

# China's New Social Governance

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A dissertation

Submitted in partial fulfilment of the  
Requirements for the degree of

Doctor of Philosophy

University of Washington

2014

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**Abstract**

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This dissertation explores the sources and mechanisms of social policy change in China during the reform era. In it, I first argue that, starting in the late 1990s, China's leadership began shifting social policy away from the neoliberal approach that characterized the first two decades of the reform era towards a New Governance approach. Second, I ask the question why this policy transformation is taking place. I employ a political economy argument to answer this question, which locates the source of China's New Governance transition in diversifying societal demand for public goods provision. China's leadership is concerned about the destabilizing impacts of this social transformation, and has embraced the decentralized tools of New Governance in order to improve responsiveness and shore up its own legitimacy. Third, I address how China's leadership is undertaking this policy shift. I argue that China's version of New Governance is being undertaken in such a way as to protect the Chinese Communist Party's monopoly over power. This double-edged strategy is aimed at improving the capacity consists of Social Construction, on the one hand, and Social Management Innovation, on the other. Social Construction aims to increase and diversify the supply of public goods provision by building the

capacity of local governments and non-state organizations to address their own social problems. Social Management Innovation consists of parallel policies and institutions the party-state is creating to ensure its monopoly over social power in the face of Social Construction. The dissertation includes case studies of Beijing, Shanghai, and Guangdong.

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*for Paul*

*slayer of minotaurs*

## Preface

When I first started research for this dissertation, my intended project was much different than the one you will read in the following pages. In 2011 I traveled to China to research the role that Chinese Social Organizations were playing in environmental policy implementation. When I arrived, however, I found that the relationship between state and society was undergoing a significant transformation. The regulatory framework for Chinese Social Organizations was in flux, and, indeed, the boundaries between traditional state functions and those of Chinese civil society seemed to be blurring. In other words, the rules of the game were changing, and there seemed to be more players on the board.

In my effort to understand what was happening, I stumbled across a new concept that Chinese policy makers and academics were heatedly discussing. In 2011, then President Hu Jintao had presented a major speech imploring the party, state, and people of China to pursue something called “Social Management Innovation.” As I began looking into this concept, I found it to be a murky one. With it, President Hu seemed to be simultaneously promoting the empowerment of Chinese society and also advocating that new control mechanisms be employed by the party-state. Meanwhile, I stumbled across the work of Karla Simon, Jessica Teets, and Jing Yijia, whose excellent studies of the growing practice of State- Social Organization *goumai fuwu* (purchase of service contracting) revealed an important part of the story, as well as Fu Tao and Shawn Shieh’s excellent journalistic work at the *China Development Brief*, which was chronicling a whole range of exciting civil society developments popping up around China. Finally, my work with Global Women-Partners in Philanthropy brought me into contact with an amazing network of Chinese social entrepreneurs and leaders who are hard at work building a support infrastructure to help build the capacity of China’s third sector. The activities being

undertaken by these groups diverged from my understanding of how civil society works in China (that is, it suggested greater freedom and agency to organize than I had previously thought existed).

I thus set out to discover what was really happening in China. In the spring of 2012, I interviewed party and state officials, academics, thought leaders, and leaders of Social Organizations in Beijing, Shanghai, Shenzhen, and Guangzhou. While all agreed that major policy changes were afoot, and while most were able to talk about how these changes were affecting their work, few had knowledge about the broader context of these changes. Indeed, more than one interviewee drew a parallel between themselves and the parable of the blind men touching the elephant. Many of my interviewees also asked for a copy of this dissertation and what it might tell them about the larger picture of social policy transformation in China. It is my sincere wish that these findings will help bring China's New Social Governance into focus.

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I would like to express my gratitude to those who have supported me throughout this challenging project. Many thanks to my committee members David Bachman, Tony Gill, Karen Litfin, and Mary Kay Gugerty, as well as Susan Whiting for their guidance and support. My Committee Chair David Bachman spent a great deal of time and effort helping me to sift through the many iterations and drafts of what I called "the compost pile." Thank goodness for your patience. I am also grateful to Professor Yuan Ruijun and the faculty and graduate students at Peking University's Center for Civil Society Research, without whose sponsorship and introductions the case studies would not have been possible.

This dissertation would also not have been possible if not for the Blakemore Foundation and US Department of Education's FLAS program, whose language fellowships supported my

study of Mandarin. Also, if not for the excellent language training I received at IUP Beijing, ICLP Taiwan, and the Chinese Languages & Literature department at the University of Washington, I could not have conducted this research.

I am also extremely grateful to the UW's Chester Fritz Fellowship, Keats & Gail Garman, Catherine & Mike Doherty, and Debby & Michael Garman for providing crucial funding that enabled me to conduct my fieldwork in China during the Spring of 2012.

In addition, I would like to thank several individuals for their support during this challenging process. First of all, my profound gratitude goes to my parents Catherine, Keats, Gail, and Mike—and to my beloved M. Zissou. I could not have done this without you! My thanks also go out to Emily Krieger, Corin Mochnick, Ines Eben v. Racknitz and to the team at Global Women-Partners in Philanthropy (Colleen Willoughby, Susan Heikkala, Robin Groth, Sonja Ling, Yuting Li, and Emily Weaver) for their support. Many thanks to Kam Wing Chan (the best GSR ever), Stephan Harrell, Zhang Changdong, Bao Ning, Lin Ying, Kitty Poundstone & Bing Han, Molly Coddle, and my many fabulous colleagues in the Department of Political Science. I would also like to thank the fabulously supportive staff at the University of Washington's Department of Political Science for your professionalism and support. In addition, I would like to thank Karla Simon and the International Center for Civil Society Law as well as Shawn Shieh, Fu Tao, and the team at China Development Brief for the excellent, up-to-date research and news updates you provide. These are invaluable resources for the scholarly, legal, and policy communities alike.

Finally, I am deeply grateful to my husband Paul for your patience, support, and guidance during my graduate school journey. It has been a long and wild ride with many trials, sacrifices and side roads, but you have been right by my side through it all.

## Introduction

### Transformation of China's Social Policy

*“As long as the whole Party and all the people make concerted efforts, we can foster a dynamic environment in which everyone contributes to social harmony and benefits from a harmonious society.”<sup>1</sup>*

*“The party is the guide, the government is responsible, social forces are the instrument, and the public participates.”<sup>2</sup>*

*China's experiment-based policy-making requires the authority of a central leadership that encourages and protects broad-based local initiative and filters out generalizable lessons but at the same time contains the centrifugal forces that necessarily come up with this type of policy process.<sup>3</sup>*

This dissertation argues that China is in the process of shifting its social policy framework towards a New Governance approach. The New Governance (NG) approach to social policy is characterized by the devolution of sites and responsibilities of social goods provision as far down the administrative hierarchy as is feasible and, where possible, into the hands of non-state actors.<sup>4</sup> However, the regulatory and social contexts in which China's new social governance is unfolding look qualitatively different than their counterparts in liberal democracies, which, in turn, transforms the way NG looks in China. Hand in hand with decentralizing and privatizing public goods provision, the party-state is actively innovating state corporatist control institutions to maintain the party's monopoly over social power. And so, China's version of New Governance might more accurately be titled “New Governance with Chinese Characteristics,” or, perhaps, “New Governance in the Authoritarian Context.”

Two core questions guide this project. First, *why* are China's leaders undertaking this shift towards New Governance and the larger degree of social empowerment it requires when, in the past, the CCP has been so cautious to undertake decentralizing social reforms? The answer to

this question, I argue, is simply that the CCP sees a greater threat ahead if it does not undertake these reforms.<sup>5</sup> In spite of the potential risks involved with China's adoption of the NG approach to social policy, its adoption is a calculated effort by China's leadership to shore up social stability (and improve its own legitimacy) by improving responsiveness to the diversifying social policy needs of its citizens. Thus, I argue, the diversification of Chinese society and demands for public goods, coupled by the party-state's recognition and reaction to this social transformation, are the key drivers behind China's decision to adopt a NG approach.

The second core question posed by this dissertation focuses on the mechanisms of the policy shift: that is, *how* China's leadership is effecting social policy change. Former President Hu Jintao provided a simple answer to this question at the Fifth Plenary Session of the 17th Central Committee in 2010: "the party is the guide, the government is responsible, social forces are the instrument, and the public participates." In reality, of course, the answer is much more complicated. The shift towards New Governance is piecemeal, decentralized and experimental, involving all levels of the party-state as well as non-state actors. I argue that it follows the "policy-making through decentralized experimentation" practice described by a growing number of China scholars.<sup>6</sup> Furthermore, I divide China's strategy into two parallel spheres of activity. On the one hand, the party-state is undertaking *Social Construction*<sup>7</sup> to increase and diversify the supply of public goods provision by building the capacity of local governments and non-state organizations to address their own social problems. On the other, the party-state is utilizing *Social Management Innovation* to create parallel policies and institutions the party-state is creating to ensure its monopoly over social power in the face of Social Construction.

### ***Defining the Dependent Variable: Social Policy Change***

The dependent variable explored in this dissertation is social policy change. I generally define **social policy** as *a given state's guidelines, principles and legislation aimed at improving human wellbeing through shaping the distribution of and access to public goods and resources in the areas of health care, human services, inequality, housing, education, and labor*. Within the Chinese context, policy makers divide social policy into different categories. In China, “social welfare” (*shehui fuli*) is often called “social security” (*shehui baozhang*), and social security divided into three separate categories: social insurance, social services, and social relief.<sup>8</sup>

According to Elizabeth Croll,

Social insurance (*shehui baoxian*) includes protection arrangements for retirement pensions and medical treatment; unemployment, maternity, sickness and work-related injury or disability benefits; and subsidies for widows and orphans. Social services (*shehui fuwu*) refers to specialized support for the elderly, disabled and abandoned as well as public services such as education, health and housing. Social relief (*shehuijiuji*) involves assistance in cash and kind to the old and disabled without income or other forms of familial support<sup>9</sup>

In recent years the state has also expanded the category of social relief to include public aid in crisis situations such as floods, earthquakes, and other environmental disasters.<sup>10</sup>

All states must make decisions about how wealth and resources should be distributed within their boundaries and how involved the state should be in allocating those resources. Approaches to social policy range between relying on free market mechanisms on one end of the spectrum (the liberal economic approach) to centralized allocation of resources (the socialist welfare state or command economy) on the other. Advocates of the market approach argue states should play a very limited role (if any) in providing welfare services to their people. Instead, they posit, a free market will grow the economy and the guiding hand of the market will naturally lead to optimal provision of social welfare needs. The welfare state, they argue, leads to cumbersome

bureaucracies that stifle competition and innovation among would-be service providers, thus leading to inefficient and irrelevant services. Meanwhile, those in favour of strong state intervention argue the free market by its very nature creates winners and losers, and that it is the role, the responsibility, and indeed the long-term interest of the state to intervene in the redistribution of public goods in the direction of social equity. If the state fails to do so, they point out, the long-term effect has historically been social instability, loss of legitimacy for the regime and, potentially, regime failure.

Related to the free market vs. welfare state debate about social policy is the debate about “*small vs. big government.*” This debate is a hot topic around the globe as states struggle to find new economic and social policies in the aftermath of the 2008 global financial crisis. Proponents of the market approach to social policy argue that “small government” is better, because small government means less of a top-heavy bureaucracy and less intervention in the economy. A small government also requires fewer taxes to support its structure, which means more money in the hands of businesses and individuals, which stimulates them to spend, create, and allocate resources as market demands change. On the other hand, proponents of the welfare state argue that big government is not only desirable but also necessary for ensuring public goods such as regulation, redistribution, and public service provision.

Between advocates of the free market and the welfare state schools of social policy lie the so-called “third way” approaches, which include New Public Management (NPM) and New Governance (NG). The NPM approach favours a continued role for the state in the provision of public goods, but argues that state agencies can learn a great deal from the market about how to promote efficiency and consumer (citizen) satisfaction. NPM advocates such practices as decentralization, splitting large bureaucracies into smaller ones, stimulating competition between

public agencies and between public agencies and private firms,<sup>11</sup> contracting out service provision, and providing consumer-oriented services.<sup>12</sup> Meanwhile, the New Governance (NG) approach takes a further step in the direction of promoting decentralization of governance. Where NPM advocates competition within and among state bureaucracies in the service of citizens, the NG approach promotes a suite of both state and non-state modes of public service provision. A pioneering academic work on the NG paradigm was written by Salamon and Elliot in 2002, under the title *Tools of Governance*.<sup>13</sup> The authors posited that, since the 1960s or so, a global trend<sup>14</sup> has been unfolding in which states are increasingly relying on elaborate systems of indirect governance or third party governance: “governments from the United States and Canada to Malaysia and New Zealand are being challenged to be reinvented, downsized, privatized, devolved, decentralized, deregulated, de-layered, subjected to performance tests, and contracted out.”<sup>15</sup> According to the NG lens, at that time states began developing tools of both *direct* and *indirect* governance.<sup>16</sup> These tools include social, legal, and economic regulation, tax expenditures, vouchers, purchase of services, contracting, loans, grants, vouchers and many more. Table 1.1 provides a summary of Salamon and Elliot’s’ depiction of the NG paradigm.

**TABLE 1.1 The New Governance Paradigm**

<i>Classical Public Administration</i>	<i>New Governance</i>
Program/ Agency/ Bureaucracy→	Tool
Hierarchy→	Network
Command and Control→	Negotiation/ Persuasion
Management Skills→	Enablement Skills

*Source:* Lester M. Salamon and Odus V. Elliott, *The tools of government: a guide to the new governance*, (Oxford: Oxford University Press, 2002): 9, Table 1-4.

In an effort to improve responsiveness and efficacy of public service provision, states have been moving away from relying exclusively on internal institutions (programs, agencies, and bureaucracies) for direct service provision. Instead, state institutions increasingly act as supervisors, coordinators, and contracting agencies for individuals and organizations that specialize in specific skills and service provision. Thus the focus becomes maximizing the tools of service provision, rather than the internal dynamics of the agency responsible for managing it. Once the tool of service provision is removed from the purview of state bureaucracies and contracted out to a range of service providers, the structure of management also changes from a direct hierarchy to more of a pyramid or network of service provision. According to Salamon and Elliot, the move from hierarchy to network also creates a shift from command and control modes of management to a situation in which partner organizations have more power of negotiation with government contractors (and, depending on the supply of service providers, government contractors also have power to negotiate with and choose their partners.) Finally, according to Salamon and Odus, under the NG approach government agencies have incentives to ‘enable’ their partners to offer better, more efficient, effective, and robust services.

Part I of this dissertation shows that, while China implemented a quasi- liberal market approach to social policy for the first two decades of the reform era, it has shifted towards the New Governance approach since the late 1990s. In summary, during the reform era (1978-present) era China’s leadership began a process of economic liberalization that broke the so-called ‘iron rice bowl’ of cradle-to-grave support for state workers, and many found themselves unemployed and wholly without a social safety net, while rural residents and not-state workers continued to lack state support. By breaking the iron rice bowl and creating market competition

for businesses and workers, China's reformers hoped to stimulate the economy and shift employment and service provision to the market sector.<sup>17</sup> This "retreat of the state" yielded remarkable economic growth, but it failed to fill the void for many aspects of public goods provision, as predicted by pro-welfare state arguments.<sup>18</sup>

As a result, the party-state began looking for new policy solutions to fill these voids. Starting in the late 1990s, China's leadership began experimenting with components of the New Governance approach to social policy (although it has not been identified as such until recently). As I will show, these experiments have been supported by transformations of China's governance institutions. First, a series of campaigns to decentralize and downsize state bureaucratic institutions have taken place under the umbrella of administrative reforms (the latter of which has been largely unsuccessful). Second, the party-state has re-configured several key bureaucracies into smaller and more specialized units and subjected non-core bureaucracies to competition with other public agencies and non-state or semi-non-state organizations in the second and third sectors.<sup>19</sup> Third, China is experimenting with the contracting out of social service provision to semi-and non-state actors and emphasizing consumer-oriented services.<sup>20</sup> Fourth, China's leadership is shifting to a hybrid hierarchical/ network based approaches to social problems. I argue that all of this suggests a shift in the direction of the New Governance social policy framework.<sup>21</sup>

### ***Theorising Policy Change***

Theories explaining the cause of policy change can be divided into four general camps: top-down approaches; bottom-up approaches; structural approaches; and dynamic approaches. Examples of top-down approaches include elite politics and statism. The *elite politics approach* locates the source of policy change in the preferences and actions of a given state's top

leadership (often in the hands of the “great men”), who stand at the pinnacle of the state.<sup>22</sup> The power of autocratic leaders to change the course of policy is seen to be strongest in authoritarian states like China, which by definition have a monopoly over power and enhanced means to assert the leadership’s preferences over society. Similarly, *statist approaches* are often utilized in studies of authoritarian states such as China, because these states are seen to have a monopoly over social and political power as well as enhanced means to assert the state leadership’s preferences over society.<sup>23</sup>

Bottom-up approaches to explaining social change are particularly prevalent in studies of democratic regimes, but of late they have also been applied with more frequency to the authoritarian context (especially since the collapse of the USSR and the rise of neo-authoritarian states). Bottom-up approaches look for the source of change in the demands and activities of non-state actors including business elites, social organizations (the so-called third sector), social entrepreneurs, social movements, advocacy groups, etc. who pressure states to make change happen.<sup>24</sup> While the power of societal actors to influence policy in China is severely constrained, these authors see some inklings of social power in the policy process.

A third body of literature attempts to explain the source of policy change as a consequence of exogenous or structural forces outside the control of states or civil society actors. Marxist theoreticians, for instance, claim that political change is an outcome of broad structural transformations of economic superstructures that cause shifts in class structures and interests, thereby necessitating political change.<sup>25</sup> As we will see in this dissertation, this interpretation is very much alive and well among China’s leaders today. Yet another example of structurally based arguments is the literature on exogenous shocks such as *crisis situations*. These include earthquakes, floods, mega storms, environmental pollution, famines, epidemics, war, and

terrorism. Such events often reveal weaknesses in old policies and strain a given state and society's resources and capacity to respond. When states are unable to respond to the fallout of such crises, the legitimacy of the state (and thus the long-term survival) can come into question, thus forcing state actors to initiate new policies to respond.<sup>26</sup>

This dissertation utilizes a dynamic approach to explaining social change, which looks at the interaction between the top-down, bottom-up, and structural camps described above. I argue that policy change in China is best explained by the dynamic approach known as Rational Choice Institutionalism (RCI).<sup>27</sup> RCI offers a complex, multi-level, and interactive approach to explaining policy change.<sup>28</sup> As a deductive approach, RCI begins by identifying generalizable preferences or interests among key players occupying different spaces in the story, and then uses these assumptions to hypothesize how they will act in a given environment. RCI theorists proceed from the assumption that individuals, whether party-state elites, local bureaucrats, third-sector leaders, or individual citizens, are rational actors who seek to maximize the things they want (also called goods or utilities) while minimizing the costs of doing so.<sup>29</sup> Contemporary RCI theorists also recognize that actors do not operate in conditions of unlimited information, resources and freedom, but rather in conditions of scarcity or constraint.<sup>30</sup> Thus, the theory allows that structural, social, informational or environmental conditions may force these actors to alter decisions and actions strategically as they navigate their way to attaining the thing they want. This approach can help us to make educated guesses about how the interaction between actors and between these actors and their environment lead to policy change outcomes.

### ***The Social Policy Marketplace***

In this dissertation, I call the field of interaction in question the ***Social Policy Marketplace***.<sup>31</sup> I describe the social policy marketplace as the *arena of interaction between state,*

*individuals, and social organizations in the pursuit of social goods provision.* It is here that party-state institutions and actors, social organizations, social entrepreneurs, and citizens compete for limited resources and seek new niches as societal demands and preferences change. The Social Policy Marketplace is, itself, located in the larger arena of the Chinese political and economic institutions, which also impact the opportunities and constraints facing actors. As I will show, reforms to China's economic and administrative systems along with the diversification of Chinese society and the resulting pluralisation of demands for social policy provision, have transformed the balance of supply and demand in the Social Policy Marketplace. These structural changes have, in turn, driven China's leadership to initiate the social policy shift described in this dissertation.<sup>32</sup>

The players I analyzed in this dissertation are as follows: 1) Chinese citizens, 2) the party-state, and 3) the non-state sector (aka the "second sector" of business and the "third sector" of Social Organizations<sup>33</sup>). Below I outline the roles and interests of these key actors, starting with the aggregate of individual citizens.

### ***The Role of Citizens: the "Demand" Side of the Social Policy Marketplace***

The RCI approach views the rational, cost-benefit calculating individual as its fundamental unit of analysis, and builds upon this individual behaviour to theorize about groups, organizations, states, and so forth.<sup>34</sup> According to this approach, the key to understanding behaviour is, first, to identify the individual in question and then to identify (induce) his preferences or interests, and what kinds of constraints she faces. A key assumption of RCI is that individuals seek to maximize their access to public goods while minimizing the costs of attaining public goods. In the context of this dissertation, I look at the large trends among Chinese citizens and their social policy preferences. The assumption is that Chinese citizens seek to maximize

their access to public goods such as education, healthcare, social security, social welfare, etc. while minimizing personal cost.

Chapter three thus looks at this “demand-side” of the Chinese Social Policy Marketplace. In it, I argue that the demand for social policy goods among Chinese citizens has exhibited clear diversification during the reform era.<sup>35</sup> Furthermore, the chapter finds that Chinese citizens have become more assertive in making their demands known, which has put some pressure on the party-state to cater to these diversifying demands.

### ***The Party-State: China’s Leaders***

States play a key role in determining what form markets (including the Social Policy Marketplace) take. The state may choose to stand aside from market activities altogether, allowing a laissez-faire market mechanism to unfold; it may choose to stand above the market, acting as regulator; it may actively penetrate and guide market actors and forces by setting up its own monopoly by favouring some firms over others or by overseeing wealth redistribution to counter-balance uneven economic development; and so on and so forth. *The state thus plays a key role in determining the supply-side of the market equation: it plays the role of market regulator.*

States do so by employing tools of economic<sup>36</sup> and political regulation. They use combinations of fiscal and legal means to control the prices, output and distribution of social goods. In other words, states determine the rules of the game: they determine what kind (state or non-state) and how many players (service providers) can be involved, how big the board (the marketplace) is, what activities the players can engage in, and what resources are available to players.

But how does the state decide what kind of supply should be available and what form the marketplace should take? And, what, after all, is “the state” that is attributed as making decisions? Rather than viewing the behavior of states (and policy change) through the lens of the top leader’s preferences or treating “the state” as a unified and highly-coordinated entity, scholars such as Tilly, Skocpol, and Migdal have argued that the state should be treated as (in Skocpol’s words) “an arena in which conflict over basic social and economic interests are fought out.”<sup>37</sup> In other words, policy change results from clashes between elite factions, interest groups, and regional identities both within and outside the state.<sup>38</sup> Several streams of literature flow from this observation, which *disaggregate the state* into actors, institutions, and factions while still treating the state as an object worth studying. State disaggregating approaches explain policymaking processes according to interactions within and between political parties and factions;<sup>39</sup> studies of interest groups within the state apparatus;<sup>40</sup> studies of bureaucratic and institutional dynamics within the state;<sup>41</sup> and studies of regional and local interaction within federalist and other varieties of administratively layered states.<sup>42</sup> In other words, these state disaggregating literatures suggest that, while the state does wield a great deal of power, it is arguably never a monolithic entity. One must delve below the surface of the state, into the interactions of often conflicting institutions and agents in order to discover how a given policy framework comes to be.

This dissertation proceeds from the assumption that “the state” is composed of individual bureaucrats and party members who 1) prioritize their personal political survival and 2) seek to minimize the costs of ruling. Furthermore, China’s ruling apparatus, like that of any state, is comprised of complicated and nested administrative structures in which institutional frameworks and the actions of politicians also impact the policy-making and policy-implementation process.

Add to this a parallel and enmeshed party apparatus, and the web of power relationships becomes that much more complicated. Individual politicians operate at different administrative levels ranging between the state and party bureaucratic systems, and therefore face different incentive structures. As a result, they hold differing interpretations of what it takes for “political survival” and what constitute “costs of ruling.” Incentive structures differ whether a politician is located in the central government, or so-called local governments comprised of province, city, district, or community level. The Chinese party-state is therefore not immune to the so-called principal-agent problem, as the survival and cost-saving interests of lower level officials may be at odds with demands made by the center.<sup>43</sup> Any given policy process is tempered by changes in opportunities and constraints identified by politicians as they strategically navigate their way to actualize core interests. Changes in opportunities and constraints may be real (structural) or perceived (cognitive or ideational),<sup>44</sup> but regardless of where the changes come from, what is important is how individual politicians react to these opportunities and constraints.

As will become quite apparent in part II of this dissertation, China’s top leaders are well aware of the role these dynamics play in policy formation and implementation, and they are trying to use incentive structures to harness and guide the self-interested energies of politicians down the line of the party-state hierarchy (as well as those of citizens and non-state actors).<sup>45</sup>

### ***Between Individual Citizens and the State: Non-state Organizations***

Between the individual and state levels of analysis we find intermediate levels of social organization: the *second sector* (business) and the *third sector* (also frequently called civil society).<sup>46</sup> In the second sector, for-profit ***business firms*** operate as the primary form of social organization, while in the third sector the main unit tends to be non-government, non-profit ***Social Organizations (SOs)***.<sup>47</sup> Both businesses and SOs have been active in China’s Social

Policy Marketplace during the reform era. In general, the second and third sector organizations are distinguished by their legal status, ability to make profit and prioritization of goals. Business firms seek profit as their primary goal, while Social Organizations tend to prioritize their missions and public good provision as their primary goals. Both sectors also share many interests in common. These shared interests include survival, maximally effective achievement of goals, and minimization of costs. However, for-profits tend to work on issue areas where they are allowed or able to make profit (such as private healthcare and education) while Social Organizations tend to be mission-driven and often operate on a not-for-profit basis. SOs may therefore take on areas of service provision that are otherwise ignored by for-profit firms.

*This dissertation will discuss both business firms and Social Organizations, but it will spend more time discussing the increasingly important role that Social Organizations are playing in the emerging social policy framework.*<sup>48</sup> In their role as mission-driven, non-state organizations, we can posit the following interests to Social Organizations: 1) SOs are concerned both with the survival and the mission of their organization; 2) SOs need resources (financial and human capital) in order to survive; and 3) SOs seek to maximize the efficacy of their mission while minimizing costs.

In their position at the interstice between individual and the state, SOs are constantly navigating between changing trends in societal demand/ preferences and changing regulatory structures imposed by the state.

### ***Putting it all together: Overview of the Dissertation***

After providing a more detailed discussion of the Chinese party-state structure and case study selection in Chapter Two, I divide the dissertation into two parts.

**Part I** provides background analysis of the *national level* Social Policy Marketplace<sup>49</sup> and seeks to answer *why* policy shift has taken place. In order to answer this question, I utilize the rational choice institutionalism approach to analyse the interaction between supply and demand in the Social Policy Marketplace between 1978 and 2012 (and beyond, when possible). The main argument here is as follows: during the first two decades of reform, the overall supply of social welfare goods contracted due to a social policy framework that encouraged welfare retrenchment on one hand, and due to several institutional problems on the other (Chapter Three). During the same period, however, economic liberalization and demographic transition led to the diversification of social demand for public goods provision among China's citizens. This changing demand, paired with insufficient supply, led to increased social instability. As a result, the Chinese party-state has initiated reforms to the social policy framework aimed at improving responsiveness to social needs and ultimately shoring up its own legitimacy (Chapter Four). Starting in the late 1990s, China's leaders undertook new attempts to rebuild the nation's welfare systems, but continued to encounter trenchant institutional problems with the state-dominated Social Policy Marketplace (Chapter Five). This is what has led China down the path to New Governance in the social policy sector. Rather than trying to provide the range of welfare services directly (an activity that China's leadership has deemed inefficient and ineffective), the Chinese party-state is transitioning to decentralized and indirect methods of service provision. This includes a greater reliance on practices of contracting and outsourcing services such as social welfare provision, education, and healthcare services to non-state partners in the second (business) and third (social organization) sectors. I argue this new approach is tantamount to a New Governance model of social policy.

**Part II** focuses on *how* China's leadership is carrying out this transformation of social policy into the current New Governance framework. Here I focus on the way in which *multiple levels of the party-state* are experimenting with institutional reforms to simultaneously encourage the robustness of the Social Policy Marketplace while also maintaining control. Following the “policy-making through decentralized experimentation” practice discussed in recent literature, China's transition to New Governance is being born out of semi-controlled regional experimentation.<sup>50</sup>

In part II, I employ a case study approach to analyzing this process of policy change by looking at the experimental regions in which new governance approaches are being tested. I have chosen Beijing, Shanghai, and Guangdong as the provincial level case studies (case study selection discussed in chapter 2) and further dive below the provincial level in the case of Beijing to look at the interactive process of experimentation and policy change between municipal and sub-municipal levels of governance. Here I look at Xicheng District's experimental Yuetan street and Haidian District's experimental Zhongguan Cun street.

Part II further argues the following: as I show in Chapter Seven, owing to the party-state's prohibitive regulation of the third sector during the reform era, the capacity of China's third sector has remain stunted and therefore the supply-side of the social service marketplace has yielded slim pickings for viable partners. This has led China's leadership to undertake ***Social Construction*** (*shehui jianshe* 社会建设). Simply put, Social Construction refers to building the capacity and cooperation of local governments and social forces to provide social goods at the local level. The rationale for Social Construction is this: if the New Governance approach is to work, China needs a stronger pool of social organizations and volunteers to act as partners in service provision. In other words, China's leadership is attempting to improve the capacity of the

third sector by reforming regulatory and legal structures, promoting volunteerism, and encouraging the formation of a support and training network for social organizations.

Determined not to lose its monopoly over power, the party state has, at every step, complemented social construction with reforms in its control mechanisms, known as its social management system. This is the control side of China's New Governance approach, and it involves experiments with new modes of decentralized and corporatist controls aimed at maintaining the CCP's monopoly of power vis-à-vis China's newly empowered social forces. Historically, the social management system is comprised of the regulatory environment aimed at preventing social organizations from becoming too powerful and the public security system aimed at rooting out criminal and other forms of destabilizing activity on the one side, and at building up corporately controlled "self-management" activities at the community and grassroots level on the other hand. In the shift towards the New Governance mode of social policy, China's leadership is looking to reform this control system in such a way as to liberalize and revitalize the Social Policy Marketplace while maximizing its monopoly over power. Experiments with this new management approach are known as *Social Management Innovation* (*shehui guanli chuangxin* 社会管理创新).<sup>51</sup>

Both Social Construction and Social Management Innovation are core mechanisms of China's shift towards the New Governance in Social Policy, and both are being implemented at multiple levels of government—although most of the experimentation is occurring below the Provincial administrative level. Part II, then, examines the process by which Social Construction (Chapter Eight) and Social Management Innovation (Chapter Nine) are taking place from the center down to district and community administrative levels as the party-state aims to buffer its

legitimacy vis-à-vis society. Finally, I make some concluding remarks and suggestions for future research in the Conclusion.

### **Methodology and Data**

In this dissertation, I employ the *Analytic Narratives* methodology, a form of qualitative analysis that “(weds) historical description with a deductive theoretical framework that guides the historical tales told.”<sup>52</sup> Margaret Levi writes:

This means, first, extracting from the narratives the key actors, their goals, and their preferences and the effective rules that influence actors’ behaviors. Second, it means elaborating the strategic interactions that produce an equilibrium that constrains some actions and facilitates others. The emphasis is on identifying the reasons for the shift from an institutional equilibrium at one point in time to a different institutional equilibrium at a different point in time. . . . Narrative is the story being told but as a detailed and textured account of context and process, with concern for both sequence and temporality.<sup>53</sup>

The framework I use derives from the assumptions about actor preferences and behavior described in the section above. The main hypothesis that guides this narrative (particularly in part II) is that politicians seek to maximize the chances of political survival while minimizing the costs thereof—and so the shift to a new social governance framework is an outcome of attempts on the part of China’s leaders to ensure their long-term political survival. In the following pages, I think the reader will find that this bears out.

The data sources I employ in this study are many. Between January and July of 2012 I conducted more than sixty semi-structured interviews of provincial, city, district, and street level government officials, academics, and third sector leaders in Beijing, Shanghai, Guangzhou, and Shenzhen.<sup>54</sup> In addition, I have relied upon policy documents and white papers made available to the public at the national and sub-national level (many of which are now accessible through relevant ministry and bureau websites), as well as news articles and policy studies conducted by third parties (the United Nations Development Program, World Bank, International Journal of

Civil Society Law, China Development Brief, and academic studies). For statistical data I utilized Statistical Yearbooks published by China's Statistical Bureau.

### **What this Dissertation Does Not Do**

This dissertation does not attempt to measure the efficacy of China's New Governance approach to Social Policy, or the impact Social Construction is having on the capacity of third sector actors to respond to social needs. While this kind of research is certainly needed going forward (and is starting to appear in China, especially with respect to the impact of new registration regulations), at the time I conducted my fieldwork in China it was too early to measure such impacts.

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### **NOTES**

- <sup>1</sup> Xinhuanet.com "Full Text of Hu Jintao's Report at the 18<sup>th</sup> Party Congress," *News.Xinhuanet.com*, November 17, 2012, [http://news.xinhuanet.com/english/special/18cpcnc/2012-11/17/c\\_131981259\\_8.htm](http://news.xinhuanet.com/english/special/18cpcnc/2012-11/17/c_131981259_8.htm)
- <sup>2</sup> People.com. "Hu Jintao, Speech at the Fifth Plenary Session of the 17<sup>th</sup> Central Committee in 2010." *Renmin Wang*, October 19, 2010. For full text, see <http://english.cpc.people.com.cn/66102/7169801.html>
- <sup>3</sup> Sebastien Heilmann, "Policy-making through experimentation: the formation of a distinctive policy process," in Sebastien Heilmann and Elizabeth J. Perry. *Mao's invisible hand: the political foundations of adaptive governance in China*. (Cambridge, Mass: Harvard University Asia Center, 1987). P. 88.
- <sup>4</sup> Savas, E.S. 2000. *Privatization and public-private partnerships*. (New York: Chatham House 2000); Salamon, Lester M., and Odus V. Elliott, *The tools of government: a guide to the new governance*, (Oxford: Oxford University Press, 2002).
- <sup>5</sup> Qiusha Ma also points out the connection between the part-state's quest for legitimacy and its decision to promote the capacity of China's third sector. See Ma, Qiusha, *Non-Governmental Organizations in Contemporary China: Paving the Way to Civil Society?* (New York, Routledge, 2006). Chapter 2.
- <sup>6</sup> See, for instance, Thomas G. Rawski, "Implications of China's Reform Experience". *The China Quarterly* 144 (1995): 1150-1173; Thomas G. Rawski, "Policy Experimentation in China's Economic Rise," *Studies in Comparative International Development* 43, no.1, (2008) 1-28; the

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- “Guerilla Policy Style” more recently discussed Heilmann and Perry, “*Mao’s Invisible Hand.*” China’s transformation to New Governance is being born out of semi-controlled regional experimentation.
- <sup>7</sup> Or what professor Wang Ming of Tsinghua University has recently been calling “co-governance.” Conference Paper delivered at the Indiana University 2014 China Philanthropy Summit.
- <sup>8</sup> See Elizabeth Croll, “Social Welfare Reform: Trends and Tensions” *The China Quarterly* 159 (1999): pp. 684-699; J. Dixon. *The Chinese Welfare System.* (New York: Praeger, 1981) Deborah Davies, “China Social Welfare, Policies and Outcomes,” in *The China Quarterly* 119 (1989) p. 577-97.
- <sup>9</sup> Croll, “Social Welfare Reform.”
- <sup>10</sup> Jonathan Schwartz and Shawn Shieh, *State and Society Responses to Social Welfare Needs in China: Serving the People,* (New York: Routledge, 2009). p. 5
- <sup>11</sup> Patrick Dunleavy and Helen Margetts, "New Public Management is Dead: Long Live Digital Era Governance," *Journal of Public Administration Research and Theory*, (July 2006): 467-494.
- <sup>12</sup> Organisation for Economic Co-operation and Development, Local Economic and Employment Development Program, *Managing Decentralisation: A New Role for Labour Market Policy,* OECD Publishing, 2003, p 135.
- <sup>13</sup> Lester M. Salamon and Odus V. Elliot, *The tools of government: a guide to the new governance,* (Oxford: Oxford University Press, 2002).
- <sup>14</sup> This study was focused on NG among democratic states and said nothing of authoritarian/semi-authoritarian states.
- <sup>15</sup> Salamon and Elliot, *Tools of Government*, 1. At the time this important book of collected articles and case studies was published, it only included studies of the new governance in democratic (and primarily western) regimes. However, these “tools of government” are also being utilized in authoritarian and neo-authoritarian regimes and in non-western countries. For instance, China’s leaders are looking for insights about how to implement new governance tools from their East Asian neighbours such as Japan, S. Korea, Taiwan, Singapore, etc.
- <sup>16</sup> Salamon and Elliot *Tools of Government*, use the term *indirect governance* to refer to reliance on “third parties such as commercial banks, private hospitals, social service agencies, industrial corporations, universities, day care centers, various levels of government, financiers to deliver publicly financed services and pursue publicly authorized purposes.” I add to this list of third party organizations the following: Non-governmental organizations (NGOs), social organizations (SOs), and Governmentally-organized NGOs (GONGOs). See p. 2.
- <sup>17</sup> This might be compared to the liberal market approach utilized by the so-called East Asian Tigers, For comparative discussion of social policy models employed by the East Asian Tigers see Kwong-leung Tang, *Social Welfare Development in East Asia.* (Palgrave: New York, 2000).
- <sup>18</sup> Much has been written on this topic. See, for instance: Gordon White: “Institutional Change and Social Welfare Provision in China’s Transition to the Market” Research Report to ESCOR, R6123, 1998; Sheying Chen, *Social Policy of the Economic State and Community Care in Chinese Culture* (Avebury: London, 1996); Vivienne Shue and Christine Wong, eds., *Paying for Progress in China: Public Finance, Human Welfare, and Changing Patterns of Inequality.*

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(New York: Routledge, 2007); Chak Kwan Chan, King Lun Ngoc, and David Phillips, *Social Policy in China: Development and Well-being*. (Great Britain: Policy Press, 2008)

<sup>19</sup> See Appendix B for discussion and definition of the Third Sector.

<sup>20</sup> All this is not to say that the “tools” of service provision have been entirely removed from China’s state bureaucracy and placed in the hands of non-state actors; rather, partial transitions are taking place in a variety of experiments across China as the state balances reform with control. Nor is it the case that we have seen a shift from “command” structures to a situation in which non-state actors have gained significant powers of “negotiation/ persuasion” as described by Salamon and Odus, *Tools of Government*. However, in places where these experiments are taking place, we do see a transformation of management structures from direct hierarchies to more corporatist “pyramid” management structures. This will be discussed in the body of the dissertation.

<sup>21</sup> Again, with some important differences due to adaptations within an authoritarian system. I should also note that, back in 2001, Lee and Lo edited a book that also identified the beginning shift towards a “New Public Management,” and they locate the origins of this policy shift to the beginning of the reform era. I locate the shift later, beginning in the late 1990s, and include the third sector in my story (the third sector’s involvement in the state’s emerging public policy framework was really just taking off at the time Lee and Lo produced their book.) Finally, I focus more on the sources of policy shift (at least in part I). See Peter Nan-Shong Lee and Carlos Wing-Hung Lo, *Remaking China’s Public Management*. (Connecticut: Quorum Books, 2001).

<sup>22</sup> Seminal works in the field of Chinese political history attribute many of the policy shifts during the Mao years to the ideological swings and preferences of Mao himself as he struggled between the polarizing forces of revolutionary charisma and bureaucratization. Likewise, many scholars agree that the shift from Mao-era totalitarianism to a more decentralized authoritarianism occurred due to the rise of a more moderate leadership under the guidance of Deng Xiaoping. See, for instance MacFarquhar, Roderick. 1974. *The Origins of the Cultural Revolution*. (New York: Columbia University Press, 1974); Maurice J. Meisner. *Mao’s China and after: a history of the People’s Republic*. (New York: Free Press, 1986). More recently, the primacy of political elites in fostering policy change has also commanded much attention in the area of China’s social policy reform. For instance, Saich points to the recent Hu Jintao and Wen Jiabao as a key force behind China’s social policy reforms. See Tony Saich, *Governance and politics of China*, 3<sup>rd</sup> ed., (Hampshire: Palgrave, 2001).

<sup>23</sup> Traditional statisticians tend to view the state as a monolithic entity—or at least as a highly organized system in which all parts work as a coordinated whole. See Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol. *Bringing the state back in*. (Cambridge: Cambridge University Press, 1985) for a good discussion of statism. Therefore, when Mao decides to change the course of policy, all the various parts of the state machine jump into line and make that change happen—sometimes with disastrous consequences (e.g. even though Mao and his advisors misjudged the amount of agriculture being produced prior to initiating the Great Leap Forward, the vast-party machine jumped in line and enthusiastically promoted the policy, which led to the Great Famine). Other statist examples come from the “developmental state” literature, which locates successful economic development in the ability of states to effectively shift to a top-down and highly coordinated industrial policy. Some examples: Chalmers Johnson, *MITI and the Japanese miracle: the growth of industrial policy, 1925-1975*, (Stanford,

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- Stanford University Press, 1982) and Robert Wade, *Governing the market: economic theory and the role of government in East Asian industrialization*, (Princeton: Princeton University Press, 1990) who locate the success of economic development in Japan (Johnson), Taiwan and South Korea and other East Asian tigers (Wade) to state control over market forces.
- <sup>24</sup> See for instance, Kevin J. O'Brien, and Lianjiang Li, *Rightful resistance in rural China*, (Cambridge: Cambridge University Press, 2006); and Guobin Yang, *The power of the Internet in China: citizen activism online* (New York: Columbia University Press, 2009).
- <sup>25</sup> Karl Marx discusses this perhaps most clearly in his 1859 book *A Contribution to the Critique of Political Economy* (New York: International Publishers, 1970). Other important works discussing the role of structure in political transformation include Barrington Moore, *Social origins of dictatorship and democracy: lord and peasant in the making of the modern world*, (Boston: Beacon Press, 1966), Theda Skocpol, 1979. *States and social revolutions: a comparative analysis of France, Russia, and China*, (Cambridge: Cambridge University Press, 1979); Avery Goldstein. *From bandwagon to balance-of-power politics: structural constraints and politics in China, 1949-1978* (Stanford: Stanford University Press, 1991).
- <sup>26</sup> See Schwartz and Shieh, *State and Society Responses* for an excellent discussion of crisis and policy change in China.
- <sup>27</sup> More specifically, I utilize RCI as it has been adapted by the Religious Economies scholars. In particular, Gill, Stark & Iannaccone, and Witham. While they have focused specifically on interactions between state, church, and religious practitioners, I see very strong parallels between those interactions and those of the Chinese party-state, the third sector, and Chinese citizens in their pursuit of social services and welfare provision. If view churches as but one kind of non-state or social organization, then the jump between a discussion of the religious marketplace and the social welfare marketplace should be a very small one. Anthony J. Gill, *The political origins of religious liberty*, (Cambridge: Cambridge University Press, 2008); Rodney Stark and Laurence R. Iannaccone, "A Supply-Side Reinterpretation of the "Secularization" of Europe," in *Journal for the Scientific Study of Religion* 33 no. 3 (1994) pp. 230-252; and Larry Witham, *Marketplace of the gods: how economics explains religion*, (Oxford: Oxford University Press, 2010).
- <sup>28</sup> Some of its pioneers are M. Olson, *The logic of collective action: Public goods and the theory of groups*, (Cambridge: Harvard University Press, 1965); J. S. Coleman, *Foundations of social theory*, (Cambridge: Belknap Press of Harvard University Press, 1990); Milton Friedman, *Essays in positive economics*, (Chicago: University of Chicago Press, 1990); P.A. Hall and R. Taylor, "Political Science and the Three Institutionalisms," in *Political Studies* 44 (1996).
- <sup>29</sup> While Rational Choice theorists recognize individuals (and organizations and states) are complex entities that may have many conflicting interests, motivations, and desires, the theory does not necessarily explain where these interests, motivations, or desires come from (as cultural, moral or psychological approaches do) or why some trump others at given times. Rather, they clearly lay out a specific preference or set of preferences that one can reasonably expect from a given individual, and make deductive claims about their behaviour as they rationally and strategically interact with the world around them.
- <sup>30</sup> See Herbert Simon, "Theories of Bounded Rationality," in C. B. McGuire and R. Radner, eds., *Decision and Organization* (Amsterdam: North-Holland Publishing Company, 1972). Also see new institutionalists such as James G March and Johan P. Olsen, "The New Institutionalism: Organizational Factors in Political Life" in *The American Political Science Review* 78, no.3

(1984): 734-749; Douglas C. North, *Structure and Change in Economic History*, (New York: Norton, 1981); Douglas C. North and Barry R. Weingast, "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England" in *The Journal of Economic History* XLIX no. 4 (1989): 803-832; Margaret Levi, *Of rule and revenue*, (Berkeley: University of California Press, 1988). These scholars made structural-functional arguments that the interaction between individuals and institutional structures also has a great impact on decision-making and behavior.

<sup>31</sup> I borrow this concept from the Religious Economies Model (REM) scholarship, which theorizes the *Religious Marketplace*. For instance, Religious Economy scholar Yang Fenggang who argues that the interaction of state policy and strategic behaviour on the part of SOs creates several "marketplaces" (in this case, he was looking at the religious marketplace of churches). In his article *Red, Black, and Grey Religious Markets*, Yang argues that regulatory policy creates official, state-sanctioned churches (he calls this the Red Market); a group of semi-legal churches that live on limited resources in a state of uncertainty, but which the state does not seek to stamp out because they are seen to have some utility (the Grey Market); and a group of illegal churches and religious groups, such as *falun gong*, that the state actively seeks to stamp out because they are perceived as a threat (the Black Market). The same could be said of China's third sector. China's regulatory structures have also created red, black, and grey markets within China's third sector. First, the Red Market: registered SOs have the benefits of a legal existence, which minimizes the uncertainty of survival vis-à-vis the state and resources. On the downside, registration also means that the state will be more likely minimize the SOs' autonomy through corporatist means. The Black Market, on the other hand, consists of SOs that are illegal and openly accused as posing a threat to the state (for example, SOs promoting ethnic separatism, the *falun gong*, and pro-democracy organizations). Finally, perhaps the largest SO market in China (although we have no way of knowing exactly how many SOs are in this market) has been the Grey Market. This is the category of SOs that are not officially registered because they are too small or disorganized or have not sought out registration; it also includes semi-state organizations or GONGOS that have tight affiliations with state institutions but that are not officially registered. See Fenggang Yang, "The Red, Black, and Grey Markets of Religion in China" *The Sociological Quarterly* 47 no.1 (2006) pp. 93-122; White, Howell and Shang also make a similar argument about civil society organizations in general in their chapter 2 discussion of the caged sector, the incorporated sector, the interstitial 'limbo' sector, and the suppressed 'underworld' sector of illegal social organizations. See Gordon White, Jude Howell, and Xiaoyuan Shang, *In Search of Civil Society: Market Reform and Social Change in Contemporary China*. (New York: Oxford, 1996).

<sup>32</sup> I am not the first to draw a connection between the market and the transformation of social policy/ state-society relations in China. See Linda Wong and Norman Flynn, *The Market in Chinese Social Policy*, (Hampshire: Palgrave, 2001), and White, Howell and Shang, *In Search of Civil Society*. My hope is to bring this story up to date, connecting the role of the market in both social policy and the development of China's third sector.

<sup>33</sup> I largely focus on the latter.

<sup>34</sup> This theory proceeds from the point of view of methodological individualism.

<sup>35</sup> Another assumption the RCI model makes is that the aggregate preferences any given society are always pluralistic even if individual citizens may not make their preferences public. This has been discussed in some detail by Gill, *The political origins of religious liberty*; Stark and

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Iannaccone, “A Supply-Side Reinterpretation of the “Secularization” of Europe,” and Larry Witham, *Marketplace of the gods: How economics explains religion*, (Oxford: Oxford University Press, 2010). According to this version of RCI, the political environment in which they exist may prohibit them from making their preferences known—for instance, when citizens live in times of strong state control. On the other hand, when state control is relaxed and/or the perceived costs of making preferences diminish, RCI theorists expect to see clear signs of preference diversification. An example of this phenomenon is during the period of Glasnost and Perestroika in the Soviet Union, during which time a relaxation of the state over media and society erupted into a cacophony of public opinion and an explosion of new niches in print media. As Timur Kuran has written, in *Private Truths, Public Lies: The Social Consequences of Preference Falsification* (Cambridge; Harvard University Press, 1995) the explosion of new voices during this period does not indicate the emergence of new preferences, but rather that the great pluralism of preferences was obscured by state control and resulting preference falsification on the part of soviet citizens. The same can be said of Chinese citizens during the Mao era (and to a lesser extent, today).

<sup>36</sup> I follow suit with Salamon and Elliot in defining economic regulation as “a specialized bureaucratic process that combines aspects of both courts and legislatures to control prices, output, and/or the entry or exit of firms in an industry.” Salamon and Elliot, *The Tools of Government*, p. 118.

<sup>37</sup> Charles Tilly and Gabriel Ardant, *The Formation of National States in Western Europe*, (Princeton: Princeton University Press, 1975); Skocpol *States and Social Revolutions*; Joel S. Migdal, *Strong societies and weak states: state-society relations and state capabilities in the Third World*, (Princeton, N.J.: Princeton University Press, 1988).

<sup>38</sup> This section looks at struggles taking place among different members of the state, which included officials and employees constituting the state governing and administrative body. The “bottom-up” section will discuss in some detail the role that non-state forces are seen to play the state arena in the formation of policy.

<sup>39</sup> In the case of China, competition between parties is a moot point. However, there exists a healthy body of literature on the topic of factionalism in the Chinese Communist Party. Pye, Lucian W. Pye, *The spirit of Chinese politics; a psychocultural study of the authority crisis in political development*, (Cambridge: M.I.T. Press, 1968); Lucian W. Pye, “Factions and the Politics of Guanxi: Paradoxes in Chinese Administrative and Political Behaviour” *The China Journal* 34 (1995): 35-53 made the case that factionalist struggle is fundamental to Chinese politics; MacFarquhar’s three volumes on origins of the Cultural Revolution mentioned above explain policy change according to factional struggles between the Mao camp and the Liu camp lead-up to the GPCR; in *From bandwagon to balance-of-power politics*, Avery Goldstein compares factionalist struggles in Maoist China before and during the Cultural Revolution. See also Nathan, Andrew J. “A Factionalism Model for CCP Politics” *The China Quarterly* 53 (1973): 34-66; and Tsou, Tang. “Chinese Politics at the Top: Factionalism or Informal Politics? Balance-of-Power Politics or a Game to Win All?” *The China Journal* 34 (1995): 95-156. More recently, Cheng Li and various media sources have attributed the 2012 scandal surrounding the fall of Bo Xilai (the Chongqing party boss who was previously en route to join the highest echelon of party power), to another factional struggle between moderates and hardliners, on the one hand, or between the Elitist Coalition and the Populist Coalition. See

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Cheng Li, “The End of the CCP’s Resilient Authoritarianism? A Tripartite Assessment of Shifting Power in China,” *The China Quarterly* 211 (2012): 595-623.

<sup>40</sup> Some Interest Group studies related to the China case include Minxin Pei, *China’s Trapped Transition* (Cambridge: Harvard University Press, 2006). Scott Kennedy, *The Business of Lobbying in China* (Cambridge: Harvard University Press, 2005); David Goodman, ed., *Groups and Politics in the People’s Republic of China* (Armonk: M.E Sharpe, 1984). Also of note is the official CCP position on interest groups, which views them warily: see Yewen Deng, Yewen. “Seven Spheres of Interest” *China.org.cn*, May 4, 2013 [http://www.china.org.cn/opinion/2013-05/04/content\\_28720347.htm](http://www.china.org.cn/opinion/2013-05/04/content_28720347.htm) Last accessed 11/22/14.

<sup>41</sup> In the case of China, see David Lampton, *Policy Implementation in Post-Mao China*, (Berkeley: U California Press, 1987); Kenneth Lieberthal, *Governing China: From Revolution Through Reform*, (New York: W.W. Norton & Co, 1987). Kenneth Lieberthal and Michel Oksenberg, *Policy making in China: leaders, structures, and processes*. (Princeton, Princeton University Press, 1988). Kenneth Lieberthal, and David M. Lampton, *Bureaucracy, politics, and decision making in post-Mao China*, (Berkeley: University of California Press, 1992).

<sup>42</sup> In the case of China, the regionalism and center-local relations literatures recognize the powerful influence that regional and local identities and interests exert on the policy making process. As a massive, multi-ethnic, and federalist (albeit, Chinese-style) state, China is home to several ethno-nationalist groups seeking autonomy; multiple ethno-linguistic groups with diverse cultures and identities; a growing regional divide wherein primarily coastal urban areas command large percentages of the nation’s wealth; regional identities with long historical roots; and a history of strong provincial leaders and civil war. In order to “hold China together,” the center must come up with methods to secure the loyalty or at least the cooperation of these various groups and regions. See Lieberthal and Lampton, *Bureaucracy, politics, and decision making in post-Mao China*; David S. Goodman and Gerald Segal, *China deconstructs: politics, trade, and regionalism*, (London: Routledge, 1994); Barry Naughton and Dali L. Yang, *Holding China together: diversity and national integration in the post-Deng era*. (New York, : Cambridge University Press, 2004); Dali L. Yang, *Remaking the Chinese leviathan: market transition and the politics of governance in China*, (Stanford: Stanford University Press, 1994); Andrew Mertha, “Fragmented Authoritarianism 2.0”: Political Pluralization in the Chinese Policy Making Process.” *The China Quarterly* 200 (2009): 995-1012.

<sup>43</sup> Much has been written about this topic. Jean Oi and Susan Whiting, for instance, have shown quite clearly how dynamics between the center (principle) and local officials (agents) in creation and implementation of policy have often yielded unintended outcomes or consequences in the Chinese context. See Jean Chun Oi, *Rural China takes off institutional foundations of economic reform* (Berkeley: University of California Press, 1999); Susan Whiting, *Power and wealth in rural China: the political economy of institutional change*. (New York: Cambridge University Press, 2001).

<sup>44</sup> For example, perhaps an economic downturn or social unrest has diminished the capacity of politicians to move policy in a particular direction, perhaps demographics and class has changed sufficiently as to improve the bargaining power of contending groups vis-à-vis the state, or perhaps the politicians have learned new information or models for achieving their goals more effectively or with less cost.

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<sup>45</sup> This dissertation thus draws from the work of Dali Yang, Andrew Mertha, and other scholars who have provided excellent studies of how China's top leaders are able to "hold China together" by manipulating incentives and institutions for lower level cadres and bureaucrats.

<sup>46</sup> Please see Appendix B for a discussion of Civil Society in the Chinese Context.

<sup>47</sup> For more in-depth discussion of challenges in defining SOs, please see Appendix B

<sup>48</sup> This decision stems, in large part, from the way China's legal framework defines these organization. In China the umbrella term "Social Organizations," or what I call the third sector, is legally divided into two categories: non-profit socially oriented organizations (which are also called Social Organizations or Community Social Organizations), and non-public enterprise units (NPEUs or *minfei*—see chapter seven), which are also focused on social issues but which are for-profit (so, social enterprises that make profit and are not tax exempt). The business (or second sector) also plays a role in the Social Policy Marketplace: in this dissertation, I only discuss the role the second sector is playing with respect to the creation of corporate foundations.

<sup>49</sup> I do not delve into the case studies until Part II of the dissertation. Part I is meant to provide a broad overview of social policy in China, and how shifting demand has impacted the decisions of China's central leadership, leading them to initiate the experimental reforms discussed in Part II of the dissertation.

<sup>50</sup> I discuss this more in Chapter 2, Part II, and in the Conclusion. See Heilmann and Perry, *Mao's invisible hand*.

<sup>51</sup> When I conducted fieldwork in 2012, the terms Social Construction and Social Management Innovation were often used interchangeably.

<sup>52</sup> Quote from Gill, *The political origins of religious liberty*, p. 23; Also see Robert H. Bates *Analytic narratives*. (Princeton, N.J.: Princeton University Press, 1998); "Analytic Narratives Revisited" (with Robert Bates, Avner Greif, Jean-Laurent Rosenthal, and Barry Weingast). *Social Science History* 24, no 4 (Winter 2000): 679--690. "The Analytic Narrative Project" (with Robert Bates, Avner Greif, Jean--Laurent Rosenthal, and Barry Weingast). *American Political Science Review* 94 no.3 (September 2000): 696-702.

<sup>53</sup> Margaret Levi "Modeling Complex Historical Processes with Analytic Narratives," in Renate Mayntz, ed., *Akteure, Mechanismen, Modelle: Zur Theoriefähigkeit makrosozialer Analysen*, (Frankfurt/Main: Campus Verlag, 2002): 108-127. Accessed 11/22/14 at <http://www.yale.edu/probmeth/Levi.pdf>

<sup>54</sup> See Appendix C for list of interviews.

## Chapter 2

### Introducing the Chinese Party-State Structure & Case Studies

The Chinese party-state extends from the center to provinces to municipalities and sub-municipal administrative levels. In this chapter I briefly describe the role that each level has played in the design and implementation of China's social policy prior to the New Governance reforms, and then introduce specific provincial and local case studies to be analyzed in this dissertation.

#### **Institutions Comprising the Chinese Party-State**

The Chinese party-state is administratively arranged along what looks like something like federalist lines,<sup>1</sup> with a central government, some 34 provincial level administrative units directly below the center,<sup>2</sup> then municipalities and cities, then counties, districts and townships, and finally streets (urban) and villages (rural).<sup>3</sup> Each level of the state bureaucracy is paralleled and penetrated by Chinese Communist Party (CCP) institutions whose authority trumps that of the state bureaucracy. As the highest authority, the CCP maintains its control over political, ideological, and organizational leadership in the country by claiming for itself the exclusive right to legitimate and control all social and political organization in China. In this way it acts a kind of “shadow state<sup>4</sup>” controlling government bodies at each level.

#### **The Center (*zhongyang zhengfu* 中央政府)**

The Chinese party-state at center is comprised of national-level institutions of both the state and the Chinese Communist Party. As discussed in more detail in Appendix A, the central leadership (and particularly all-powerful leaders at the party's pinnacle known as the Central

Committee) exerts a great deal of influence over policy change. From the perspective of Rational Choice Institutionalism, the central leadership should be considered the principal within the party-state, and all lower party and administrative levels from province to neighborhood or village can be viewed as agents of this central leadership (whether or not they comply with the center's directions). Decisions made by the center can be signaled both formally via laws and edicts, and also informally via official statements or announcements. While the central leadership is the final arbiter of decisions about the course of policy, they must rely upon agents running down the institutional hierarchies to carry out those decisions. The center may decide to give more or less free reign to administrative agents to figure out how new policies should be implemented. On the one hand, the center often provides guidance (ranging from control to simple coordination) for policy implementation processes by setting up commissions, leading groups, etc. to oversee the policy process and coordinate various ministries, organizations, and actors. On the other hand, the center has been known to adopt a hands-off approach to policy making, allowing provincial and local governments to experiment with their own approaches.

In the next chapters, we will see how the center has orchestrated policy change through a variety of official and unofficial, centralized and decentralized mechanisms over the course of the reform era.

## **B. The Provinces (*sheng zhengfu* 省政府)**

Below China's national level party-state in the administrative totem pole are China's provinces. A growing body of scholarship<sup>5</sup> indicates that the provinces play an important role in the formation of new policy strategies: they act as "laboratories" for forming and testing policy.<sup>6</sup> Sebastian Heilmann argues that a pervasive feature of China's (economic) transformation has been "A policy process in which central policy makers encourage local officials to try out new

ways of problem-solving and then feed the local experiences back into national policy formation.”<sup>7</sup> This policy-making process requires a special kind of relationship between the central government and provinces. Heilmann writes “China’s experiment-based policy-making requires the authority of a central leadership that encourages and protects broad-based local initiative and filters out generalizable lessons but at the same time contains the centrifugal forces that necessarily come up with this type of policy process.”<sup>8</sup> The case study chapters will show that this is precisely how the center is working with the provinces and localities as China’s leadership experiments with Social Construction/ Social Management Innovation (SC/SMI). It seems clear that the process of SC/SMI parallels those discussed by other scholarship on decentralized (provincial) experimentation. For instance, Social Organization registration policy reforms and hub-style management approaches were first tested in several provinces or cities, and then (in some cases, if deemed nationally relevant) replicated at the national level. Likewise, innovative capacity-building models such as incubators and charity parks (to be discussed in Part II) were first developed in experimental environments created by certain provinces, and then replicated by others.

