

Exit, Voice and Social Capital Performance Management



A Municipal Management System during Decline

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- ✧ Rutgers University since 1766; SPAA since 2006
- ✧ Newark, New Jersey (Next to New York City)
- ✧ Founding Dean: Marc Holzer
Former President of the American Society of Public Administration (ASPA)

- ✧ U.S. News & World Report Ranking:
#4: Information and Technology Management
#7: Public Management/ Administration
#11: City Management/ Urban Policy
#23: Public Affairs



Market Models for Local Governance

∞ Public Choice Theory: Citizens as Customers

“Citizen satisfaction (utility) is the goal of public services”

→ Public Administration: Performance Management

“Can citizen satisfaction be a reliable measure of public service quality?”

→ Public Policy: Urban Policy

“Citizen satisfaction → Citizen behavior”

Performance Management



☞ Citizen Satisfaction – Public Service Link Assumption

1) Subjectivity

Citizen perception on public services can be affected by externalities: political ideology, previous experience, and macro economic situation, etc. (Kelly 2005; Yang and Holzer 2006)

2) Multiple dimensions of government performance

Efficiency cannot be only criterion of public service quality. Democratic values and equity should be considered (Piotrowski and Rosenbloom 2002; Radin 2006)

Urban Policy



☞ Citizen Dis/satisfaction with Public Service

➔ Citizen Behavior

1) Exit jurisdictions (Tiebout 1956)

Exit as Customer Reduction (Decline)

2) Voting or Complaining (Young 1976; Dowding and John 2008;2012)

3) Protesting or Rioting (Sears and McConahay 1973)

Tiebout Model



- ❧ The greater number of localities, the greater variance of local service packages;
- ❧ Citizens 'vote with their feet' by physically moving to a local government which offers a preferred local service package;
- ❧ Localities would compete for citizens by offering various local service packages → More efficient

Issues with the Tiebout Model



- ❧ Citizen choices about where to live are affected not merely by comparison of public services (Percy at el. 1995; John at el. 1995);
- ❧ Imperfect mobility –limitations of income or race/ethnicity- (Mueller 1974);
- ❧ Spillovers (Carruthers and Ulfarsson 2002; Nelson and Duncan 1995).

Exit, Voice and Loyalty



- ❧ Making exit easier is inefficient for improving low quality of service delivery (Hirschman 1970);
- ❧ Exit cannot provide information about what factors made citizens dissatisfied with public services; Exit reduces voice (voting, complaining, and petition) ;
- ❧ Loyalty: loyal customers or members do not exit from deteriorated services and actively voice for the recuperation.

Loyalty and Social Capital



- ❧ EVL framework is too simple to test (Dowding & John 2008;2012);
- ❧ Three exits: (i) moving location; (ii) moving from the public service provider to a private service provider; and (iii) moving between public service providers;
- ❧ Three voices: (i) private voice; (ii) voting; and (iii) collective action;
- ❧ Loyalty - Social Capital (2005-2008 online panel survey in the UK)
“Citizens who have ties to the community, know neighbors, have lived there a long time, and have collectively voiced in the past are more likely to stay in a locality and participate in collective voice activity.”

Exit as a Performance Measure



∞ Pros:

