

The Implementation of Contracting Out in Taiwan's Local Governments: An Application of Q Methodology

Milan Tung-Wen Sun

National Chi Nan University

Abstract: *Contracting out has been practiced in Taiwan since 1993, and the recent reform efforts are to encourage its implementation at the local government level. To ensure the success of contracting out in Taiwan, it is argued that the practical experiences of local practitioners are more helpful in designing its implementation strategy. Q methodology is applied from a "bottom-up" approach through which street-level bureaucrats are invited to contribute their opinions and to perform the Q sorting. There are at least five discourses been revealed, each of them represents a distinctive perception of contracting out on the basis of personal experiences. It is argued that contracting out has been perceived as an administrative means through which public-private relationships can be promoted and ensured. Therefore, efforts to strengthen contract and network management capacities are needed to guarantee the success of implementing contracting out at local governments in Taiwan.*

Introduction

Under the influences of globalization and the advancing information and communication technologies, the roles and functions of the government have been in a process of transformation. Since the 1980s, the notion of New Public Management (NPM) has served as the conceptual framework for guiding government and administrative reforms in many developed and developing countries. Essentially, NPM emphasizes the "marketization" and "managerialization" (Brown et al., 2000; Grimshaw et al., 2001) approaches which stress the importance of competition; and market incentives are perceived as more effective and efficient for providing public services than the traditional bureaucratic control mechanism. Within these approaches, governments at the central and local levels are particularly interested in the concept of privatization (Savas, 1987) and the tools through which it can be accomplished.

Auger (1999) suggests that privatization ought to be perceived as an umbrella concept which encompasses many techniques and service

strategies for promoting greater involvement of private for-profit and not-for-profit sectors in administrating and financing traditional governmental services. According to Auger (1999, p. 437) and Johnson and Seidenstat (2007), contracting, voucher, public-private partnership, franchise, grants and subsidies, asset sale, volunteerism and private donation are different types of privatization. Among this array of techniques, "contracting out" (or outsourcing) has been a very popular means for marketization. As Johnston and Seidenstat (2007, p. 235) have reported, contracting out had been practiced by 78% of state agencies in the United States in 1993, and the percentage went up to 80% in 1998 (Auger, 1999, p. 439).

The Republic of China on Taiwan is no exception to taking an interest in the practice, the concept of contracting out was first introduced into Taiwan's reform agenda in 1993 (Mo, 2004), but the comprehensive NPM-based Government Reinvention Program (GRP) was launched by former Premier Vincent Shiew not until 1997. After more than fifteen years' practices, the initial assessment of the experiences of contracting out in Taiwan is mixed (Mo, 2004; Li, 2002; Chiu, 2008). However, most of the assessments have focused on the Central government level; less attention has been paid to analyze the practice of contracting out among Taiwan's local governments.

Taiwan is a unitary state in which the functions and responsibilities of the local government are assigned by the Central government by means of constitutional provisions and other legal documents. However, a modern democratic government is only possible in Taiwan after 1987, the year martial law was lifted, and local governance is becoming a very salient reform issue recently. Taiwan's local government was divided into three autonomous layers: province, county and township. Nevertheless, as a part of the GRP, the status of the Provincial government as a self-ruling body has been transformed into an arm-length agency of the Central government in 1997. Previously, the once-powerful Provincial government had served as a buffer between the Central and the other local governments; nowadays, the Central government is facing fierce competitions from and intensive conflicts with two Special municipalities (Taipei and Kaohsiung) and twenty-three county governments directly.

In February, 2001, former President Shui-bian Chen, in a closing remark to the National Administrative Reform Conference, announced that the administrative reform ought to be guided by the spirit that the central government should not take over roles and functions that would better be assumed by local governments. Public and private partnership, central and local partnership, and designing intergovernmental mechanisms for promoting positive horizontal competitions and collaborations among local governments are some

critical aspects of recent reform efforts (Research, Development and Evaluation Commission, 2001).

Against a background of mixed assessments of using the NPM instrument of contracting out and the emerging permanency of local government in Taiwan, a Q study is designed to examine the experiences of practicing outsourcing among Taiwan's local administrators from a subjective perspective. The research objective is to make proposals regarding how to implement contracting out better at the local level in Taiwan. Literature of contracting out will be briefly reviewed next; and it is followed by a description of the practices of outsourcing in Taiwan from a historical perspective. Research design and analysis of this Q study are present in the third section, and the last section is a brief conclusion.

The Theoretical Foundation of Contracting Out

The concept of contracting out is stemmed from many different theoretical grounds, including public choice theory, transaction cost theory, principle-agent theory, and public-private partnerships (Awortwi, 2004; Coats, 2002; Mo, 2004; Hodge & Greve, 2007). Public choice theory defines policy as the result of collective decision making by self-interested individuals (Buchanan, 1968). To maximize the efficiency of resource allocation, many goods and services ought to be removed from the public sector, and programs that must remain in government should be provided by quasi-market mechanisms such as contracting out or vouchers (Savas, 1982; Dilulio, Jr., 1993).

