

SYSTEM OF GOVERNMENT: Parliamentary

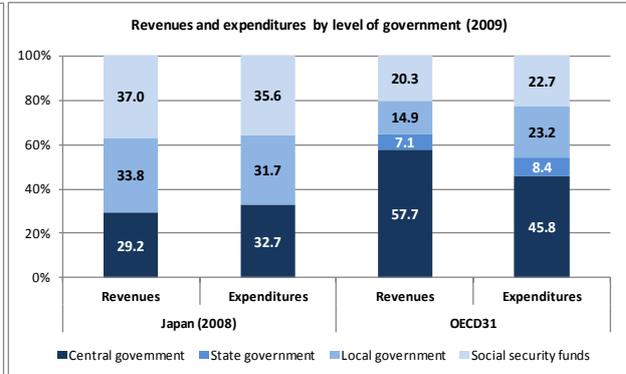
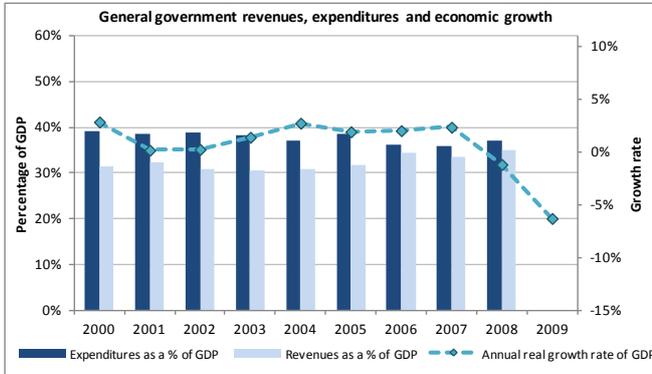
- No. of ministries: 13 (2010)
- No. of governments over last 20 years: 19
- No. of coalitions over last 20 years: 15

STATE STRUCTURE: Unitary

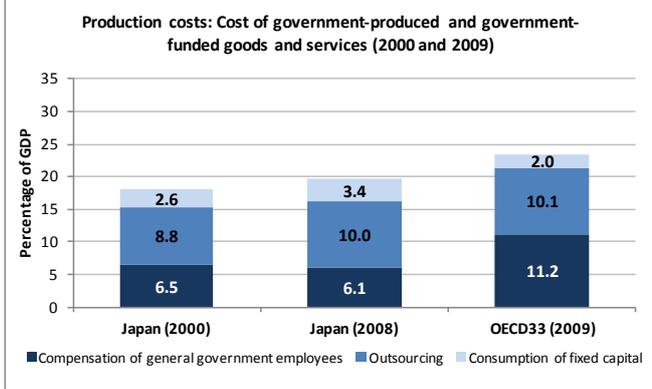
LEGISLATURE: Bicameral

- Upper house: elected
- Lower house: elected using Semi-Proportional Representation

With expenditures and revenues below 40% of GDP, Japan has one of the smallest governments in the OECD. The government has run budget deficits since 1993, and the progress it had made with fiscal consolidation efforts 2002-07 was reversed as fiscal stimulus measures were implemented 2008-09 to counter the recession. Unlike other OECD countries where central government plays the largest role in collecting revenues and spending resources, revenue and expenditures are divided almost equally between the central and local governments and social security funds.

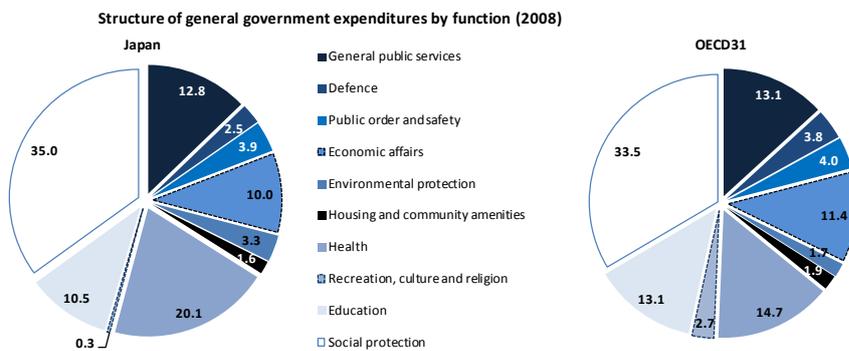


Source: OECD National Accounts and Economic Outlook 89. [Revenues] [Expenditures] [Revenues by level of government] [Expenditures by level of government]