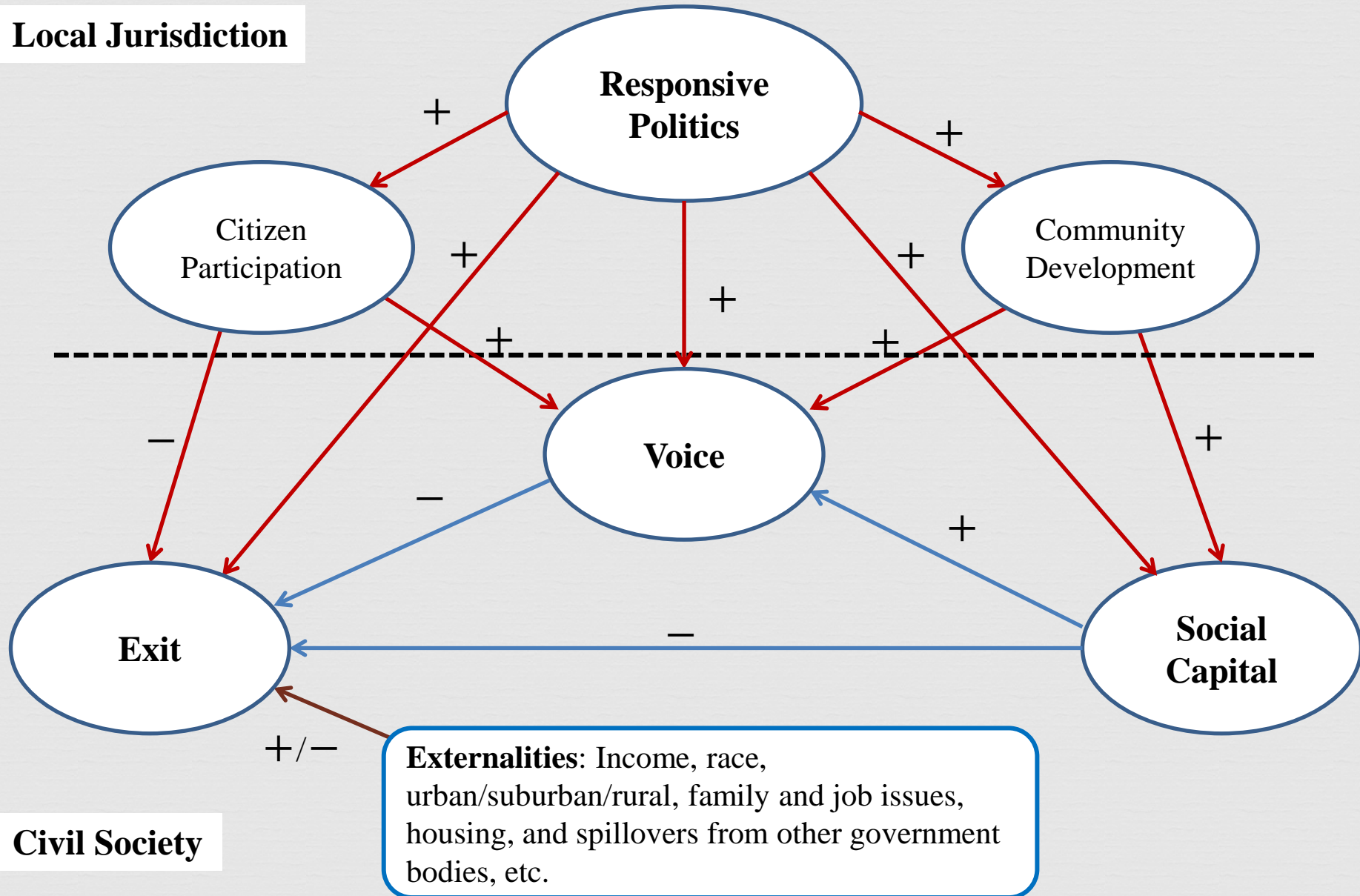
- (1) Observability (behavior rather than perception)
- (2) Clear impact (tax revenue)
- (3) Democratic values (voice)
- (4) Social capital and equity (loyalty)

∞ Cons:

- (1) No qualitative and specific feedback
- (2) Externalities
- (3) Undesired end

Exit, Voice, and Social Capital Performance Management

Local Jurisdiction



Hypotheses

H1: Localities which have higher degree of social capital is more likely to have voice;

H2: Localities which have higher degree of voice is less likely to have exit;

H3: Localities which have higher degree of social capital is less likely to have exit.

H4: More responsive politics will lead to more voice;

H5: More responsive politics will empower social capital;

H6: More responsive politics will lead to higher degree of citizen participation in performance measurement;

H7: More responsive politics will lead to more spending on community development programs;

H8: More responsive politics will inhibit exit;

H9: Higher degree of citizen participation will lead to more voice;

H10: Higher degree of citizen participation will inhibit exit;

H11: More spending on community development programs will empower social capital;

H12: More spending on community development program will lead to more voice.

