

Research on Feasibility of Administrative Contract Responsibility System in China

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Abstract This article evaluates the results and impact of various administrative contracts in China after years of government reform, concentrating on the improvements of public service. Drawing on the empirical basis, it assumes that both “contracting-in” and “contracting-out” methods do improve the administrative performance. However, under the circumstance of market economy, government functions are not only effective but also fair and moral. So the essay constructs the Contract Responsibility System in administration management and analyzes its feasibility in China.

Key words Public service; Contract responsibility system; Performance; Market economy

1 Introduction

Since 1970s, the New Public Management (NPM) movement started from Great Britain, the U.S.A, Australia and New Zealand, and then it expanded to the European countries and even to the whole world. By applying the theories, methodology and techniques of the business management, it aims to improve the efficiency of public management and the quality of public service. NPM focuses on “reengineering government”, developing competitive mechanisms needed to reform the traditional government management in order to achieve “3E”s, i.e., Economy, Efficiency, and Effectiveness. In this international reform movement, many western countries redesigned their schemes on their own conditions: the entrepreneurial government reform in the U.S.A, the public administration reform in France, the modernization of public sectors in Denmark, the improvement of financial management in Australia, etc. Influenced by the managerialism, these reforms share a lot in common, such as market-orientation, de-nationalization (privatization), liberalization and customer-priority.

Among the specific practices in the global NPM reform, contracting-out becomes the main principle and proves to be more efficient and effective, for it contributes to cutting down the size of government institutions and realizing the “spending less but doing more” objective. However, contracting-out inevitably invites more private businesses and individuals to participate in the public service, and it is natural to apply the methodology of private management. As the Britain scholar J. Greenwood points out, the sharp differences between public and private sectors shouldn't be neglected, and privatization challenges the public responsibility, the fairness, the legality and the variety of the civil society. Thus, to such a controversial problem, this article provides a feasible solution. Since right and responsibility are the critical elements in both the public and private management, it is necessary to create a new incentive mechanism—the Administrative Contract Responsibility System (ACRS) to unite the two.

2 What is the Administrative Contract Responsibility System (ACRS)

As an incentive mechanism, the ACRS expects to compromise the contractors' right and responsibility, obligation and interests. It also requires that anyone who will implement the administrative service undertake the construction of social morality and justice. The contractors may include the national institutes, the private enterprises, the public servants and the social individuals. All of them are assigned to offer public service products to the same object—the public. To accomplish their contract effectively, they have to comprehend the ACRS characteristics. Firstly, it is mandatory. Anyone who violates contracts or principles would be punished legally, suffered economically or condemned morally. The law assigns contractors obligations, and then, the public credits their morality and their service bring them economic benefits. Law and contracts stipulate contractors' behavior in execution. Secondly, it is utilitarian. The public service is taken as a kind of product and priced by market. Good service earns the “user charge” and bad service gets complaints. The economic interest determines contractors' opting out of the public service. Thirdly, it is for commonweal. Undertaking the public service, contractors must realize that the pursuit of economy, efficiency and effectiveness is not the ultimate objective. The interest of the majority should be placed first. Meanwhile, the social morality, justice and responsibility should be regarded as commonweal too. Let's illustrate with a simple example.

A contractor who is in charge of a nursing home can't turn off the central heating in chill winter for the sake of economy or poor management. Once he signs the responsibility contract, he is obligated to provide the standard service. His performance is under the immediate supervision of government. Meanwhile, he should be open to the media and the public. Any ill-treatment to his customers will be imposed sanctions. So, the ACRS is not a contract, but a responsibility agreement. It urges contractors to balance the right and responsibility while serving the public.

In China, the ACRS is especially designed for the government officials. China has a long history of bureaucratic governance and its government officials are accustomed to giving orders or instructions to "their people". But now, the New Public Management movement changes "people" into "customers" who will pay for the public service, while the New Public Service movement promotes "people" to the "masters" of the country who have the right to enjoy the fine quality commonweal. There is no denying that people's social status and functions are heightened. But how about the government officials? The "managers" or "instructors" are not the appropriate titles any more. With the conversion of the government role, serving the society and the public becomes their duties and the "public servants" or the "service personals" become their new name. Such tremendous conception transition usually would take people a long and difficult time to accept, but a highly developing country need a highly efficient government to work with. In this case, the ACRS is regarded as a roll booster—to impel officials to adjust their concepts and roles to the new situation. With the ACRS, the present officials should take a fresh look at their right and responsibility. Now, they are responsible for the citizens, not their superiors. The only purpose of exercising rights is to serve the public more effectively. The service content, quality, efficiency are the decisive measurements to evaluate their job performance and is the only source to bring them economy interest. Finally, the ACRS will internalize their attitude and take their responsibility as a guide to action.

