

# EVALUATION AND DECISION METHOD OF OUTSOURCING IN THE ADMINISTRATION

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**ABSTRACT:** Presently, in Japan, the financial condition of local government and prefectural government is falling into an unprecedented crisis. As a result many local governments have come to reconsider, reduce or eliminate many administrative functions and public works projects. Therefore our local governments can't avoid a decline in quality of services. And also when local governments choose the method of outsourcing, most of them haven't done appropriate decision making. A change for the worse of the financial condition of local governments is caused by an increase in social security outlays for an aging society and also financial demand by increasing standard of resident's services. In order to change the financial situation, the current budget – making system and state subsidy system have not always been ideal. Also there are many points at issue in local government conditions which are extremely dependent on the finances of the state.

This research proposes a new governmental management system with a comprehensive evaluation and decision method of outsourcing projects to the private sector. This is why this system suggests deciding local government's policies which combine outsourcing to the private sector, total budget and personnel resources. Outsourcing is critical for administration work at the moment. As the result of constructing this system, although there is some possibility of achieving simplification of administration, the method doesn't give a route by which to solve farsighted problems of local governments.

So this research proposes an evaluation and decision method of outsourcing of work as one of methods for efficient administration.

**KEYWORDS:** Local Government, Administrative Management, Outsourcing

## 1. INTRODUCTION

Presently, in Japan, as the local governments have the debt of 200 trillion yen or more, their financial pictures are very unprecedented crisis. Therefore the local governments which decide the review and the termination of the various administrative works are not endless. This is a natural result that the local governments lose sight of a conventional, essential role and don't appropriately choose desiring and have been continued to submit for the resident's public services which keeps inventing them every day. Therefore the local governments not only

immediately have to investigate the causes that their organizational framework and financial system is keeping expanding but also review and requested to try to restructure social systems that surround local governments and local government's system.

### 1.1 Background and purpose of research

In these years, the economy in Japanese society has begun to be sluggish after the collapse of the economic bubble and have passed through the span of "lost decade". In addition, on the one hand due to uncertainly over social security in the future, spread

of the nuclear family and the trend toward fewer children per family are progressing, on the other hand, the advances in medical science that keeps developing has been rapidly extended the life expectancy and has rushed into the super-aging society which is unparalleled also in the world. According to the transition of our country's sectional social security benefits (the pension, medical treatment, welfare and so on) from year 1970 to year 2003(Figure 1.1), the amount spent on social security keeps increasing year after year. This is the reason that the nursing insurance system that started in April, 2000 in addition to the failure of pension system and the medical treatment expense that keeps soaring comes in succession, too and the state contribution etc, that had to be donated welfare additionally increased.

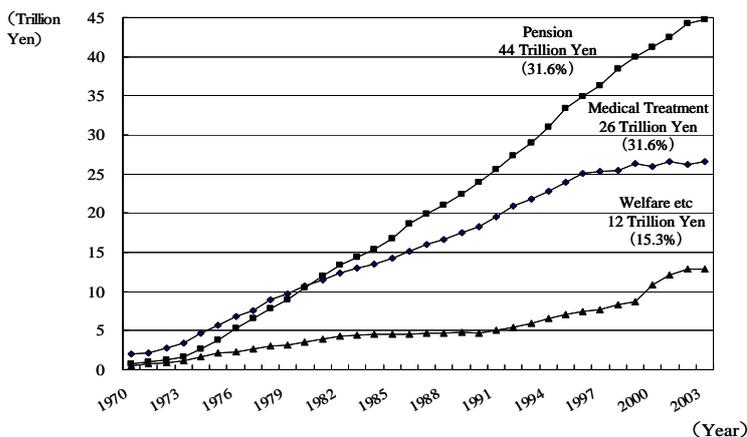


Figure1.1 The transition of sectional social security benefits

What is more, as central government and local governments has cordially protected development of a region and the program for town management as well as has promoted public works investment aggressively until now, almost of the local governments are not possible to manage it in independent revenue sources alone. In such a social environment and financial background, by having been worked out “the reform of the Trinity” that was

decided by Koizumi Cabinet at the end of June in 2003, the revolution in distribution of allocation tax made continuing the local government more difficult.

Therefore, the administrative work have been made to the division of labor and been specialized, the budget that the local government holds expands, in addition, the number of staff who related to the administrative work have increased and the organization mechanism has been complicated.

## 1.2 Structure of problem

As for the outsourcing that has been done up to now in the local government, there is no clear method of the decision making no criterion when an external consignment is decided and evaluated but the administrative work is not performed to the verification of the validity of the external consignment when the external is consigned. Furthermore, neither a concrete criteria nor the check function whether the work that consigned the external was proper were provided.

Moreover, it comes off from essence that the weak point field that is an original meaning of outsourcing is external consigned from talent's ability in the organization etc. and it specializes in the specialized field, and the problem of the implementation confirmation the work that consigns the external of which the standard is resident's satisfaction rating and the quality control remains being left.

Then, this research is used to deal with such a problem (Figure 1.2), that the method of deciding an installation of criterion and an external consignment is constructed with the analysis of the problem of the system structure of past outsourcing to make of an external consignment of the local government proper, and

new "Management system of outsourcing" proposes it.

