Government Purchase of Services in China: Similar Intentions, Different Policy Designs

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SUMMARY

China has adopted purchase-of-services to facilitate the development of societal sector, including social organisations, social work profession, and social services. Project-based and post-based purchases are two typical policy designs. Why do the local states develop two different designs to serve similar intentions? The answers to this question contribute to the broader discussion of policymaking and social development in China. With the intention-capacity analytic framework, this study systemically compares the Guangzhou’s project-based model and Shenzhen’s post-based model, by drawing upon an extensive review of policy and archive documents, key informant interviews and field observations. The comparative study suggests, the pro-market ideology and incomplete analytical capacity in policy learning directed the design thinking towards market mechanism and purchase-of-services. Without the organisational conditions of social organisation and social work in Guangzhou, rapid growth in the social work workforce became the top priority in Shenzhen. Meanwhile, the trustworthiness of newly developing social organisations is another concern. All of these concerns underpinned the post-based design. Both models succeed in expanding the societal sectors with the substantial fiscal support. But the mixes of market and hierarchy tools, post-based model in particular, would be the obstacle in further enabling social organisation and social work profession.

KEY WORDS—policy design; policy capacity; policy instrument; purchase-of-services; project- and post-based models; China
INTRODUCTION

Social policy is crucial for human wellbeing, social development and state’s legitimacy. Meanwhile, it requires significant financial and manpower resources (Dean, 2012). Given this politico-economic significance, successful social policy must be carefully designed. Due to the changing landscape of social policy, such as gender roles, labour market and demographics, social services are increasingly at the centre of welfare state activities, and in some countries the expenditures for in-kind social services now exceed expenditures for in-cash transfers (Henriksen, Smith & Zimmer, 2012). Contracting out has become a signature initiative of welfare reform, as these countries attempt to modernize social service systems through decentralisation and marketisation.

Various studies have investigated the effectiveness of contracting out social services in terms of cost containment and quality enhancement. Under most circumstances, the efforts of policymakers have failed. Inadequate capacity to design and monitor the procurement process is often blamed for the policy failure. However, while these studies highlight the importance of policy capacity for policy formulation and policy outcomes on one hand (Howlett, Mukherjee and Woo, 2015), they overlook government’s intentions to design contracting out on the other hand.

The reason for this knowledge gap is that, originated from the welfare state crisis, contracting out for cost containment and quality enhancement has been taken for granted. The adoption of contracting out is thought to be shaped by the ideologies of decentralisation and marketization (Petersen, Houlberg and Christensen, 2015). It was typically seen less as ‘designed’ than as ‘emergent’ in an inevitable, quasi-automatic process involving the actions and interests of
the multiple public and private stakeholders active in complex modern societies and economies (Howlett, 2014).

In emerging Asian economies, social policy is a particularly critical tool for state building and governance modernisation (Ringen et al., 2011; Wong, 2004). Contracting out has been transferred consciously to these emerging welfare states for unique politico-economic intentions beyond market creation (Wen and Chong, 2014). China’s fast-expanding social service system, achieved in the past decade through contracting out (in official terms, government purchase-of-services), offers a unique opportunity to study policy design of this policy instrument in an emerging welfare state.

In September 2013, the State Council General Office issued its “Guiding Opinions on Government Purchase-of-Services from Societal Actors”, which was followed by the “Interim Measures for the Administration of Government Purchase-of-Services” published by the Ministry of Finance in 2014. In December 2016, the Ministry of Finance and the Ministry of Civil Affairs jointly announced the “Guiding Opinions on Supporting the Promotion and Development of Social Organisations through Government Purchase-of-services”. Contracting out has been formally legitimised as a national approach to societal development. The national approach of contracting out has many varieties of policy designs at the local level (Guan and Xia, 2016). Post-based and project-based models are the two typical policy designs. Shenzhen and Guangzhou are leaders and representatives of these two designs (Law, 2009; Leung and Xu, 2015; Liu and Han, 2013). In 2007 and 2009, respectively, Shenzhen and Guangzhou, two metropolises in Southern China, took the lead in launching government purchase-of-services programs. The two programs have similar overall policy objectives of “building a socialist harmonious society”, and use the same type of policy instruments of contracting out to social
organisations. But the mix of policy instruments and settings are very different. The post-based model in Shenzhen is purchase of social worker posts embedded in public institutions and entities, while Guangzhou’s purchase is mainly based on service projects and operated at the community level.

Given the similarities in policy intentions and instrument type, why do Shenzhen and Guangzhou adopt different instrument settings? Given the collaboration with social organisations is a highly political decision in China, prior studies tend to explain the differences through the theoretical lens of transaction cost politics (Araral, 2014). Local officials may design institutional arrangements by taking local conditions, officials’ risk preferences, and risks of moral hazard as well as adverse selection into account. For instance, project-based model may generate higher regulatory costs because of the principal-agent problem, while post-based model could provide more control to local officials over the social organisations and social work professionalism (Chan, Yuen and Wong, 2013; Liu and Han, 2013). The transaction cost explanation for variations in policy design follows the conventional thinking that politics create policies.

