Kingdom, it is in the social welfare areas where governmental reductions have mainly occurred. However, in Korea where the scope of government is relatively small, especially in the sector of social welfare, it is necessary to increase personnel in this sector.

The main focus of the government reform must be shifted from the hardware reform like restructuring and downsizing to the software reform such as the behavior in public service and the government operation system (Lee 1999).

First of all, each and every individual government employee must more clearly understand the importance of the "customer first" concept. The government has so far focused simply on whether an action has been given and how much money and labor was disbursed rather than the quality of service provided. In the future, however, focus should be put on the what extent the service rendered would satisfy the customers.

In addition, personnel management must embody a merit-based incentive system more extensively. We should change the existing practice that assigns more weight to seniority as oppose to merits. In this relation current performance appraisal system must be improved by including more objective and rational indicators. Furthermore, recruiting specialists from outside the civil service system is necessary to enhance the quality of those in service of the government.

In the process of reform we should strengthen and encourage the training and self-development of civil servants. Given rapid changes in the society, changes in the lifetime career concept, and the greater involvement of outsiders, there is a need for a comprehensive program of attitude and cultural reinforcement as well as training to strengthen civil service values and to prepare civil servants more adequately for their new roles in the changing environments.

Lastly, marketing strategies for implementation of reform programs is needed as well in order to effectively deal with the resistance of interest groups. Ministry of Planning and Budget has not been always successful in gaining public support in its reform efforts. Widespread government distrust of the public seems to have portrayed all those reform efforts redundant. The government should spend more time in gaining the public support through establishing cooperative relationship with civil society organizations.

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