

**Performance regimes and institutional contexts:
Comparing Japan, UK and USA**

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Introduction

There has without doubt been a massive rise in attempts by governments across the globe to better measure and report upon the results of public activities over the past two decades (OECD-PUMA 1997; OECD 2005).

This phenomenon is not entirely new – since recorded history began, governments have sought to justify their existence not merely by appeals to the divine right of the king or emperor, but also by their mighty achievements. In the modern era democratic governments and political parties regularly praise their own achievements on behalf of the citizens, or include promises of results in their manifestos (Talbot 2005).

More specifically, the effort to scientifically measure such achievements began at least as early as the start of the 20th century. Successive waves of such efforts have occurred, most notably in the English speaking countries but also in many others. But there can be little doubt that the current wave of reform in this area is larger, broader, deeper and longer than all previously recorded attempts. It is now possible to assert that the measurement of government achievement – whether it is called performance or evaluation – is here to stay. The only real debates now are about what are the best forms and systems for such results reporting and how they can best be used.

Japan, the UK and the USA all now have well developed systems of reporting government results: in Japan the Government Policy Evaluation Act (GPEA) active since 2002; in the UK the Public Service Agreements (PSA) system active since 1998 and in the USA the Government Performance and Results Act (GPRA), fully implemented since 1997.

These three countries and systems are the focus of this paper, but before turning to them I can give a small but highly symbolic example of how embedded such reforms are now becoming in the life of my own country, the United Kingdom. I have recently moved to the University of Manchester and we are searching for a house to purchase in the area. When we visit an estate agents (realtor in US terminology) we find that the results of local schools, published by the government in the famous “league tables” are often available from these private sector agents, eager to demonstrate the houses they are selling are in good educational zones. Indeed in some urban areas in particular local

school results can now make substantial differences to the price of houses. The estate agents now will even give you the results of OFSTED¹ inspections of the local nurseries.

Of course this is only an example. The results achieved by schools matter to very many citizens and their children – the performance results reported by the UK government agency responsible for training dogs for the defence forces get rather less public attention and as far as I know have little effect on the canine market. Nevertheless, it is difficult to envisage a situation in the UK or many other countries where, once having introduced widespread reporting of government results, it would be possible to abandon entirely such reporting and return to a situation where only spending plans and results are made public.

It should be added that this is different from the issue of whether in addition to having sets of performance measurements public agencies should also have internally or externally imposed targets for desired performance against these measures. This is a policy issue on which great variation is possible and likely – what remains unlikely is the abandonment of performance measurement and reporting completely.

Limits of the paper

I should say something about the limits of this paper. Firstly, I am going to focus on formal national governmental systems for measuring and reporting the performance of central (or federal) government activities. In countries such as the UK and Japan, with relatively unified state systems, the distinction between ‘central’ and other layers of government and services is sometimes more blurred than in countries like the USA with federal structures. However I will try as far as possible to concentrate only on the national/federal level. This is important because some of the things I say about the UK system only apply to this level and a very different picture would emerge at other levels.

Secondly, this paper is ambitious in trying to apply my very limited knowledge of the Japanese system to comparisons with the UK and USA, about which I know a little more. So if I get anything wrong, please forgive me and I would welcome comments and suggestions – some of which I have already received from Japanese colleagues.

Thirdly, in this paper I will use the term “performance” to refer to all measurement of the results of government, public agencies and programmes of activity. Traditionally in the Western OECD countries there has been a substantial divide between policy evaluation and performance measurement in both theory and practice communities (Blalock 1999). This divide however has always been more of an artificial institutional separation than a really substantive one. It is true that the two communities of knowledge had differences:

- policy evaluation tended to focus on programmes, to carry out episodic “one –off” studies and use more qualitative methods alongside quantitative ones (although

¹ OFSTED – the Office for Standards in Education - is the inspection agency for schools and nurseries.

there have been huge disputes about method) and its outputs were aimed more at policy

- performance measurement had a more organisational focus, tended towards setting up long-term continuous monitoring systems, relied slightly more on quantitative approaches and its outputs were aimed more at management.