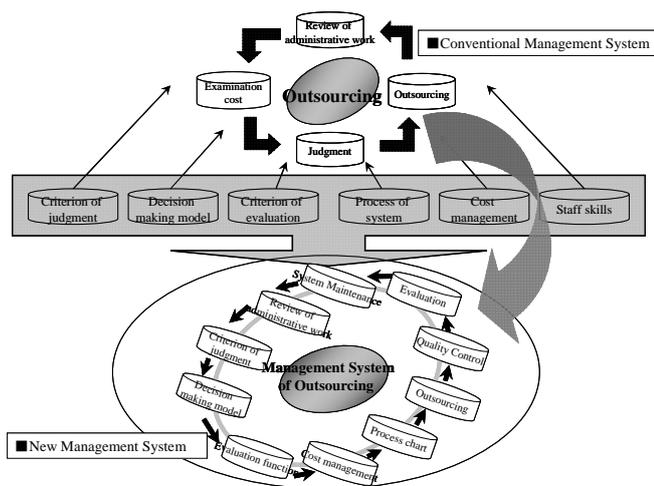


Figure 1.2 Propose of new outsourcing system

## 2. What is outsourcing?

The local government in our country has answered the resident needs by taking a variety of clerical work businesses according to the enhancement of high economic growth and the social security system after the war in the organization. This means a role original between government and the people in addition to having been depressing the frame from the range of the defense of current administrative service even to the service offer area of the jumping over private company has collapsed.

Moreover, in recent years, it is difficult in a current financial picture and the organizational framework that has been followed from generation to generation to complicate, and to secure an enough amount of the service supply and a satisfying quality for a wide-ranging, public service according to the diversification of a social background that keeps changing rapidly and administrative service.

For such reasons, the work that the organization holds is consigned to the specialized field by introducing a sole method "Outsourcing", strengthening the weak point field is aimed at, and movement to try to prevent the decrease in the

quality of the resident service becomes strong in the local government today.

"Outsourcing" is "making of resource the outside" and until now, it was possible to mean that "the enterprise must consign their business or a part of function outside of a special trader and the subsidiary". Nowadays, the local government came to promote an external consignment positively and it tends to mean that it generally with the private organization, NPO, and furthermore to consign a part of the administrative services or all of them to the individual. The technique of outsourcing had been taken since this economy received the boom the day before when the asset-inflated economy collapsed though the financial picture of the local government falls into a critical situation and the technique of outsourcing had become a main current. The change in "the business environment" of financial deterioration of the local government has come to have a very important meaning as a means of strengthening the competitiveness in the marketplace and as what should be of roles between public and private sector.

## 3. Construction of outsourcing management system

### 3.1. Project management of administrative work

Then, it proposes the method of constructing the administrative management system concerning the administrative work that pays attention to a sole method of outsourcing that is the theme of the research.

First of all, the charge of the work that accompanies all divisions, rooms, bureaus, and them is encoded based on a typical organization mechanism chart of a certain local government and it arranges it (Table 3.1).

Table3.1 Work management code list

◆Local Government Work Management Code List			
■Affiliated agency			
0100000	Congress Office	0700000	Local finance Division
0100100	Section of Congress	0700100	Section of Local Finance
0200000	Auditing Committee Office	0700200	Section of Local Administration
0200100	Section of Audit	0800000	Planning Division
0300000	Board of Elections	0800100	Section of Planning and numerical statement
0300100	Section of Election	0800200	Section of Regional Development
0400000	Agricultural Committee Office	0800300	Section of National Land Survey
■City mayor departments and agencies			
0500000	General Affairs Division	0800400	Section of Location Promotion of Self-Defense Forces
0500100	Section of General Affairs	0900000	Revenue Division
0500200	Section of Personal Affairs	0900100	Section of Property Tax
0500300	Section of Office Administrator and Publication	0900200	Section of Citizen Tax
0500400	Section of information implementation	0900300	Section of Receiving Cashier
0600000	Disaster Prevention Countermeasure Division	1000000	Citizen Division
0600100	Section of Disaster Prevention and Traffic Safety	1000100	Section of Citizen
		1000000	Human Right Division
		1100100	Section of Human Right
		1200000	Environmental Measure Division
		1200100	Section of Environment
To be continued . . .			

By encoding the organization mechanism in the local government, its organizational framework is clearly articulate and also the budget that each division executes and the business system in the organization can be understood. Additionally, it is profitable for the clear setting of "Unit of the subcontract of the business" not only to become possible when the staff examines outsourcing but also to be going to make the business manual etc. in the future.

Secondarily, each accounting code is given to the division, room, and person in charge's codes and it clarifies how each section is related to the budget. The purpose of this is to understand the whole image as the staff in charge who executes the work manages and the each budget and has executed (Figure3.2). However, as the local government has introduced already a peculiarity financial accounting system, although it has an accounting code inside it, this accounting code is different from a past, simple accounting code, for this cord has the necessity for making it link with the idea of subcontract of work based on the method of the outsourcing.

Thirdly, all the administrative work which each section provides as public services is investigated and they are reorganized. At that time, points that should be noted are that those items have to delete from the list of the administrative work or comprised

inside the other similar work as convicted matter and adjustment item except work in daily life are included in all the administrative work which is investigated.