The basic assumption of transaction cost theory is that, due to the fact that any transaction has unique characteristics, different governing arrangements are needed to manage individual transactions for the purpose of reducing transaction costs that are induced by the notions of uncertainties, small numbers bargaining, bounded rationality, opportunism, adverse selection and moral hazard involved in transaction (Williamson, 1985). To provide public goods and services more efficiently, government can reduce the transaction costs by building contractual relations with the private sector on the competitive basis (Williamson, 1979). Similarly, the principal-agent theory also emphasizes competitiveness and accountability. Given the tendency of diverse objectives and asymmetric information between principal and agent, trust relationships between the two have to be built on a carefully designed contractual basis on which government's regulative, facilitative and monitoring roles are critical (Mo, 2004, p. 79; Lee, 2002).

Rather than simply transferring public services (and responsibilities) to the private sector, the notion of public-private partnership stresses the joint relationships between the public and private sectors in service delivery. For the considerations of risk sharing and the potentials for

innovations, efforts to combine specific qualities of the public and private sectors together will benefit both of them (Williamson, 1985; Rosenau, 2000). Partnerships are perceived as organizational and financial arrangements (Hodge and Greve, 2007, pp. 546-547) through which partners participate in the process of decision-making and share the benefits of joint actions.

From these theoretical streams, the practice of contracting out was introduced in the United States as a means of expanding welfare service; it served as a tool to reduce statutory provision in Britain (Seidenstat, 1999; Schmid, 2003). Essentially, contracting out can be viewed as "a market-based means of organizing that may provide an alternative to in-house management and service provision" (Beinecke and Defillippi, 1999, p. 491). In such an arrangement, "the government sets the standards but signs an agreement with a private provider, for-profit or not-for-profit, to provide goods or manage services" (Auger, 1999, p. 437). Therefore, the government is responsible for policymaking, oversight and establishing service standards and quality, while the vendors are in charge of providing the service directly (Schmid, 2003, p. 308). However, Brown and Potoski (2003:155) warn the advocates of contracting out that "public organizations may view contracting out not as a function to be managed, but as a means to reduce—if not shirk—their overall management responsibilities."

Peled (2000, p. 210) argues that conventional definition of contracting out has ignored questions concerning how does public organization and service provider interact after a certain function has been outsourced. Therefore, from a political perspective, contracting out can be defined as the evolution of complex administrative and political relationships between bureaucrat and vendor after the two are formally joined together by a contract. During the evolution process, public values may be lost (Jorgensen and Bozeman, 2002), and public organization manager has to work hard in aligning public values, institutions, and markets (Brown et al., 2006).

Although from a different perspective, this relationship model of contracting out is also emphasized by Beinecke and Defillippi (1999). They conceptualize outsourcing as a continuum from the classical contract (e.g., not complex, short-term, many potential suppliers, non specialized service, lowest priced bids) to a relationship agreement (e.g., flexible, long-term, highly specialized service, few qualified suppliers). Service supplier (public organization) and service provider (private vendor) are involving in game situations in which careful balance is required to enhance trust building among existing partners. This relationship model does not necessarily mean that government and service provider are equal partners. Klijn (2002, p. 160) argues that public organizations prefer to shift as many functions, responsibilities

and risks to private partners, but they also want to have a firm grip on the content of the contract and its implementation. This top-down approach tends to make contracting out less hinging on the notion of trust, but more rely on strict control and contract enforcement.

A similar line of argument is developed by Behn and Kant (1999), they first make a distinction between performance and regulatory contracting. The former emphasizes the importance of pay for results, and the latter stresses the notion of pay for activities (inputs and processes). Consequentially, particular attentions are needed to develop strategies for avoiding the pitfalls of performance contracting. In this regard, contract management (Bennett and Mills, 1998; Brown and Potoski, 2003) and network management (Klijn, 2002, Goldsmith and Eggers, 2004) capacities are essential for the success of outsourcing.

By dividing the process of contracting out into three sequential phases, Brown and Potoski (2003, p. 155) identify the feasibility assessment capacity, implementation capacity and evaluation capacity as the three major components of contract management capacity. They argue that this contract management capacity has not kept pace with the increasing level of outsourcing. Bennett and Mills (1998, p. 310) further specify eight steps (capacities) in contracting out: (1) deciding whether to contract and which services to contract; (2) identification of contractor and tendering process; (3) design of contract; (4) drafting of legal contract; (5) implementing contract; (6) monitoring or auditing contractors; (7) implementing sanctions for non-performance; and (8) strategic function. The dilemma is that, for certain functions, the more local governments rely on contracting out, their internal management capacity tends to be reduced, and fewer benefits can be realized by the practice (Brown and Brudney, 1998).

However, Goldsmith and Eggers (2004, p.151) argue that most public organizations do not see contracts as relationships but rather as one-off discrete procurement tasks. They assert the importance of relationship portfolio management which emphasizes implementing control system, minimizing dependency risk, measuring partner performance, rationalizing the portfolio, and identifying opportunities to reduce costs. The core of the network management is the concept of coordination.

Much of the literature on contracting out has cited higher quality services, more efficient services delivery, and cost saving (Clark et al., 1995/1996), equality in resource allocation (Lipsky and Smith, 1989/90), enhancing transparency and accountability (Schwartz, 2001), and more cliental choice (Kramer, 1994) as the major benefits of outsourcing. In addition, it is argued that contracting out peripheral government functions can improve organizational flexibility and performance by allowing managers to concentrate their efforts on core

activities (O'Leary, 1996).