Similar to the experimental “groping for stones while crossing the river” the process by which economic reforms took place, the central government designates certain provinces, municipalities, and localities as “test sites” for SC/SMI. For instance, under the direction of the central State Council, in 2009 the Ministry of Civil Affairs signed cooperative agreements with seven provinces and cities to “push forward integrative reforms to civil affairs undertakings.”<sup>9</sup> According to officials interviewed at these experimental sites, the sites were chosen by the upper echelons of the party-state to act as test sites for SC/SMI in large part because of their history of economic reforms.

The main reason my interviewees all provided about why their site has been selected for SC/SMI experimentation is that the party-state determined the site had reached a level of economic development that made SMI both *necessary* and *possible*. SC/SMI are thought to be necessary because (using the Marxist language employed by my interviewees) economic liberalization in these provinces/localities had led to increased and critical social contradictions among the people, which, in turn, led to social instability. Thus, it was decided that innovative measures needed to be taken to diffuse sources of conflict. Second, SC/SMI is said to be *possible* in these localities because, as forerunners in economic development (many also have histories as Special Economic Zones), they had experience experimenting with new forms of organization; a higher degree of organizational diversity—including larger numbers of already-existing SOs and NGOs; the economic resources necessary for experimentation; a higher level of exposure to foreign cultures, ideas, and practices; and, similarly, a higher level of “social development” or “culture” all around, which is thought help to ensure the success of SC/ SMI experiments.<sup>10</sup>

### ***Provincial-Level Case Studies: Beijing, Shanghai, Guangdong***

This dissertation compares changing social governance structures in three of China’s experimental provinces: Beijing, Shanghai, and Guangdong. Each of these provincial level units has been designated a test site for experimenting with new modes of SC/SMI for the reasons discussed above, and yet each demonstrates its own brand of experimentation with SC/SMI reforms. The **Beijing Provincial-level Municipality** is the political capital, and has a reputation for a “conservative” approach to reforms. Indeed, experiments in the capital city tend to be controlled via a strong top-down management style, often relying on “hub” systems of associations that look a lot like the old *shiye danwei* or mass organizations (to be discussed in part II). By contrast, the **Shanghai Provincial-level Municipality** has a reputation for a more

liberal management approach than Beijing, but not as liberal as that of Guangdong province. Although Shanghai is one of China's forerunners in economic reforms and development, and while it is known as a seat of innovation and cosmopolitanism, Shanghai also has a long history of CCP control and intervention. As we will see, this semi-conservatism plays out in the theatre of SC/SMI. Shanghai is fostering a great deal of local experimentation, but rather than allowing innovation to spring up from the grassroots, it is setting up state-supported "incubators," "welfare parks" and "charity parks" that act as greenhouses or incubators for certain kinds of socially beneficial SOs, and it is increasingly relying on professional associations to act as relay belts for social control. Finally, **Guangdong Province** is known for its relatively progressive political culture. Located on the border of Hong Kong and home to Shenzhen, perhaps the most dynamic Special Economic Zone in all of China, this province is a hub of liberal media and international cosmopolitan culture. The provincial leadership is also known for its liberal management style and openness to experimentation with reforms: indeed, it has often stood at the front line of experimentation. Guangdong has led the pack in experimenting with registration reforms for SOs, and it has taken a more active role in supporting the construction of its third sector than either Shanghai or Beijing. These three provincial level case studies thus exhibit interesting variation in the way they are going about SC/SMI experiments.

### **C. Governance at the Local Level (*difang zhengfu* 地方治理)**

"Local" governance refers to all administrative units below the provincial level. The administrative structure of Chinese cities is three-tiered: City or Municipal-level Government, district-level Government, and street office. Since the late 1980s, cities also include a *de facto* fourth tier, a "grassroots" level known as the Neighborhood or Resident's Committee (RC). In

addition, as I show in this dissertation, steps are being taken among some experimental localities to develop and partner with Social Organizations in pursuit of better community service.

The governance structure between and within each of these local governance entities has a surprising degree of variation across China. The following pages will reveal some of this variation, but the general structure of governance is diagrammed below:



**Figure 2.1 Illustrating the Hierarchical Structure of Urban Governance**

*Note: Blue indicates governance structures located in the official administrative structure. Light blue indicates local governance. RCs and (increasingly) SOs are an unofficial part of the state's administrative structure, although the CCP has party structures supervising each level of this pyramid*

As we shall see, most of the action surrounding China's social policy reforms is occurring at the municipal level and below. Individual cities—and especially their Districts, Streets, and Resident's Committees/ Neighborhood Communities—have been experimenting with the creation of new structures and institutions to enhance social construction and management.

### **The Role of Municipalities (*shi zhengfu* 市政府)**

Municipal and sub-municipal governments play important roles in this story, and therefore we must understand the nature of these roles and their transformation. To begin with, once a given municipality is identified as an “experimental zone” for new policy testing,<sup>11</sup> the

municipal government must then decide which districts and streets will serve as the test areas, and what kind of fiscal and/or human capital to provide, and how much of a role it will play in managing the experiments. In other words, they select the players and create the macro-environment in which experimentation is carried out.

Municipalities have several mechanisms by which they effectively increase or decrease control over experimental sites. First, they can set up new management institutions (such as the Party Committees, Social Construction Offices or Work Groups that will be discussed in part II). Second, the level of direct municipal control can increase as a result of the *bianzhi* system,<sup>12</sup> which determines how many staff per administrative unit must be government or party employees. Because of *bianzhi* quotas, some localities have top-heavy bureaucracies not only in terms of the number of institutions involved in policy implementation, but also bloated staffs on the government payroll. In localities where this is the case, these localities seem to lack the incentive to innovate, especially in the direction of outsourcing or public-private partnerships. And so they opt for traditional forms of direct service provision (again, Beijing's Zhongguan Cun is an example of this—see street level case studies below).

Third, Municipalities manage the lion's share of financial resources available to districts, streets, and RCs under their jurisdiction. The annual budgets of these sub-units (including funds for welfare provision) are determined and allocated by the municipal level party-state. The city government transfers fiscal resources to districts, which then act as the hub of resource distribution to street governments and RCs. As we will see, municipalities have drastically reduced the amount of public fiscal support for *some* of the experimental units, thereby forcing them to find cheaper modes of service delivery (see Yuetan Street case).

Part II will demonstrate that experimental Municipalities have created their own versions of Social Work Party Committees and Leading Groups; restructured their Bureaus of Civil Affairs; created SC/SMI test districts and streets; allowed direct registration for some grassroots SOs at the district level Civil Affairs Offices (and less formalized *bei'an* registration systems within Streets and Residents' Committees); and either set up new state-run platforms for service provision or began purchasing the services of semi-autonomous and even autonomous SOs.

### ***Municipal-level Case Study: Beijing Municipality***

As the nation's capital, Beijing is the seat of political power in China and therefore exhibits a number of unique characteristics relative to other municipalities in China. And yet as the third largest city in the nation (by population), it shares in common many of the same challenges as China's other mega-cities. Similar to Guangzhou, Shenzhen, Shanghai, Shantou, Chongqing, Tianjin, etc., Beijing is on the front lines of dealing with the affects of rapid urbanization and a massive population fraught with diversifying demands for social welfare provision. Furthermore, Beijing has been named one of the sites for SMI experimentation, making it a prime candidate for analysis and also offering a positive sign that the central leadership is, indeed, taking SMI seriously.

Beijing is at once a provincial level administrative unit and a municipality, making it difficult to separate which reforms should be considered 'provincial' level reforms and which should be considered 'municipal' reforms. I thus treat Beijing as a province at times and as a municipal unit at others (I will indicate when I am emphasizing which). Beijing the Municipality is in charge of "on the ground" supervision and coordination of SC/SMI activities in its districts, streets, and so forth, and therefore plays an important role in fostering opportunities and challenges for sub-municipal governments in charge of experimenting with New Governance

reforms.

### **The Role of District Governments (*diqu zhengfu* 地区政府)**

As the next step down from the municipality in China's official administrative hierarchy, district governments supervise and manage the activities of street level governments and resident's committees. One particularly important role district level governments play in the story of China's New Governance reforms is that they are in charge of distributing public funds to streets governments, Resident's Committees (RCs), and in some cases, to Social Organizations. District governments control and disburse wages to street and Resident's Committee level staffs and pay for office and programmatic expenses. The case studies will also show that, as some districts and streets are turning to outsourcing various forms of social services, these funds tend to be distributed through district governments.

Another set of responsibilities that are relatively new for district governments is they have been given the responsibility to perform registration services for grassroots Social Organizations operating at the district level or below (although the official registration system excludes the very small grassroots organizations that are instead captured by the less formal *bei'an* system).<sup>13</sup> District governments have thus set up their own registration offices, and, in some cases, Social Organization management offices to supervise and conduct annual reports for registered Social Organizations.

Similar to the variation in management styles and systems we will see at higher administrative levels, the precise nature of district-level supervision and intervention in the affairs of streets, Resident's Committees, and Social Organizations exhibits variation from

district government to district government.<sup>14</sup> This can also impact the precise nature and extent of social policy experiments within districts and the sub units under their control.

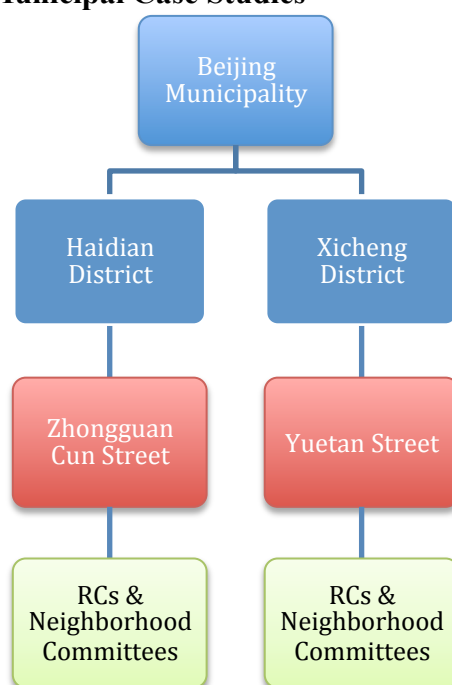
As we shall see in Chapters Eight and Nine, the bulk of SC/SMI experiments are being carried out below the district level and below. District governments are now responsible for registering, evaluating, and supervising SOs, for coordinating and dispersing purchase of service funds, and seeing to it that the overall governance environment is conducive to social policy experimentation. Furthermore, district governments are also playing a greater role in informing citizens about where to go for public services.

### ***District-level Case Study #1: Haidian District (haidian qu 海淀区)***

Located in the northwest of Beijing, Haidian district covers an area of 430 km<sup>2</sup> and hosts more than 2.2 million residents (as of the 2010 census). Haidian is the second largest district in the Beijing municipality, and is divided into twenty-two neighborhood offices, five towns, and two townships. Haidian is also an economic and human capital powerhouse both nationally and in the Beijing Municipality, for it houses a high concentration of world-leading high tech industries as well as China's top universities.<sup>15</sup>

Because of its success as a site of economic reform experimentation in recent decades, Haidian has been chosen as a test site for social management innovation reforms.

**Figure 2.2. Beijing Sub-Municipal Case Studies**



***District-level Case Study #2: Xicheng District ( Xicheng qu 西城区 )***

Beijing’s Xicheng District underwent an administrative merger with Xuanwu District in July 2010. The former Xicheng is located in the north of this new district, and former Xuanwu in the south. Currently, Xicheng is subdivided into 15 sub-districts, including Yuetan Street. As of 2012 Xicheng was home to 1.28 million people. Xicheng District houses dozens of national-level party-state organs including the CCP’s national headquarters. It also houses 20 national and municipal level research institutes. This brings an enormous amount of human capital to the district, in the form of both current and retired staff both from the party and the state, as well as professionals interfacing with the party-state structures. It also means that this district possesses a large number of residents who are tightly connected to the party state, so it seems like a relatively “safe” location in which to test reforms.

While Xicheng’s economy is perhaps no match for China’s “Silicon Valley” in Haidian, this district is also relatively well off. Located inside the Second Ring Road, Xicheng casts its

boarders around a significant portion of historical Beijing, housing many tourist sites and bringing tourist dollars into the district's tax coffers. It also houses the Xinhua News Agency and the Headquarters for the China Overseas Shipping Company, as well as several major business structures. In 2012 the district's GDP exceeded 257 billion Yuan. Xicheng has a strong tertiary economy as well: according to district statistics, the tertiary economy brought in 160 billion Yuan (nearly 90% of the District's GDP) in 2012.<sup>16</sup>

The Beijing Municipal Government designated Xicheng District to be a pilot district for testing government purchase of services in the summer of 2009.

### **Street Level Governments (*jiedao zhengfu* 街道政府)**

Beneath the district administrative level, an increasingly important administrative division for social management and construction in large municipalities is the *Street Level People's Government Administrative Offices*. The street office represents the lowest-level *official* administrative presence of the state in Chinese cities. Historically, street governments did not directly interact with residents on a regular basis unless there was a civic matter requiring paperwork. Instead, street governments tended to rely upon Neighbourhood and Resident's Committees to deal with the day-to-day needs of citizens (see below).

The following street level cases were chosen in part because they have been designated as experimental zones within these cities, and in part because the author was able to gain the connections and permissions necessary to study these sites.

### ***Street-level Case Study #1: Zhongguan Cun Street (中关村街道)***

Located in Beijing's Haidian District, Zhongguan Cun (ZGC) "National Independent Innovation Demonstration Zone" is China's equivalent of Silicon Valley. Zhongguan Cun Street

was originally created in 1962 as a managing unit for the families of those working for the Chinese Academy of Science. In the 1980s, ZGC was transformed by the State Council from a mere “electronics street” into a “New Technology Industrial Development Trial Zone.” Today the area is most well known for its “Zhongguan Cun Science and Technology Park”—the first high-tech zone in China.

Since its establishment, ZGC has registered more than twenty thousand high-tech enterprises, both domestic and foreign. According to one source, roughly a quarter of these enterprises boast rosters of more than 15,000 employees who have studied abroad, and some of China’s most powerful business leaders live in the zone.<sup>17</sup> Furthermore, ZGC is also the “most intensive scientific, education, and talent resource in China,” boasting

40 colleges and universities such as Peking University and Tsinghua University, more than 200 national scientific institutions such as the Chinese Academy of Social Sciences and the Chinese Academy of Engineering, 67 state-level laboratories, 27 national engineering research centers, 28 national engineering and technological research centers, 24 university science and technology parks, and 29 overseas student pioneer parks.<sup>18</sup>

The area is very wealthy due to the infusion of capital from the science and technology sector housed in ZGC. According to the ZGC Street Office, in 2010 Haidian District brought 26 billion Yuan, and of that ZGC contributed some 2.4 billion Yuan.

In 2005 ZGC was merged with Shuangyushu street. Currently the total area of ZGC proper is 6.23 square km, and it is one of 10 industrial parks in Haidian District. The ZGC Street administrative area is located on to the East of Zhongguan Cun Street, to the south of Chengfu Street, to the north of the Third Ring road, and to the west of the Beijing-Batou Railway.

As of 2012, ZGC had an official population of 240,000 registered residents, but the number expands when we include migrant workers and foreign residents.<sup>19</sup> Because of the high concentration of universities and high-tech businesses, ZGC has an incredible wealth of

human capital, including a high potential for cultivating student volunteers (which it has not adequately tapped). The population of ZGC is also relatively young, with only 19% of the population of retirement age in 2012 (although some communities within ZGC, such as the Huangzhuang community, face an ageing population comprising upwards of 50% of their residents).<sup>20</sup>

### ***Street-level Case Study #2: Yuetan Street (月坛街道)***

Yuetan Street is divided into 26 neighborhoods and Residents' Committees, and comprises an administrative area of 4.13 square kilometers in the northern part of Xicheng district. Yuetan is home to some 23 national level government bureaucratic offices, and since 2007 the street has been named a model community for the maintenance of public security. Thus, testing SMI in Yuetan seems like a safe bet for the Beijing government.

As of 2012 the street had a population of some 110,000 registered citizens, and another 20,000 citizens without Beijing *hukou*. Around 70,000 of these residents are of working age. Yuetan also has a relatively high percentage (23%) of elderly residents. The street government is quite concerned about how to cope with an ageing population. But (as we shall see) Street Office staff members also believe that Yuetan's retired population is a great strength: many of these retirees are former party cadres with a great deal of energy, problem-solving gumption, and strong organizational skills. As a result, Yuetan has a formidable corps of social entrepreneurs and volunteers.

### **Resident's Committees (RCs) (*shequ juminhui* 社区居委会)**

Neighborhood/ Resident's committees are *de facto* the lowest level officially recognized arbiters of civil affairs in China even though they are not included in the official state administrative structure, which only extends down to the Street level.<sup>21</sup> According to Article 2 of

the 1989 *Organic Law of the Urban Residents Committees of the People's Republic of China*, “An urban residents committee shall be a *mass organization for self-government at the grassroots level*, in which the residents manage their own affairs, educate themselves, and serve their own needs.” The size of population governed by each of these mass organizations is quite variable: it can range from between 100 and 700 households. According to official guidelines, each RC is composed of some 5-9 members, and they should be elected by all the residents with the right to vote or at least by a representative from each household (although as Jianfeng Wang has shown, not all RC leaders are, in fact, democratically elected, and in reality the structure of each RC can differ quite a bit<sup>22</sup>). RCs have the ability to establish sub-committees to deal with specific matters of community governance.<sup>23</sup> RCs are tasked with the following duties and responsibilities:

- (1) To publicize the Constitution and the laws, regulations and state policies among the residents; persuade them to perform their obligations as prescribed by law and to take good care of public property; safeguard the residents' lawful rights and interests; carry out various forms of activities conducive to the building of an advanced socialist culture and ideology;
- (2) To manage public affairs and social services in their communities;
- (3) To mediate civil disputes, promote unity and mutual assistance with other residents and family harmony;
- (4) To help maintain public order;
- (5) To help the people's government and its agencies do the work in public health, family planning and juvenile education, etc;
- (6) To convey residents opinions and demands and make suggestions to the people's government or its agencies.<sup>24</sup>

In other words, since the late 1980s RCs have been tasked with undertaking public security functions, state administrative functions, and social service provision functions along with acting as acting as representatives for their communities.

In their 2011 book, Heberer & Göbel have shown quite clearly that urban Resident's Committees (RCs) and Neighborhood Communities (NCs) have become increasingly important agents on the front lines of China's social security provision.<sup>25</sup> While RCs have long provided a public security function and services to residents in need, these functions have been incrementally strengthened starting in the early 2000s. In 2006 Hu Jintao and Wen Jiabao ordered the creation of healthcare stations at the community level to provide healthcare services where hospitals failed. That year the State Council called for the establishment of "Charity Supermarkets" that provided subsidized or free goods for specific populations in need. Furthermore, the SC elaborated on the kinds of services that were to be undertaken by RCs: "services relating to employment, social security, social aid, medical care, birth control, culture, education, and sports, administration of the migrant population, public safety, and the formation of residents' service and voluntary associations were to be undertaken by the community."<sup>26</sup> In 2010, the General Office of the Communist Party of China Central Committee and the General Office of the State Council released a blueprint for the future of urban Resident's Committees. At the core of this plan is to substantially increase the responsibilities of RCs in maintaining social stability and of providing social services. According to a *Xinhua* article from that year "Aside from those functions RCs already have, the proposals say urban residents committees' functions will be expanded to include providing assistance to government authorities in public security, employment, social insurance and safeguarding rights for the elderly, disabled, minors and migrant populations." As a way of further enhancing their security functions, local police and civil servants are also being encouraged to take posts on the 5- to 7-member leadership committees (and they are offered incentives to do so, including receiving civil service credits and increased chances of promotion).<sup>27</sup>

Another significant development related to urban RCs is that, starting in 1999, the central state began experimenting with increasing coordination between Resident's Committees in order to enhance "community construction" ( 社区建设). After an initial test in 26 municipal districts, the national number of these "new-type" urban communities had expanded to 71,375, and to 84,689 as of 2009.<sup>28</sup>

As we shall see, in localities where SC/SMI experimentation responsibilities have been placed into the hands of street level governments, relationships with Resident's Committees and citizens have been changing. For instance, some streets have created offices specifically tasked to work on developing the capacity of SOs in their communities. Some streets have created spaces in their own buildings for public meetings, recreation, and performances or to host regular salons to build linkages between community SOs and citizens. Some street governments have provided office space for grassroots SOs to support their development. Likewise, in some localities, experimental street governments have also created their own associational hubs to organize burgeoning numbers of SOs, or even allowed for the creation of (semi-) independent associations. Yet again, some street government leaders have either created their own SOs to better serve their community needs, or have worked hard to attract independent SOs to set up shop in their locality. These trends will also be discussed in more detail in the following chapters.

## **New Players in China's Local Governance System**

In addition to the reforms of local party and state social institutions described above, this dissertation will discuss another emerging group of players in the New Governance framework: the growing constellation of Social Organizations (SOs) that hover at the boundary between the

Chinese state and citizenry. As will be discussed later, Social Organizations have existed in China throughout the reform era but, since the mid-2000s (and especially after the Sichuan earthquake of 2008), the relationship between the party-state and certain kinds of SOs has become more positive. State actors and institutions are increasingly looking to SOs for help with service provision and even Social Construction. Many SOs are tightly bound to the state (many of those detailed in the case studies below were either directly created by state institution or are largely dependent on it for resources) and therefore do not fit into a strictly non-governmental category. However, many of these SOs do represent new forms of organization in China, and some local governments are keen on helping them to become wholly independent from the state. Some examples of these new organizations include social work firms, professional associations, eldercare programs, meal kitchens and charity super markets.

Now that I have provided an overview of the main players and shifting landscape of local-level social management, I proceed to the main body of the dissertation. While Part I provides a general overview of how politicians have interacted across these multiple levels of the state to create the structure of social policy during the reform era, Part II dives into a more detailed account using the specific case studies outlined above.

In Chapters Eight and Nine, I use this approach to demonstrate how the party-state is undertaking the social construction and social management innovation strategies discussed above. By performing a multi-level analysis of this process we can see the mechanisms of social policy reform from top-to-bottom. More specifically, by looking at the interaction between levels and actors within the Chinese governance institutions, we can see how the party-state is experimenting with institutional design to incentivize local politicians and SOs to participate in the emerging New Governance framework while keeping the reigns of power in hand.

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**NOTES**

- <sup>1</sup> Gabriel Montinola, Yingyi Qian and Barry R. Weingast “Federalism, Chinese style: The Political Basis for Economic Success in China,” *World Politics* 48 no.1 (October,1995): 50-81; Kai-Yuan Tsui and Youqiang Wang, “Between Separate Stoves and A Single Menu: Fiscal Decentralization in China,” *The China Quarterly* 177 (2004): 71-90.
- <sup>2</sup> Provincial level administrative units are divided into 23 provinces, 4 Provincial-level municipalities (Beijing, Shanghai, Tianjin, and Chongqing), 5 Autonomous Regions, and Special Administrative Regions.
- <sup>3</sup> See the Chinese State’s website: [http://www.gov.cn/test/2005-06/15/content\\_18253.htm](http://www.gov.cn/test/2005-06/15/content_18253.htm), The National Bureau of Statistics also explains China’s administrative divisions. <http://www.stats.gov.cn/english/>
- <sup>4</sup> Richard R. McGregor, *The Party: The Secret World of China's Communist Rulers* (New York: Harper, 2010).
- <sup>5</sup> See for instance: Sebastian Heilmann, “Policy Experimentation in China’s Economic Rise” *Studies in Comparative International Development* 43 no.1 (2008): 1-26; Sebastian Heilmann “Policy Making through Experimentation: The Formation of a Distinctive Policy Process” in *Mao’s Invisible Hand: The Political Foundations of Adaptive Governance in China* (Harvard: Harvard University Press, 2011); Sebastian Heilmann & Elizabeth J. Perry, eds., *Mao’s Invisible Hand: The Political Foundations of Adaptive Governance in China*, (Harvard: Harvard University Press, 2011); Thomas Rawski “Implications of China’s Reform Experience,” in *The China Quarterly* 144 (1995): 1150-1173; Gérard Roland, *Transition and Economics: Politics, Markets, and Firms*, (Cambridge: MIT Press, 1995): 63-65; Justin Yifu Lin, Fang Cai, & Zhou Li, *The China Miracle: Development Strategy and Economic Reform*, (Hong Kong: Chinese University Press, 2003): 321-325; Sharun W. Mukland and Dani Rodrik “In Search of the Holy Grail: Policy Convergence, Experimentation, and Economic Performance,” *American Economic Review* 95 no.1. (2005): 374-383; Jae Ho Chung, *Central Control and Local Discretion in China: Leadership and Implementation During Post-Mao Decollectivization*, (Oxford: Oxford University Press, 2000).
- <sup>6</sup> Indeed, Heilmann & Perry’s 2011 book argues that this form of policy making dates back to Mao era governance strategy, and can also be called “Guerrilla Policy Style.” Heilmann and Perry, *Mao’s Invisible Hand*, Chapter 1.
- <sup>7</sup> Heilmann, “Policy Making Through Experimentation,” p. 62.
- <sup>8</sup> Heilmann, “Policy Making Through Experimentation,” p. 88.
- <sup>9</sup> The original cooperative agreements were signed with Shenzhen, Tianjin, Shanghai, Chongqing, and Jiangsu, among others. These initial experiments with registration reform in particular were apparently deemed successful, because by 2011, MOCA’s Minister Li Liguo announced that “nineteen provinces and regions, including Guangdong, Anhui, and Beijing” would start pilot programs to test the direct registration of SOs. By 2012 registration reform would go national. See the Ministry of Civil Affairs website: <http://www.mca.gov.cn/article/ztzl/hyzt/bsxyzth/201005/20100500076711.shtml>  
Also see Karla W. Simon, *Civil society in China: the legal framework from ancient times to the new reform era*, (Oxford: Oxford University Press, 2013): 277.
- <sup>10</sup> A number of questions follow this rationale for testing these pilots only in China’s most economically developed areas: first, will they will be replicable in less developed or poorer

cities of China? Second, will lessons learned and best practices in these test zones be of relevance to rural China? While the answers to these questions will not be clear until sometime down the road, during my fieldwork I heard numerous tales of local government officials from other cities, both rich and poor, who came to visit these test sites in hopes of replicating aspects thereof in their own localities—even in those not designated as test sites.

- <sup>11</sup> As discussed in provincial governance section, several provinces and cities were chosen to become SMI experimental areas, and signed contracts with the central government to that end.
- <sup>12</sup> *Bianzhi* system discussed in more detail in Chapter Six.
- <sup>13</sup> The *bei'an* system is discussed in more detail in the SC/SMI chapters (Eight and Nine). In short, it is an emerging practice wherein street level governments create lists of grassroots SOs. Those SOs registered by the *bei'an* system are not formally registered, and therefore not privy to the legal protections afforded by official registration.
- <sup>14</sup> Jianfeng Wang, “The Politics of Neighborhood Governance in China,” (Ph.D. diss, Boca Raton, 2005).
- <sup>15</sup> In part because of the high concentration of human capital in this district, Haidian was chosen early in the reform era to become a test zone for economic development (I will talk about this in more detail below, in the Zhongguan Cun section), and so has become a magnet for international business.
- <sup>16</sup> Compare this to average tertiary industry GDP contributions at the municipal level (76%) and the national level (43%). See the Xicheng district website: <http://english.bjxch.gov.cn/econimicinfo/zdcy.ycs> Last accessed November 29, 2014.
- <sup>17</sup> See Mengjie Xin, “China Reforms Eye More Innovative Bases,” *Xinhua Insight*, November 5, 2013, [http://news.xinhuanet.com/english/china/2013-11/05/c\\_132861913.htm](http://news.xinhuanet.com/english/china/2013-11/05/c_132861913.htm) Last accessed November 29, 2014
- <sup>18</sup> Xin, “China Reforms Eye More Innovative Bases.”
- <sup>19</sup> Interview with ZGC street official, Spring 2012.
- <sup>20</sup> Interview with ZGC official, Spring 2012.
- <sup>21</sup> Urban Resident’s committees date back to 1954, and the most recent law detailing their functions was published in 1989.
- <sup>22</sup> Wang, *The Politics of Neighborhood Governance in China*.
- <sup>23</sup> See Chinaculture.org, “Resident’s Committees and Villagers Committees” at [http://www.chinaculture.org/gb/en\\_aboutchina/2003-09/24/content\\_22349.htm](http://www.chinaculture.org/gb/en_aboutchina/2003-09/24/content_22349.htm)
- <sup>24</sup> Chinaculture.org, “Resident’s Committees...”
- <sup>25</sup> Heberer, Thomas, and Christian Göbel. *The politics of community building in urban China*. (Abingdon, Oxon: Routledge, 2011): 101.
- <sup>26</sup> Heberer and Göbel. *The politics of community building in urban China*.
- <sup>27</sup> “China Strengthens Urban Resident’s Committee’s Role in Settling Disputed to Cope With Changing Urban Landscape” *Xinhua*. October 10, 2011 <http://english.people.com.cn/90001/90776/90882/7194373.html> Last accessed November 29, 2014.
- <sup>28</sup> Heberer & Gobel also write: “their name did not change, but the tasks, composition, and the process of member selection of the restructured RCs were completely different from those of their predecessors... the reorganization of China’s neighborhoods represents a comeback of the state after a gradual retreat that the state started in the early 1980s and lasted until the late 1990s.” Heberer and Göbel, *The politics of community building in urban China*.

## **Part I**

# **Origins of China's New Social Governance**

## Chapter 3

### The State and Welfare Supply 1978-1998

#### Introduction

This chapter provides background story about China's Social Policy Marketplace prior to the New Governance era. From the late 1970s early 1990s, China's leadership unleashed the economic policy reforms known as Reform and Opening with the goal of reinvigorating the economy. The exigencies of carrying out these reforms had intended and unintended impacts on a number of institutions relating to social policy which, in turn, transformed the institutional incentives and abilities of local politicians in charge of implementing social policy. The net effect was diminished supply of welfare goods provision.

The chapter looks at several representative cases within China's social welfare system to illustrate this contraction of welfare supply: labor support services, healthcare, poverty relief, pensions, and education.

#### Economic Liberalization and Welfare Retrenchment 1978-1998

For the first two decades of the reform era, China followed a familiar trajectory of welfare retrenchment driven by economic liberalization. Starting in 1978, Deng Xiaoping and other more liberal leaders in the CCP unleashed a series of reforms known as Reform and Opening (*gaige kaifang* or 改革开放), which they described as “socialism with Chinese characteristics” or a “socialist market economy.” First, the party-state unleashed reforms in the countryside by de-collectivising agriculture, contracting land to households in the countryside, and slowly started introducing measures to allow private entrepreneurs the freedom to set up shop. These changes led to a surge in rural productivity,<sup>1</sup> but by the 1990s these newfound

economic freedoms also came with the price of shrinking public coffers and a diminishing social safety net. Second, the state undertook a two-phased process of industrial and commercial reforms aimed at gradually lifting price controls and privatizing State Owned Enterprises (SOEs) that were not of strategic or security value to the state. The process of SOE reform and privatization accelerated after Deng's 1992 Southern Tour, resulting in waves of layoff that would send millions of workers into the arms of the private sector (which was not initially required to provide social welfare), into unemployment, or into a grey area wherein workers were categorized as employed by an SOE but with no actual work and oftentimes compensation.

During the first two decades of economic reforms, the Chinese party-state's approach to social policy can be categorized as an increasingly neoliberal (trickle-down) strategy for social welfare provision. By "letting some people get rich first," China's Leadership counted on liberalizing market forces to unleash rapid economic growth that would then lift all boats out of poverty.<sup>2</sup> If an initial turn to social inequality occurred, that would be an acceptable price to pay for rapid economic growth. Unfortunately for many Chinese citizens, not only did economic liberalization *not* raise all boats equally, but the captain also took away the safety vests for many who were left behind. Below I discuss the initial impacts that economic liberalization had on China's welfare supply.

If the reader will recall from the introduction, China divides social welfare into three categories: Social Insurance, Social Services, and Social Relief. Social Insurance category includes all manner of labor related service (unemployment, retirement pensions), as well as healthcare, disability support, and subsidies for widows and orphans; Social Services focus on eldercare, care for the disabled, education, health, and housing; while Social Relief provides funds to people in crisis, including those facing natural disasters. Each of these categories

experienced a contraction of supply during the first two decades of the reform era. I provide examples of labor welfare, healthcare, and poverty relief below.

## **Impacts on Social Insurance**

Whereas during the Mao years state institutions such as rural communes and State Owned Industries (SOEs) were the main official conduits of Social Insurance for China's citizens, the process of economic Reform and Opening dismantled many of these work unit-based institutions and shifted a significant proportion of workers into collective and individual enterprises that were not required to provide welfare services. The destruction of the cradle-to-grave welfare system began in earnest in the mid 1980s as the party-state passed several measures to subject a wide swath of SOEs to market competition. In 1986 the State Council passed the *Law of the PRC on Enterprise Bankruptcy* and the *Employment Contract system*.<sup>3</sup> The former law subjected formerly centrally protected state owned enterprises to the possibility of bankruptcy, and the Employment Contract system gave power to SOEs to hire and fire at will. The combined impact of these measures would eventually ring the death knell of the so-called Iron Rice Bowl (at least for workers in many SOEs), which had previously provided cradle-to-grave employment, education, healthcare, retirement, and pensions to China's state-employed workers via their life long employment in these work units. As less competitive SOEs went bankrupt (again, this occurred slowly in the 1980s, but with increased speed in the 1990s), large numbers of factory workers were faced with unemployment, millions of laid-off workers and pensioners without benefits and thousands more workers in a limbo state of seeking wage arrears.<sup>4</sup>

Meanwhile, many of those SOEs who did retain their employees took measures to become more competitive by tightening their belts. In some cases, they cut costs by delaying

wage payments to their employees. An All China Federation of Trade Union survey showed that in the 1990s some 10 million workers did not receive wages on time.<sup>5</sup> Belt-tightening has also meant major cuts in safety nets such as retirement plans, and has on more than one occasion resulted in SOEs ceasing to pay retired workers the pensions they were owed. For instance, in the late 1990s Liaoning province, which led the country in terms of numbers of SOEs, (and was therefore a leader in socialized pensions) faced annual deficits in its retirement fund. By 1998, 27% Shenyang's SOEs "stopped making pension payments, leading to waves of protest until the municipal finance and labor departments stepped in with a 240 million *yuan* bailout."<sup>6</sup>

Another area where urban industrial reforms resulted in belt tightening was in healthcare provision for SOE employees. As an aging urban industrial workforce began to put increasing pressure on work unit-based health benefit plans and as medical costs rose due to healthcare reforms, employers began to feel the crunch of healthcare costs. Duckett<sup>7</sup> writes: "as a result, they increasingly either reneged completely on their commitment to pay for their employees' health treatment, introduced patient co-payments, or simply paid small annual or monthly lump sums to employees for health care regardless of their actual health care needs." As more workers shifted from employment in SOEs to the private sector or self-employment, so did the number of people increase who had to pay out-of-pocket.

## **Impacts on Social Services**

### *The Case of Health Care*

Meanwhile, the central government drastically cut state funds for healthcare. Between 1978 and 1993, the state's share of healthcare expenditures in China dropped from 28 percent to 14 percent.<sup>8</sup> Overcoming the financial gap in health service provision became the responsibility of hospitals and patients, and local governments only provided limited subsidies

for hospitals and clinics. From 1981 healthcare facilities were instructed to cover recurrent costs from user charges; soon after preventive care facilities began charging on a fee-for-service basis. Between 1985 and 1989 the bulk of healthcare providers were transformed into fee-for-service organizations and forced into competition.<sup>9</sup> Hospital staff was encouraged to work more hours via a bonus system, and hospitals were allowed to retain profits.<sup>10</sup> Duckett writes “This resulted in incentives for them to provide unnecessary diagnostic tests, medicine and curative care, as well as meaning that patients became prey to unethical treatment by medical professionals.”<sup>11</sup> These extra costs were increasingly shouldered by patients.

In tandem with the decrease in state spending, between 1978 and 2006 the state affected a massive shift of responsibility for health spending to private households. Between 1978 and 2000, the share of households in total healthcare spending rose from 20.4 to 59 percent, respectively. Per capita private spending on healthcare increased by nearly 3,400 percent during this time, to a level 35 times higher than in 1978, growing by an average of 13.4 percent per year for this period.<sup>12</sup> This precipitous increase in healthcare costs had disastrous effects: by 2000, the UNDP declared China’s health system was one of the world’s most inequitable, 188th among 191 nations. Nearly two of every five sick people went untreated. Only one in 10 had health insurance.<sup>13</sup> Surveys from the National Health Service found that the percentage of urban dwellers without health insurance in China jumped from 27 to 47 percent between 1993 and 1998.

## **Impacts on Social Relief**

### *The Case of Poverty Relief*

A third example of China’s welfare retrenchment in the first two decades of the reform era is the weakening of support for social relief institutions. China’s safety net for the rural poor,

known as the Five Guarantees system, dates back to 1956 when the Third Plenary Session of the First National People's Congress (NPC) published a directive entitled *Exemplary Charter for Advanced Rural Cooperatives*. This directive required rural coops to provide "Five Guarantees" including food, clothing, fuel, education and burial expenses to the coop members in extreme need, who had absolutely no responsible kin to care for them or who were too old, too young or too sick to support themselves.<sup>14</sup> This system remained in place during the 1980s and 1990s, and was re-emphasized in the 1994 *Regulations concerning the work of Implementing Five Guarantees in Rural Areas* passed by the State Council.<sup>15</sup> But beginning in 1994 the central government cut its welfare grants to Five Guarantee households and began requiring village and township governments to shoulder responsibility for implementation and funding of the Five Guarantee to households (under the supervision of county governments).<sup>16</sup> Again, the resources, abilities, and incentives for local governments across China to carry out this front-line provision varied considerably and the central government did not pick up the slack. For example, 2.74 million out of 5.71 million recipients of the Five Guarantees in rural China were not supported by the government scheme by 2003.<sup>17</sup> In 2005, each recipient in Zhuzhou County and Xiangtan County of Hunan Province received RMB 400 and RMB 480 from the local government respectively, which only amounted to about 10 percent of the average net income of local farmers.<sup>18</sup>

The three examples above (labor, healthcare, and poverty relief) demonstrate the contraction in welfare service supply during the initial years of reform, which resulted from China's strategy for inducing economic growth (economic liberalization). This is not to say that all types of state-provided welfare dried up equally across issue areas. As we shall see below, the central state remained committed to supporting certain kinds of centrally provided welfare

provision (the examples I use are education and pensions) even while dismantling others. Nor would it be fair or accurate to say that the state was wholly unconcerned about those citizens cast adrift without welfare safety jackets. The Center tried to complement its retreat from the social welfare marketplace with a shift to local service provision through a process of administrative and financial decentralization. But this move had unanticipated effects including increased regional inequality, the creation of subversive incentive structures for local officials now in charge of welfare provision, and a frightening budget crisis. All of these factors would further contribute to the contraction of welfare service supply around China during the reform era.

### **Unintended Consequences of China's Economic Reforms and Impacts on Local State Supply**

In hopes of further stimulating economic liberalization, the party-state also undertook fiscal and administrative decentralization during the early years of the reform era. These, in turn, unleashed significant consequences for China's welfare system.

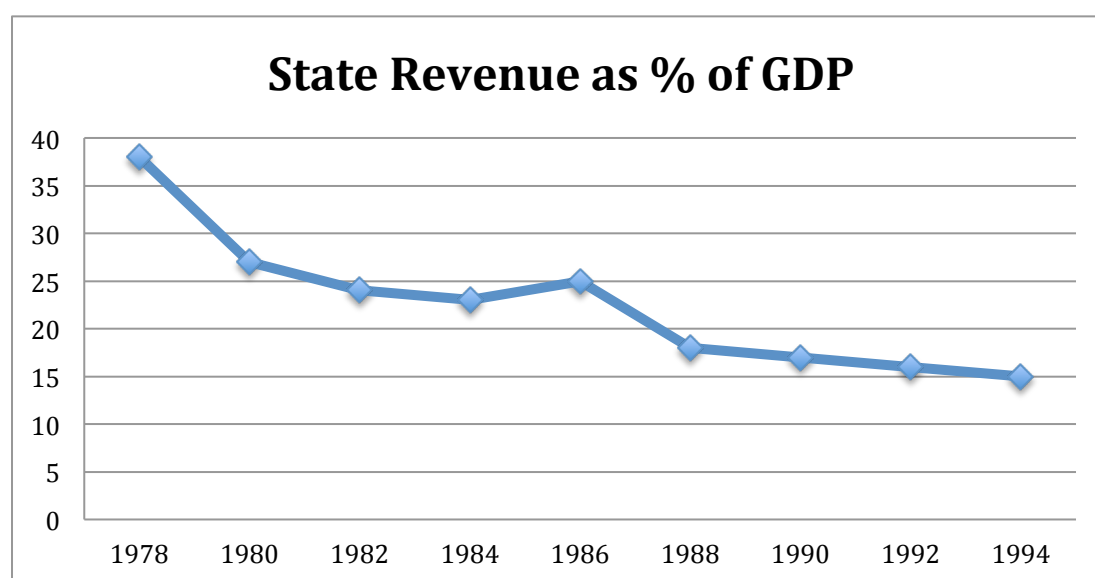
#### *Fiscal Decentralization and its Consequences: Changing Incentives for Local Officials*

Whereas during the Mao era the central state controlled all revenue and allocations, between 1977 and 1980 the central government began decentralizing the collection and allocation of fiscal revenue.<sup>19</sup> This move was calculated to create economic incentives for provincial level officials to enable economic growth in their regions, and to give them the leeway to experiment with new economy-stimulating methods.<sup>20</sup>

However, as has been well documented,<sup>21</sup> these initial attempts at fiscal decentralization had disastrous effects on state revenue (illustrated by Figure 3.1). As the central government's revenue shrunk, its abilities to secure a stable macro economy and undertake redistributive

policies were increasingly impaired.<sup>22</sup> With the state's ability to provide fiscal support to China's localities impaired, local governments had to find new sources of funding. As Bernstein and Lu<sup>23</sup> have shown us, in order to make up for budget shortfalls, local governments were given permission to mobilize resources outside the tax system, that is, to raise *extrabudgetary funds* (EBFs).

**Figure 3.1: Decline in central state revenue 1978-1994**



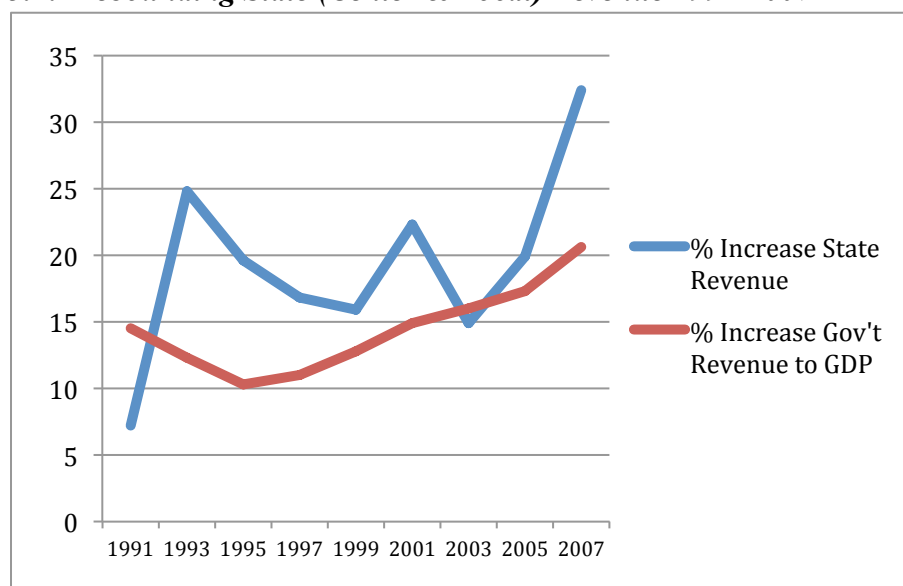
Source: *China Statistical Yearbook 1996*<sup>24</sup>

Using various forms of ad hoc levies, ordinances, and regulations, local governments were able to supplement their finances—much to the chagrin of citizens who were forced to pay these fees. Because these funds were outside the official tax system, however, the central state was able to collect even less revenue for redistribution, and so local political institutions were forced to collect more, and thus came about a vicious circle of declining state revenue and rampant unofficial taxation. Bernstein and Lu write “In 1983, when the first of a series of government regulations on EBFs was issued, these funds already amounted to 77.5 percent of regular revenue. Five years later, EBFs were almost as large as regular fiscal revenues and 5.5 times as large as

they had been in 1978 (p. 87).” All in all, EBTs constituted quite a burden for citizens across China (especially in poor rural areas), and exacerbated a multi-level state fiscal crisis.

In reaction to the central state’s fiscal crisis, in the early 1990s China’s leadership initiated nation wide fiscal reforms—culminating with the pivotal 1994 reforms. These reforms established separate central and provincial tax administrative systems and installed supervisory representative offices in the provinces to oversee fiscal activities out in the provinces so that the center could better insure its piece of the fiscal pie. In addition, the center abolished many extra-budgetary revenue collection venues that had been used local officials. As a result of these and other recentralizing reforms, the central state’s revenue began to rebound (see figure 3.2).<sup>25</sup>

**Figure 3.2: Rebounding State (Center & Local) Revenue 1991-2007**

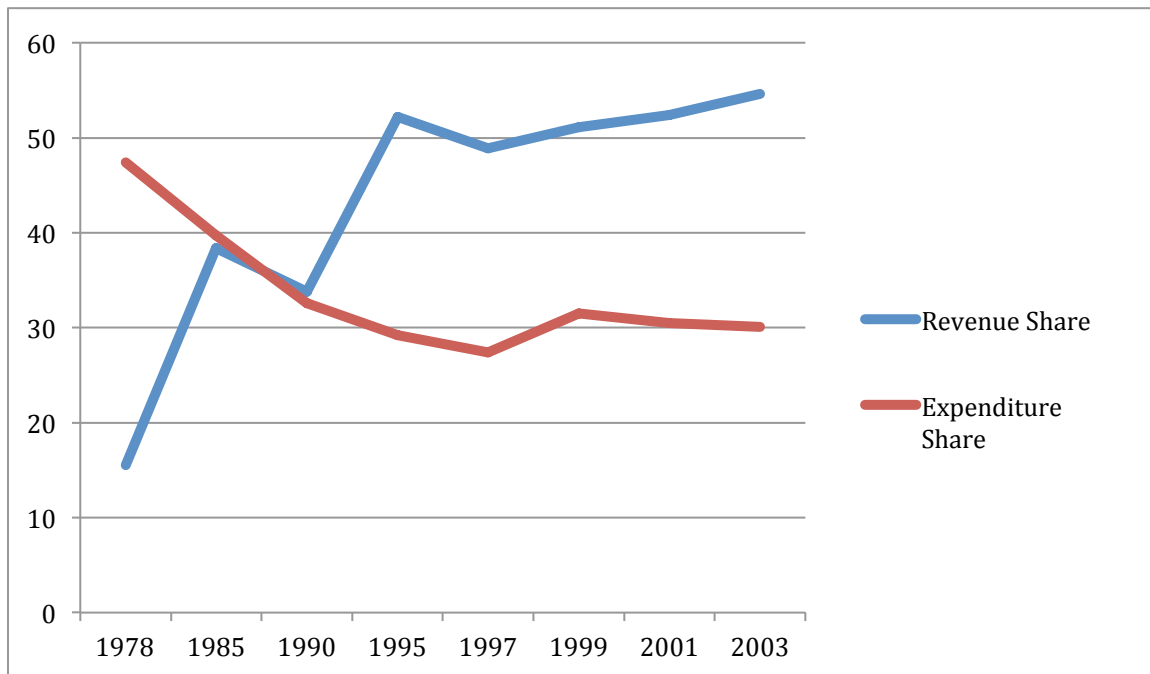


Source: National Bureau of Statistics (2010)<sup>26</sup>

However, even as capital began to flow back to towards the center, many local state officials found themselves in perhaps an even more difficult situation than before 1994. Revenue flowed out of local coffers, but the onus of paying for public goods remained in the hands of local officials. Figure 3.3 shows the increased flow of revenue to the Central state in the early

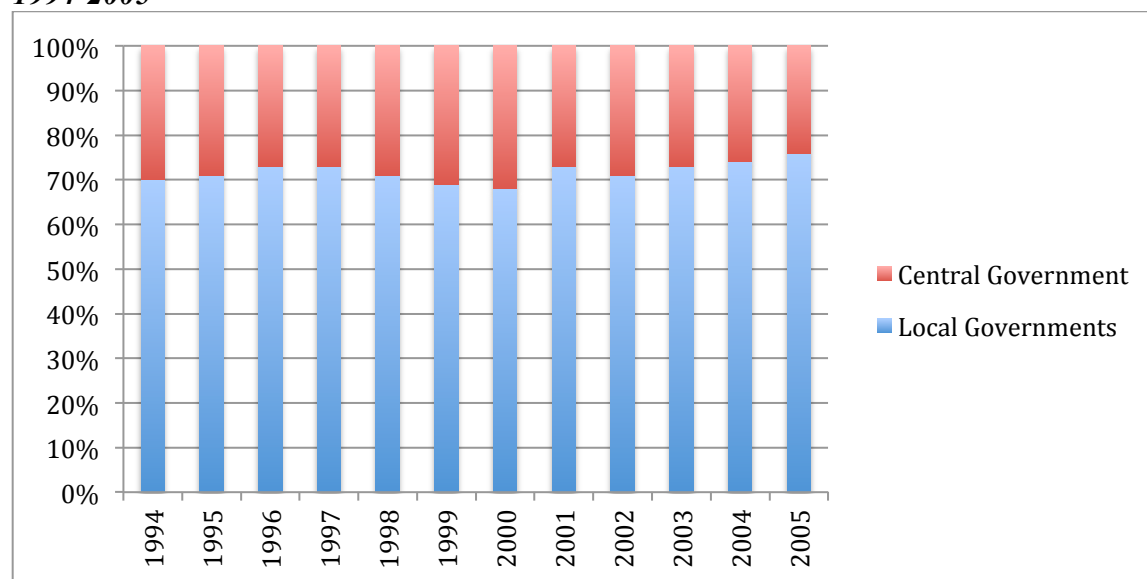
1990s, paired by decreasing then stabilizing expenditures, while Figure 3.3 and Table 3.1 demonstrate the continued responsibility of local governments to cover the cost of policy implementation.

**Figure 3.3: Percentage of Central State's Revenue Share vs. Expenditure Share (vis-à-vis local governments)**



Source: National Bureau of Statistics (2010).<sup>27</sup>

**Figure 3.4: Percentage of Government Expenditures Made by Central vs. Local Governments, 1994-2005**



Source: Lou (2008)<sup>28</sup> 159.

**Table 3.1: Shares of Total Expenditure by Different Administrative Units, by Expenditure Category (percent) (2003)**

Expenditure Category	Center	Province	Prefecture	County and lower
Government Administration	19	11	22	48
Social Security	11	39	32	18
Education	8	15	18	60
Public Security & Legal	5	25	34	35
Health Care	3	22	32	43

Source: Martinez-Vasquez, Qiao, Wang & Zou<sup>29</sup>

In other words, local governments continued to provide the bulk of public expenditures for public goods such as administrative costs, welfare, education, and security in spite of declining revenue streams.

Furthermore, the problem of regional inequality has grown, leading to increased pressure on local governments in poor regions. As Liu & Tao write:

In richer regions, local governments, especially those at the county and township level, are generally able to provide decent public goods and services to residents and businesses, since they not only enjoy higher tax revenues coming from the development of non-agricultural sectors, but can draw on additional high income from the sale of rights to develop local land,<sup>30</sup> and from certain profit remittances they receive from Town and Village Enterprises. By contrast, in less developed areas, most of which are located in midland China, local revenues must come mainly from agriculture, and are much more limited. In the absence of sufficient and dependable equalizing transfers from higher levels of government, local governments in less developed areas have frequently found themselves unable to pay their bills.<sup>31</sup>

By the late 1990s, governments at the county and township level were providing up to 70 percent of budgetary expenses for education and 55-60 percent of health expenditures.<sup>32</sup> In 2006 the State Council Development Research Center surveyed over 2,749 villages in 166 townships, 57 counties and cities, 20 prefecture-level cities, and 17 provinces, municipalities, and autonomous regions, and “found wide variations in financial strength among villages. Nearly half the villages surveyed had a budget of less than 50,000 Yuan per year; nearly 40 percent could not pay their debts. In the western region, more than 91 percent of villages had annual revenues of less than 100,000 Yuan.”<sup>33</sup> According to a 2008 UNDP report, this contrasted with the eastern region, where one-third of the villages had annual revenues exceeding 1 million Yuan.<sup>34</sup>

### *Administrative Decentralization & Unfunded Mandates*

Along with shifting fiscal responsibility to the provinces, the center also handed them the burden of providing public works, service provision, and food subsidies. As discussed above, prior to decentralization SOEs had provided a wide range of social services to urban workers (including among other things health care, education, and pensions). As a result, “many of the

social service and social security responsibilities that used to be taken care of by SOEs were now passed to local governments without corresponding resources being set aside.<sup>35</sup>

In both urban and rural areas (but especially in the latter), central and provincial level governments also imposed public goods provision targets on local governments without consideration to the financial state of local governments and often without financial allocations to support these demands. In the context of the growing fiscal crisis, this led to increased reliance on EBFs (and thus squeezing citizens for the necessary support) on the part of local governments, to increased local debt, or to local governments reneging on their public service goods responsibilities—especially in poor regions.

The combination of shrinking fiscal budgets and unfunded mandates discussed above, and incentive structures for local governments that privileged economic growth above all else,<sup>36</sup> created a perverse incentive structure for local government officials to fulfil their welfare implementation obligations. Many local officials had neither the incentive nor the means to provide public goods such as social welfare. I provide examples of this dynamic below in a discussion of how decentralization impacted two more areas of social welfare: pensions and education. These are illuminating case studies because during the first two decades of the reform era the central state actively sought to support the continuation of a pension system and to build the nation's educational system. In spite of the central states commitment to supporting these two issue areas while subjecting the others to market forces, however, supply contracted nonetheless.

## **Impacts on Welfare Supply: The Cases of Pensions & Education**

### *The Decline in Pension Provision*

Scholars have pointed out the important role China's aging revolutionary SOE workers continued to provide a key source of legitimacy for the Marxist party-state well into the 1990s.<sup>37</sup> As a result, China's leaders sought to improve the pension system even while other parts of the iron rice bowl were being dismantled. This objective met with only limited success due to regional fiscal inequality and poor administrative incentive structures.

In 1991 the State Council published a policy paper advocating a comprehensive system for protecting the pensions of retired workers.<sup>38</sup> This scheme only aimed at addressing pension problems flowing out of China's enterprise reforms, and so it only acted as a compulsory program for SOEs, and not for local-government-run collective enterprises or rural workers. But as more workers moved into non-state enterprises following the major industrial restructuring push initiated by Deng Xiaoping in 1992, the State Council took an initial step to protect a broader range of workers. In 1995 it published a more comprehensive scheme.<sup>39</sup> This scheme set up a pension system that pooled funds from the state, employers, and employees, and combined three systems of pension finance: a basic "pay-as-you-go" pension services, a pension service fully funded by contributions, and a voluntary personal savings. A major pillar of China's social service system also set up in the 1995 scheme is the public pension, which (at least on paper) provides minimum levels of old-age security (around 50% of one's working salary) to retirees. By 2003, some 45 million retirees (one per 2.7 workers) were covered by the program.<sup>40</sup>

The objective of the 1995 scheme was to establish a unified system under the one management using the same pool for all types of enterprises and workers, but it actually led to more fragmentation of the old age pension system and allowed too much freedom to local

governments to establish their own premiums.<sup>41</sup> The result was that poorer regions were unwilling or unable to pay for pensions, and that the central state ended up having to pick up the slack though no formalized system was set up for this. Naughton tells us “pension outlays have not yet been incorporated into budgetary figures, except for the direct fiscal payments government has had to make to keep the system solvent. In 2003 the (central) government had to kick in about 15% of total funds to subsidize deficit regions, accounting for 6% of central government outlays.”<sup>42</sup> Even with these transfers, local officials have often diverted the funds to other priority areas so that pensioners never see the support. As a result, Ngoc, Chan, and Phillips write, the central government “failed to address the fundamental problems of inequality and the unbalanced welfare burden between SOEs in different regions.”<sup>43</sup>

### *The Case of Education*

Another area where fiscal decentralization and problematic institutional incentives for local politicians have resulted in poor supply of welfare provision *in spite of* central state efforts to prioritize goods provision is education. It is clear that the central state is committed to improving education even in the midst of retrenchment in other public welfare areas— an educated work force, after, all, is a necessary means to long-term economic development.

In 1985, the Central Committee of the CCP published the *Decision on the Reform of the Educational Structure*, which was followed by the 1986 *Law on Nine-Year Compulsory Education*. The central state committed a good deal of financial capital to this undertaking: the Seventh Five-Year Plan (1986–90) allotted some 72 percent more funds to education than in the Sixth Five-Year Plan. According to the UNDP 2008 report:

In 1978, funds from the central budget for education were only 7.5 billion yuan or 2 percent of annual GDP; this figure increased 60-fold to 453.1 billion yuan in 2005,

comprising 2.5 percent of the country's vastly expanded GDP. From 2002-2006 student in-budget public funds for primary schools grew from 166.5 yuan to 270.9 yuan, an increase of 62.7 percent. The figure went from 232.9 yuan to 378.4 yuan for junior middle schools, an increase of 62.5 percent (P. 41-42)<sup>44</sup>

The UNDP report also indicated that these growth rates were three times higher than the rate of increase in overall in-budget funds for education—probably in part a consequence of fiscal decentralization discussed above.

In spite of the central party-state's commitment to national compulsory education, the policy has been greatly affected both by urban favouritism and by regional economic disparities. The 1985 law divided China into three categories: cities and economically developed areas in coastal provinces and a small number of developed areas in the hinterland; towns and villages with medium development; and economically backward areas. The first category was also first to more or less achieve universal provision of six-year primary education. According to the China Education Yearbook,<sup>45</sup> whereas in 1980 the net enrolment rate for elementary school students in the cities was 93%, by 2000 it reached 99.15%. Children of school age in the second category (second and third tier cities in economically backward regions and rural areas) have lagged behind, in part because education in these regions have received less financial support than in first tier cities. Robertson writes:

With the introduction of the financial decentralization policy in the education centre in the mid-1980s and the localization of education, basic education in China has slowly been stratified by the varying local financial situations. There are four times more primary and secondary schools in the countryside than in cities. Although the majority of children live in the countryside, rural schools receive only 38 percent of total basic education funds.<sup>46</sup>

Alongside lacking national fiscal support for education in rural areas, another factor leading to uneven supply of quality education in China has been the problem of regional disparities in wealth. Many local governments simply lack the funds to provide compulsory

education as mandated by the central government. Following the trend of fiscal decentralization discussed above, the central state shifted the onus of financing education down the chain to local governments and to families (particularly in rural areas). A 2005 report by the UNDP describes this situation with clarity:

Between 1994 and 2001, town and township governments paid nearly four fifths of China's compulsory education costs, while provincial governments paid approximately 11 percent and county governments 9 percent. Less than 2 percent of resources came from the central Government. That year, the State Council issued the "Decision on the Reform and Development of Basic Education," which gave counties a primary role in providing compulsory education. This improved access in rural areas, but did not divide the responsibility for inputs between the central Government and the governments of provinces, cities and counties. The shortage of compulsory education funding again became serious. As shown by the National Audit Office's 2003 statistical report, 50 counties incurred a debt of close to 2.4 billion Yuan for compulsory education spending by the end of 2001. This figure increased to 3.9 billion *Yuan* by the end of June 2003. Over 80 percent of primary and middle schools in some counties were indebted.<sup>47</sup>

As a result, local governments and families in poorer regions were simply unable to meet the costs of education.<sup>48</sup> Many schools turned to alternative fundraising activities. Some started business enterprises, and many sought to compensate by charging out-of-pocket fees to families. Oftentimes these fees took the form of flat annual student fees of several hundred RMB (according to a study by Cao Jinqing, in 2004 in some cases these fees reached as much as 40 percent of household income).<sup>49</sup> In villages where money was particularly tight, children were required to pay with vegetables, oil and grain.<sup>50</sup> While the central state would attempt to limit these burdens on families in 2004, such practices continue.