These differences are, however, often exaggerated and there is a great deal of overlap and potential synergy between the two approaches, and both have the same basic aim – establishing the effectiveness and efficiency of various forms of public activity.

It appears to me that in Japan you have developed a more integrated system that combines evaluation and performance in a way that is still not done in most OECD countries.

Performance Systems and Institutional Contexts

This paper will address what I see as a major gap in thinking about performance systems in government. Much of the current literature about the performance systems which have emerged in the OECD countries has concentrated on:

Firstly, the nature of the performance policies – the types of reporting systems which have emerged (e.g. a focus on outputs or outcomes); the frequency and nature of reporting; the degree of integration of performance with other systems (e.g. budgeting and accounting); and so on.

Secondly, the organisational and behavioural responses to performance policies - for example the use of performance in strategic and operational management, including the use of methods such as ‘balanced scorecards’. Two other specific issues fall into this category – the problem of “gaming” or strategic behaviours in response to performance measurement and specifically targets (De Bruijn 2001) and the political uses of performance information (Behn 2001; Pollitt 2006; Radin 2006).

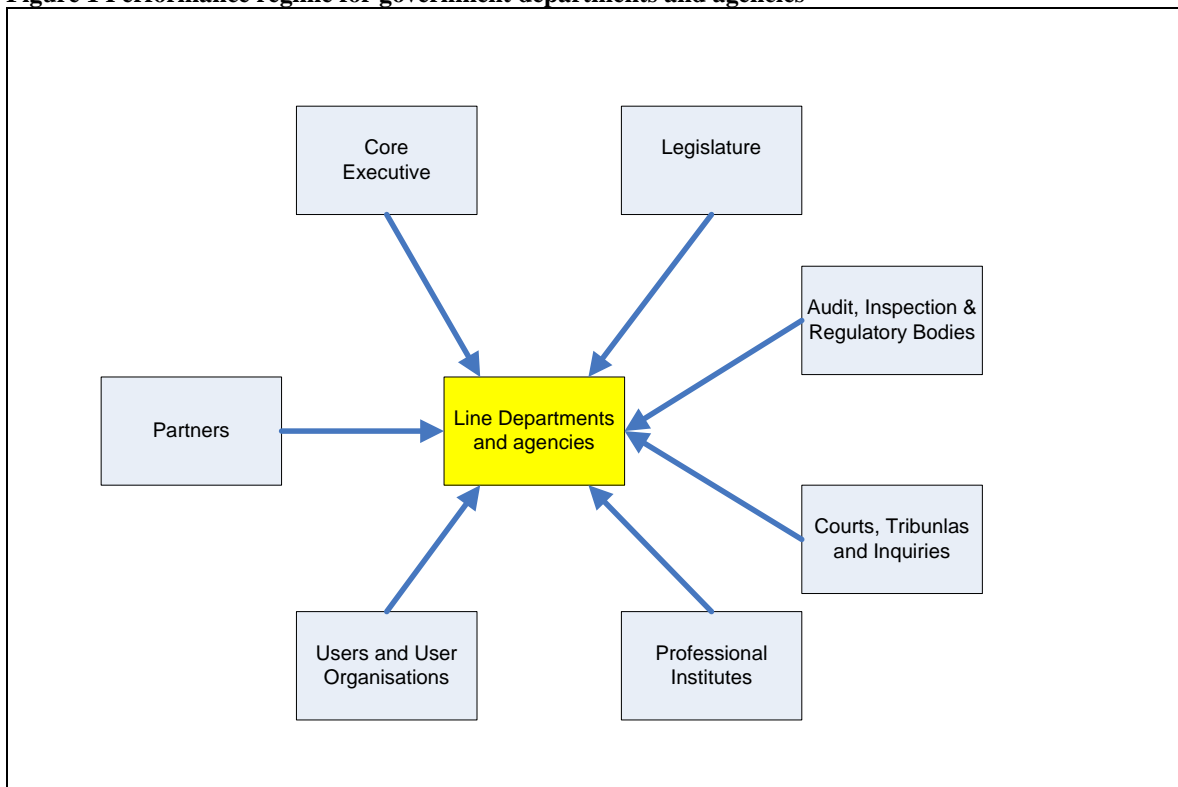
There are two further areas which have are being neglected. The first is the issue of how national cultural differences impact on performance systems. Christopher Pollitt and I have led some research which included this issue but purely within Europe (Pollitt, Talbot et al. 2004) but this is still a minority area of study and very underdeveloped.