However, the concept and practice of contracting out have been criticized on many fronts. Conceptually, Simon (1998) challenges the notion of privatization by stating that the major motivational premise of privatization is simply false; and that it will enhance productivity and efficiency is equally wrong. On the practical side, critics of contracting out have charged that it cannot guarantee to deliver the promised benefits (Brown and Potoski, 2003; Awortwi, 2004); it tends to threaten the continuity of service delivery and sacrificing service quality for efficiency and cost saving (Ferris and Graddy, 1986); it may encounter accountability problems (Milward, 1996; Dicke and Ott, 1999), and there are many organizational and structural dilemmas for the implementation of contracting out (Schmid, 2003, pp. 314–319). To certain extend, Gibson (2004) simply declares contracting out the public services as a “bad influence” to public administration.

Basically, there are at least two themes emerged from the above discussions. First, the multidimensional characteristics of contracting out make it difficult to reach consensus among scholars regarding how the concept and practice of contracting out can be appropriately perceived. Second, the lack of consensus also impedes the development of theoretically-driven objective criteria to evaluate the performance of contracting out. For the same token, this may be accounted for the inconclusiveness of its empirical findings.

The Practice of Contracting Out in Taiwan

Contracting out government services has been initiated and practiced in Taiwan for more that 15 years. From a historical perspective, the exercise of contracting out in Taiwan can be divided into four phases, modified from Mo (2004, pp. 81–88).

(1) The Initiation Phase (from 1993 to 1997)

In 1993, the Executive Yuan had initiated the “Administrative Reform Program” in which contracting out was officially included as a means for government downsizing. The Central Personnel Administration (CPA) was in charge of promoting contracting out among Central Government agencies. During this initiation phase, efforts to promote the practice of contracting out in Central Government agencies were devoted to organize workshops, compile practice examples and handbooks.

(2) The Legalization Phase (1998 to August, 2000)

In 1998, the Executive Yuan passed the Guidelines for Government Reinvention which formally placed the reform programs as the top priority on government agenda. Within this government reform program, contracting out government services was one of the most important items. Compared with the previous phase, the Council for

Economic Planning and Development (CEPD) had replaced the CPA as the responsible agency to implement contracting out. CEPD had edited an Operational Manual for Contracting Out Government Services for public organization's reference. To frame the legal foundations for outsourcing was emphasized in this phase, such as to draft the Government Procurement Act and the National Property Act. However, most of these drafts had not been passed in the Legislative Yuan.

(3) The Concentration Phase (September 2000 to April 2002)

During the previous two phases, although contracting out had been successfully implemented on many cases, they were primarily cases related to activities such as sanitary and information management. In terms of organization downsizing and reducing financial burden, only limited results had been achieved. To facilitate the process of contracting out, a joint meeting was held in September 2000 in which CPA was assigned to in charge of contracting out again. Although the above mentioned legislation had not been passed, CPA issued some implementation guidelines for agencies under the Executive Yuan to follow. Within these guidelines, government services for contracting out were classified into two categories: public facility and enterprise and administrative activities ("public facility and enterprise" indicate the separation of ownership and management of public facility or enterprise, such as parking lot, swimming pool, day care center, etc. "Administrative activities" include internal affairs or services, inspection, and administrative assistance). Contracting out medium-size or large public facilities so that substantial manpower and financial savings could be achieved was the focus of this phase.

(4) The Extension Phase (May 2002 to the present)

In May 2002, the Executive Yuan established the Committee for Promoting Organizational Restructure of the Executive Yuan to coordinate various government reinvention programs. The strategies for government reinvention have been specified as deregulation (decommission), corporatization, decentralization and outsourcing. CPA has continuously emphasized the importance of contracting out public facilities and enterprises, but efforts are made to extend the practice to local government agencies.

On the basis of a survey study which includes 692 interview and questionnaire responses from top managers from private and public service enterprises in the USA, the UK and continental Europe, Kakabadse and Kakabadse (2001) have reported that basic services emerge as the most frequently contracted out functions in public organizations. The same observation can be applied to the situations of contracting out in Taiwan (Li, 2002, p. 441; Chou, 2007). According to Li (2002), 60 percent of Taiwan local governments' outsourced activities in

1992 can be classified as supporting functions.

Since 2002, CPA and the Ministry of Audit (MOA) have assessed the performance of contracting out in local governments annually. CPA's assessment focuses on whether the contracted out activities have achieved the original objectives; MOA serves as the external auditor whose assessment focuses on whether the contracted out activities have been implemented according to government procedures and regulations. Chiu (2007) compares the audit reports of CPA and MOA and summarize the common problems of contracting out in Taiwan's local government as: (1) contracting out in local government is regulated by administrative orders only; (2) feasibility assessment has not been carried out prior to contracting out; (3) the monitoring and evaluation system is incomprehensive; and (4) lack of objective performance evaluation or it has not never been implemented.

The preliminary assessments of the Taiwan's Government Reinvention Program in general (Sun, 2008) and the administrative reform at the local level in particular (Sun, 2007) indicate only limited success, extraordinary efforts have to focus on the implementation of various reform programs. Given the fact that decentralization and contracting out are two of the four pillars of the Government Reinvention Program in Taiwan, how to design better strategies to ensure that contracting out can be successfully implemented at the local level demands special attention.