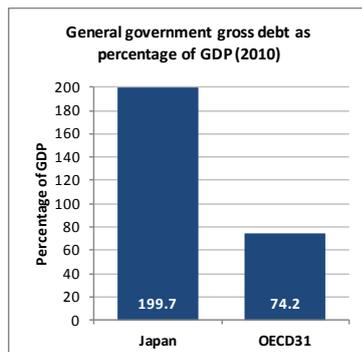
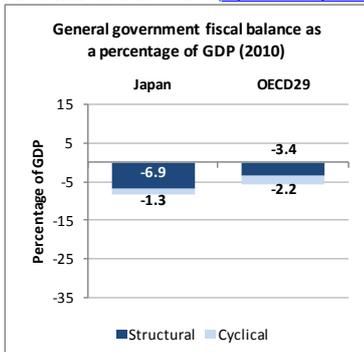
Source: OECD National Accounts. [Production costs]

About 20% of the economy was devoted to producing public goods and services in 2009. Production costs as a share of GDP increased from 2000 to 2009, with the largest increase in costs associated with outsourcing. Japan relies more on outsourcing in the production process relative to the OECD average (51.3% of total costs are associated with outsourcing in Japan compared with the average of 43.2%).



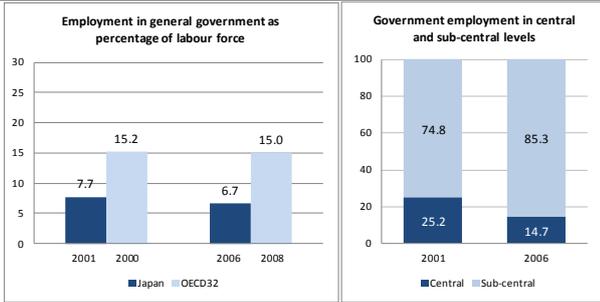
Source: OECD National Accounts. [Expenditures by function]

In 2008, the Japanese government devoted a much higher share of resources towards health than the average OECD country, although plans are underway to reform health and long-term care to improve quality and contain costs. The government also devotes a relatively larger share of resources to environmental protection than other countries. Larger shares of spending in these two areas are offset by relatively smaller proportions of resources devoted to education (reflecting in part the low proportion of the school-age population) and recreation, culture and religion.



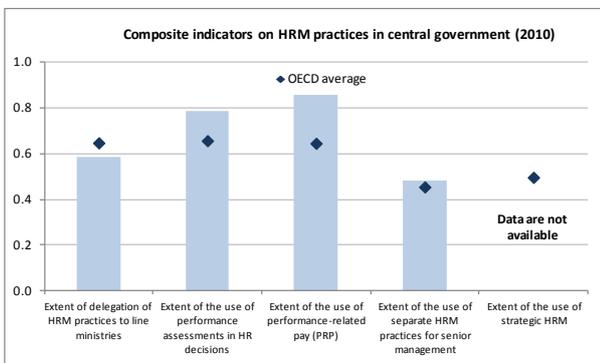
Source: OECD Economic Outlook 89. OECD average refers to the unweighted average [Fiscal balance] [Debt]

The large negative fiscal balance (8.2% of GDP in 2010) is putting upward pressure on government debt, which is already the highest among OECD member countries at 199.7% of GDP in 2010. The Fiscal Management Strategy, announced in June 2010, aims at stabilising and eventually reducing the debt-to-GDP ratio. However, the fiscal situation may be further affected by the Great East Japan Earthquake on 11 March 2011, the strongest ever recorded in Japan.



Data for Japan refer to employment in incorporated administrative institutions and agencies. Compared to other OECD countries, Japan has a low level of government employment as a share of the labour force, at just 6.7% in 2006 (1% lower than in 2001) due to strict control of staff numbers over time and recent efforts to reduce the number of employees. The OECD average is just under 15%, and the range reaches up to 29.3%. Japan intends to further reduce public employment in the future, although no ratio has been set for replacing staff leaving on retirement. It has also continued to decentralise government employment. In 2001, 25% of staff worked at the central level. This dropped to only 14.7% in 2006, making Japan's public sector one of the least centralised in the OECD area.