Looking at the cases of pensions and education in China, I am led to cite Christine Wong. She writes, "By leaving so many costly but important responsibilities at the local level and providing no support to their financing, the national government had essentially abrogated its responsibility to the poor regions."<sup>51</sup>

## Conclusion

The purpose of this chapter is to establish the context in which China would eventually initiate New Governance reforms to its social policy framework. This chapter has traced the decline of China's overall welfare supply during the first two decades of economic reforms by looking at several representative case studies. The sources of this decline were both intentional and unintentional. These included 1) economic liberalization and the suite of accompanying institutional reforms; 2) increasing regional wealth inequality; 3) decline in overall state revenue leading up to the 1994 tax reforms, followed by continued budget constraints at the local level; and 4) unfunded mandates leading to perverse incentive structures at the local level. Thus, even in social policy areas the central party-state remained committed to supporting (e.g. education), the actual supply of services remained uneven at best.

The rise in budget constraints and unfunded mandates at the local level are of particular importance to the story of China's social policy reforms. As we will see in later chapters, this would provide powerful motives for China's local leaders (and eventually, the central leadership) to begin experimenting with new modes of service provision—including increased openness to engaging the help of non-state actors.

Furthermore, the contraction in state welfare supply demonstrated by this chapter stands in contrast to the diversification of and growing demand for welfare goods on the part of China's citizens. This would be another powerful motive for social policy reform, as detailed in the next chapter.

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**NOTES**

- <sup>1</sup> Barry Naughton, *The Chinese economy: Transitions and growth*. (Cambridge, Mass: MIT Press, 1997): 89-90; Barry Naughton, *Growing out of the plan: Chinese economic reform, 1978-1993*, (New York, NY: Cambridge University Press, 1995).
- <sup>2</sup> This has been widely reflected in official statements from government officials, and is confirmed by my interviews with provincial and city level officials in 2012
- <sup>3</sup> Translated into English at: <http://www.lehmanlaw.com/resource-centre/laws-and-regulations/labor/labor-contract-law-of-the-peoples-republic-of-china.html>
- <sup>4</sup> For more China-specific studies of the link between economic liberalization and welfare provision see Linda Wong and Norman Flynn, *The market in Chinese social policy*, (Hampshire: Palgrave, 2001); William Hurst and Kevin J. O'Brien, "China's Contentious Pensioners," *The China Quarterly* 170 (2002): 345-360; Vivienne Shue and Christine Wong, *Paying for progress in China: public finance, human welfare and changing patterns of inequality* (New York: Routledge, 2007); Chak Kwan Chan, King Lun Ngok, and David Phillip, *Social policy in China: development and well-being*, (London: Routledge, 2007); Jonathan Schwartz and Shawn Shieh, eds., *State and society responses to social welfare needs in China: serving the people*, (Abingdon, Oxon: Routledge, 2009).
- <sup>5</sup> An All China Federation of Trade Union survey in 2006 showed that 10 million workers did not receive wages on time. See "Fiscal Management for a Harmonious Society: Assessing the Central Government's Capacity to Implement Policies," in K Lee, J-H Kim and W Woo eds., *Power and Sustainability of the Chinese State*, (London: Routledge, 2008).
- <sup>6</sup> Hurst and O'Brien, "China's Contentious Pensioners," p. 349.
- <sup>7</sup> Jane Duckett, "Local Governance, Health Financing, and Changing Patterns of Inequality in Access to Healthcare," in Shue, Vivienne, and Christine Wong, eds., *Paying for progress in China: public finance, human welfare and changing patterns of inequality*, (London: Routledge, 2007): 52.
- <sup>8</sup> Chan, Ngok, and Phillips, "Social policy in China," 119.
- <sup>9</sup> Tony Saich, *Governance and politics of China*, 3<sup>rd</sup> ed, (Hampshire: Palgrave, 2011): 320.
- <sup>10</sup> Sheila Hillier and Shen Jie, "Healthcare Systems in Transition: People's Republic of China. Part 1: An Overview of China's Health Care System," *Journal of Public Health Medicine* 18 no.3 (1996): 261.
- <sup>11</sup> Duckett, "Local Governance," 53.
- <sup>12</sup> United Nations Development Programme & China Institute For Reform and Development, *China Human Development Report 2007-2008: Basic Public Services Benefitting 1.3 Billion Chinese People* (English), (Beijing: China Translation & Publishing Corporation, 2008).
- <sup>13</sup> Jessie Jiang, "In Some Chinese Hospitals, Violence is Out of Control and It's Doctors Who are at Risk," *Time Magazine*, October 11, 2011.  
<http://www.time.com/time/world/article/0,8599,2096630,00.html> Last accessed 11/22/2014
- <sup>14</sup> Office of the State Committee on Agriculture, 1981 cited at [http://www.ntu.ac.uk/nbs/document\\_uploads/109338.pdf](http://www.ntu.ac.uk/nbs/document_uploads/109338.pdf) Last accessed 11/22/2014.
- <sup>15</sup> But, as David Bachman has pointed out, implementation of the Five Guarantees remained highly problematic after the dismantling of the communes in 1984.
- <sup>16</sup> Ngoc Chan and Phillips, *Social Policy in China*, 71.

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- <sup>17</sup> X. Wu and Z. Zhao, “Social protection to Five-guarantees in a harmonious society,” *China Population Resources and Environment* 5 (2007) 138-142.
- <sup>18</sup> Wu and Zhao “Social protection,” 77-80.
- <sup>19</sup> See Susan L. Shirk, *The political logic of economic reform in China*, (Berkeley: University of California Press, 1993); Barry Naughton, *Growing out of the plan: Chinese economic reform, 1978-1993*. New York, NY: Cambridge University Press, 1995); and Susan H. Whiting, . *Power and wealth in rural China: the political economy of institutional change*, (New York: Cambridge University Press, 2001) Ch 3 for detailed accounts about the process of fiscal decentralization. Experiments with revenue sharing between center and sub national political units first took place in Jiangsu and Sichuan in 1977, and then were extended nationally in 1980.
- <sup>20</sup> Shirk, 1993.
- <sup>21</sup> See Christine P. W. Wong, “Central--Local Relations in an Era of Fiscal Decline: The Paradox of Fiscal Decentralization in Post-Mao China” in *The China Quarterly* 128 (1991): 691-715; Naughton, *Growing out of the plan*; Wang, Shaoguang, *The Chinese Economy in Crisis: State Capacity and Tax Reform* (New York: M.E. Sharpe, 2001) among others.
- <sup>22</sup> See p. 41 of Dali Yang, *Remaking the Chinese leviathan: market transition and the politics of governance in China*, (Stanford: Stanford University Press, 2004).
- <sup>23</sup> See Chapter 4 of Thomas P Bernstein and Xiaobo Lü, *Taxation without representation in contemporary rural China*, (Cambridge: Cambridge University Press, 2003).
- <sup>24</sup> State Statistical Bureau of China. *Zhongguo tongji nianjian 1996 (Statistical Yearbook of China 1996)*, Beijing: Statistical Bureau of China, 1996). available online at <http://www.stats.gov.cn/>
- <sup>25</sup> For instance, the 2001 *PRC Tax Collection and Administrative Law* set up direct monitoring relationships between the central state and key tax paying businesses, and increased the state’s usage of technological means for monitoring earnings and fiscal payments among businesses and local governments. See Yang, *Remaking the Chinese leviathan*, 76-77.
- <sup>26</sup> State Statistical Bureau of China, *Xin Zhongguo liushinian tongji ciliao huiben (New China 60 Years Statistics Compilation)*, (Beijing: Statistical Bureau of China, 2010) available online at <http://www.stats.gov.cn/>
- <sup>27</sup> State Statistical Bureau of China, *Xin Zhongguo liushinian tongji ciliao huiben*.
- <sup>28</sup> Jiwei Lou, “The Reform of Intergovernmental Fiscal Relations in China: Lessons Learned” in Jiwei Lou and Shuilin Wang, eds. *Public finance in China reform and growth for a harmonious society*, (Washington, DC: World Bank, 2008): 159.
- <sup>29</sup> Jorge Martinez-Vazquez, Baoyun Qiao, Shuilin Wang, and Heng-fu Zou, “ Expenditure Assignments in China: Challenges and Policy Options.” in Lou and Wang eds., *Public finance in China reform and growth for a harmonious society* (Washington, DC: World Bank, 2008): 79.
- <sup>30</sup> The above quote points out another problematic outcome of the reforms. After being stripped of the ability to collect fees through many of the EBF measures they had used prior to the 1994 reforms, local governments have become increasingly dependent on revenues from land development and real estate. These revenues are reported neither in budgetary nor extrabudgetary accounts, and China has yet to implement a comprehensive property tax system (Thanks to Kam Wing Chan for pointing this out. Also see article “China Property Tax Faces Obstacles to Expansion,” *Wall Street Journal*, July 19, 2013, A 17.) As a result, a great deal of

- fiscal revenue continues to be lost in shady real-estate deals and is causing dramatic inflation and speculation in housing markets across China (especially in large cities). Not only does this mean less revenue for local and central coffers (which no doubt impacts welfare budgets); not only does it feed into regional wealth inequality; it also has a direct impact on housing prices and cost-of-living for citizens (with the brunt of impact felt by the urban and suburban poor).
- <sup>31</sup> Mingxing Liu & Ran Tao “Local Governance, Policy Mandates, and Fiscal Reform in China” in Vivienne Shue and Christine Wong, eds., *Paying for Progress in China: Public Finance, Human Welfare, and Changing Patterns of Inequality*, (London: Routledge, 2007): 169.
- <sup>32</sup> World Bank Poverty Reduction and Economic Management Unit East Asia Pacific Region, *China National Development and Sub-National Finance: A Review of Provincial Expenditures*. Report #22951-CHA (2002).  
<http://www1.worldbank.org/publicsector/LearningProgram/Decentralization/ChinaNatlDevSubNatFinance.pdf> Last accessed 11/22/14
- <sup>33</sup> United Nations Development Programme (UNDP) & China Institute For Reform and Development, *China Human Development Report 2007-2008: Basic Public Services Benefitting 1.3 Billion Chinese People* (English). (Beijing, China Translation & Publishing Corporation, 2008):105-107
- <sup>34</sup> UNDP, *China Human Development Report 2007-2008*, 105-107.
- <sup>35</sup> Mingxing Liu and Ran Tao “Local Governance, Policy Mandates, and Fiscal Reform in China” in Vivienne Shue & Christine Wong, eds. *Paying for Progress in China: Public Finance, Human Welfare, and Changing Patterns of Inequality*, (London: Routledge, 2007): 169.
- <sup>36</sup> Scholars have provided ample evidence that the primary evaluation categories within the cadre management system and the *nomenklatura* system were based on economic growth, and not social welfare provision, environmental protection, etc. at this time. For more on these systems, see Melanie Manion, “The Cadre Management System Post-Mao: The Appointment, Promotion, Transfer, and Removal of Party and State Leaders,” *The China Quarterly* 102 (1985): 202-233; John P. Burns “Strengthening Central Party Control of Leadership Selection: The 1990 *Nomenklatura*,” *The China Quarterly*, 138 (1994), 458-491; Hon S. Chan, “Cadre Personnel Management in China: The *Nomenklatura* System, 1990–1998” *The China Quarterly* 179,(2004): 703-734.
- <sup>37</sup> See, for instance, Dorothy Solinger, “Clashes Between Reform and Opening: Labor Market Reform in Three Cities” in *Remaking the Chinese State: Strategies, Society, and Security*. Bruce Dickeson and Chien-min Chao, eds.,(London: Routledge, 2001); William Hurst and Kevin J. O’Brien, “China’s Contentious Pensioners,” *The China Quarterly* 170 (2002): 345-360; Timothy Weston, “The Iron Man Weeps: Joblessness and Political Legitimacy in the Chinese Rust Belt,” in *State and Society in 21<sup>st</sup> Century China*, Peter Gries and Stanley Rosen, eds., (New York: Routledge, 2004).
- <sup>38</sup> State Council. *Decision on the old age insurance scheme for workers of enterprises*. Document No. 33, (Beijing: State Council, 1991).
- <sup>39</sup> State Council. *Notification on deepening reform of the old age pension insurance system*. Document No. 6, (Beijing: State Council, 1995).
- <sup>40</sup> Barry Naughton, *The Chinese economy*, 204.
- <sup>41</sup> Thank you to David Bachman for making the following observation: the pension system was organized on a provincial level basis—somewhat in contradiction to neo-liberal governance

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where labor is supposed to migrate where there are opportunities. Provincially based pensions (and health care) deter such movement.

<sup>42</sup> Naughton, *The Chinese economy*, 205.

<sup>43</sup> Chak, Ngok, and David Phillips, *Social policy in China*, 63.

<sup>44</sup> UNDP, *China Human Development Report 2007-2008*.

<sup>45</sup> This is according to China Education Yearbook Editorial Committee in the 2006 edition of Department of Education Development and Planning Division, *Educational Statistics Yearbook of China*, (Beijing, People's Education Press, 2006).

<sup>46</sup> B. Robertson, "China's New Education System" *Far Eastern Economic Review* 169 no. 6 (2006): 37-43.

<sup>47</sup> United Nations Development Programme & China Institute For Reform and Development 2005. *China Human Development Report 2005*.

[http://www.cn.undp.org/content/china/en/home/library/human\\_development/china-human-development-report-2005/](http://www.cn.undp.org/content/china/en/home/library/human_development/china-human-development-report-2005/) Last viewed online 11/22/14 at

<sup>48</sup> Shue and Wang, *Paying for Progress in China*, 3.

<sup>49</sup> Jingqing Cao, *China Along the Yellow River*, trans. Nick Harman (London: Routledge, 2004).

<sup>50</sup> Rachel Murphy, "Paying for Education in Rural China." in Shue and Wong, eds., *Paying for Progress in China*.

<sup>51</sup> To be fair, prior to 1994 the central government itself was in a fiscal crisis from having devolved too much fiscal power to the provinces, which was rectified with the 1994 tax reforms.

## CHAPTER 4

### **Transformation of China's Social Policy Marketplace: Changing Citizen Demand & State Response**

*In the past 20 years, everyone thought that if we developed industry then the people would be served: industry would create employment and tax revenue, so we should support employers in the building of industry. But now the target of service has divided: labor and capital are in contradiction with one another.<sup>1</sup>*

#### **Introduction**

This chapter focuses on the role China's citizens have played in driving the party-state to conclude that social policy reform is necessary. First the chapter demonstrates that citizen demand for social service provision has not only grown in scale and scope during the reform era, but citizens have also become more assertive in making their demands. Second I argue that the failure of state and market forces to meet China's changing social service demands during this time fed social discontent and instability, along with increasingly assertive demand making (and in some cases, violence). Third, I argue, this social instability and rise in demand making has led China's party leaders to worry about their long-term ability to stay in power, leading them to initiate reforms to the Social Policy Marketplace I discuss in the following chapters.

#### **I. Transformation of Social Demand**

This chapter looks at the demand-side of China's social policy equation: that is, the role that social policy preferences on the part of Chinese citizens play in the Social Policy Marketplace. Much of the literature on social welfare policy in developing countries focuses on the "supply side" to explain the trajectory of policy formation; that is, they look primarily at how the state drives policy change through a "top-down" process.<sup>2</sup> This has certainly been the case among scholarship on China. In recent years, however, a growing body of scholarship is making

demand-side arguments about social policy in developing countries.<sup>3</sup> Notably, this approach has not yet been widely applied to the case of China's social policy—with a couple exceptions.<sup>4</sup>

This chapter contributes to the demand-side literature on policy change.

### ***Social Demand during the Mao Era***

During the Mao era China's social welfare system was linked closely to the highly centralized, command economy. The central party-state maintained a monopoly over the official social welfare marketplace, determining both the supply and demand of welfare services. Under this system there were two primary mechanisms for providing welfare. Those in rural areas received state support via their employment in communes; and those working in urban areas received welfare support by way of their embeddedness in state owned work units. In short, one's place of employment was often in charge of providing everything from basic wages to housing, pensions, education, and childcare, and lifelong employment was guaranteed because most communes and state owned work units were not allowed to go bankrupt.<sup>5</sup> This welfare system only provided for workers and peasants embedded in the state-owned economy, while those who worked outside these systems did not receive state welfare, and had to rely on family and networks for support. Furthermore, under the Maoist development strategy, social policy was subordinate to the goal of rapid industrialization, and the social welfare needs of rural peasants and other (non-productive) citizens was subordinate to those of the urban proletariat.

By the end of the Mao era, China was also a largely egalitarian society with respect to wealth. Income inequality was minimal, for most of China's citizens were poor. The Gini index of income inequality pegs China at 0.16 in 1977, just prior to the reforms, and in 1978 the per capita income of the urban population was about \$33 USD while that of the rural population was \$24 USD.<sup>6</sup> The party-state also kept regional and class inequality at bay. One key mechanism

by which the party-state prevented regional inequality was via the much-discussed internal passport system. The Household Registration System (HRS), a.k.a. *hukou* (户口) system, was originally created in 1958 to ensure that people did not move from their place of residence so that the government could control the allocation of labor, food, and resources for the central economy. This system divided China's population in two: those having rural *hukou* and those with urban *hukou*. One's *hukou* determined not only where one could live, but also what kind of job one could get, what kind of welfare benefits one could receive, where one could go to school, and even one's access to daily necessities such as rice.<sup>7</sup> This system also enabled the state to keep tight control over the public service supply and demand in Chinese society. Meanwhile, class inequality was kept at bay during the Mao era through periodic political campaigns (the most dramatic, of course, being the Cultural Revolution) aimed at stamping out the bourgeoisie.

Beyond the separate urban and rural mechanisms for public service provision, the Maoist state also relied upon several mass organizations to see to the needs of specific social groups the state supported. These included the Communist Youth League (est. 1922), the All China Federation of Trade Unions (est. 1925), the All China Women's Federation (est. 1949), and the Red Cross Society of China,<sup>8</sup> which was meant to help with disaster relief and other social welfare needs. Groups not represented by these "Leninist transmission belts" and who otherwise fell through the cracks in the planned economy were out of luck (for instance the disabled, who did not receive their own national level association until 1983) and put into large state institutions along with the elderly, sick, orphans, the mentally and psychologically impaired and other "non-productive" individuals. Under this highly controlled system, then, the scope of demand and the kinds of welfare supply pre determined by the state and streamlined, thereby ignoring the true diversity of welfare needs within the state.

Unfortunately, we are unable to identify the full breadth of welfare preferences during this era, in part because record keeping was poor at best, and in part because during the Mao years individuals with specific disabilities or illnesses were unable to self organize and advocate for their interests (the state did not allow un-sanctioned social organization to take place).

### ***Transformation of Social Demand during the Reform Era (1978- 2012)***

#### *Role of Political Relaxation*

While the pluralistic nature of social welfare demand is hard to prove during the Mao era due to lack of data and (no doubt) preference falsification, the Reform era starting in 1978 is a different story. Signs of a diversifying society began to appear after Mao's death, when the Chinese state made its transition from totalitarianism into a more relaxed form of authoritarianism. Starting in the early 1980s, China's state- society relationship, underwent a great transformation. Gone was the era of totalitarian domination of the Maoist political system, wherein the state attempted to control all aspects of society right down to individual thought.<sup>9</sup> While China's reformed state system remains an authoritarian one (controlled by one party that has maintained highly hierarchical institutions of control and management and a massive security force to control individuals and groups who might threaten state control), Chinese citizens have been allowed an unprecedented degree of personal freedom during the reform era. Chinese citizens are now relatively free to pursue prospects of great wealth and to enjoy the trappings of a highly diversified market (both as entrepreneurs and as consumers); they can travel and move about with relative ease following the reform of the Hukou system; they can pursue higher education; they can participate in some basic grassroots democracy (at the village and neighbourhood level);<sup>10</sup> they can express outrage at official corruption (provided it is focused on local officials and not at the central leadership);<sup>11</sup> and they can engage in some forms of non-

state organized collective behaviour such as forming and joining social organizations, attending protests and rock concerts.<sup>12</sup>

This era of increased political relaxation (with a notable crack down following the 1989 events in Tiananmen) has allowed for a greater freedom expression—including expression of welfare preferences—than during the Mao era.

### *Role of Economic Liberalization*

Starting in 1978, Deng Xiaoping and other more liberal leaders in the CCP also unleashed a series of reforms known as Reform and Opening (*gaige kaifang* or 改革开), which they described as “socialism with Chinese characteristics” or a “socialist market economy.” This shift in economic policy, in turn, had a significant impact on the structure of Chinese society. I provide an overview of some of these impacts below.

### *Stratification of Socio-economic Class*

Along with economic liberalization Chinese society has stratified, creating economic winners and losers with more diverse welfare needs. Between 1978 and 2012, Gross Domestic Product (GDP) increased from 362 billion RMB to 51.93 trillion RMB.<sup>13</sup> During this period, per capita GDP also jumped from 379 RMB to 37,350 RMB.<sup>14</sup> At the same time, economic inequality also rose dramatically. In 1978 China’s *Gini* coefficient stood at 0.16 (basically egalitarian), while in 2008 it peaked at 0.49 and stood at 0.47 in 2012,<sup>15</sup> placing China among the more unequal states in the world.

On the ‘winning’ side of the spectrum, economic reform has created individuals with extreme wealth. According to the 2012 Hurun Report,<sup>16</sup> China now has 251 billionaires, 63,000 individuals with assets over RMB 100 million; and more than a million individuals with assets

over RMB 10 million. Economic reforms have also generated a growing middle class. While a tiny middle class existed in 1978,<sup>17</sup> according to a 2013 report by McKinsey & Company, in the year 2000 some 4% of urban households stood in the middle class bracket, and by 2012 that number grew to 68% of urban households.<sup>18</sup>

Economic reform has also generated a large number of ‘losers.’ A range of estimates has been made about unemployment and laid-off workers during this period.<sup>19</sup> According to the China Labour Statistical Yearbooks<sup>20</sup> the unemployment rate grew from 2% in 1987 to 2.5% in 1990, and to 3.1% in 1999. Surveys of Chinese academics and state officials working on labour and employment issues conducted in 2002 find that the estimated unemployment rate in China during the 1990s probably reached 7%.<sup>21</sup> Naughton estimates that in 1993 some 30 million SOE workers, or 38% of the labour force, were laid off nationally, and 50 million urban workers, but that a good portion of these workers were absorbed by private industries so that the unemployment rate remained under 3% in the 1980s and 1990s.<sup>22</sup> Layoffs increased in 1995 and continued through 1999 so that some 7 million workers were laid off annually.<sup>23</sup> Again, official statistics only recorded a percentage of these layoffs, and Naughton estimates that the unemployment rate peaked at 8-10% in 2002.<sup>24</sup> Meanwhile, in the countryside, those categorized as “surplus rural workers” may have reached between 100 to 200 million in 1990, and by 2000 an estimated half of the total rural labour force was out of work.<sup>25</sup>

In addition to the millions of workers affected by the shocks of economic liberalization, a significant proportion of China’s population continues to dwell in poverty. According to World Bank data, some 13 per cent of China’s population lives on less than \$1.25 USD per day.<sup>26</sup> In 2002 the Ministry of Civil Affairs, which is in charge of social assistance, identified some 19.38 million urban poor with per capita income below the locally defined poverty lines. In a 2013

article<sup>27</sup> on the politics of social welfare reform in urban China, Xian Huang offers a convincing new way of categorizing the pluralisation of China's society and resulting diversification of welfare demand. Huang argues that Chinese society has diversified into four distinct groups, each with its own welfare preferences. First, *State Sector Insiders*, consisting of government employees, employees of public institutions, and SOE workers who have vested interests in the social welfare regime that is linked to state employment payroll-tax benefits. Second, *Non-State Sector Insiders*, “prefer autonomy in social welfare provision and support private insurance programs that better cater to their needs in market competition” Third, *State Sector Outsiders* consist of an “older generation of workers who got laid off during the economic transformation and call for fair compensation for their losses.” Fourth, Xian Huang identifies *Non-State Sector Outsiders*—mostly internal rural-to-urban migrants (discussed below) who demand minimum, universal social welfare safety nets.<sup>28</sup>

### *Geographical Inequality and China's Floating Population*

Another consequence of economic liberalization in China which has led to a diversification of welfare needs is the creation of geographical inequality,<sup>29</sup> with most economic development concentrated in the coastal provinces and mega cities such as Shanghai, Beijing, and Shenzhen. Conditions of growing urban/rural and regional inequality, combined with the freeing up of domestic migration policy have indeed led massive numbers of rural people to migrate to cities and coasts in search of better fortunes.<sup>30</sup> In order to facilitate the movement of labour to locations where economic growth called for more workers, the party-state relaxed its internal passport (*hukou*) system at the outset of the reform era. This, in turn, relaxed restrictions on mobility and massive numbers of workers migrated to cities, townships, Special Economic Zones in search of employment. In 1982, it is estimated that 7 million people had migrated inside

China; in 1990 China's estimated internal migration reached 22 million; and by 2000 it reached 29 million people.<sup>31</sup> The rate of migration further accelerated after China's entry into the WTO, such that in 2011 a total of 252.78 million migrant workers were identified in China.<sup>32</sup> As a result, by the year 2011, for the first time in Chinese history, more people live in urban areas than in the country,<sup>33</sup> and some estimates say that Chinese cities face an influx of another 243 million migrants by the year 2025 (in medium and large cities, this means that nearly half the population will be migrants).<sup>34</sup>

While China's internal migrants have been able to send money home to their families, China's mass internal migration has rent families and communities asunder, breaking down traditional, family-based welfare provision and leaving many villages populated with only small children and the elderly. Those left behind in the villages are in need of new welfare systems to compensate for the demise of the traditional family unit.

At the same time, those who move to the cities in search of work find themselves largely without any kind of safety net. Despite the fact that millions of rural people have relocated to urban areas in the first two decades of reforms, local governments have not been required to provide public services for these non-resident workers because they do not have the requisite *hukou*. While the *hukou* system has been relaxed enough to allow labor mobility, it has continued to anchor welfare privileges and access to the place of one's registration. The vast majority China's migrants toiling in urban economic centers lack an urban *hukou*, which makes them unable to receive the social benefits given to those with urban resident status. Migrants who lack the right *hukou* for living in their city of employment receive no access to health care, education, or other social security resources and often work in dangerous, dirty, low-paid jobs provinces away from

their family security nets. Thus, China's migrants are often called the floating population (*liudong renkou* or 流动人口).<sup>35</sup>

China's floating population has come to constitute a significant social policy crisis for China's leadership. With hundreds of millions of migrants separated from the security net of their families and no access to public services (or lucky enough to have their families with them, but who also lack access to school, healthcare, etc.), there exists clear pressure to extend urban social welfare privileges. However, conditions of rapid urbanization and overpopulation have put increasing pressure on urban transportation systems, social services, healthcare provision systems, education systems, and eldercare systems. China's cities are struggling to provide services for residents with urban *hukou*, let alone those who are not registered under their jurisdiction. Many local governments have tried to stave off the flow of demand for these services by enforcing the use of the *hukou* system, denying rural immigrants who lack urban *hukou* the right to use these urban services. But the floating population continues to grow, as does their demand for labor protection and other social safety nets. As Kam Wing Chan writes "the seriously disadvantaged condition of this latter group was intensified by the 2008–09 global financial crisis, in which some 23 million rural migrant workers lost their jobs as a result of the drop in demand for China's exports."<sup>36</sup> This, combined with demands for severance pay and wage arrears, led to massive and violent protests in the Pearl River Delta in 2008. As a result, Chinese scholars and policy makers began discussing the rise of "a new generation of peasant-workers" with rising class consciousness.<sup>37</sup> Then again, in 2010 a series of worker suicides and labor protests in Guangdong province led to a firestorm of domestic and international media criticism of China's labor policy (and lack of implementation), and demonstrated the power of social media.<sup>38</sup>

Since the mid 2000s, economists have also been speculating that China has reached (or is near reaching) the so-called “Lewis Turning Point,” or the point where it is running out of cheap labor.<sup>39</sup> According to economists and labor experts, this usually means increased bargaining power for workers. And, as Alexandra Harney points out, China’s new-generation of workers is increasingly much more aware of their rights, much better educated than the generation before, and more willing to make demands for better pay, better conditions, and access to more opportunities for themselves and their families.<sup>40</sup>

### *Formation of New Communities & Identities*

China’s era of Reform and Opening has also allowed for the *formation of new communities and shared identities* that also impact the diversifying demand for social services. Enabled by newfound freedom of mobility and digital technology,<sup>41</sup> coalitions, advocacy groups, and social organizations are able to form and to champion their issue-specific demands. A few of these include LGBT communities and activists, citizens who share disabilities or illnesses in common or who have been sickened by pollution, groups concerned about labor and migrant rights. These groups are learning to become effective advocates for social/ legal recognition and for better access to/ improvement of social services. For instance, in recent years advocacy for disability rights and services in China’s higher education systems succeeded in pressuring the Ministry of Education to issue national regulations guaranteeing people with visual impairments could use Braille and electronic paper in national school entrance exams.<sup>42</sup>

### *Rise in “Modern” Health problems*

Another factor driving the transformation of public demand for service provision (this time, for health care) is the rise in “modern” health problems, including pollution-related illnesses, obesity, diabetes, and heart disease. First, environmental pollution linked to rapid

economic development has driven surges in health problems. According to former Minister of Health Zhu Chen,<sup>43</sup> air pollution is killing between 350,000 and 500,000 Chinese citizens per year, and making many more suffer from asthma and other pollution-related respiratory illnesses. This trend has resulted in an increasing demand for medical services. For instance, one doctor in Guangdong has tracked the number of outpatients visiting his health clinic, finding a 10% increase in hospital visits on smoggy days. Water pollution is also causing a large-scale health crisis. According to research by China's Ministry of Environmental Protection and the Chinese Academy of Engineering in 2011, over 90% of the groundwater in Chinese cities was polluted. Of 118 major cities, 64 had seriously contaminated groundwater supplies. According to Greenpeace East Asia, 320 million people are without access to clean drinking water in China and 190 million people are drinking water severely contaminated with hazardous chemicals. Waterborne diseases and outbreaks are common (especially in rural areas), and the Chinese Ministry of Health admits that there has been an 80% increase in mortality from Cancer in the last 30 years—much of this rise is thought to be due to environmental pollutants.<sup>44</sup>

A second driver behind the increase in China's health problems is the adoption of 'modern' eating regimens and lifestyles. In recent years, China's media has reported a growing problem of obesity within China's population. For instance, one media report wrote as follows: "As early as 2002, statistics showed that China had 200 million overweight people, 60 million of whom were obese. The Chinese Center for Disease Control and Prevention said that from 1992 to 2002, China's overweight rate went up by nearly 40 percent and its obesity rate almost doubled."<sup>45</sup> Likewise, in their recent book *Fat China*, French and Crabbe describe China's surging rate of obesity as "a ticking bomb" underneath the country's future economic growth and public healthcare system. They tell us that in 2003 alone, Chinese overweight and obese adults

directly cost the country 21.1 billion yuan (US\$3.3 billion) through the means of hypertension, diabetes, coronary heart disease and strokes. The *New England Journal of Medicine* reported in 2010 that there were already 92 million diabetic patients and a further 150 million prediabetics in China. By comparison, the United States has almost 27 million diabetic patients.

These disconcerting public health trends are putting a great deal of pressure on China's health systems to improve public access and to provide greater specialization and professionalization in healthcare services.

### ***Other drivers of changing social demand***

Factors not accounted for by the RCI approach, but which have significantly impacted the scale and scope of welfare demand include the exogenous impacts of demographic transition and natural and manmade disasters.

#### ***The Ageing Population and the Breakdown of Traditional Eldercare Systems.***

China is facing a looming 'population bomb' or 'demographic tsunami.' By 2050, China's median age will approach 50, so that one out of every 4 Chinese will be 65 or older.<sup>46</sup> In order to curb this overpopulation problem, China's leadership has been enforcing harsh population control measures under the infamous One-Child Policy.

While the One-Child Policy has arguably been successful at slowing population growth, it has yielded several unintended social consequences. In the cities, where the one-child policy has most restricted childbearing, the so-called "4-2-1" family structure is emerging, wherein single children are now chafing under the burden of caring for two parents and four grandparents. Recent projections indicate that the old age dependency ratio (the number of people ages 65 or older per 100 working-age people aged 20-64) will grow from 13 dependents per hundred in 2010 to 45 per hundred by 2050.<sup>47</sup> The Ministry of Civil Affairs estimates 36

million seniors nationwide are disabled or partially disabled, which means their health needs require special attention.<sup>48</sup> According to the *Economic Observer*, China's aging population has created a market demand for 10 million senior caregivers, but currently has only an estimated 300,000 (and only one third of these have obtained any relevant professional qualifications).<sup>49</sup>

## II. The Rise of Social Unrest

### *Mass Incidents & Violence*

Along with social stratification and pluralisation, the reform era has generated increasing social unrest, instability, and citizen demands for rights protection. First, “mass incidents” (群体性事件) focused on multiple issues have been on the rise in China (with a brief hiatus between the post-Tiananmen crackdown 1989 and 1993 when state policy toward social activism relaxed again). In 1993 some 8,700 mass incidents were reported. In 2003 some 58,000 protests were staged by 3 million people. In 2005 officials recorded some 87,000 incidents, and by 2010 around 180,000 incidents were reported.<sup>50</sup> These mass events have focused on health and economic impacts of environmental pollution, NIMBY-type protests against polluting factories, corruption among local officials, and land takings. In 2003, 46.9% of the protesters, or 1.66 million people, were laid-off and retired workers.<sup>51</sup> Second, alongside mass incidents, smaller groups of Chinese citizens are also using forceful (and sometimes violent) measures to make their demands known. For instance, according to the state-owned China Daily newspaper, more than 17,000 violent incidents against doctors in more than 70% of hospitals were reported in China in 2010.<sup>52</sup> Some of these attacks resulted from grief over passing of a loved one, but many have to do with the high costs, poor quality, or negligence on the part of staff members.

### *Rightful Resistance*

While mass incidents tend to occur in situations where public grievances are suppressed and/or not redressed through legal channels, another forms of more state-legitimized social protest is also on the rise in reform era China. In their seminal book on the topic, O'Brien and Li identified the rise of rightful resistance in China. They define rightful resistance as:

A form of popular contention that operates at the boundary of authorized channels, employs the rhetoric and commitments of the powerful to curb the exercise of power, hinges on locating and exploiting divisions within the state, and relies on mobilizing support from the wider public. In particular, rightful resistance entails the innovative use of laws, policies, and other officially promote values to defy disloyal political and economic elites; it is a kind of partially sanctioned protest that uses influential allies and recognized principles to apply pressure on those in power.<sup>53</sup>

One of the more traditional channels by which citizens demand their rights is the petition system. The number of citizens seeking redress to grievances via the petition system has been on the rise during the reform era. A recent study by Xi Chen reveals that the number of participants in collective petitioning Hunan Province in the year 2000 was 13.5 times that in 1991, while the number increased by 4.16 in Henan during the same period.<sup>54</sup> Xi Chen also identified the root causes of these collective petitions as follows: Worker's Welfare and SOE restructuring accounted for 33.8% of the cases; societal disputes<sup>55</sup> accounted for 20.6 %; disputes over land expropriation, house demolition and organized migration accounted for 11.6% of the total cases; urban affairs management<sup>56</sup> for 7.8%; cases protesting peasant burdens and biased village elections accounted for 7.3%; and regarding jobs and job placements 3.2%.<sup>57</sup>

More Chinese citizens are also becoming aware of laws and policies that protect their rights, and they are learning how to demand these rights when they are ignored or violated. A recent report from the China Development Brief outlines the wide scope of issues for which

Chinese citizens have taken to the streets to advocate for their legal rights.<sup>58</sup> For instance, the report argues in the areas of environmental rights, the Xiamen PX Incident of 2007, as well as the Shifang and Qidong protests of 2012 “highlight the transformation of residents to citizens, and their awareness of, and ability to undertake, collective action to safeguard their own public interests (p. 14).” It also cites the Campaign for Equal Education Rights of 2012, during which hundreds of volunteers collecting signatures across 20 locations in Beijing, and then the submitted a “Proposal for Non-resident Migrant Children to Take the Local College Entrance Examination,” leading the National People’s Congress and Chinese People’s Consultative Congress to discuss policy reform surrounding non-resident college exam access (p. 14-15). Still other examples include the nationwide antidiscrimination movement by Hepatitis-B carriers that has been gaining momentum since 2003;<sup>59</sup> the growing prevalence of labor protests; HIV/AIDS activism; consumer rights activism; ethnic-rights activism, and so on.

### *Rise of Organized Contention/ Demand Making*

An increasing number of Social Organizations representing a wide range of issue areas are also providing legal training and services to Chinese citizens. Some examples of these organizations include the Center for Legal Assistance to Pollution Victims,<sup>60</sup> which has performed numerous environmental rights trainings to citizens around China, and also provided legal counsel for lawsuits by pollution victims. Another is Yirenping,<sup>61</sup> a SO working out of Beijing whose legal staff tirelessly travels the country teaching people about their legal rights regarding disability services; providing legal counsel to disabled or ill citizens in civil action suits; and working to gather signatures for petitions to change state policy. Yet another is the Beijing Zhongze Women’s Legal Consulting Service Center.<sup>62</sup> These organizations have waged public action lawsuits and organized other forms of collective action for groups (sometimes

successfully, and always at great risk) to make their rights-based demands known. Finally, a number of support networks for NGO advocacy are forming. For instance, the Global Call for Action Against Poverty (China) promotes advocacy awareness among anti-poverty NGOs, while Yiyuangongshe<sup>63</sup> and the Dongjen Human Rights Education Center<sup>64</sup> hold anti-discrimination workshops for NGO advocates.

Another driver behind the increased capacity of citizens to organize is the rise of social media activism in China. As access to digital technology spreads, Chinese citizens and social organizations are using digital media as a mobilizing resource and as a platform for expressing their preferences. Guobin Yang, for instance, has documented how citizens and social organizations around China are using the internet as a mobilizing resource for new identities and rights-based collective actions. Yang's 2009 book shows how individuals and groups utilize the internet to quickly and effectively gather collective petitions, to vocalize preferences and outrage, to organize mass protests, and to pressure the state and other organizations.<sup>65</sup>

### *Role of Crises in Stimulating Societal Demands*

Recently scholars have also been writing about the impact of natural and manmade disasters in the transformation of social demand for state responsiveness—particularly after the SARS outbreak in 2002 Sichuan earthquake of 2008. For instance, Jonathan Schwartz locates a clear shift in China's health policy after the SARS epidemic of 2002. He writes

In the period leading to the outbreak of the SARS epidemic, China's public health system was both weak and in decline. The Ministry of Health lacked influence, the CDC system had only just been established, the majority of China's citizenry had little or no health coverage, and the government was in the process of slashing financial support for infectious disease facilities. However, as China had yet to face a public health crisis in the reform era, there was little sense of urgency in government or within the public. Indeed, little urgency regarding China's epidemic prevention and control capacity was expressed at any level of government. Thus, the government's capacity to respond effectively to an infectious disease outbreak was poor and untested. The SARS outbreak

was a crisis that focused the spotlight on China's capacity to address the potential spread of a deadly infectious disease.<sup>66</sup>

Schwartz further argues that, a result of the SARS crisis and subsequent public outrage, China reformed and empowered its Ministry of Health and Center for Disease Control, and created new "relief aid" resources to offset such crises.

The ability of the state to respond in a timely and effective fashion is now witnessed by Chinese citizens in real time via social media, with clear impacts on perceptions by citizens about the state's legitimacy. In the aftermath of the 2008 earthquake, for instance, the party-state's public image took a nosedive as aggrieved parents who lost their children in the rubble of the poorly-built "tofu dregs schools" accused local state officials of corruption and demanded compensation from the party-state.<sup>67</sup> When another destructive earthquake took place in Lushan in 2013, messages by local bloggers and social media users spread throughout China like wildfire, gaining hundreds of thousands of views within hours of being sent.<sup>68</sup> In spite of the party-state's attempts to control the content of such messages, netizens are often able to get around the censors and deliver criticisms of the state's responsiveness. China's leaders are nervous about the impact such criticism might have on party legitimacy, and therefore are trying to build a strong and coordinated disaster relief framework.

However, the scope, scale, and frequency of these crises seems to be on the rise as China's rapid industrialization takes its toll on the environment and the impacts of global warming are becoming more apparent.<sup>69</sup> In recent years China has been hit by a series of massive floods, droughts, and other disasters, leaving millions of citizens in need of relief assistance. In the spring of 2008, for instance, twenty days of torrential rains in South and East China led to landslides and flooding that affected 15 provinces. Scores of people were killed and some 1.5 million people evacuated.<sup>70</sup> In March, 2010 a massive draught left some 51 million

people in China with water shortages or no water at all, and further precipitated economic crisis for million of farmers as well as food shortages and steep rises in food prices in the afflicted regions.<sup>71</sup>

The anticipated increase in these large-scale disasters unleashed by global warming and other man-made crises, paired with the growing power of social media, has also unleashed new pressures for China's leaders to come up with new, more effective ways to provide Social Relief.

### **III. China's Leaders React to Changing Social Demand**

It is clear that China's leaders have watched the social developments described above with anxiety, but the party line is that these developments are natural outgrowths of China's current phase of economic development. China's foray into "capitalism with Chinese characteristics," as Deng Xiaoping was known to call China's current economic course, had led to the development of new "social contradictions" among the people.

#### *Resolving Social Contradictions*

The concept of "social contradictions" dates back to the early theoretical musings of Marx, but is also firmly grounded in the CCP lexicon. The concept has and has played a prominent role in Chinese political thought since Mao's famous speech *On the Correct Handling Of Contradictions among the People* in 1957. In it, he proclaimed:

There have always been contradictions among the people, but they are different in content in each period of the revolution and in the period of building socialism. In the conditions prevailing in China today, the contradictions among the people comprise the contradictions within the working class, the contradictions within the peasantry, the contradictions within the intelligentsia, the contradictions between the working class and the peasantry, the contradictions between the workers and peasants on the one hand and the intellectuals on the other, the contradictions between the working class and other sections of the working people on the one hand and the national bourgeoisie on the other, the contradictions within the national bourgeoisie, and so on. Our People's Government is one that genuinely represents the people's interests, it is a government that serves the people. Nevertheless, there are still certain contradictions between this government and the people. These include

the contradictions between the interests of the state and the interests of the collective on the one hand and the interests of the individual on the other, between democracy and centralism, between the leadership and the led, and the contradictions arising from the bureaucratic style of work of some of the state personnel in their relations with the masses. All these are also contradictions among the people. Generally speaking, the fundamental identity of the people's interests underlies the contradictions among the people.<sup>72</sup>

From this Marxist perspective, social contradictions (as perhaps all other social outcomes) are a direct outcome of tectonic forces within the economic superstructure and class interests therein.

The rise in social tensions that have led to tens of thousands of protests and other collective actions around China each year is interpreted by China's leadership as the evidence of these social contradictions. Current social contradictions are seen to be outgrowths of China's economic liberalization process, which has led to new kinds of haves and have-nots and heightened tensions between them. Ma Yili's quote at the head of this chapter expresses this interpretation quite well. It is also clear from my interviews with politicians in cities around China in 2012 that many of China's local leaders view the diversification of social demand through this lens. Each interviewee made similar claims that economic reforms were leading to an upsurge in social contradictions, and that these contradictions were pushing them into a "new stage of social development" that required new adjustments on the part of China's political system.

It is this logic that has led China's leadership to initiate a shift in social policy. A few examples: first, In 2003, Hu Jintao announced China was now in a strategically important developmental phase where social contradictions are magnified and many problems still exist in the field of social management. As we shall see in the following chapters, several of the social management experiments that would coalesce into China's New Governance Policy would be initiated the following year. Second, following the large scale Wukan protests in 2011, Guangdong's then Provincial Party Secretary Wang Yang is quoted as admitting the unrest was connected to "cumulative contradictions due to long-term negligence during the process of

economic and social development."<sup>73</sup> Wang Yang has been touted as one of the great champions of improving state responsiveness to social needs. Yet again, In 2012, the Central Party School journal *Study Times* also published an article titled ““How to Resolve Social Contradictions”, which both advocated the party’s continued leadership role and a “people-oriented approach to governance” to better deal with the tensions among the citizenry have become “more diverse and multifaceted.”<sup>74</sup> A *Xinhua* op-ed piece posted the same day specifically cited the reason behind heightened national attention on improving Social Management as “accelerated diversification of citizens’ interests” – a challenge that is “unprecedented” for China.<sup>75</sup>

### *Harmonious Society*

The leadership’s unease about the growing social unrest has manifested itself in a new guiding ideology (which would, in turn, provide ideological support for the new direction in social policy). At the 6<sup>th</sup> Plenum of the 16<sup>th</sup> CCP Central Committee in 2006 the top leadership announced a new ideological framework for China: the creation of a Harmonious Socialist Society (*hexie shehui* 和谐社会). This plan was outlined in the *Decisions of the CPC Central Committee on Some Major Issues Concerning Building Socialist Harmonious Society*,<sup>76</sup> which declared that the party-state’s new objective is to increase government investment in and fiscal reallocation for the strengthening of social services, health services, and education to rural areas, to the central and western regions, to remote, mountainous, and ethnic minority inhabited regions, to the beleaguered rust belt. The 2006 *Decisions* furthermore prioritized the creation of an improved, better-coordinated national public service system and a corresponding financial system to support public service provision.

Fast forward to Hu Jintao’s famous Social Management Innovation speech in 2011. Then President Hu specifically evoked the need to better manage social contradictions as a pathway to

promoting the Harmonious Society, and initiated a Social Management Innovation program at the national level (as discussed in Chapters Six and Nine.)

As the reader will already have intuited, my interpretation of the Harmonious Society is that it is a code word for “stabilizing society so that the CCP can stay in power,” a recognition that social forces need to be placated or otherwise brought into line in order to ensure the long term sustainability of the current regime. This interpretation is shared by other scholars, including Warner and Rowley, who write:

The authors hypothesize that this search for ‘harmony,’ built on Chinese cultural values, blending Confucianism with Marxism-Leninism, represents what amounts to what we may conceptualize as a ‘coping-mechanism’ to deal with the existing and potential conflicts now facing Chinese Society.<sup>77</sup>

## **Conclusion**

This chapter began by providing evidence of the ways in which the preferences for public goods provision among Chinese citizens has both grown and diversified over the last three decades. Along with the loosening of state control over society, the outward expression of a more diverse set of societal demand preferences than we saw during the Mao era has indeed manifested during the reform era. The chapter also demonstrated the rise in collective action—both state sanctioned and not—in which citizens are actively making their demands and preferences known to the state. The rise in rights-based consciousness combined with new opportunity structures for making demands (digital media, semi-legitimation of social networks) have enabled these collective expressions of demands and criticisms when the state fails to provide the protections and services it has promised.

While it is difficult to say whether pluralisation is more an outcome of political relaxation, economic reforms or demographic changes, most Chinese officials claim it is

economic liberalization that has driven to increased diversity and “contradictions” among the people. It is the rise of these “contradictions” and social tensions, that has led the party-state to initiated social policy reforms. The impetus for social policy reform, I argue, is the desire of China’s leadership’s to stabilize society and thereby ensure its own ability to stay in power.

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## NOTES

<sup>1</sup> Ma Yili was the head of the Shanghai Bureau of Civil Affairs until 2013. She has been a major player in the social construction and social management reforms in Shanghai, and a leading voice nation wide. Wang Ming, “Innovations in Social Management from Shanghai: An Interview with Ma Yili,” in *China Non Profit Review* 9 (*zhongguo feiyingli pinglun* 9) no.1 (2012).

<sup>2</sup> See Xian Huang, “The Politics of Social Welfare Reform in Urban China: Social Welfare Preferences and Reform Policies,” *Journal of Chinese Political Science* (2013): 64.

<sup>3</sup> See, for instance, S.M. Brooks, *Social protection and the market in Latin America: The transformation of social security institutions*, (Cambridge: Cambridge University Press, 2009); L.J. Cook, *Postcommunist welfare states: Reform politics in Russia and Eastern Europe*. (Ithaca: Cornell University Press, 2007); S. Haggard, and R.R. Kaufman, *Development, democracy, and welfare states: Latin America, East Asia, and Eastern Europe* (Princeton: Princeton University Press, 2008); K.G. Weyland, *Bounded rationality and policy diffusion: Social sector reform in Latin America*, (Princeton, N.J: Princeton University Press, 2006); Joseph Wong, *Health Democracies: Welfare Politics in Taiwan and South Korea*, (Ithaca: Cornell University Press, 2004); and Huang, “The Politics of Social Welfare Reform in Urban China.”

<sup>4</sup> See, for instance, Ka Ho Mok and Genghua Huang, “Resident Evaluation and Expectation of Social Services in Guangzhou” *Journal of Current Chinese Affairs* 42 no. 3 (2013): 7-28. <http://journals.sub.uni-hamburg.de/giga/jcca/article/view/667/665> last accessed 11/22/14; and Huang, “The Politics of Social Welfare Reform in Urban China.”

<sup>5</sup> This is not to say that all work units and communes provided adequate support on these fronts--while some units and communes were well off, others were not (and therefore not able to provide basic public goods). Also, it is important to note that some communes were actually allowed to go bankrupt during the Mao era--when targeted by political campaigns.

<sup>6</sup> World Bank Group Gini Index Measurements: <http://data.worldbank.org/indicator/SI.POV.GINI>; Also see ADB Institute Report, *Emerging Income Inequalities in China* at: <http://www.adbi.org/conf-seminar-papers/2003/09/29/303.income.distribution.latinamerica/emerging.income.inequalities.in.china/> Last accessed 11/23/14 for more discussion of emerging inequalities in China.

<sup>7</sup> Kam Wing Chan has written extensively on this topic. See, for instance, Kam Wing Chan, *Cities with Invisible Walls: Reinterpreting Urbanization in Post-1949 China*, (Oxford University Press, 1994); Kam Wing Chan and Li Zhang, "The Hukou System and Rural-urban Migration: Processes and Changes," *The China Quarterly* 160 no.1 (1999): 818-855; Kam

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- Wing Chan, "The Chinese *Hukou* System at 50," *Eurasian Geography and Economics* 50 no. 2 (2009):197-221.
- <sup>8</sup> While the Chinese Red Cross dates back to 1904, the organization was forced out of China along with the Republic of China in 1949, and was re-established in the mainland under the control of the CCP in 1950. At that time it was renamed the "Red Cross Society of China." see <http://web.archive.org/web/20071114104113/http://www.ifrc.org/docs/profiles/cnprofile.pdf>
- <sup>9</sup> Thanks to David Bachman for pointing out: unless you were a woman in child bearing years and thus subject to the strong control of the One Child Policy.
- <sup>10</sup> Suzanne Ogden, *Inklings of democracy in China*, (Cambridge, MA: Harvard University Asia Center, 2002).
- <sup>11</sup> See United States, "Village elections in China: Roundtable before the Congressional-Executive Commission on China, 107<sup>th</sup> Cong. 2<sup>nd</sup> Sess., July 8, 2002; Q. Tan, *Village elections in China: Democratizing the countryside*, (New York: Edwin Mellen Press, 2006).
- <sup>12</sup> Of course, these freedoms are not distributed equally— China's ethnic minorities, many religious groups, pro-labor groups, etc. are not granted these rights. See Chapter 9 for discussion of selective liberalization.
- <sup>13</sup> China Daily.com.cn, "China's GDP Growth Eases to 7.8% in 2012" *China Daily*, January 18, 2013, [http://www.chinadaily.com.cn/bizchina/2013-01/18/content\\_16137028.htm](http://www.chinadaily.com.cn/bizchina/2013-01/18/content_16137028.htm) Accessed 9/9/14.
- <sup>14</sup> The equivalent of USD \$6,093 in 2012. See The World Bank Group *GDP per capita (Current US\$)* at <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD> Last accessed 11/22/14.
- <sup>15</sup> Jintang Ma, head of China's National Bureau of Statistics, cited in Kevin Yao and Aileen Wan, "China Lets Gini out of the Bottle; Wide Wealth Gap." *Reuters*. January 18, 2013. <http://www.reuters.com/article/2013/01/18/us-china-economy-income-gap-idUSBRE90H06L20130118> last accessed 11/23/14.
- <sup>16</sup> *The Chinese Millionaire Wealth Report 2012*. Group M, Hurun Report, 2012, <http://img.hurun.net/hmec/2012-08-02/201208021120412790.pdf> last accessed 11/13/2014.
- <sup>17</sup> This mostly consisted of university professors and mid- or upper-level government officials and factory managers.
- <sup>18</sup> Dominic Barton, Yougang Chen, and Amy Jin, "Mapping China's Middle Class: Generational Change and the Rising Prosperity of Inland Cities will Power Consumption for Years to Come" *Mckinsey Quarterly* (June, 2013). [http://www.mckinsey.com/insights/consumer\\_and\\_retail/mapping\\_chinas\\_middle\\_class](http://www.mckinsey.com/insights/consumer_and_retail/mapping_chinas_middle_class) last accessed 11/23/2014. They define middle class according to the following: Annual disposable income per urban household. According to this study, the upper middle class makes 106,000 to 229,000 RMB (\$16,000 to \$34,000 USD); the mass middle class makes between 60,000 and 106,000 RMB (\$9,000 to \$16,000), and the poor make less than 60,000 RMB (less than \$9,000 USD).
- <sup>19</sup> Coming up with any reliable estimate on the size of urban unemployment in the 1980s and 1990s may be impossible given the opaqueness of the labels involved and the questionable methods of counting unemployed people in China. For instance, the word 'unemployment' did not reach official legal usage until it was adopted by the 1994 Labour Law, at which time it only applied to 'people who are registered as permanent residents in the urban areas engaged in non-agricultural activities, aged between 16-50 for males and 16-45 for females, capable of labour, unemployed but desirous to be employed and have been registered at the local

- employment agencies to apply for a job.” National Bureau of Statistics. *China Statistical Yearbook 2000 (zhongguo tongji nianjian)* (Beijing: China Statistics Press, 2000): 163.
- <sup>20</sup> National Bureau of Statistics, *China Labour Statistical Yearbook 2005 (zhongguo fangdong tongji nianjian)* (Beijing, China Statistics Press, 2005): 157.
- <sup>21</sup> R. Mo Cited in Chan, Ngok, and Phillips, *Social policy in China*, 166.
- <sup>22</sup> Barry Naughton, *The Chinese economy: transitions and growth* (Cambridge, Mass: MIT Press, 2007):184.
- <sup>23</sup> Naughton, *The Chinese economy*, 186.
- <sup>24</sup> Naughton, *The Chinese economy*, 198.
- <sup>25</sup> J.P.Gu, *A Study of the changes of unemployment and employment in China*, (Beijing, China Agricultural Press, 2003).
- <sup>26</sup> The World Bank *World Data Bank Poverty and Inequality Database*.  
<http://databank.worldbank.org/data/home.aspx> last accessed 11/23/14
- <sup>27</sup> Xian Huang, “The Politics of Social Welfare Reform in Urban China: Social Welfare Preferences and Reform Policies: *Journal of Chinese Political Science* 18 (2003): 61-85.
- <sup>28</sup> Huang, *The Politics of Social Welfare Reform*, 64-66.
- <sup>29</sup> Regional disparities were so great that in 1990 Wang and Hu proclaimed “Measured by such human development indicators as education, life expectancy, and infant mortality, the difference between China’s most developed and least-developed provinces is comparable to that between the Western industrial countries and the poorest countries in the world.” Shaoguang Wang and Angang Hu, *The political economy of uneven development: the case of China*, (Armonk, N.Y.: M.E. Sharpe, 1999) 200.
- <sup>30</sup> Much has been written on this topic. See, for instance, Susan L. Shirk, *The political logic of economic reform in China*, (Berkeley: University of California Press, 1993); Fan and Sun, “Regional Inequality in China, 1978-2006” in *Eurasian Geography and Economics* 49 no. 1 (2008): 1–20. Kam Wing Chan has also written prolifically on this topic.
- <sup>31</sup> Naughton, *The Chinese economy*, 130.
- <sup>32</sup> National Bureau of Statistics of China, "Statistical Communique on the 2011 National Economic and Social Development" (2012)  
[http://www.stats.gov.cn/english/NewsEvents/201202/t20120222\\_26575.html](http://www.stats.gov.cn/english/NewsEvents/201202/t20120222_26575.html) last accessed 11/23/2014.
- <sup>33</sup> Bloomberg News, “China’s Urban Population Exceeds Countryside for First time,” January 17, 2012, <http://www.bloomberg.com/news/2012-01-17/china-urban-population-exceeds-rural.html> last accessed 11/23/14.
- <sup>34</sup> Kam Wing Chan, “Crossing the 50 Percent Population Rubicon: Can China Urbanize to Prosperity?” *Eurasian Geography and Economics* 53 no.1 (2012):63-86.
- <sup>35</sup> The Chinese Census defines the floating population as being comprised of individuals who have been living at least six months in a place other than that in which their household is registered.
- <sup>36</sup> Kam Wing Chan, “The Household Registration System and Migrant Labor in China; Notes on a Debate” in *Population and Development Review* 36 no 2 (2010): 361.
- <sup>37</sup> See Anita Chan & Kaxton Siu “Class Consciousness of Migrant Workers in the Chinese Pearl River Delta” *Forum Arbeitswelten* footnote #1 at  
<http://www.forumarbeitswelten.de/themenbereiche/gewerkschaften/class-conciousness-of-migrant-workers-in-the-chinese-pearl-river-delta>

- <sup>38</sup> While most labor experts agree China's workers have not yet been able to link up horizontally in any significant way, social media does allow for some coordination and greater ability to project violations to stir public opinion.
- <sup>39</sup> See Mitali Das & Papa N'Diaye, "The End of Cheap Labor" in *Finance and Development* 50 no. 2 (2013) at <http://www.imf.org/external/pubs/ft/fandd/2013/06/das.htm> Last accessed 11/22/14.
- <sup>40</sup> Alexandra Harney, *The China Price: The True Cost of Chinese Competitive Advantage*, (London: Penguin Books, 2009).
- <sup>41</sup> Digital technology has played a big role in the creation of these new communities. It has enabled them meet, network, and mobilize their demands around specific issues. See Guobin Yang, *The Power of the Internet in China: Citizen Activism Online*. (New York: Columbia University Press, 2009).
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## Chapter 5

# Initial Attempts to Rebuild China's Social Policy Systems 1998-2012

### Introduction

Beginning around 1998, the Chinese party-state once again began taking a more active role in the Social Policy Marketplace. The center initiated macro level redistributive programs to combat regional poverty, and undertook reforms of social welfare programs aimed at strengthening state support. These initial attempts met with some success, but in the process of rebuilding these structures the party-state discovered several trenchant and persistent problems that undermined the efficacy of China's social policy framework.

This Chapter details these initial attempts to rebuild China's welfare system by looking at several cases: in the area of Social Insurance, this chapter looks at labor welfare and pension programs; in the area of Social Services the chapter looks at healthcare, education, and the rise of eldercare; and in the area of Social Relief, attempts to strengthen poverty relief will be examined.

In spite of these efforts, several trenchant problems continued to face China's social policy framework into the 2000s:

- *Fiscal shortfalls & regional disparities.* The primary responsibility for service provision continues to rest on the shoulders of local governments, but they were now cut off from many revenue sources and forced to come up with creative means to carry out unfunded mandates. Fiscal shortfalls have been especially prevalent in poorer regions and cities.
- *Many minority groups and marginalized populations continue to fall outside the purview of the official social policy framework.* China's state-dominated Social Policy Marketplace has not sufficiently responded to diversifying social policy needs or preferences.
- *Lack of supply; lack of quality services.* Not only is demand for many social services outstrip supply, but, across the issue areas assessed above, China lacks quality facilities, equipment, and trained personnel.

- *Continuation of state bureaucratic bloat and fragmentation.* Many Chinese leaders have acknowledged that this stifles efficiency, responsiveness, and effectiveness of China's Social Policy Marketplace.

These would provide compelling reasons for China's leaders to look for solutions, which would eventually lead them to undertake the experiments that culminated in the New Governance framework (as discussed in Chapter Six).

## **The State Steps In**

### ***Equalizing Transfers to Address Regional Poverty***

Beginning in 1999, the Chinese leadership initiated a large-scale program to combat poverty. The "Develop the West" (*xibu da kaifa* 西部大开发) was launched in 1999 and the "Revive the Northeast" program in 2004. The Develop the West Program was meant to reassert state intervention in the redistribution of regional wealth through state-led development of infrastructure and channeling of wealth from the rich provinces to the poorer provinces. Some six billion dollars were funneled into this project in 2000, and the program was to span several decades.<sup>1</sup> Meanwhile, the Revive the Northeast Program was aimed at revitalizing the industrial sector in the Mao-era rustbelt of northeast China by attracting FDI.