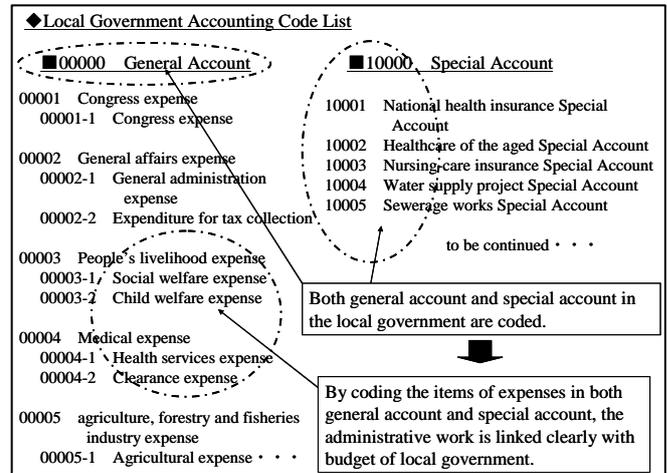


Figure3.2 Work management List code list

As the end of the project management of administrative work, the work level is set in order to decide the range to outsource them. By this setting, each staff is accomplishing what work every day, and whether it is done according to what procedure when the work is accomplished can be understood.

The method of setting the work level and the procedure are shown as follows.

Hierarchy at level in this system consists of three hierarchies( from Level I to III), Level II is an object of outsourcing (Figure 3.3). The definition of the work level is shown as follows.

(1)Work Level. I : It sets it by summarized classification of the work.

(2)Work Level. II : It sets it by individual administrative work based on Work Level. I .

(3)Work Level. III : It sets it by work flow of individual administrative work based on Work Level. II .

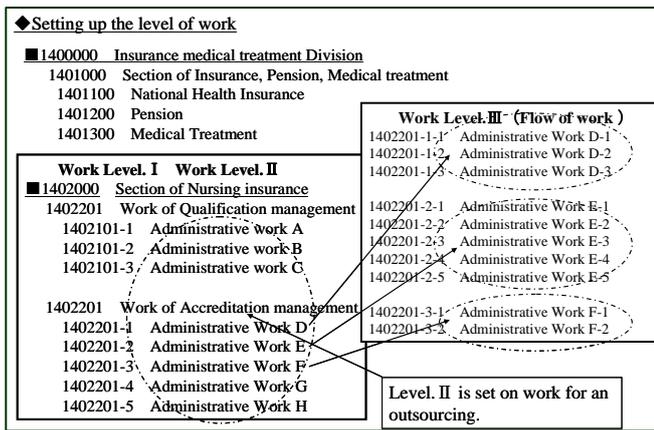


Figure 3.3 Setting of Work Level

## 4. Decision making model of outsourcing

### 4.1 Necessity judgment of administrative work

Then, it is Level based on the decision making model of outsourcing as for the administrative work to which it is encoded and the business level is set. Whether the administrative work which is set by Work Level II is not possible outsourcing or possible is judged.

First of all, It is judged whether the administrative work in the Level II work is necessary or not necessary in the local government. In that case, the necessity of the administrative work is judged by necessity criterion of judgment of the administrative work (Table 4.1) and when the necessity doesn't exist as the administrative work, it is judged "Rank A = Termination" or when the necessity exist as the administrative work, it is judged "Rank B = Continuation". Table 4.2 is a flow of judgment.

Table 4.1 The necessity criterion of judgment of the administrative work

Rank A Criterion of judgment	There is no necessity on administrative work .	
	①	The necessity of administrative work is declined and its accomplishment value has already been lost by the change in a social structural background.
	②	The continuing existence of significance in the administrative work has already been lost by improvement or elimination of a law or an establishment.
	③	The necessity of administrative work has already been lost or decreased by deteriorating in resident's needs.
Rank B Criterion of judgment	There is a necessity on administrative work.	
	The administrative work which doesn't correspond to either of criterion of Rank A.	

Criterion of judgment concerning Rank A: If the administrative work falls into either of the criteria from ① to ③, it is judged as "abolition".

Criterion of judgment concerning Rank B: If the administrative work doesn't correspond to either of criterion of judgment concerning Rank A, it is judged as "an administrative work with continuance".

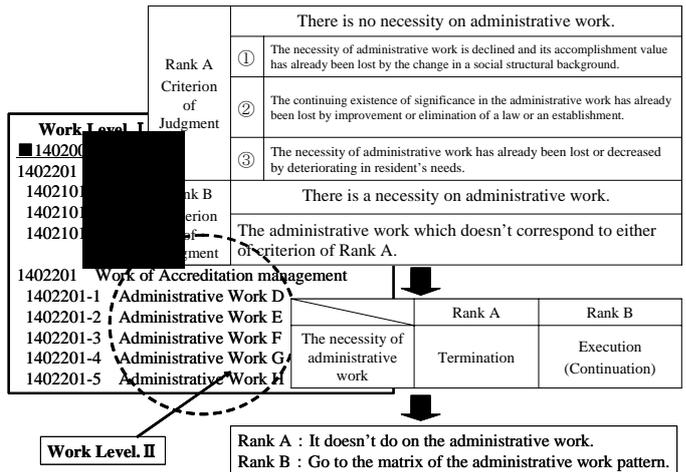


Figure 4.2 Flow of the necessity criterion of judgment of the administrative work

### 4.2 The administrative work pattern

Next, it classifies work which was judged to be Rank B by the character of work based on the administrative work pattern. The characteristic of the work that does outsourcing can be recognized by doing this character classification. From the work experience with a current author, the pattern of the work was classified into six types from the following  $\alpha$  to  $\zeta$ . The definition and the table of the work pattern (Table 4.3) are as follows.