The second – and the focus of this paper – is how international institutional differences impact on shaping performance policies and practice. This is an area which has almost totally been ignored, despite the resurgence of institutional-based analysis (March and Olsen 1989; Peters 1999) which has, as yet, largely not been applied to performance systems.

Myself and colleagues at Manchester have been developing such an institutionalist approach (Talbot, Johnson et al. 2005). We have developed several models which can be used as analytical frameworks to compare national performance systems, a modified example of which is illustrated in Figure 1.

Let me immediately say that we do not see the institutions identified in this framework as a necessarily either (a) an exclusive list or (b) that all these institutional groups are significant in different countries. Other actors – such as for example the media – may well play a very significant role in shaping performance policies and practice. Similarly some of the actors identified here may play insignificant roles in particular countries – for example the role of the courts varies enormously in different states. This is therefore a heuristic framework for analysis and not a theoretical model, subject to adjustment during application. Indeed, for the purpose of today’s paper and to avoid over-complexity I am going to focus only on three of the institutional groupings: the core executive; the legislature; and the line departments.

Figure 1 Performance regime for government departments and agencies



Before proceeding to compare Japan, the UK and USA let me explain briefly the roles these various groups of institutional actors might play in shaping performance policies and practice.

1. By the ‘core executive’ here we mean the central bodies of the state such as the Presidency and associated bodies or Prime Ministers/Cabinet offices, finance

ministries and other central ministries. The core executive will always play an important, and in most cases a leading, role in developing performance policies and practices. (I will abbreviate this group to simply ‘the executive’ in this paper. In the political science literature there is a discussion about whether the ‘core executive’ includes only central ministries or also line ministries (Smith 1999). We have found that in the performance context there is sufficient difference between these two groups to assign them to separate categories.)

2. The ‘line’ ministries, departments and agencies for our purposes are those government agencies charged with delivering government services such as education, health and so on. These are, in this framework, the focus of attempts at ‘steering’ performance by a variety of institutional actors, of which the core executive is only one. (I will simply call these ‘government agencies’ but this term means different things in the three countries under consideration. For the UK in this analysis I mean only government departments because the PSA system applies only to them or ministries, whereas in the USA and in Japan the terms of GPRA and GPEA cover much wider groups of organisations).
3. Parliaments and congresses in every OECD country have some role in performance systems, in some cases actively seeking to shape performance systems, in others playing an active scrutiny role of the government agencies and still others being relatively passive recipients of performance reports from them.
4. There has been, in many countries, a spectacular growth in the role of audit and inspection bodies with a remit to scrutinise and in some cases explicitly ‘steer’ performance of government agencies (Hood, James et al. 1999; Pollitt, Girre et al. 1999). The mere act of carrying out an audit or inspection of the performance of a government agency, based on criteria established by the auditing or inspecting body, may have the effect of implicitly ‘steering’ their performance towards these criteria.
5. In some jurisdictions, much more than others, the courts may be heavily involved in creating performance criteria for government agencies by interpreting their legal mandates, objectives and policies or carrying out judicial reviews of their practices. Other quasi-judicial bodies such as tribunals and public inquiries may have similar effects.
6. Professional institutes – especially in areas like medicine – may have the power to lay down performance practices or criteria for their members which have a specific and sometimes profound effect on the ability of government agencies to set performance criteria at both the individual and organisational levels.
7. In some countries users, and especially user representative groups, may be given formal rights to be consulted over the goals of, and results expected from, government agencies and hence, sometimes directly and explicitly, affect the performance measures adopted by the agency.