While the transaction cost approach partly explains the differences in policy designs at local level, it has not fully answered why local states are keen to “build a harmonious society” through contracting out, a significant instrument for dismantling traditional welfare state. Further investigation of these similarities in matching policy intentions and instruments is needed. Moreover, the national approach of contracting out has sparked debates about whether “spring” is coming for social organisations in China (China Daily, 17 April 2013). How do the similarities and differences in the policy designs affect the achievement of “building a harmonious society” in China?
The multi-level nature of the Chinese government increases the difficulty in matching policy instruments and goals in national planning with local implementation (Ngok, 2013). The similarities as well as differences in policy designs should not be simply put as local states’ proactive selection. The central government’s conscious intentions should be taken into account. Meanwhile, local governments at each level may hold different attitudes towards purchase-of-services resulting in diverse policy outcomes. A case study of competitive contracting in Shanghai empirically reveals the reform was trapped in an intergovernmental game involving different levels of government and different governmental departments at the same level. The second-year program was even postponed for one year after the Bureau of Civil Affairs was incapable of meeting the Audit Bureau’s requirements on equity and performance (Jing, 2012; Jing and Chen 2012). The capacity deficit in inter-governmental communication and coordination erodes the policy success.

Against this background, this article seeks to understand the similarities and differences in social policy designs and corresponding policy outcomes, through an analysis of policy intentions and capacity at the central and local levels. The study will compare the Guangzhou and Shenzhen cases by drawing upon an extensive review of policy and archive documents, key informant interviews with government officials, researchers and social services practitioners, and field observations since 2010.

THEORISING POLICY DESIGN AND CAPACITY FOR CONTRACTING OUT

The basic questions of policy design are: how do policy actors match goals and instruments, and how do their knowledge and capacity inform such choices (Linder and Peters, 1990)? Therefore,
the design intention (e.g. problem-solving or muddling through) and the capacity to carry it out, create different policy design scenarios and spaces (Dunn, 1997; Lindblom, 1990; Hasmath and Hsu, 2015; Howlett and Mukherjee, 2014; Howlett, Mukherjee and Woo, 2015; Mukherjee and Howlett, 2016). With respect to China case, the policy intents of the party-state at the central level and the policy capacity of local governments, are considered to be two determinant factors of the emerging welfare state (Ngok and Liu, 2016; Ringen and Ngok, 2013; Saich 2008).

Over the past few decades, contracting out has been one of the flagship instruments to decrease the extent of central coordination and the significance of the state’s role in problem-solving (Considine and Lewis, 1999). It provides market incentives for individuals and social organisations to follow government’s policy intentions (Hood, 1986). In the social policy sector, contracting out mainly involves the use of public financial resources to contract with social organisations for the production and delivery of social services (DeHoog and Salamon, 2002; Gilbert, 2002, 2005). The successful implementation of contracting out will transfer state in-house production to government purchase-of-services, improve efficiency in the provision of social services, enable social organisations, and maintain the legitimacy of welfare state.

When a range of non-state actors with diverse objectives engage in the policy design process, the matching of policy instruments with goals and capacity becomes increasingly dynamic and difficult (Froestad et al., 2015; Howlett and Ramesh, 2014; Lee and Thynne, 2011; Mukherjee and Howlett, 2016). Empirical studies suggest the policy failure in contracting out, due to inappropriate procurement and regulation strategies by incapable policymakers, is a common phenomenon (DeHoog, 1984; John and Ward, 2005; Van Slyke, 2002). The conclusion implies that capacity deficits are a challenge for the success of matching policy problems, instruments and settings.
This article adopts the definition of policy capacity as the set of skills, resources, and competences necessary to perform policy work (Painter and Pierre, 2005; Peters, 2015; Wu, Ramesh and Howlett, 2015). According to the nature of policy work, policy capacity can be categorized into three types: analytical, managerial and political. In addition, policy work is dealt with at three levels: individual, organisational and systemic (Mukherjee and Howlett, 2016; Wu, Ramesh and Howlett, 2015).

These various skills, resources and competences of policy capacity have been partly explored by prior studies, such as: (a) organisational capacity to encourage potential social service providers to compete for government contracts; (b) managerial capacity to evaluate proposals and select vendors, and to negotiate, monitor and enforce contracts; and (c) political capacity to maintain strongly accountable partnerships with social service providers (Brown and Potoski, 2004; Brown, Potoski and Van Slyke, 2013; Cooper, 2003; Jing and Savas, 2009; Kettl, 1993; Lamothe and Lamothe, 2009; Lamothe, 2015; Sclar, 2000).