- ( $\alpha$ ) Fixed form work: Work that is called general affairs done in staff most usually and that doesn't especially need qualification to perform the activities.
- Ex) Resident's card issue, Payment of staff salary, Document management work etc.
- ( $\beta$ ) Special work: Work that needs special qualification and work experience.

Ex) Measurement, Design, Child care work, and Nursing service etc.

(  $\gamma$  ) Policy and measure adjustment work: Work that needs important decision making, and doesn't become familiar with outsourcing.

Ex) Staff's personnel management and work concerning administration and finance reform etc.

(  $\delta$  ) Project management work: Establishment of integrated promotion plan of local government, holding of various events and symposiums etc.

(  $\epsilon$  ) Facilities management work: Work concerning maintenance management such as facilities that local government owns.

Ex) Control of maintenance of public office building, facilities for Senior Citizens and the Disabled, assembly houses, sport facility etc.

(  $\zeta$  ) Other work: Work that staff of local government is chiefly obligated to be engaged.

Ex) Work concerning fire fighting and disaster prevention, work concerning election of head and assembly member etc.

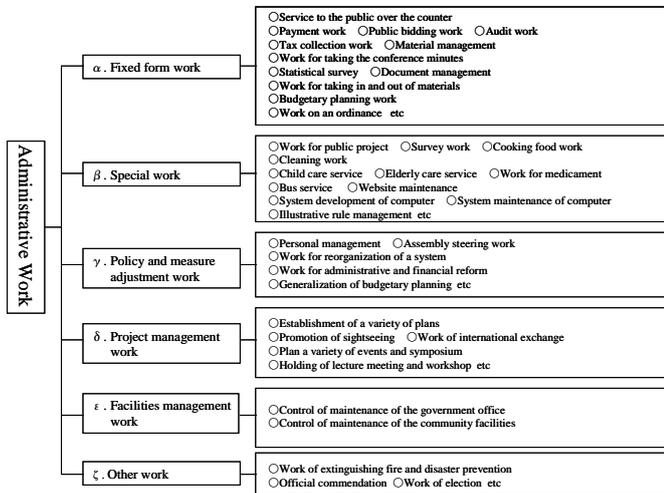


Table 4.3 List of administrative work pattern

### 4.3 The matrix of the administrative work pattern

The character of the work is understood from the table 4.3 and then it describes to the pattern matrix (Table 4.4). From this pattern matrix, the administrative work is judged whether it is capable

to outsource or not.

The advantage to judge the administrative work by this matrix is that it has each character and if its character is different, the stage of judgment is also different. Additionally, the decision making model of outsourcing in the most of local governments actually consists of same roots or process of judgment. Stage setting of judgment and process by the pattern of decision making is as follows.

(1)  $\alpha$  : The administrative work that is judged as the fixed form work is judged by decision making model I .

(2)  $\beta$  or  $\delta$  or  $\epsilon$  :The administrative work that is judged as the special work or project management work or facilities management work is judged by both decision making model I and decision making model II .

(3)  $\gamma$  or  $\zeta$  :The administrative work that is judged as policy and measure adjustment work or other work don't need to judge by decision making model. That is to say, this is a reason that it isn't suitable for outsourcing on character of the work. Therefore, it doesn't need to judge by decision making model I and II ,as a result, it is judged the administrative work(= core work) and the local government need to execute in itself.

Flow	Work Pattern	Fixed form	Special	Policy and measure adjustment	Project management	Facilities management	Other
	Level II Code / Name	$\alpha$	$\beta$	$\gamma$	$\delta$	$\epsilon$	$\zeta$
1							
2							
3							
4							
5							
6							

$\alpha$  The fixed form work : This is judged by decision making model I .

$\beta \cdot \delta \cdot \epsilon$  The special work or project management work: These are judged by both decision making model I and decision making model II .

$\gamma \cdot \zeta$  Policy and measure adjustment work or other work : They don't need to judge by decision making model.

By judging the character of the administrative work, it is understood the feature In itself,

Figure 4.4 The matrix of the administrative work pattern

#### 4.4 Criterion of judgment based on the exclusive competency and external consignment

On this section, the administrative work which is classified by the administrative work pattern is judged concretely by decision making model I and II whether it corresponds to Rank 1 or it corresponds to Rank 2 (Table4.5).

Table4.5 The character classification of the administrative work

	Rank 1	Rank 2
The character classification of work	Administrative work =Core work (direct management )	Outsourced administrative work =Non core work (Target of outsourcing)

The following table shows the content of decision making model I and II, the process of judgment, its criteria and overall notes on this model.