Source: International Labour Organisation. [\[General government employment\]](#) [\[Distribution by level\]](#)



In the HRM system of the Japanese central government, all important HRM decisions are a shared responsibility between the centre and the line departments. There is a strong performance focus as both performance assessments and performance-related pay are well established for central government employees. A new performance evaluation system was introduced in 2009 for national public employees. Employee promotions, demotions, step pay increases and diligence allowances are now determined through this system. Japan is characterised by a cadre of senior civil servants that are managed separately, although the conditions of their employment are not very different from other staff.

Source: OECD 2010 Strategic HRM Survey. [\[Delegation\]](#) [\[Performance assessment\]](#) [\[PRP\]](#) [\[Senior management\]](#) [\[Strategic HRM\]](#)

Transparency in public procurement, 2010

| | Central proc. website | Contracting entity website | Domestic printed or electronic journal | Other website | Pct. OECD countries that publish info |
|-----------------------------------|-----------------------|----------------------------|--|---------------|---------------------------------------|
| Information for potential bidders | No | Yes | Yes | No | 97% |
| Selection & evaluation criteria | No | Yes | No | No | 97% |
| Tender documents | No | Yes | No | No | 82% |
| Contract award | No | Yes | No | No | 100% |
| Justification for award | No | Yes | No | No | 59% |
| Tracking procurement spending | No | No | No | No | 32% |

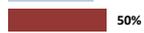
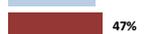
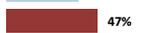
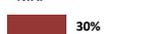
Percentages refer to the share of OECD countries that reported publishing information "always" or "sometimes".

Achieving greater transparency in public procurement is important, especially given that Japan spent an estimated 13% of GDP on procurement in 2008. In Japan there is not a single-entry procurement website for all goods, services and construction projects. Instead, there is one for goods and services: <http://www.chotatujocho.go.jp/csjs/pr006/JohoInActionEN.do> and another one for construction services and architectural, engineering, and other technical services: <http://www.i-ppi.jp/Search/Web/Index.htm>. The latter covers the items provided by Ministry of Land Infrastructure, Transport and Tourism (MLIT), Ministry of Agriculture, Forestry and Fisheries (MAFF), Ministry of Defense (MOD), and Supreme Court of Japan. Most of the public procurement information is published on the contracting entity website as is the case in nearly half of OECD countries. Laws and policies, information for potential bidders, and specific guidance on application procedures such as templates and forms are also published on the domestic printed/electronic journal (e.g. special bulletin). Currently, Japan does not allow tracking public procurement spending on line as is done by 32% of OECD member countries. Providing an adequate degree of transparency throughout the entire public procurement cycle is critical to minimise risk of fraud, corruption and mismanagement of public funds in order to ensure fairness and equitable treatment of potential suppliers. Additionally, it allows for effective oversight by concerned institutions and the general public.

Source: OECD 2010 Survey on Public Procurement. [\[Transparency in public procurement\]](#)

REGULATORY GOVERNANCE

Regulatory governance mechanisms, 2008

| Functions of the oversight body | Percentage of OECD countries responding "yes" | | JAPAN |
|--|---|---|-------|
| Consulted as part of process of developing new regulation | 2005 |  73% | Yes |
| | 2008 |  82% | Yes |
| Reports on progress made on reform by individual ministries | 2005 |  43% | Yes |
| | 2008 |  56% | Yes |
| Authority of reviewing and monitoring regulatory impacts conducted in individual ministries | 2005 |  43% | No |
| | 2008 |  50% | No |
| Conducts its own regulatory impact analysis | 2005 |  43% | No |
| | 2008 |  47% | No |
| Anticipating compliance and enforcement | | | |
| Regulatory policies require that issue of securing compliance and enforcement be anticipated when developing new legislation | 2005 |  57% | No |
| | 2008 |  70% | No |
| Guidance for regulators on compliance and enforcement | 2005 |  37% | No |
| | 2008 |  47% | No |
| Existence of policy on risk-based enforcement | 2005 | N.A. | N.A. |
| | 2008 |  30% | No |

This table presents two elements drawn from the wide range of activities for managing regulatory quality.