STAGE ONE: NATIONAL INTENTIONS: GOVERNMENT TRANSFORMATION AND SOCIETY BUILDING IN CHINA

This section analyses the overall policy intentions of contracting out with emphasis on the match of problem and instrument. Before the economic reform in the late 1970s, China was a totalistic party-state in which everything fell under the socialist state’s rigid control (Guo, 2000; Tsou, 1994). In this patriarchal welfare state, urban residents received social protection through their work units. Non-state service providers were extremely underdeveloped under the state’s strict restriction. The socialist welfare regime changed dramatically in the 1980s and 1990s in order to
accelerate economic growth, increase productivity and efficiency, and enhance the competitiveness of state-owned enterprises. The Chinese government carried out ‘socialisation of social welfare’ in the 1990s, in order to cope with the social service deficits and the financial burden resulting from the erosion of the socialist welfare regime in the late 1980s (Chan, Ngok and Phillips, 2008). Non-state service providers emerged under the government’s strict supervision. All of these changes reflect a pro-market ideology in social policy orientation (Gu, 2001; Holliday, 2005; Wong and Flynn, 2001). However, the unilateral focus on economic growth has resulted in a serious imbalance between economic growth, environmental protection, and social equity. As a result, social tensions became widespread and social protests became frequent across the country in the mid-1990s. All of the social problems called for a new policy paradigm of development to strike a balance between economic growth and social development (Ngok, 2009).

**Match of intentions and instruments: social organisation and earmarked funds for harmonious society building**

The succession of a new generation of the party-state’s top leadership in 2002 opened a window for policy change. At the 16th National Congress of the Communist Party of China in 2002, the then new political leadership pointed out the need to “perfect the government functions in economic adjustment, market monitoring, social management and public services”. This four-dimensional scope of government function signalled the party-state’s political determination to transform the totalistic regime towards a “service-oriented government”, which was formally highlighted at the Second Plenum of the 17th Party Congress in 2008.
The government transformation in China calls for a clearer boundary and division of labour among state, society, and market. The new jargon of “social management” illustrates how the party-state’s attention has been partly reallocated from economic affairs to societal affairs. The outbreak of the public health crisis in 2003 accelerated a fundamental shift in the policy paradigm, including a conscious attempt to strike a balance between economic growth and social development (Leung and Xu, 2015; Wang, 2008). Later, at the Fourth Plenum of the 16th Party Congress in 2004, the party-state further elaborated its ideas as “strengthening society building and social management, and promoting the innovation of social management”. Two years later, at the Sixth Plenum, the party-state formally pledged to promote a “socialist harmonious society”.

One of the key tasks is to develop a strong team of social workers, a profession which was non-existent in China’s socialist welfare regime between 1952 and 1982 (Mayadas, Watts and Elliott, 1997; Leung et al., 2012). Natural disasters (such as the Sichuan earthquakes of 2008 and 2013) and mega events (such as the 2008 Beijing Summer Olympics, 2010 Shanghai World Expo, and 2010 Guangzhou Asian Games) have further deepened the state’s understanding of social services, social workers and volunteers, and social organisations as organisers and coordinators behind these.

As mentioned above, state in-house service production has long been the default welfare solution during the socialist era. The state now acknowledges the reciprocal relationship between government transformation and society building, and the importance of a vibrant societal sector. Thus, the broader policy intention of society building could be specific to the promotion of social organizations for organising social workers and volunteers to provide caring social services. In the societal development, social organisations and their social work employees will replace
public production by government bureaucracies. From the theoretical lens of policy instrument (Hood, 1986), this is a move from one type of organisation-based tool to another.

At this moment, there are insufficient social organisations in China to provide social services, due to the rigid requirements on agency registration before this wave of social reform (Hildebrandt, 2011). Moreover, the staff of social organisations may not have the required expertise to deliver services: social work training and social services management have a very short history in China and experience is still being accumulated. Meanwhile, the Chinese government possesses very limited knowledge and experience of collaboration with social organisations in the social service area (Chan 2005).

Against this background, while the central government established the national policy intentions of the development of social organizations, social services and social workers, it has not yet figured out the exact instrument mixes to achieve the goals at this stage. It only highlights that earmarked funds, a treasure-based policy instrument, would be put in place. Given the successful experience of market transition and decentralisation, the Chinese government at all levels widely believe that providing economic incentives through market mechanisms is the most efficient way to induce a target group’s desired action (Ngok and Wen, 2008). More importantly, with the increased fiscal capacity that has been generated from the booming economy in the past three decades, the Chinese government is capable of providing substantial fiscal support.

The choice of actual instrument kits is decentralised to local governments and determined through policy learning and policy experiments. The central government’s action is more like a ‘nondecision-making’ practice that limits the scope of actual decision-making to ‘safe’ issues (Bachrach and Baratz, 1963). The local governments, in turn, attempt to collaborate with social organisations through learning-by-doing.
STAGE TWO: LOCAL EXPERIMENTS: PROMOTION OF SOCIAL ORGANISATION THROUGH PROJECT-BASED AND POST-BASED PURCHASES

Given the substantial earmarked funds at hand, local governments have to make a fundamental choice between the several possible arrangements of resource allocation for social organisations, including providing direct subsidies, or creating markets in the form of contracting out and issuing vouchers. In fact, all of these arrangements have been applied in China (Wang and Salamon, 2010). For example, during the socialisation of social welfare in the 1990s and prior to the society building era, residential care for the elderly and the disabled was outsourced to the private sector in several municipalities, including Shanghai, Guangzhou, Wuxi, and Ningbo (Chan, 2005; Jia and Su, 2009; Jing and Chen, 2012; Yang, Huang and Fulda, 2015). However, these practices were restricted to a small scale, and were not institutionalised: according to the Procurement Law promulgated in 2003, social services were not included in the scope of public procurement.