8. Finally, with the increased use of ‘performance contracting’ between government agencies has come the possibility for partner agencies to directly influence the choice of performance measures within agencies (OECD-PUMA 1999).

This model is particularly useful for comparative purposes as it helps to highlight the significant differences in institutional context within which performance policies and practices are shaped in different countries and may assist in understanding some of the emerging differences.

There are, as has already been said, other variables such as cultural and behavioural ones, which both act independently and also interact with each other and with institutional arrangements but nevertheless institutional differences are – as we think we can show – important factors.

The first comparative question therefore is what are the formal roles and powers of these different groups of institutional actors for steering the performance of government agencies, including what degree of autonomy do the agencies themselves have in setting their own performance objectives and measures?

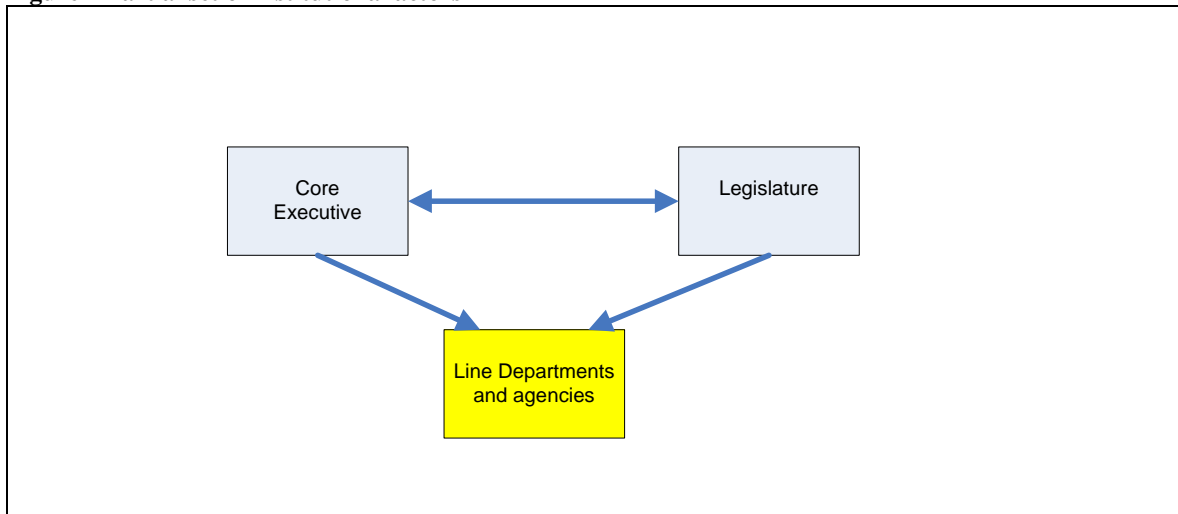
The next question is how do the various institutional sets exercise these powers? What performance policies do they adopt and what practices do they encourage or discourage in government agencies?

The third question is how do they interact with one another? Do they collaborate and ensure their policies are “joined up” or do they pursue their own agenda’s oblivious of the other actors? In some cases one set of actors can also mandate – formally or informally – other actors. For example, an audit or inspection body may be mandatable by either the core executive or by the legislature or sometimes by both or neither.

The totality of the institutional actors that have power to affect the performance policies, practices and reporting of government agencies and the actual policies each of these sets of actors adopts, constitutes what we call a “performance regime”. That is the performance regime is the external institutional and policy context within which government agencies (or other public bodies) have to operate their own performance reporting and management. Our hypothesis is that such performance regimes vary by country, by sectors and even by individual agencies within countries and will evolve and change over time. Finally, we believe they are of great significance and under-explored.