Table4.6 Decision making model I and II

Whether it should be voluntarily done directly or whether there is a necessity as an administrative work in the local government is judged.	
Decision making model I Criterion	① The act is ruled by legal restrictions that the administrative staff have to do the administrative work.
	② The administrative work is fraught with a public power or is applicable to exercise of public power.
	③ The authority of the administrative work cannot be represented by others.
	④ The policy judgment and the decision making are required in the administration as the policy, the measure, the planning, the adjustment, the decision and so on.
	⑤ Protection of individual information, the secret and the crisis management are strongly requested
It is judged whether the outsourcing of the administrative work is an enable to be concretely done .	
Decision making model II Criterion	① The outsourcee exists. For example, NPO, SOHO, MB, Individual, Private sector and so on.
	② Knowledge and the skills of the outsourcee is more excellent than those of the local government.
	③ The implementation confirmation of the administrative work that outsourced is easy.

Decision making model I : As the process of judgment, if the administrative work is applicable to from ① to ⑤ even by one, it is judged as Rank1 and is executed by the local government in itself. As notes, even if the administrative work is that it is required strongly the protection of personal information, confidentiality and risk management, when it is outsourced and made a contract, if it's

able to be protected by confidentiality agreement, it passes the process for decision making.

Decision making model II :As the process of judgment, this model is judged sequentially from ① to ③ (For example, if ① is OK, next ② is judged and then if ②is OK, next ③ is judged.). If all the criteria items are OK, its administrative work is judged by cost management system of administrative work.

As the overall notes of this decision making model, from the fact that the local governments are different from many of thing, for example, the number of work, accomplishment procedure of work and the environment that surrounds the local government, the criteria item in these decision making model I and II needs to be maintained in order to made to adjust to the local government that introduces this system. That is to say, they have to be changed or modified.

#### 4.5 Introduction and significance of cost management system sheet of administrative work

By managing the administrative work at cost price which is judged by decision making model II, it is necessary to compare the costs between the local government and the private sector.

That is to say, by comparing the expense accounts between the local government and the private sector, the administrative work is made whether it is decided whether outsourcing can be finally done.

Therefore, this system introduces “cost management system sheet of administrative work” and it is assumed the indicator of the cost judgment in an external consignment (Table 4.7).

Table4.7 Cost management system sheet of administrative work Ver.1.0

Division Code		Division Name	
Section Code		Section Name	
Work Level. I Code		Work Level. I Name	
Work Level. II Code		Work Level. II Name	
Account Code	A-Code	B-Code	C-Code

◆①Employment Cost (Unit-cost : Yen)

Official labels	Sequence of Numbers	Time / Quantity	Hourly rate / Unit cost	Benefits package	Mutual aid expense	Total necessary cost
S1						
S2						
S3						
S4						
S5						
Total						(A)

◆②Other overhead costs (Unit-cost : Yen)

D-Code	E-Code	Item	Unit	Quantity (Number of times)	Unit cost	Amount (Necessary cost)	Remarks column
Total other overhead costs						(B)	

◆Inclusive sum (A+B) (C)

Until now, when the local government put together budget which cost the administrative work, it hasn't needed to calculate "labor cost" in detail, for the local government has a system of duty assignment and job classification which set down the municipal by law or rule, its compensation system is decided by the appointment and years of experience. In addition, the labor cost has been calculated by the staff on General Affairs Division which takes charge of staff's payroll accounting and payment. But in private sector, when the expense account is estimated, the hourly wages and the time required a staff engaged in the business are clearly calculated for the work. So, when thinking about the expense account that requires it, such detailed calculation grounds in the local government are necessary. Today that exists in a situation critical the budget of the local government, it has to renew the idea of past budgetary process and change the constitution managed by cost.

## 5. Deriving of evaluation function concerning decision making model

### 5.1. Modeling of decision making model I

Next, to quantify the decision making model I, the evaluation function of the decision making model I is constructed.

Table5.1 The evaluation function concerning decision making model I

Decision making model I	Criterion of judgment (Input value :Yes=0, No=1) Yes=if applicable No=not applicable
①=X <sub>1</sub>	
②=X <sub>2</sub>	
③=X <sub>3</sub>	
④=X <sub>4</sub>	
⑤=X <sub>5</sub>	

◆Evaluation function:  
 $f_1=X_1 \times X_2 \times X_3 \times X_4 \times X_5$

■Decision making model I  
 $\therefore f_1=X_1 \times X_2 \times X_3 \times X_4 \times X_5=0$  → Administrative work in the local government (Core work) Rank1  
 $\therefore f_2=X_1 \times X_2 \times X_3 \times X_4 \times X_5=1$  → Outsourced administrative work (Non core work) Rank2

This evaluation function replaces the item of criteria from ① to ⑤ on the decision making model I with the parameter of 5 phases from ①=X<sub>1</sub> to ⑤=X<sub>5</sub> and it is judged that when comparing with the each criteria and corresponding to each criteria, Yes equal to 0 and not corresponding to each criteria, No equal to 1.From this decision making model I, whether the administrative work corresponds to Rank 1 or it corresponds to Rank 2 is judged (Table 5.1).

### 5.2. Modeling of decision making model II

This evaluation function replaces the item of criteria from ① to ③ on the decision making model II with the parameter of 3 phases from ①=X<sub>1</sub> to ③=X<sub>3</sub> and it is sequentially judged that when comparing with the each criteria and corresponding to each criteria, Yes equal to 0 and not corresponding to each criteria, No equal to 1.From this decision making model II, the combination of the judgment results is as shown in the following Table5.2.