In spite of these large-scale efforts to combat regional inequality, several negative trends continued to undermine the efforts. First, local governments in poor regions have been all too reliant on the equalizing transfers discussed above, which is an indication that the intergovernmental fiscal system is failing. Christine Wong has written extensively on this topic. She argues this system has "required increasing central government bailouts in response to emerging problems in pension arrears, arrears or defaults on living stipend support for laid-off

workers, problems of financing rural basic education and so on.”<sup>2</sup> Wong provides sound evidence that the costs of these bailouts have been on the increase:

- Central state subsidies for local social security schemes rose from zero to RMB 10 billion in 2000, RMB 34.9 billion in 2001, and RMB 51.2 billion in the 2002 budget.
- Subsidies for living stipends to laid-off workers from SOEs continue to be substantial (she tells us that although hard to count, in 2004 the total living stipends for laid-off workers and their re-employment training was around RMB 86 billion)
- Subsidies to local minimum living stipend schemes rose from zero to RMB 2.3 billion in 2001, RMB 4.6 billion in 2002, and RMB 17.7 billion by 2004.<sup>3</sup>

Second, income gaps between urban and rural areas as well as across different regions of the country continued to widen during this period. In 1990, the income ratio between China’s urban and rural residents was 2.2 to 1 (RMB 1510.2 vs. RMB 686.3), while in 2007 it had grown to 3.33 to 1 (RMB 13,786 vs. RMB 4,140). In 2007, the per capita income of the officially designated poor counties was RMB 2,278, or 55 percent of the national rural average and only 16 percent of the urban average.<sup>4</sup>

## ***Rebuilding Social Insurance***

### *Expanded Protection for Labor*

Between 1998 and 2005, the Central Government responded to the unemployment problem by creating several new policies on social security, re-employment, and in aid of laid-off workers.<sup>5</sup> The first policy was to stimulate job growth through macro-economic means (including fiscal policy, stable monetary policy, and employment-oriented industrial policy that emphasized labour-intensive industrial growth). The second part was to create an ‘employment service policy.’ Here the state allowed the establishment of grassroots employment service networks and internet-based job-finding sites. Unemployed and laid-off persons who registered at these Re-employment Service Centres (RSCs) qualified for MSLS (see social security section

below), which was created in 1998. These RSCs also contributed to laid-off workers' social insurance premiums (such as pensions and health insurance) and paid the cost of medical treatment for workers on leave.<sup>6</sup> The third part of reform was revitalizing the social security system for the unemployed, creating a basic living allowance for laid-off workers, and creating an MSLS system (see social security section) for the urban poor.<sup>7</sup> Thanks to this system, by 2005 3.6 million unemployed workers received unemployment benefits and another 100 million employees were covered.<sup>8</sup> Meanwhile, RSCs and other labour support organizations helped 4.4 million laid-off workers find re-employment in 2003 alone.<sup>9</sup>

To support this new policy framework, the party-state also undertook some institutional reorganization. In 1998 the State Council spun off a new Ministry of Labour and Social Security to oversee coordination of the new system. The State Council also mandated that the provinces must create a unified management system and contribution rate for social security funds. It also specified that enterprises would no longer collect and pool social security funds, but rather Municipal Social Insurance Bureaus. Subsequently in 1999 they expanded the base from whence contributions would flow. The state now mandated that more urban collectives, joint ventures, private enterprises, and self-employed, and migrant workers pay into the system. Finally, in the year 2000 the SC set up the National Council for Social Security to oversee the long-term strategy for the National Security Fund.<sup>10</sup>

In the early 2000s the party-state also began to create better workplace protections for employed workers. In 2004 the State Council published *Regulations on Insurance for Work-Related Injuries*, which established a social pool system of insurance funds for work related injuries, defined social security benefits, created a labour ability assessment system, addressed work-related injury prevention and occupational rehabilitation.<sup>11</sup>

Of great significance, too was that in 2006 the State Council published *Several Opinions on Solving the Problems of Migrant Rural Workers*, which reclassified migrant workers as belonging to the Chinese industrial working class, and signalled that it would work to equalize the conditions for urban and rural workers. Besides offering floating workers some vocational training and access to RSCs, they were also allowed to start joining trade unions.<sup>12</sup>

### *Reforming the Pension System*

Reforms of the pension system also varied across urban and rural areas, with the more successful reforms occurring in urban areas. In 1997 the SC issued the circular *Decision on establishing a uniform basic insurance system for enterprise employees*, which called for a “social-pool-plus-individual accounts’ scheme; set a unified contribution rate for both employers and employees, and expanded old age protection to all types of enterprises and to the self-employed. In 1998 the SC called for social pooling to take place at the provincial level and urged local authorities to create similar contribution rates for employers across each province. In 2005, individuals were instructed to contribute 8 percent of their wages into individual accounts and enterprises contribute 20 percent of a given worker’s total wages into a pool.<sup>13</sup> Benefits would then consist of a basic pension and an individual account pension, taking into consideration both wages and the accumulated savings in the individual account. Official statistics show that by 2006 a total number of 141.31 million urban employees had participated in the old-age insurance programs, and over 46 million retirees were covered by the schemes.<sup>14</sup>

Reforms of rural pension schemes were undertaken in 1991, with limited success. They guaranteed coverage to all citizens with agricultural *hukou* between the ages of 20 and 59 (and the age at which pensions could be accessed was soon dropped from 60 to 50). Unfortunately, according to Leisering *et al*<sup>15</sup> this scheme encountered substantial resistance from local

governments who did not want to front the starting costs and from farmers who did not find the pensions substantial enough, and was further undermined by commercial insurance companies who gamed the system and the lack of financial incentives to make it work. As a result, the total number of old age insurance participants dropped from 82.8 million to 53.8 million between 1997 and 2004.<sup>16</sup> Another statistic provided by the UNDP's 2008 report shows that between 2002 and 2006, the number of urban old-age pensioners rose from 147.4 million to 187.7 million (increasing 27 percent) while in rural areas the number of participants declined from 54.6 million to 53.7 million.<sup>17</sup>

### ***Improving China's Social Relief System***

#### ***Poverty Relief (Five Guarantees & MSLS)***

Taken from a macro perspective, China has achieved a great deal of success in this area. According to the UNDP's Millennium Development Goals (MDG) report, China reduced the number of people living in poverty in rural areas from 85 million in 1990 to 35.97 million by end of 2009.<sup>18</sup> Between 1990 and 2005 the share of China's rural population living in poverty was reduced from 46 percent in 1990 to 10.4 percent in 2005.<sup>19</sup> China was the first developing country to achieve the MDG poverty reduction target before the proposed deadline. Part of the reason for China's success in reducing absolute poverty is a direct outcome of double-digit economic growth during the reform era. But we must also recognize the role that several tools of social policy have played. First, the party-state has increased public spending on poverty reduction efforts. Between 1978 and 2007 the Central Government increased funding for poverty reduction, earmarking 150 billion *yuan* for a special fund for poverty reduction and 200 billion *yuan* for poverty reduction loans. Second, in 2006 the government updated the Five Guarantees system by creating new rules that clarified who was eligible for coverage, how much

coverage, who would manage and supervise the system, and who was legally responsible. As of 2008 about 5 million rural childless and infirm residents benefited from five-guarantees relief.<sup>20</sup> Third, China created a system to subsidize first its urban and second the rural poor using a Minimum Standard of Living Scheme (MSLS), which shall be the chief focus of this section. The Minimum Standard of Living Scheme targeted households who fell under the ‘three no’s’ category: no dependents, no sources of income, and no ability to work. It came about first by way of experimentation at the local level, and then it was picked up by the central government as an increasingly national level policy.<sup>21</sup>

While MSLS was implemented at the local level,<sup>22</sup> starting in 1999 the Central government began increasing its financial support for the program. Between 2002 and 2006 the central budget funding for the minimum living standard allowance for urban residents increased sharply, from 2.3 billion *Yuan* in 2001 to 11.2 billion *Yuan*. In 2004, the central government provided as much as 60.7 percent of the bill.<sup>23</sup> Adding in funds from local governments, total annual government spending went up from 4.6 billion *Yuan* in 2001 to 24.1 billion *Yuan* in 2006.<sup>24</sup> In urban areas, the number of people benefiting from the minimum living allowance system rose exponentially, from 4 million people in 2000 to over 22.7 million people in 2007. Total government expenditures on this service increased by 22.2 percent in 2007 over the previous year. The average subsidy per person per month reached 182 *Yuan*, a boost of 7.6 percent. The per capita subsidy increased to 102 *Yuan* per month, up 11.5 percent over the previous year.<sup>25</sup> However, Urban and Rural discrepancies continued to exist under the MSLS system. Between 2002 and 2006 the number of people receiving MSLS increased some 40 percent per year, and by 2006 22.4 million urbanites received this form of aid, while some 15.9

million rural residents received it. However, Urban residents received up to 142 per cent more aid per month than did rural residents.<sup>26</sup>

## Improving China's Social Service Sector

### *Rebuilding China's Healthcare System*

Before announcing healthcare reform, the Chinese Government was faced with widespread public discontent stemming from unaffordable access to health care, major financial risks associated with out-of-pocket medical expenses, and growing inequalities in access to health care and health status across regions and populations of different socioeconomic status and between urban and rural areas. In 1998 the Chinese government set forth the *Decision on Establishing a Basic Medical Insurance System for Urban Employees*,<sup>27</sup> promoting a national reform of the basic medical insurance system for urban employees. According to official statistics, by the end of 2003, some 109.02 million people around China had participated in the basic medical insurance program, including 79.75 million employees and 29.27 million retirees.<sup>28</sup> This system did not extend to rural citizens. By 2006, per capita annual health expenditures were 1,145 *Yuan* for Urban residents and only 442.4 *Yuan* per rural resident. Similarly some 60% of total government spending on health went to urban areas, while only 40% went to rural areas.<sup>29</sup> In an effort to correct this problem, the state began to extend basic medical insurance to migrant workers. In 2006 health insurance was extended to 23 million rural migrant workers (an increase of 18.8 million in just one year),<sup>30</sup> and in 2009 the State Council announced it would create a universal healthcare plan to cover 90 percent of its population by 2011, investing some \$123 billion RMB into its creation over two years. Under this plan, each person covered by the system would receive an annual subsidy of 120 RMB starting in 2010; medicine would be covered by the insurance, and the government would begin a system of

producing and distributing necessary drugs. In addition, this new plan aimed to improve health centers in rural and remote areas, to equalize health services between urban and rural areas and to reform the operations of public hospitals.<sup>31</sup> As a result of these efforts, China has narrowed the gap in public health care spending with other developing nations of similar income levels, pouring tens of billions of dollars into government insurance plans and hospital construction. The World Bank estimates that by 2012 more than three in four Chinese were insured. In addition more people are accessing healthcare: according to the World Bank, hospital admissions in rural counties have doubled in five years.<sup>32</sup>

However, several problems continue to plague China's healthcare system. First, even though China is nearing its goal of providing universal health insurance coverage, the actual *amount provided is too small* to keep up with rising healthcare costs. The annual subsidy of 120 RMB provided by the basic health insurance system does not go very far. According to a 2012 McKinsey & Company report on the state of healthcare in China:

One-third of the country's provinces still do not provide universal outpatient coverage in basic medical insurance. Of those that do, the coverage provided is limited—in Shanghai, outpatients are responsible for 30 to 50 percent copayments and a \$240 deductible. Patients' out-of-pocket expenses remain high overall as a result of strict reimbursement caps and low or no reimbursement for expensive drugs. Existing insurance plans are already under pressure as provinces cope with a mismatch between contributors and noncontributors, as well as the demand that a rapidly aging population is placing on medical resources. For example, the Shanghai government capped (at 7 percent) the year-on-year increase in funding for basic medical insurance in 2011 and has limited pharmaceutical spending as a percentage of that funding to 42 percent, down from 45 percent in the previous year. This is particularly striking, since Shanghai is one of the nation's wealthiest cities.<sup>33</sup>

A Second problem facing China's health care system is the *lack of quality facilities*—especially in poor and rural areas. In 2006 there were an average 2.6 medical personnel and 2.5 hospital beds for every 1,000 people in urban areas, and only 1.2 and 0.8 in rural areas, respectively. The

lack of accessibility paired with the low quality of rural healthcare is creating a burden on urban healthcare systems. As McKinsey & Company report:

The largest class-3 hospitals in big cities (about 1,350 institutions in all) tend to have the highest-quality physicians and equipment, as well as the lion's share of patient flows. By contrast, grassroots facilities, such as urban community-health centers and county hospitals, tend to be underdeveloped, poorly funded, and disconnected from larger hospitals. This gap undercuts the strategic goal of broad and effective care. Patients, regardless of the severity of their illnesses, prefer to visit the best hospitals in the largest cities; this causes overcrowding at the big hospitals and underutilization at the grassroots facilities.<sup>34</sup>

A third problem is that the *availability of trained healthcare workers remained low* across much of China. Almost half the nation's doctors have no better than a high school degree, and village doctors only have junior high school degrees.<sup>35</sup> According to a 2011 study at Duke University, among 554 nursing workers in 34 nursing facilities in Changning, Shanghai, only 241 had primary school education while 97 were illiterate.<sup>36</sup> As discussed elsewhere, lack of professional training among China's healthcare workers has fed into a rising incidence of violence against health practitioners: in June 2009, some 20 doctors across the country were killed or severely injured by disgruntled family members of patients. According to survey results published by the China Hospital Management Association, medical-treatment disputes have risen by an average 23% every year since 2002.<sup>37</sup>

### *Education System Reforms*

The party-state began a push to improve the country's education system in 1995.

An Education Law of the PRC passed at the 8<sup>th</sup> National People's Congress reemphasized the importance of education in China. By 2005, the Ministry of Education claimed that 2,774 county jurisdictions accounting for 94% of China's population had educational programs of some kind in place. From 2001-2005 the number of graduates from higher education tripled from one million to more than three million.<sup>38</sup>

However, the bulk of financial support for education was supposed to come from local governments, who, according to the 1995 law, were banned from collecting many informal fees. In many instances this meant that the cost of education was passed down to families. This was especially onerous for rural families: according to a survey of 2,000 farmers nationwide conducted by the Development Research Center of the State Council, the average expenditure by rural families on education gobbled up 30% of their incomes.<sup>39</sup> After a spate of high profile scandals surrounding education, including the suicides of young students whose families could not afford rising educational costs, important changes took place in 2005 that were meant to begin improving rural access to education. In that year the Ministry of Education issued *Some Opinions on Further Promoting the Balanced Development of Compulsory Education*.<sup>40</sup> That year the State Council also approved the *Notice About Further Reforming the Fund Assurance System for Compulsory Education in Rural Areas*<sup>41</sup>, emphasizing the full understanding of the important role balanced development plays in building a harmonious society and stipulating the end to further widening of educational attainment between urban and rural areas, regions and schools. Priority was given to compulsory education within counties. The policy outlined step-by-step implementation measures. It clearly defined the responsibility of authorities at various levels, and the sharing of responsibilities between the central and local governments. It stressed the need for increased financial inputs and enhancements in funding security levels, and outlined the gradual creation of a system to support compulsory education through the proportional provision of central and local funds.

Much of the state's recent education spending has also targeted rural areas. The UNDP 2008 report provides some statistics on this matter:

In 2006, 70 percent of the central Government's new expenditures went there; in total, the national budget allocated 184 billion Yuan for rural compulsory education. In the

same year, free compulsory education reached 52 million primary and middle school students in the western region and parts of the central region of China. In addition, 37.3 million students from poor families received free textbooks, and 7.8 million resident students received cost-of-living subsidies. In the western region, some 200,000 children who had dropped out of school because of poverty returned.” Also in 2006, the state passed legislation exempting all primary and junior middle-school students in rural western China from paying tuition and miscellaneous fees. The central budget earmarked funds to supplement public expenses and establish funding safeguards for the repair and renovation of school buildings. By 2007, the central Government had decided to waive the tuition and miscellaneous fees for rural compulsory education throughout the country, and provide free textbooks and boarding expenses for students from poor rural families. Beginning in spring 2008, the Government decided to waive the tuition and miscellaneous fees.<sup>42</sup>

In spite of increased spending on education, however, several challenges persist:

- *Inequitable Access:* The primary weaknesses of China’s educational system continue to cluster around regional inequality, the urban/rural divide and lack of access for children of migrant workers.
- *Lack of trained teachers:* According to the China Educational Statistical Yearbook of 2006, in rural areas only 53% of primary school teachers and 30% of Junior Middle School teachers in rural areas had higher education backgrounds, compared to 72%/41% in Counties and towns and 99%/97.3% in cities.<sup>43</sup>
- *Insufficient financial base.* The county-based spending system, though better than the township-based one, is unable to undertake sustained major improvements, as the county’s financial capacities usually stretch just far enough to cover payrolls. Although the abolition of the agricultural tax and other fees in 2006 increased the net income of the rural population, it weakened the revenue base of county governments.
- *Unauthorized charging of fees.* The supervision of unauthorized charging of education fees needs to be further strengthened. A report of the National Development and Reform Commission found that unauthorized charging of fees was the leading complaint about prices of goods and services in the mid-2000s.
- *Uneven allocation.* A wide gap exists among schools providing compulsory education. “Key” and “non-key” schools<sup>44</sup> differ much in what they offer in terms of equipment, resources, teaching staff and educational quality, thus worsening imbalances in access to quality compulsory education. Furthermore the children of migrant workers in some localities, although living in cities, find it difficult to be admitted into “key” schools unless their parents, who are usually poorly paid, provide extra fees.<sup>45</sup>

## *Eldercare: Building a Framework to Meet the Growing Demand of China's Aging Population*

Until the mid-1990s, state policy towards eldercare in China was relatively neglected. The costs of providing for elders has traditionally been absorbed by the family, and putting elders in homes remains highly stigmatized by Chinese society at large. But traditional structures for providing eldercare are declining due to the breakdown of the traditional family system and the One Child Policy with its resulting “4-2-1” problem.<sup>46</sup> As a response to these daunting developments, the party-state began to more directly address eldercare within its social security rubric. In 1996 China passed the *Law of the People's Republic of China on the Protection of Elderly People's Rights and Interests*, which mandated that “Governments at all levels include services for elderly people in their socio-economic development plans, gradually increase investments in services for elderly people, and encourage investment from all sectors of society, so as to enable such services to grow in coordination with socio-economic development.”<sup>47</sup> While it was clearly a bold step towards addressing the needs of the elderly, this move presented local governments with unfunded mandates to provide services for the elderly. Furthermore, it did not immediately solve the problem of a severe shortfall in service provision for elders. According to Linda Wong's research, in 1998 China suffered from a shortfall of 3-4 million beds; and in 2000 the total urban bed supply was enough for only 0.8% of the target population.<sup>48</sup>

This has pushed China's leaders, to look for new sources of financial and human capital—resulting in an increased reliance on private eldercare providers. The government has increasingly looked to the private sector to build and develop eldercare facilities by actively subsidizing private companies to undertake construction and operations, by building using public

money to build facilities that are then run by private companies, and, more recently by outsourcing service provision.

Many of these new service providers come from the third sector, in the form of both for-profit, *minfei*<sup>49</sup> and not-for profit social organizations. Since the mid-to-late 1990s private eldercare homes have proliferated, especially in urban areas. According to Wong, between 2008 (when *minfei* were legally recognized) and 2001 some 36,000 private old-age homes came into being (as opposed to the state's 2,700 facilities), accounting for over 90% of all eldercare units and over 80% of beds and residents.<sup>50</sup>

In spite of the entry of non-state firms into the eldercare marketplace, China's eldercare system continues to suffer from lack adequate facilities; lack of regulation and supervision of facilities and providers; lack of trained service providers; low profit margins for private providers; and problems with affordability. By the end of 2010, China had only 2.5 million beds in 101,000 public senior care facilities—only 2 enough to provide for 2 percent of its elderly.<sup>51</sup> While we lack nationwide statistics on human capital in the eldercare industry, a recent report from the Shanghai Daily tells us “In Shanghai's Changning District, nursing home staff with more than three years' nursing experience represents only 26.7 percent of the total, while senior professionals are only 10 percent, according to Peng Jianming, vice president of Civil Affairs Department of Changning District.”<sup>52</sup> Shanghai is at the forefront of efforts to create a better eldercare system, so these figures bode ill as a predictor for other cities in China.

### **Conclusion: Challenges Plaguing China's Social Welfare Institutions**

While China has created a number of social welfare institutions in place since the late 1990s, the system as a whole continued to suffer from several persistent inadequacies. First, social welfare institutions achieved uneven success across rich and poor regions, and across the

urban/ rural divide. Each of the three social security institutions discussed above have achieved ***uneven success across China's regions*** with higher success in China's rich coastal regions and more developed cities, and lower success in poorer regions and rural areas. Second, China's social welfare institutions continued to suffer from ***low coverage rates and insufficient amounts***. In 2005 the major pension scheme reached less than a quarter of the eligible population (only some 200 million employees).<sup>53</sup> According to the Chinese Academy of Social Sciences, only about a third of rural workers in China have pensions or workplace injury schemes, while only one fifth have any health insurance coverage.<sup>54</sup> According to Wong and Ngoc the basic living allowance of many laid-off workers was equivalent to only 40-60% of their previous pay, leading some 10% China's urban population to experience financial hardship in the 1990s.<sup>55</sup> And, yet again, the UNDP writes:

Although standard methods have been used for determining the poverty line, many cities tend to use a spending-by-income approach in deciding coverage and the actual amount of benefits for recipients. . . . As such, benefits are available to only the poorest poor and levels are generally too low to lift the poor out of poverty. The actual amount of benefits averaged only 95 Yuan per month in 2007."<sup>56</sup>

Third, China's state welfare institutions continued to ***neglect vulnerable and marginal populations***. In many provinces migrant workers continue to be excluded on the basis of their long distance employment and rural *hukous*. According to the National Bureau of Statistics, 74.8 percent of rural migrant workers had no insurance whatsoever as of 2007.<sup>57</sup> The current systems also fail to account for the marginal poor. According to Xu Yuebin:

Current programs have concentrated benefits mostly on the absolute poor, while the marginal poor may be disqualified for MLSGS for a small amount of money but are not eligible for other benefits such as subsidized medical care and education of children. In some rich localities there have been attempts to extend benefits to the marginal poor for subsidized medical care and educational assistance, but in the less developed places particularly the middle and western regions social assistance is limited only to those living in destitute, and households with low income but above the poverty lines are not

covered. This has not only led to high administrative costs for targeting or keeping off the “non-poor”, but also widely acknowledged social inequity<sup>58</sup>

Fourth, *those working in the state sector continued to receive more benefits than those working outside the state sector*. According to a database created in (the year) 2000, and reflecting surveys of some 800 state-owned and non-state owned firms, SOE pensioners enjoyed a 31% rise in per capita pension benefits between 1994 and 1999, while those having retired from private firms saw a 15% decline in their benefits!<sup>59</sup> Fifth, China’s welfare system has been largely ineffective due to the problem of *fragmented administration*. Even as the central state puts laws in place to protect workers, it has limited ability insure the laws are implemented at the local level and in the workplace. Responsibilities for managing the social security system are divided among several government departments, including the Ministry of Civil Affairs, Ministry of Health, and Ministry of Human Resources and Social Security. Departmental interests and policies, more often than not, are mutually conflicting. This makes it difficult for the social security system to meet the challenges posed by the ageing of the population, the massive movement of the labour force, diversifying employment and gaps in income distributions. Administration is also fragmented vertically between central and local governments, and horizontally across local governments. The lack of an integrated national system makes portability impossible, so that internal migrants or others have no access to insurance in places other than in their home areas.

As we will see in the next chapters, politicians across China are aware that these weaknesses are undermining China’s Social Policy framework, and many of China’s leaders are seeking solutions to these problems.

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**NOTES**

- <sup>1</sup> Tony Saich, *Governance and politics of China*, 3<sup>rd</sup> ed. (Hampshire: Palgrave, 2011):193.
- <sup>2</sup> Christine Wong, “Can the Retreat from Inequality be Reversed? An Assessment of Redistributive Fiscal Policies from Deng Xiaoping to Wen Jiabao” in Vivienne Shue and Christine Wong, eds., *Paying for progress in China: public finance, human welfare and changing patterns of inequality* (London: Routledge, 2007): 23.
- <sup>3</sup> Christine Wong, *Paying for Progress*, 23.
- <sup>4</sup> United Nations Development Programme (UNDP) and China Institute For Reform and Development, *China Human Development Report 2007-2008: Basic Public Services Benefitting 1.3 Billion Chinese People* (English). (Beijing, China Translation & Publishing Corporation, 2008): 18.
- <sup>5</sup> Together, these were called ‘active employment policy’ or the ‘three security lines.’
- <sup>6</sup> Chak Kwan Chan, King Lun Ngok, and David Phillips, *Social policy in China: development and well-being* (Bristol, UK: Policy, 2008):102. According to official statistics, between 1998 and 2003, some 24 million laid-off persons from SOES had registered with re-employment service centres. The yearly input of central government from 1999 to 2001 was 400 million *yuan* (48.2 million U.S. dollars), 800 million *yuan* (96.4 million dollars) and 2.3 billion *yuan* (277 million dollars) respectively. In 2002, the Chinese government invested 44 percent of its total projected expenditure into this system (about 4.6 billion *yuan* or 554.2 million USD). According to official news sources, by 2002, all qualified needy in Beijing, Shanghai, Guangdong, Jiangsu, Zhejiang, and Chongqing had been covered by the system.
- <sup>7</sup> Chan, Ngok, and Phillips, *Social Policy in China*, 102.
- <sup>8</sup> Chan, Ngok, and Phillips, *Social Policy in China*, 105.
- <sup>9</sup> State Council of the PRC. *China’s Social Security and its policy* (Beijing: Information office of the State Council, 2004). <http://www.china.org.cn/e-white/20040907/index.htm> Last accessed: 11/23/14.
- <sup>10</sup> Tony Saich, *Providing Public Goods in Transitional China*. (New York, Palgrave, 2008) 311-312.
- <sup>11</sup> The complete text is translated into English at: [http://www.gov.cn/english/official/2005-07/28/content\\_18024.htm](http://www.gov.cn/english/official/2005-07/28/content_18024.htm) Last accessed 11/24/14.
- <sup>12</sup> UNDP, *Human Development Report 2007-2008*, footnote 54 and 55 p. 98. This should be seen as evidence that the state is responding to diversifying social demand: in this case, to the demand for labor protection among migrant workers.
- <sup>13</sup> Yuebin Xu, “Social Assistance in China; The Minimum LivingStandards Guarantee Scheme” UNDP, <http://www.ipcundp.org/publications/cct/asia/SocialAssistanceChinaXuYuebin.pdf> last accessed 11/23/14; State Council, *Decision on Improving Enterprise Workers’ basic old age insurance scheme* (Beijing, 1997) .
- <sup>14</sup> Ministry of Labor and Social Security. *Statistical Bulletin on Labor and Social Security Development in 2006* (Beijing: State Statistical Press, 2007).
- <sup>15</sup> L. Leisering, G. Sen, and A. Hussain, “People’s Republic of China—Old-age pensions for the rural adras: from land reform to globalization. Manila” *Asian Development Bank*, (2007).
- <sup>16</sup> Chan, Ngok, and Phillips, *Social Policy in China*, 66.
- <sup>17</sup> Chan, Ngok, and Phillips, *Social Policy in China*, 83.

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- <sup>18</sup> Ministry of Foreign Affairs of the PRC and United Nations System in China, *China's Progress Towards the Millennium Development Goals 2008 Report*, (2008).  
[http://planipolis.iiep.unesco.org/upload/China/China\\_MDG\\_progress\\_report\\_2008.pdf](http://planipolis.iiep.unesco.org/upload/China/China_MDG_progress_report_2008.pdf)  
Last accessed 11/24/14.
- <sup>19</sup> Measured by the UN's common international poverty line of US \$1.25 per day.
- <sup>20</sup> Ministry of Foreign Affairs of the PRC and United Nations System in China, *Progress Towards the Millennium Development Goals 2008 Report*, 59.
- <sup>21</sup> As Jun Tang details: "In 1993, the Shanghai Municipal Government announced the establishment of a minimum living allowance system for urban residents, initiating the reform of China's social security system. After that, eastern coastal cities such as Dalian, Qingdao, Yantai, Fuzhou, Xiamen and Guangzhou adopted this system. In 1995, the central Government recognized the value of the system and began instituting it nationally, first in urban areas, and then in rural China. In 1997, the State Council issued the *Circular on the Establishment of the Minimum Living Allowance System for Urban Residents in Various Parts of the Country* demanding that all cities and county towns set up the system by the end of the 20th century. In 2003, the Ministry of Civil Affairs issued the *Circular on the Relevant Issues Concerning the Establishment of the Urban Medical Aid System*. In 2004, the Ministry of Civil Affairs and Ministry of Construction jointly issued *Measures for the Management of Low-Rent Housing for Urban Families Covered by the Minimum Living Standard Allowance*. The Ministry of Civil Affairs and Ministry of Education jointly issued the *Circular on Better Handling the Educational Aid to Teenagers from Urban and Rural Poor Families*. The Ministry of Civil Affairs promulgated the *Circular on Better Handling of Aid to University/College Graduates with Financial Difficulties*. From 2004, the Government embarked on building a comprehensive social aid and relief system centred on the urban minimum living allowance system, supplemented by preferential policies and a temporary aid system for medical care, education and housing." Jun Tang, *The Minimum Standard of Living Scheme in cities and countryside: historical, present, and future development*, (Beijing: Institute of Sociology, 2005).
- <sup>22</sup> The Ministry of Civil Affairs and its local departments are responsible for designing and administering MSLS as well as other assistance schemes. The actual operation of the programs, however, is carried out by the Street Office, which is the lowest branch of the municipal government, and the Residential Committee, which is a grass-root self-governing organization supervised by the Street Office.
- <sup>23</sup> R. Mo, Y.F. Hua, J. Tang, Y.H. Wang, and G.W. Li, "Public Policy Analysis: Social Security and Social Justice," in China Economic Reform Research Foundation and China's Economic System Reform Research Group (eds). *Report on China's Reform and Development 2005*. (Shanghai: Shanghai Far East Publisher, 2005): 183-221.
- <sup>24</sup> UNDP, *China Human Development Report 2008*, 47.
- <sup>25</sup> UNDP, *China Human Development Report 2008*, 56.
- <sup>26</sup> UNDP, *China Human Development Report 2008*, 83-84.
- <sup>27</sup> People's Republic of China Government White Paper no. 3: *Medical Insurance*. See <http://www.china.org.cn/e-white/20040907/3.htm> last accessed 11/24/14.
- <sup>28</sup> People's Republic of China Government White Paper no. 3: *Medical Insurance*.
- <sup>29</sup> UNDP, *China Human Development Report 2008*, 76.
- <sup>30</sup> UNDP, *China Human Development Report 2008*, 98. See footnotes 54 and 55.

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- <sup>31</sup> Edward Wong, "China Plans Universal Health Care" *New York Times*. January 22, 2009, [http://www.nytimes.com/2009/01/22/world/asia/22iht-beijing.1.19590543.html?\\_r=0](http://www.nytimes.com/2009/01/22/world/asia/22iht-beijing.1.19590543.html?_r=0) Last accessed 11/24/14.
- <sup>32</sup> H. H. Dib, X. Pan, and H. Zhang, "Evaluation of the new rural cooperative medical system in China: Is it working or not?". *International Journal for Equity in Health* 7: 17 (2008).
- <sup>33</sup> Franck Le Deu, Rajesh Parekh, Fangning Zhang, and Gaobo Zhou "Health Care in China: Entering Uncharted Waters" *McKinsey & Company* November, 2012, [http://www.mckinsey.com/insights/health\\_systems\\_and\\_services/health\\_care\\_in\\_china\\_entering\\_uncharted\\_waters](http://www.mckinsey.com/insights/health_systems_and_services/health_care_in_china_entering_uncharted_waters) Last accessed 11/24/14
- <sup>34</sup> Le Deu, Parekh, Zhang and Zhou, "Health Care in China."
- <sup>35</sup> Organization for Economic Co-operation and Development (OECD), *Economic Survey of China 2010: Improving the Health Care System*, <http://www.oecd.org/eco/productivityandlongtermgrowth/economicsurveyofchina2010improvingthehealthcaresystem.htm> Last accessed 11/24/14
- <sup>36</sup> Shanghai Daily, "China's Elder-care Woes" *Shanghai Daily: Scope*. June 206, 2012, B1-B2. [https://nursing.duke.edu/sites/default/files/centers/ogachi/chinas\\_eldercare\\_woes\\_feature\\_shanghai\\_daily\\_06262012.pdf](https://nursing.duke.edu/sites/default/files/centers/ogachi/chinas_eldercare_woes_feature_shanghai_daily_06262012.pdf)
- <sup>37</sup> Jonathan Kaiman, "Chinese Hospitals Plagued by Violence as Disputes Grow," *The Guardian*, December 29, 2013.
- <sup>38</sup> Barry Naughton, *The Chinese economy: transitions and growth* (Cambridge, Mass: MIT Press, 2007): 196.
- <sup>39</sup> Huang Hui, "Significant Judgement in Carrying out the "Two Trends" *Outlook Weekly* 3, October, 2005.
- <sup>40</sup> Ministry of Education, Document 9: *Some Opinions on Further Promoting the Balanced Development of Compulsory Education*, trans. At Law of China.com, May 25, 2005, <http://www.lawinfochina.com/display.aspx?lib=law&id=4230&CGid=> last accessed 11/24/14
- <sup>41</sup> Ministry of Education. 2005. *Notice About Further Reforming the Fund Assurance System for Compulsory Education in Rural Areas*.
- <sup>42</sup> UNDP, *China Human Development Report 2008*, 45.
- <sup>43</sup> Department of Education Division of Development and Planning, *China Educational Statistics Yearbook. 2006 (zhongguo jiaoyu tongji ninanjian 2006)*, (Beijing: People's Education Press, 2006).
- <sup>44</sup> "Key" schools are those school which are given priority in the state's assignment of funds, teachers, and equipment. While efforts have been made to discontinue this favoritism in some cities, the practice endures.
- <sup>46</sup> The "4-2-1" problem refers to an outcome of the One Child Policy in which one single child must now care for two parents and four grandparents. More evidence that traditional family support systems have been breaking down are the spate of civil law suits wherein ageing parents have been suing their children for neglect and lack of emotional support. This led to the passage of new legislation in July, 2013, which requires offspring of parents older than 60 to visit their parents "frequently" and make sure their financial and spiritual needs are met. See National People's Congress of the PRC, *Law Protecting Rights and Interests of the Aged*, July 6, 2012, [http://www.npc.gov.cn/npc/xinwen/lfgz/flca/2012-07/06/content\\_1729109.htm](http://www.npc.gov.cn/npc/xinwen/lfgz/flca/2012-07/06/content_1729109.htm) Last accessed 11/24/14.

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- <sup>47</sup> Standing Committee of PRC, 8<sup>th</sup> Cong, 21<sup>st</sup> mtg, *Law of the People's Republic of China on Protection of the Rights and Interests of the Elderly*, August 29, 1996, trans. China.org.cn, <http://www.china.org.cn/english/government/207403.htm> Last accessed 11/24/14.
- <sup>48</sup> Linda Wong, "The Third Sector and Residential Care for the Elderly in China's Transitional Welfare Economy." *Australian Journal Of Public Administration* 67, no. 1 (2008): 89-96.
- <sup>49</sup> Aka "citizen-run, non-enterprise units". See Chapter 7 for definition of these organizations.
- <sup>50</sup> Ministry of Civil Affairs, *China Journal of Social Affairs* 5, no. 58 (2002), cited in Linda Wong "The Third Sector."
- <sup>51</sup> China Daily, "China's Elder-care Woes" *Shanghai Daily: Scope*, June 26, 2012, B1-B2. [https://nursing.duke.edu/sites/default/files/centers/ogachi/chinas\\_eldercare\\_woes\\_feature\\_shanghai\\_daily\\_06262012.pdf](https://nursing.duke.edu/sites/default/files/centers/ogachi/chinas_eldercare_woes_feature_shanghai_daily_06262012.pdf) last accessed 1/5/2014
- <sup>52</sup> China Daily, "China's Elder-care Woes."
- <sup>53</sup> United Nations Development Programme and China Institute For Reform and Development, *China Human Development Report 2005* (2005): 59, [http://www.cn.undp.org/content/china/en/home/library/human\\_development/china-human-development-report-2005/](http://www.cn.undp.org/content/china/en/home/library/human_development/china-human-development-report-2005/), Last accessed 11/22/14.
- <sup>54</sup> L. Wong and K.L. Ngoc, "Social Policy Between Plan and Market: xiagang and the policy of the Re-employment Service Centers in China," *Social Policy and Administration* 40, no. 2 (2006).
- <sup>55</sup> Wong and Ngoc, "Social Policy Between Plan and Market."
- <sup>56</sup> Yuebin Xu. "Social Assistance in China: The Minimum Living Standards Guarantee Scheme" UNDP, <http://www.ipc-undp.org/publications/cct/asia/SocialAssistanceChinaXuYuebin.pdf> last accessed 11/24/14
- <sup>57</sup> Chan, Ngok &Phillips, *Social Policy in China*, 64.
- <sup>58</sup> Xu, Yuebin, "Social Assistance in China."
- <sup>59</sup> Mark Frazier *Socialist Insecurity: Pensions and the Politics of Uneven Development in China*. (Ithaca: Cornell University Press, 2010): 79.

## **Part II**

# **Emergence of the New Governance Framework**

## Chapter 6

### **Innovating China's Social Policy: Towards a New Governance Approach**

*“The most significant change in China’s official policy towards NGOs is the government’s recognition of non-governmental efforts as an indispensable part of China’s reforms and transformation”<sup>1</sup>*

*In the past, we saw NGOs in a very political way. Non-Governmental Organizations were seen as a threat to the government, one that could lead to instability. The fact that they provide much-needed public services has been largely ignored. I think they now realize how helpful NGOs can be and that it’s a wise choice to cooperate with them, rather than be suspicious of them.<sup>2</sup>*

*Social organizations started by common people can help actively and effectively ease the burden for Civil Affairs Bureaus managing social problems. They can also care for social needs in ways that the government and market forces cannot. Social organizations can streamline government-public communications, boost public participation in community affairs, and promote scientific and democratic government decision-making. Moreover, social organizations have the power to foresee potential social conflicts and convey public demands to the government, thus helping maintain social stability.<sup>3</sup>*

#### **Introduction**

This chapter traces the evolution of China’s social policy as it has gradually shifted towards a New Governance (NG) framework—albeit with “Chinese Characteristics.”<sup>4</sup> In Chapter Four I argued the core reason why the party-state initiated these reforms is the transformation of society that took place during the first two decades of economic reforms. The combination of diversifying social demands for welfare provision, the rise of social instability, and increasingly vocal demands for state responsiveness to social needs described in the last chapter has led Chinese party-state to become concerned about its long-term ability to maintain control. The impetus for social policy reform, then, is China’s leadership’s desire to ensure the party-state’s legitimacy and reset its long-term strategy for control.

But why choose a decentralized, New Governance approach to social policy? Why not return to a more centralized version of the welfare state? The answer to this lies, again, in the path dependency of economic and social policy reforms during the reform era. China's leadership is continuing to balance its commitments to economic liberalization (and accompanying institutional reforms) with trying to build social welfare system that is both effective and responsive to changing welfare needs. As discussed in Chapter 5, China's welfare system suffers from several weaknesses that need to be addressed. A powerful group of China's leaders have come to believe that, if the party-state is to "improve its governance" and therefore maintain social harmony, the size and function of the state should be limited and China should engage society in its own governance.

I will discuss these concepts in more detail below, but first I must make it clear that the shift towards the New Governance framework was not necessarily a conscious decision that we can pinpoint in one moment of time, but rather a series of small decisions that coalesced as China struggled to rebuild its social policy starting in the late 1990s. The birth of China's New (Social) Governance looks a lot like China's economic Reform and Opening process, which has oft been described as "reaching for stones while crossing the river" (摸着舌头过河 *mozhe shetou guohe*). That is, the pathway of these reforms has been a gradual and piecemeal one, as the party-state navigates its way on unsure footing towards what it hopes will be more stable ground vis-à-vis society. Many of the pieces comprising the NG approach have provided firm footing along the way as China has decentralized and initiated regional experiments with outsourcing, public private partnerships, and liberalizing space for non-state actors prove successful.<sup>5</sup> In the following pages, I trace the process by which the NG framework has come into being in China.

The chapter begins, first, by reviewing the chief features of NG, and, second, by discussing several of the policy and discursive “stepping stones” that have constituted the foundation of China’s path to NG since 1998. I see these shifts as a direct outcome of growing social pressures on China’s leadership to be more responsive and diverse in its governance of social problems. The third part of this chapter shows that, as the party-state has moved down this path, China’s leaders from top to bottom have begun to realize the valuable role non-state sectors can play in providing public goods. Early experiments with outsourcing social services in particular have revealed public-private partnerships and other forms of non-state service provision can reduce burdens on local governments. With that realization, China’s leaders have also been forced to rethink policies that contribute to the weak capacity of its third sector. If the emerging NG framework is going to be viable, China’s leaders must find a way to build third sector capacity—without losing its monopoly over power. This goal has yielded the double-edged strategy of Social Construction and Social Management Innovation, which are introduced at the end of the chapter.

### **Chief Features of the New Governance Approach**

The introduction to this dissertation outlines the key features of the New Governance (NG) approach to Social Policy. In summary, these features are as follows:

- Downsizing the State Bureaucracy
- Decentralization of Governance
- Providing Consumer Oriented Services
- Contracting Out Service Provision
- Stimulating Competition
  - Between public agencies and private firms
  - Among private firms

If China is, indeed undertaking a shift to NG, then we should see evidence of these NG components in its emerging policy framework. In the following pages I demonstrate the party-

state has, indeed, undertaken each of these reforms, although with mixed results so far. While China's New Governance reforms began around 1998 (and in earnest between 2004 and 2012), several ideological seeds of China's New Governance were planted earlier. The move to downsize and further decentralize the state bureaucracy<sup>6</sup> has taken place under the auspice of China's "Administrative Reforms" and "Improving Governance" reforms as discussed immediately below (and I provided more detailed case studies about how this plays out in the following chapters). The move toward decentralizing public goods provision was further promoted through the "Small State-Big Society" and "Societalization of Welfare Provision" campaigns. The "Improving Governance" Reforms, and the resolving "Social Contradictions" through "Building of a Harmonious Society" reforms also signify a shift toward improving "customer service" through localized efforts—aka responsiveness to diversifying and increasingly assertive societal demands for public goods described in Chapter Four. In addition, in the late 1990s China began building a purchase of service/ contracting system for public goods. These early experiments with "outsourcing" both yielded a great potential to address growing social demand for public goods provision, and also revealed the downside of having an underdeveloped third sector. Let us at these policy and discursive underpinnings of China's shift to NG in more detail.

## **The Path to China's New (Social) Governance**

### *Administrative Reforms: Downsizing & Streamlining the Bureaucracy*

The first important step towards New Governance was a series of attempts by the Chinese state to break the stranglehold of a centralized, monopolistic, and top-heavy bureaucracy (initially with the intention of encouraging privatization and economic growth) through administrative reforms. In a 1980 speech, Deng Xiaoping argued "Our leaders at different levels

have been involved in many affairs in which they should neither intervene, nor can they do well and nor even can they handle . . . With proper regulations, these affairs should have been done better by decentralizing to enterprises, public institutions and social organizations.”<sup>7</sup> This speech ushered in a series of campaigns to streamline, decentralize, and downsize the state.<sup>8</sup> Efforts to combat ‘bureaucratism’ were formalized in the Thirteenth CPC National Congress in 1987 and fleshed out in 1988 in the State Council document *Demands of Economic Reform and the Separation of National Enterprises from Government Administration*, which implored the party-state to “improve the unreasonable structure of departments and the low efficiency of administration by transforming functions, decentralizing power, restructuring departments, reducing staff, minimizing government administration in enterprise management, and strengthening macro control capability.”<sup>9</sup>

The mechanisms for streamlining and downsizing included cutting and merging ministries and bureaus and, and significantly trimming their staff numbers via the *bianzhi* system.<sup>10</sup> In 1982, the central state cut the number of ministries, agencies and administrations under the State Council from 100 to 61, and dropped the number of staff from 51,000 to 30,000. Provinces and autonomous regions cut the number of their working departments from 50-60 to 30-40 and dropped their staffs from 180,000 to 120,000. City governments cut back the number of their administrative organs from between 50 and 60 to 45 in number and county governments dropped from 40 to 25 administrative offices. All cities and counties were required to cut their staffs by 20%.<sup>11</sup>

However, these early attempts at paring down the bureaucratic payroll were largely unsuccessful.<sup>12</sup> The actual number of party-state employees continued to increase after the

downsizing attempts discussed above, and the number of ministries and offices multiplied again as well (See table 6.1 below).<sup>13</sup>

**Table 6.1: Estimated Number of Civil Servants 1978-1999 (millions)**

Year	Employees in state, party, and mass organizations	Number of Civil Servants
1978	4.17	3.73
1980	4.76	4.26
1985	6.91	6.18
1987	7.78	6.96
1989	8.59	8.69
1991	9.46	8.47
1993	10.14	9.08
1995	10.19	9.12
1997	10.74	9.63
1999	10.84	9.70

*Source:* K.E. Brødsgaard,, “Institutional Reform and the Bianzhi System in China” *China Quarterly* 170 (2002): 366.

Provincial and local governments across China added new bureaus as needed or created “temporary leading small groups” (*linshi lingdao xiaozu*) to deal with new issues as they came up. In some cases state employees who “lost” their jobs were merely transferred to newly created *shiye danwei*, and oftentimes personnel were hired via informal channels or on a temporary basis.<sup>14</sup> The figures on bureaucratic bloat during this period are stunning. Burnstein and Lu<sup>15</sup> documented the rapid expansion of the state bureaucracy between 1980<sup>16</sup> and 1998, when the state undertook drastic downsizing measures. They write “In the two decades of reform, the number of government personnel—defined as staff of government and party agencies as well as official social organizations such as trade unions—more than doubled and increased more rapidly than the growth of urban employment, an annual average of 4.7 percent versus 3.4 percent .”<sup>17</sup> Another investigation by Liu Jinghua in 1991 revealed “the number of those who depended on budgetary appropriations for their wages grew from 15 million in 1979 to 34

million in 1991 and actually to 40 million if substitute staff are included.”<sup>18</sup> While statistics on the number of state employees and their salaries are no doubt on the low side due to definitional issues and the practice of *bianshiwai*, or hiring extra staff that were not part of the official government payroll, they are still indicative of a hugely bloated bureaucracy. Dali Yang found the percentage of administrative expenditures by the Chinese government increased from around 5% of total government expenditure in 1978 to 18% by the year 2000.<sup>19</sup> And yet again, Burnstein and Lu write:

China’s government administrative spending was one of the highest among large developing countries. In 1995, administrative spending accounted for 12.8 percent of total public expenditure in China whereas India’s government administrative spending accounted for 6.6 percent of total public expenditure. Salaries and other administrative costs swallowed up gigantic sums. The payroll... rose from 2.7 billion yuan in 1978 to 67.2 billion yuan in 1996. If the wage index was 100 in 1978, by 1996 it had reached 967.9, although real wages reportedly only doubled to 106.6. In 1980, 40.4 billion yuan was spent on administrative costs; in 1991 140 billion yuan, which amounted to 40 percent of national budgetary revenue and accounted for 3 billion of the 21 billion yuan deficit that year.<sup>20</sup>

In 1997 China’s central leadership again accelerated layoffs of bureaucrats across multiple institutions and layers of the state and increasingly subjected state and public institutions to market forces. This campaign was initiated at the 15<sup>th</sup> NPC meeting in 1997, when Jiang Zemin expressed his concern about the future economic success of China because “unwieldy organization, bloated personnel, failure to separate functions of government from those of enterprises, and serious bureaucratism directly hamper the deepening of reform and the development of the economy and affect the relationship between the party and the masses.”<sup>21</sup>

The campaign impacted the China’s bureaucracy over the next several years: between 1998 and 2001, the PRC reduced the number of central government ministries from 40 to 29, cut down the staff of its 21 Mass Organizations by 25% and cut down its overall staff size by about half.<sup>22</sup>

However successful the above statistics look, in 2012, my interviews of officials at the

district and street level governments in Beijing suggest that administrative reforms did not prove affective at the local level. According to the interviews, in 2009 the Beijing Municipality undertook yet another stab at Administrative Reforms. This *Sanding* (三定) reform program aimed to rationalize municipal and sub-municipal government institution by focusing on restructuring 1) duties, 2) institutional structures, and 3) staffing across 52 departments and affiliated governmental institutions. One of the reported goals was to further decentralize government responsibilities, and another of the goals was to reconfigure government staffing requirements under the *bianzhi* system.<sup>23</sup> According to my Beijing interviews, the new staffing requirements for street governments as of 2012 were as follows: for streets with less than 40,000 or less residents, street offices are designated 80 state employees. For streets having between 40,000 and 80,000 residents, 80 staff members are allowed. For streets with 80,000 or more residents, the street gets 90 state staff. Beyond that, the rules about state employee numbers are unclear, and the street level officials I interviewed in Beijing complained that these requirements did not adequately take into account the massive population growth (both officially documented and floating population) that has been occurring in their districts. These factors have led to great variation in the number of staff members at the local level. For instance, Haidian's Zhongguan Cun, with an official population of 240,000 residents, has 140 staff members, while Xichang's Yuetan Street counts 200 staff employees to manage a much smaller population of 140,000 (that's a ratio of 1:1,714 in ZGC and 1:600 in YT).<sup>24</sup>

While attempts to cut public officials during this period has continued to meet with mixed success, administrative reforms also yielded an important outcome that would serve the party-state well in its later efforts at SC/SMI. That is, oftentimes when bureaucrats were offloaded from the formal state structure, they landed in the growing number of public (*shiye danwei*) and

quasi-public institutions (such as GONGOs).<sup>25</sup> Re-assigned leaders continued to have close relations with their former agencies. This, I believe, both built channels of greater understanding and trust between state agencies and the evolving semi- or non-state sector,<sup>26</sup> it would also provide a trusty scaffolding of supervisory units prior to the registration reforms discussed in the following chapters. In addition, placing former party-state officials in the new “bridge organization”<sup>27</sup> structures would ensure party-state penetration of this growing sector.

### *Improving Governance & Limiting State Functions*

During the 1998 administrative reform campaign, the goals went beyond downsizing, and also emphasized the need to “improve governance” (*shan zheng* 善政). In 1998, for instance, the Historical Research Unit of the CCP declared “The guiding ideologies after 1984 put too much emphasis on economic expansion, neglecting the building of an effective governance environment”<sup>28</sup> and called for reforms.

In addition to calling for “improved governance” at the 15<sup>th</sup> NPC in 1997, Jiang Zemin also called for “limited government” (*youxian zhengfu* 有限政府). What exactly did the Premier mean by this? Dali Yang suggests that reformers realized downsizing and streamlining the bureaucracy was not enough; that reforms should also include a program to limit government discretion and boost administrative transparency.<sup>29</sup> According to Yang, a key mechanism by which it would accomplish this was by “reducing the number of government approvals and licensing requirements to make life easier for businesses and citizens.” By passing the Administrative Approval Reforms,

The regulation of professions, industries, legal persons, as well as equipment, and products and commodities must be justified on the basis of public interest. Under this principle, a rule of minimalism applies: no administrative approval requirement should be established where the market is sufficient, where the industrial association or intermediaries can self-regulate, or where the administrative agency can supervise after the event.<sup>30</sup>

Following the passage of the Administrative Approval Reforms, in 1998 provincial and sub-provincial authorities were directed to drastically cut the number of approval items (bureaucratic hoops) facing businesses and citizens seeking bureaucratic registration of all kinds.<sup>31</sup> These measures improved the efficiency of business registration. For instance, in Shandong province, the time it took for a business to register dropped from 30 to 5 days, and in Shanghai's Pudong district, businesses could now register within 2 to 7 days.<sup>32</sup>

In 2002 Shanghai Mayor Chen Liangyu further pushed forward the concept of limited government when he publicly declared “the government should retreat from the allocation of social resources and become more of a referee and supervisor rather than a provider.” He further argued that the state should transfer more government functions to social intermediaries that would, in turn, help transform “government with unlimited power” into “government with limited power.”<sup>33</sup> This notion would be further developed under the NG social policy framework (see below).

In the early 2000s administrative reforms also increasingly emphasized a shift from the frame of “managing” society to “serving” society. Yang quotes Personnel Minister Song Defu as saying “government civil servants should acquire the mentality of serving tax payers.”<sup>34</sup> An example of the new service-oriented government in practice that Yang provides is the creation of the “one-stop administrative service center”<sup>35</sup> (*yizhanshi fuwu*) wherein one physical location would act as the location of several government offices, to more efficiently serve citizens and business.<sup>36</sup> Yang also points out that many local governments shifted to web-based registration and information platforms over the years, to further reduce the burden on citizens as they carry out registration activities. Finally, Yang argues that central and local government agencies created hotlines and other complaints/ feedback systems to improve their service and

responsiveness.<sup>37</sup> In some cases these feedback mechanisms are just façades, but some local governments (such as Zhuhai) have used public feedback to evaluate the performance of their government agencies and fired unpopular bureaucrats. This shift towards a service government would also have a major impact on a subsequent shift towards partnering with SOs for public service provision.

### *Small Government, Big Society*

In the context of administrative reform campaigns, between 1986 and 1988 the concept of “small government, big society” (*xiao zhengfu, da shehui* 小政府,大社会) became popular among an influential segment of China’s leadership. This idea was first introduced into China by a government researcher named Liao Xun in 1986, and soon caught the attention of high-level leaders who were already considering administrative reform and downsizing and discussing how to “societalize” (see below) certain functions of the state.<sup>38</sup> The State Council appointed Hainan province as an experimental site for testing small government, big society reforms. Specifically, the State Council determined that Hainan should practice the separation of the party from the government and from enterprises, that it should work to simplify administrative structures, and should enable the creation of more economic entities. While the Hainan experiment is now thought to be a failure by some,<sup>39</sup> it nonetheless constituted an important precedent for NG in China.

### *“Societalization” of Social Welfare*

The concept *Societalization of Social Welfare* (社会福利社会化 or *shehui fuli shehuihua*) also underlies the shift to New Governance. Yijiang Ding<sup>40</sup> locates the origins of this concept in the late 1980s (prior to the Tiananmen crisis) when China’s intellectuals debated whether and how to roll back the power of the state. The main argument, Ding tells us, was that

“the role of the state should be weakened, limited, and “societalized” (*shehuihua*), meaning that the social management function of the state should be partially replaced by society’s self-management through the return of power to society.”<sup>41</sup>

After the post-1989 crackdown, Civil Affairs Minister Cui Naifu argued in 1992 that “Along with further reform of large- and medium-scale enterprises and the transition of their operational systems, some of the services previously carried out by enterprises have to be transferred to society.”<sup>42</sup> In the late 1990s, this idea materialized into a guiding ideology that would foster the transition to New Governance. According to the Ministry of Civil Affairs, “societalization of social welfare” calls for the state to ‘push society and the people to carry out their affairs by themselves with the help of advocacy, regulation and subsidy of the government.’<sup>43</sup> In 1998 the Minister of Civil Affairs clarified how the party-state should promote the process of *societalization*:

- Firstly, the range of recipients should be expanded from the narrowly defined targets to the whole of the respective group in society. For example, rather than those without family members, all frail older people could be admitted to state nursing homes providing they could afford the fees.
- Secondly, various sources of fund raising, such as welfare lotteries and donations, should be used to support public funds for social welfare. Furthermore, private investors were warmly welcomed to initiate businesses in the elder care field.
- Thirdly, community organizations are encouraged to undertake responsibility for the provision of care and support.
- Fourthly, volunteers are expected to be fully mobilized to support service delivery. In essence, the role of the state in social welfare should be restricted to regulation instead of provision.<sup>44</sup>

Here we see a high-level state official calling for what would become several fundamental goals guiding the New Governance shift: the expansion of welfare services in response to changing social demographics (the ageing population); the need to create new funding sources to help social organizations take up the slack of social service provision; the need to promote a volunteer corps to help with service delivery, and a shift of government’s role from direct service provider

to regulator.

One further note about the “societalization” concept: Linda Wong has likened China’s “societalization” of social welfare to what westerners call “privatization.” She suggested these processes were more or less the same thing, but that due to the CCP’s desire retain at least the semblance of remaining a communist regime, official rhetoric has veered away from the term “privatization.”<sup>45</sup> As early as 2001 she also noted this concept was being expanded to include third sector organizations.

### **Enter New Governance**

The upshot of the discursive and policy developments outlined above is that, starting in the late 1990s, the Chinese party-state began looking for new mechanisms of public service delivery that would satisfy diversifying societal demand and promote social harmony while supporting the call for “small state, big society.” Delegations of officials and researchers began to travel the world,<sup>46</sup> looking at how other countries managed their third sectors, and studying the process of third sector development comparatively. By 1998 Tsinghua University, China’s top public university in the field of management and public policy (at which many of China’s leaders are educated), established the first NGO research institute, which would act as a conduit between the scholarly study of NGOs and the formation of future policy. More Universities and think tanks would follow suit.<sup>47</sup> China’s leadership also commissioned studies of China’s existing social policy framework by international organizations (e.g. the United Nations and World Bank) as well as by international NGOs.

It was in this exploratory context that the Chinese party-state also began experimenting with decentralized and indirect forms of social goods provision. Local governments (many of which were already facing limited fiscal resources and unfunded mandates as discussed in

Chapter Three) felt new pressure from above to practice limited government and societalization of welfare provision as well as to improve the quality and scope of services. These challenges led some local governments to begin trying new modes of public goods provision—including the use of indirect service provision via public-private partnerships. Perhaps the most widespread (and successful) experiments with indirect public goods provision came in the form of purchase of service systems (购买服务 *goumaifuwu* also called “outsourcing” public goods provision or public-to-private contracting systems). As will be discussed in detail in the next chapters, experimentation with purchase of service contracting entered the Social Policy Marketplace in the early 2000s, first in the experimental provinces, and then at the national level. By 2008, approximately 59% of social service delivery nationwide would be completed through a process of competitive contract bidding.<sup>48</sup>

The success of early outsourcing experiments merged with the discursive developments outlined above, and attitudes of China’s leadership towards the third sector began to become more favorable. A growing body of party-state officials began to see SOs less as a threat, and more as “useful” and an “indispensable part of China’s reforms and governance” (see epigraphs at the head of this chapter).

### *Obstacles to New Governance in China Come into Focus*

The trouble was, due to its heavy restrictions on third sector development discussed in the next chapter, the pool of domestic Chinese SOs was (and still is!) woefully small and underequipped. The majority of China’s Social Organizations have been stunted by years of state control, financial impoverishment, type-management, geographical boundedness, lack of information, lack of social legitimacy and understanding, and a paucity of well-trained leaders and professionals as explained in part I of this dissertation. As a result of policies aimed at

limiting the social power of SOs in China, local governments who are actually looking for SO partners and innovators are confronted with a field (or marketplace, as it were) of slim pickings.

Let me provide some examples. Each of the cities researched for this dissertation has experienced episodes where the sub-par quality of contract bidders (or lack thereof) resulted in thousands or millions of RMB earmarked for direct service providers to stay put in city coffers. In Shanghai, it has been common for the outsourcing process to fail when less than the minimum number of three competitors threw their hats into the bidding ring. In Beijing, the Zhongguan Cun Street Government also reported problems finding SOs to partner with. When the street government's Civil Affairs Department first set out to purchase food services for the poor from SOs through their nascent Social Work Association,<sup>49</sup> the SWA was not able to recommend such organizations in the ZGC area.<sup>50</sup> Similarly, when Beijing's Xicheng and Dongcheng district governments were unable to find a sufficient body of SOs with which to partner, they eventually set up their own SWAs and semi-independent SOs to act as bidders for outsourcing contracts.

During my interview of the Yuetan Street Government Social Organization Management Office (in Xicheng District), the staff complained about the lack of independent SOs in their community and furthermore expressed their desire to increase the numbers of community SOs so as to “unleash a ‘survival of the fittest’ mechanism” that would eventually “improve the overall quality of the services they provide.”<sup>51</sup> Similar problems plague cities elsewhere in China: in July of 2013, *Southern Daily* released a report that the Foshan government (in Guangdong Province) could not find enough SOs to qualify for its RMB 2.4 million in outsourcing funds because only 3.9% of its SOs (and the majority of these were associations and *minfei* described as being closely affiliated with the government) were qualified to receive government funding.<sup>52</sup>

Government experiments with outsourcing and other decentralized means of providing

public goods revealed the need for a stronger pool of third sector organizations. The third sector had to be strengthened. But how to do so while, at the same time, ensuring the CCP's monopoly over social power? The party-state's answer, I argue, is the two-pronged strategy of social construction and social management innovation.