Space and time do not permit a total analysis of all of these factors for Japan, the UK and USA in this paper. Nor do we actually have all the data necessary for such an analysis for all three countries – although we have begun such an exploration in the UK (Talbot, Johnson et al. 2005; Talbot, Wiggan et al. 2005). So, for the sake of simplicity in this paper we will only be using a limited set of actors - the three institutional groupings shown in Figure 2. This will therefore not illustrate the full depth of the performance regime for central government agencies in each country but even this limited set will illuminate some important issues.

Figure 2 Partial set of institutional actors



Performance Policies

First, let us set out the bare bones of the central government performance reporting systems in each country:

UK: the Public Service Agreements (PSA) system was introduced in 1998. It stipulates a set of performance targets, set by the Treasury, against which each government agency (in this case just Ministries) must report. These were set for three years but have until now been revised every two years (2000, 2002 and 2004). This has been extended to three years for the current round and a new set of PSAs are due to be set in 2007.

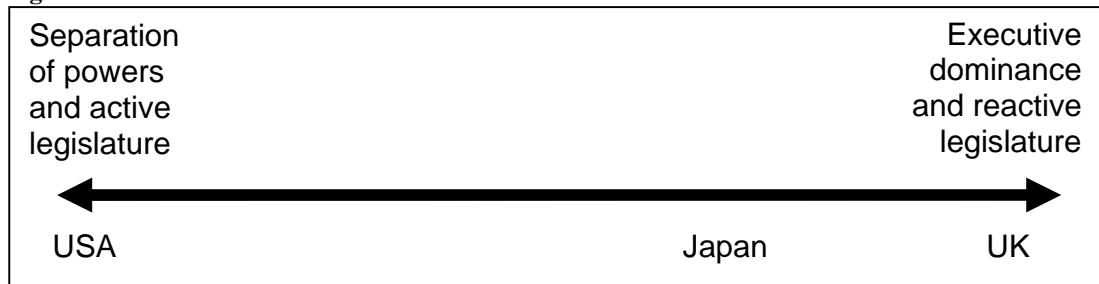
Japan: the Government Policy Evaluation Act (GPEA) was passed by the *Kokkai* in 2001 and implemented from 2002 onwards. Policy evaluation in this context includes both classical evaluation and performance reporting. GPEA places the onus on government agencies to develop their own approach to policy evaluation and performance reporting within guidelines laid down by the core executive and the legislation.

USA: the Government Performance and Results Act (GRPA) was signed into law by President Clinton in 1993 but only became fully operational in 1997. It requires government agencies to produce performance plans and performance reports for the annual appropriations cycle, with guidance from both the presidency and the congress.

Performance Regime: executive versus legislature

The UK, Japan and USA can be laid on a spectrum along a dimension from executive dominance (UK) to a strong ‘separation of powers’ (USA) with Japan lying somewhere in-between but closer to the UK than USA (Figure 3).

Figure 3



The UK-USA placing on this spectrum is a familiar one and we will not dwell on it here but the location of Japan is perhaps more controversial. So some further explanation is needed.

Drawing on earlier work by Mezey (1979), Philip Norton (1998) argues that the strength of parliaments vis-à-vis the executive is controlled by two sets of variables. The first set is external variables, which cover the formal position of legislature in the constitution of a given country coupled with the degree of real support in the polity which the legislature enjoys. The element of his typology which is relevant here – in the case of three democracies – is the dimension between those strong policy-making powers, which he calls “active” legislatures, through those with modest powers (“reactive”) to those with little or no powers (“minimal”). Norton suggests that in practice most democratic states legislatures fall into either the “active” or reactive” categories. The second set of variables determines where legislatures sit within the “active” and “reactive” categories. He argues that the degree of institutionalisation – specifically the strength of parliamentary committees – within the legislature is what determines the position of individual legislatures within each category.