It has been argued above that the lack of consensus of how to perceive contracting out has impeded the empirical evaluation of its performance. Although subjective performance measures have been widely used in program evaluation (Stipak, 1987), they are usually beliefs, perceptions or attitudes measured by using the conventional R methodology which is more theory-driven. As for the empirical studies of contracting out, they are often based on case study (Steel and Long, 1998; Grimshaw et al., 2001; Jorgensen and Bozeman, 2002) or survey research (Ferris and Graddy, 1986; Wang and Gianakis, 1999; Kakbadse and Kakabadse, 2001; Brown and Potoski, 2003). The findings of these researches tend to average-out the difference or to conceal the marginalized viewpoints in the aggregate. Brown (2004) suggests that Q methodology is able to reveal "the inherent structure of the community discourse and of the functional groups that contribute to it, and marginalized as well as mainstream perspective stand revealed on equal footing." In this study, the notion of marginalized viewpoints will be considered at another level, that is, street level bureaucrats working in Taiwan's local governments are invited to perform the Q sorting, rather the often studied scholars or high level government officials.

In other words, this “bottom-up” approach may be able to reveal the embedded structures of Taiwan local government practitioners’ perceptions of contracting out on the basis of their daily experiences of implementing the program. As Lipsky (1980) has argued, at the operational level, the attitudes and experiences of the street-level bureaucrats heavily influence how program is actually carried out, and they should be perceived as part of the policy-making community. This study focuses on the implementation of contracting out in Taiwan’s local government. It is argued that, through the application of Q methodology, the revealed discourses, and the similarities and differences among them, will serve as the basis for designing implementation strategies.

Research Design and Analysis

The concourse of this study is consisted of statements concerning the implementation contracting out in Taiwan. These statements had been collected from interview materials reported by Chou (2007) and Chiu (2007). Chou (2007) had interviewed thirteen local practitioners from the Taichung City and Nantou County governments in June 2007, her interview questions were concerning the merits and defects of contracting out, factors affecting the implementation of contracting out, and the predicaments and obstacles during the implementation and monitoring stages of contracting out at local governments. In Chiu’s study (2007), she had interviewed eleven auditors from CPA and audit departments at the central level also in June 2007, her interview questions covered the performance evaluation, legislations, implementation, and auditing dimensions of implementation of contracting out in Taiwan’s local governments. There were 82 statements selected from these interview materials. These statements are original in a sense that they are provided by the interviewees as answering some open-ended questions. They are not abstract knowledge of contracting out; they are based on personal experiences of carrying out the related duties of contracting out in Taiwan.

To facilitate the selection of a representative set of Q statements, factorial design was implemented by focusing on the rationale, management and performance dimensions of outsourcing. Statements related to why local governments in Taiwan need to contracting out public services and what are the associated merits and defects are classified as the rationale for contracting out. Answers to the question of what are the obstacles for the implementation and management of contracting out at the local governments are defined as associated with the management dimension. And statements address the results and effects of contracting out are regarded as the performance statements. On the basis of the factorial design, 12 statements have been selected from each of these three dimensions, respondents are asked to sort

these 36 Q statements (see Appendix 1) from most agreed (+4) to most disagreed (-4) according to the following distribution:

Scale	-4	-3	-2	-1	0	+1	+2	+3	+4
Distribution	3	3	4	5	6	5	4	3	3

To explore the subjective dimensions of contracting out in Taiwan's local government, sixteen local government administrators who have involved in the practices of contracting out have been invited to sort these Q statements. Nemec et al. (2005) argue that whether contracting out can be successfully implemented at local government level is mainly influenced by the environmental factors such as the level of competitiveness, quality of public administration, quality of democracy, and regulatory market. Due to the consideration that individual local government does reflect different political and fiscal conditions, eight respondents are from Taichung City which is an urbanized business district with better fiscal condition; and the other eight are the employees of the Nantou County which is an rural-agricultural area with server fiscal constraints. The P set includes the thirteen interviewees in Chou's (2007) study. These sixteen street-level bureaucrats had performed the Q sorting on a face-to-face basis in May 2008.

These sixteen Q sorts are factor analyzed by using the principal component method, and varimax solution is used to extract five factors for further analysis. Respondent's factor loadings and their relevant background information are provided in Table 1. However, government characteristics, length of experience and gender have no obvious relationships with respondent's factor loadings.

Factor A: Policy Advocacy

Essentially, Factor A indicates one type of perception and experience of contracting out in Taiwan local government that can be termed as "policy advocacy." Most of the potential pitfalls of contracting out (Statements 36, 30, 15, 28, 18, 12, 9, 7, 6; see factor array in appendix) are negatively associated with this factor, and many of the potential benefits of contracting out (Statements 33, 16, 13, 23) are strongly believed by Factor A respondents. These policy advocates perceive that public-private partnership is the core component of contracting out (Statement 26). Although the involved partners may have different priorities (Statement 29), as long as public organization manager is capable to integrate different ways of working (Statement 1), their experiences indicate that the objectives of contracting out can be assured since the implementation process (Statements 21, 2, 11) has been properly managed.