Table5.2 The evaluation function concerning decision making model II

Decision making model II	Criterion of judgment (Input value: Yes=0, No=1)		◆Evaluation function : $f_2=Y_1 + Y_2 + Y_3$
	Yes-if applicable	No-not applicable	
①=Y <sub>1</sub>			
②=Y <sub>2</sub>			
③=Y <sub>3</sub>			

■Decision making model II It is judged by combination from ① to ③.					
	①	②	③		
(a)	Y <sub>1</sub> =0	Y <sub>2</sub> =0	Y <sub>3</sub> =0	∴ Y <sub>1</sub> +Y <sub>2</sub> +Y <sub>3</sub> =0	∴ 0+0+0=0
(b)	Y <sub>1</sub> =0	Y <sub>2</sub> =0	Y <sub>3</sub> =1	∴ Y <sub>1</sub> +Y <sub>2</sub> +Y <sub>3</sub> =1	∴ 0+0+1=1
(c)	Y <sub>1</sub> =0	Y <sub>2</sub> =1	Y <sub>3</sub> =0	∴ Y <sub>1</sub> +Y <sub>2</sub> +Y <sub>3</sub> =1	∴ 0+1+0=1
(d)	Y <sub>1</sub> =1	Y <sub>2</sub> =0	Y <sub>3</sub> =0	∴ Y <sub>1</sub> +Y <sub>2</sub> +Y <sub>3</sub> =1	∴ 1+0+0=1
(e)	Y <sub>1</sub> =0	Y <sub>2</sub> =1	Y <sub>3</sub> =1	∴ Y <sub>1</sub> +Y <sub>2</sub> +Y <sub>3</sub> =2	∴ 0+1+1=2
(f)	Y <sub>1</sub> =1	Y <sub>2</sub> =1	Y <sub>3</sub> =0	∴ Y <sub>1</sub> +Y <sub>2</sub> +Y <sub>3</sub> =2	∴ 1+1+0=2
(g)	Y <sub>1</sub> =1	Y <sub>2</sub> =0	Y <sub>3</sub> =1	∴ Y <sub>1</sub> +Y <sub>2</sub> +Y <sub>3</sub> =2	∴ 1+0+1=2
(h)	Y <sub>1</sub> =1	Y <sub>2</sub> =1	Y <sub>3</sub> =1	∴ Y <sub>1</sub> +Y <sub>2</sub> +Y <sub>3</sub> =3	∴ 1+1+1=3

Moreover, from the decision making model II, it is judged whether the administrative work corresponds to Rank1 or Rank2 by the result of the combination concerning the evaluation function, and as for the judgment result, its result from (a) to (h) is set priorities in the order ③<②<①. By setting these priorities, from the administrative work which it is possible to outsource easily, the cost is analyzed according to the evaluation function of cost management (Table 5.3).

Table5.3 The result of combination concerning the decision making model II

■Decision making model II The result of combination					
	①	②	③		
(a)	Y <sub>1</sub> =0	Y <sub>2</sub> =0	Y <sub>3</sub> =0	∴ Y <sub>1</sub> +Y <sub>2</sub> +Y <sub>3</sub> =0	∴ 0+0+0=0
(b)	Y <sub>1</sub> =0	Y <sub>2</sub> =0	Y <sub>3</sub> =1	∴ Y <sub>1</sub> +Y <sub>2</sub> +Y <sub>3</sub> =1	∴ 0+0+1=1
(c)	Y <sub>1</sub> =0	Y <sub>2</sub> =1	Y <sub>3</sub> =0	∴ Y <sub>1</sub> +Y <sub>2</sub> +Y <sub>3</sub> =1	∴ 0+1+0=1
(d)	Y <sub>1</sub> =1	Y <sub>2</sub> =0	Y <sub>3</sub> =0	∴ Y <sub>1</sub> +Y <sub>2</sub> +Y <sub>3</sub> =1	∴ 1+0+0=1
(e)	Y <sub>1</sub> =0	Y <sub>2</sub> =1	Y <sub>3</sub> =1	∴ Y <sub>1</sub> +Y <sub>2</sub> +Y <sub>3</sub> =2	∴ 0+1+1=2
(f)	Y <sub>1</sub> =1	Y <sub>2</sub> =1	Y <sub>3</sub> =0	∴ Y <sub>1</sub> +Y <sub>2</sub> +Y <sub>3</sub> =2	∴ 1+1+0=2
(g)	Y <sub>1</sub> =1	Y <sub>2</sub> =0	Y <sub>3</sub> =1	∴ Y <sub>1</sub> +Y <sub>2</sub> +Y <sub>3</sub> =2	∴ 1+0+1=2
(h)	Y <sub>1</sub> =1	Y <sub>2</sub> =1	Y <sub>3</sub> =1	∴ Y <sub>1</sub> +Y <sub>2</sub> +Y <sub>3</sub> =3	∴ 1+1+1=3

<p>◆Setting on weighted combination by the result of judgment from (a) to (h). As the total result of these combination takes it to becoming 3→2→1→0, the outsourcing is more easier in the administration.</p> <p>■The priority level of these weight is ③&lt;②&lt;①.</p> <p>① : It makes external consinging ahead and the education and guidance are done in order to receive an order.</p> <p>② : To accomplish the administrative work, it educates and it guides external consinging ahead.</p> <p>③ : It is possible to correspond only by improving the administrative management system.</p> <p>◆The cost analysis with the cost management sheet is added to the combination of these judgment results, and outsourcing is done in order of the cost.</p>
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### 5.3. The evaluation function concerning cost management

In section 5.1 and 5.2, the decision making model I and II were replaced the evaluation function and then the process of decision making model was quantified.