Guangdong province, the pioneer of Chinese economic reform, has also been the pioneer of social reform. The central government has delegated the power and privilege of “early and pilot implementation” to Guangdong province to initiate policy experiments in innovating social management. Multiple modes of public service provision, including public production, public commission and government purchase, have been highlighted in the “Framework for Development and Reform Planning for Pearl River Delta Region (2008-2020)” in December 2008.
The municipal authorities in Guangzhou and Shenzhen consciously conducted policy learning from neighbouring Hong Kong as well as Singapore, two semi-democratic city states with Chinese culture and a developed welfare system. Officials in both Guangzhou and Shenzhen were particularly impressed by Hong Kong’s approach of “NGOs producing publicly subsidised welfare services” (Jones, 1990). Both cities have conceptualised Hong Kong’s welfare subvention as “government purchase-of-services from social organisations”, or contracting out. As learning outcomes, Guangzhou formulated the “Opinions on Learning Advanced Experiences from Hong Kong to Promote Reform of Social Management” in 2009.

Shenzhen took actions even earlier, in 2007, with its policy paper “Opinions Concerning the Establishment of Social Work Manpower Teams and the Promotion of Social Work Development”. This paper, also known as the “1+7” policy paper for its main document and seven appendices, addressed the issues of fiscal support, social work education and qualifications, and staffing and salary. Shenzhen’s proactive initiatives have been featured as a learning model on the website of the Ministry of Civil Affairs.¹

Guangzhou (the capital city of Guangdong) and Shenzhen (China’s first special economic zone, established in 1980) are the two most prominent cities in the Southern China. Moreover, as the pioneers of China’s market reform with the most liberal public media and progressive civil society, Guangzhou and Shenzhen are the most capable municipal governments in China. While both of them take Hong Kong’s experience as a policy learning model, they became leaders and representatives of two different models of contracting out: project-based and post-based, respectively. These two typical settings were later adopted by many other municipalities. This

¹ See Shenzhen social work “1+7” policy paper http://sw.mca.gov.cn/article/ztzl/szzt/
policy diffusion signifies Guangdong province as a pioneer not only for economic reform, but also for social reform.

The following section will examine these two typical designs of purchase-of-services in Guangzhou and Shenzhen, with a focus on policy capacity. The case study of these two cities represents the achievements and problems of the policy designs.

*Project-based model in Guangzhou*

Under the project-based model, the object of government purchase is a specialised service or a service project/centre. The workflow is as follows: the government establishes a service project/centre, and invites social organisations to submit bids. An independent assessment panel is then commissioned by the government to review the proposals. The successful bidder is allocated the authority of operating the new service project for a fixed period, normally for three years. To run the service project, the successful bidder will recruit and employ social workers. The government and the third party reviewers commissioned by the government will conduct monitoring and evaluation on the service production process and outcomes.

Guangzhou’s contracting out began with the purchase of specialised social services. As early as 2008, the Guangzhou municipal government enacted the “*Measures on Home and Community Care for the Elderly*”, requiring the purchase of care services from community service centres at street-level residential communities. These centres were not social organisations but public institutions that had been set up and fully funded by the Civil Affairs Bureaus and the grassroots government agencies since the 1990s. Most of the frontline staff at
the centres are laid-off workers of state-owned enterprises who lost job in their 40s and 50s and without sufficient care skills.

In addition to these ill-equipped government-organised community service centres, professional social service organisations also emerged in the same year. To join a pilot scheme initiated by the Central Commission of the China Communist Youth League in September 2007, officials at municipal and district levels invited social work teachers at Guangzhou’s Sun Yat-sen University to launch a youth service project. The pilot programme, funded with two million yuan provided by the Haizhu district government, was commissioned to a newly established social organisation in February 2008 under the supervision of the district Communist Youth League (Law, 2013). Later, Liwan district also devoted one million yuan to launch family service pilot projects at eight street offices.

The “purchase-of-services” model expanded after municipal officials visited Hong Kong and Singapore to learn social management practices in 2009. Most of the previously mentioned specialised services have now been integrated into a family service package. The municipal government decided that each street-level community must establish its own “integrated family service centre” operated by social organisations by 2012. The governments at the municipal and district levels allocate two million yuan annually to each centre, regardless of the number of service users.

From 2008 to 2015, Guangzhou governments at various levels have devoted more than 1.3 billion yuan for purchase-of-services. The achievements are significant: the number of social organisations in Guangzhou significantly increased from less than 10 in 2008 to 267 by January 2015. These social organisations have provided 3,800 new jobs, 2,500 of which are social worker posts (Guangzhou Daily, 20 January 2015). As of August 2015, 176 integrated family service
centres account for more than 90 percent of total procurement funding. Apart from these integrated services, there are 20 specialised projects serving various service users in the communities (Guangzhou Community Service, 2015; Guangzhou Daily, 19 January 2015; New Express Daily, 2 September 2015).