Table 1: Factor Loadings

Factor					Experi- ence ¹	Gender	County ²
A	B	C	D	E			
.76	.16	.20	.25	.06	5	F	T
.76	.12	-.01	.22	.01	10	F	N
.61	-.11	.05	.02	<u>.50</u>	3	M	T
.55	.04	<u>.47</u>	.37	.24	6	F	T
.54	-.16	.38	.27	-.01	8	M	N
.19	.77	.12	-.01	.17	3	M	T
.06	.72	-.07	.05	-.23	4	M	T
-.23	.55	.31	.14	.15	5	M	N
.19	.13	.74	.20	-.05	2	F	N
.04	.11	.62	.05	.27	2	M	N
.28	-.01	.51	.42	.36	4	F	T
.23	.09	.11	.77	-.03	5	F	N
.45	.03	.22	.61	.37	3	F	T
.15	.04	.18	.58	.33	8	F	N
.42	.08	.34	.47	<u>.45</u>	6	F	N
.03	.02	.11	.14	.56	2	F	T

Notes: (1) "Experience" indicates the number of years the respondent has in contracting out; (2) "County": T = Taichung City, N = Nantou County. Respondents with significant loadings are presented in bold figures, underlined figures are respondents who are also significantly loaded, but are not selected for final Q analysis for reducing factor correlations.

Factor B: Managerial Criticism

Factor B is very critical to the management of contracting out. This discourse is concerning with or reflecting of many managerial problems (Statements 17, 20, 27, 2, 31, 32, 14, 18) associated with contracting out in Taiwan's local governments. This factor doesn't perceive that contracting out can build a "smaller and better" government (Statement 13), provide better quality service (Statement 35), or increase government revenue (Statement 10), nor contract management can help to achieve these objectives (Statement 11). However, Factor B respondents neither perceive many of the potential negative consequences of contracting out (Statements 6, 30, 12). Given all these managerial problems, governments at the township or village level are not appropriate to promote contracting out (Statement 34) according to Factor B respondents.

Factor C: Public-Private Partnership

In Factor C, the notion of "public-private partnership" constitutes the core perception about contracting out. Though partnership arrangement

(Statements 26, 23, 36), better quality services can be provided (Statements 1, 33), and one does not have to worry about the potential pitfalls of contracting out (Statements 12, 31, 30, 15, 6, 27). These and other problems (Statement 22) may happen to public organization alone, but not to the complementary public-private relationship. Furthermore, contracting out will allow the senior managers to focus more on the organization's core function (Statement 3, 1).

Factor D: Cautious Guardianship

For Factor D respondents, they recognize the potential benefits of contracting out (Statements 33, 13, 35, 2, 16), and do not perceive many of the potential pitfalls (Statements 30, 15, 12, 28, 6), but they emphasize the importance of feasibility assessment (Statement 1) and performance evaluation (Statements 9, 18, 32) relatively more than the other factor respondents. Factor D respondents also conceptualize contracting out as an effort to build public-private partnership (Statements 26, 22), they nonetheless recognize that these partners tend to have different priorities (Statement 29).

Factor E: Reform Pessimism

Factor E respondents do not perceive contracting out simply as a management tool. Rather, it involves the fundamental design of the overall administrative reform in Taiwan. For them, contracting out does not imply building partnership (Statements 8, 26) or government downsizing (Statement 13), it is actually load shedding through which government responsibilities can be reduced and transferred to the other sectors (Statement 36). Factor E respondents are worried about that, through the practice of contracting out, the relationship between public and private sectors may be distorted (Statement 6, 20). The sophisticated skills or experiences of the service vendors (Statement 22) will result in that public organizations' human resources are poorly utilized (Statement 30). In the long run, government will become highly dependent on the other sectors, and the government will withdraw from the responsibility of protecting the values of fairness and equality (Statement 32). This potential problem can be partially addressed by emphasizing contract management (Statements 21, 11), and to implement contracting out activities from the lowest level of government (Statement 34).

These factors represent five distinctive patterns of thought regarding the perception and experience of contracting out among local government practitioners in Taiwan. However, some common ground does exist among these factors. To certain extent, Factor A, B, C and D all recognize the potential benefits of contracting out, but the question is how to realize these benefits? The answer of this question can have three components: to improve administrative procedure, to enhance

public organization's contract management capacity, and to manage the public-private partnership. Efforts to strengthen administrative procedure and contract management capacity are needed to improve Factor B and D respondents' experiences with contracting out; and efforts for building public-private partnership will be supported by Factor A, C and D respondents.

On the other hand, Factor E is somewhat unique in which contracting out has been perceived at a disturbed public-private relationship that is resulted from the current administrative reform efforts. For Factor E respondents, none of the remedies mentioned above can solve the problem. Rather, it is the strategy of the Government Reinvention program that needs to be reconsidered.

In addition, some loosely defined consensus statements (PQmethod only specifies Statements 12 and 28 as the consensus statements) can be defined: (1) the attitude of organization leader toward contracting out is crucial (Statement 24) for its success; (2) contracting out is about enhancing service quality (Statements 1, 21) rather than about to increase government revenue (Statement 10); (3) contracting out may have nothing to do with the operation (Statements 12, 28) or the responsiveness (Statement 15) of public organizations; and (4) better communication (Statement 29) and to put feasibility assessment into effect (Statement 5) can improve the results of contracting out.

Discussion

Table 2 presents the correlations between the above mentioned factors. All of the correlations are moderate except for those between factor A, C and D. The underlying theme for these three factors is concerning the emphasis of contracting out on building public-private relationships (Statements 6, 26), and its practice can improve the performance of the public organizations (Statements 12, 15, 33). Respondents of these three factors have reflected very strong and similar attitudes regarding these statements. Beside the notion of public-private partnerships, Factor A and D are similar in holding more positive attitudes toward outsourcing (Statements 9, 11, 13, 36) than Factor C which may explain their higher factor correlation.