China is experiencing an era of transition and reform is ongoing in every field. Its government reform is considered the key in all because the government used to play such an important role in history. And the related administrative reform will determine the country's future. The ACRS is created to help administrative staff improve themselves in the global trend of marketization and socialization. Only when their serving consciousness is born innately not compulsorily, can they offer the society seamless service at any time and any place^[1]. Only then, China can realize a truly people-centered government.

3 Contracting-in and Contracting-out in the ACRS

In the contemporary era, society grows into a huge organism and government alone is not able to serve all purposes. According to the theory of public governance, it is feasible and necessary to build a bridge between government and society, national institutions and non-government organizations (NGO), public and private sectors^[2]. The cooperation is based on mutual action and influence. Thus, the ACRS in China bring forth two forms: contracting-in and contracting-out, which entitle both the government and non-government organizations to accomplish the unanimous task of serving society. So, on one hand, this design discloses the historical necessity that national power is destined to return to the public; on the other hand, it conforms to the objective of government reform, i.e. to simplify the administrative procedures and delegate powers to the lower levels, which reveals the participatory democracy in Chinese reform.

3.1 Method one: contracting-in of the administrative service

Among the government functions, some administrative service should be undertaken only by the government agencies or their employees, for such service is characterized by specialty, confidentiality, and irreplaceability. To guarantee the government's power and prestige, some public service like administrative penalty, administrative license, administrative acknowledgement, administrative charge, and administrative enforcement should be implemented by the national public servants. They are people of positions in the government agencies and abide by the position responsibility system. Since they are representatives of the government, the service that should be completed by the government is assigned to them. That is called "contracting-in", which is a coined word from its opposite—"contracting-out" (to assign some usual and routine service to people who are out of the government.)

In the ACRS, the national public servants must accomplish the duties and obligations specified by their present position. That is the basic requirement which enables the government affairs to be operated normally. However, the contracting-in service signifies the special powers or functions by itself, which means that without proper surveillance, it is much likely to take place the abuse of power or corruption in these positions. To avoid such incidents, government officials have to strengthen their sense of

discipline and self-discipline personally. Meanwhile, they are supervised by the accountability system, the administrative law and the civil servant law. The ACRS urges the officials who are involved in the contracting-in service to “do and do it well”.

Police is such a national agency which can not transfer their power to the civil society. A qualified policeman knows well how to integrate his power and responsibility. For example, Wuhan is one of the biggest cities in China and also is well-known for its terrible traffic condition. To cope with the traffic disorder, the traffic police regiment in Wuhan Jiangxia District adopts the ACRS and attaches one's law enforcement to his effectiveness. Each policeman is responsible for a given route, and his performance is evaluated by its unobstructed condition in the rush hour. In order to achieve the objective, the policeman has to enhance the sense of responsibility and improve his attitude to the common citizens on transportation. Thus, the citizens' complaints reduce sharply and the routes go smoothly. The application of the ACRS proves to be more efficient than the traditional method—to be on duty by turns. Policeman's undesirable behavior, such as arbitrary fines, nonfeasance or shirking responsibility is effectively controlled. The benefited citizens of course applaud such high quality service.

Sometimes, the contracting-in service should not focus on the economic interest, for it bears more social responsibility. Another example is about the police too. The traffic police regiment in Shanghai Minhang District also applied the ACRS to their routine work. But they went so far because they took the police as a “making profit” business. The main task of the policemen was designed to make money by placing arbitrary fines. Everyone should complete the contracted amount, or they would suffer economic punishment. Thus, to fulfill the subscribed target, these law representatives collaborated with the unemployed to trap the innocent people to be fined. They knew the law but break it, they were to protect people's right but actually violate it. So, if people's interest is always put in the first place, the government officials in the ACRS would never choose the wrong way.

3.2 Method two: contracting-out of the administrative service

Contracting out borrows the methodology of “outsourcing” in the business management. The modern industrial society is known for the highly developed division of labor. It is impossible for a single enterprise to own enough top human resource to excel in every branch. In order to concentrate on its core business, the enterprise usually entrusts the other specialized agency to take its unimportant business. By doing this, it can not only reduce the management cost, but also upgrade the service quality, and ultimately achieve the goal of satisfying more customers. Microsoft is a good case in point. It is because IBM outsources its software business to Bill Gates that Microsoft gets the opportunity to grow into a giant in the software world. Lots of successful cases prove that this outsourcing mode can achieve the double-win effect.

Based on the outsourcing mechanism, the public management theory invents the contracting-out method to carry out some administrative service. To be more specific, the government institutions transfer some labor service such as public service, logistics service, community service, etc. to the other qualified organizations, and disburse accordingly at the market price. For instance, the job training, the annual census, the law consultation and the construction and maintenance of the network, all of these can be entrusted to the social institutes with special qualification and technology. In view of the public management, contracting-out mode can best utilize and integrate both government resources and social resources. At the same time, more and more people can participate in government and political affairs, which contributes a lot to the political democracy and social stabilization. And in view of economics, contracting-out method helps the government cut down administrative cost greatly and improve the administrative efficiency effectively. Generally speaking, contracting-out of administrative service brings great benefits to the government reform, especially in the aspect of reduction of government agencies and optimization of government functions.