## **Social Construction and Social Management Innovation: the Double-edged Strategy for Building China's Third Sector**

The terms *Social Construction* (社会建设 *shehui jianshe* or SC) and *Social Management Innovation* (社会管理创新 *shehui guanli chuangxin* or SMI) require some explanation. At the time fieldwork for this dissertation was conducted, the term Social Management Innovation<sup>53</sup> was broadly used by policy makers and experts to include *both* the building of social capacity *and* supervision/ control over social forces. This, I believe, has led to a great deal of conceptual (and implementation) confusion. The confusion arises because social construction and social management innovation are, in fact, two sides of the same (social development) fence that China is currently trying to negotiate.

In this dissertation, I distinguish between two the separate but connected policy processes: SC refers to the building of China's third sector and local governance capacity, and SMI refers to corresponding innovations in management and control. On the one side, under the mantle of social construction (SC)<sup>54</sup> the party-state is attempting to build the capacity of society to attend to its own localized needs (a legacy of the the *societalization* debate discussed above) by promoting community and neighborhood "construction," "self-management," "self-reliance," and "self-service." This process requires not only devolving management, administrative, and implementation powers to local communities and social groups; it also requires investment in

building organizational and human capital so that community leaders, social organizations and individual citizens have the education, resources, and know-how to undertake these new responsibilities effectively.

For instance, as my interviews in Beijing, Shanghai, and Shenzhen have shown, in recent years some street governments have created bureaus specifically tasked to work on developing the capacity of SOs in their communities. Some streets have also designated spaces in their own buildings for public meetings, recreation, and performances, or to host regular salons to build linkages between community SOs and citizens. Street governments have also provided office space for grassroots SOs to support their development. Likewise, in some localities, experimental street governments have also created their own associational hubs to organize burgeoning numbers of SOs, or even allowed for the creation of (semi-) independent associations. Yet again, some street government leaders have either created their own SOs to better serve their community needs, or have worked hard to attract independent SOs to set up shop in their locality.

Below the level of street government, China's Resident's Committees (RCs) and Neighborhood Communities have also become increasingly important agents on the front lines of China's social security provision.<sup>55</sup> While RCs have long provided a public security function and services to residents in need, these functions have been incrementally strengthened starting in the late 1990s. Starting in 1999, the central state began experimenting with increasing coordination between Resident's Committees in order to enhance "community construction" (社区建设). After an initial test in 26 municipal districts, the national number of these "new-type" urban communities had expanded to 71,375, and to 84,689 as of 2009.<sup>56</sup> In 2006 Hu Jintao and Wen Jiabao ordered the creation of healthcare stations at the community level to provide

healthcare services where hospitals failed. That year the State Council called for the establishment of “Charity Supermarkets” that provided subsidized or free goods for specific populations in need. Furthermore, the SC elaborated on the kinds of services that were to be undertaken by RCs: “services relating to employment, social security, social aid, medical care, birth control, culture, education, and sports, administration of the migrant population, public safety, and the formation of residents’ service and voluntary associations were to be undertaken by the community.”<sup>57</sup> In 2010, the General Office of the Communist Party of China Central Committee and the General Office of the State Council released a blueprint for the future of urban Resident’s Committees. At the core of this plan is to substantially increase the responsibilities of RCs in maintaining social stability and of providing social services.

According to a *Xinhua* article from that year “Aside from those functions RCs already have, the proposals say urban residents committees’ functions will be expanded to include providing assistance to government authorities in public security, employment, social insurance and safeguarding rights for the elderly, disabled, minors and migrant populations.” As a way of further enhancing their security functions, local police and civil servants are also being encouraged to take posts on the 5- to 7-member leadership committees (and they are offered incentives to do so, including receiving civil service credits and increased chances of promotion).<sup>58</sup> As Hebrerer & Gobel write about these re-fashioned RCs and Neighborhood Committees, “their name did not change, but the tasks, composition, and the process of member selection of the restructured Resident’s Committees were completely different from those of their predecessors... the reorganization of China’s neighborhoods represents a comeback of the state after a gradual retreat that the state started in the early 1980 and ran into the 1990s.”<sup>59</sup>

On the other side, the party-state is taking an active role in “guiding” or controlling the process of social construction via its revamped *social management* system. The term ‘social management’ does not easily translate outside of the Chinese context.<sup>60</sup> In a recent article for the East Asia Forum, Yu Keping of Peking University describes it as follows:

broadly speaking, social management means the government manages social affairs, social organizations, and social life, under the guidance of the laws. The connotation of social management is so broad that it includes areas such as social justice, public security, social stability, social trust, the coordination of various social interests, food safety, emergency management, city management, and community governance. In other words, social management encompasses all government dealings with society, excluding business management and administrative management.<sup>61</sup>

*Social Management Innovation (SMI)*, then, refers to the party-state’s attempt to adjust social management practices to accommodate reforms aimed at social construction and New Governance. SMI includes both the party-state’s legal- regulatory framework for controlling civil society and its attempts to create effective regulatory and administrative mechanisms for the new Social Policy Marketplace. In other words, the Chinese leadership is attempting to strike a balance between maintaining its monopoly over social control on the one hand, and encouraging social organizations to grow, innovate, and become effective partners in improving social service provision in China on the other. In the new policy context, the term Social Management Innovation can thus refer to a range of management activities spanning from methods of actual social control (aka public security), to the search for better tools of assessment and evaluation as the state experiments with devolving and outsourcing service provision, to the state’s guidance in the construction of third sector capacity. Perhaps the most famous public statement about SMI came from Hu Jintao in February of 2011 when the then President of China made a keynote speech to the country’s provincial and ministerial level party cadres titled “*Guiding Principles of the New Social Management System.*”<sup>62</sup> The speech implored China’s leaders to adopt a new

approach to governance that would improve responsiveness to several of China's more pressing social problems. These include the vast floating population of migrant workers that live and work in China's cities little or no access to public services; China's rapidly aging population; a spectrum of underserved special needs populations; a weak and fragmented social security system, an inadequate emergency response system, an increasingly worrisome food security problem, and the organization of potentially destabilizing online networks.<sup>63</sup> According to this framework, the state would retreat from playing the dominant role of direct service provider, and instead rely more on society to administer to its own needs. Provincial and local leaders would actively engage the cooperation of local communities and social organizations as partners in social service and welfare provision, devolving the onus of provision to the grassroots sector when possible.

In Chapters Eight and Nine I discuss how Social Construction and Social Management Innovation have been carried out in recent years. First, I discuss the limitations facing China's third sector.

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**NOTES**

- <sup>1</sup> Qiusha Ma, *Non-governmental organizations in contemporary China: paving the way to civil society?* (London: Routledge, 2006): 75.
- <sup>2</sup> Wang Zhenyao, Director of the Philanthropy Research Institute at Beijing Normal University and former Ministry of Civil Affairs Official in Tang Yue, “Welfare Groups Getting Support.” *China Daily*, April 20, 2012, [http://usa.chinadaily.com.cn/china/2012-04/20/content\\_15095486.htm](http://usa.chinadaily.com.cn/china/2012-04/20/content_15095486.htm) Last accessed 11/24/14
- <sup>3</sup> Wang Yang, fmr. Party Secretary of Guangdong Province, as quoted by Wang Jing (2012/04/05) “Guangdong Passes a Torch to Civil Society,” *Caixin*, April 5, 2012, <http://english.caixin.com/2012-04-05/100376378.html?p3> Last Accessed 11/24/14.
- <sup>4</sup> I hesitate to use this phrase, for it is quite overused in recent literature on China. But it nevertheless has come to signify the way in which China (the party, the state, the people) adapts foreign policies, systems, etc. to the exigencies of China’s one-party system and unique political and social context. In the context of NG, I am referring specifically to how China is balancing the empowerment of social forces with the development of control mechanisms (the SC/SMI balance discussed later in this Chapter).
- <sup>5</sup> It would be inaccurate to say, however, that China has *consciously* chosen and implemented the NG approach to social policy—until recently, perhaps. As I will discuss below, in 2013-2014 an increasing number of China’s leaders and policy experts are referring to these policy developments as New Governance and “Social Governance.”
- <sup>6</sup> This has already been discussed in some detail in previous chapters.
- <sup>7</sup> Xiaoping Deng, ‘*Dang He Guojia Lingdao Zhidu De Gaige* (Reform of the leadership system of the party and the state),’ Editorial Committee of Central Party Literature (ed.), *Deng Xiaoping Wenxuan Di er Juan (Selected Collections of Deng Xiao-ping Part Two)*, (Beijing: People’s Publishing House, 1980): 320–43, cited in Jie Lei and Alan Walker *Social Policy and Society* 12, no 1 (January 2013): p. 18.
- <sup>8</sup> First in 1982, then 1983/84, and again in 1993, as discussed below.
- <sup>9</sup> Kai Ma *Guanyu Guowuyuan Jigou Gaige Fang’an De Shuoming* (Explanations about the plan of the reform of the departments under the State Council) recorded by Linshe Ding, *Xinhua*, March 10, 2013, [http://www.gov.cn/2013lh/content\\_2350848.htm](http://www.gov.cn/2013lh/content_2350848.htm), last accessed 12/5/14.
- <sup>10</sup> Zingzu Pu, ed. *Dangdai zhongguo xingzheng (The Contemporary China’s Administration)*. (Shanghai: Fudan University Press, 1993) cited in Ma, Qiusha. *Non-governmental organizations in contemporary China*, 57. Also see Dali Yang, *Remaking the Chinese leviathan: market transition and the politics of governance in China*, (Stanford: Stanford University Press, 2004).
- <sup>11</sup> Kjeld Erik Brødsgaard, “Institutional Reform and the Bianzhi System in China” *China Quarterly* 170 (2002): 370-371.
- <sup>12</sup> The propensity for local politicians to exceed the official hiring quotas stems from a number of factors. One common reason cited by the central media is that local politicians do so out of nepotism or corruption, as local officials attempt to build their power bases and settle old debts. But I would suggest that another reason local politicians engage in this behavior, and one that I will come back to later, is that the central state’s attempts to downsize the number of personnel and administrative offices may have been unrealistic in the face of parallel mandates to carry out central policy such as public goods provision. In other words, in some cases local

politicians may have been forced to hire outside the system in order to carry out mandates required by the central state (e.g. the provision of public goods such as education). This is certainly the case surrounding the frequent creation of small working groups and other ad-hoc forms of organization at the local level, as politicians look for mechanisms to implement new laws, mandates, and regulations from on high (we can see this in effect in Chapter 9 which discusses the process of Social Management reforms). The failure of attempts to downsize the state, then, can also be understood as an outcome of poorly crafted and contradictory incentive structures early on in the reform period. See, for instance, John P. Burns and Xiaoqi Wang, “Civil Service Reform in China: Impacts on Civil Servants’ Behavior” *The China Quarterly* 201 (2010): 58-78.

<sup>13</sup> The number of cadres in the State Council system increased from 2.8 million in 1979 to 8 million in 1997. See Jie Min and Xiaodong Yu, “Bloated Bureaucracy” in *News China*, June 2012, <http://www.newschinamag.com/magazine/bloated-bureaucracy>, Last accessed 11/24/14.

<sup>14</sup> Brødsgaard, “Institutional Reform and the Bianzhi System in China,” relates a dramatic but illustrative case, which took place as local officials in Lingshui County, Hainan Province exceeded the number of teachers they were officially allowed to hire according to the *bianzhi* system: “This county of 310,000 people had more than 10,000 people eating imperial grain (that is, on the state payroll). The (hiring of staff above and beyond the *bianzhi* allocations) was especially pronounced in the educational sector, where more than 5,000 people were employed to teach about 50,000 students. Many of the extra people were not hired through regular channels, but by local leaders who simply wrote on a piece of paper (*pi tiao*) instructing the local finance department to pay a salary... The whole affair was uncovered when the county could no longer pay salaries and went bankrupt.” (p. 368)

<sup>15</sup> Thomas P. Bernstein, and Xiaobo Lü, *Taxation without representation in contemporary rural China* (Cambridge: Cambridge University Press, 2003).

<sup>16</sup> The party-state also undertook reforms aimed at downsizing its top-heavy bureaucracy in the early 1980s, but to little effect. This included cutting and merging ministries and bureaus and, and significantly trimming their staff numbers. For example, a major reform in 1982 cut the number of ministries, agencies and administrations under the State Council from 100 to 61. But the number of “cadres” in the State Council system increased from 2.8 million in 1979 to 8 million in 1997.

<sup>17</sup> Bernstein and Lü, *Taxation without representation*, 97.

<sup>18</sup> Cited and translated in Bernstein and Lü, *Taxation without representation*, 98. They also provide statistics on bureaucratic growth in other developing countries for comparison: for instance the Japanese bureaucracy only grew at a rate of 1.3 percent annually between 1950 and 1986.

<sup>19</sup> Yang, *Remaking the Chinese leviathan*, 151.

<sup>20</sup> Bernstein and Lü, *Taxation without representation*, 98.

<sup>21</sup> Quoted in Yang, *Remaking the Chinese leviathan*: 37.

<sup>22</sup> Yang, *Remaking the Chinese leviathan*: 37 Yang gets these figures from a 1998-03-06 Xinhua article titled “Further on Restructuring Plan”.

<sup>23</sup> Jing Yuan, “Beijing City Government “sanding” program introduced with top ten things to watch” (*Beijing shi zhengfu bumen “sanding” fangan chutai jubeishi da kan dian*), *Beijing Daily* reprinted at sohu.com, August 17, 2009, <http://news.sohu.com/20090817/n266018655.shtml>, Last accessed 11/24/14

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- <sup>24</sup> A number of questions arise from this discrepancy that I was not able to answer during my limited fieldwork in 2012. First, who is counted as “staff” in these estimates? They clearly include a number of staff members who are of the *bianzhwai* category, but do they also include leaders of *shiye danwei* (public institutions), hub association leaders, etc? This would surely explain why Yuetan has such a larger ratio of staff members to residents. Also, the SMI chapter discusses that Yuetan has been subject to significant state budget cuts since 2009, aimed at creating a smaller, more efficient administration of local affairs and leading it to become a leader in the outsourcing of public services. While none of YT’s staff are said to be covered by the *bianzhi* system (their salaries are all covered by purchase of service contracts), all ZGC staff—including *shiye danwei* employees—are said to be hired and paid for by the *bianzhi* system. It does not therefore make sense that YT would have a bigger ratio of staff members to residents than does ZGC. On the other hand, Zhongguan Cun may not need as many staff members at the Street level because it has created a much broader hub association system than Yuetan (who only has once hub association, focused on social work—See SMI chapter). Or, I do wonder if the fact that ZGC has its own special social management organs at the District and Municipal (BoCA) level means that the street can get by with less staff (that is, compared to Yuetan). This relationship between size of staff (and their location in state vs. public institutions vs. management hubs) and effectiveness of developing local third sectors should be a future topic of study.
- <sup>25</sup> This practice has been staunch in Beijing since the promulgation of the city’s *2011 Civil Service Law*, which prevents civil servants from holding posts in SOs while they are employed by the state. But in response, civil servants have been known to retire from their state posts and take up leadership of SOs. For instance, in 2012 Wang Zhenyao, a high official in MoCA, retired to head the Renmin University’s Center for Philanthropic Research; while directors of the Zhongguan Cun Street office retired to head the Street’s new hub associations.
- <sup>26</sup> This would be a great topic for further study.
- <sup>27</sup> Bridge organizations discussed in chapter seven.
- <sup>28</sup> Yang, *Remaking the Chinese leviathan*, 151.
- <sup>29</sup> Furthermore, Yang points out the terms of China’s entry into the WTO also demanded these reforms.
- <sup>30</sup> Yang, *Remaking the Chinese leviathan*, 163.
- <sup>31</sup> Yang, *Remaking the Chinese leviathan*, 155 claims “Overall, during this first phase of administrative approval reforms, local authorities cancelled or delegated 30-60 percent of pre-existing administrative and licensing requirements (Chinese: *shenpi zhidu*).
- <sup>32</sup> Yang, *Remaking the Chinese leviathan*, 159. Not only would this attract more businesses to places with more lenient registration requirements, but this experience would also influence the streamlining of registration requirements for SOs a few years later, under Social Management Innovation.
- <sup>33</sup> Yang, *Remaking the Chinese leviathan*, 310 .
- <sup>34</sup> Yang, *Remaking the Chinese leviathan*, 172.
- <sup>35</sup> Yang, *Remaking the Chinese leviathan*, 172-175. Apparently, China borrowed this model from Singapore.
- <sup>36</sup> Also called “administrative supermarkets” (*zhengwu chaoshi*), this one-stop model, too, would be utilized for social service and social management purposes as early as 2001, and would become an important structure in the SC/SMI reforms in some cities.

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- <sup>37</sup> Yang, *Remaking the Chinese leviathan*, 175.
- <sup>38</sup> For an excellent discussion of intellectual discussions among China's top Marxist theorists surrounding the relationship between the state and society, see Yijian Ding "The Conceptual Evolution of Democracy in Intellectual Circles' Rethinking of State and Society" in Suisheng Zhao, ed., *China and Democracy: Reconsidering the Prospects for a Democratic China*. (New York: Routledge, 2000): chapter 6.
- <sup>39</sup> Jie Lei and Alan Walker, "The Big Society in China: A Failed Experiment," *Social Policy and Society*, 12 (2013):19.
- <sup>40</sup> Ding Yijian "The Conceptual Evolution of Democracy."
- <sup>41</sup> Ding Yijian "The Conceptual Evolution of Democracy," 116-117. Ding also tells us that this concept is entirely compatible with Marxism-Leninism (and does not necessarily indicate a swing towards western democratic thinking).
- <sup>42</sup> Ministry of Civil Affairs (ed.), *Zhonghua Renmin Gongheguo Minzheng Gongzuo Huibian (Document Collections of the Work of Civil Affairs of the P.R.C.)* vol. 1 "Cui Nai-fu Zai Quanguo Minzhengting Juzhang Zuotanhuishang De Jianghua" (Speech by Cui Nai-fu on the Conference for the Directors of Provincial Departments of Civil Affairs across the Country), (Beijing: China Legal Publishing House, 1991): 135–38 in Lei and Walker, "The Big Society in China: A Failed Experiment," 20.
- <sup>43</sup> Ministry of Civil Affairs, "Speech by Cui Naifu" in Lei and Walker, p. 20.
- <sup>44</sup> C.R. Duoji, 'Guanyu Shehui Fuli Shehuihua De Jige Wenti (On several problems about the socialization of social welfare)', *Zhongguo Shehui Gongzuo (China Social Work)* 4 (1998): 4–7.
- <sup>45</sup> Linda Wong "Privatization of social welfare in China" in *Asian Survey* 34 no. 4 (1994): 307-25; Linda Wong "Welfare Policy Reform" in *The Market in Chinese Social Policy*, (New York: Palgrave, 2001): 55-60.
- <sup>46</sup> In refashioning the social insurance system, China has engaged in wide-ranging research, including fact-finding missions overseas to as many as 20 countries. Linda Wong and Norman Flynn, *The Market in Chinese Social Policy*, (Hampshire: Palgrave, 2001): 60.
- <sup>47</sup> Academics and university research centers often act as consultants to state officials (both officially and unofficially) for information, policy ideas, testimonies, and third policy analysis.
- <sup>48</sup> Jessica Teets, "Civil Society Participation in Local Governance: Outsourcing Migrant Education in Shanghai" in *China's Search for Good Governance*, Zhenglai Deng and Sujian Guo, eds. (New York: Palgrave Macmillan, 2011): 21. Also see Jessica Teets "New Models of Service Delivery in China: the Emergence of Social Innovation (*shehui fuwu mosshe de fazhan: shehui chuang xin*)" *Fudan Public Administration Review* (March 2012).
- <sup>49</sup> SWAs act as hub and manager of grassroots SOs—see SMI chapter for more detail.
- <sup>50</sup> So, the Street level government went directly to restaurants to purchase food services instead. Interview with ZGC street officials, 2012. By 'recommend,' I am not sure whether this means they were not able to identify any such non-profits (e.g. they did not exist at the time) or whether it means the existing ones were of poor quality.
- <sup>51</sup> Interview, Spring 2012.
- <sup>52</sup> Xiaoling Li, "Social Organizations Unable to Accept Foshan's RMB 2.4 million For Service Procurement," *Southern Daily*, July 20, 2013, <http://www.chinadevelopmentbrief.cn/?p=2217>
- <sup>53</sup> As far as I know, Samantha Hoffman & Peter Mattis were the first to point out in a November, 2013 blog that, while, the term "social management innovation" was more widely used under

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- the Hu Jintao administration since the start of Xi Jinping's rule, officials tend to use the term "social governance" (社会助理 *shehui zhuli*). This change of lexicon serves as evidence that the party-state is, indeed, thinking more in terms of the New Governance framework I describe in this dissertation. However, in terms of clarifying the actual mechanisms by which this shift to the NG approach is being carried out "Chinese style", I continue to use the terms Social Management Innovation and Social Construction. See Samantha Hoffman and Peter Mattis, "China Proposed State Security Council Governance under Xi Jinping" *China Policy Institute*, November 12, 2013, <http://blogs.nottingham.ac.uk/chinapolicyinstitute/2013/11/21/chinas-proposed-state-security-council-social-governance-under-xi-jinping/> Last accessed 11/25/14
- <sup>54</sup> According to Zhang Wei *Social construction* was added to the previous "holy trinity" of economic construction, political construction, and cultural construction at the Sixteenth Party Congress's in 1993. But it is my belief that the party did not begin to promote SC in earnest until the mid-2000s.
- <sup>55</sup> Thomas Heberer and C. Göbel, *The politics of community building in urban China*, (Abingdon, Oxon: Routledge, 2011): 101.
- <sup>56</sup> *Xinhua*. "China Strengthens Urban Resident's Committee's Role in Settling Disputed to Cope With Changing Urban Landscape" November 10, 2010, <http://english.people.com.cn/90001/90776/90882/7194373.html> last accessed 11/25/14.
- <sup>57</sup> Heberer and Göbel, *The politics of community building*, 101.
- <sup>58</sup> *Xinhua*. "China Strengthens Urban Resident's Committee's Role."
- <sup>59</sup> Heberer and Göbel, *The politics of community building*,
- <sup>60</sup> Though not so specific that we cannot find parallels in regulatory structures governing civil society elsewhere.
- <sup>61</sup> Keping Yu, "A shift toward social governance in china," *East Asia Forum*, September 9, 2011.
- <sup>62</sup> Tao Li, "Chinese president urges improved social management for greater harmony, stability," *Xinhua*, February 19, 2011, [http://news.xinhuanet.com/english2010/china/2011-02/19/c\\_13739874.htm](http://news.xinhuanet.com/english2010/china/2011-02/19/c_13739874.htm) last accessed 12/5/14.
- <sup>63</sup> The speech conspicuously leaves out more 'sensitive' issues such as labor, AIDS, and environmental pollution, thereby suggesting that its approach to social policy will be selectively inclusive of society.

**CHAPTER 7:**  
**The State Regulatory Environment &  
Underdevelopment of China's Third Sector  
1978-1998**

**Introduction**

In the last chapter I discussed how the state's mistrust of Social Organizations has begun to give way to recognition of the utility of having a robust third sector involved in the Social Policy Marketplace. But this is a relatively new development, and many institutional obstacles exist to improving the participation of the third sector in the Social Policy Marketplace.

This chapter looks at the third sector's role in China's Social Policy Marketplace during the reform era leading up to the adoption of the New Governance approach. In it, I discuss the nuances of China's regulatory system for Social Organizations (aka the "Social Management" system) as it has evolved during the first two decades of the reform era. The goal is to demonstrate first, how the party-state's social management system has limited the capacity of the third sector during the reform era; second, how this negatively impacted the ability of China's third sector to respond to changing social welfare needs; and, third, the changing relationship between state officials and SO forces over this period.

In order to capture the relationship between shifts in state policy and the behaviours of SOs in the face of changing state policy, I divide this section into three phases. In Phase I (1978-1989) national-level economic and political liberalization created openings for the development of new forms of social organization. In Phase II (1989-1998), state policy towards the third sector fluctuated between regulatory contractions and crackdowns on the third sector, as well as the development of new forms of corporatist control. In Phase III (1998-mid-2000s) we see a clear effort on the part of the state to standardize its SO regulatory framework and to rationalize

SO management systems. During this time the legal categories for SO registration were expanded and management systems codified. Also of great significance to the story of China's social policy change, during this time new relationships formed between politicians at the local level and SOs, planting the seeds for legitimizing an expanded and empowered third sector in the 2000s. However the overall impact of China's social management policy between 1978 and the mid-2000s is the maintenance of a statist monopoly over the sector—to the detriment of the third sector's capacity to respond to changing social welfare needs.

### **Phase I: 1978-1989 Liberalization & Expansion of a (Largely State-Embedded) Third Sector**

The first phase of reform-era social management policy began in 1978 at the outset of the reform era, along with the political and economic reforms discussed above. Starting in 1978 but especially in the early 1980s, Chinese society saw political opening—first, as the party state moved from a Maoist, totalitarian regime-type to a softer authoritarianism,<sup>1</sup> second, as economic Reform and Opening (*gaige kaifang*) allowed increasingly diversified varieties of business and social organizations to enter the market,<sup>2</sup> and third, as the state began to decentralize its administrative functions. As a result of these trends, the state undertook several legal reforms that allowed for new forms of association. The 1982 Constitution of the PRC reinstated a clause evoking “Freedom of Association” (1982 Constitution, Article 35<sup>3</sup>)—so long as association was not deemed threatening to the political order. In 1986 the PRC also promulgated the *General Principles of Civil Law* (GPCL),<sup>4</sup> thereby re-establishing a framework for the civil rights of individual citizens as well as for several types of organizations: business enterprises, economic associations, and “independently funded official Organs/Institutions/ Organizations” (discussed below).

Together, these developments enabled an explosion of new associative activities. Also called the “Associational Revolution”<sup>5</sup> this period exhibited rapid growth in both numbers and types of associations. Qiushi Ma writes “During this period the founding of SOs was almost unregulated. Any government bureau or organization, or even social organization, could approve new organizations and place them under supervision.”<sup>6</sup> According to Wang Ming from Tsinghua University’s Center for NGO Research, an estimated one million civil organizations appeared in China during the first 14 years of reform.<sup>7</sup> In addition to the numeric explosion of associations, Wang Ming describes the proliferation of associational types that occurred during this period: academic associations, scientific associations, and research associations proliferated starting 1978; the Chinese Red and YMCA/YWCA were reinstated in China in 1978 and 1980, respectively; a number of lawyers’ associations came into being after 1980; in 1981 China’s first Foundations were established and 10 more came into being in the by 1983; and individual labor associations formed starting in 1983.<sup>8</sup>

While a great proliferation of associations occurred in the first phase, most of these associations were organized or directly enabled by the state in a top-down fashion— in other words, the majority were *not* bottom-up grassroots organizations in the early reform period.<sup>9</sup> Wang Ming writes:

...the first period after the Reform and Opening, amidst a liberation of thinking and economic and social development, along with the unceasing transformations and reforms, the nation experienced a burst, *organized from the top down*, of associations. These appeared across society, and mostly in the forms of academic and research associations.<sup>10</sup>

Wang’s observation is important, for it signifies that, while a widening of political space was occurring in China at this time, it was actually happening from within the political regime, and not via outside social forces. These early associations were forged by state institutions and

actors, though they did represent a new mode of political organization not seen during the Mao years where only Mass Organizations were allowed to represent specific societal interests.

Indeed, many top-down, “semi-state” organizations that sprang up during this period were so-called public benefit organizations that the GPCL referred to as “Independently Funded Official Organs, Institutions, and Organizations.”<sup>11</sup> Dali Yang describes *sheye danwei* as not-for-profit government-funded organizations or institutions.<sup>12</sup> In the 1980s and 1990s, these semi-state institutions proliferated, and, according to Yang, included “major regulatory institutions such as the “China Securities Regulatory Commission and China Insurance Regulatory Commission, industry associations, research institutes, geological survey and engineering institutions, educational institutions including universities and schools, hospitals, media organizations, publishing houses, and social service organizations including youth centers.”<sup>13</sup> (As we shall see later, these *shiye danwei* would become a significant force in public service provision.)

Many *shiye danwei* were created as an unpredicted consequence of the government downsizing discussed in Chapter 6. One way that local governments and party branches responded to orders to downsize personnel was simply to transfer laid off staff to these semi-state organizations. Dali Yang writes “a major weakness of the pre-1998 government downsizing was the failure to reduce payroll numbers. Bureaucrats eased out of their bureaucratic posts were most often moved to (*shiye danwei*)” and “As a result of lateral transfers from bureaucratic posts to government-affiliated organizations, there was little effective reduction in payroll size.”<sup>14</sup> According to Yang, by 2002 there were more than 1.3 million government-affiliated *shiye danwei* institutions, employing nearly 30 million people, 1.73 million of which worked in units affiliated with the central government and 28 million in units affiliated with provincial and local

government-affiliated institutions.<sup>15</sup> The central state would address this continued fiscal burden in 1998.

In spite of the fact that much of China's early associational revolution occurred in a top-down fashion, it is also important to note that the rise of associations often occurred beyond the purview of the central state apparatus (though, again, most were still created by lower levels of the state). Once the gate was open to the existence of such organizations, they proliferated across China and within many newly decentralizing levels and institutions of the state. As a result, even if associations tended to be created under the wing of universities and other state-managed firms, conservative leaders in the central government worried that the Center was losing the ability to identify and control them. Wang argues accurately, I think, that the associational "stampede" and the "chaos" (no doubt a reference to Tiananmen) of the late 1980s tested the newly reforming state's authority vis-à-vis society. He writes,

Civil organizations began appearing in the hundreds of thousands. Yet regulatory, legal, and system frameworks had yet to be standardized and operating and management models and templates had yet to be unified. These factors caused bottlenecks, which, when combined with the stampede of new organizations, resulted in a state of near chaos. Such a situation, in a time of political change, cannot but test the system's tolerance and force questions of system design.<sup>16</sup>

## **Phase II: 1989- 1998 Regulation, Corporatization and Decentralization**

This feeling, that an associational 'stampede' was resulting in social 'chaos' (a code word for 'threat to regime survival') would prompt the state to develop a much tougher management system at the end of the 1980s—especially after the Chinese leadership experienced a direct showdown with social forces at Tiananmen square, and watched in horror as the USSR collapsed under its own reforms. Huang Haoming and Wang Ming agree that, starting in 1989, a new phase of social management policy unfolded, which can be described a stricter, more tightly regulated approach to managing social organizations.<sup>17</sup> The period began with a weeding out of

large numbers of organizations through the creation and enforcement of a standardized registration system.

### *Attempts to Regulate the Third Sector*

In 1988 the State Council passed the *Measures on Foundation Administration* (The PRC's first ever set of regulations for foundations) and in 1989 it passed the *Provisional Rules on the Administration of Foreign Commercial Associations* and then the *Regulations on Social Group Registration and Administration*. These were the state's first major steps toward identifying and regulating the larger swath of civil society organizations that were beginning to emerge. The first set of regulations set standards for the establishment and registration of Foundations; the second specified legitimate types of foreign commercial associations and the conditions under which they qualified to operate in China; and the third set of regulations mandated the registration of civil society organizations at the Ministry of Civil Affairs' newly formed Social Group Management Division. At this time MOCA introduced a new technical term for social organizations: "*shehui tuanti*."<sup>18</sup> By October 1993 there were reportedly over 1,460 registered national-level *shehui tuanti*, 19,600 branch and local organizations registered at the provincial level, and more than 160,000 *shehui tuanti* registered with county authorities.<sup>19</sup>

Despite its recognition of a wider swath of legal SOs, the 1988 and 1989 regulations still failed to identify and register the full spectrum of social organizations. In their seminal 1996 study of civil society in China, White, Howell & Shang divided this spectrum into four parts: the 'caged sector,' the 'incorporated sector,' the 'interstitial sector,' and the 'suppressed sector,' which began to clarify the range of organizations and their relationship to the state. According to this classification system, the 'caged sector' referred to the Mass Organizations dating back to the Mao Era, that acted as Leninist transmission belts between Party and society, communicating

policy downwards and sending social concerns upwards. The ‘incorporated sector,’ discussed in detail below, referred to the realm registered of *shehui tuanti*, GONGOs, and other semi-state organizations (and therefore includes many of the *sheye danwei*). The third group referred more to the realm of classically conceived civil society organizations, for they are not registered, and not so closely bound to the state. This includes informal associations, salons, comings-together of like-minded or issue oriented people, local-place associations, religious associations fitting into the legal category, etc. The fourth type, according to White, Howell & Shang, consisted of the suppressed, illegal, or underground organizations including secret societies, pro-democracy groups, underground churches and separatist ethnic groups. In short, groups in the first two categories were very much statist, top-down organizations, while those in the third and fourth categories were not registered and usually dwelled at the grassroots.<sup>20</sup>

Under the 1989 regulations, organizations that were able to register now had to face deepened corporatist control in the form of the “dual supervision” system.<sup>21</sup> In order to register as a legal body, SOs must secure the support of two kinds of supervisors: first by a government bureau known as a *guikou*, and secondly by a professional supervisory organization (*yewu zhuguan* 业务主管), usually a government institution or GONGO that are often called *guakao* or *popo* “mothers-in-law.” As Qiusa Ma writes

Strict rules determine what types of organizations or governmental departments can be “mothers-in law”; they have to be in a similar professional field and at the same administrative level as the organization seeking a sponsor. For example, a national social organization engaging in women’s affairs should have the All-China Women’s Federation as its mother-in-law, whereas an environmental organization in Yunnan Province would likely have the Yunnan Provincial Environmental Bureau as its supervising institution.<sup>22</sup>

According to this system, these two groups would be jointly responsible for the administration and supervision of social organizations. Together, these dual managers help to control even the

daily operations of SOs, which has reduced the burden on MOCA and local civil affairs bureaus to oversee SO management.

The “dual management system,” which was still largely in effect in 2012, severely limited the development of China’s SO sector.<sup>23</sup> First of all, by making mother-in-law organizations legally and often financially responsible for the activities of SOs, and limiting the number of SOs that one mother-in-law organization could sponsor, this system has often made potential *yewu zhuguan* reluctant or unable to take sponsor SOs. Unable to find a sponsor, many SOs (especially small or very local ones) remain in a non- legal limbo status, or become *for-profit* businesses.<sup>24</sup>

Second, this system has severely limited the autonomy of registered SOs.<sup>25</sup> The 1989 regulations increased corporatist control over social organizations. *Yewu zhuguan* were put in charge of licensing, registration, reporting and often human resource decisions for the SOs they managed. Such corporatist control had a stifling affect on the flexibility and innovation of many registered SOs, and created a disincentive for many to register at all. Without the approval of a supervisory organization, social organizations faced more than a little difficulty in registering. Those organizations that valued their autonomy and did not want to submit to the corporatist control of a *guakao* ended up working outside the registered system in a kind of limbo state of non-legal status. Those organizations that did not obtain registered status might, at any time, be forcibly shut down, which had severe consequences for their ability to raise capital, to scale up, and to receive public legitimation. Their existence became one of perpetual uncertainty, and their ability to develop remained limited.

Third, the 1989 regulations stifled competition within the third sector by stipulating that only one organization could represent a particular interest or constituency within the geographical unit where it was registered.<sup>26</sup>

Fourth, SOs were only allowed to operate within the geographical area where they were registered (for instance, if one was registered at the Guangdong provincial Bureau of Civil Affairs, it could not replicate in other provinces). This prevented SOs from scaling up, unless their programs succeeded in attracting the attention of national leaders who could potentially absorb the program into national policy or move their registration status to a national level—both of which would likely increase state management of the organization. Fifth, the 1989 regulations clearly prohibited SOs to form along gender, racial or religious lines, which prevented some of china's more vulnerable groups from organizing.<sup>27</sup>

Another way in which the state leashed the third sector was by limiting non-state sources of operational capital. The state prohibited Social Organizations from engaging in for-profit activities, while also limiting their not-for-profit funding sources. One key way in which alternative funding sources to those of the state were limited was through the 1988 *Measures on Foundation Administration*. These measures restricted the number and ability of China's nascent foundation (*jijinhui*) sector by setting a high financial threshold for Foundations to set up shop, and by forcing them to apply for legal status at the People's Bank of China (to which they must also provide annual reports and undergo supervision). According to Susan Whiting, one weakness in these regulations was the state failed to build in clear taxation policies for donations from businesses and individuals (an oversight that would later be addressed).<sup>28</sup> Another was the emphasis placed by the 1988 regulations that China's foundations must seek a substantial amount of their funding from foreign sources. The combination of these controls would

undermine the growth of China's charity sector, and make China's third sector overwhelmingly dependent on foreign and state resources for years to come.

*Impacts of Decentralization on the Growth of China's Third Sector:  
Experimentation with State- Third Sector Partnerships at the Local Level*

As discussed in previous chapters, in 1992 Deng Xiaoping kicked off a revitalized push for economic reforms and began experimenting with greater decentralization of the central state bureaucracy in order to better accommodate economic liberalization. In 1993, the 2<sup>nd</sup> Plenary Session of the 14<sup>th</sup> Central Committee passed the *Plan Concerning Reforming Party and Government Institutions*, which called for the conversion of several former economic administrative departments into industry associations to replace their function in industrial administration.<sup>29</sup> Quick on the heels of this plan, the 3<sup>rd</sup> Plenary Session passed the *Decision Concerning Several Questions of Establishing a Socialist Market Economy*, which specified that industry associations, commerce organizations, and other organizations should play a role in fostering the socialist market economy.<sup>30</sup> Yet again, in March 1997, the General Office of the State Economic and Trade Commission issued the *Plan Concerning the Selection of Several Cities for Industry Association Trials*. This plan identified Shanghai, Guangzhou, Xiamen, and Wenzhou as trial sites for testing new Industry Associations. These test sites would transfer departmental administrative functions to several already-established industry associations in these target cities.<sup>31</sup>

With these three official decisions, we begin to see officially sanctioned, functional devolution of administrative power to government-organized associations and other social organizations. This process of devolving administrative power to these top-down-organized but also not-wholly- fused-with the centralized bureaucracy social organizations marks a significant

step in China's experiment with new forms of social management (though at this point they were still largely top-down). The idea was that by de-linking several administrative entities from the mainstream bureaucracy and turning them into semi-independent associations, these organizations would be more flexible to deal with the rapid changes ushered in by *gaige kaifang*.

Decentralization paved the way for new kinds of relations between local state actors and institutions and social organizations. As I have already discussed in Chapter 3, decentralization of administrative responsibility to provincial and local government units, combined with the rise in unfunded mandates for social service provision, began to push officials at all levels to seek out new mechanisms for reaching social service provision goals in key sectors such as education and healthcare. In the 1990s local states were increasingly turning to *shiye danwei* and other semi-state, formally registered organizations that began to appear in the 1980s, as key providers of service delivery. Dali Yang provides evidence that these organizations were rising in importance for service provision in key social sectors: for instance, in 2002 early half of all *shiye danwei* were created to deal with education (11.56 million in number).<sup>32</sup>

Another group of SOs that began to appear *en mass* at this time were privately formed service institutions that would be officially titled "People-Run Non-Enterprise Units" (called 民办非企业公司 *minban feiqiye gongsi* or "*minfei*" for short). While privately founded organizations were not legally recognized until the 1998 reforms, evidence suggests they were either tolerated or downright encouraged by local governments to provide services in the fields of education, health, technology culture, athletics, and social welfare provision.

Decentralization of social management and the resulting official ambiguity about how local states should interact with non-registered organizations allowed local governments greater leeway to interact with and manage SOs as they saw fit (within reasonable bounds). This

encouraged local experimentation in state- SO relationships, sometimes led them to challenge national regulations, and created the conditions in which regional/local variation in the management and development of China's third sector took place. In their interviews of Civil Affairs Bureau officials around China in the early 1990s, White, Howell & Shang found that the 1989 regulations were "not always appropriate to the situation on the ground", that local governments often utilized the "lack of clarity" in national level regulations to push forward their own registration and management regulations, and to allow favoured SOs to engage in profit-making activities that national level regulations prohibited.<sup>33</sup>

### **Phase III (1998-mid -2000s): Standardization and Rationalization of Third Sector Management; Reform of Public Institutions; and Formation of new state-SO relationships.**

In 1998 the Chinese party-state undertook another round of Social Organization Registration reforms. The profusion of new kinds of SOs during the past decade of economic reform that did not fit into official categories led the state to undertake a new push to 'clean up and reorganize' its registration categories. This time, the goal was to better record and regulate the pluralising body of social organizations in China. In order to do this, the party-state first expanded the legal categories of SOs recognized by the state, and then sought to rationalize the administrative and supervisory mechanisms of SO regulation.

#### *Expanding the Legal Categories of Entities in the Third Sector*

The 1998 reforms created the three categories of SOs legally recognized in China as of 2012—social organizations, *minfei*, and foundations—and enabled rapid growth of officially registered SOs.<sup>34</sup> Between 1998 and 2004 the central state released several policies that both clarified the kinds of SOs it would recognize and stipulated the ways in which these various organizational forms would be regulated. In 1998 the State Council released an updated

*Regulations on Social Group Registration and Administration.*<sup>35</sup> Significantly, in this document the SC acknowledges that private Social Organizations (*shehui tuanti*) have a right to exist as entities separate from the state for the first time PRC history. Article II of the 1998 regulations describe SOs as “voluntary groups formed by Chinese citizens in order to realize a shared objective, according to their rules and to develop nonprofit making activities” and furthermore insists that all groups *other than state organs* may join social organizations as institutional members.”

In 1998, the SC also recognized a significant new group of officially sanctioned SOs known as *minfei*. As mentioned above, these organizations actually started to spring up in the 1990s, during which time they took on a wide range of forms (spanning from public to privately run). The primary function of the *minfei*, though, was acting as (often for-profit) service institutions operating in the fields of education, health, technology, culture, athletics, and social service provision. *Minfei* entered the realm of official administration with the publication of the 1998 *Provisional Regulations on People-Run Non-Enterprise Unit Registration and Administration.*<sup>36</sup>

The activities of *minfei* tended to have a high degree of overlap with *shiye danwei* (discussed in the previous section), and so in order to clarify the distinction, the SC also passed the 1998 *Provisional Regulations for Registration and Management of Non-Commercial Institutions*<sup>37</sup> Article II of this document defines *shiye danwei* as “non-commercial institutions indicates social service organizations engaged in such activities as education, science and technology, culture or public health, that the state, with an objective of social benefit, runs through state organs or other organizations using public assets.” Here we see the clarification

that *shiye* are, in fact, government organized, run, and funded entities. In her 2013 book, Karla Simon perhaps more clearly states the differences between *minfei* and *shiye danwei*. She writes:

...both (*minfei*)<sup>38</sup> and public institutions provide social services, but there are two key differences between (*minfei*) and public institutions: (1) “public” institutions can be established by government organs and other organizations, but cannot be established by private sector individuals or companies; (*minfei*) on the other hand, can be established by individuals and organizations rather than by government organs; (2) assets of a public institution are state-owned assets, while most assets of a (*minfei*) are not.<sup>39</sup>

As we shall see in the next chapter, by legitimizing this new category of private social service institutions along side the state-run public institutions, the party-state took an important step towards the reform of the Social Policy Marketplace: the introduction of market forces.

### *Improving Supervision and Administration of Social Organizations*

Besides expanding the categories for SO registration, the 1998 regulatory structure also created a more comprehensive management system by clarifying the roles of supervisory organizations, registration and administration offices. While the 1998 regulations concentrated the responsibility of registration into the hands of MOCA offices, they ceded greater jurisdiction over administration and monitoring in the hands of “those administrative departments with service areas corresponding to civil organizations.”<sup>40</sup> This division of responsibilities was, in part, due to recognition of the need for greater specialized knowledge across the different issue areas. In 1998, the 9<sup>th</sup> National People’s Congress, passed the *Decision Concerning a Plan to Reform State Council Institutions*,<sup>41</sup> which made an important structural adjustment to MOCA. From that point on, the “Offices of Social Groups and People-Run Non-Enterprise Unit Administration” changed into “Offices of Civil Organization Administration.”<sup>42</sup> These bureaus would be in charge of conducting and evaluating annual reviews of SOs with the help of supervisory organizations, while a separate office in MOCA would deal with registration.

The 1998 regulations carried forward several control mechanisms from 1989, and also added new ones. First, they re-emphasized corporatist control of supervisory bureaus and organizations over SOs; second, they reaffirmed that SOs may not set up branch offices across regions (according to the 1998 regulations, though, not even Mass Organizations were allowed to do so<sup>43</sup>); third, they continued the practice wherein there can only exist one registered SO per “issue area” in a given administrative region (the so-called “anti competition” rule). Fourth, in the case of the newly recognized private SOs (*shehui tuanti*) and foundations, the 1998 regulations also set the bar for registration quite high. Private SOs could now register—but only if they had a minimum of 50 members and at least 30,000 RMB in the bank (100,000 RMB for national level organizations to register), meaning that most small grassroots organizations would still be unable to register. The financial bar was even higher for foundations to register: private foundations would need a minimum of an 2 million RMB endowment, and public, national level ones would need a minimum of 8 million RMB. In addition to the continuation of these corporatist controls, in 2000 the State Council also officially banned organizations that it deemed “illegal,”<sup>44</sup> and the CCP’s Organizing Department & MOCA jointly released the *Notice Concerning Establishing Party Organizations in Social Groups*,<sup>45</sup> requiring CCP base-level orgs to be set up in all registered social groups with three or more party members.

*The 1998 Regulations serve to Legitimate the Third Sector:*

While many of these new and continued corporatist controls set out by the 1998 regulations would function to slow down the development of the third sector (discussed in detail below), Ma points out that they also had a positive influence on the development of the sector.

He writes

...by creating the status of (*minfei*)<sup>46</sup> for private non-profit service providers, and by placing both SOs and (*minfei*) in a unified regulatory system under the supervision of

MOCA, the government has greatly enlarged the scope of entities considered to be NGOs, while simultaneously strengthening its supervision over them. Before 1998, no consistent policy addressed private professional service providers, and they had to register with and accept supervision from a host of administrative departments with various policies. Many even had to register as for-profit entities with the bureau of Industry and Trade. The 1998 system registered them, for the first time, under a unified status. By doing so, the new policy has created a sense of a unified NGO sector with a common legal and political ground.<sup>47</sup>

Not only did the standardization of third sector regulatory structures help to “unify the NGO sector with a common legal and political ground”, but it also set the groundwork for legitimizing public-private partnerships. The ability of SOs to gain legal status put them on the map for many local government officials. As local government officials struggled to find solutions to the problem of unfunded mandates and diversifying social welfare demands, they began turning to these freshly legitimated non-state organizations for help.

### *Reform of Public Institutions & Impacts on Third Sector*

Before launching into a discussion about the emergence of public-private partnerships (a key step in China’s shift towards the New Governance framework), I must first discuss another set of reforms in Phase III. These were reforms to China’s public institutions (事业单位 *shiye danwei*).<sup>48</sup> As discussed above, many of China’s public institutions were created in the 1980s and 1990s as spin-off organizations from decentralizing and reforming government agencies in order to absorb “laid-off” government officials. While they were a step in the direction of decentralization, these public institutions (a great many of which were emerging as important social service providers in the realm of education and health care) were essentially Government Organized NGOs (GONGOs) that continued to receive a great deal of financial support, facilities, and other administrative support from state agencies.

The embeddedness of *shiye danwei* in state institutions created a number of problems, as summarized by the *International Journal of Civil Society Law* in 2004:<sup>49</sup>

- excessive dependence of public institutions on state appropriations has become such a heavy burden that the state treasury can hardly support them anymore;
- the administrative management model and the non-independent accounting system have caused public institutions to lack initiative and vitality, which has made them low in efficiency;
- the non-production nature of the activities of public institutions has caused them to be disconnected from economic development;
- the combined terms of reference for the government administrators and the public institutions has made the public institutions excessively dependent on the government's mandatory planning, which in turn makes their survival dependent to a large extent on the will of the government, in addition to making it difficult to ensure the sustainability and stability of the institutions' own separate development; and
- the administrative "grid" management pattern has caused public institutions to be structured on a redundant and resource wasting basis.

It seems that by the end of the 1990s, the party-state realized the shortcomings in China's public institutions were strikingly similar to those found in other state-run institutions under the centrally controlled system: inefficiency, state dependence, disconnection from the changing needs of society, high instance of corruption, waste, and redundancy. As a result, in 1998 China's leadership began to address these problems by undertaking a series of reforms to the *shiye* sector (part of the larger series of Administrative Reforms discussed in Chapter Six), many of which forced these institutions into the competitive marketplace.

First, the reforms addressed the problem of the growing fiscal burden these institutions presented. Dali Yang tells us that in 1998 annual expenditures on *shiye danwei* gobbled up 17% of central government spending.<sup>50</sup> Most of this money went to payroll and retirement expenses for former bureaucrats who had been transferred into these work units when formal state institutions began to downsize. Beginning in 1998, then, the central government initiated measures to wean most *shiye danwei* from government support over a number of years.

According to Yang, the most far reaching reforms of the *shiye danwei* in the early 2000s affected government supported research institutions, many of which were forced to become business firms or greatly downsized non-profit organizations (for instance the Chinese Academy of Science cut its permanent staff by 2/3 in 2005).<sup>51</sup> *Shiye danwei* in the business of providing public services such as education and healthcare were also affected, though not as deeply. Public schools continued to receive state support, although many schools at the town and village level were ‘streamlined’ and shut down to reflect dwindling numbers of school age children. In the area of healthcare, many hospitals were converted into for-profit models, while those given not-for-profit status would have access to very limited public funding and had to devise new money making schemes.<sup>52</sup> Meanwhile, Yang tells us *shiye* that were originally created to provide intermediary professional services such as accounting, auditing, legal services, etc. were divested and turned into partnerships and limited liability companies. The 2004 assessment of China’s public institution reform conducted by the *International Journal of Civil Society Law* also sheds light on the way in which public institutions were re-categorized during this period. According to the report, in 2002 the state began experimenting with re-categorization based on the various functions of *shiye danwei*:

Under this reform scenario, public institutions with administrative functions are more generally to be converted into administrative bodies or be managed as administrative bodies; those that are making profits and are ready for the market are to be turned into entities in the industrial/enterprise system; and the rest are to be categorized either as ones serving public interests or as business types, with different management models for the different types.<sup>53</sup>

In 2001 Zhejiang Province regrouped its *shiye danwei* into four categories: supervision and management, public interest, intermediaries, and production. The *International Journal of Civil Society Law* elaborates:

Of these, the public institutions under the category of supervision and management were reformed in the direction of the public management system. The public interest group was further divided into three sub-groups under different management models, namely pure public services (*cun gongyi*), quasi-public services (*zhun gongyi*), and organizations with both public service activities and a strong connection with the market. The intermediary public institutions had to be thoroughly disconnected from the governmental organizations. The public institutions having production and business potentials were requested to be completely converted into the enterprise system.<sup>54</sup>

By reforming the *shiye danwei* structure, the state not only forced many formerly state-dependent organizations into the competitive market where they would have to sink or swim, but also created an even more diversified Social Policy Marketplace.

The combined consequences of the 1998 social organization and *shiye* reforms injected more players the third sector. Not only were more non-state organizations recognized as legal entities; now former leaders of state agencies and public institutions began relocating into the third sector,<sup>55</sup> bringing with them the social capital of their connections to the party-state, a history of ideological commitment to party values, and organizational know-how.<sup>56</sup> This would further serve to legitimize the activities of many SOs in the eyes of the party-state.

### **State-Third Sector Relations and China's Social Policy Marketplace prior to the New Governance Reforms**

Tying this discussion more explicitly back to China's Social Policy Marketplace, state policy and institutions have had a significant affect on the ability of China's third sector to fill the void left behind by a retreating state. A common claim made among theoretical discussions of Rational Choice Institutionalism, Social Movement Theory, theories of Welfare State, State and Society, and Civil Society, is that a retreat of the state will be accompanied by a corresponding rise in the role societal actors play in filling social demands. In the case of China, we can indeed see a rise in the *overall numbers* of Social Organizations during the reform era

alongside (but not in equal proportion to) the retreat of the state described in Chapter 4.

However, the actual *capacity* of these organizations to provide services in the void left by the state's retreat has been greatly impaired by the party-state's Social Management policy.<sup>57</sup>

This section discussed the center's attempt to maintain its monopoly over society—this time, over social organizations that might otherwise make up for the voids in welfare provision—in the context of economic reforms, administrative and fiscal decentralization, and state downsizing. As predicted by RCI, social organizations have responded to opportunity structures by growing in number and diversity during periods when the state relaxes, but the state has also fought to keep control over burgeoning civil society via its Social Management policy. The result has been a chronically underdeveloped third sector (in terms of both human and financial capital)—especially for the majority of SOs in the grey sector and those working on welfare areas not specifically targeted by the state. This would undermine the ability of the third sector to fill welfare demands.

### *Weaknesses of China's Third Sector Capacity on the Eve New Governance Reforms*

In summary, the specifics of how China's third sector capacity has remained limited are as follows:

- *Limited number and scope of organizations that can register:* While millions of SOs, loosely defined, exist in China, the 1998 *Rules and Regulations for the Registration of Social Organizations* only recognizes as legal three kinds of social organizations (SOs, *minfei*, and Foundations) despite the existence of a huge variety of grassroots organizations and public-private hybrids. Those organizations that might also be the source of much innovation have been left out in the wind with no legal recognition and therefore severely limited access to resources and legitimacy.
- *Lack of Autonomy:* the presiding 1998 regulations subjects SOs to the “dual management system” discussed above. Much has been written about how China's third sector is plagued by “social corporatism”, “administrative absorption” and a prevalence of “state-led” SOs who lack autonomy from the state. Critics of China's third sector policy have argued that the result of this cooptation is a body of (government-organized) SOs who are

wrought with the same inefficiency, corruption, and lack of innovation exhibited by state organs.

- *Financial Dependency* of these organizations on the state has been further secured by the existence of an exceedingly limiting Charity Law. Most of the financial resources available to SOs in China are located within the party-state itself, but, prior to the registration reforms discussed in the next chapter, SOs had to find the right supervisory partner, government contacts, and legal status to access these funds.
- *Weak Charity Sector*: the financial dependency of SOs on the state is reinforced by the weak development of China's charity sector. While the number of private foundations is expanding exponentially, severe limitations on the ability of private foundations to fundraise and receive tax relief undermines their sustainability. Meanwhile, the incentives for individuals and businesses to give are limited by a lack of tax reduction incentives. In addition, while Chinese philanthropy is on the rise, many would-be philanthropists lack knowledge and training about how to be effective philanthropists. Oftentimes, China's foundations provide their own services rather than giving grants to other organizations (in part because of the low capacity of many potential grantees).
- *Limits on scalability*. Since early on in the reform era, China's third sector development has been limited in terms of geographical scope and networking capacity. While some SOs have found loopholes and set up shop in multiple provinces and cities (usually a leader from one SO will set up a branch of that SO elsewhere, but register it as an independent organization), this makes it difficult for SOs with scalable models to replicate and/ or expand.
- *Limits on information sharing and communication*: Also, until the mid- 2000s, SOs were prevented from established networking sites (whether on the inter web or in person), and so many SOs were rather isolated and lacked access to information about other organizations, best practices, etc.
- *Uneven playing field*: GONGOS tend to gobble up most of China's third sector resources. Those who are the most attractive prospects for partnership tend to be those organizations that are GONGOs, who already have close ties to state bureaucracies, or who have benefited from funding and capacity training from their relationships with foreign foundations and organizations.
- *Still often too much overlap between state and SOs*: Partnering too closely with government-led organizations may limit SO freedom and capacity to innovate and calls into question their efficiency, effectiveness, and ability to avoid corruption.
- *Continued state repression of some issue areas and geographical areas*: SOs working on 'sensitive' issues such as labour; human, civil, and environmental rights; migrant worker and minority issues, AIDS, religion, etc., have often been banned, been closed down or heavily sanctioned. As a result, SOs providing services and protections for a number of

China's most vulnerable populations tend to suffer from even lower capacity than, say, those working on a state-prioritized issue such as eldercare.

- *Lack of Human Capital & Professionalization Training* due to the low wages paid by SOs and to the lack of training and professionalization programs for SO leaders and administrators, service providers, etc., many are blighted by weak capacity in the human capital front.
- *Lack of Social Recognition and Legitimacy* especially before the Wenchuan earthquake in Sichuan in 2008, most Chinese citizens had either never heard of NGOs and SOs, did not understand what they were for, or did not trust them. China's SO sector has also been hit by a number of high profile scandals, especially regarding GONGOS like the Chinese Red Cross, and the Song Qing Ling Foundation, which further undermined the trust of China's citizens in the sector. These scandals effectively framed Charity Organizations and other SOs as yet another front for corrupt official activities.
- *Lack of Trust and Understanding among government officials, bureaucrats, and society.* Up until the 2000s, many Chinese officials and bureaucrats viewed SOs as a potential source of social destabilization, democratic revolution, or just meddling whistle-blowers. Even as the perceived utility of SOs has increased among government officials across China (especially in urban centers and localities where officials have more interaction with SOs), state officials are often mistrustful of SOs with which they don't already have personal connections and understanding. As a result, state bureaucracies have been more likely to partner with GONGOS and SOs with an already-established reputation. Meanwhile partnering with SOs who have close ties to foreign funders and organizations has also been met with mixed enthusiasm on the part of local governments. On the one hand, they welcome foreign capital and the impact that capacity building has had on building the efficacy and professionalism of Chinese SOs; on the other hand many conservative party officials and local governors are worried about the motivations of foreign organizations and the influence they have had on grantees/ collaborators.

## Conclusion

The main objective of this chapter was to provide background on the determinants and availability of social welfare supply from China's third sector leading up to the New Governance reforms. As I have demonstrated with the help Wang Ming, Qiushi Ma, Susan Whiting, White, Howell & Shang, and Dali Yang and others who have provided excellent research on the background of China's social regulatory environment over the years, the state has used its regulatory powers to limit the overall development of the third sector well into the 2000s.

This is important background information for understanding the opportunities and constraints China faces when trying to promote stronger third sector engagement in the unfolding New Governance framework, and, indeed as it undertakes the double-edged strategies of Social Construction and Social Management Innovation discussed in Chapters Eight and Nine, respectively.

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## NOTES

- <sup>1</sup> During this early phase the party-state navigated a transition from a highly centralized regime to a more and more decentralized one; from an anti-education, anti-science, and anti-expert political culture to one that began to value academics, science, and research institutions; from a strongly corporatist polity to one that began allowing non-state associations to play a role in local and industry-specific activities.
- <sup>2</sup> Gordon White, Jude Howell, and Xiaoyuan Shang, *In search of civil society: market reform and social change in contemporary China*, (Oxford: Clarendon Press, 1996).
- <sup>3</sup> *Constitution of the People's Republic of China*. 1982. English version can be found at: <http://english.people.com.cn/constitution/constitution.html> Last accessed 11/25/14
- <sup>4</sup> National People's Congress. *General Principles of the Civil Law of the People's Republic of China*. 1986. English version can be found at: [http://www.chinaproject.de/Recht\\_Steuern/General%20Principles%20of%20the%20Civil%20Law%20of%20the%20People's%20Republic%20of%20China.htm](http://www.chinaproject.de/Recht_Steuern/General%20Principles%20of%20the%20Civil%20Law%20of%20the%20People's%20Republic%20of%20China.htm) last accessed 11/25/14
- <sup>5</sup> Shaoguang Wang, "Associational Revolution in China: Mapping the Landscapes," *Korea Observer*, 35, no 3 (2004).
- <sup>6</sup> Qiusha Ma, *Non-governmental organizations in contemporary China: paving the way to civil society?* (London: Routledge, 2006): 62.
- <sup>7</sup> Though we can't know how many for sure. There was no national registration system at this time.
- <sup>8</sup> Ming Wang, "The Development of Civil Organizations and the Road to Civil Society in China" in Ming Wang, ed. *Emerging civil society in China, 1978-2008*, (Boston: Brill, 2011): 14-21.
- <sup>9</sup> Simon points out prior to 1998 organizations could only be legally founded by the state or public institutions, *not by individuals*. See Karla W. Simon, *Civil society in China: the legal framework from ancient times to the new reform era*, (Oxford: Oxford University Press, 2013.) Wang Ming also details how the Red Cross was only reinstated after the State Council approved the Ministry of Health's and Foreign Ministry's *Report concerning the Restoration of the Red Cross's Domestic activities*, Lawyers' Associations were established by the Standing Committee of the NPC when it passed the *Provisional Regulations on Lawyers* in 1980, individual laborer associations were mandated in all administrative regions in 1983 by the State Council's *Several Policy Regulations Concerning City and Township Non-Agricultural Individual Economy*. Ming Wang, "The Development of Civil Organizations."