The government of Japan has developed an institutional structure for regulatory management. In 2009 it established the Government Revitalisation Unit (GRU) in the Cabinet Office. A subcommittee for regulatory and institutional reform was also established in 2010. These were the latest steps in the gradual institutional building for regulatory management.

The mission of the GRU is to reform the overall national administration and enhance its efficiency. The new unit has taken over the responsibilities of the Council for Regulatory Reform, which had been established within the Cabinet Office to provide advice directly to the Prime Minister on regulatory issues. The Ministry of Internal Affairs and Communication (MIC) remains an important player in regulatory management as it has responsibility for overseeing regulatory impact assessment and public consultation procedures. In addition to publishing guidelines, it reviews regulatory impact assessments prepared by regulatory authorities and ministries, as well as the implementation of public comment procedures.

The Japanese government has not developed an explicit risk-based policy on enforcement. While risk assessment is not mandated in the RIA procedure, some regulatory bodies conduct it on a case-by-case basis.

Source: OECD 2008 Survey on Regulatory Management; OECD (2010), "Strengthening the Institutional Framework for Regulatory Reform – The experience of OECD countries", report to the Regulatory Policy Committee of the OECD, GOV/RPC(2010)5/FINAL. [\[Oversight bodies\]](#) [\[Compliance and enforcement\]](#)

OPEN GOVERNMENT

Disclosure of public sector information, 2010

| Types of information disclosed | Proactive disclosure | | |
|--|----------------------|--------|----------------------|
| | Japan | OECD32 | Publication channels |
| Budget documents | ⊙ | 94% | MA |
| Audit reports | ⊙ | 72% | MA |
| List of public servants and their salaries | ○ | 28% | Not published |
| Sharing of administrative data | | | |
| Administrative data sets | ○ | 66% | Not published |
| Requirements on publishing in open data formats | Yes | 53% | – |
| <ul style="list-style-type: none"> ● Required to be proactively published by FOI laws ⊙ Not required by FOI laws, but routinely proactively published ○ Neither required nor routinely published <p>CP= central portal; MA= ministry or agency website; OW=other website OECD percentages refer to the percentage of the 32 responding OECD countries that either require that information be published by law or do not require it but routinely publish information.</p> | | | |

Although not required to by the Act on Access to Information, the Japanese government proactively publishes budget documents and audit reports. This information is generally made available online on ministry/agency websites, however, the government has also launched a central portal which discloses each ministry's budget and its execution (www.e-gov.go.jp/). Lists of public servants and their salaries are not published, nor are administrative data sets. However, similarly to over half of OECD countries, the government has put in place requirements for publishing information in open data formats which could help promote the sharing of administrative data in the future.

Source: OECD 2010 Survey on Access to Information. [\[Disclosure of information\]](#) [\[Publication channels\]](#)

E-GOVERNMENT

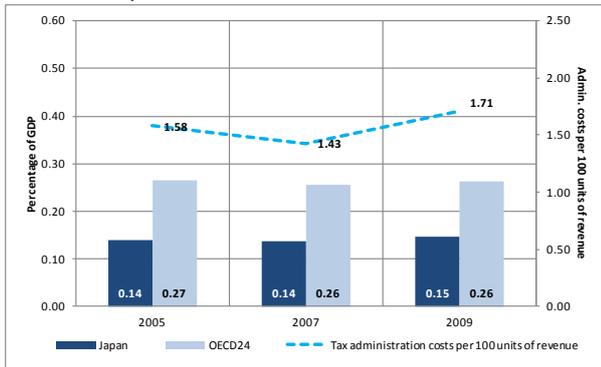
E-Government building blocks and e-procurement, 2010

| e-enabling laws and policies | Japan | OECD25 |
|---|----------------------|--------|
| Recognition & use of digital signature | ● | 100% |
| Electronic filing within the public sector | ● | 88% |
| Administering PPPs for e-government projects | ○ | 64% |
| Services offered on single-entry procurement website | | |
| Tender searches | No single-entry site | 62% |
| Tracking of outcomes of contracts | No single-entry site | 32% |
| OECD percentages refer to percentage of responding countries answering in the affirmative. ● Yes ○ No .. Data unavailable | | |

Similar to most OECD countries, the Japanese Government has put laws and/or policies in place to promote the use of digital signatures and electronic filing in the public sector. However, unlike the majority of responding OECD countries, it does not have a specific law or policy to administer public-private partnerships for e-government projects. PPPs can help increase innovation in public administrations, facilitating knowledge-transfers and the exchange of best practices between the private and public sectors. Japan is amongst the 12 (35%) OECD countries without a single-entry procurement website.