In terms of designing implementation strategies, efforts to promote and to ensure the sustainability of public-private partnerships will be welcomed by local government employees in Taiwan. Local governments in Taiwan need to enhance their management capacities and the capacities to managing the network, such as improving public procurement legislation, reforming contracting processes, providing training programs on contract management for public servants, improving the transparency and communication between public organization and private vendor (for-profit or not-for-profit), etc. These

efforts are to ensure the objectives of contracting out can be achieved, and consequentially the experiences of local government practitioners (Factor B respondents) can be improved. As for Factor E respondents, their primary concern is not on the management of contracting out per se, but if contracting out can be better managed and public-private partnerships can be realized, these positive results may alter their attitude toward administrative reform in Taiwan.

Table 2: Correlations Between Factors

	A	B	C	D	E
A	-	0.15	0.46	0.63	0.15
B		-	0.27	0.17	0.14
C			-	0.45	0.25
D				-	0.23
E					-

Based on the findings reported above, several observations and considerations can be made. First, it can be argued that individual respondent's prior outsourcing experience might have influenced his or her perception of this type of privatization. Our respondents are middle or low level local government practitioners (street level bureaucrats) who have had at least two years working experiences on contract management (see Table 1). Their subjective evaluations of contracting out are based on their daily experiences of practicing contracting out rather than abstract knowledge.

Second, Q methodology emphasizes the notion of "operant subjectivity" which warrants a participatory procedure through which respondents are sharing their knowledge about an issue by sorting Q statements. Renn et al. (1993) has defined meaningful participation in terms of access to voice and competence of knowledge that fosters shared understanding about values, interests, and concerns. In this study, street level bureaucrats have indicated their concerns about contracting out in Taiwan's local governments. As a form of participation, formulating their patterns of concern ought to serve as a knowledge basis upon which options can be generated and specific reform strategies can be selected.

Third, contracting out is nevertheless multidimensional. With a given set of Q statements, five discourses can be identified. Each of these discourses indicates consideration on different dimension of contracting out. Potentially, there can be more than five discourses identified if stakeholders other than local government employees (such as legislators, organization leaders, private vendors, scholars, etc.) be included into this study. Therefore, remedies for addressing the issues of contracting out in Taiwan can be complicated.

Fourth, through the application of Q methodology, a marginalized perspective (Factor E) has been revealed that enable researcher to perceive contracting out at an abstract level rather than approaching it only as an administrative tool. Efforts to improve the practice of outsourcing not only have to focus on the administrative aspect, but also have to trace back to the origin of contracting out. That is to say, contracting out as a strategy of Reinvention Government Program in Taiwan may have to be reconsidered. As Hodge (1999, p. 466) has cautiously reminded public administrators that “a blind insistence on contracts for all government functions implies a blindness to governance itself and demonstrates contracting as an ideological statement rather than a sensible management tool.”

Conclusion

Stemming from different theoretical grounds, the application of Q methodology from a “bottom-up approach has revealed that it is the public-private relationships that is most emphasized by local government practitioners in Taiwan. These street-level bureaucrats may not have sufficient abstract knowledge about contracting out, but their daily experiences of implementing outsourcing have coincided with one of its core theory. Contracting out should not be perceived simply as another management fad, it is the a fundamental reform strategy through which public and private (for-profit and not-for-profit) sectors can work together in service delivery, and in the long run to promote the general well beings of the society as a whole.

References

- Auger, D. A. (1999). Privatization, contracting, and the state: Lessons from state government experience. *Public Productivity & Management Review*, 22(4), 435–454.
- Awortwi, N. (2004). Getting the fundamentals wrong: Woes of public-private partnerships in solid waste collection in three Ghanaian cities. *Public Administration & Development*, 24, 213–224.
- Behn, R. D. & Kant, P. A. (1999). Strategies for avoiding the pitfalls of performance contracting. *Public Productivity & Management Review*, 22(4), 470–489.
- Beinecke, R. H. & De Fillippi, R. (1999). The value of the relationship model of contracting in social services reprocrements and transitions. *Public Productivity & Management Review*, 22(4), 490–501.
- Bennett, S. & Mills, A. (1998). Government capacity to contract: Health sector experience and lessons. *Public Administration and Development*, 18, 307–326.

- Brown, M. M. & Brudnet, J. L. (1998). A 'smarter, better, faster, and cheaper' government: Contracting and geographic information systems," *Public Administration Review*, 58(4), 335-345.
- Brown, K, Ryan, N. & Parker, R. (2000). New modes of service delivery in the public sector: Commercialising government services. *The International Journal of Public Sector Management*, 13(3), 206-221.
- Brown, S. R. (2004). A match made in heaven: A marginalized methodology for studying the marginalized. Paper presented at the International Research Seminar on Marginality and Welfare Democracy, Teleborg Castle, Vaxjo University, Sweden, 15-16 March 2004.
- Brown, T. L. & Potoski, M. (2003). Contract-management capacity in municipal and county governments. *Public Administration Review*, 63(2), 153-164.
- Brown, T. L., Potoski, M. & Van Slyke, D. M. (2006). Managing public service contracts: Aligning values, institutions, and markets. *Public Administration Review*, 66(3), 323-331.
- Buchanan, J. M. (1968). *The demand and supply of public goods*, Chicago: Rand McNally & Company.
- Chiu, Y.-C. (2008). An analysis of the performance of government outsourcing. Master's thesis, Department of Public Policy and Administration, National Chi Nan University. (In Chinese.)
- Chou, Y.-Y. (2007). An analysis of "contracting out" for local government: A comparative study of Taichung City and Nantou County. Master's thesis, Department of Public Policy and Administration, National Chi Nan University. (In Chinese.)
- Clark, C., Heilman, J. & Johnson, G. (1995/96). Privatization: Moving beyond laissez-faire. *Policy Studies Review*, 14, 395-406.
- Coats, J. C. (2002). Applications of principal-agent models to government contracting and accountability decision making. *International Journal of Public Administration*, 25(4), 441-461.
- Dicke, L. A. & Ott, J. S. (1999). Public agency accountability in human services contracting. *Public Productivity & Management Review*, 22(4), 502-516.
- Dilulio, J.D., Jr. (1993). *Deregulating the public service: Can government be improved?* Washington, DC: The Brookings Institute.
- Ferris, J. & Graddy, E. (1986). Contracting out: For what? With whom? *Public Administration Review*, 46(3), 332-344.
- Gibson, E. (2004). Admitting a bad influence: Contracting the public service. *International Journal of Public Administration*, 27(7), 481-490.