Now, Chinese government mainly opens the following realms to the contracting-out practices.

3.2.1 Contracting out of the e-government

In the report of the 17th CPC (Communist Party of China) national congress, promotion of e-government and aggrandizement of social management and public service become the essential tasks of constructing service-oriented government^[5]. It is the international trend to apply the E-information technology to the government management in modern society. Like the other major countries, China adopts BOO (Building, Owning, Operating) mode—the contracted enterprise invests and is in charge of design, construction, maintenance, operation, and training. The property right of the hardware and software belongs to enterprise. And the government puts forward the construction requirements, coordinates from the macroscopic view and creates the feasible outer environment. At the same time, it

pays for the usage rights of the e-system. Now, the rapid development of e-government enables Chinese people to know more about the government work process, the national policies and the latest reform news. On the other hand, citizens can consult procedures, apply certificates and feed back social problems through e-government. Thus, a convenient communication platform between government and citizens is established.

3.2.2 Contracting out of the human resources

In China, there used to be a special phenomenon that getting a job in the government agency means holding an iron bowl forever. No matter how well one works, he will be definitely promoted according to seniority. Undoubtedly, this personnel mechanism leads to overstaff, bureaucracy and lack of efficiency. The contracting out of the human resources introduces the competition mechanism to the “stagnant water”, which stimulates the crisis awareness of the government staff. According to the contract, the human resource institute should accomplish the employee recruit, personnel training and staff outsourcing, and the government can cut down the redundant staff and institutions. In brief, the human resources from the society and government are integrated effectively and the administrative efficiency is achieved.

3.2.3 Contracting out of the administration finance

In recent years, China gradually opens its financial departments and establishes a huge financial system—under the supervision of China Banking Regulatory Commission (CBRC), China Insurance Regulatory Commission, China Securities Regulatory Commission, the national commercial banks constitute the main body, coexisting with various financial institutes. With the expansion of financial market, the labor division and the competition urge all the agencies to improve the service quality and to complement functions of each other.

Chinese administration contracts out its regular financial affairs to the banks, usually including the management of staff salary, social insurance, welfare and national loans. As rewarded, the government can get such benefits like saving cost, simplifying procedures, and enjoy a lot convenience from the specialized, standardized and automatic financial service.

4 How to Solve Disputes in the ACRS

Where there is a contract, there is a dispute. The major western countries always adopts administrative law to solve disputes. They prefer the methods not involved in the judicature, such as negotiation, arbitration or adjudication within administrative institutes. In England, the common court will accept the disputes caused by administration contracting-out. But unlike the civil dispute, the court administers the different laws. In France, contracting-out is regarded as one practice of public management, so the related disputes should be solved by the administrative proceedings. In German, as a usual rule, the dispute about contracting-out should be brought to the administrative court ^[6].

In China, the administrative law is also applied to solve any dispute in the ACRS. On Dec. 28, 2009, Topics in Focus on CCTV broadcasted a program named “Don’t let the land ‘sun’ ”, in which the land developers openly violated the contract with the government in order to make great profits. They let the land lie idle and waited for the land-value rise. The Land and Resources Bureau held the hearing, and discussed with the key administrative departments like Planning Directorate, the Construction Bureau, the National Development and Reform Commission and the Finance Bureau. In the end, they decided to take back the land gratuitously. The involved land developers suffered the huge economic loss and confronted the credit crisis.

In order to promote the ACRS, Chinese government not only tries to find qualified contractors, but also intends to set examples of credible, responsible enterprises to the public. “Serving the people heartily” should be the strong motive of any contractor who is going to undertake the public service. “Being responsible for the country ” should be the guideline to evaluate every contractor’s job. Any mischievous behavior will incur a heavy loss in economy and morality.

5 Conclusion

For a long time, whether the administrative service can be contracted with private sectors has remained a controversial topic. During the process of modernization and globalization, Chinese society is undergoing the great transition. Its government will not qualify itself for a versatile “babysitter” any more. In order to serve its thirteen hundred million population more efficiently, it has to set up a new mechanism. So the Administrative Contract Responsibility System becomes an irresistible trend.

As a trial mechanism, the ACRS needs the joint efforts from the academic fields to perfect itself,

such as the jurisprudence, the public administration, the economics, the sociology and so on. And more studies are invited to solve the problems arising therefrom—how to activate more public servants to take the contracting-in service, how to effectively supervise and evaluate their performance, how to inject the sense of responsibility into every contractor, how to make good use of social morality…… Generally speaking, the ACRS deserves further study, because all the efforts are actually to benefit the society and bring happiness to all of the people.

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