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- <sup>10</sup> Ming Wang, “The Development of Civil Organizations,” 21.
- <sup>11</sup> National People’s Congress. *General Principles of the Civil Law of the People's Republic of China*. 1986. English version can be found at: [http://www.chinaproject.de/Recht\\_Steuern/General%20Principles%20of%20the%20Civil%20Law%20of%20the%20People's%20Republic%20of%20China.htm](http://www.chinaproject.de/Recht_Steuern/General%20Principles%20of%20the%20Civil%20Law%20of%20the%20People's%20Republic%20of%20China.htm) last accessed 11/25/14 Section III, Article 50.
- <sup>12</sup> Dali Yang, *Remaking the Chinese leviathan: market transition and the politics of governance in China*, Stanford: Stanford University Press, 2004).
- <sup>13</sup> Karla Simon (2013) explains the differences between these three types of public benefit entities: “The term “independently funded official organs” in the GPCL is understood to refer to the national government and local government official organs themselves, while “public institutions” (*shiyue danwei*) refer to organizations that enhance the operations of all of the public service fields, including education, research, health, social welfare, sports, arts and culture, etc. “Public institutions” are thus public service agencies, such as public universities and public hospitals, as distinguished, for example, from the local education or health departments, which are clearly government organs (but not *jiguan*).” Simon also writes “How the three types of entities were supposed to divide up their activities to meet similar responsibilities to the public did not receive much clarification until the later 1990’s. “ See Karla W. Simon, *Reform of China’s Laws for NPOs A Discussion of Issues Related to Shiyue Danwei Reform* (The Forum on the Legal Framework of NPOs in China: Center for NPO Law of Peking University School of Law, 2003), [http://www.iccsl.org/pubs/China\\_paper\\_for\\_Bei\\_Da\\_final.pdf](http://www.iccsl.org/pubs/China_paper_for_Bei_Da_final.pdf) Last Accessed 11/25/14
- <sup>14</sup> Yang, *Remaking the Chinese leviathan*, 49.
- <sup>15</sup> Yang, *Remaking the Chinese leviathan*.
- <sup>16</sup> Ming Wang, “The Development of Civil Organizations,” 21.
- <sup>17</sup> There is however some disagreement about the exact date the first phase ended. While Ma (2006) and Huang (2011) see a natural breaking point in 1989 when a crackdown on societal freedoms took place following the Tiananmen square tragedy, Wang sees the significant shift in state policy as occurring in between 1992 and 1993, following Deng Xiaoping’s Southern Tour, when the party-state thrust economic reform and liberalization into hyper drive. In this study I side with White, Howell, & Shang, Ma, and Huang in choosing 1989 as a clearer breaking point for the first phase of China’s social policy. I view 1989 as the marker dates for the second policy phase for the following reasons: not only did the post-Tiananmen crackdown lead the party-state to put a (temporary) stop to the mass proliferation of associations of the early reform years, but 1989 also stands out as the point at which the post-Mao party-state created several significant regulations for the management of China’s burgeoning civil society. Qiusha Ma, *Non-governmental organizations in contemporary China*; White, Howell, and Shang, *In search of civil society*; Haoming Huang, “Reforms to Civil Organization Internal Governance” in Ming Wang, ed., *Emerging civil society in China*, Chapter 5. pp. 177-208; Ming Wang, “The Development of Civil Organizations.”
- <sup>18</sup> According to White, Howell, and Shang, *In search of civil society*, 98 this term acted as an umbrella term for a wide range of organizations including popular organizations, mass organizations, friendship societies, learned societies, associations, and foundations.
- <sup>19</sup> White, Howell, and Shang, *In search of civil society*, 99.
- <sup>20</sup> White, Howell, and Shang, *In search of civil society*, chapter 2.

- <sup>21</sup> For detailed discussions of corporatist control of SOs, see Susan Whiting “The Politics of NGO Development in China” *Voluntas* 2 no.2 (1991), 16-48. White, Howell, & Shang also discuss this in some detail in their second chapter, as does Qiusha Ma (Chapter 5). The most recent article on the topic is: Jennifer Y.J. Hsu and Reza Hasmath, “The Local Corporatist State and NGO Relations in China” *Journal of Contemporary China* 23 no.87 (2014): 516-534.
- <sup>22</sup> Ma, *Non-governmental organizations in contemporary China*, 64.
- <sup>23</sup> Much has been written on this topic. See Whiting “The Politics of NGO Development in China”; Ma, *Non-governmental organizations in contemporary China*; Fengshi Wu and Jianyu He, *Capacity Development of Civil Society Organizations: Toward Inclusive Social Management in China*. A policy research paper prepared for European Union-China & United National Development Program Governance for Equitable Development Project (2012); Jonathan Schwartz and Shawn Shieh, *State and society responses to social welfare needs in China serving the people*, (Abingdon, Oxon: Routledge, 2009).
- <sup>24</sup> White, Howell, and Shang, *In search of civil society*, 104 discuss how SOs get around registration requirements by becoming a second-level organization in a larger association or simply register as a business.
- <sup>25</sup> Whiting “The Politics of NGO Development in China”
- <sup>26</sup> White, Howell, and Shang, *In search of civil society*, 104.
- <sup>27</sup> White, Howell, and Shang, *In search of civil society*, 104.
- <sup>28</sup> Whiting “The Politics of NGO Development in China”
- <sup>29</sup> Thus formalizing the devolution of several previous state institutions into *shiye danwei* (discussed above) and other GONGOs. See Ming Wang, *Emerging civil society in China*.
- <sup>30</sup> Wang, *Emerging civil society in China*, 376.
- <sup>31</sup> Wang, *Emerging civil society in China*, 376.
- <sup>32</sup> Yang, *Remaking the Chinese Leviathan*, 49.
- <sup>33</sup> White, Howell and Shang, *In search of civil society*, 104-105.
- <sup>34</sup> Please note that, until 2004, the foundations category only included public foundations—not private ones.
- <sup>35</sup> *Regulations on Social Group Registration and Administration* (*Shehui tuanti dengji guanli tiaoli* 社会团体登记管理条例 For full text in English see: <http://www.chinadevelopmentbrief.cn/?p=239>
- <sup>36</sup> The 1998 regulations are still in place at the national level as of 2013. *Shehui tuanti dengji guanli tiaoli* (Regulation for Registration and Management of Social Organizations) promulgated by State Council Sept. 25, 1998; and *Minban fei qiye danwei dengji guanli zanxing tiaoli* (Provisional Regulations on Registration and Management of Private Non-Enterprise Units) promulgated by State Council at the 8th Ordinary Session, Sept. 25, 1998. Article 10, available at <http://www.chinadevelopmentbrief.com/node/300> Last accessed 12/5/14.
- <sup>37</sup> 1998 *Provisional Regulations for Registration and Management of Non-Commercial Institutions* (事业单位登记管理暂行条例) For full text in English, see <http://www.chinadevelopmentbrief.cn/?p=235>
- <sup>38</sup> Simon refers to *minfei* as CNI or “civil non-business institutions”—I use the shorthand “*minfei*” for the sake of consistency in this chapter.
- <sup>39</sup> Simon, *Civil Society in China*, 191-193.
- <sup>40</sup> Wang, “The Development of Civil Organizations,” 25.

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- <sup>41</sup> 9<sup>th</sup> National People's Congress. *Decision Concerning a Plan to Reform State Council Institutions* (*guanyu guowuyuan jigou gaigefang fangan de juiding*) [http://cn.chinagate.cn/politics/2008-03/15/content\\_12723672.htm](http://cn.chinagate.cn/politics/2008-03/15/content_12723672.htm) last accessed 11/25/14.
- <sup>42</sup> From that point on, the “Offices of Social Groups and People-Run Non-Enterprise Unit Administration” (*shehui tuanti he minban feiqiye danwei guanli*) changed into “Offices of Civil Organization Administration” (*minjian zushiguanli si*).
- <sup>43</sup> With the exception of the ACFTU, the Chinese Communist Youth League, and the ACWF, who were still allowed to have branches after the 1998 regulations went into effect. All other organizations with branches would have to set the branches loose, so that they could seek registration status as independent entities.
- <sup>44</sup> See the *2000 Provisional Measures Banning Illegal NGOs* (*qudi feifa minjian zuzhi zhangxing banfa*) cited at <http://www.chinadevelopmentbrief.cn/?p=712> last accessed 11/25/14.
- <sup>45</sup> *Notice Concerning Establishing Party Organizations in Social Groups* see Wang, *Emerging civil society in China*, 378.
- <sup>46</sup> Ma, *Non-governmental organizations in contemporary China*, uses the acronym NGNCE (Non-Governmental Non-Commercial Enterprises) to connote *minfei*.
- <sup>47</sup> Ma, *Non-governmental organizations in contemporary China*, 68-69.
- <sup>48</sup> These reforms can be closely related to broader efforts to rationalize the state and its institutions discussed above.
- <sup>49</sup> *International Journal of Civil Society Law (IJCSL): Special Issue on China II*, issue 1 (January, 2004): 9.
- <sup>50</sup> Yang, *Remaking the Chinese leviathan*:
- <sup>51</sup> Yang, *Remaking the Chinese leviathan*: 50-53.
- <sup>52</sup> In 2000, the Ministry of Health reformed the management of urban medical institutions, which divided them into “profitable” (*yinglixing*) and “non-profitable” (*feiyinglixing*).
- <sup>53</sup> *International Journal of Civil Society Law (IJCSL)*, 10.
- <sup>54</sup> *IJCSL*, 11.
- <sup>55</sup> This continues to be common practice today. For instance Yan Mingfu, former Vice Minister at the Ministry of Civil Affairs left his position to become Director General of the China Charity Federation (CCF) and Wang Zhenyao's also retired from the Ministry of Civil affairs into his current position of Dean of the School of Philanthropy at Renmin University. Also see Kin-man Chan, “The Development of NGOs Under a Post-Totalitarian Regime: The Case of China,” in Weller, Robert P. ed. *Civil Life, Globalization, and Political Change in Asia* 20 no. 26 (2005).
- <sup>56</sup> The case studies in part II of this dissertation provide strong evidence of this.
- <sup>57</sup> As a reminder, China's leadership refers to the policy framework for regulating the third sector (as well as all forms of civil society organization) as “Social Management.”

## Chapter 8

### Social Construction

*“The pressing need from now on is to speed up the growth of intermediary organizations through the promulgation of policies and regulations, incentives, subvention rules and professional support. A more direct role for the state – in policy making, rule-setting, regulation, standard laying, support, and guidance—is defined as the cornerstone of welfare socialization in the new millennium.”<sup>1</sup>*

*“There is a common saying: first develop the economy, and only then can you work on developing people’s livelihoods, only then can you develop social construction. I do not endorse this idea.”<sup>2</sup>*

#### Introduction

This chapter focuses on how the party-state has gone about building the capacity of China’s third sector 1) to better respond to diversifying social policy demand and 2) to constitute a better quality pool of non-state organizations that can participate in public-private partnerships and purchase of service contracting. Using the leadership’s own language, I call this strategy for building third sector capacity “Social Construction.”<sup>3</sup>

Below I examine how SC experiments have been playing out at both the national level and at the provincial level in Guangdong, Beijing, and Shanghai,<sup>4</sup> and at the municipal level (and below) in the case of Beijing.<sup>5</sup> The data used for this chapter draws from field interviews conducted in the Spring of 2012, white papers and other official documents, official websites of the various provincial and local governments, news reports released by both Chinese and foreign news sources, and from existing academic work on the subject.

Table 8.1 provides a summary of both the barriers to China’s third sector development (as identified in previous chapters) and the efforts the party-state is taking to reduce these barriers and thereby promote third sector development.

**Table 8.1. Building the Capacity of China's Third Sector**

<b>Weakness in China's Third Sector</b>	<b>State Response</b>
High barriers to SO legalization	SO registration reforms
Limited financial resources	Contracting system/ welfare lottery/ legalization of private foundations/ charity reforms/ incubator organizations
Dependence on the State/ high prevalence of GONGOs	Acknowledgement of this problem, but not much concrete action as of 2012
Geographical Boundedness	Registration reforms allow franchising
Information Constraints	Create Associations, physical and on-line networks, state regulation information portal; state and private trainings and conferences, support organizations
Lack of Professionalization	Build out university and vocational training programs, associations, incubators, support organizations
Lack of public trust/ support	Create high-profile SO awards and competitions; social welfare parks and museums (in more progressive cities); exposure via state media sources.

This chapter elaborates on the SC experiments listed in Table 8.1, beginning with registration reform experiments.

## **I. Registration Reforms: Lowering Barriers to Legalization of Social Organizations**

In recent years China's provincial and local leaders have begun to experiment with reforms to the SO registration system in China's provincial and municipal "laboratories." The primary goal for these reforms was to lower barriers for would-be partners in service provision in order to encourage both innovation and competition within the Social Policy Marketplace. In particular, efforts have been made to do away with the dual registration policy.<sup>6</sup>

### ***Guangdong's Provincial Level Registration Reforms***

The most aggressive—and earliest—experiments with official SO registration reforms took place in Guangdong Province.<sup>7</sup> Starting in 2008, the cities of Shenzhen and Guangzhou

began experimenting with these reforms in earnest. Based on these experiments, in November of 2011, Guangdong Province's Department of Civil Affairs made public its plan to "nurture, develop, and standardized the management of Guangdong's SOs," by allowing certain kinds of SOs to register directly with Civil Affairs Departments. This would eliminate a major obstacle for SOs attempting to gain legal status in Guangdong: they would no longer have to find a supervisory organization (*yewu zhuguan danwei* 业务主管单位) with which to partner for registration.<sup>8</sup>

Under these reforms, eight kinds of SOs were now allowed to participate in direct registration. These include industry associations, organizations helping to improve people's livelihood (such as cultural, scientific, or sports-oriented organizations), charity organizations, community service organizations, chambers of commerce, urban and rural grass-roots social organizations, foreign social organizations, and "hub organizations."<sup>9</sup>

The Guangdong registration reforms also aimed at dismantling the national rule of "one association per sector," which has long suppressed the growth of a robust and competitive associational sphere in China. The provincial Bureau of Civil Affairs (BoCA) announced that it would replace "one association per sector" with "multiple associations per sector", thereby breaking the monopoly of single associations and encouraging a competition mechanism to improve the specialization and quality of professional industrial associations in the region.<sup>10</sup>

Yet another reform to the registration system carried out by the Guangdong Bureau of Civil Affairs was to decentralize registration authority to district and sub-district levels of government. The rationale for this was to break another registration bottleneck preventing more SOs from registering: understaffed Bureaus and Offices of Civil Affairs. Decentralization would increase the number of sites where SOs could register, expand the staff available to oversee

registration, and thereby allow more SOs to register than the state had the capacity to register in the past. By increasing the capacity of the state apparatus to register SOs, the Guangdong BoCA could also promise a shorter turn-around time for processing registration applications. On the one hand, this would place burden of registration at more localized administrative units; on the other these local registrars would also be better placed to supervise, evaluate, and attend to the local exigencies facing SOs and the communities they were to serve (See SMI chapter for a more in-depth discussion of how the party-state has experimented with altering its MoCA structure to better manage the rise in SO registration applicants).

According to a report by the Guangdong BoCA,<sup>11</sup> these relaxed registration policies did yield a net increase in the number of SOs that were able to register successfully in the province's civil affairs departments. The report stated "by the end of 2012, civil affairs departments at all levels of social organization registered 34,537, an increase of 12.5 % over 2011, of which 15,555 were Social Organizations, 18,648 were Private Non -Enterprise Units, and 334 were Foundations."<sup>12</sup>

### ***Beijing's Registration Reforms***

Registration reforms began in Beijing in 2010 when the municipality changed its regulations on registration in the Zhongguan Cun Science Park "experimental zone."<sup>13</sup> In February of that year, the municipal leadership began allowing SOs working in ZGC to register directly in their district-level bureaus of civil affairs. This practice was then extended to the entire municipality the following year (2011). In contrast to the eight kinds of organizations included in the GD reforms, it only applied direct registration to three groups of SOs: those working in charity, social services, and social welfare.<sup>14</sup> According to official statistics, by 2013

some 34% of all SOs attaining legal status in Beijing were able to do so via direct registration (that is, 221 SOs used direct registration that year).<sup>15</sup>

***SO Registration Reform Experiments Yield Fruit: Registration Reforms Implemented at the National Level***

China's leadership unleashed similar reforms at the national level at the 18<sup>th</sup> CCP National Congress. Starting in 2011 the State Council and Ministry of Civil Affairs would be tasked with allowing *four* SO groups to register directly with Civil Affairs Bureaus:<sup>16</sup>

- industry and trade associations
- science and technology groups
- charity organizations
- urban and rural “community service stations”

By 2013 this practice of direct registration had spread to 19 provinces.<sup>17</sup> According to a *Beijing Times* report, this included nine provinces in which private foundations were allowed to register with decentralized authorities (ostensibly the municipal level), and four provinces in which pilots were testing the registration of foreign private non-enterprise units.<sup>18</sup> According to a report by China Daily, by the end of 2013 some 19,000 Social Organizations had directly registered at BoCAs around the country.<sup>19</sup>

Also in 2013, China convened the Third Plenum of the 18<sup>th</sup> Communist Party Central Committee, during which a change of the party's top leadership took place and new policy directions were announced. Two policy announcements in particular outlined the future direction of SO registration policy. These announcements, titled “*Decision of the Central Committee of the Communist Party of China On Some Major Issues Concerning Comprehensively Deepening the Reform*”<sup>20</sup> and the “*Program to Implement the Institutional Reform and Functional Transformation of the State Council*”<sup>21</sup> called upon China's leaders at all levels to continue reforms that would help cultivate and promote the healthy and orderly

development of SOs. These documents directed policy makers to promote social construction and social management innovation. In particular, the latter document encouraged the creation of independent industry associations<sup>22</sup> and chambers of commerce to “introduce a competitive mechanism with multiple associations in the same industry to boost their independence and vitality.” By the Spring of 2014, twenty-six provinces and regions had implemented the new regulations, allowing direct registration to the four categories of SOs.<sup>23</sup>

### ***Shanghai’s Registration Reforms***

Although the provincial-level municipality of Shanghai also began to experiment with direct SO registration in 2012,<sup>24</sup> in April of 2014 Shanghai’s BoCA adopted the new registration system now advocated by the central Ministry. The Shanghai BoCA’s “*Certain Provisions for the Direct Registration and Management of Shanghai’s Social Organizations*,” specified it would provide easier registration pathways for the four types of organizations recognized by MoCA. Such organizations would no longer need a “mother in law” supervisory organization,<sup>25</sup> and they could register directly either with the municipal BoCA or their district-level divisions. However, Trade Associations hoping to utilize the direct registration process would have to prove their qualifications and professionalization by first getting licensed in their relevant field: eg. education and training institutions would have to provide relevant credentials/ proof of expertise in the field of education; those providing medical or welfare services must have proof of their qualifications (eg. necessary permits, licensing, proof of certification). Furthermore, those working in such technical fields would be required to undergo technical supervision from experts in those fields (see SMI section for further discussion of this supervisory aspect of the reforms.)

In addition, the Shanghai BoCA expressed its commitment to the following aspects of Social Construction in this document:

- Broadening the channels of public participation
- Promoting the self-monitoring of social organizations
- Promoting the convergence of government regulation and public supervision
- Encouraging the progressive realization of autonomy and self-organization of SOs
- Utilizing information disclosure systems in order to promote industry standards

### ***Initial Report on Impacts of Registration Reforms***

According to a recent update<sup>26</sup> on the progress of registration reforms in the city of Shenzhen, the new system has thus far yielded mixed results from the perspective of SOs. Ma Hua of Sun Yat-Sen University's South China Philanthropy Research Institute, has catalogued several problems with the reforms. First, there is a distinct lack of consistency in how district level BoCAs define "public interest charities." This creates a situation in which functionally similar SOs are able to register in some districts, but not others. This is a result of conceptual fuzziness in provincial and national definitions. Second, SOs continue to face capital barriers to registration. *Minfei* must have a minimum of RMB 30,000 to register, and immediately after registration they are subject to a number of taxes that many cannot afford. Post registration, many SOs continue to face great hurdles obtaining eligibility for corporate income tax exemptions and have difficulty obtaining the right forms for donor tax deductions. In addition, all SOs must provide proof of "suitable premises." Ma Hua tells us that, "Official guidelines from MoCA stipulate that applicants must provide documentation that proves they have the right to use the premises where they are based," but that while "there is no explicit provision within the guidelines that precludes applicants from using a residential address to register, and some

civil affairs departments have insisted on a commercial address for the purposes of registration.”

Third, a number of SOs have complained that they spend a great deal more time on fulfilling legal compliance (some report having to fill out compliance forms on a daily basis) than before the reforms.

While I do not have corresponding reports about reform progress in other localities at this time, one can imagine SOs in other localities face similar problems.

Clearly, the reformed registration system has some kinks to work out if it is going to support the growth of third sector.

## **II. Improving Fiscal Resources for the Third Sector**

Another barrier to the development of China’s Social Policy Marketplace has been the lack of fiscal resources available for third-sector organizations. China’s efforts at Social Construction have also aimed at building fiscal resources for the third sector.

### *Increasing Sources of State Support*

The party-state has partially tackled this problem by increasing the amount of state funds available to SOs. According to the Xinhua news agency, the central government allocated money specifically to finance the activities of non-governmental organizations for the first time in 2012.<sup>27</sup> The report states that the some RMB 200 million (or \$32.08 million) was allocated to 377 social work projects and 120 training programs around China that year.<sup>28</sup> By 2013, the central government invested twice that amount (RMB 400 million) to support 470 projects run by SOs,<sup>29</sup> and in 2014 the central MoCA indicated it will invest RMB 200 million (\$32.08 million) to support organizations in the conduct of social welfare services.<sup>30</sup> Also starting in 2012, with the help of the European Governance for Equitable Development Project, MoCA

partnered with the China Association of Non-Profit Organizations (CANPO) in an “unprecedented” grant-making experiment. Under this pilot, titled the “Social Organizations Development Fund,” two rounds of small grants were distributed to support 50 grassroots SOs.<sup>31</sup>

Down in the provinces, state agencies have also been experimenting with new ways to financially support the third sector. For instance, in Shanghai, funding by the government accounted for 15.8 percent of the income that SOs received in 2012, according to figures from the city's Civil Affairs Bureau.<sup>32</sup>

### *Outsourcing*

Another important mechanism for infusing financial resources into the third sector (again, with the express interest of improving actual service provision) is the purchase of service system (□□服□ *goumai fuwu* – alternatively called “outsourcing” or “competitive bidding”).

Government purchase of services from non-state entities was first tested in several experimental provinces in 1998,<sup>33</sup> then legalized at the national level with the promulgation of the *1999 Bidding Law* and the *2002 Government Procurement Law*.<sup>34</sup> At this time, government purchase of services focused on public utilities projects including construction, maintenance, and IT systems development. Jing Yijia estimates that between 2002 and 2004 nearly one-third of government-funded services were delivered by non-state personnel,<sup>35</sup> while Yang provides some figures on the meteoric rise of state purchases during this time:

“...in 1998 governments at all levels in China purchases 3.1 billion *yuan* worth of goods and services via government procurement processes. This figure rose to 10.1 billion *yuan* in 1999, 32.8 billion *yuan* in 2000, 65.3 billion in 2001, 101 billion *yuan* in 2002, and 150 billion *yuan* in 2003.”<sup>36</sup>

Meanwhile, Jessica Teets found that “in 2004 China’s service procurement amounted to RMB 13.8 Billion (U.S. \$1.67 billion), with the top three outsourced services of maintenance

comprising 16%, system integration 13% and IT and software development 7% of total procurement spending.<sup>37</sup>

Experimentation with purchase of service contracting soon spilled into the Social Policy Marketplace. By 2000, the success of the state's experience with introducing competition to procurement had "become conventional wisdom and was being extended to a growing range of settings, including schools, hospitals, and even the military establishment."<sup>38</sup>

A major source of funds for the purchase of service programs has been social welfare lottery systems.<sup>39</sup> Typically these lottery funds are gathered at the municipal level and transferred to district level BoCAs, who then disperse the funds to SOs that have been contracted.<sup>40</sup> Modes of social service delivery outsourcing have also expanded to include the use of franchising, grants, vouchers, etc.<sup>41</sup>

By 2008, approximately 59% of social service delivery nationwide would be completed through a process of competitive contract bidding—and most of this took place at the provincial level and below.<sup>42</sup> Let us see how the practice of *goumai fuwu* has evolved among the three experimental regions highlighted in this dissertation:

### ***Shanghai Experiments***

Shanghai was also one of the first municipalities to experiment with purchase of social services.<sup>43</sup> In 2000 the Shanghai BoCA established a special office to provide funding for SOs serving elders in six of Shanghai's districts (via twelve street level offices). By 2004, this practice expanded to purchasing services related to community youth work, combating drug use, and helping with community corrections issues; by 2006 the city was also contracting out for SO help regarding migrant workers and their children; and 2006, some eight municipal

government departments had contracted out services from thirteen SOs, spending millions of RMB on these services.<sup>44</sup>

It was not until 2009 that the city formalized *goumai fuwu*. That year, the municipal BoCA allocated RMB 50 million from the city's Welfare Lottery system specifically for public service outsourcing. According to a recent MA Thesis written by Ruoqing Chen of Lund University, which details Shanghai's outsourcing mechanism, half of these funds came from the Municipal Welfare Lottery pool, while the other half came from District Welfare Lotteries. The administrative flow of these funds between municipal and district levels appears to work the same way as in Beijing (the site of my local level research, detailed below), but in Shanghai Community Service Centers have been commissioned by BoCA act as the direct managers of the funds, while the BoCA itself manages the contracts.<sup>45</sup>

A recent study by Jing and Chen<sup>46</sup> found there had been 127 competitive bidding contracts dispersed to 116 nonprofits in Shanghai between June, 2009 and May, 2010. They found the total contracted funds totaled RMB 39.84 million with an average contract running around RMB 313,670. Seventeen of Shanghai's 19 districts participated in this competitive contracting program.<sup>47</sup>

### ***Guangdong Outsourcing Experiments***

The practice of outsourcing social services was first tested in Shenzhen starting in 2007, when the city government invited several SOs involved in social work to build social work centers, from which the government promised to purchase future services.<sup>48</sup> From there, the government has increased the scope of its contracting to support the work of SOs working in youth education, social aid, disability, community corrections, migrant worker services, and eldercare. As elsewhere, much of the funding came from the Social Welfare Lottery.

The Shenzhen pilot was then replicated in several other cities and districts in Guangdong. For instance, in 2010 the city of Guangzhou created a special fund within the city's Social Welfare Lottery to provide funding with SOs engaged in public service.<sup>49</sup> According to Guangdong's BoCA website, by the end of 2012

Provincial ministries and agencies co-financed funding arrangements totaling RMB120 million to fund charitable organizations, social and livelihood projects, hub services and other projects. The first batch of 510 community organizations were funded a total of about RMB105 million, and another eight community organizations also participated in community service projects with central government subsidies. In Guangzhou, Shenzhen, Zhuhai and other cities, substantial progress has been made to transfer the functions of the government to Social Organizations.<sup>50</sup>

Guangdong provinces has been a leader in clarifying the scope of services allowed for government contracting, and in codifying guidelines for so doing. According to a report by the Hong Kong based IHLO, "The Guangdong BoCA developed a catalogue of social services to be outsourced and guidelines on the outsourcing agents, the consultants, the tender procedure, the contract, the appraisal mechanism, the service rates and payment, as well as the remuneration protection of the staff of the outsourcing agents."<sup>51</sup> In addition, Guangdong BoCA is working on establishing third party evaluation systems to ensure the quality of service provision.

### ***Beijing's Outsourcing Experiments***

The Beijing municipality began ramping up its purchase of service system in 2010, when it purchased RMB 43 million worth of services from 398 programs. In 2011, the Beijing government purchased the services of 363 SOs, paying them a total of RMB 52.96 million, and in 2012 that budget expanded to RMB 120 million. According to official estimates, only one fourth of the 1,629 SO applicants were funded.<sup>52</sup>

How does the purchase of social service system work in Beijing? The Beijing Municipality's competitive outsourcing system is run through the Beijing Social Construction

Office.<sup>53</sup> Most payments for SO service outsourcing are dispersed by district government offices. For instance, Xicheng District (which Yuetan Street is located) began its purchase of service system in 2009. As of 2012, the district was allocated some 20 million RMB annually to use as “public service funds,” for use at the district, street, and grassroots levels. Xicheng uses some of this money to purchase services at the district level, and distributes the rest to street offices and to purchase services from local SOs.

Taking *Yuetan Street* for example, each year the street government first has to make projections about how much money it will need for public services.<sup>54</sup> Second, the street government seeks approval for this budget from the Xicheng district government. The district government then issues invoices indicating which services the street may buy (all must be registered SOs). The street then invites SOs to apply for the contract. Should a SO win the contract, the district will buy the services in 4 month increments.<sup>55</sup> As of 2012, Yuetan Street was purchasing social work, healthcare, and welfare services from six local SOs and *minfei*. For instance, Yuetan’s Public Safety Office had a budget of RMB 60,000 per year devoted to outsourcing public safety promotional programs. They purchased services from a SO called the Firefly Program, which gives public safety education to elementary and middle school students, and from the Ban Zhu Ren program, which help students with psychological problems related to the educational process. Since 2009, Yuetan Street had also been purchasing social work services from several Social Work Firms through their Social Work Office hub (see SMI chapter for more discussion of this model and experiments with evaluating their efficacy). Unfortunately, Yuetan’s purchase of service system was not competitive as of 2012 (as they are in Guangdong). All of the partner SOs were founded by or closely tied to government agencies (see section on dependence of SOs for discussion of this problem).

According to statistics provided by the *Zhongguan Cun Street* government,<sup>56</sup> the number of Social Organization “programs” (one firm may run more than one program) receiving government subsidies and/or utilizing government purchase of services has steadily increased since 2007. That year, only six programs received government support; in 2008 some thirty-four programs; in 2009, sixty programs; and 2010, some 80 social programs received government support. Meanwhile, during the same period, the number of individuals benefitting from government subsidized or purchase of service programs increased exponentially from 1,800 individuals to 100,000.

Some examples of SO firms that have been set up by the ZGC community and are supported by the government through the ZGC Social Work Association outsourcing and subsidy programs include:

- The “Aixin” supermarket for impoverished parents, which sells discounted infant products ranging from blankets to milk powder. The discounted prices are made possible by a combination of government subsidies and charity donations from local for-profit super markets. This program serves around 8,000 customers per year between two stores.
- A series of “Elder Kitchens” that provide subsidized meals to elderly citizens living in the ZGC community.
- Food/ produce stands that sell products at reduced prices to individuals who qualify for welfare support.

According to the ZGC Community Service Center’s statistics on grassroots SOs registered under the *bei’an* system, in 2010 the Street’s 100 grassroots SO organizations carried out 53 service projects, totaling RMB 15,300,000 of project funds (some of which came from purchase of service contracts), while 294 service projects were carried out by community level (public) entities totaling RMB 8,500,000 in project funds.<sup>57</sup>

### *Outsourcing Social Services Taken Up at the National Level*

These early outsourcing experiments proved a critical step in the direction of New Governance, for local and national leaders began to recognize the utility of partnering with non-state actors.<sup>58</sup> In 2005 China unveiled the first nationally-sponsored bidding process social service provision when the State Council Leading Group Office of Poverty Alleviation and Development allowed the China Foundation for Poverty Alleviation to initiate the “Government-NPO Cooperation in Rural Poverty Alleviation in Jiangxi Province.”<sup>59</sup> However, it was not until 2012, on the heels of Hu Jintao’s Social Management Innovation program, that the national level MoCA began institutionalizing the purchase of services from third sector partners by outlining standards for the procurement of social services. In 2013, after nearly a decade of local experiments with purchasing non-state services, the State Council issued clarified guidelines for how local governments should go about structuring their contracting systems and what kinds of services should be purchased. In September of that year the SC specified that government agencies should actively pursue purchasing more services relating to education, employment, social security, health, housing security, culture and sports, and care for the elderly and disabled. Furthermore, the SC urged local governments to do plenty of research on prospective SO partners, to maintain high transparency for the use of funds and outcome measurements, and to form clear directives for purchasing public services.<sup>60</sup>

### *Diversifying Financial Resources Available to the Third Sector*

According to Deng Guosheng, in 1998 some 54% of all nonprofit revenues in China came from the state (including government grants, subsidies, and service fees).<sup>61</sup> This indicates a high level of reliance on the part of China’s third sector on the state, which is intent upon “societalizing” the costs of NG. China’s leadership has thus been searching for ways to channel

non-state resources into the hands of local government and third-sector actors while reducing reliance on the funds of foreign NGOs, foundations, and governments.

### ***Encouraging Charitable Giving Among Businesses and Individuals***

One way in which the state is seeking to diversify funding for the third sector (however incrementally) is by cultivating the charitable giving of businesses and individuals. The first step towards encouraging charitable giving in reform era China came in 1999, when the NPC adopted the Public Welfare Donations Law.<sup>62</sup> This law laid out initial instructions about who could give and receive donations and how donations should be managed and regulated.<sup>63</sup> Next the state began fleshing out a system of tax incentives to encourage charitable giving in the business sector, as represented by the *Enterprise Income Tax Law* (revised in 2008).<sup>64</sup> The *Enterprise Income Tax Law* clarified that, so long as SOs are registered and providing either public welfare or charity services (and meet a couple other criteria that confirms they are not-for-profit,) they are able to receive income tax benefits.<sup>65</sup> Karla Simon, an expert on China's civil society laws, explains that, for those who are able to register, "the income tax is fairly permissive, exempting gift and grant income, passive investment income, and membership fees from tax. Thus, the principal tax issue for NPOs and (SOs) in China is the business tax, for which they may be liable."<sup>66</sup> Simon describes this business tax as a kind of VAT or transactional tax that most of China's SOs must pay—with the exceptions of those registered organizations providing 1) nursing services (for children, nursing homes, handicapped, funeral services), 2) services for the disabled, 3) medical services, 4) educational services, and 5) admission fees for cultural/ artistic activities.<sup>67</sup>

The 2008 *Revisions* increased the amount domestic companies could take in charitable contribution deductions from 3% to 12 % of their annual income (international companies had

already been able to take advantage of the 12% deduction<sup>68</sup>). This increase led to rapid growth of China's corporate foundation sector as private companies have moved to take advantage of tax deductions. By 2012, 88 % of all corporate donations were coming from domestically based companies, and their donations equaled 60% of all donations to public benefit causes.<sup>69</sup> Still, by 2012 there were only 231 corporate foundations registered in China (as compared to some 2,700 in the US).<sup>70</sup>

With respect to encouraging charitable donations from individual citizens, China's tax incentives have not been quite so successful. Although individual taxpayers in China can now deduct up to 30% of their taxable income for public contributions to registered SO,<sup>71</sup> Chinese citizens have been slow to adopt the practice of charitable giving.<sup>72</sup> According to analysis by the Council on Foreign Relations, Chinese citizens have not been as quick to take advantage of the tax laws "due to poor implementation of the laws regarding deductibility on individual income taxes and a cultural perception that individuals should not benefit financially from public benefit donations."<sup>73</sup> To this we should add the prevalence of widespread individual tax evasion in China.

The "2012 China Charity Donation Report" published by the China Charity Donation Information Center, tells us that in 2012 the total nationwide donations (both domestic and foreign) were RMB 81.7 billion (the equivalent of RMB 60.4 per capita GDP).<sup>74</sup> This was a 3.31% decline from the previous year. On the other hand, the report tells us, of all charity donations given that year, 70% went towards third sector organizations including private foundations, and community funds managed by local BoCAs (while charitable donations to government agencies, mass organizations, public institutions, and the Chinese Red Cross

declined significantly—in large part due to the massive scandals surrounding the Red Cross, the Soong Ching Ling Foundation, etc. in 2011.)

### ***Building the Foundation Sector***

In 2004 the State Council released the *Regulations on Foundation Administration*<sup>75</sup> (基金会管理条例), which divided China's foundations into two legal categories: public (公募) and private (非公募). This was a huge step in the development of China's foundation sector (and non-state resources for the third sector) because it finally granted legal status to private foundations.<sup>76</sup> According to the China Foundation Center (CFC), by 2011 some 803 private foundations had registered nationally—accounting for some 92% of all registered foundations in China.<sup>77</sup> Of these private foundations some 750 disclosed their financial information, and from this data the CFC calculates that (as of 2011) their capital equaled RMB 4.7 trillion!<sup>78</sup> Of these, 609 foundations also disclosed their expenditures, revealing that this new group contributed 7% of all foundation expenditures in China in 2008; 10% in 2009; and 15% by 2010.<sup>79</sup> Of these expenditures, CFC estimates that 91.2% were spent on actual project/ charity expenses.

The geographical distribution of this emerging philanthropic sector is not surprising. CFC's statistics reveal that most of China's private foundations are located in China's wealthiest provinces—which are also leading the charge for Social Construction and registration experiments. Beijing and Guangdong provinces are at the head of the pack with 135 and 126 registered private foundations, respectively, and Jiangsu is not far behind with its 95 registered private foundations. Shanghai is number six with 53 (trailing behind Zhejiang and Fujian). Also noteworthy is that 94% of these private foundations are registered at the provincial level BoCAs, while only 5% are registered at the national level.<sup>80</sup> Meanwhile, thanks to the specifics of Shenzhen's registration reforms, foundations in that municipality are able to register at the

municipal BoCA (as of 2011, this was the only city in China where the registration of foundations was permitted—no foundations are allowed to register below that level).

The growth and potential for private foundations to offer a sizeable contribution to the financial assets of China's public service sector (thereby reducing fiscal reliance on state funds) is clear, but some lingering state policies continue to staunch the flow of foundation money into the third sector. According to the 2004 *Regulations*, while both public and private foundations are legally empowered to give grants, only those with the status of "public" may fundraise. According to national policy, private foundations still do not have that legal right at the time this is being written.<sup>81</sup>

### ***Rise of the Incubators (and other "support organizations")***

Finally with respect to diversifying the resources available to the third sector, China's leadership is encouraging the creation of "incubator" organizations to help fund and coach promising start-up organizations.<sup>82</sup> Built upon the western model of startup business incubators, these organizations provide a suite of support resources to promising grassroots SOs and *minfei*.

**Shanghai** has been a leader in the incubator system thanks to the foresight of its BoCA head, Ma Yili. For instance, Ma Yili worked together with several capable third sector leaders to establish **NPI** (Non-Profit Incubator, also referred to as *enpai* in Chinese) in 2006.<sup>83</sup> NPI describes itself as "a cluster of several intermediary agencies to support the emerging third sector in China" working to "promote social innovation and cultivate social entrepreneurs by granting crucial support to start-up and small to medium sized NGOs and social enterprises."<sup>84</sup> The term "cluster of social intermediary agencies" is an accurate description of NPI. When I interviewed the organization's Shanghai leadership in the spring of 2012, NPI was not only offering an incubator mentorship program, but had also set up several venture philanthropy

programs; a foundation; a sectoral capacity building organization (created when NPI merged with the China NPO Network in 2008); and the Enrichment Community Service Center platform (which hosted a senior's club, several cultural activities clubs, youth programs).

This incubator model was so successful that it was quickly replicated, spreading to Beijing (est. 2008), Chengdu (est. 2008), and Shenzhen (est. 2010). By the time this dissertation is being finished (Fall, 2014), NPI is employing around 200 full-time staff across 13 cities in China: Shanghai, Beijing, Chengdu, Shenzhen, Nanjing, Suzhou, Tianjin, Jiaying, Zhuhai, Chongqing, Dongguan, Hangzhou, and Jinan. NPI has mobilized over USD 300 million in funding from government agencies, corporations and foundations to sponsor the charity programs implanted by grassroots NGOs, and it has incubated more than 200 promising grassroots SOs and *minfei*.<sup>85</sup>

Meanwhile, Zhuang Ailing, a juggernaut of civil society development in Shanghai and elsewhere in China, created **Rende** with sponsorship from both the Shanghai government and the Nanjing-based Amity Foundation and the donation of yet another massive office space from the Shanghai BoCA. The plan for Rende at the time of my interview was to foster the development of the philanthropic sector by incubating and nurturing philanthropic organizations, creating a public library of philanthropic resources and research, providing public space for collaboration, etc—and the organization certainly has expanded the scope of these resources since its founding.

The Shanghai BoCA has also partnered with several SOs, especially NPI, to pilot a “charity park” model. The charity park model is as follows: the government sets up a one-stop complex for multiple organizations working on similar issues, and supports their work through free or reduced cost office space, purchasing services, or offering other subsidies.<sup>86</sup> This model is similar to the many business parks that have sprung up around China, but is devoted to public

goods issues such as social welfare, charity, etc. At the time of my fieldwork in spring of 2012, Shanghai had created one of these charity parks in the Pudong district, and was close to opening second one across the river in the Huangpu district. For instance, in 2012 the *Social Welfare Park* in Pudong housed some 30 organizations devoted to providing social services and to building the social service sector.<sup>87</sup> These organizations received support from NPI and other support organizations, and the district and city government purchased services from some of them. According to my interviews of government officials and SO leaders both in Shanghai and other cities around China, this pilot Social Welfare Park is widely touted as a model for promoting cooperation, communication, and resource sharing among multiple agencies working on similar issues. Officials have been traveling from all over China to assess the potential of establishing this model for replication in their cities.<sup>88</sup>

The newest charity park (as of 2012) is located in Shanghai's Huangpu district. It is named *Gongyi Xintiandi* ("New Charity World") and fondly referred to as "The Nest." Built on the grounds of a former orphanage,<sup>89</sup> The Nest houses government organizations, third sector support organizations, social-oriented businesses, service providing SOs, and even a museum devoted to teaching the public about China's SO sector. The park officially opened in November of 2013, and by December it was already occupied by 25 organizations (one third of its capacity). This park differs from others because its occupants must pay (subsidized) rent—an experiment in new modes of financial sustainability for the charity park model, which aims to make the park financially independent from the government.<sup>90</sup> Thus, it seems to be attracting more established SOs like Habitat for Humanity; well-funded startups such as Green Initiatives (coordinates Green Drinks events around China); and for-profit socially responsible businesses such as Solar Ear China (a business that creates affordable hearing aids).<sup>91</sup>

The **Beijing** Municipality has also begun embracing the role that incubators can play in building the capacity of its third sector. At the time of my fieldwork in 2012, Beijing had recently opened its own NPI, and also provided a home base for incubators such as the Narada Foundation. Narada Foundation works closely with a nation-wide network of support organizations and foundations to foster the development of China's civil society sector.<sup>92</sup> They do this by offering sector-wide programs (conferences, joint actions, exchanges, and human resource support); by providing funding and fellowships to strategic programs (support organizations, promising pilots and social entrepreneurs); by fostering citizenship awareness among China's floating population (a core issue for Narada); and by producing useful research on topics related to the development of China's civil society.<sup>93</sup>

Continuing through our case studies, experimental cities in Guangdong province are also building incubators—with varying levels of government autonomy. Guangzhou, for instance, was the first city to set up its own (government-based) incubator.<sup>94</sup> Established in 2009, the Guangzhou NGO Incubating Base (GNIB) offers two-year incubation programs to some 19 SOs at a time. The city government donated 4,000 square meters of office space to establish GNIB, and helps to raise funds from local companies to support the program.<sup>95</sup> Also in Guangzhou, Sun-Yat Sen (Zhongshan) University's Institute of Civil Society (est. 2006 as a joint initiative between Zhongshan University and the South China Program of the Hong Kong Institute of Asia-Pacific studies) also offers incubator and other capacity building programs for SOs operating across South China. On the other end of the spectrum from GNIB, this incubator prides itself on being nearly fully autonomous from the state (although it is lodged in a public university, it has been highly successful in receiving foreign grants such as Rockefeller Brothers Fund grants and other non-state funds).<sup>96</sup> In Shenzhen, an interview with Ma Hong, Director of

the NGO Management Department at the Shenzhen BoCA revealed that Shenzhen's BoCA has set up incubation programs to help build the capacity of its third sector.

With respect to incubators for the philanthropic sector, at the 2013 Shenzhen Charity Fair, the Amway Charity Foundation partnered with the China Charity & Donation Information Center and MoCA to kick off a new incubator called the Philanthropy Talents Development Program. The stated goal of this program is as follows: "to find and develop philanthropy talents, support their individual growth, and establish a sound system for cultivating such human capital in China" and "... (to) help these participants build their capacities and expand their resources, thus providing the charity community in China with a consistent supply of professional talents."<sup>97</sup> This program will take in ten trainees for a period of three years.

### **III. Dealing with the problem of Third Sector Independence: The GONGO vs. SO Problem**

As discussed in previous chapters, along with administrative downsizing and economic reforms, many local governments spun off public institutions (*shiye danwei*) and other "Government Organized NGOs" (GONGOs) in order to absorb laid-off officials and experiment with "non-state" type organizations. Because of their connections with the state, these GONGOs tend to gobble up the resources that might otherwise go to non-state actors in the Social Policy Marketplace. As a result, one expert pointed out, even though there are a growing number of grassroots popping up to provide welfare services, the wages they offer are so low that young people can't afford to work in them. "At present," she declared, "the SOs need government funds in order to offer competitive wages. If we are going to really construct the public service sector, we need to break dependence on the government."<sup>98</sup>

Furthermore, as official or non-official outgrowths of the state, GONGOs have often been criticized for inefficiency, ineffectiveness, and corruption (for instance, the wave of scandals that

have hit the Chinese Red Cross in recent years).

My research in 2012 revealed efforts to promote the autonomy of SOs in China continue to be much weaker than several of the other capacity building measures discussed here. In Beijing, experiments with social construction led the city to drastically cut public fiscal support for *some* of the experimental units (for instance, Yuetan Street), with the intent of forcing them to find cheaper modes of service delivery. This prompted Yuetan Street to rely more readily on purchase of services from SOs and *minfei*. However, with a lack of grassroots SOs up to the task of providing the services needed by the local government, Yuetan went ahead and created its own SOs, as discussed in the SMI chapter. During my interviews in 2012, the Yuetan Street government staff expressed their concern over the continued dependence of their grassroots SOs on government support, and are actively searching for ways to encourage the development of strong, independent SOs that can partner in public service provision. These officials are hopeful that they can privatize their GONGOs in the future, thus freeing up resources for private, grassroots organizations and improving efficiency, effectiveness, and responsiveness to changing social needs. By comparison, the street government at Zhongguan Cun in Beijing's Haidian District maintains a large number of public employees (both in the state bureaucracy and in public institutions run by the district) as per the *bianzhi* system requirement, and seems to find less incentive to actively support the development of an independent third sector.<sup>99</sup>

Meanwhile, the efficacy of the incubator model in promoting the development of independent organizations is an issue that requires future research. Many of the incubators themselves tend to depend (to different degrees) on government office space, subsidies, and other forms of support, and so one may question whether they should be considered autonomous. For instance, one SO leader I interviewed declared that NPI has been criticized as being “too

close” to the government, and criticized the organization’s work as playing into the hands of party interests (at the expense of the long-term development of the third sector). My own assessment is that NPI is doing great work, in part *because* it is on good terms with the local government. Because of these close relations, this is one of the few SOs that has not only earned the trust of the local government to act independently, but it is also positioned to influence local government as it moves forward with building out the Social Policy Marketplace.

#### **IV. Allowing Geographical Expansion; Replicating Successful Models**

Until recently, when provincial level governments and then the national level government began undertaking registration reforms and committing to building the capacity of the third sector, SOs were prevented from replicating or spreading their scope beyond the administrative level at which they were registered (see Chapter Seven). In the last several years this has been changing. Third sector support organizations and social welfare organizations that prove their effectiveness in solving targeted problems are being allowed to replicate across geographical/administrative boundaries with greater ease (with the permission of relevant government officials). Examples of this new scalability are NPI, as discussed above, and Half the Sky.<sup>100</sup>

#### **V. Helping SOs Overcome Information Constraints**

Whereas communication networks and technology linking social organizations were mostly quashed until the mid-2000s, the goal of Social Construction has led the state to 1) facilitate these linkages and 2) to allow for private organization of such linkages (so long as their activities do not challenge the CCP). For instance, local governments are building information portals/ websites for SOs with information about how to register, updates on legal and policy change, information about where to go for training and certification, case studies of best practices, how to apply for state contracts, etc.<sup>101</sup> The Beijing Municipal Information Service

Center, for instance, now runs community service websites for the city as well as each district and street in the city. As an example, the Haidian District Community Service Information Net<sup>102</sup> posts community news, rules, and regulations; offers links to all manner of social services including community medical care, eldercare services, charity supermarkets, etc.; provides notifications and reports on community activities; outlines party-state ideas about future directions of social construction; and links to street level and city level community information sites. The Shanghai BOCA also manages a web-based information portal<sup>103</sup> that provides Shanghai's SOs (at every administrative sub-level) with information about laws, registration policies, volunteer opportunities, skills classes and workshops held jointly by the city and SO support organizations, and news updates.

Bureaus of Civil Affairs in all three provinces studied (as well as the experimental municipalities Beijing, Shenzhen, Guangzhou, Shanghai) are also offering workshops about registration, legal matters, and capacity building to SOs. Shenzhen has been particularly successful at these training programs: by the Spring of 2012 the city had provided free training workshops for almost half of all registered SO staff members, improving their skills in project management, tax law, financial policies and fundraising.<sup>104</sup> All of the cities surveyed in this dissertation tended to offer these training programs through partnering with incubators and other support organizations.

The rise of incubators and other support organizations in these cities also serves to help overcome information constraints that have plagued the development of China's third sector. As discussed above, these organizations not only "incubate" promising SOs, but also act as networks for their trainees, partners, social entrepreneurs, etc. While in the 1990s the party-state only allowed one national level networking organization for SOs (CANGO, or the China

Association of NGOs), now there are many operating across provinces and cities. These organizations publish informative websites, newsletters, and annual reports. Their leaders, graduates, former staff members, and supporters incessantly stay connected through WeChat and other social media. Training and incubator organizations also set up mentor-mentee relations for graduates of their programs who return to local communities, in hopes of creating a kind of snowball effect for the sharing of knowledge. An example with this is Zhuang Ailing, Director of Rende in Shanghai, who has been working to pair graduates of Rende's, NPI's and Green Leaf's incubator programs with mentees back in her home province of Ningxia.

Meanwhile, more and more third-sector/civil society/NGO/ Philanthropy research institutes are springing up around China. Starting with the NGO Research Center at Tsinghua University that was founded in 1998, the majority of these institutions were established in the mid 2000s. Below I list several of these centers that are located in the experimental cities discussed in this dissertation.<sup>105</sup>

***Table 8.2 Establishment of China's Third Sector Research Institutions***

<b>Location</b>	<b>Research Center</b>	<b>Date Founded</b>
Tsinghua University, Beijing	Center for NGO Research	1998
Peking University, Beijing	Center for Civil Society Studies	2005
Beijing Normal U., Beijing	NPO Research Center	2007
Beijing Normal U., Beijing	One Philanthropy Research Institute	2010
Beijing	The China Foundation Center	2010
Jiaotong University, Shanghai	Center for the Third Sector	2006
Zhongshan University, Guangzhou	Institute of Civil Society	2006
Zhongshan University, Guangzhou	Institute for Philanthropic Research	2010
Fudan University, Shanghai	Research Cntr for Grassroots Society & State Building	2006
Beijing	Indiana U Lilly Family School of Philanthropy	2014 (foreign)
Beijing, Peking U. Stanford Center	Stanford Center on Philanthropy and Civil Society	2012 (foreign)

These research centers are publishing numerous academic articles, journals, and policy studies to promote both understanding and development of the sector in China. Their audiences range from academics to policy makers to local government officials and SO practitioners.<sup>106</sup> In

addition to publishing their own research, these centers have been partnering with the government think tank CASS to publish “Blue Books” on various aspects of third sector development in the last several years. These blue books offer discussions and data about broad sectoral developments, and also provide case studies of local SC/SMI experiments, pilot projects, and SOs from both inside China and abroad.<sup>107</sup> Similarly, in 2013 MoCA and the Association for the Promotion of Community Social Organizations partnered to launch a new magazine called “China Social Organizations,” which is reputed to be the only professional publication targeting SOs of all kinds. It is distributed through several the information networks, including the China Social Organizations and China Foundation websites as well as its own website.

According to the China Development Brief, the magazine

...also supplements content with selections from theoretical and policy writings on SOs and special reports on public attitudes toward SOs. In so doing, it has managed to bring together print and online media to establish an information platform that acts as a complement to mainstream media, and as a mechanism for mutual information exchange both with and between SOs, the public, related sectors, the media, professional academics and government departments. This will help increase awareness of the positive work carried out by SOs and enhance the environment which shapes public opinion about the SO sector.<sup>108</sup>

In the last couple of years CANGO’s activities have also been shifting.<sup>109</sup> Following the party-state’s prioritization of social construction and management, CANGO’s scope of work has been widened to “promote China’s civil society development and to provide a platform for exchange of experiences and information-sharing for Chinese NGOs,” and furthermore “CANGO will broaden the cooperation channels with government, businesses, NGOs and research institutes, and pay more attention to balanced economic and social development.” In other words, CANGO is being repurposed to act as the national hub for information and networking among domestic NGOs.

These developments constitute major advancements in improving the flow of information for policymakers, local governments, and SOs alike. But, as discussed in the SMI chapter, the party-state has not allowed full transparency on these topics—it is still difficult to obtain a full statistical view of sectoral development inside China (data sets are often held back), government information portals are often incomplete, social media is often censored or closed down, etc.

## **VI. Building a Pool of Third Sector Professionals**

China's leadership also recognizes that if it is going to build a robust Social Policy Marketplace, it needs to invest in the human capital of its third sector. While this area also lags behind in development, evidence shows that the party-state is taking a multi-pronged approach (which, of course, varies from region to region). First, central and local governments are either directly creating or indirectly encouraging the establishment of training programs for nurses, social workers, healthcare professionals and teachers. In 2013 the central MoCA and Ministry of Human Resources and Social Security jointly committed to train 1 million professionals across 12 sectors deemed “important” for China's development.<sup>110</sup> Second, local leaders are encouraging the creation of professional training programs for third sector leaders and staff members. Third, some experimental localities are making efforts to help local SOs locate and hire well-trained employees and leadership. Fourth, there is at least official recognition that wages in the third sector are pitifully low compared to SO employees in the public or business world- though not much action has yet been taken on this last problem.

### *Professionalization of Direct Service Providers*

In response to growing demand for professional social and health services, universities and other educational institutions are quickly adding nursing and social work certification programs in China's experimental regions. According to an interview with the leader of a district

Social Work Association in Beijing, “while the social work profession has been around in China for decades, there were few places that provided training and the profession as a whole was not a ‘hot’ one” (meaning popular). “This changed after the Sichuan earthquake in 2008—now there are between twenty and thirty social work schools in Beijing alone.”<sup>111</sup> The interviewee also estimated a total of fifty or sixty such training programs nation-wide, placing a large percentage of them in the nation’s capital.<sup>112</sup> Now, she said, would-be social workers come from all over the country to receive professional training in these social work schools.

### *Associations As Sources of Support & Professionalization*

China hosts many professional associations representing the gamut of social issues.<sup>113</sup> Some of these associations were founded earlier in PRC history, but, as discussed in Chapter 7, there has been an explosion of local and specialized associations in recent decades (so much so that we really do not have information about their numbers and activities). However, professional associations are increasingly taking on the role of providing professionalization, training, and other forms of support to individuals and organizations in their networks. Below, I detail how this is playing out in the case of the China Association of Social Workers and its various local branches.

### *The China Association of Social Workers*<sup>114</sup>

The China Association of Social Workers (CASW) was originally founded in 1991 to coordinate the interests and activities of various provincial and local organizations doing social work. In 2000/2001, as China began to emphasize the important of creating a nationwide corps of professionalized social workers, this association was reorganized under new leadership. Since then, CASW has contracted out a number of research projects of both national and international scope to discover best practices for the professionalization of social workers. Boasting a staff of 200, and numerous partner associations around China, CASW has promoted the creation of social work vocational schools and certificate programs nation wide, held competitions and

award ceremonies to recognize the contributions of gifted social workers, it has organized numerous exchange programs between the Chinese Mainland, Hong Kong, Macao, Taiwan, and elsewhere. CASW also has its own Social Workers Study and Training Department, and oversees the Institute of Social Work at the Beijing University for Science and Technology. It also publishes the *China Philanthropy Times* and the *China Rehabilitation Medicine Magazine*.

The China Association of Social Welfare links up with local social welfare associations across the country (although many have been founded at the local level rather than as a top-down initiative). For instance, Beijing, Shanghai, Guangzhou, and Shenzhen all have their own local branches. Looking to Beijing, The Zhongguan Cun Street Social Work Association runs several programs devoted to strengthening the Street's social work sector. For instance, the ZGC SWA runs a ***Public Service Innovation & Volunteer Training Center***. This center orchestrates collaborative research into public welfare innovation between ZGC community's social welfare organizations, businesses, and faculty and students representing eight universities. In addition, this center provides volunteer training and placement for students and citizens, and encourages local enterprises to join in public-private partnerships and establish new community welfare programs. The SWA also runs a service-enhancing platform called the ***Social Work Marketing Forum***. This forum brings together local business and enterprise leaders to discuss innovative models at the intersection between the second (business) and third (social) sectors. The forum emphasizes the importance of social responsibility, social obligation, and the legal obligations that businesses have to social matters; it also emphasizes the importance of public acceptance, customer approval, and using financial resources to strengthen the conditions for social construction.

### *Professionalization of Third Sector Leaders and Administrative Staffs*

Low pay, lack of general societal awareness, and lack of trust for SOs among China's citizens have long contributed to a paucity of professional leadership and staff members in China's third sector. In addition, until recently, China lacked much in the way of professional training programs for individuals working in the third sector. As Chen Xiaojing, project manager for an NGO support organization called *I Join*, recently stated "There is a lack of high-end talents who are not only professionals in the field and willing to contribute but also skilled in the group's operation and management."<sup>115</sup>

The creation of professional programs for SO executives, managers and staff has so far trailed behind the development of these other professional programs, but that seems to be changing as well. In 2012, the Shanghai BoCA set its sights upon offering professional certification to at least 14,000 social organization employees per year.<sup>116</sup> As mentioned above, according to statistics released in 2012, Guangzhou had provided professionalization training to around one half of all (registered) SO employees working in that city.

The central government has also taken steps to promote professionalization of the third sector: one of the twelve sectors targeted for increased professional training in 2013 by MoCA and the Ministry of Human Resources and Social Security was that of Social Organizations.<sup>117</sup>

Still, high-level leadership training for SOs in China is quite lacking—sending many would-be leaders to study in professional training abroad.

### *Incentivizing job seekers to join the ranks of SOs*

Even with a growing availability of training programs for would-be third sector professionals, low salaries have stifled incentives for them to look for work in non-profits. According to a national survey conducted in October 2010 by the Narada, Tencent and Liu

Hongru Financial Education Foundations, almost 90 percent of SO employees earn less than 5,000 yuan (\$787) a month.<sup>118</sup> Meanwhile, the average monthly salary for a Social Worker in Beijing was still only RMB 1,500- far below the city average, and not equal to the cost of living in that city.<sup>119</sup>

In response, the Beijing BoCA announced in early 2012 that it planned to create a human resource system for the more than 100,000 staff members employed by the city's 7,500 SOs. The stated goal of this plan was to "raise the salaries of SO staff and promote the professionalization of the non-profit sector."<sup>120</sup>

## **VII. Building Public Trust for the Third Sector**

Both understanding of and trust in third sector organizations also remain lacking in China—not only among ordinary citizens, but also among many party and state officials. Until 2008, most Chinese citizens had never heard of NGOs and were quite suspicious of large GONGOs.<sup>121</sup> The state owned media seldom reported on the activities of non-state organizations unless a scandal was afoot. Volunteerism (in non-state organized mass events) was also quite lacking around China outside of the China Youth League's volunteer programs.

However, 2008 was a watershed year (or, a critical juncture) for public awareness about non-state organizations. First, the tragic Sichuan earthquake of 2008 unleashed a flood of public awareness about the critical role non-state actors such as Social Organizations, NGOs, and individual citizens could play in shoring up responsiveness to social needs in crisis situations.<sup>122</sup> Second, in the lead-up to the 2008 Olympics, Beijing undertook a heavily publicized campaign to enlist volunteers to help with the event, which led to a surge in volunteerism nationwide.