Source: OECD 2010 e-Government Survey and OECD 2010 Public Procurement Survey. [\[E-enabling laws\]](#) [\[E-procurement\]](#)

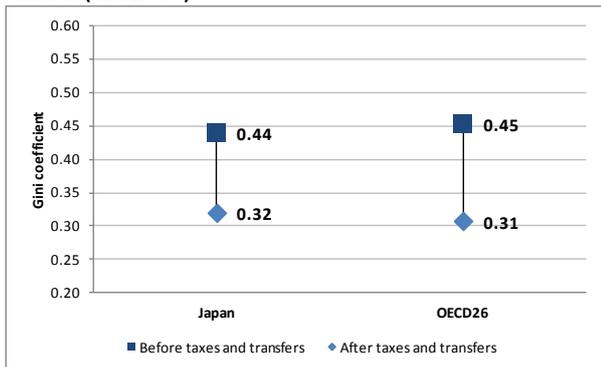
Tax efficiency: Total revenue body expenditures as a percentage of GDP and tax administration costs per 100 units of revenue (2005, 2007 and 2009)



Growing fiscal constraints have led to increased attention on improving the efficiency of tax administrations. The “cost of collection ratio,” for instance, is one efficiency measure which compares the annual administration costs incurred by a revenue body with the total revenue collected over the course of a fiscal year. Over time, a decreasing trend could reflect greater efficiency in terms of lowered costs and/or improved tax compliance. In Japan, the administration costs of collecting 100 units of revenue have increased, most notably from 2007 to 2009. Total revenue body expenditure as a percentage of GDP has remained relatively stable during this period, suggesting the change in ratio could be partly explained by macroeconomic conditions such as a marked drop in revenues and GDP following the crisis. Total revenue body expenditures are about 12% lower than the OECD average. Recent reforms in Japan have led to a significant unification of office work—integrating internal operations in a cross-sectional manner by eliminating the NTA’s previous vertically divided (i.e. by tax type) office tasks, and by standardising in-office work processes. Under this system, the contact point of Tax Offices has been unified into a single division.

Source: OECD (2011), Tax Administration in OECD and Selected Non-OECD countries: 2010 Comparative Information Series, OECD Publishing, Paris. [\[Total revenue body expenditures\]](#) [\[Tax administration costs per 100 units of revenue\]](#)

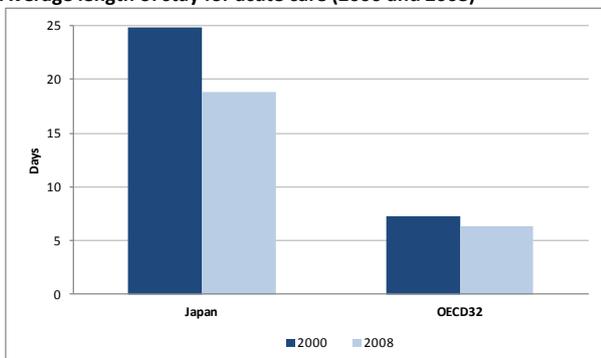
Differences in income inequality pre- and post-tax and government transfers (mid-2000s)



One method of assessing the effect of government tax and transfer policies on income inequality is by assessing a country’s Gini coefficient before and after taxes and transfers. The effect of government redistributive policies on income inequality is slightly lower in Japan than the OECD average. Japan achieved a 0.12 point reduction in the Gini coefficient following its tax and transfer policies, compared to an average 0.14 point reduction in OECD countries. Cash benefits have grown in significance in Japan compared to other OECD countries and income inequality has declined in Japan over the past five years, reversing a long-time trend towards greater inequality.