An Examination with Japanese Localities



- ⌘ Population decline in rural areas is an emergent issue;
- ⌘ Less externalities than the United States (e.g., unified taxes, unified local service system, etc.);
- ⌘ Data availability (Japanese Census).

NHA Survey Data



Strengths:

- (1) Large sample size (N= 18,404);
- (2) Small unit of analysis (NHAs);
- (3) High response rate (55%).

Weaknesses:

- (1) Cross-sectional data;
- (2) Lack of data for location and income;
- (3) Relatively old data (2006-2007).

	Variable	Scale	Description
Exit	Population Change	1-5	Q11: Regional population change within 5 years
Voice	Collective Voice (Alpha = .78)	1-5	Q27. A,B,C,D,F,G,& H: Voice actions of NHAs to local politicians and/or officials
	Voice Adoption	1-5	Q28: Degree of voice adoption in local government management
SC	Neighborly Ties	1-4	Q15: Daily interaction among residents
	Community Activities	1-5	Q16: Activeness of community
	NHA Participation Rate (%)	2.7-100	= Q2.2 (Members)/Q2.1 (Total Households)
Satisf.	Citizen Satisfaction	1-5	Q38. M: Satisfaction with overall local government policies
Fiscal	Total Revenue (¥10,000 ÷ \$100)	0-8,852	Q7.1: Total revenue of NHAs
	Subsidy	0 or 1	Q7.3: Subsidy from municipalities

Variable	Ordered Logit		OLS	
	Population	Satisfaction	Collective Voice	NHA Participation
Collective Voice	-0.03	-0.02	n.a.	0.001
Voice Adoption	0.09***	0.51***	0.13***	0.002
Neighborly Ties	-0.32***	0.03	0.11***	0.02***
Community Activities	0.22***	0.09***	0.10***	-0.002
NHA Participation	-1.71***	-0.02	0.03	n.a.
Satisfaction with Policies	0.08***	n.a.	-0.00	-0.00
Subsidy (0 = Non; 1 = Subsidized)	0.19**	-0.01	-0.01	0.002
Total Revenue	0.00***	-0.00	0.00***	0.00***
Population	0.000***	0.000	0.000***	-0.000***
Residence Comfort	0.05***	0.09	-0.03**	0.01***
Life Convenience	0.31**	0.26***	-0.26***	-0.02***
Safety	-0.05***	0.25***	-0.01	0.00
Greatness of Nature	0.06	-0.02	0.04***	0.01***
Regional Culture	-0.07**	0.09***	0.04***	0.00
N	9,996	10,039	10,039	10,039
Likelihood Ratio χ^2 /F Score	1810.4***	1262.9***	117.4***	155.4***
Count R^2 / R^2	0.345	0.542	0.132	0.168

* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

Findings

∞ Exit Model

- (1) Multiple factors are significant;
- (2) Low model fit → More externalities

∞ Citizen Satisfaction Model

- (1) *Voice Adoption, Neighborly Ties, Life Convenience, Safety, and Regional Culture* are positively significant;
- (2) Goodness of model fit (Count $R^2 = 0.54$)

∞ Collective Voice Model

- (1) *Voice Adoption, Neighborly Ties, Community Activities, Total Revenue, Population, and Regional Culture* are positively significant; *Residential Comfort and Life Convenience* are negatively significant;
- (2) Goodness of model fit ($R^2 = 13.2\%$)

∞ NHA Participation Model

- (1) *Neighborly Ties, Total Revenue, Residence Comfort, and Great Nature* are positively significant; *Population and Life Convenience* are negatively significant;
- (2) Goodness of model fit ($R^2 = 16.8\%$)

Future Directions



- ❧ Identification of externalities: regional and income control;
- ❧ Theoretical development in the Japanese context;
- ❧ Specification of model for local government performance.

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