These critical junctures in the development of citizen support for the third sector have been undermined by a number of scandals rocking the third sector since 2008 severely undermining advancement in public trust for third sector work. The Chinese Red Cross has been at the epicenter of these scandals, including accusations of misappropriated money following the mountain of charitable funds it acquired in the aftermath of the 2008 earthquake—and the infamous Guo Meimei scandal of 2011. As a result of these scandals, public donations to the Chinese Red Cross plummeted. Even in the wake of another destructive earthquake in Yunnan in 2013, the organization only received 10 percent of the contributions it had gathered for Sichuan in 2008.<sup>123</sup> The self-implosion of the Chinese Red Cross has also made waves across the whole of China's charity sector. Not only have donations to this one organization historically comprised 70 percent of the nation's total charitable contributions, but the scandal also caused contributions to China's other foundations to plummet to 1/3 of what they had been receiving in 2010.<sup>124</sup>

In spite of these scandals (an in part because of them) the party-state is promoting greater awareness of, trust in, and volunteer forces for China's third sector. This effort involves media campaigns, highly publicized charity awards, the creation of volunteer-coordination offices and websites, public "charity fairs" and the construction of charity parks, among other measures.

### *Media Campaigns & Charity Awards*

The central government began actively promoting charity awareness in 2004 when it published the first annual "China Charity List" and corresponding public award for China's Top Ten Charity enterprises.<sup>125</sup> The China Charity List and annual China Charity Award<sup>126</sup> are jointly organized by the China Association of Social Workers, Ministry of Civil Affairs, Central Committee for Comprehensive Management of Public Security, All-China Federation of Trade

Union and the All-China Women's Federation. The List has recently been expanded to include awards for “National Outstanding Philanthropists,” a “China Philanthropy Special Contribution Award,” and a “2013 Annual Charity Stars” award. These awards are very high profile with extensive media coverage and large numbers of audience members.

In 2011 the Ministry of Civil Affairs also launched the annual ‘Chinese Cities Charity Index,’ which ranks Chinese cities according to six criteria, including volunteerism, non-public charitable donations, charity organizations, government support, and the city’s philanthropic culture. This is also a high profile event, with results being released at the China Philanthropy Forum and announced by the Minister of Civil Affairs himself. According to the 2014 report, the most charitable city in China is Beijing (receiving 94.63% on the index), with Shanghai (93.28%) and Shenzhen (93.06%) close behind.<sup>127</sup> A quick internet search revealed that Chinese Cities who rank fairly high on this list are quick to publish the results in their local newspapers, expressing pride, statements about what needs to be improved, and encouraging further public participation in Charity events.

Both the central MoCA and some provincial level BoCA’s have also begun to publish annual “Top Ten Social Organization Events” reports.<sup>128</sup>

### *Charity Parks & Fairs*

Other strategies for building public trust for SOs among China’s citizens include the construction of charity parks,<sup>129</sup> such as Shanghai’s Nest with its open campus and Charity museum and the widely publicized “charity fair” in Shenzhen. China’s first ever charity-themed expo (or ‘Charity Projections Exchange Exhibition’) took place in the city of Shenzhen in the summer of 2012, and was organized by MoCA, the Assets and Supervision and Administration Commission of the State Council, the All-China Federation of Industry and Commerce, the

Shenzhen and Guangdong governments, and support organizations such as NPI.<sup>130</sup> According to the Shenzhen Standard newspaper,

The exhibition fair will showcase all of China's latest achievements, management and innovative social construction. And at the same time promote development of charitable organizations and enterprises as well as opening new channels for the public to participate in charitable activities. The exhibition fair will cover 15,000 square meters and will have forums, celebrations, online exchanges and charity festivals.<sup>131</sup>

The first charity fair hosted representatives from 400 charity organizations, enterprises, institutions, and provinces.<sup>132</sup> The second Shenzhen Charity Fair more than doubled in size, with 828 organizations in attendance—of these, 629 were NGOs (an increase in 142% from the previous year).<sup>133</sup> According to the Shenzhen BoCA, some RMB 20 million (US\$3.2 million) of social capital was given to charitable programs during the first charity fair, and the second fair helped projects receive investments totaling RMB 1.7 billion.<sup>134</sup> The 2014 fair hosted 896 grassroots organizations, including 720 grassroots groups.<sup>135</sup> This event has been widely publicized on domestic media sources, international media, and also on China's social media networks.

### *Popular Television Series*

Recently the state owned media has also begun promoting awareness about the work of Social Organizations, *minfei*, and Foundations by airing television series that profile their work. For instance, several SOs and Foundations have been profiled on the *Find the Job Seeker* TV show (which has a format similar to *Are You the One*, but allows the candidates to be matched with employers rather than a date.) Of greater significance is that in October, 2014 the state run broadcasting network CCTV partnered with the China Foundation Center to launch a major documentary called *Community Hero*.<sup>136</sup> This documentary profiles social entrepreneurs and

organizations doing public benefit works while also providing singing, dancing, and other crowd-pleasing performances.

### *Encouraging Volunteerism*

Another way China's national and local leaders are working to both improve public trust and the grow pool of third sector employees is through large-scale efforts to promote volunteerism in China. For many years during the reform era, the main channel for volunteers to get involved with non-profits, public institutions, etc. was through the All-China Youth Federation and its branches in public schools or universities.<sup>137</sup> This is changing. Between 1989, when first non non-state volunteer organization was set up in Tianjian and 2010, some 289,000 community volunteer organizations have emerged in China, with more than 29 million community volunteers.<sup>138</sup>

The party-state has also slowly become more active in advocating volunteerism around China, especially after its major attempt at volunteer mobilization for the 2008 olympics. In 2010 twenty-nine of China's provinces and municipalities promulgated local Volunteering Laws.<sup>139</sup> In 2011 China established a national-level *China Volunteers' Association (CVA)*. The goal of this association is to coordinate the activities and regulations of a growing number of other volunteer associations and organizations around the country. According to statistics collected by the CVA, some 50 million people in China carry out regular volunteer work through local volunteer programs, universities, mass organizations and events, and SOs. The CVA's main issue areas are "the protection of volunteer interests, the regulation of volunteers' roles and the development of volunteers' capabilities."<sup>140</sup>

## Conclusion

This chapter has described a range of measures the Chinese party-state has taken, both directly and indirectly, to build the capacity and responsiveness of local governments, communities, and third sector organizations in the face of diversifying social demand. First, with respect to registration reforms, the aim was to the barrier of entry into the Social Policy Marketplace for SOs who work in targeted areas. As explained by provincial and local policy leaders I interviewed in 2012, the idea here is to increase the number of players in China's domestic Social Policy Marketplace and, by so doing, to increase competition both among SOs and between SOs and state bureaus. Leaders involved in these registration experiments believe that stimulating market competition will help improve the efficacy, efficiency, and responsiveness of social goods provision.

Other measures aimed at building the capacity of China's third sector that are included in this chapter include strengthening and diversifying the fiscal resources available to the third sector; allowing for the geographical expansion and scaling ability of SOs; supporting the networking, information-sharing, and professional capacity of these SOs; and building trust and participation among China's citizens.

These are all very exciting developments, but it is too early to know how deep, long lasting, and significant they really are. As will become clear in the next two chapters, parallel efforts by the state to 'innovate management' of society have led to the creation of new barriers undermining the proliferation of SOs, including new (often expensive or time consuming) forms of certification, heavy reporting burdens, the creation of new layers of social management, and the continued domination of GONGOs and public institutions who gobble up resources. This is what I refer to as the "double-edged" nature of social policy reforms.

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**NOTES**

- <sup>1</sup> Linda Wong wrote this summary of her findings after interviewing MoCA and BoCA officials in 1998. Linda Wong, “Welfare Policy Reform” in Linda Wong and Norman Flynn, eds. *The Market in Chinese Social Policy*, (New York : Palgrave, 2001): 60.
- <sup>2</sup> MaYili interview, quoted by Ming Wang “Innovations in Social Management from Shanghai: An Interview with Ma Yili” in *China Non-Profit Review (zhongguo feiyingli pinglun)* 9 no. 1 (2012): 1-14.
- <sup>3</sup> As discussed in chapter six, this term is far from new, but I repurpose it to describe the capacity building efforts being made to local governments, communities, and third sector organizations in recent years.
- <sup>4</sup> According to the Minister of Civil Affairs, Li Liguo, as of Spring of 2012, registration experiments were being carried out in Guangdong, Beijing, Tianjin, Zhejiang, Anhui, Hunan, Hainan and elsewhere (some 19 sites in total).
- <sup>5</sup> I encourage similar studies to be performed in other experimental municipalities. This dissertation mentions some of the developments in municipalities other than Beijing, but for the sake of this dissertation, I only have had the time and resources to study the Beijing case in any detail.
- <sup>6</sup> See Chapter 7 for background on this system.
- <sup>7</sup> While the registration reforms became a provincial level undertaking in Guangdong in 2011, earlier experiments had taken place in two of Guangdong’s major cities. Shenzhen and Guangzhou began registration reform experiments in 2009.
- <sup>8</sup> Instead, these former supervisory units would take on the role of “advisory unit” See article by Guohua Peng, “Guangdong to Further Reduce the Threshold for Direct Application for Social Organization Registration.(*Guangdong jinyibu jiangdi shehui zushi dengji menkan zhijie shenqing cheng*),” *Southern Metropolis Daily*, November 23, 2011, reprinted at: <http://www.chinadevelopmentbrief.org.cn/newsview.php?id=4381> Last accessed 11/24/14.
- <sup>9</sup> Hub organizations are discussed in detail in the SMI Chapter.
- <sup>10</sup> Peng, “Guangdong to Further Reduce the Threshold...”.
- <sup>11</sup> See the Guangdong Province Department of Civil Affaris website at: <http://www.gdmz.gov.cn/ywgl/>
- <sup>12</sup> According to the same BoCA report, in April of 2013 the government released another document to further reduce barriers for SO registration. Titled “ Plan to Further Nurture and Develop and Standardize the Management of Social Organizations,” this document would lower the size limit required for SOs to register as charity organizations. Between July and December of that year, another 1,837 SOs registered.
- <sup>13</sup> *Zhongguan Cun* Street is introduced in chapter 2.
- <sup>14</sup> Ming Wei, “From 2012 Social Organizations are Expected to Directly Apply for Establishment Registration in Beijing,” *Beijing News*, Feb. 1, 2012. <http://news.163.com/12/0201/02/7P54JE7V00014AED.html> Last accessed 11/25/14.
- <sup>15</sup> He Dan “Reforms Give NGOs a Level Playing Field” *China Daily* (USA edition) March 31, 2014. [http://usa.chinadaily.com.cn/china/2014-03/31/content\\_17390892.htm](http://usa.chinadaily.com.cn/china/2014-03/31/content_17390892.htm) Last Accessed 11/25/14.
- <sup>16</sup> This list of acceptable organizations leaves room for interpretation among local governments about which ones should be counted as “charity groups or “community service stations.” Nor

- does it do much to encourage local governments to allow truly independent SOs to establish (see chapter on transformation of local governance). And, as the Caijing article points out, it does not necessarily lower the bar for many SOs to register. Lin, Zuo and Hu Meng “Social Organizations Shackled Despite Reform” *Caijing* March 31, 2014.  
<http://english.caijing.com.cn/2013-04-23/112703780.html> , Last accessed 11/15/14
- <sup>17</sup> *China Daily*, “Chinese Government’s NGO funding peaks in 2012.” February 13, 2013,  
[http://usa.chinadaily.com.cn/china/2013-02/13/content\\_16221240.htm](http://usa.chinadaily.com.cn/china/2013-02/13/content_16221240.htm)
- <sup>18</sup> Beijing Times, “ 19 Provinces to Carry out Direct Social Organization Registration Trials” in *Beijing Times*, February 17, 2013, tran. and reprinted by *China Development Brief*,  
<http://www.cdb.org.cn/newsview.php?id=6926> last accessed 12/6/14.
- <sup>19</sup> He Dan “Reforms Give NGOs a Level Playing Field.”
- <sup>20</sup> Central Committee of the CCP, *Decision of the Central Committee of the Communist Party of China on some Major Issues Concerning Comprehensively Deepening the Reform*, Tran. And reprinted at <http://lawprofessors.typepad.com/files/131112-third-plenum-decision---official-english-translation.pdf> Last accessed 11/25/14.
- <sup>21</sup> Summarized by Xinhua in article “Highlights of China’s Cabinet Reshuffle and Government Function Transformation,” *Xinhua*, March 10, 2013,  
[http://news.xinhuanet.com/english/china/2013-03/10/c\\_132222437.htm](http://news.xinhuanet.com/english/china/2013-03/10/c_132222437.htm) Last accessed 11/25/14
- <sup>22</sup> Please be reminded that the term industry associations does not only apply to business/ industrial associations, but may also apply to any issue-specific association including welfare associations, education associations, SO associations, etc.
- <sup>23</sup> He Dan “Reforms Give NGOs a Level Playing Field.”
- <sup>24</sup> Dongfang Wang “Shanghai Will Experiment with Direct Registration and Management of Social Organizations” February 29, 2012, tran. and reprinted by *China Development Brief*,  
<http://chinadevelopmentbrief.cn/news/shanghai-will-experiment-with-direct-registration-and-management-of-social-organizations/>
- <sup>25</sup> See Chapter 7 for the definition of “mother in law” aka supervisory organizations.
- <sup>26</sup> Ma Hua “Guangdong new registration policy for social organizations: progress and challenges,” tran. *China Development Brief*, August 4, 2014,  
<http://chinadevelopmentbrief.cn/articles/guangdongs-new-registration-policy-social-organizations-progress-challenges/> last accessed 12/5/14.
- <sup>27</sup> While the state had provided funds for specific SO projects in the past (eg. the 2006 NGO and Government Cooperation Village Poverty Alleviation Planning Pilot Technical Assistance Project in Jiangxi province), this new approach set aside for SO work broadly speaking.
- <sup>28</sup> *China Daily*, “Chinese Government’s NGO funding peaks in 2012.”
- <sup>29</sup> He Dan “Reforms Give NGOs a Level Playing Field.”
- <sup>30</sup> Ni Wu, “Shanghai Hosts New Charity Park,” *China Daily USA*, February 6, 2014,  
[http://usa.chinadaily.com.cn/life/2014-02/06/content\\_17269373\\_4.htm](http://usa.chinadaily.com.cn/life/2014-02/06/content_17269373_4.htm) Last accessed 11/25/14.
- <sup>31</sup> Fengshi Wu and Jianyu He, “Capacity Development of Civil Society Organizations: Towards Inclusive Social Management in China, ” United Nations Development Program Governance for Equitable Development Project- European Union China joint report, (2012) ,  
<http://www.cn.undp.org/content/dam/china/docs/Publications/Capacity%20Development%20of%20CSOs%20in%20China.pdf> I am not able to get similar statistics on Beijing and Guangdong cities at this time. Not surprisingly, when the GED staff interviewed grant recipients, they found “a few” were not independent grassroots organizations, but rather

- “national or provincial level service-delivery organizations or trade associations initiated by, sponsored by, or embedded in governmental agencies.” (p. 19) This is, no doubt, due to the relatively strong capacity of these GONGOS compared to grassroots organizations, as well as the greater trust state officials have in “known” organizations.
- <sup>32</sup> Ni Wu, “Shanghai Hosts New Charity Park.”
- <sup>33</sup> For instance, that year the Guangdong government published a set of regulations titled “Shenzhen Special Economic Zone Regulation on Public Procurement.”
- <sup>34</sup> In 2002 China passed the *Government Procurement Law*, which allows contracting to the private sector for the provision of support functions, social services, and public work projects. Standing Committee of the 9<sup>th</sup> People’s Congress, 28<sup>th</sup> Meeting, Order of the President of the PRC no. 68, The Government Procurement Law of the People’s Republic of China, June 29, 2002. Trans. at [http://www.gov.cn/english/laws/2005-10/08/content\\_75023.htm](http://www.gov.cn/english/laws/2005-10/08/content_75023.htm), last accessed 12/5/14. This law set the stage for state actors to experiment with alternative methods of service provision (such as franchising, grant making, and the use of vouchers). See E.S. Savas, “Privatization and the New Public Management,” *Fordham Urban Law Journal* 1731 (2000); Yijia Jing and E.S. Savas, “Managing Collaborative Service Delivery: Comparing China and the United States,” *Public Administration Review* (2009); Jessica Teets, “Reforming Service Delivery in China: the Emergence of a Social Innovation Model,” *Journal of Chinese Political Science* (March 2012).
- <sup>35</sup> Jing Yijia “Outsourcing in China: An Explanatory Assessment,” *Public Administration and Development* 28 no. 2 (2008): 119-128.
- <sup>36</sup> Dali Yang, *Remaking the Chinese leviathan: market transition and the politics of governance in China* (Stanford: Stanford University Press, 2004) 203-204. Yang notes that a high level of corruption, especially in procurement middle men, continued however, and that procurement practices varied quite a bit by region, such that 48 % of all government procurement expenditures occurred within six provinces (Guangdong, Jiangsu, Shanghai, Zhejiang, Shandong, and Beijing). Also it can be expected that among the figures Yang provides much of this capital went to construction bidding as opposed to service provision, though I will show elsewhere that government procurement of service provision is on the rise.
- <sup>37</sup> Jessica Teets, “Reforming Service Delivery in China,” 21.
- <sup>38</sup> Yang, *Remaking the Chinese leviathan* 202.
- <sup>39</sup> Linda Wong discusses the origins of China’s Welfare Lottery system, which began in 1987, in her chapter titled “Welfare Policy Reform” in Linda Wong and Norman Flynn, eds. *The Market in Chinese Social Policy* (New York: Palgrave, 2001).
- <sup>40</sup> Some streets level governments, such Yuetan Street in Beijing, are also turning to outsourcing various forms of social services, but funding for such experiments continue to be distributed through district governments.
- <sup>41</sup> Jonathan Schwartz and Shawn Shieh, eds., *State and Society Responses to Social Welfare Needs in China* (London: Routledge Press, 2010).
- <sup>42</sup> Jessica Teets, “Civil Society Participation in Local Governance: Outsourcing Migrant Education in Shanghai.” Deng Zhenglai and Sujian Guo, eds. *China’s Search for Good Governance*, (New York: Palgrave Macmillan, 2011).
- <sup>43</sup> For an example of Shanghai’s call for applications, see <http://stj.sh.gov.cn/Info.aspx?ReportId=b7b93116-7aef-40e8-b336-4ae3fa4ca693> Last accessed 11/25/14.

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- <sup>44</sup> Andreas Fulda suggests Shanghai spent RMB 60million on contracts in 2006, while Jessica Teets (2011 p. 23) quotes RMB 150 million. See Andreas Fulda “Government Procurement of CSO Services in the PR China: Doing the Party’s Work?” *China Policy Institute Policy Paper* No. 4 (2013). Also, In 2007, one district alone (admittedly, the model district of Pudong) purchased services totaling twice that amount.
- <sup>45</sup> See Ruoqing Che, *Understanding Government-Nonprofit Social Servicing Contracting Relationship: Using Shanghai Public Service Bidding as an Example* MA Thesis for Lund University Faculty of Social Sciences, 28-30. Che also details the problems with Shanghai’s current outsourcing system, including lack of lateral finance coordination between BoCA and the Municipal Finance Bureau; the contracts for bidding are cumbersome and difficult for grassroots bidders to understand; the Community Service Center staff on the frontlines of managing the contracts lack professional and technical training in these matters, lacks any real authority and is underfunded to provide the necessary supervision—to name only a few. See pages 31-44.
- <sup>46</sup> Still, when we consider the distribution of these funds on a per organization basis, there appears to be very limited public funding for the sector at this time. Yijia Jing and Bin Chen “Is Competitive Contracting Really Competitive? A Case Study of Studying Government-Nonprofit Relations in Shanghai” a working paper for the Baruch University Center for Nonprofit Strategy and Management, [http://www.baruch.cuny.edu/spa/centers-and-institutes/center-for-nonprofit-strategy-and-management/documents/JingChen\\_IsCompetitiveContractingReallyCompetitive-ACaseStudyofRestructuringGovernment-Nonpr.pdf](http://www.baruch.cuny.edu/spa/centers-and-institutes/center-for-nonprofit-strategy-and-management/documents/JingChen_IsCompetitiveContractingReallyCompetitive-ACaseStudyofRestructuringGovernment-Nonpr.pdf), Last Accessed 11/25/14.
- <sup>47</sup> Yijia Jing and Bin Chen “Is Competitive Contracting Really Competitive?” During this period, the SH government provided project funds for SOs working in eldercare (61 contracts averaging RMB 409,367); services for the disabled (19 projects, averaging RMB 234, 815); child services (13 contracts/ average RMB 229, 870); services for the poor (11 contracts/ average RMB 215,503), and “other” (23 contracts/ average RMB 219,307).
- <sup>48</sup> Interview at the Shenzhen BoCA, Spring, 2012.
- <sup>49</sup> Wang Jing “Guangdong Passes a Torch to Civil Society,” *Caixin*, April 5, 2012, <http://english.caixin.com/2012-04-05/100376378.html?p1>
- <sup>50</sup> See the Guangdong Province Department of Civil Affairs Website at: <http://www.gdmz.gov.cn/ywgl/>
- <sup>51</sup> This so-called catalogue was turned into Guangdong Province BoCA’s “Directory for the Government Purchase of Services from Community Organizations.” In addition, the Provincial Department of Finance issued “Interim Measures for Fostering Special Funds for the Development of Social Organizations in Guangdong Province,” which detailed the fiscal rules surrounding outsourcing practices. See the ITUC/GUF Hong Kong Liaison Office’s website IHLO “Guangdong Government Implements New Scheme to Promote Civil Society Organizations and Outsourcing of Social Services,” <http://www.ihlo.org/LRC/Laws/011111.html> last accessed 11/24/14.
- <sup>52</sup> These figures can be found in Tang Yue “Welfare Groups Getting Support,” *China Daily USA*, April 20, 2012, [http://usa.chinadaily.com.cn/china/2012-04/20/content\\_15095486.htm](http://usa.chinadaily.com.cn/china/2012-04/20/content_15095486.htm) Tang Yue notes that Beijing City’s fiscal revenue reached RMB 300 billion last year, so the city is still funneling a relatively small proportion of its funds into social service contracting.

- <sup>53</sup> Each year, Yuetan Street must pay RMB 20,000 to this office to finance staff positions. The Construction Office acts as a hub for managing municipal purchase of service funds as they flow through district governments, street governments, and into direct service programs. Yuetan Street Office Interview, Spring, 2012.
- <sup>54</sup> It would be helpful to know a lot more about how these projections are made. As David Bachman points out, the answer would tell us a lot more about the sector.
- <sup>55</sup> The municipal level government may also buy services directly from SOs in 3 months increments.
- <sup>56</sup> The statistics were provided by the street government in a power point presentation titled “Zhongguan Cun Social Work Association” (*Zhongguan Cun diqu shehui gongzuo xiehui*).
- <sup>57</sup> Of course, an important question is how much of these funds go to services as opposed to program leadership, staff, and overhead. At the time of my fieldwork this information was not readily available. See the Zhongguan Cun Community Service Information Net at <http://zhgc.bjcs.gov.cn/wps/portal/template3/bjssq> Also see <http://www.newzgc.com/news/zgcs/201012/15590.htm> Last accessed 11/25/14.
- <sup>58</sup> Interviews with local officials in Beijing, Shanghai, Guangdong, Spring, 2012.
- <sup>59</sup> Teets, “Reforming Service Delivery in China”; Han Jie, “NGOs will play a bigger role in poverty alleviation,” Asian Development Bank (2005) reprinted at <http://www.chinanpogov.cn> Last accessed 11/24/14.
- <sup>60</sup> Hairong Wang, “Looking to Outsource,” *Beijing Review* No. 43, October 24, 2013. [http://www.bjreview.com.cn/nation/txt/2013-10/21/content\\_573439.htm](http://www.bjreview.com.cn/nation/txt/2013-10/21/content_573439.htm) last accessed
- <sup>61</sup> Deng Guosheng. *Nonprofit Organization Evaluation*, (Beijing: Social Sciences Academic Press, 2001).
- <sup>62</sup> Standing Committee of the PRC, 9<sup>th</sup> Congress, 10<sup>th</sup> Mtg, *Law of the People’s Republic of China on Donations for Public Welfare* (*zhonghua renmin gongheguo gongyi shiye juanzeng*), June 28, 1999. For full text in English, see <http://unpan1.un.org/intradoc/groups/public/documents/apcity/unpan048296.pdf>
- <sup>63</sup> For instance, Article II states “Individuals, legal representatives [*faren*], and other organizations may voluntarily and freely make contributions to public welfare social organizations (*gongyixing shehui tuanti*) and public welfare non-profit institutional work units (*gongyixing feiyingli de shiye danwei*).” While this law makes it easier for people and organizations to donate money to public works, a major limiting factor is that it only identifies *registered public institutions* as the legal recipients of donations.
- <sup>64</sup> National People’s Congress of the PRC, 10<sup>th</sup> Congress, 5<sup>th</sup> Mtg, *Enterprise Income Tax Law of the People’s Republic of China*, January 1, 2008, tran. Lehman, Lee and Xu at [http://en.wikisource.org/wiki/Enterprise\\_Income\\_Tax\\_Law\\_of\\_the\\_People%27s\\_Republic\\_of\\_China](http://en.wikisource.org/wiki/Enterprise_Income_Tax_Law_of_the_People%27s_Republic_of_China) last accessed 12/5/14.
- <sup>65</sup> Simon, *Civil society in China*, 286.
- <sup>66</sup> Simon, *Civil society in China*, 289-91. Please see SMI chapter discussion of how this fits in to the “selectiveness” of SO capacity building being undertaken by the party-state.
- <sup>67</sup> Simon, *Civil society in China*, 290.
- <sup>68</sup> In 2008, however, the central government promulgated a set of regulations known as “Notice of the State Administration of Foreign Exchange on Issues Concerning the Administration of Foreign Exchange Donated to or by Domestic Institutions” or SAFE, which slapped strong regulations on the amount of foreign funds coming in or out of China. See Simon, *Civil Society*

in China, 290 for details. I see this as evidence that the party-state is attempting to limit the role of foreign funds entering China's third sector in favor of building a domestic base of support. Even so,

<sup>69</sup> Anke Schrader and Melinda Zhang, *Corporate Philanthropy in China: A Guide for Foreign Donors*, The Conference Board, (2012),

<https://www.conferenceboard.org/publications/publicationdetail.cfm?publicationid=2363>

<sup>70</sup> Schrader and Zhang, *Corporate Philanthropy in China*:

<sup>71</sup> The State Council of the PRC, Decree no. 142, *Regulations for the Implementation of the Individual Income Tax Law*, January 28, 1994. Article 24. Tran. at AsianL II, <http://www.asianlii.org/cn/legis/cen/laws/rfiotiitlotproc847/>

<sup>72</sup> The Conference Board calculated that in 2010 charitable giving only amounted to 5% of what was given in the United States. See Schrader and Zhang, "Corporate Philanthropy in China."

<sup>73</sup> See the Council on Foundations, *USIG Country Note: China*, <http://www.cof.org/content/china#end21>, Last accessed 11/25/14. Many of my interviewees in 2012 also pointed to the lack of understanding of and trust towards China's nascent third sector—particularly after the wave of charity scandals that rocked China in recent years (see chapter 7 for more discussion of this).

<sup>74</sup> Of this, 58% came from enterprise and corporate donations and 7.88% came from only thirtyfour major donors. Meanwhile, the total amount of foreign donations declined 24% compared to the previous year (RMB 6.952 billion). See article *Xinhua*, " '2012 Charity Report' Reveals A Total Decline in Donations for Two Consecutive Years (2012 Niandu zhongguo cishan juanzhu baogao' Fabu juanzeng zonghe lianxu 2nian xiajian ) *Xinhua Net* September 21, 2013, [http://news.xinhuanet.com/politics/2013-09/21/c\\_125418548.htm](http://news.xinhuanet.com/politics/2013-09/21/c_125418548.htm) Last accessed 11/25/14.

<sup>75</sup> State Council of the PRC, *Regulations on the Administration of Foundations*, March 8, 2004, See full text in English at <http://tradeinservices.mofcom.gov.cn/en/b/2004-03-08/24317.shtml> Last accessed 11/25/14.

<sup>76</sup> These are categorized separately from corporate foundations in the study.

<sup>77</sup> This data taken from the China Foundation Center (CFC) 2011 Annual Report *China Civil Foundation Developing Trends*. CFC estimates that the actual existing number of private foundations in 2011 (including both registered and unregistered) to be closer to 1324 in number. About half of these are thought to be individual foundations; 30% to be corporate foundations; 18% to be family foundations, and 2% private community foundations. See p 5.

<sup>78</sup> CFC, *China Civil Foundation Developing Trends*, 10.

<sup>79</sup> CFC, *China Civil Foundation Developing Trends*, 20-21.

<sup>80</sup> CFC, *China Civil Foundation Developing Trends*, 10.

<sup>81</sup> China's leadership, including the Minister of Civil Affairs, have openly admitted to the problems with the current Charity Law, and they have been in the process of revising it since 2006. The specific regulations under review include: Regulations on the Registration and Administration of Social Associations (1998); Interim Regulations on the Registration and Administration of Civil Non-enterprise Institutions (1998); Regulations on the Management of Foundations (2004); and other documents. See rCouncil on Foundations, *USIG Country Note: China*, <http://www.cof.org/content/china#end21>, Last accessed 11/25/14. This report notifies us that "More reports emerged in 2014 that the Charity Law was on the National People's Congress (NPC) legislative timetable. The NPC Domestic Affairs Legal Committee (*quanguo*

*renmen daibiao dahui neiwu sifa weiyuanhui*) has taken the lead in drafting the Charity Law and is expected to submit it for consideration in 2015 if the legislative process proceeds smoothly. If and when adopted, the Charity Law would supersede the 1999 Public Benefits Donation Law.”

<sup>82</sup> See White, Howell, and Shang, *In search of civil society in China*, for a background discussion on “support organizations” in China. They point to 1988 as the time the party-state first recognized the importance of “semi-official” (GONGO) organizations that could act as a “bridge” between state and society. They wrote “By facilitating both the downward transmission of policy and the upward communication of grassroots opinion, these organizations serve to maintain the control of the party over society and mitigate its inherent conflicts.” The difference now is the rise of support organizations that are (more or less) independent from the state. See pp. 115-124.

<sup>83</sup> NPI’s founders had first tried to set up their organization in Beijing, but were rejected. Ma Yili invited NPI to set up shop in Shanghai instead.

<sup>84</sup> See NPI’s website at: [http://www.npi.org.cn/index\\_en.html](http://www.npi.org.cn/index_en.html)

<sup>85</sup> Of course, an important question to ask is how much of these funds go towards the programs, as opposed into the pay checks of the 200 full time staff and the organization’s leadership. This would be a good project for future study.

<sup>86</sup> This is sometimes referred to as a “Hub” model, but, for clarification purposes, I reserve the use of the word “Hub” for the Social Management Innovation strategy (discussed in SMI chapter) in which one association or organization manages several subsidiary ones (a hub and spoke model, as used, for instance, in Beijing). The charity park model here, on the other hand, is more of a central physical location for SOs.

<sup>87</sup> Besides hosting NPI, this charity park also hosts the following organizations: The Xintu Center for Community Health Promotion, The Shanghai Enrichment Community Service Center, The Pudong New Area Comprehensive Supporting Service Center for Community Citizens, The Shanghai Better Education Development Center, the Shanghai Pudong Community Service Center, the Shanghai Pudong Volunteers Association, The Shanghai Hui Di Ji Public Psychology Care Center, The Shanghai NPO Development Center (Green Leaf), The Shanghai Pudong Volunteers Association for Worker Employment, and the Shanghai Pudong Siwei Social Workers Training Center, to name a few.

<sup>88</sup> The creation of “model” units for study and replication is a long-time practice in the PRC. This might lead one to wonder about the authenticity of the Shanghai Social Welfare Park, but the author travelled there and it is, indeed, a site of lively interaction and cooperation between a variety of state and non-state actors. On the other hand, one might wonder if this is a new way for the party-state to co-opt what might otherwise be fully independent organizations.

<sup>89</sup> The city’s BoCA spent RMB 50 Million (\$8.2million) on restoring this site.

<sup>90</sup> It thus works more like a themed, collective office space similar to the Impact HUB in Seattle.

<sup>91</sup> See The Global Times, “The Hub for Help” December 10, 2013, <http://www.globaltimes.cn/content/831259.shtml>

<sup>92</sup> Narada has worked closely with NPI, Rende, numerous other foundations—and even played a key role in the creation of the China Foundation Center.

<sup>93</sup> Interview, Spring, 2012. Also see Narada Foundation’s Annual Reports—a model for organizational transparency in China.

<sup>94</sup> Interview, Spring 2012.

- <sup>95</sup> According to a recent report by the Social Venture Group, GNIB's founder Deng Xixian has been very vocal about replicating the model throughout Guangzhou, with some success. He is quoted as declaring "Every district and county should have their own NGO incubating system. The government could even provide low-interest loans or setup an NGO start-up fund to encourage more social services." See Social Venture Group, "China's Nonprofit Incubators: Capacity Building for Grassroots," *China Philanthropy blog*, December 6, 2011, <http://blog.socialventuregroup.com/svg/2011/12/chinas-nonprofit-incubators-capacity-building-for-grassroots-.html>
- <sup>96</sup> Interview at ICS, Spring, 2012.
- <sup>97</sup> The Amway Charity Foundation "Philanthropy Talents Development Program" Exhibited in the 2<sup>nd</sup> China Charity Fair" <http://www.amwayfoundation.org/en/latest-update/acf-news/latest-update-news11111.html> , Last accessed 11/25/14
- <sup>98</sup> Interview of Beijing academician, Spring 2012.
- <sup>99</sup> The relationship between size of public sector staffing and willingness to promote third sector independence should be a topic for future research.
- <sup>100</sup> Founded in 1998, Half the Sky's mission is to "enrich the lives of orphaned children in China" by "providing model programs and caregiver training designed to offer loving, family-like care to children of all ages and abilities." This model was so successful that in 2011 the organization was invited to partner with the Chinese government to expand across China, providing training and support to every orphanage therein. See their website: <http://halfthesky.org/en/content/million-rainbows>
- <sup>101</sup> The double-edged nature of these state-run information portals is that politicians can also use them to control information and sector development.
- <sup>102</sup> See the Haidian Community Service Information Net(*Haidian Shequ fuwu xinxiwang*), <http://hd.bjcs.gov.cn/wps/portal/template1/bjssq> Last accessed 11/25/14.
- <sup>103</sup> See Shanghai's website at" <http://stj.sh.gov.cn/Index.aspx> Last accessed 11/25/14,
- <sup>104</sup> Interview with Ma Hong, Shenzhen BocA Department of SO Management, Spring 2012.
- <sup>105</sup> This list is not exhaustive. Such research centers are also springing up in other cities around China, including Wuhan University, Hangzhou University, Ningxia University.
- <sup>106</sup> For instance, the Tsinghua University Public Management School's Center for NGO Research, for instance, has been publishing the journal *China Non Profit Review* since 2003.
- <sup>107</sup> For instance, see the national-level "Blue Book of Civil Organizations" (2011-2012), which includes a general report on opportunities and challenges facing China's SOs; monographic reports titled 1) A Study on NPO Incubators; 2) The Performance and Function of Chinese Civil Organizations in Developing Rural Areas; Development Trends and Standard Administration of Social Intermediary Organizations; Reports on the development of SOs in 1) Chongqing and 2) Hebei Province; and reports on the development of countries like Germany, France, and SE Asian Countries. Huang Xiaoyong, ed., *Zhongguo Minjian Zuzhi Baogao 2011-2012 (Chinese Social Organization Report 2011-2012)* (Beijing: Social Sciences Academic Press, 2012).
- <sup>108</sup> Beijing University Civil Society Center "Ten Major Events in China's Social Sector for 2013" translated and reissued by China Development Brief at: <http://chinadevelopmentbrief.cn/articles/beijing-university-civil-society-centers-ten-major-events-in-chinas-social-sector-for-2013/> Last accessed 11/25/14.

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- <sup>109</sup> Interview with CANGO leadership, Spring, 2012. Also see association's website: <http://www.cango.org/english01/?en=new&id=67> Last accessed 11/25/14
- <sup>110</sup> He Dan, "Reforms Give NGOs a Level Playing Field."
- <sup>111</sup> Spring, 2012.
- <sup>112</sup> When asked why this might be, she speculated there was a great demand for professional programs as a result not only of the earthquake, but also because the city of Beijing had begun setting up Social Work Service Stations at the neighborhood level in 2006. As a result of this new program, the lack of professionalization became blatantly obvious to party and state leaders in Beijing, and they began encouraging the proliferation of professional training programs.
- <sup>113</sup> To name a few the Chinese Medical Association; the Nurse's Association of China; Associations for Health Promotion and Education; etc.
- <sup>114</sup> See association's website: <http://www.cncasw.org/cncasw/gywm/fzgk/> Last accessed 11/25/14. Also see <http://casw.org.cn/en/> Last accessed 11/25/14
- <sup>115</sup> Ni Wu, "Shanghai Hosts New Charity Park."
- <sup>116</sup> *Eastern Net*, "Shanghai Will Experiment with Direct Registration and Management of Social Organizations" February 3, 2013, translated and reissued at <http://chinadevelopmentbrief.cn/news/shanghai-will-experiment-with-direct-registration-and-management-of-social-organizations/> Last accessed 11/25/14.
- <sup>117</sup> He Dan, "Reforms Give NGOs a Level Playing Field."
- <sup>118</sup> Yingying Shi, "NGO Workers Find Good Deeds Unrewarded by Meager Wages" *China Daily*. November 15, 2011, [http://www.chinadaily.com.cn/2011-11/15/content\\_14094220.htm](http://www.chinadaily.com.cn/2011-11/15/content_14094220.htm) Last accessed 11/25/14.
- <sup>119</sup> Interview, Beijing, Spring 2012. By comparison, according to the Beijing Municipal People's Insurance Bureau and the Municipal Statistics Bureau, Beijing's 2012 annual average wage amounted to RMB 62,677 (US\$ 10,028) and the average monthly wage was RMB 5,223 (US\$ 836).
- <sup>120</sup> *Beijing Times*, "A Human Resource System for Beijing's 7500 Social Organizations" February 29, 2012. Translated and reissued by *China Development Brief* at <http://chinadevelopmentbrief.cn/news/a-human-resource-system-for-beijings-7500-social-organizations-%E5%8C%97%E4%BA%AC7500%E4%BD%99%E5%AE%B6%E7%A4%BE%E4%BC%9A%E7%BB%84%E7%BB%87%E5%B0%86%E5%85%A5%E7%BC%96%E5%88%B6/> Last accessed 11/25/14. I have not found any statistics on what is being done in Shanghai or Shenzhen.
- <sup>121</sup> This is confirmed by my own experience travelling across China in 2007 and talking peasants, taxi drivers, students, professors, and all manner of citizens. Few, if any, had heard of NGOs or even Social Organizations.
- <sup>122</sup> A number of my politician interviewees cited the 2008 earthquake as the moment of their awakening to the critical role society can play in governance; while many SO interviewees cited that event as the reason they got into non-profit work. Many other scholars also point to this event as a watershed in state-society relations. See, for instance, Shawn Shieh and Guosheng Deng "An emerging civil society: The impact of the 2008 Sichuan earthquake on grassroots associations in China," *The China Journal* 65 (January 2011): 181-194.

- <sup>123</sup> See, for instance, Liz Carter, “Does anyone trust the Chinese Red Cross?” *The Atlantic*, May 2, 2013; Tiezzi, Shannon “Charities and Corruption in China” *The Diplomat*. August 13, 2014.
- <sup>124</sup> *Xinhua*, “‘2012 Charity Report’ Reveals A Total Decline in Donations for Two Consecutive Years” (‘2012 Niandu zhongguo cishan juanzhu baogao’ *Fabu juanzeng zonghe lianxu 2nian xiaojian*), September 21, 2013, [http://news.xinhuanet.com/politics/2013-09/21/c\\_125418548.htm](http://news.xinhuanet.com/politics/2013-09/21/c_125418548.htm) Last accessed 11/25/14.
- <sup>125</sup> The awards were first held in 2005 and have five categories: Charity Award for Local Enterprises, Charity Award for Overseas Enterprises, Charity Award for Individual Donors, Charity Award for Individual Charity Workers, and Most Influential Charity Projects. The criteria for consideration are as follows: Individual donors should have donated at least RMB 3 million (US\$439,370) the previous year. Domestic and foreign enterprises should have donated at least RMB 5 million (about US\$732,290) and issued a corporate social responsibility report. Charity projects should have a capital scale of RMB 500,000 or an outstanding impact. See *China.org.cn*, “China Charity Awards 2009,” January 22, 2010, [http://www.china.org.cn/environment/2010-01/22/content\\_19290447.htm](http://www.china.org.cn/environment/2010-01/22/content_19290447.htm) Last accessed 11/25/14. See also *Zijin*, “Zijin awarded Top Ten Charity Enterprises in 10th China Charity List, May 22, 2013,” <http://www.zjky.cn/publish/english/tab138/info31673.htm> Last accessed 11/25/14.
- <sup>126</sup> According to a 2014 news report from *Xinhua*, “Zhan Chengfu, an official with the Ministry of Civil Affairs, revealed on Friday that the “China Charity Awards,” previously an annual event, will be held once every two years, and winners will be reduced from 100 to 50.” See *Xinhua*, “China raises bar for top charity prize,” July 26, 2014, <http://english.peopledaily.com.cn/n/2014/0726/c90882-8761153.html> Last accessed 11/25/14.
- <sup>127</sup> See Du Yan, “China Charity Award’s Beijing, Shanghai, Shenzhen as Top Three out of One Hundred Cities,” *Want News*, August 16, 2014. <http://www.wantinews.com/news-8761648-China-Charity-Award-hundred-cities-Beijing-Shanghai-Shenzhen-the-top-three.html> Last accessed 11/25/14.
- <sup>128</sup> See, for instance, Guangdong’s <http://www.gdmz.gov.cn/ywgl/> Last accessed 11/25/14
- <sup>129</sup> Since I have already discussed the charity park model above, I focus here only on the charity fair model.
- <sup>130</sup> *Shenzhen Standard* “China’s Charity Fair to be Held in Shenzhen,” May 8, 2012, <http://www.shenzhen-standard.com/2012/05/08/chinas-charity-fair-to-be-held-in-shenzhen/> Last accessed 11/25/14.
- <sup>131</sup> *Shenzhen Standard* “China’s Charity Fair to be Held in Shenzhen.”
- <sup>132</sup> *Xinhua*, “First Charity Fair to be held in Shenzhen” May 8, 2012 <http://english.peopledaily.com.cn/90882/7810338.html> Last accessed 11/25/14.
- <sup>133</sup> *Xinhua*, “China Charity Fair More Popular,” September 23, 2013, [http://news.xinhuanet.com/english/china/2013-09/23/c\\_125432971.htm](http://news.xinhuanet.com/english/china/2013-09/23/c_125432971.htm) Last accessed 11/25/14.
- <sup>134</sup> *Shenzhen Daily*, “Charity Fair Opens in City,” September 19, 2014, ([http://www.szdaily.com/content/2014-09/19/content\\_10176676.htm](http://www.szdaily.com/content/2014-09/19/content_10176676.htm) Last accessed 11/25/14
- <sup>135</sup> *Shenzhen Daily*, “Charity Fair Opens in City,”
- <sup>136</sup> This was first aired October 1, 2014 on the CCTV-12 Society and Law Channel.
- <sup>137</sup> Ming Wang, *Emerging Civil Society in China*, 148 for a discussion of the various state sponsored youth volunteer organizations that have been operating in China during the reform era.

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<sup>138</sup> Wei Na and Yukai Cui, “The Development of Volunteerism in China: Context, Role of Government, and Influences” in *Journal of Cambridge Studies* 6, no.2 (2011): 16. <http://journal.acs-cam.org.uk/data/archive/2011/201123-article2.pdf> Last accessed November 14, 2014,

<sup>139</sup> Na and Cui, “The Development of Volunteerism in China,” 19. for a list of the units who have passed local volunteer laws.

<sup>140</sup> United Nations Volunteers “China Launches its First National Volunteer Association.” August 2, 2011, <http://www.unv.org/en/news-resources/news/doc/china-launches-its-first.html> Last accessed 11/25/14

## Chapter 9

### Social Management Innovation

*“Given the fundamental realities of China, future development of the Chinese society will go through three stages. At the first stage, the government should start with the issues that concern most people, for example, improving people's livelihood, career and social security. Innovation of social management is also a key factor to resolve major problems that affect social harmony and stability, making sure to prevent and reduce the generation of social contradictions. At the second stage, it is necessary to focus on promoting social restructuring, innovation of social policy, and improvement of social management. Integration of urban and rural areas is also crucial. The core task of this stage is to build a reasonably open industrial society compatible with the middle stage of industrial society construction. At the third stage, when social reform and social institutions have been gradually improved, it will be possible to form a social structure more compatible with the socialist market economic system and in harmony with the modern economic structure of modern society.”<sup>1</sup>*

*“On the one hand, the country diligently transformed the function of organizing social life when it reformed the system of economic management; on the other hand, society cannot be effectively developed and organized by extending traditional social management patterns, which made it difficult to transfer this function. Currently, a series of problems have appeared in social development advancement that are mostly related to this contradiction. An important way to solve this contradiction is to build a modern social management pattern and to realize the goal of establishing and consummating the social management pattern in which the Party committee leads, the government takes charge, society cooperates, and the public participates” that was proposed at the Fourth Plenary Session of the 16<sup>th</sup> CCP central committee.”<sup>2</sup>*

#### Introduction

This chapter outlines the key features of Social Management Innovation (SMI), which is often described by the following phrase “the party leads, the government manages, social organizations cooperate, and the public participates.” Whereas Social Construction focuses on building a society that can effectively cooperate and a public that is willing and able to participate, SMI represents the control, supervision, management, and evaluative side of the NG equation.

Under the SMI campaign, the Chinese party-state is testing new structures to guide and manage the Social Construction process. The chapter begins by looking at new institutions that are being formed at the commanding heights of the party-state (that is, within the central and provincial level party-state) and specific roles these new party committees, bureaus,

administrative structures, etc. are playing within China's New Governance framework. I then turn to the primary loci of experimentation with SMI: municipalities and local governments.

The act of devolving more power to local governments and building the strength and capacity of China's third sector presents some risks for the party-state, and so China's leaders are diligently working on ways to minimize that risk (in the form of SMI). This chapter identifies several ways in which the party-state is re-organizing in order to mitigate the perceived risks involved with its transition to the New Governance. First, the party has established new coordinative and security organs to oversee a smooth Social Construction process. Second, the party-state has created more specialized offices in provinces, cities, and localities both manage the expected increase in SO registration and to supervise and evaluate their activities. Third, the relaxation of registration restrictions discussed in the SC chapter only applies to a select group of SOs. Registration reform is being undertaken selectively to promote the SOs seen as valuable to the party-state, and does not apply to groups that are seen to threaten party rule. Fourth, China's leadership is experimenting with ways to guarantee the quality of service provision, including innovations in supervision, evaluation, and reporting mechanisms for local governments and third sector organizations. I summarize these elements in Table 9.1 below, and the rest of the chapter elaborates on these developments.

**Table 9.1: Social Management Innovation**

<b>Management Challenge Associated with Social Construction</b>	<b>SMI Strategy</b>
How to ensure it goes smoothly (promote social harmony and not unrest)	Create new coordinative organs and security mechanisms in party and state.
Registration reform= rapid growth of SO numbers (overwhelming registration and supervisory organs such as MOCA)	Create more managerial/supervisory organs; decentralized and specialized management (eg. professional association hubs to supervise; grassroots <i>bei'an</i> registration system)
Diversification of SOs (some might be undesirable, and the state may not be equipped to monitor every issue area)	Selective Legalization
Quality of Service Control	Create professional training programs and hub management systems; new evaluation mechanisms, experiment with third party evaluation.

## I. New State Institutions & Mechanisms

An important signal that the party-state is keen on maintaining its monopoly over society while enabling Social Construction is the prevalence of new “coordinative” and security institutions that are being erected across China. This includes the creation of specialized departments for the management of SOs within the Ministry of Civil Affairs bureaus (now separate from the departments in which the organizations register); experimentation with the ‘hub’ type management and supervision model, (particularly in Beijing, where specialized professional associations<sup>3</sup> oversee and evaluate the work performed by social organizations); and the use of the local grassroots “*bei’an*” registration system to identify and track community organizations too small to qualify for official registration.

### *A. Changing Coordinative Structures at Center*

While much of the workings of the Chinese party-state unfold behind a curtain of secrecy, China watchers have long noted the creation of such commissions and leading groups (as well as reorganization of ministries on the state-side of the party-state) signals the prioritization of new policies at the top. It is of some significance, then, that several months after bringing SMI to the forefront of cadre awareness at the February 2011 Central Committee meeting, Zhou Yongkang of the Politburo’s Standing Committee announced the Central Public Security Comprehensive Management Commission would be renamed the **Central Commission for the Comprehensive Management of Social Order** (*zhongyang shehui guanli zonghe zhili weiyuan hui* or CCCM).<sup>4</sup> According to a Xinhua online report, the focus of the newly reformed commission is to improve the leadership of party committees and government agencies in social management, and also to mobilize the public to participate in China’s social management work.<sup>5</sup> The committee’s delegated functions range from setting major social management policies, to coordinating all

national and local work related to SMI, to dispatching central cadres to guide or control local work. More specifically it is tasked with:

- implementing the Party's basic line , principles, policies and state laws according to the overall planning situation of the national economy, public security, and state planning
- studying and proposing social security comprehensive management principles, policies and major measures to aid the decision-making abilities of CPC Central Committee and State Council
- directing and coordinating national social security comprehensive management work as follows: supervising implementation; guiding, coordinating and promoting various localities and departments to implement social security comprehensive management
- maximizing the functional role of the relevant departments, organizing and coordinating the various departments around the masses<sup>6</sup>

As the central body for coordinating harmonious social construction via SMI, the CCCM is in charge of *making sure all levels of the state pursue reforms while causing minimal turbulence.*

In other words, the function of the CCCM is to ensure control, security, and stability as local governments experiment with new forms of administration. It has established five work groups aimed at better coordinating the capacity of national-level bureaucracies to ensure that this policy transition happens with minimal social unrest. <sup>7</sup>

### *Reforms to National People's Congress Aimed at Strengthening Provincial and Local SMI*

The *Legislation Law* of 2000 plays a significant role in allowing provincial and local governments to pursue innovations in social management. The law clarified that the State Council, local governments, and people's congresses are within legal bounds to make legislation in certain areas. It confirmed that *local legislatures were within their legal rights to pass laws in areas where national policy does not exist*; however, should national laws be passed in that particular issue area, local laws would be trumped by national ones.<sup>8</sup> While policy experimentation has long occurred at the provincial and local levels of state,<sup>9</sup> the legal

codification of this practice has arguably served to legitimize and embolden the activities of local governments engaged in policy experiments such as registration reform.

### *Impacts of SMI on Mass Organizations*

In many respects, SMI dovetails with experiments in public-private partnerships that Mass Organizations have been testing in the last decade or so of the reform era. For instance, the All-China Women's Federation and its many branches around the country have often partnered with international NGOs and domestic SOs to provide healthcare, microfinance, and other forms of support for marginalized women and children. However, with the national push to implement SMI, these Mass Organizations are also expected to implement SMI reforms aimed at standardizing and better evaluating the efficacy of these public-private partnerships.<sup>10</sup>

### *Impacts on National Level Associations*

The number and scope of nationwide associations have both expanded in recent years.<sup>11</sup> Like the Mass Organizations, these issue-specific associations have a double-edged nature. On the one hand, they act as vehicles for improving the sharing of information, standardization of best practices, and professionalization of organizations and individuals and organizations in their network (and therefore several of these, including the National Association of Social Workers, CANGO, and the China Volunteer Association are highlighted in the Social Construction chapter). On the other hand, these Associations provide a function similar to that of Mass Organizations – they are used as Leninist-type transmission belts to ensure that development of the sectors they represent stays in line with the goals of the party-state. These associations are increasingly being used as *hub-type management systems* (discussed below). We will see how this dynamic plays out below, in the discussion of local SMI developments.

## ***B. SMI Reforms in the Provinces: Beijing, Shanghai, and Guangdong***

The majority of SMI restructuring has taken place below the national administrative level. In China's experimental provinces, provincial level CCP leaders have set up special committees and work groups to supervise social construction and management. These structures are sometimes referred to as “super agencies” set up to better coordinate the numerous bureaucracies and players involved in policy implementation.<sup>12</sup>

### *Social Work Party Committees (SWPCs) & Leadership Groups*

The first Party Committee on Social Work was established in 2003, and since then, similar structures (often with slightly differing names) have been established in other provinces around China. In addition, provincial level party committees have formed ad hoc leadership groups to help guide the SWPCs by bringing in key stakeholders from various party and government entities. Below is a discussion about how our three provincial case studies have developed their SWPCs.

#### ***Shanghai***

As one of the early innovators in social construction and innovation, Shanghai began experimenting with new administrative structures for social management in 2003. In August of that year, the Shanghai Party Committee created the Shanghai Municipal *Social Work Party Committee* (社会工作党委 or SWPC). The original function of the SWPC was to take responsibility for researching, evaluating, and supporting the development Shanghai's the “two news (新两)”—new economic organizations and new social organizations—and for ensuring the cooperation of community construction stakeholders.<sup>13</sup>

In order to improve social management outcomes, the November 17, 2009 meeting of the

Shanghai City SWPC established a *Municipal Social Construction Work Leadership Small Group* within the Shanghai Social Work Committee office. The Small Group's 28 members were chosen by the Central Management Bureau and the City Party Committee's Secretary, and they included not only party members but also officials from the Municipal Government of Shanghai as well as from the Women's, Labor, and Youth Mass Organizations. The chief objectives of the Leadership Small Group were to 1) perform collaborative propaganda research; 2) establish a unified plan; 3) suggest policies that should be established to improve social work endeavours; and 4) strengthen cooperative leadership. At this time Shanghai's SWPC became more of a macro-research organization, and less involved in the affairs of micro management.<sup>14</sup> However, the SWPC in Shanghai does work together with various levels of the government to make policy, and the Bureau of Civil Affairs must implement these decisions.

### ***Beijing***

Beijing Municipality established its own *Social Work Party Committee* in December of 2007. Song Guilun, who was appointed the Secretary of this committee, detailed the new organization's mission as follows: "to improve ordinary people's livelihoods; to work out development plans for Beijing's social construction; to map out policies to deal with employment and medical service problems; and to organize and coordinate work relating to livelihood between government institutions so as to formulate effective, balanced policies."<sup>15</sup> The committee would seek to coordinate the activities of the various issue-specific bureaus (*e.g.* education, sanitation, civil affairs, SO management, migration, etc.) and their branch offices at all levels of Beijing's polity. Finally, it would be in charge of coordinating community construction in Beijing's 2,500 plus communities, including figuring out the best way to involve new economic organizations and new social organizations in the construction process.

In 2008 the Beijing SWPC was merged with the *Beijing Municipal Social Construction Office* (SCO) in order to further unify and coordinate social construction efforts. The SWPC is in charge of guiding this office, while the Social Construction Office continues to perform research and data-gathering activities that the SWPC then uses to make social management decisions. The SWPC-SCO structure extends down into each of Beijing's districts.

### ***Guangdong***

The Guangdong Party Committee created the *Guangdong Provincial Social Work Committee* (*Guangdongsheng shehu gongzuo weiyuanhui*)<sup>16</sup> in August, 2011. As in other provinces, the Guangdong SWC also acts as a platform to promote party interests while coordinating various party and state entities involved in social policy and social management at the provincial level.<sup>17</sup>

### ***Restructuring Provincial Level Government Institutions for SMI***

In addition to the formation of new party organs, provinces are also reforming government institutions to manage Social Construction. On the one hand, the various issue-focused government bureaus will continue to set policies and guide the overall implementation of their various issue areas (e.g. Bureaus of Education will oversee education policy and practices, Bureaus of Health will oversee the implementation of health policy, etc.). On the other hand, the role and number of third sector organizations also participating in these fields is expected to increase. Provincial level leaders are thus looking for ways to better manage the growing range of actors involved in service provision.

### ***Changes to Social Management Structures of Bureaus of Civil Affairs***

A key strategy has been to restructure provincial and local Bureaus of Civil Affairs (BOCAs) in charge of registering and supervising the growing body of SOs operating as partners

to with the state. In recent years, provincial level Bureaus of Civil Affairs have created specialized departments to deal specifically with registration and management of social organizations. Each of these departments has further divided the work of SO registration and management into sub-offices, but the exact structure and function of these offices differs from province to province. These variations are drawn out below, in a comparative discussion about BoCA reforms in Beijing, Shanghai, and Guangdong provinces.

### ***Beijing BoCA***

Looking first at Beijing, as of 2012, the Beijing BOCA was divided into 19 specialized offices.<sup>18</sup> An important office in the story of Beijing's SMI is the ***Beijing Social Organization Management Office*** (北京市社会团体管理办公室), which was created to better manage anticipated growing number of SOs in Beijing. The SO Management Office was specifically created to oversee SO registration, legal conformity, public finance for SO work, and placement of party cadres in SOs in Beijing. This office is sub-divided into 11 sub-divisions, each of which plays a specialized role in managing SOs.<sup>19</sup>

1. *The Secretariat (秘书处)* Oversees the other ten sub divisions in the SO Management Office, and reports on their activities; also takes responsibility for peaceful progress of social development.
2. *The Personnel Office (人事处)* Oversees cadres and government workers assignments, incentives, payroll, retirement, and professional and technical advancement; also oversees the building of party organization offices, ideology, and education of party committees involved in social construction, responsible for party cadre discipline, inspection, and administrative supervision.
3. *Financial Resources Management (资金管理处)* Responsible for the preparation and reporting of departmental budgets and final accounts; government procurement (购买服务); asset management and other accounting work; responsible for internal audit work; responsible for employee housing fund, personal income tax, medical reimbursement and other special work; helps guide the financial management of social organizations.
4. *SO Registration Office (社会组织登记处)* is in charge of registration and record keeping for social groups, Minfei, foundations and their representative offices; responsible for directing the

registration of county-level social organizations; directs record keeping of relevant hub organizations and urban and rural community social organizations.

5. *SO Management Office* (社团管理处) is responsible for drafting social construction and management policies and regulations related to SOs operating at the city level and below; nurturing the development of municipal social groups and providing daily supervision and management thereof; determining resource allocation and implementing annual inspection work; directing the organization of hub-based social coordination; overseeing the construction and evaluation of SO standardization; organizing government procurement of SO services. The SO management office is also charged with educating and training full-time staff persons in charge of social groups; establishing the qualifications of community groups to receive charitable tax deduction status; and making sure that social groups participate in major social campaigns and disaster relief efforts. This office also works with other departments to ensure party building in social groups.

6. *Minfei (Private Non-Enterprise Units) Management Office* (民办非企业单位管理处) is responsible for drafting the city's private non-enterprise units construction and management policies; envisioning and coordinating the place of *Minfei* in the overall city development plan; supervises the management and resource allocation annual reports of *Minfei* organizations; works to standardize the construction and evaluation of *minfei*; makes sure *minfei* participate in major social campaigns and disaster relief effort; oversees the proper education and ideological orientation of *minfei* leaders; organizes government procurement of services from *minfei* groups (and evaluation thereof).

7. *Foundations Management Office* (基金会管理处) Similar to the corresponding SO and *Minfei* departments, this one is responsible for drafting policies and regulations related to the development of the foundation sector; for overseeing the management and resource allocation annual inspections; for standardizing the development and evaluation of Chinese foundations; for making sure that fund managers and staff are properly trained, registered, and ideologically committed; and coordinating the activities of foundations for the government purchase of services and for social campaigns and disaster relief. This department is also charged to work with other departments and administrative levels to ensure party building within this sector.

8. *Social Organization Bianzhi Department* (社会组织编制处) is responsible for municipal social worker job evaluation and recruitment, assessment and management. Together with relevant departments, the *bianzhi* department develops the city's party building plans for SOs: it designates competent business units to undertake public-private partnerships, establishes SO committees of experts to help with the building and development of SOs, manages a database of expert SOs, and helps to coordinate the government purchase of services from social welfare organizations.