On the first set of variables Japan and the UK appear initially to have rather similar powers. However, combined with the second set of criteria (about the degree of institutional, the role of committees, etc) the Kokkai moves into a significantly stronger position than the UK Parliament. This conclusion appears contrary to accepted wisdom about the Kokkai, which has often been seen as more powerless than the UK Parliament and merely a ‘rubber-stamp’ for executive-bureaucratic power (Johnson 1995).

The factors which lead to the apparently stronger position of the Kokkai include:

- The Kokkai has a strong and embedded committee structure with a high degree of expertise within committees
- The tradition of legislatively based public administration enhances the Kokkai's role (in the UK central public administration is largely convention based)
- Legislation has to go straight into the committee process where minority members have substantial leverage via various procedural mechanisms.

(Richards 1997; Neary 2002)

For empirical proof of the relatively stronger position of the Kokkai, data shows that the rate of failure of government legislation in the Kokkai in the period 1970-1987 is significantly higher than the UK Parliament (Neary 2002 p136), despite the dominance of the LDP and the weakness of opposition parties.

Impacts on the Performance System

So can the variations in performance policies and practices be at least partly explained by institutional context?

(The variations in context and content in Japan, the UK and USA are set out in summary form in Figure 4 below.)

The first and most obvious apparent impact of these institutional differences comes in the initiation of the performance systems. Although the GRPA in the USA was adopted and significantly adapted by the White House, the original proposal for legislation along these lines came from Congress by Senator Roth (Republican) under the Bush (senior) presidency (Radin 2000). In both the UK and Japan the initiative came from the executive branch of government and in both countries it is very difficult, but not impossible, to envisage any circumstances in which such an initiative would originate in the legislature.

In Japan and the USA the new system is legislatively based whereas in the UK it is purely a matter of government policy with no legislation – clearly a result of institutional differences. It is perfectly possible that the UK system could be put on a legislative basis, but it is highly unlikely in the formal and informal institutional framework in the UK where public management reforms have usually not been based on legislation (Harden 1992).

In the highly executive driven system of the UK the actual setting of performance targets and measurements for government agencies is shaped directly by the core executive, whereas in the more balanced executive-legislature systems of Japan and the USA the setting of performance measures has been left more to the agencies themselves.

In the USA the original proposals which eventually became GRPA included Congress setting performance measures for agencies. The eventual settlement which emerged in the GPRA legislation was for agencies to set their own measures with guidance from both Congress and the Executive Branch. This can be seen as a compromise where Congress and the Executive were unlikely to be able to agree on measures, resulting in a degree of autonomy for agencies in determining their own performance measures.

In all three cases the formal requirement is that performance reporting is both sent to the legislature and published, although what then happens to the performance information differs markedly (as yet we have incomplete evidence.).

In the UK, parliament is not involved in the budgetary process, except as a “rubber stamp” and in the scrutiny of spending, so there is no opportunity to integrate budgeting and performance in the planning process. The place where budget-performance integration does supposedly take place is within the highly secretive spending review and budget processes, but we have no data on how far this does actually occur (as opposed to simple assertion of integration by the Government).

In both Japan and the USA the legislature plays a more active role in approving expenditures which presents an opportunity for greater integration of budget and performance systems. However it appears that this also follows the general pattern, with the process in Japan being less formally integrated than the USA. A note of caution however – I have no firm data on how far these are really integrated in the USA, as opposed to simply being ‘tabled’ at the same time. At least one analyst contends that despite the formal integration in the USA the reality is much less than the official procedures would suggest (Radin 2000; 2006).

There are a number of aspects of the three systems which do not have an obvious institutional explanation. The high volume of performance information in Japan, the medium level in the USA and relatively low level in the UK do not have an obvious explanation in this framework.