In this section, by making the means of calculation on cost management to the evaluation function, the costs between the local government and the private sector are compared. Input value of evaluation function and calculating formula concerning evaluation function on cost management are as follows.

Cost of administrative officer:

Employment cost Unit cost (Hourly rate+ Benefits package etc):  $w_i$

Head-count (Pursuer):  $n_i$

Time (Necessary engaging time):  $t_i$

Overhead cost Amount (Unit cost:  $p$ ) × Quantity( Number of times : $q$ ):  $pq$

※I is different according to the official position or the ordinance of local government.

(Example: From1=Secretary to 8 = Department chief)

Cost of outsourcee:

Employment cost Unit cost (Hourly rate+ Benefits package etc):  $W$

Head-count (Pursuer):  $N$

Time (Necessary engaging time):  $T$

Overhead cost Amount (Unit cost:  $p$ ) × Quantity( Number of times : $q$ ):  $PQ$

$$f(x) = \frac{(W \cdot N \cdot T) + PQ}{8 \sum_{i=1}^8 (w_i \cdot n_i \cdot t_i) + pq}$$

And when this evaluation function is used in order to compare the public sector with the private sector, according to the condition of the following evaluation functions (1) and (2) led from this evaluation function, whether it corresponds to Rank 1 or Rank 2 is judged, and an external consingment

is decided.

$$\text{If } f(x) = \frac{(W \cdot N \cdot T) + PQ}{\sum_{i=1}^8 (w_i \cdot n_i \cdot t_i) + pq} > 1, \text{ Rank1 (Core work)} \quad (1)$$

$$\text{If } f(x) = \frac{(W \cdot N \cdot T) + PQ}{\sum_{i=1}^8 (w_i \cdot n_i \cdot t_i) + pq} \leq 1, \text{ Rank2 (Non Core work)} \quad (2)$$

#### 5.4. The countermeasure for which the judgment of character classification consists of irregular pattern

When the administrative work is accomplished usually, the work flow which consists of the administrative work is often composed by a number of different patterns. This system calls the case which is composed different work patterns “Irregular pattern” and the judgment method for using the decision making model of outsourcing and the cost management sheet is as shown in following Figure5.4

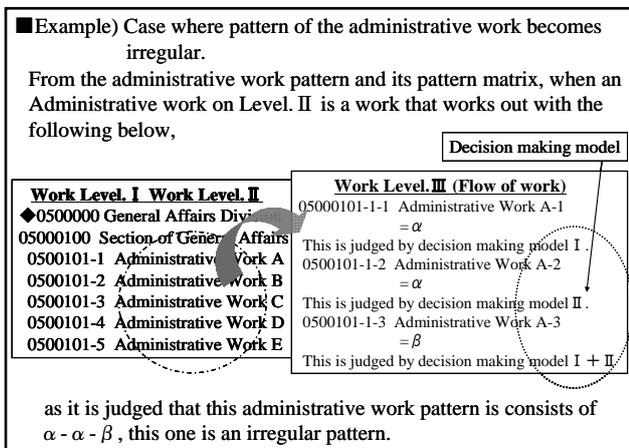


Figure5.4 Example of irregular work pattern

For instance, if the administrative work 0500101-1 which is located to Level. II starts from 0500101-1-1 and completes 0500101-1-3, from the administrative work pattern and the pattern matrix, the criteria of decision making model divides as follows.

0500101-1-1: This work is judged as pattern  $\alpha$  due to be classified a fixed form work. Therefore, this work is only adopted by the decision making model I .

0500101-1-2: This work is judged as pattern  $\alpha$  due to be classified a fixed form work. Therefore, this work is also only adopted by the decision making model I .

0500101-1-3: This work is judged as pattern  $\beta$  due to be classified special work. Therefore, this work is adopted by both the decision making model I and II .

As the result, this administrative work 0500101-1 is consisted of pattern  $\alpha$  - pattern  $\alpha$  - pattern  $\beta$  which is called irregular pattern.

Therefore, as it is impossible for this irregular administrative work to be judged as a totally same pattern, the irregular work like this is dealt with using the decision making model of outsourcing which is capable of classifying into individual pattern. In other words, as for an irregular pattern, the unit of outsourcing doesn't need to be set the unit of Level. II but the unit of level. III and it will think about the cost management sheet in a similar way. From now on, the number of general affairs which are representative of the fixed work, for example “a work of payment”, “a work of documentation management” and so on in the administrative work is done in each section every day and their works don't only have to be reorganized as all one work but also have to be checked up whether it is possible for them to outsource.

#### 6. The process chart of outsourcing

The process chart of outsourcing is a construction time schedule to settle on the plan to outsource the administrative work in a medium and longer term plan, for the administrative work which was judged to be able to outsource don't have to keep outsourcing excessively and furthermore, it has to need to be relation with financial program. In the local governments, a variety of plans, for instance, an integrated promotion plan, a city planning, a plan

of health and welfare for the elderly, are settled in a short or medium or longer term. In the case with thinking about outsource, making a process chart just like such a kind of plan is absolutely imperative in order to carry out outsourcing effectively.