- Goldsmith, S. & Eggers, W. D. (2004). *Governing by network: The new shape of the public sector*, Washington, D.C.: Brookings Institution Press.
- Grimshaw, D., Vincent, S. & Willmott, H. (2001). New control modes and emergent organizational forms: Private-public contracting in public administration. *Administrative Theory & Praxis*, 23(3), 407-430.
- Hodge, G. (1999). Competitive tendering and contracting out: Rhetoric or reality? *Public Productivity & Management Review*, 22(4), 455-469.
- Hodge, G. & Greve, C. (2007). Public-private partnership: An international performance review. *Public Administration Review*, 545-558.
- Hughes, O. E. (1998). *Public management & administration: An introduction*, 2nd ed., New York: St. Martin's Press.
- Johnston, V. R. & Seidenstat, P. (2007). Contracting out government services: Privatization at the millenium. *International Journal of Public Administration*, 30, 231-247.
- Jorgensen, T. B. & Bozeman, B. (2002). Public values lost? Comparing cases on contracting out from Denmark and the United States. *Public Management Review*, 4 (1), 63-81.
- Kakbadse, A. & Kakabadse, N. (2001). Outsourcing in the public services: A comparative analysis of practice, capability and impact. *Public Administration and Development*, 21, 401-413.
- Klijn, E.-H. (2002). Governing networks in the hollow state: Contracting out, process management or a combination of the two?" *Public Management Review*, 42(2), 149-165.
- Kramer, R. (1994). Voluntary agencies and the contract culture: Dream or nightmare? *Social Service Review*, 68(1), 33-60.
- Li, T.-S. (2002). *Contracting out government services: Theory and practice*. Taipei: BestWise Co., Ltd. (In Chinese.)
- Lipsky, M. (1980). *Street-level bureaucracy: The dilemmas of individuals in the public service*. New York: Sage.
- Lipsky, M. & Smith, S. R. (1989/90). Nonprofit organizations, governance, and the welfare state. *Political Science Quarterly*, 104(4), 625-648.
- Milward, H. B. (1996). Symposium on the hollow state: Capacity, control and performance in interorganizational settings. *Journal of Public Administration Research and Theory*, 6(2), 193-195.
- Mo, Y.-R. (2004). Theory and practice of contracting out government services: The Taiwan experience. *Public Administration & Policy*, 39, 75-104. (In Chinese.)

- Nemec, J., Merickova, B. & Vitek, L. (2005). Contracting out at local government level: Theory and selected evidence from the Czech and Slovak Republics. *Public Management Review*, 7(4), 637–647.
- O'Leary, R. (1996). Managing contracts and grants. In Perry, J. (Ed.) *Handbook of public administration* (pp.263–275). San Francisco, CA: Jossey-Bass.
- Peled, A. (2000). The politics of outsourcing: Bureaucrats, vendors, and public information technology (IT) projects. *Information Infrastructure and Policy*, 6, 209–225.
- Renn, O., Webler, T., Rakel, H, Dienel, P. & Johnson, B. (1993). Public participation in decision making: A three-step procedure. *Policy Sciences*, 26, 189–214.
- Research, Development, and Evaluation Commission. (2001). Proceedings of the National Administrative Reform Conference, February 25–26, 2001, Taipei: Research, Development, and Evaluation Commission, Executive Yuan. (In Chinese.)
- Savas, E. S. (1982). *Privatizing the public sector: How to shrink government*. Chatham, NJ: Chatham House.
- Savas, E. S. (1987). *Privatization: The key to better government*. Chatham, NJ: Chatham House.
- Schwartz, R. (2001). Managing government—Third sector collaboration: Accountability, ambiguity and politics. *International Journal of Public Policy*, 24(1), 1161–1188.
- Schmid, H. (2003). Rethinking the contracting out of social services to non-governmental organizations: Lessons and dilemmas. *Public Management Review*, 5(3), 307–323.
- Seidenstat, P. (Ed.) (1999). *Contracting out government services*, Westport: Greenwood.
- Simon, H. (1998). Why public administration? *Public Administration Review*, 58(1).
- Steel, B. S. & Long, C. (1998). The use of agency forces versus contracting out: Learning the limitations of privatization. *Public Administration Quarterly*, 229–251.
- Stipak, B. (1987). Using subjective measures in program evaluation. In Busson, T. & Coulter, P. (Eds.) *Policy evaluation for the local government* (pp. 45–61). New York: Greenwood,
- Sun, M. T.-W. (2008). Rhetoric or action? An assessment of the administrative reform in Taiwan. *Journal of Asian Public Policy*, 1(1), 52–70.
- Sun, M. T.-W. (2007). A preliminary assessment of public management reform in Taiwan's local government. *International Public Management Review*, 8(2), 117–137.