Post-based model in Shenzhen

Different from Guangzhou, social work was almost non-existent in Shenzhen before government purchase-of-services (Leung and Xu, 2015). To respond to the central government’s call for social work development, the municipal government sought a ‘shortcut’ to build a great social work team in a short period through the direct state establishment of social work positions. ‘Post’ and ‘workforce’ are two key words in Shenzhen’s policy paper entitled “Opinions Concerning the Establishment of Social Work Manpower Teams and the Promotion of Social Work Development” and its 7 supplementary guidelines on financing, social work education and qualifications, staffing, and salary.

Under the post-based model, the object of purchase is not the social services, but the social workers who produce the social services. To be specific, the Civil Affairs Bureau disseminates the importance of social work across the public sector. Then various public organisations, including policy bureaus like the Judicial Bureau and the Commission on Narcotic Drugs; public institutions, including hospitals and schools; and mass organisations including the Shenzhen Municipal Trade Union, Communist Youth League, and the Federation of Women, make recruitment plans to open social work posts within their entities. Upon the Finance Bureau’s approval of funding and new posts, the Civil Affairs Bureau conducts open tendering, and social organisations submit their proposals. Successful social organisations sign a three-year contract
with the Civil Affairs Bureau and the employing public entity. Finally, social workers are sent to hold the post within the employing public entities. For performance monitoring, the government commissions third-party reviewers to evaluate the performance of each social organisation as well.

From 2007 to 2012, a total of 350 million yuan, mainly from the Welfare Lottery, was devoted to the purchase of social work posts in Shenzhen. The annual standard price of each post was 60,000 yuan in 2007, 66,000 yuan in 2009 and 70,000 yuan in 2010. As of 2015, the standard is 75,000 yuan, among the lowest salary for social workers in the Pearl River Delta. The purchasing standard in Shenzhen will be raised to 93,000 yuan later in 2016 (Ministry of Civil Affairs, 2016). Similar to Guangzhou, with the substantial fiscal support, Shenzhen expanded its number of social workers from 96 in 2007 to 6911 by May 2016. As of May 2016, there are 142 social organisations providing social services in Shenzhen. Among these 142 social organisations, more than 70 agencies were undertaking 761 social work posts in public institutions (Shenzhen Civil Affairs Bureau, 2016; Shenzhen Social Workers Association, 2016).

Under the post-based model, social workers are employed by the social organisations but work at the employing entities, including hospitals, schools, and criminal justice agencies (the secondary practice setting), rather than at the service centres of the social organisation employer (the primary practice setting). In contrast to the primary setting, social work in the secondary setting is only one part of the service production process. The role of social workers is to support the employing organisation’s primary function. Social workers confront many conflicting demands and expectations from non-social work professionals. Meanwhile, they are under a dual supervision system: the professional supervision of the social organisation and the administrative supervision of the employing organisation. As a result, social workers enact an extremely
complex and often vaguely defined professional identity (Cowles, 2003; Openshaw, 2008; Patterson, 2012).

STAGE THREE: FROM LOCAL EXPERIMENTS TO NATIONAL POLICY

Guangzhou and Shenzhen have adequate fiscal resources to promote the development of social organisations. Both the project-based and post-based contracting out approaches have successfully generated significant growth in the numbers of social organisations, social workers and social services in the past decade. In this sense, purchase-of-services is an appropriate match of societal development goals and tools of earmarked funds. Thus, the local experiments of purchase-of-services have been legitimised as an effective policy design in the early 2010s.

For example, at the provincial level, the Guangdong provincial government enacted administrative guidelines for purchasing social services in 2012 to institutionalise and regulate the contracting out practices. At the national level, purchase-of-services was advanced as a national pathway to “service-oriented government” pledged in The 12th Five-Year Plan on Developing a Basic Public Service System in 2012. The General Office of the State Council published the “Guidance on Purchasing Services from Society” to provide principles and directions for further implementation by local governments in September 2013. Two months later, the political report of the Third Plenum of the 18th Party Congress formally proposed, for the first time, “to promote government purchase-of-services, and introduce competition mechanism”. The report also adopted the concept of “social governance” in place of the previous “social management”. The wording change implies the repositioning of the collaborative relationship between state, society and market in a modern system of state governance. Finally, purchase-of-services was officially

It is worth noting that none of these national policies attempt to make a choice between the two possible purchase-of-services designs. The only one exception is the fact that the post-based model has been highlighted as a possible approach to cope with graduate unemployment, which is another critical problem in China.

**COMPARISON OF INSTRUMENT SETTINGS, POLICY CAPACITY AND POLICY OUTCOMES**

Guangzhou’s project-based purchases and Shenzhen’s post-based purchases share the same policy objectives—namely, the development of vibrant social organizations, professional social work, and caring social services, but have different designs. Project-based purchase mainly focuses on the service production itself, while post-based purchase pays more attention to the development of the social work profession and the social work workforce.

More importantly, the mix of policy instruments and settings are different. Guangzhou’s service projects/centres are operated at the community level as independent entities. The mix and setting of policy design are straightforward: under a mode of market governance, public funding (a treasure-based instrument) promotes the emergence of social organisations (an organisation-based instrument). Then social organisations recruit their own social workers and supervisors, and operate service centres with relative autonomy.