One possible explanation of the low level of reporting by government departments in the UK is perhaps suggested by the very large volumes of performance reporting by the rest of the public service (including the governments own ‘agencies’ within the civil service). In a highly executive driven and centralized system such as the UK the central executive and ministries can protect themselves from excessive reporting requirements whereas lower levels of government cannot.

In less executive dominated and more ‘separation of powers’ based systems the central agencies and other central/federal bodies cannot so easily insulate themselves. The test case here is obviously Japan, and I am unclear as to how many of the 10,000 policy evaluation/performance reports produced every year come from which parts of the public service? If the core executive bodies report rather less on themselves than other government agencies and programs do, then this would tend to support an institutional explanation.

Do legislatures take advantage of all this performance data to scrutinise the work of the executive branch of government? A study of the actual scrutiny of performance reporting through PSAs by the UK parliament shows clearly that – in line with parliament’s weak position – the level of scrutiny is relatively low (Johnson and Talbot 2006). We do not as yet have comparable data for Japan and the USA.

Conclusions and Further Issues

What conclusions can we draw from this analysis and what further issues does it raise, especially for Japan?

First, it is possible to conclude that the performance regimes in our three cases appear to be strongly shaped by the institutional environment within which it is enacted. The differing institutional arrangements in our three examples - along a spectrum from executive domination to ‘separation of powers’ - exhibit clear differences in their performance policies and practices which seem to be largely attributable to these differences.

This is however a ‘work in progress’ and a sample of only three countries is insufficient to draw too definitive conclusions. Nor do we as yet have complete information even on these three cases. This analysis has also been quite restrictive in ignoring a number of other institutional groupings (Figure 1). And we have not examined the cultural and behavioral issues.

Despite all these reservations we think the analysis set out here seems compelling. It suggests that despite the rhetoric of reform in all three countries the performance reforms can be characterized as mainly radical in content but conservative in institutional changes. In other words, whilst the intention is to change the content of existing processes and even make some small procedural changes, the overall institutional context is not modified and in fact shapes the way that the reforms are implemented.

The role of the legislatures specifically appears problematic. Even where there is an ‘activist’ legislature (USA) there is little evidence that performance reporting is being used effectively and where the legislative role is more ‘reactive’ and we have evidence (UK) they are not even fulfilling their full scrutiny role. For Japan this must raise questions about the volume of reporting going to the Kokkai and whether this can be effectively used?

The main question arising from this approach is what impact does the performance regime have on the actual performance of government agencies? Are there clear advantages of one type of institutional set-up over another? Within a given institutional framework, do some policies work better than others? How much real flexibility in choices about performance policies is there?

There are also wider questions beyond the scope of this paper: we found, for example, in researching the 'executive agencies' movement that even apparently similar institutional arrangements can be filled with quite different content depending on national cultural differences (Pollitt, Talbot et al. 2004). Is this true also for performance regimes?

There is obviously great scope here for further research and I think the comparative approach offers the possibility not only of understanding other countries innovations but also of truly understanding our own.

END

Figure 4

	UK	Japan	USA
Performance System			
Title	PSAs	GPEA	GPRA
Date initiated?	1998	2002 (Legislation passed in 2001)	1997 (Legislation passed in 1993)
Institutional Context: executive versus legislature			
“Separation of powers”?	Low	Medium	High
Strength of Committees	Low	Medium	High
System in use			
Initiated by?	Executive	Executive	Legislature and later Executive
Legislation based?	No	Yes	Yes
Reports to Legislature?	Yes	Yes	Yes
Setting of performance criteria	HM Treasury and agencies	Agencies (with MIC input)	Agencies (with Executive and Congressional input)
Focus of system?	Performance	Evaluation and Performance	Performance
Linked to budget system?	Low	Medium	High
Volume of information?	Low (but high elsewhere)	High	Medium
Cycles?	Biennial (but annual performance reporting)	Annual	Annual
Actual legislative scrutiny?	Low	??	Medium (but partisan)
Audited performance data?	Low (Systems only)	??	High

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