Source: OECD (2008), Growing Unequal? Income Distribution and Poverty in OECD Countries, OECD Publishing, Paris. [\[Differences in inequality\]](#)

Average length of stay for acute care (2000 and 2008)



The average length of stay (ALOS) for acute care indicates the average number of days that patients spend in the hospital for curative care. The ALOS is considerably higher in Japan than in the rest of the OECD. This high average can be explained partly by the abundant supply of beds and the structure of hospital payments in Japan which may provide hospitals with incentives to keep patients longer. The ALOS decreased from 24.8 days in 2000 to 18.8 days in 2008 in Japan. Over time, reductions in ALOS could reflect efficiency gains, as it could signal that hospitals are expanding early discharge programmes, shifting to day-case surgery for suitable procedures, utilizing less invasive procedures, and/or improving pre-admission assessment, all of which can help reduce costs.

Source: OECD Health Data 2010. [\[ALOS for acute care\]](#)

Production costs are a subset of total government expenditures, excluding government investment (other than depreciation costs), interest paid on government debt and payments made to citizens and others not in exchange for the production of goods and services (such as subsidies or social benefits). Production costs include compensation costs of general government employees, outsourcing (intermediate consumption and social transfers in kind via market producers), and the consumption of fixed capital (indicating the level of depreciation of capital).

Structure of government expenditures: Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides government spending into 10 functions. More information about the types of expenditures included in each function can be found in Annex B of *Government at a Glance 2011*.

“Gross general government debt” refers to general government gross financial liabilities that require payments of principal and interest. For the European Union countries, gross public debt according to the Maastricht criteria is not presented here (see Annex Table 62 of OECD Economic Outlook No. 89). These data are not always comparable across countries due to different definitions or treatment of debt components. Gross debt is used rather than net debt due to the difficulties in making cross-country comparisons of the value of government-held assets, and because it is more relevant in the context of debt interest payments.

HRM Composites: The indexes range between 0 (low level) and 1 (high level). Details about the theoretical framework, construction, variables and weighting for each composite are available in Annex E at: www.oecd.org/gov/indicators/govata glance.

- The **delegation index** gathers data on the delegation of determining: the number and types of posts needed in an organisation, the allocation of the budget envelope, compensation levels, position classification, recruitment and dismissals, and conditions of employment. This index summarises the relative level of authority provided to line ministries to make HRM decisions. It does not evaluate how well line ministries are using this authority.
- The **performance assessment index** indicates the types of performance assessment tools and criteria used, and the extent to which assessments are used in career advancement, remuneration and contract renewal decisions, based on the views of survey respondents. This index provides information on the formal use of performance assessments in central government, but does not provide any information on its implementation or the quality of work performed by public servants.
- The **performance-related pay (PRP) index** looks at the range of employees to whom PRP applies and the maximum proportion of base pay that PRP may represent. This index provides information on the formal use of performance related pay in central government, but does not provide any information on its implementation or the quality of work performed by public servants.
- The **senior management index** looks at the extent to which separate management rules and practices (such as recruitment, performance management and PRP) are applied to senior civil servants, including the identification of potential senior civil servants early in their careers. The index is not an indicator of how well senior civil servants are managed or how they perform.
- The **strategic HRM index** looks at the extent to which centralised HRM bodies use performance assessments, capacity reviews and other tools to engage in and promote strategic workforce planning, including the use of HRM targets in the assessments of middle and top managers. The index does not reflect situations where strategic workforce planning has been delegated to the ministry/department/agency level.

Regulatory governance: The OECD average refers to the following number of countries:

- Functions of oversight bodies 2005: OECD30. Data are not available for Chile, Estonia, Israel and Slovenia.
- Functions of oversight bodies 2008: OECD34. Data for Chile, Estonia, Israel and Slovenia refer to 2009.
- Anticipating compliance and enforcement 2005 and 2008: OECD30. Data are not available for Chile, Estonia, Israel and Slovenia.

Tax efficiency: Tax administration efficiency ratios are influenced by differences in tax rates and the overall legislated tax burden; variations in the range and in the nature of taxes collected (including social contributions); macroeconomic conditions affecting tax receipts; and differences in the underlying cost structures resulting from institutional arrangements and/or the conduct of non-tax functions.

Differences in income inequality pre- and post-tax and government transfers: The values of the Gini coefficient range between 0 in the case of “perfect equality” (*i.e.* each share of the population gets the same share of income) and 1 in the case of “perfect inequality” (*i.e.* all income goes to the individual with the highest income). Redistribution is measured by comparing Gini coefficients for market income (*i.e.* gross of public cash transfers and household taxes) and for disposable income (*i.e.* net of transfers and taxes).