In Shenzhen, in contrast, newly emerging social work profession has to be incorporated into public institutions and entities of the traditional hierarchical system. Social organisations
themselves only have a limited role to play. This is a complicated mix and setting of policy design, with public funding and social organisation working within a governance hybrid of market and hierarchy.

Local organisational conditions and government collaborative capacity could partly explain the differences in design. Guangzhou’s design is the product of a close collaboration between government officials, social organisations and scholars. As early as the late 1990s, some district governments and street offices in Guangzhou started to collaborate with Hong Kong NGOs to serve cross-border families. Guangzhou’s grassroots governments and street-level bureaucrats are not completely ignorant of social work profession and social organisation. Moreover, a majority of the province’s universities, with top scholars and facilities, are situated in Guangzhou, the capital city of Guangdong province. In the early 2000s, several universities in Guangzhou re-launched the bachelor programme in social work education. This has laid the knowledge foundation for the adoption of the project-based model. When the municipal government’s policy intention emerged and connected to these foundations in the right circumstances by policy entrepreneurs such as university social work teachers in 2008, Guangzhou’s pilot scheme was established in a project-based form, following the typical mix of tools and settings in other established welfare states.

Different from Guangzhou, Shenzhen is a newly developing city with a large number of new immigrants. Before the publication of the “1+7” paper in 2007, social work training and practice were almost non-existent in the city (Leung and Xu, 2015). Without Guangzhou’s knowledge and organisational foundations, Shenzhen developed the innovative post-based approach to promote the importance of social work and facilitate the development of a

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2 The author would like to thank one of the anonymous reviewers for suggestion on this point.
professional identity within a short period. To address issues of incapacity, and to take advantage of Shenzhen’s geographical proximity to Hong Kong, Shenzhen also adopted a cross-border supervisory model by purchasing social work supervision services from Hong Kong’s NGOs (Chan, Ip and Lau, 2009). Hong Kong supervisors pay regular visits to supervise frontline social workers at their service units in Shenzhen.

Apart from knowledge and organisational conditions, political capacity should not be overlooked. Guangzhou and Shenzhen both have the political privilege as sub-provincial level entries in China. Meanwhile, Shenzhen, as one of the five cities enjoying “Separate Line-Item Status” treatment in the National Socio-Economic Development Plan, also possesses provincial-level economic power and pays no tax to Guangdong. The privileged political and economic status has intensified competition between Guangzhou and Shenzhen (Ng and Xu, 2014). With the post-based contracting out model, Shenzhen shines in the policy innovation of social management.

Meanwhile, under the post-based model, social workers working within public entities are similar to the traditional state in-house production. Social workers’ activities as well as social organisations’ operations are under government control. The mixture of market and hierarchy provides less autonomy to social organisations but greater political and fiscal safety to government officials. Greater safety and less uncertainty are particularly important to the Shenzhen municipal government when it made the first purchase-of-services from social organisations in China.

The designs and capacity in Guangzhou and Shenzhen also generate similar as well as different outcomes in addition to the increasing numbers. First of all, manpower shortages and high turnover rates have impeded the implementation and effectiveness of both project- and post-
based purchases in Guangzhou and Shenzhen. As the Civil Affairs Bureau in Guangzhou indicates, among all frontline social workers in Guangzhou, only 1 percent has more than five years of experience, and 92.8 percent have less than three years of experience; the annual turnover rate is 24.3 percent (*Guangzhou Daily*, 20 January 2015). In the words of one observer, the situation is expected to be worse under a post-based model (*China Philanthropy Times*, 30 April 2014). In fact, the turnover rate in Shenzhen significantly grew in the past seven years from 8.2 percent in 2008 to 22.2 percent in 2014. The turnover rates in both cities have reached the unhealthy level of employee turnover rate at 20 percent. In Hong Kong, which served as the policy learning model for Guangzhou and Shenzhen, the turnover rate of social workers employed by social organisations was only 14.2 percent in 2014 (Joint Committee on Social Work Manpower Requirements, 2015).

China’s determined national strategy to purchase social services and professional staff has boosted demand for well-trained social workers and experienced supervisors. However, the newly re-emerging social work education in Chinese higher education is inadequate to meet this booming demand. For example, 176 integrated family service centres in Guangzhou need about 2,000 social workers at this moment, but less than 700 social work students graduate annually from Guangzhou’s 14 universities. In addition, more than half of these fresh social work graduates do not choose social work as a career (Zeng et al., 2016). This shows that the unsatisfactory working conditions and unclear future career opportunities, some of which are due to the policy designs of contracting out, make it difficult to attract and maintain a stable workforce.

The unsatisfactory working conditions are twofold. Chinese social workers face institutional constraints that their counterparts in advanced welfare states do not. For example,
social workers may have to carry out administrative duties delegated by the government that may be totally in contrast with the professional ethics of social work. The problem is particularly critical for the post-based model, where social workers serve as dispatched employees of the employing entities. Frequently, the employing entities treat the post-based social workers as additional manpower, and require them to handle administrative tasks that are irrelevant to the social work profession. The bureaucratisation of the social work profession erodes the professional status and identity of Chinese social workers.