### 6.1. Points of making the process chart

Two points are shown as follows so as to make a process chart.

First, the cost caused by outsourcing is necessary not to become a double cost when it is compare with staff's labor cost etc. That is to say, the local government has not only to figure out the cost adequately which caused by reducing employment cost but also decide to outsource the administrative work within the range of the reduction cost. This is connected with the prevention of the fiscal predicament. As it were, to deal with 2007 problem that it will rush into in the age from which the baby-boom generation retires in large quantities, staff's decreasing tendency in organization, accurate welfare expense of each staff, staff's age structure and employment cost caused by being prompted have to figure out.

Secondary, to work the principle of the market with where between needs of resident who requires public services and providing with public services accord, when the local government decides to outsource the administrative work, it is necessary to consider the supply and demand between citizen and public services.

### 6.2. Making of a process chart

By basing on the above-mentioned points, the local government has to make the process chart concerning outsourcing from a medium or longer term aspect when they actually outsource the administrative work (Figure6.1).

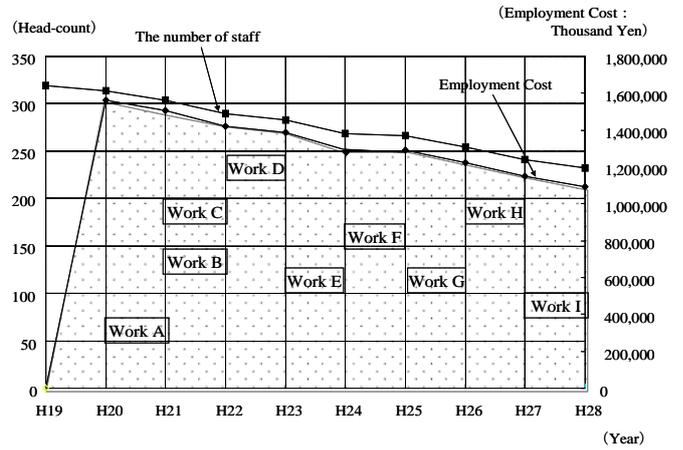


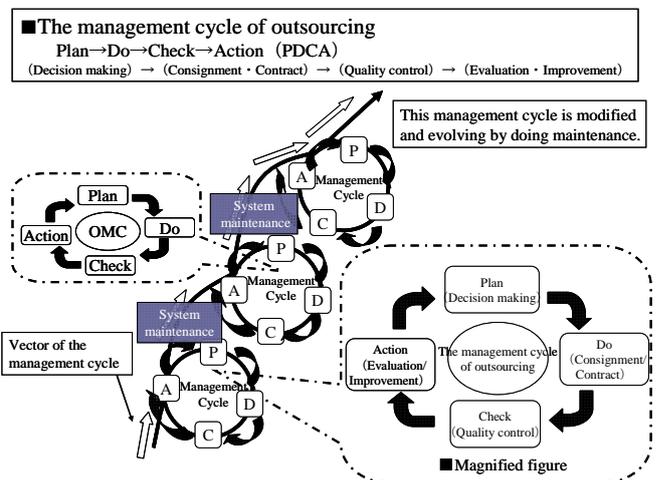
Figure6.1 Example the process chart of outsourcing

When the local government outsource the administrative work in premeditation, the point to which should be paid attention especially sets priorities on work which decided to outsource and works out programs in order to outsource it in a medium or longer term.

### 7. The management cycle of outsourcing

Finally, the new management cycle of local government will be proposed by carrying out outsource the administrative work in premeditation.

By carrying out outsource the administrative work in premeditation as well as using the decision making model and the process chart , the management cycle of outsourcing which is specialized in an external consignment will be established, which will be a circulative and spiral type (Figure7.1).



## Figure 7.1 The management cycle of outsourcing

Plan: Selection of the administrative work which is outsourced and decision making → Do: Outsource the administrative work (the consignment contract and the consignee carries it out) → Check: Quality control and evaluation of work that is outsourced → Action: Improvement of outsourcing in itself → The maintenance of total system → The following plan to be continued.

The reason is that this management cycle forms the spiral type is aiming at that the administrative work which was outsourced is reviewed, modified and evaluated during the process which moves from PDCA cycle to next PDCA cycle. Through the new management cycle like this, it is thought that the quality of work which was outsourced as well as this system in itself will improve.

## 8. Conclusion and research in the future

In this writing, the construction of new management system was tried by introducing the decision making model and the evaluation function in order to make a study on the modality of proper outsourcing in the local government.

Now the financial picture in the local government is being thought serious every year and accountability of the administration is requested for the citizen and the congress, the clarification of the division of the roles played by between the private sector and public administration has been needed more and more and in addition, it is thought that the quality control of work to which was outsourced is demanded.

In the near future, the criterion not only is reexamined but also it will try to construct the criterion of the quality control of administrative service in the future. Moreover, this system is made to be improved to a model near "Activity-based costing" that appropriates the focus to "Activity" of

the administration in acting the site because there is a necessity for immediately constructing the cost management system in the local government actual.

## 9. REFERENCES

National Institute of Population and Social Security Research Web site, URL:

<http://www.ipss.go.jp/index.html> (last date accessed: 19 January 2007). (Website References)