- Vaillancourt Rosenau, P. (Ed.) (2000). *Public-private policy relationships*. Cambridge, MA: MIT Press.
- Wang, X. & Gianakis, G. A. (1999). Public officials' attitudes toward subjective performance measures. *Public Productivity & Management Review*, 22(4), 537-553.
- Williamson, O. E. (1985). *The economic institutions of capitalism*. New York: Free Press.
- Williamson, O. E. (1979). Transaction-cost economics: The governance of contractual relations. *Journal of Law and Economics*, 22(10), 233-261.

Appendix: Factor Arrays

	<i>Factors</i>	1	2	3	4	5
1	Contracting out can help the senior managers to focus more on the core functions of public organizations.	1	1	2	-2	-1
2	The selected public services for contracting out have been evaluated on the basis of objective and fair criteria in the process.	2	-1	4	0	1
3	The purpose of contracting out is to enhance the qualities of public services.	0	0	4	2	3
4	For the contracting out to be more effective, managers of the public organizations have to have the capacities to integrate different ways of working between their own organization and the service provider.	4	3	1	1	1
5	The primary reason for the failure of contracting out is that the feasibility assessment has not been properly implemented.	0	3	0	4	1
6	Contracting out has distorted the relationships between public sector and service providers.	-2	-4	-2	-2	3
7	Lacking of professional knowledge, government agencies usually select the inappropriate service providers as the results of bidding process.	-2	-2	1	1	-4
8	The fundamental consideration of contracting out is that government should not provide goods and services that can be provided by non-government organizations.	0	-1	-1	0	-3

	Factors	1	2	3	4	5
9	The evaluation of contracting out tends to encourage the serviced providers to conduct in opportunistic behavior.	-2	1	2	-1	0
10	Contracting out can increase government revenue.	-1	-2	-4	-3	-4
11	As long as rights and responsibilities of government and service providers can be specified in the contract, the purposes of contracting out can be ensured.	2	-4	-3	1	3
12	Contracting out has reduced the effectiveness of the operations of public organizations.	-2	-2	-4	-3	-4
13	Contracting out can build a "smaller and better" government by reducing the scope of government functions and the size of civil service.	2	-4	0	3	-2
14	Incentives provided by contracting out are either too few or inappropriate to encourage compliance.	-3	2	-1	0	-3
15	Contracting out has made the public organizations to become less responsive to external demands.	-4	0	-3	-4	-1
16	Facing the financial difficulties, transferring the provisions of public services from the government to the private sector can enhance the efficiency of public services.	3	0	1	2	-1
17	Government laws and regulations on contracting out are rigid and inflexible, they have to be revised since they have had created many predicaments during the implementation process of contracting out.	-1	4	0	1	0
18	The performance evaluation of contracting out has emphasized too much on the regulations of process and outputs, actual outcomes and impacts have been neglected.	-3	2	0	-1	0
19	Allocating responsibilities to service providers implies that government has to assume the potential risks of losing power, authorities, control and resources.	-1	0	1	0	1

	Factors	1	2	3	4	5
20	One important problem of contracting out is that the boundary of authorization is unclear.	-1	4	0	-2	2
21	The only approach to ensure the quality and efficiency of public services is to establish proper mechanism for monitoring and managing contracts.	4	1	1	1	4
22	Private or community organizations might not have the necessary skills or experiences to achieve the objectives of public policies.	0	1	2	-2	-2
23	Contracting out implies that private sector will provide public goods and services while the government reserving the financial responsibilities.	2	0	3	0	-2
24	Support from organization leadership is the most crucial factor for the success of contracting out.	1	4	3	4	4
25	Goods and services that are contracted out have little impact on the organization's core functions.	1	-1	-1	-1	-1
26	The core attitude of promoting outsourcing is to emphasize public-private partnership rather than market mechanism.	3	0	4	3	0
27	The high turnover of employees in charge of contracting out has created serious managerial problem.	1	3	-2	-1	0
28	Contracting out has lead to less operational flexibilities of the public organizations.	-3	-1	-1	-3	-3
29	In terms of policy objectives (such as community services, efficiency and cost saving), government, private and the third sectors all have different priorities.	3	1	0	2	0
30	Human resources within public organizations have been poorly utilized as the result of contracting out.	-4	-3	-3	-4	2
31	To emphasize cost reduction and efficiency through contracting out may deviate from the core objective of public policy.	1	2	-4	0	-2

	Factors	1	2	3	4	5
32	The performance evaluation of contracting out is only formality, it tends to underestimate the hidden problems of fairness and equality.	0	2	-1	-1	2
33	Contracting out can increase the scope and the depth of public services.	4	-1	3	4	-1
34	Governments at the township and village levels are the most appropriate ones to promote contracting out.	-1	-3	-2	2	4
35	The private sector can provide services with better qualities than the public sector.	0	-3	-2	3	1
36	Actually, contracting out is load shedding through which government responsibilities can be reduced and transferred.	-4	-2	2	-4	2