Moreover, the wages and benefits under contracting out have caused quite a stir in public opinion. Though the Chinese government intends to support the development of the social work profession and social organisations, contracting out still functions as cost control method in the form of competitive bidding. Meanwhile, both government departments and social organisations lack sufficient information about the actual unit cost of various social services. This is why the Guangzhou municipal government provides a standardised sum of two million yuan to each integrated family service centre regardless of community size and service scope. In order to gain promotions and higher salaries, many experienced social workers in Guangzhou and Shenzhen move to the newly established agencies in the second- and third-tier neighbouring cities in Guangdong province, such as Foshan, Dongguan, and Huizhou.

All of these problems suggest that the Chinese government has underestimated the issue of manpower when learning about and designing contracting out. In Hong Kong, there is an advisory committee responsible for reviewing and projecting social work manpower requirements. China is making some moves in this direction: Guangdong province published its first document on “Building the Social Work Workforce Team” in 2010, and the Ministry of Civil Affairs in 2012 enacted the national “Report on the Mid-to Long-Term Development of the Social
“Work Workforce”. However, in these policy papers, the government still establishes target numbers of new social workers without a rational analysis of service development, and the demand and supply of manpower. This suggests that Chinese government has strong fiscal capacity to initiate contracting out social services, but lacks sufficient analytical and managerial capacity to use the public funds effectively and efficiently.

Furthermore, the public accountability requirement urges Chinese government to develop analytical capacity for proposal assessment and performance review in purchase-of-services. As mentioned, many social organisations were set up by local social work teachers, retired government officials and those with close connections to civil affairs bureaus and street offices. Street-level bureaucrats, such as cadres at district governments and street offices, have a tendency to favour social organisations with strong government connections (Leung and Xu, 2015). Neither the project-based nor post-based model is able to ensure transparent bidding and accountable selection of organisations. During field research, several informants in Guangzhou and Shenzhen indicated that open tendering at times was only a formality requirement, and the successful bidder had already been picked out before the proposal assessment. As a result, social workers often gossip about ‘insider’ and ‘outsider’ agencies in the field, and scholars and municipal officials are concerned about the high risk of corruption in the purchase-of-services (Gong and Zhou, 2014). This collusive behaviour between social organisations and district governments has been gradually put under control when the municipal government standardised assessment criteria in the second round bidding in 2015.

The same conflict of interest also arises in the annual performance evaluation of social organisations. Local authorities in both cities are inexperienced in social service delivery as well as in performance evaluation. Without professional knowledge to evaluate programme
effectiveness, government officials outsource the annual assessment to third-party reviewers. In turn, without sufficient work in-house experiences, government officials could only slowly accumulate subject-matter expertise and analytical capacity. The lack of analytical capacity also discourages to provide constructive feedback to social organisations for quality improvement. The performance monitoring systems that are in place mainly focus on normative requirements such as agency registration, social insurance compliance, and so on (Wen 2012). Service quality is merely measured through the most understandable numeric indicators such as effort input and service output.

It should be noted that Shenzhen is considering a transition to the project-based model. In the consultation paper of “Measures on Government Purchase of Social Work Services”, published in July 2015, the municipal Civil Affairs Bureau proposed that purchase-of-services should be mainly based on service projects, and supplemented by posts purchasing (Shenzhen Civil Affairs Bureau, 2015). The main reason for this, according to the explanation provided by government officials, is to cope with the bureaucratisation of social work and to maintain stable social work manpower (Southern Metropolis Daily 4 November 2014). Meanwhile, social organisations will no longer function as a labour dispatch agency: they will have more autonomy and flexibility to develop their own service programs, agency images and brandings (Southern Daily 28 January 2013). It is widely believed that, after a decade of expansion, social work and social service should now begin to pursue quality enhancement rather than quantity growth.
DISCUSSION AND CONCLUSION

The adoption of purchase-of-services in China signals an ongoing paradigm shift in social development model, and a movement towards developmental welfare state, which would promote social equity and economic growth at the same time (Gilbert, 2005; Gu, 2010; Leung and Xu, 2015; Ngok, 2009). The article analyses the match of national policy intentions and two typical designs of purchase-of-services at the municipal level in China. Guangzhou and Shenzhen adopt a similar tool of purchase-of-services but in different settings to serve the same intents of government transformation and harmonious society building. The differences in policy capacity, such as individual knowledge about social work, availability of social organisations, and political trust in non-state actors, shape the different settings. Meanwhile, while the similar treasure-based purchase-of-services tool helps to generate significant growth in the numbers of social workers, social organisations and social services, both cities encounter several problems in policy implementation, including bureaucratisation of social work, high turnover rates in the social work profession, and non-accountable evaluation in contract awards and performance review. The bottleneck in Shenzhen’s post-based model is more serious than Guangzhou’s project-based model, as Shenzhen lacks Guangzhou’s knowledge and organisational resources and has created a hybrid mode of market and hierarchy.

This case study analyses local experiment-based social policy design and policy learning that have occurred without conscious coordination by the central government. It goes beyond a discussion of markets and collaborative governance (Howlett, 2014), and contributes to the discussion of design thinking in China’s policymaking and local development models (Heilmann, 2008; Mei and Liu, 2014; Shen and Tsai, 2016; Wang, 2009) and intention-capacity analytic framework in “new policy design” studies (Howlett, 2014; Howlett M, Ramesh M. 2014;
Howlett, Mukherjee and Woo, 2015), and suggests implications for a broader discussion of the relationship between social organisations and the emerging welfare state, and to the larger debate on governance transformation in China from good management to welfare democracy.

Unlike urban housing reform, the policy sector of social services is highly decentralised (Mei and Liu, 2014; Shue and Wong, 2007). The central government intends to take advantage of fiscal capacity to promote social organisations as well as the social work profession and social services. Grand national-level policy intentions have laid the groundwork for policy learning and experiments at the local level.

Without conscious coordination by the central government, local governments have the latitude to implement their own policy designs. Guangzhou and Shenzhen draw lessons from Hong Kong’s welfare subvention system, and carry out project-based and post-based purchases respectively. Besides of fiscal resources, analytical, managerial and political capacity at individual, organisational and systemic levels have impacts on the design thinking and mix of instruments and settings (Howlett and Ramesh, 2015; Mukherjee and Howlett, 2016).

On the policy learning stage, both municipal governments conceptualise Hong Kong’s “publicly subsidised services” as “government purchase of social services”. In fact, their purchase-of-services models have a higher level of marketisation and competition than that of Hong Kong’s recurrent subvention system. The Chinese government has not specifically differentiated “purchase-of-services” from “subsidised services” in the policy learning process (Jia and Su, 2009). The Hong Kong government actually subsidies much more welfare services than it purchases (Wen and Chong, 2014). For example, in 2015-16, Hong Kong’s recurrent subvention amount totalled HK$13,044.6 million. In addition to these subventions, the government earmarks HK$1,906.5 million to purchase welfare services, mainly community care
and residential care for the elderly, from private and NGO sectors (Social Welfare Department, 2016). Therefore, the policy learning activity was partially informed: public officials do not have adequate knowledge of policy substance, and are also reluctant to take on greater financing responsibilities. Variation in social policy design conditioned by capacity and intentions is not a unique case in China’s local governance. Similar impacts of capacity and motivation on economic adaption have also been observed in recent comparative development study (Shen and Tsai, 2016).

Shenzhen municipal government’s apparent shift away from the post-based model to the project-based model at the end of 2015 suggests the acknowledgement of poor design of the mix of market and hierarchical governance: setting up social work posts within public entities successfully promotes the social work occupation in the short term, but is not capable of cultivating the social work professional. This policy adjustment suggests that the local government, with its soaring fiscal capacity but a weak organisational foundation, is too absorbed in increasing the numbers of social organisations and social workers to notice the side effects of contracting out. However, policy change to the project-based model may not be a comprehensive solution for the problems such as bureaucratisation of social work and collusive behaviour, as similar problems are observed in Guangzhou as well.

Despite the concerns with quality, Guangzhou and Shenzhen experiments are considered to be a successful advancement of harmonious society building in terms of increasing numbers of social organisations and social workers. The achievements of these two metropolises in Guangdong province have been praised by the Minister of Civil Affairs as Guangdong Experience (China Philanthropy Times, 2 April 2013, cited from Leung and Xu, 2015). Even before purchase-of-services was formalised as a national welfare approach in 2013, the project-
and post-based models had begun to be more broadly learned and adopted by various municipal governments. The take-up of Guangdong’s project- and post-based models highlights the importance of temporal designs of policy experiments, especially in a social policy sector without central coordination (Mei and Liu, 2014; Howlett, Mukherjee and Woo, 2015).

On the other hand, several adjustments in Guangzhou and Shenzhen imply crucial progress of capacity enhancement. For example, enhanced transparency in the selection process in Guangzhou and social work manpower strategic planning suggest managerial competences improvement in the governance system. Meanwhile, standardised bidding and performance assessment systems also show the municipal government’s organisational political capacity to coordinate inter-organisational interests.

Though the state has reinforced the service provision functions, it still perceives a liberal undertone of social organisation and the social work profession as a potential threat to the party-state (Gao and Yan, 2015; Leung et al., 2012). Contracting out, or “purchase-of-services”, is more like a social engineering project in China. Through it, the state is developing “a new governmentality for penetrating into societal life and absorbing the society” (Xiang, 2010: 118), rather than developing political capacity for negotiating with social advocacy organisations and building liberal social work practices. The latest evidence is the General Office of the Central Committee of the Communist Party of China’s (2015) publication of “Opinions on Enhancing Party-building within Social Organisations”. In this case, current designs of contracting out is still embedded into the traditional socialist totalitarianism (Chan, 2005; Guo, 2000; Tsou, 1994). The dual policy intentions of contracting out—government transformation and harmonious society building—have only been partially completed.
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