9. *Legal Supervision Department* (法制监督处) Legal and administrative authority responsible for supervising the work of the law. Develop annual work plans legal system; organization and coordination of local regulations on the registration and management of social organizations, to declare the project with government regulations, administrative normative documents, research, and other related work to develop draft; undertake illegal cases of first

instance of social organization, transfer, consultation, investigation and other related work; assist with related work administrative reconsideration, administrative litigation; responsible for coordination and management of foreign NGO activities in Beijing and the city's social organizations of foreign exchanges affairs; legitimacy of the audit authority responsible for administrative normative documents, clearing and for examination, filing work; undertake other tasks assigned by the leadership; together with relevant departments to carry out legal advocacy, education, training and assessment work; authority responsible for legal advisory services; coordinate and guide the county to carry out the supervision and management of social organizations in accordance with law

*10. Zhongguan Cun Community Organization Office (中关村社会组织管理处)*

As will be discussed in more detail below, the Zhongguan Cun community in northwest Beijing has been designated as a “demonstration” area for testing new forms of SO management. As such, this experimental zone has its own supervisory department in the BOCA’s Social Group Management Office. The functions of this department are as follows: it creates new policy for community development in the zone; oversees registration and development of SOs, Minfei, branches of foundations, foreign NGOs, and hub associations who set up shop in the experimental zone; it also oversees the establishment of new (both government run and grassroots run) SOs. The office also purchases the services of social organizations working in the test area and supervises their projects. Furthermore, it is responsible for promoting reform, development, and publicity for the zone, as well as reporting on the accomplishments and challenges therein.

*11. Beijing Social Organization Development Service Center (北京市社会组织发展服务中心)*

This service center has been created as BOCA’s arm to help SOs in Beijing better understand the laws and regulations governing their work and how to register and report. Furthermore, the service center helps SO capacity building (along party lines) by organizing trainings for SO leaders and staff, offering organizational assessment and research services, providing project support organization of training and exchange of staff; carrying out social organizational assessment, research, human rights work; providing project support, capital and human capital support, proposal writing help, financial audits, and provides receipts for members who pay dues to associations. In order to more effectively perform outreach to social organizations, this office manages the *Beijing City Social Organization Public Service Platform*, a website portal full of legal, registration, and training information.<sup>20</sup>

***The Shanghai BoCA***

In 2008 the CCP Central Committee and State Council announced the reform of the Shanghai BoCA to create the Shanghai Municipal Social Organization Management Department (上海市社会团体管理局). In contrast to its Beijing counterpart, this Department has divided up the task of Social Management into seven sub-units:

1. General Office

2. The Registrar
3. Social Organization Management Office
4. Private non-enterprise units Management (*minfei*) Office
5. Foundation Management Office
6. Office of Foreign SO Management
7. Social Groups Monitoring Corps

The key tasks of the Shanghai SO Management Department are as follows (the Shanghai BoCA does not elaborate how the 7 offices divide these tasks):<sup>21</sup>

- Implementing laws, regulations, rules, guidelines and policies relevant to the three legal groups of SOs (Social Organizations, Private non-enterprise Units (*minfei*) and foundations).
- Drafting regulations and policy measures for the management of these SOs in alignment with Shanghai's strategy of social construction
- Studying and reporting on social construction efforts and advances in Shanghai
- Coordinating the efforts of various offices in the service of policy implementation
- Coordinating with various relevant departments to integrate resources,
- Disseminating information, develop talent, exchange services, and to create an information sharing system
- Approving or denying the registration of new SOs; to change and cancel registration approval. This includes the registration of foreign SOs and cooperation between foreign/ domestic SO exchanges
- Implementing the annual inspection of SOs (and other special inspections)
- Researching and planning strategy surrounding development of industry associations (行业协会)
- Helping SOs align with the requirements of the SO management system by helping them to standardize, offering training and organizational guidance, and assisting with the construction of SO party organizations.
- Coordinating SO involvement in mass activities
- Investigating and punishing legal violations

Comparing the Beijing Office and Shanghai Department of Social Organization management, it is clear that Beijing not only has created more specialized offices (including one that was specially created to manage the Zhongguan Cun Street experimental zone), but that it has also built in official institutions to ensure party control over Beijing's third sector development (the Secretariat, Personnel Office, SO Bianzhi Office, a Legal Supervisory Office, as well as its own SO Development center). Shanghai, on the other hand, seems to have stripped down this overarching hierarchy (although no doubt the General Office performs some of these functions). This may reflect variation in management cultures of the two cities: Beijing is reputed to have a strong hand in management compared to Shanghai.<sup>22</sup>

### ***Guangdong Provincial BoCA***

The Guangdong Provincial BoCA also established a specialized bureau for SO management within its provincial Bureau of Civil Affairs, called the ***Guangdong Provincial Social Organization Management Department*** (广东省社会组织管理局)<sup>23</sup> This bureau undertakes similar functions to its counterpart in Shanghai and Beijing, but these functions are divided among only three offices:

1. *The General (Enforcement) Office (综合处 (执法处))* acts as the secretarial, administrative, and logistical center for the comprehensive management and registration of SOs in Guangdong. This office

- Researches, drafts regulations and policies related to SO involvement in social construction and oversees the concrete implementation of these policies
- Receives complaints, tries, and punishes illegal activities of SOs, and subsequently for gathering and reporting on law enforcement information
- Guides and supervises SO registration and management bureaus at the city and district/county levels
- Facilitates party work and penetration of the social sector

- Makes sure SOs receive education and professional training as per policy requirements
- Cooperates with relevant departments to study finance, personnel, tax, social security and professionalization of personnel policies
- Maintains an information platform for SOs and a statistical analysis database recording changes in the sector
- Coordinates with relevant departments to manage foreign NGO activities in Guangdong (investigates illegal activities of foreign non-governmental organizations)
- Investigates the establishment and activities of unregistered and illegal SOs
- Coordinates the involvement of SOs in emergency relief work when needed

2. *Registration and Management Office #1* oversees Social Organizations (社会团体), Industry Associations (行业协会), and Foreign NGOs. The duties of this office include:

- Studying and guiding the development of policies, regulations, and implementation thereof pertaining to SOs and Industry Associations.
- Registering, modifying, naming, and either establishing or cancelling the legality of these organizations.
- Taking responsibility for the daily management, supervision, guidance, and annual inspection of these organizations.
- Carrying out financial audits and appraisals of the work activities of provincial-level SOs and Industry Associations
- Carrying out party building.
- Supervising and performs annual inspections of National Level SO branches in Guangdong Province.
- Coordinating business and advisory activities of SOs, Industry Associations, and Foreign NGOs.
- Registering foreign NGOs , makes sure their daily activities are above board, supervises them, performs annual inspections, and drafts policy research about managing them.
- Liaising to strengthen the management of joint projects by provincial and foreign NGOs
- Prosecuting illegal activities of SOs, trade associations and foreign NGOs

- Guiding and supervising city and county/district SO management departments in the registration and management of their SOs.

3. *Registration and Management Office #2*: oversees *Minfei* (民办非企业单位) and both Public and Private Foundations (基金会) working at the Guangdong provincial level on down to its branches in cities and counties/ districts in Guangdong province. This office performs the same duties as the #1 Office, but with respect to the *Minfei* and Foundations. In addition, this office is in charge of supervising and managing Guangdong's Internet Cafes.

Guangdong Province seems to have the least specialized Social Management Department, with only 3 offices dividing up the tasks of SO management.<sup>24</sup> Of the three cases, Beijing is reputed to have the strongest degree of control over social management, while Guangdong is seen to be the most flexible. The degree of functional specialization in each SO Management Department may correspond with the level of control afforded that department. In other words, Beijing BOCA's 11 offices may allow it to "micro-manage" its various SOs; Shanghai less so with its 7 functional offices, and Guangdong even less so.<sup>25</sup> It should be noted, however, that regardless of how the division of duties plays out, all three SO Management Departments seem to be tasked with performing more or less the same duties overall.

One more point of variation between these new SO management offices is the number of GONGOs or Public Institutions (*sheye danwei*) they manage. The Guangdong Bureau of Civil Affairs' Social Organization Management is also responsible for managing 16 "semi-independent organizations".<sup>26</sup> As of 2012 the Beijing BoCA managed some 100 Public Institutions (事业单位) and 112 Social Welfare Enterprises (社会福利企业)—employing around 1.3 million party cadres and staff.<sup>27</sup> Again, these differences in numbers may be evidence of variation in state control over the SO sector: the fact that the Beijing BoCA is directly in charge of more than 200 organizations, while Guangdong's only cites 16 is a significant difference. These numbers might also provide a basis for theorizing about the overall health/development capability of and independent third sector in these two cities. That is, with so many

state-directed institutions consuming resources in Beijing (and so many state employees in the mix), this may leave few resources for independent third sector organization to enter the Social Policy Marketplace. This may bode ill for NG reforms in Beijing.

### ***C. Innovating Social Management Structures at the Local Level<sup>28</sup>***

#### *New Municipal Governance: The Case of Beijing*

As discussed in Chapter Two, Beijing is at once a provincial level administrative unit and a municipality. Needless to say, then, the reforms to Beijing's Bureau of Civil Affairs, the creation of Social Work Committees and Leading Groups, etc. discussed above provide the overarching SMI governance structure that guides new institutions at the sub-municipal level. As a reminder, sub-municipal administrative levels include districts (and counties for rural suburbs), and street governments. Neighborhood committees, communities, and work units fall outside the official state administrative structure but they are nonetheless managed by street governments and party groups. In the case of Beijing, I look at SMI developments in two test zones and their relationship to the Municipal SMI organs. The two test zones are: Yuetan Street in Xicheng District, and Zhongguan Cun Street in Haidian District.

#### *SMI Structures Governing Zhongguan Cun Street in Haidian District*

Because of its status as a special innovation area, ZGC is overseen by a high-level supra-structure created specifically for the overseeing experimentations in management. The ***Beijing Municipal Party Committee*** created a special ZGC management committee to oversee its development. The responsibility for this "***Construct Zhongguan Cun Management Committee***" belongs to both to the Beijing Municipality and to the State Council.<sup>29</sup> As of 2012 when this research was performed, the Committee's Secretary, Zhao Fengtang had a joint appointment in

the Beijing Municipal Party Standing Committee and furthermore acts as the Haidian District Party Secretary. This municipal level party committee is in charge of the comprehensive development of the special zone, historically with a focus on building the infrastructure and environment to attract new businesses and investment. More recently, under the Social Management Innovation push, the Construct ZGC Management Committee is also increasingly tasked with improving the conditions for social construction for those living in the area. This includes helping to promote business investment into community organizations, and to create new public-private partnerships for community service.

The Beijing Municipal Bureau of Civil Affairs has also set up a special department within its Social Organization Management Office devoted to ensuring the orderly development of the third sector in ZGC. This “*ZGC Community Organization Department*” is in charge of reporting on social management reforms in the special area, and promoting projects that demonstrate efficacy. It is this department that set up Zhongguan Cun’s four associational “hubs,” discussed below.

### *SMI Structures Governing Yuetan Street, Xicheng District*

In contrast to the strong vertical management structures present in ZGC, Yuetan Street (YT) does not have its own municipal level social construction party committee or its own management office in the Beijing BoCA. Yuetan Street does have its own *Yuetan Street Comprehensive Management Office*, aimed at ensuring public security in the midst of social construction.<sup>30</sup> The YT street government has three departments that divide the management of society: a Social Organization Management Department, a Culture Department (which supervises street-and sub-street education, culture, health, and sports activities);<sup>31</sup> and a Housing

Security Department. The *YT Street Department for the Management of Social Organizations* was first created in 2009 by an entrepreneurial street office director and two staff members<sup>32</sup> who recognized the need to build YT's third sector in order to supplement the Street's dwindling SO staff and resources.<sup>33</sup> According to YT interviewees, state funds for the Street had been radically cut back a couple years earlier as an experiment with fiscal decentralization—sending YT officials in a desperate search for innovative solutions (therefore, whereas in ZGC all the SO staff are hired and paid for by the state via the public organization (*shiye*) *bianzhi* system, YT's staff are not. All SO staff are paid via purchase of services (the funds for which come from district public service fund equaling RMB 20 million in 2011). The creation of the SO management department, then was seen as a necessary first step to guide and support the development of local grassroots SOs, and to facilitate the transfer of government functions to these non-state partners.<sup>34</sup>

### *The Hub-Type Management Model*

Beijing has been at the forefront of developing what is called the **hub-type management system**, which is a decentralized form of SMI that is now being taken up elsewhere in China. In particular, this system utilizes networks of issue-specific professional associations<sup>35</sup> (either national level associations or more locally grown ones). These professional associations first either establish local (district) branches or partner with pre-existing ones, and then those local branches become the center of a hub and spoke model (often called the 1+x model, where one association manages x number of service providing firms). The associational hubs are in charge of supervising local SO or *minfei* firms that engage in direct service provision. The hubs act as a conduit for government grants and other funds, they ensure the professional accreditation and participate in evaluating the firms, help with human resource matters, and they may even provide

the firms with office space. The idea is for these associational hubs to supervise what is expected to be a growing number of social service providing firms. Below, I provide the example of sub-municipal hubs that have been tested in Beijing's districts and streets. These case studies provide evidence of local variation in how the hubs are run.

*Improving Management and Capacity of the Social Work Sector:  
Social Work Associations & Social Work Firms*

The first local Social Work Association (SWA) was formed in Beijing 2002 (called the Beijing Social Work Association 北京社工协会), under the supervision of the Beijing Civil Affairs Bureau.<sup>36</sup> At the time, Beijing's social work system was underdeveloped and the growth of these associational hubs was quite slow, but in this began to change in 2008. That year, the Ministry of Civil affairs initiated a national-level qualifying exam for social workers, and encouraged the establishment and strengthening of professional social work programs in colleges both in Beijing and around the country. Within two years, this national certification program yielded a crop of more than 4,000 professional social workers and assistants who, upon graduation, got to work setting up new social work organizations and firms in several of China's major cities, including Beijing.<sup>37</sup> Intent upon capitalizing on this new influx of talent, but worried about how to manage these new firms, in July of 2008 the Xicheng district created its own Social Work Association. The following year (2009), Dongcheng district created the city's first non-profit Social Work Firm (SWF), and Xicheng followed suit by creating three of these firms. All were to be managed by the Xicheng SWA.

The Beijing Municipal Party Committee and Social Construction Offices both took a strong interest in these developments, and in 2010 commissioned a joint investigation into the social work management systems being developed in Dongcheng and Xicheng districts.<sup>38</sup> This

investigation identified the four Social Work Firms (SWFs) in the two districts, and found that all had the following characteristics: all were registered as non-profit *minfei*; all four had relied heavily upon the resources and professional support of social work schools in various colleges around Beijing in order to get started; and all were now reliant upon government purchase of services funds to do their work. The report also found that the mechanisms by which Dongcheng and Xicheng purchased services from SWFs were quite different: in Dongcheng, SWFs were contracting out their services directly with a number of different government agencies, while in Xicheng the various government agencies in need of social workers all coordinated a single fund for outsourcing to SWFs in their district (and other public service organizations- see discussion below). Finally, the study evaluated the strengths and weaknesses of the current social work environment in these districts as follows. First, it was concerned about the lack of a unified system for government agencies to purchase social work services. Second, the commission was concerned about the lack of a standardized evaluation system for SWF work. Third, the report expressed concern about the lack of volunteer social forces to help out with social work. The report made the following recommendations:

- The city should act with some urgency to create a comprehensive purchase of service policy structure, including a scientific definition of purchase of services and standardized rules and mechanisms for project bidding. In addition, the report urged the accelerated delinking of SWFs under purchase of service contracts from direct control of government agencies (in other words, such organizations should be autonomous from the state in order to be eligible for such funds).
- Beijing should encourage the development of multiple funding sources for SWFs, including foundations, businesses, and citizens. The report cites practices in Hong Kong and Taiwan, where only 70% of the funds supporting social work agencies are from the state.
- The report prompted Beijing to set up a robust third party evaluation and assessment mechanism independent of the Professional Social Work Association system.

Following this report, in 2010 the Beijing Social Construction Office issued a series of documents aimed at clarifying the role SWAs should play in the city's emerging plan for social construction and management. They did not do away with the hub model or encourage the autonomy of SWFs, but rather clarified the role that Social Work Associations were to play. These regulations specify that the SWAs should adopt a "1+4" model, in which one SWA would manage four SWFs.<sup>39</sup>

SWFs can occupy a range of legal to non-legal categories: they can be private non-profits, they can be registered as *minfei* or not registered at all. For instance, at the time of my fieldwork in 2012, a Xicheng District SWF called Mu Yu was not registered but continued to operate under the support of the Xicheng District Social Work Association (西城区社工作联合会). Mu Yu and other non-profit SWFs often depend on SWAs for more than the legitimacy afforded by their supervision: these small firms also depend on SWAs for financial support, office space, and other resources. Another example of SWFs working in Beijing: three SWFs working with migrant communities in Chaoyang district all started out as registered commercial organizations but later registered as non-profit organizations under the BOCA. One of these, Beijing Facilitator, was such a successful firm that it was asked by the city government to register, and stands as a model for other firms. Regardless of their registration status, these social work providers are expected to bind themselves to the oversight of a hub SWA.

With this management scaffolding now firmly in place, Beijing's Municipal leadership began the rapid construction of this social work architecture. In 2010 some eleven new SWFs were founded in Beijing. Following suit with the earlier report discussed above, according to the China Development Brief,<sup>40</sup> most of these firms in Beijing were set up by either professors or

individuals who graduated from university level social work programs and who receive financial and other support from their *alma maters*.

***The Hub Management System in ZGC***

In order to better manage an explosion of social groups, the ZGC Community Service Center has organized its community and grassroots SOs under four hub-type management systems. Each of these professional association hubs was created and registered at the Haidian District Office of Civil Affairs as “street level” organizations under the guidance of one of the street’s Community Service Center Vice Directors, who also became legally responsible for the conduct of the associations. (The ZGC Community Service Center Vice Director has since retired from his official position in the office, but has continued to play a role as the legal representative for two of the associations, while the retired head of the ZGC Cultural and Educational Department represents the others.) Below I profile three hubs about which I was able to gather information:

***Hub #1: ZGC Street Cultural Construction Association (中关村文化建设联合会)***

The first of these industry “hub” associations to be established was the ZGC Culture and Sports Association. Established in 2006, the name of this association was changed to its current name “ZGC Cultural Construction Association” in 2009. This Association is a catch-all hub for “cultural” organizations working in the arts, sports, sciences, education, health, and community events. The mission of this association is to help integrate regional resources to strengthen ZGC’s cultural activities, and to hold a variety of “mass culture and sports activities.”

***Hub #2 ZGC Street Social Work Association (中关村地区社会工作联合会<sup>41</sup>)*** The second (founded in 2007) of these industry “hub” associations to be established in ZGC was the ZGC Community Social Work Association. According to an official at the street office, the

association was established as a direct response to the call for social construction and “small state, big society” at the nation’s 17<sup>th</sup> NPC. As of 2012, this association has 8 full time social workers on staff, 613 member organizations (ranging from grassroots to registered SOs; from public offices to business and enterprise units), and some 8,300 volunteers.<sup>42</sup>

***Hub #3 ZGC Enterprise Association ( 中关村地区企业联合会)*** A third associational hub in ZGC, which was founded and registered at the Haidian SO Management office in 2008, is the ZGC Enterprise Association. Under the leadership of the ZGC street government, this association is meant to provide guidance and support for non-profit community groups run by enterprises. Membership includes the full gamut of enterprises, ranging from high tech to financial to real estate to food and beverages, hotels, biomedical and aerospace companies. As of 2010, the association had 300 core members and a total of 3,000 members. The purpose of the Enterprise Association is to bridge the divide between the business and public sectors, to strengthen cooperation on both sides, to coordinate research on regional economic development, to accelerate the development of high-tech projects and to promote rapid economic growth in the ZGC special area. This association organizes a number of activities. Some examples include the ZGC Salon (which brings together scientists, entrepreneurs, financiers, and media to discuss topical issues influencing regional business development); an (invitation only) auditorium for daily lectures by government officials, business leaders, industry experts and successful entrepreneurs. It also coordinates a warren of 35 offices specializing in specific aspects industry development and standardization that act as resources for its members. These include accounting firms, law firms, head-hunters, assessment agencies, real estate agents, etc. These enable the Association to provide human resource/ talent search support, investment and financial support, research support, etc. to its members.

*Yuetan Street and the Hub model*

As of 2012, Yuetan Street had only established one hub organization compared to ZGC's four, and it was called an "office" rather than an "association." Yuetan's *Binqun Social Work Office* is co-governed by the Xicheng district SWA (described above) and the YT Street government office. The Social Work Office was founded in 2009 by the same individual who was Binqun's Director at the time of my fieldwork. She was originally a student of the social work profession at the Social Construction University and, saw a need to develop the professionalization of the social work sector. Because she had previously done an internship at Yuetan, she had connections with the also newly forming Social Organization Management Department. This department agreed to become the SWF's supervisory organization and helped it register. YT's Social Work Office acts as a hub for several SWFs—including those that provide for special needs populations (which was apparently a cutting edge service in Beijing at the time of my research). For example, Binqun provides social workers to the Jiu Jiuyuan Culture and Eldercare Center,<sup>43</sup> where a program in psychological intervention and counseling for elders is being piloted. Binqun also provides social work staff for the Nanqi Elderly Community, for the Firefly Program (an after school youth counseling program), and other such firms.

Eight staff members run the Binqun Social Work Office hub, and their wages are mostly paid for by service contracts purchased by Xicheng district and the Beijing municipal government. This small staff brings some 200 social workers into community firms each year through an internship program that taps into the many graduates of Beijing's growing social work professional programs (including the Beijing Institute of Technology, University of Social Construction, China Youth Political College, Beijing Youth Political College... as well as

volunteers from the Central Conservatory of Music, who bring music therapy to Yuetan!). This functions to bring the expertise needed in the community without increasing the financial burden thereon, and also gives new graduates a chance to practice their profession before going on the job market. Each year they serve 20-30,000 people (including the patients' family members) across several school and disability programs. The majority of program funds also come through purchase of service contracts from the Xicheng District government.

Beijing is known for its robust development of the hub-style management model, but as we shall see below and in the SC chapter, other cities are also experimenting with different kinds of hubs. It is important to emphasize here that the hubs are a strong example of the double-edged nature of SC/SMI. They are as much about controlling the development of China's third sector as they are about helping to facilitate its development.

## **II. Decentralizing Registration**

In order to mitigate potential threats from the large number of SOs anticipated to take advantage of more relaxed registration policies discussed in the SC chapter, the party-state has been experimenting with new ways to manage and supervise registration. One step has been to create specialized offices for the management of SOs in the municipal and sub-municipal BoCAs, as discussed above. Another step has been to create more offices in which SOs can register, by enabling district-level governments to legally provide registration services to SOs (as discussed in SC chapter). Finally, experiments have been underway at the street level to account for the many grassroots SOs that are too small or not well connected enough to obtain legal registration. This unofficial registration system, or documentation system as it is more accurately called, is a first attempt to account for and manage SOs that otherwise fall below the official radar.

### *Experiments with documenting grassroots SOs: the Bei'an system*

As early as 2002 some provinces began allowing very localized experiments with informal “documentation” (Chinese: *bei'an* 备案) for grassroots SOs that did not qualify for formal registration. The **Qingdao** *Bei'an* system (this is considered the earliest experiment with *bei'an*) requires organization that cannot seek official registration because are too small, lack the minimum funds, or do not perform public benefit services (Qingdao calls these “Community Civic Organizations” (CCOs)) to document themselves with local Resident’s Committees (RCs), with their local street-level offices, and with district-level Departments of Civil Affairs. The street-level government is then in charge of “supervising” the activities of these grassroots SOs.

<sup>44</sup> According to Karla Simon, the express reason for these reforms was to enable “voluntary associations dedicated to public welfare” by allowing them some official recognition and eliminating the “mother-in-law” or “dual- management” hurdle that prevented these valuable community organizations from registering.<sup>45</sup>

Other experiments recreated dual-management type systems for grassroots SOs via their documentation system. For instance, **Shenzhen** and **Shanghai** have specifically organized “Community Workshops” and other “Community Center” platforms to act as centralized locations for documenting, coordinating, and supervising the activities of grassroots SOs. Shenzhen’s BoCA authorized the creation of “Community Workshops” (*shequ gungzuoshan*) to oversee the sponsorship and documentation of all grassroots SOs. They act as the gatekeepers for all grassroots SOs seeking the informal documentation status from Shenzhen’s street-level governments. Shanghai, on the other hand, expanded the duties of its Community Centers beyond a mere gate keeping function. In 2002 Changshou Street in Shanghai’s Putuo District established a Service Center in which to register, incubate, and manage its “Community-Based

Non-governmental Organizations.” The center furthermore helped promote community service delivery. This model was embraced by the Shanghai Municipal Department of Civil Affairs and expanded to the entire city of Shanghai in 2003 (57 such Centers were established as of 2007).<sup>46</sup>

According to a report by Harvard University’s Ash Center, the chief functions of these community Service Centers are as follows:<sup>47</sup>

- *A Comprehensive Registration System for Social Organizations.* By requiring that all NGOs register at the Service Centers, Shanghai has created a comprehensive early-warning system that assists government departments in providing immediate assistance. The Centers are also empowered to register small community-based social organizations that are usually prohibited from registering by government regulations. Since the management network is connected to the Bureau of Social Organization Management, they facilitate management of numerous organizations in a more flexible manner.
- *Improved management:* With the help of the centers, NGOs are learning about self-development, self-management, self-education, and self-service. In addition, the sub-district office is kept informed of the latest developments of NGOs and their needs and capabilities.
- *Coordination:* When government and NGOs join forces, it reduces the cost of government administration and increases the efficiency of service delivery. By subsidizing development of these centers and other social organizations, Changshou Street has successfully transferred some service functions formerly performed by government to various civil organizations. This has not only facilitated development of civil organizations, but also improved service delivery for residents.
- *Early Warning System.* Relying on the platform set up by the centers, the government is fostering and supporting development of NGOs. Under the centers’ guidance, these organizations are beginning to take on responsibilities that are being transferred from the government. An increasing number of NGOs are pooling their resources to better serve residents and contribute to local community construction. Finally, to improve communication, party branches are also established in these non-governmental organizations.
- *Service Delivery.* Charity Supermarkets, which are also run by these centers, are devoted to charitable work in the community. Assistance offered by Charity Supermarkets has more social impact than conventional assistance programs because it utilizes social resources in an effort to develop mutual social aid. More importantly, it also demonstrates to citizens that the local government attaches great importance to meeting their needs.

These service centers clearly act as another form of hub-style management, this time for grassroots SOs at the very local level. This system establishes a set number of state-run documentation and management hubs that allow the party-state not only to better account for grassroots SOs, but also to better guide, monitor, and control their development.

Looking at the **Beijing** street level case studies, we can also see experiments with *Bei'an* systems taking place. Like Shanghai and Shenzhen, Beijing's *Zhongguan Cun Street* has also set up its own Community Service Center in charge of documenting grassroots SOs. As of 2012, the *ZGC Community Service Center* "recorded" some 100 grassroots, volunteer-based organizations groups through this *bei'an* system.<sup>48</sup> It is this center that also coordinates ZGCs several hub associations (discussed above).

By Contrast, *Yuetan Street* also uses a *Bei'an* registration system, but it is run through YT's 26 Neighborhood Residents' Committees instead of through a service center hub. The number of documented grassroots SOs (or Community SOs as they are called in YT) varies from RC to RC, but in total YT had 210 documented grassroots SOs in 2012.<sup>49</sup>

It is worth considering whether the Yuetan Street *bei'an* system, as well as Qingdao and others who allow a more decentralized Resident's Committee approach to SO documentation, implies less state control over SO development—and therefore more of a "free" Social Policy Marketplace. This would be a good topic for future study. In addition, another question to consider is whether the currently very localized *bei'an* system will eventually be absorbed into the official SO registration system, allowing grassroots SO the advantages that come with legal status.

### III. Selective Legalization of SOs

Another (related) strategy the party-state uses to maintain control over the direction of Social Construction is *selective* legalization of non-state actors. China’s leadership has long blocked the registration of groups working on “sensitive” issues such as AIDS and LGBT issues, ethnic minority rights, religion, or labor rights. Under the new SMI framework the party-state is continuing to prevent their legal entry into the Social Policy Marketplace while encouraging the development of SOs deemed “useful.” That is, the state is selectively encouraging the development of the third sector using traditional state regulatory and legal tools.

As discussed in more detail in the SC chapter, the selective fast-track legalization of SOs and *minfei* began as regional experiments in the early 2000s (with Guangdong in the lead), and has since entered the national policy framework. Four kinds of SOs have been given green flags for reduced registration barriers and fast-track legalization:<sup>50</sup>

- Industry and trade associations
- Science and technology groups,
- Charity organizations,
- Urban and rural “community service stations.”

Given the discussion above, it seems likely that the state’s willingness to support the legalization of industry and trade associations and community service stations play into its hub-style SMI strategy.<sup>51</sup> Meanwhile “science and technology groups” fit into the national “innovation” agenda and are already subject to management systems set up by the much older economic reform process—therefore, they tend to be less threatening to China’s leadership (so long as the science/technology does not support an independent political agenda). The third category—“charity groups” – leaves some room for interpretation among local governments in charge of

registration, but in general this refers to SOs that are working in the area of actual charity, social service provision, etc.

China's much hyped SO registration reforms provide yet another example of the double-edged nature of Social Construction and Social Management Innovation. On the one side, by increasing the ease with which favoured SOs can register fulfils the Social Construction goal by encouraging more players to enter the Social Policy Marketplace (discussed in SC chapter). On the other side, the selective nature of these regulations places SOs working on issues of labor, LGBT interests, religious interests, etc. in an even less favourable environment. This means many of China's marginalized or disenfranchised citizens are still not legally able to organize around identity or interest groups not recognized by the state.

Clearly the party-state continues to see these organizations as potential threats and it is using the SMI framework to keep this threat at bay. But what of the long-term trajectory of these selective reforms? Perhaps the perceived threat posed by several groups of these SOs will diminish over time and they will gradually enter the favoured ranks of SOs. For instance, a recent report by the USAID Health Policy Initiative says of SOs working on the HIV/AIDS issue:

Strategic documents such as the 12th Five-Year Plan for National Economic and Social Development 2011-2015 and the sectoral China Action Plan to Prevent and Control AIDS during the 12th Five-Year Plan Period provide strong policy frameworks for scale-up of SSO programs in the HIV sector and set forward the principles of multi-stakeholder governance, community construction, and professionalization of the SOs.<sup>52</sup>

Meanwhile, China's new First Lady Peng Liyuan has publically promoted HIV/AIDS awareness and support for victims and their families,<sup>53</sup> which may contribute to breaking down the political taboo surrounding the disease and eventually allow more support groups to register. In recent

years, the issue of rights and services for China's floating population has also apparently decreased in political sensitivity for some local governments have been taking more of an active role in partnering with SOs or allowing them to independently provide better education, healthcare, and other services to migrant workers and their families.<sup>54</sup>

What of religious-based SOs, LGBT Rights SOs, and Labor SOs that continue to be politically taboo with no apparent softening on the part of the party-state? They will no doubt have to continue their underdeveloped plight in the “grey” or even “illegal” sectors of China's Social Policy Marketplace described by Fenggang Yang.<sup>55</sup> Hopefully the party-state can find a way to respond to the needs of these groups “in house”—that is, through the more traditional direct management approach.

#### **IV. Improving Supervision & Quality Control**

In addition to establishing various “control” mechanisms discussed above, party-state officials involved in Social Management Innovation are also keen on finding better quality control and evaluation mechanisms for state, semi-state, and, increasingly, non-state partners involved in public goods provision. Here I would like to emphasize again the spectrum of meanings behind the word “management”—on one end, this refers to control mechanisms (as in the party-state maintaining political control over the third sector), and on the other it refers to “management” in the sense of administration, oversight, or supervision. The many new institutional reforms discussed above (creation of specialized management departments in the BoCAs, rise of the hubs and professional associational models, etc.) serve both these purposes.

A key area in which the party-state is looking for better supervision, evaluation, quality control, and other management tools, is in the area of public-private outsourcing (aka purchase of service contracting, discussed in SC chapter). While many local government officials in charge

of purchase of service contracting (discussed in SC chapter) are actively looking for in-house management strategies (by studying how their peers around the world practice this), some localities are experimenting with third party (non-state) evaluation. For instance, in the course of carrying out fieldwork in 2012, I attended a conference on the topic of purchase of service contracting with the third sector. The conference was held at Shanghai's Jiaotong University, and was attended by some two hundred academics, party members, local officials and bureaucrats from across China, as well as from Japan, Taiwan, Korea, the US and other countries around the Asia Pacific. What struck me about this conference was the degree to which China's SMI leaders were networking with their peers in other countries, actively searching for information about how these peers practiced purchase of service contracting with SOs. While many of the officials present were already practicing outsourcing in their locality, they were hungry for information about how their peers manage and evaluate the contracts. Indeed, evaluation was the hot topic of the day, and as I travelled from Shanghai to Beijing, Shenzhen, Nanjing, and Guangzhou, many more of my interviewees were intent on discussing best practices for evaluation of SO performance. I was also indirectly approached by the Hebei government for help with building its evaluation system, although I declined. In addition, an increasing number of universities, think tanks, associations, and incubators are publishing case study reports on best practices around China and abroad (see also SC chapter).

As an example, *Yuetan's Binqun Social Work Office* has been touted as a model for its program evaluation and reporting system, and has received study delegations (state officials, party members, other association leaders) from around China and abroad. According to my interviews, every four months or so when it is time to renew Binqun's purchase of service contracts,<sup>56</sup> the district or city Purchase of Service Division (depending on who originated the

contract) evaluates the organization's work. This evaluation process is undertaken from several directions. First, reports are collected from Binqun itself, the district and city-levels SWAs, and, at times, from the national level SWA. This guarantees evaluation from professionals working the social work field. Second, professional social work faculty are engaged in evaluation through YT's robust internship program. Third, where social work is done in schools or other institutions, teachers and staff are asked to evaluate the program's impact on students. Fourth, the actual patients or recipients of social work services are interviewed about their own perceptions about the impact of the services provided. This kind of 360 degree review is an innovation in China, although one wonders how power differentials might be impacting the results of these reviews.

As discussed in the SC chapter, China's growing ecology of support organizations, including incubator organizations, is also contributing to the end of improved third sector management. In their effort to improve the capacity of the sector, they are helping SOs to improve their transparency and to better adhere to registration and reporting requirements as outlined by the state. These support organizations range from state created to state supported to independent in nature.

This leads to another way in which China's leadership is experimenting with new third sector evaluation mechanisms: some local governments are testing third party evaluation. The employment of third party experts to evaluate program and policy outcomes was very much in its infancy in China in 2012,<sup>57</sup> but nevertheless I did come across several cases in which local governments hired independent, third party experts to evaluate specific programs or issues.<sup>58</sup> The best example comes from an, an environmental network called Green Choice Alliance, which has worked with local governments around China to assess pollution outbreaks among

factories by hiring independent firms. One particularly interesting case occurred in Shanghai, where a factory subsidiary of the multinational shoe company Timberland was repeatedly accused by locals of letting fetid wastewater into the city's waterways. The factory also repeatedly denied these accusations. The Green Choice Alliance approached the City of Shanghai about having an independent, third party environmental assessment firm take a look, and both the factory and the city agreed. The third party evaluator discovered the leak was coming not from the factory, but from a broken city sewage line! The City promptly fixed the problem and got to look good in the eyes of its local citizens, the factory was released of accusations, the Green Watershed network won a case for the environment, and local citizens no longer had to deal with pollution.

Third party evaluation seems to be the most developed in the area of environmental compliance, but it is also spreading into the realm of third sector management. At the above-mentioned conference in Shanghai, many of the experts present were also sharing reports about third party evaluation in the social sector. Likewise, during an interview with Zhuang Ailing, Founder and Director of the Rende philanthropic educational center and incubator, she revealed that the Shanghai BoCA had recently hired Rende to evaluate 12 new foundations that had set up shop in Shanghai, and that once this was finished they planned to hire her organization's third party services to evaluate perhaps hundreds more new foundations.<sup>59</sup>

## **Conclusion**

This chapter has described four key sets of activities undertaken by China's leaders to effectively control—and manage—the transition to a New Governance model of social policy. These include the creation of new coordinative organs and security mechanisms both within the party-state and in society; the decentralization of social management paired with new

supervisory and managerial mechanisms such as associations and hubs; the selective legalization of SOs deemed useful to state-targeted social policy areas; and the improvement of service provision through professional training and third party evaluation. The significance of these findings will be discussed the dissertation's conclusion.

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## NOTES

- <sup>1</sup> Lu Xueyi. "Social Construction Goes through Three Stages" *Chinese Voice, International Influence*, (Beijing: Social Sciences in China Press, 2012), <http://www.csstoday.net/ywpd/SpecialCoverage1/33685.html> Last accessed 11/20/14.
- <sup>2</sup> Peilin Li and Guangjin Chen, "Design of the Current Social Construction Framework in China" in Lu Xueyi & Li Peilin eds. *Chinese Research Perspectives on Society Vol 1*. (Boston: Brill, 2013): 162.
- <sup>3</sup> These trade associations can be state run, semi-state run, or private, as discussed in Chapter 8.
- <sup>4</sup> See the official website for the commission: <http://cpc.people.com.cn/GB/64114/64136/>
- <sup>5</sup> In general, such central commissions are established to better coordinate a range of ministries and bureaucratic bodies. *Xinhua*, "Senior Chinese Leader Stresses Innovative Social Management" September 17, 2011, <http://en.people.cn/90785/7597975.html> Last accessed 11/29/14.
- <sup>6</sup> Weiji baike "Zhongyang shehui zhean zonghe zhele weiyuanhui (The Central Committee for Comprehensive Management of Social Security), <http://zh.wikipedia.org/wiki/中央社会治安综合治理委员会> Last accessed 12/5/14.
- <sup>7</sup> The leading group offices are located in the Ministry of Railways, Ministry of Public Security, Ministry of Justice, the Communist Youth League Central Committee and the Ministry of Education, respectively, and each of these ministries is in charge of the daily work of these groups.
- <sup>8</sup> Tony Saich, *Governance and politics of China*, 3<sup>rd</sup> ed. (Hampshire: Palgrave, 2010): 154.
- <sup>9</sup> See introduction and conclusion for discussions of local experimentation.
- <sup>10</sup> As of 2012, when the author was conducting field research, these requirements had not been made clear to the leadership of the Mass Organizations, but interviewees among Mass Organization leadership expressed anxiety over identifying and implementing the reforms in their organizations. For instance, on several occasions when engaging in discussions with staff members at the ACWF headquarters in Beijing, mention of my dissertation on SMI evoked gasps and excited requests for copies of the finished project. One staff member exclaimed "we know we are supposed to implement SMI reforms, but we don't really know how to do it yet! We need to learn how other institutions are implementing SMI—will you please share what you have learned with us?"

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- <sup>11</sup> National Level Associations must be registered under the central Ministry of Civil Affairs, and there can only be one such national level association per issue area.
- <sup>12</sup> That is, to deal with the so-called “matrix muddle.” See Kenneth Lieberthal, *Governing China: from revolution through reform* (New York: W.W. Norton, 1995).
- <sup>13</sup> According to former Shanghai Bureau of Civil Affairs Director Ma Yili, this original iteration of the SWPC was not effective. It set up a “Social Services Bureau” (社会服务局), to facilitated cooperation between the party and state system in the pursuit of better social service provision, but the bureau failed because it was never granted legal status. Eventually it was absorbed into the City’s trade association structure. See Ming Wang, “Innovations in Social Management from Shanghai: An Interview with Ma Yili” in *China Non Profit Review* 9. No.1 (2012): 2.
- <sup>14</sup> According to Ma Yili ( inWang, “Innovations in Social Management from Shanghai,” as of 2011) the identity of Shanghai’s SWPC was still muddled: it is unclear whether it really is a functioning party committee, or whether it is now a government structure. Also see Hanlong Lu and Haiwang Zhou, eds. “Annual Report on Social Development of Shanghai 2012: Innovating Social Management (*shanghai lanpishu “shanghai shehui fazhang baogao 2012: quanxin shehui guanli*), *Blue Book of Shanghai*, (China: Social Sciences Academic Press, 2012): 29.
- <sup>15</sup> Ming Ai Zhang, “First Social Work Committee Committed to Livelihood” on China.org.cn, December 3, 2007, <http://www.china.org.cn/english/government/234214.htm> Last accessed 11/29/14.
- <sup>16</sup> See, for instance, the Guangdong SWPC website is: <http://www.gdshjs.org>
- <sup>17</sup> We can see the coordinative mechanism by looking at the members in the Guangdong SWC. As of 2012 these included leaders from the following organs: the (Provincial-level) Organization Department, Propaganda Department, United Front Work Department, Provincial Politics and Law Committee, the *Bianzhi* Department, Petition Bureau, Development & Reform Board, Office of Education, Public Security Office, Office of Civil Affairs, Office of Justice, Finance Office, Human Resource and Social Security Office, Culture Office, Health Office, Population and Family Planning Commission, Foreign Affairs Office, Legal Office, Provincial Comprehensive Work Committee, The Provincial Women’s Federation, and Provincial Federation of Disabled Persons.
- <sup>18</sup> These include the following: the Bureau’s Administrative Office, Research Office, Legal Affairs Office, Social Welfare Management Office, Community Work Office, Grassroots Political Power Office, Social Assistance (Aid) Office, Special Care (Pensions) Office, Good Samaritan Protection Office, Demobilized Military Officers Office, Social Assistance Office, Marriage Management Office, Funeral Management Office, (Political Boundaries) Management Division, Logistics Division, Financial Management Office, Audit Office, Office for Registration of Social Work Personnel, and the Propaganda & Education Office.
- <sup>19</sup> Information on offices and their functions can be found at the organization’s website: <http://www.bjsstb.gov.cn/wssb/wssb/jigou/general.jsp?websitId=100&netTypeId=2>
- <sup>20</sup> The link to this website is here: <http://www.bjsstb.gov.cn/wssb/wssb/index/index.do?websitId=100&netTypeId=2>
- <sup>21</sup> Information about organization and responsibilities of the Shanghai Municipal Social Organization Management Bureau can be found on their website: <http://stj.sh.gov.cn/JGZN.aspx> Interestingly, the Shanghai SO Management Department has

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- functions to its website since 2012: 1) they are in charge of overseeing Social Service Centers and Associations 2) they oversee a China in Africa department.
- <sup>22</sup> Several of my interviewees mentioned these differences when asked to compare the SMI systems of these cities.
- <sup>23</sup> The Guangdong Civil Affairs Department's website is here: <http://www.gdmz.gov.cn>.
- <sup>24</sup> The reader should note that there is no standardization of terms across the three new SO management agencies: Shanghai has the Department of *Shehui Tuanti* Management; Beijing has an *Office of Shehui Tuanti* Management; and Guangdong has a Department of *Shehui Zuzhi* Management.
- <sup>25</sup> The link between bureaucratic specialization and level of state intervention in SMI is another suggested topic for future research. Also, one should compare the number of *bianzhi* employees are working within these departments—this might also say something about the degree to which “micromanagement” takes place. .
- <sup>26</sup> The leadership and staff of these state-led organizations are set by the Provincial *bianzhi* system, and their financial resources also come primarily from the state. These include the following Provincial level Organizations: Guangdong Provincial Welfare Lottery Center; the provincial Disaster Relief Center; Department of Civil Affairs Service Center; Guangdong Province Center for Disaster Relief Materials; Adoption Registration Center; Department of Civil Affairs Information Center ; Quhuadiming Archives; Military Supply Station; Guangdong Province Convalescent Hospital; Guangdong Province Disaster Relief Rehabilitation Center; Guangdong Province Jiangnan Hospital Guangdong Province Xiqiao Veteran's Hospital.
- <sup>27</sup> Or more than 5% of Beijing's population. See official policy document from the Beijing BOCA:  
Beijing Municipal People's Government Office, “Beijing Municipal People's Government Office of Civil Affairs on the Issuance of the Main Responsibilities of Internal Organs and the development of compliance Officers in Beijing (*Beijing shi renminzhengfu bangong ting guanyu yinfa Beijingshi minzhengzhu zhuyao zhize nei she jigou he renyuan bianzhi guiding de tongzhi*)” Issuance no. 49, September 2, 2009,  
<http://zhengwu.beijing.gov.cn/gzdt/gggs/t1085549.htm> Last accessed 11/19/14.
- <sup>28</sup> As a reminder to the reader, the primary local level case studies utilized in this dissertation (and locus of my fieldwork) are in Beijing. I will, however, pull in comparative information from Shanghai, Guangdong, and elsewhere when useful.
- <sup>29</sup> As one street official put it, ZGC “brand” of management is a strange one. Interview, Spring 2012. The Street government has been transformed from an ordinary work unit into a quasi-government regime. The State Council launched a 10-year development plan for ZGC in January 2011.
- <sup>30</sup> At the time this case was research in 2012, Mr. Gao Congcong was director of this office.
- <sup>31</sup> Zhongguan Cun's “Public Affairs Office” plays the same role as Yuetan's “Culture Department”. Roundtable discussion among officials from both streets at Peking University, Spring 2012.
- <sup>32</sup> The director, Li Zhangqi, was subsequently promoted to Deputy Director at the Beijing BoCA, leaving the two staff to run the office. Immediately after its establishment, the office encountered a number of challenges—in large part, because the staff running this office had not received any proper training in how to manage and support SOs. Furthermore, the office

has to negotiate often conflicting demands from the Xicheng District BoCA and the City of Beijing's Social Work Association. These conflicting orders created space for the YT Street office to 'resist' orders that did not seem to fit with the real conditions facing their community. Furthermore, the lack of top-down guidance has sent these staff members looking for their own answers to nurturing management, supervision, and evaluation problems. They are actively looking at other case studies in Taiwan, Hong Kong, Macau, Shenzhen, and around the world to see how other communities manage their CSOs and foster community development. They also attend numerous public meetings, research presentations, and forums to educate themselves.

<sup>33</sup> Furthermore, according to street level staff, the perceived need to build the Street's third sector presence was as follows: "we needed to serve youth and special populations that we did not have to serve before"—more evidence that the motivation behind these reforms is to expand the breadth of services for a diversifying public demand.

<sup>34</sup> According to one interviewee, other streets in Xicheng do this kind of work directly from their community offices- not from the street level.

<sup>35</sup> One of the desired SOs the registration reforms state officials are encouraging are "professional" or "industry" associations (协会 *xiehui* or 联合会 *lianhe hui*). Professor Yuan Ruijun of Peking University's Center for Civil Society Research has identified some 200 of these industry associations in Beijing. According to Professor Yuan, most often they call themselves *lianhe hui*. These associations may or may not be registered (an many were not prior to the registration reform<sup>35</sup>) and most tend to set up their headquarters under the jurisdiction of street level governments—although they may have membership or provide services across streets, districts, or even across the city. While we lack information on the majority of associations in Beijing, the street-level case studies discussed in this dissertation suggest that street governments may themselves be forming professional associations to organize increasing numbers of non-registered grassroots SOs. Therefore, the creation of associations may be less a function of independent organizations coming together, and more a manifestation of a new form of state corporatism.

<sup>36</sup> Hui Wang, "Government Procurement Promotes Social Work Agencies," *China Development Brief* 47 (Fall, 2010), [www.chinadevelopmentbrief.cn/?p=584](http://www.chinadevelopmentbrief.cn/?p=584) Last accessed 11/29/14

<sup>37</sup> Beijing Social Work Committee, "Beijingshi dongcheng zhuren shegong shewusuo (Beijing's Dongcheng Social Work Firm Helps People), March 17, 2010, reprinted at [http://blog.sina.com.cn/s/blog\\_6069cae50100hkmj.html](http://blog.sina.com.cn/s/blog_6069cae50100hkmj.html) Last accessed 11/29/14. Also see the Beijing City Social Construction website for more examples at; <http://www.bjshjs.gov.CN>

<sup>38</sup> Beijing Social Work Committee, "Beijing's Dongcheng Social Work Firm Helps People."

<sup>39</sup> Unfortunately, these the documents did not clarify how SWFs should register, and nor did they do much to help these organizations become independent.

<sup>40</sup> Hui Wang, "Government Procurement Promotes Social Work Agencies."

<sup>41</sup> There does not appear to be a standardized name for this association. It is at some junctures referred to as 联合会 *lianhehui* and at others as a 协会 *xiehui*.

<sup>42</sup> I discuss more about this SWA hub system in the Social Construction Chapter

<sup>43</sup> Originally founded under the auspices of the Beijing Academy of Social Sciences, this firm became independent in 2010.

<sup>44</sup> Karla Simon points out that many cities emulated this model, although they often differ in the titles they confer to these community groups. See Karla Simon, *Civil Society in China: The*

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- Legal Framework from Ancient Times to the “New Reform Era*, (New York: Oxford University Press, 2013): 264-268 for in-depth discussion of *Bei’an* reforms during this period.
- <sup>45</sup> *Ibid*, p. 265. Simon points out that this informal documentation system still does not equal legal registration with all the tax and fundraising benefits that confers.
- <sup>46</sup> Harvard Kennedy School Ash Center for Democratic Governance and Innovation “Reform of the Community-based Non-governmental Organization Management System 2007-2008 Winner” <http://ksg.vinq.com/awards.html?id=131751> trans and reposted from *Zhongguo Zhengfu Chuangxin Wang* (China Government Innovation Net), Last accessed 12/5/14
- <sup>47</sup> Harvard Kennedy School Ash Center, “Reform of the Community-based.”
- <sup>48</sup> For comparison: as of 2012, 152 social organizations were officially registered as operating in ZGC. Interview, 2012.
- <sup>49</sup> While the YT Street Office did not provide the breakdown statistics per RC, they did share that 129 of these grassroots SOs are sports and culture-related; 29 are service-oriented; and 43 are public interest SOs (such as those giving legal advice). 200 of these grassroots SOs are organized by the grassroots with no governmental support. Six of the remaining ten organizations are directly managed by the Yuetan Street Office. Interview, 2012.
- <sup>50</sup> Lin Zuo and Meng Hu, “Social Organizations Shackled Despite Reform” *Caijing*, April 21, 2013, <http://english.caijing.com.cn/2013-04-23/112703780.html> Last accessed 12/5/14.
- <sup>51</sup> According to an article republished by the China Development Brief, even though Guangdong has been at the forefront of these registration reforms, is using the new system to push through its own state-run federations and associations, taking the oxygen out of the room for grassroots SOs that might have otherwise entered the Social Policy Marketplace. See Long Kun, “Guangdong Social Organizations Can Directly Register at Civil Affairs Departments After July 1<sup>st</sup>,” *Guangzhou Daily*. August 7, 2012, Translated and republished by *China Development Brief*, <http://www.chinadevelopmentbrief.cn/?p=984> The overall impact registration reforms is up for debate.
- <sup>52</sup> Marta Jagusztyn and RTI International, “Social Services Outsourcing to Social Organizations in the HIV Sector in Yunnan Province: Unleashing Social Innovation or Business As Usual?—an Exploratory Study” Document prepared for the United States Agency for International Development Health Policy Initiative, September 14, 2012, [http://www.healthpolicyinitiative.com/Publications/Documents/1510\\_1\\_SSO\\_report\\_Sept\\_17.pdf](http://www.healthpolicyinitiative.com/Publications/Documents/1510_1_SSO_report_Sept_17.pdf) Last accessed 12/5/14.
- <sup>53</sup> Shan Juan. “First Lady Shares Love with HIV/AIDS Children” *China Daily Asia*. July 17, 2014, [www.chinadailyasia.com/nation/2014-07/17/content\\_15149912.html](http://www.chinadailyasia.com/nation/2014-07/17/content_15149912.html) Last Accessed 11/29/14
- <sup>54</sup> An example of these organizations: The Migrant Resource Network, the Beijing Legal Aid Office for Migrant Workers, etc. In addition, solving problems faced by the floating population was identified as a focal point of Hu Jintao’s 2011 Social Management Innovation speech.
- <sup>55</sup> Fenggang Yang “The Red, Black, and Gray Markets of Religion in China” in *The Sociological Quarterly* 47 no.1 (2006): 93-122.
- <sup>56</sup> A suggested research topic is to look at whether or not the length of these contracts periods is an effective amount of time.
- <sup>57</sup> As one would expect, local officials worry about what might be exposed by such studies. (Interviews, 2012).

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<sup>58</sup> See the following interview with Ma Jun for more discussion of how this third party system works. Tao Fu, “Interview with Ma Jun.” *China Development Brief* 48, (Winter, 2010), <http://chinadevelopmentbrief.cn/articles/interview-with-ma-jun/> Last accessed 11/29/14.

<sup>59</sup> Of course, Zhuang Ailing is very much a known quantity both in Shanghai and Beijing. She has a reputation not only for being very knowledgeable about the third sector, but also for “playing by the rules.” She is among the few third sector leaders truly trusted by Shanghai’s leadership and is often consulted by these and other officials around China. Her services are, in fact, so much in demand, that she often has to turn down requests. Other independent firms may not be accorded so much trust, particularly if they are new.

# Conclusion

## Summary of Findings

This dissertation aims to bring into focus a broad range of reform activities that are taking place within China's social policy institutions.<sup>1</sup> These range from registration reforms, to the forging of new management structures, to the creation of Television shows and Charity Awards that encourage public participation in solving social problems. Taken together, I argue, these reforms constitute China's path towards New Governance-style social policy.

Part I traces the evolution of economic, political, and social conditions that have given rise to this social policy shift, from welfare retrenchment in the 1980s and 1990s, to the transformation of social demand and subsequent state response to these changing social and economic conditions. While it is difficult to pinpoint the birth of China's New Social Governance to a specific date, I identify a number of "stepping stones" that have, together, led China in the direction of New Governance. These include processes of economic and administrative decentralization have been playing out since the 1980s; ideas about "small government-big society" and downsizing the state bureaucracy have been kicked around since the mid-1980s but not implemented with much success; efforts to "improve governance," to "societalize" (or privatize) and outsource public goods provision have been carried out since at least 1998; Social Management Innovation began around 2004 and was elevated to national level priority in 2011; and it is not until 2013 that China's leadership began to actually refer to the emerging policy framework as New Governance.

Part II shifts away from the question 'why' these reforms are happening, and instead focuses on the mechanisms by which the party-state is building a new Social Policy Marketplace that includes the participation of more local and non-state actors. This process of social policy

reform, I argue, follows a decentralized, experimental, and incremental pattern that looks very similar to the way China's economic reforms have unfolded. As China's leaders become more committed to embracing a New Governance social policy approach, they are seeking to create a robust marketplace in which GONGOs, Social Organizations, and *minfei* compete for state purchase of service contracts, foundation grants, and for populations to serve.

To be absolutely clear, I am not saying that China's leadership is encouraging a fully liberalized Social Policy Marketplace; in many respects old control mechanisms are in place even as they are undergoing innovation and decentralization. Along with new developments aimed at building the capacity of civil society to respond to social needs, so, too, are parallel developments being made to control and management structures at each level of the party-state. This I call the "double-edged nature" of social policy reforms—aka Social Construction and Social Management Innovation.

In summary, the general characteristics of China's social policy shift are as follows:

- ***Gradual and Piecemeal.*** There is no comprehensive plan for managing the development of the third sector, but rather local experimentation and piecemeal laws and regulations aimed at keeping social, economic, and political power at bay until the state figures out whether these developments are a boon or a threat.
- ***Decentralizing Sites of Service Provision & Management.*** This includes increased reliance on local governments (cities, districts, communities, neighbourhoods, and streets) and non-state actors such as Social Organizations, *minfei*, and foundations. The basic idea behind New Governance is to devolve the sites and responsibilities of social service provision as far down the administrative totem pole as is feasible and, where possible, encourage society to take responsibility for its own service provision.
- ***Regional Experimentation (may become national policy).*** Several provinces, cities, and districts have been identified as key test sites for experimenting with Social Construction and Social Management Innovation. These sites were selected in part because they represent manifestations of "social contradictions" than require innovative solutions. Perhaps more importantly, these initial test sites have been located in China's more economically advanced localities, and particularly in sites where social demographics and political control are likely to ensure successful experimentation (with minimal resulting social unrest). Provincial test units include Beijing, Shanghai, Tianjin, Guangdong

(Shenzhen, Guangzhou), Chongqing, and Chengdu. When regional experiments are deemed a success by the central apparatus, they may be scaled up to the national policy level. See, for instance, Guangdong's experiment with changing SO registration laws.

- ***Centralized 'management' of reforms.*** While test units are given some leeway to experiment with new forms of service provision and new legal frameworks for encouraging experimentation, the party continues to maintain its position as guide, supervisor, and highest authority.
- ***Selective liberalization of the third sector through regulatory controls.*** Under central guidance, test areas are encouraging the development of social organizations deemed "useful" and "non-threatening" (e.g. organizations providing services to the elderly or disabled) while continuing to discourage the development of organizations deemed "sensitive" or threatening" (e.g. human rights organizations, social justice organizations, non state-sanctioned religious organizations, AIDS and LGBT organizations, and environmental justice organizations that are viewed as posing a challenge to the state).
- ***Primarily Urban.*** At least in its early stages (until the completion of my field work in 2012), China's New Social Governance experiments appeared to be focused primarily on China's cities. This included rural counties under the municipal authority of the test sites.

## Suggestions for Future Research

While this dissertation has attempted to illuminate the process of social policy shift, it does not attempt to analyse the impacts or efficacy of China's transitional social policy. In the future, I would suggest the need to analyse, first, whether this policy shift is really improving the responsiveness of social welfare provision (and filling the diversifying social demand) as China's leaders hope it will. This will, require a combination of issue-specific studies of China's social policy systems, studies of regional variation in welfare reform efficacy, and broad, national level research. Second, more research is need to assess whether attempts to outsource social goods provision really are more efficient and cost-effective as China's policy makers hope it to be. It seems to be the case that the marketplace is still dominated by public institutions and other GONGOS with bloated staffs, leading one to question whether the efficiency, effectiveness, and responsiveness of the Social Policy Marketplace have improved at all. Efforts to downsize the state bureaucracy seem have been largely unsuccessful, because local

officials have found ways to circumvent downsizing demands. The existence of large staffs (whether in official state bureaucratic structures or official or unofficial public institutions) may hinder the incentives of local governments to fully decentralize public goods provision, and also may gobble up Social Policy Marketplace resources— undermining other New Governance transitions including purchase of service contracting, the creation of a truly competitive Social Policy Marketplace, and flexibility to respond to changing customer service demands.<sup>2</sup>

Third (and it may be too early to tell), some initial reports on the impacts of registration reform cited in this dissertation indicate that hopes to stimulate the number and quality of non-state competitors through registration reform are not panning out. While some barriers to registration have been lowered, new ones seem to be springing up, and so many SOs and *minfei* who would like to obtain legal status are still unable to do so. It would be useful to know more about these barriers and whether local leaders are planning to address these barriers (if so, this would indicate a true commitment to building the third sector; if not, we might just be seeing one set of controls replaced by another).

Fourth, questions need to be answered about those third sector organizations who have been able to enter the Social Policy Marketplace with the help of regulatory reforms: how have they actually contributed to the diversity and efficacy of social welfare goods provision (if at all)? Similarly, what impacts are various support organizations such as hubs, incubators, foundations, volunteer mobilization organizations, etc. having on the growth of the third sector? Do they provide more effective support when they are closer to or more independent from the state? Are they only supporting SOs that fit the selective criteria supported by the state?

Yet another big set of questions that remain is: what do all these changes mean for the balance between social control and responsiveness in China? Can China's leadership create a

socially responsive system powered by both state and non-state actors without losing control? Are the SMI mechanisms being put in place sufficient to maintain the CCP's monopoly over social and political power? If so, will they stifle the true ability for social forces to play a significant role?

Finally, is this policy shift going to last? The research for this dissertation was conducted in the spring of 2012, just as the change of China's top party leaders was taking place. While I have made a few updates about what has been happening since then, it would be useful to undertake a more focused study on how the new administration, run by Xi Jinping, is impacting the developments in China's social policy described in this dissertation. Similar research should be done on the impact of new provincial and municipal leaders. For instance, a recent article in the *New York Times*<sup>3</sup> suggests a crackdown on civil society is taking place following the publication of the 'secret' party Document 9. And, of course, what impacts might China's economic slow-down have on future New Governance reforms?

### **China's New Social Governance in Comparative Perspective**

This dissertation contributes to scholarly debates in the fields of public management, policy change, authoritarian resilience and adaptation, and state-society relations in the authoritarian context.

#### *China's Public Management in Comparative Context*

As discussed in the introduction, this dissertation has been heavily influenced by Lester Salamon *et al's* work on public management. Salamon's team revealed that scholars and policy makers in the early 2000s remained largely ignorant of widespread shifts in governance structures that were occurring in liberal democratic countries.<sup>4</sup> At that time, he argued, public management research failed to shed light on this shift because they tended to "embrace a

caricature of current government operations that overlook the extent to which such instruments have already been adopted.”<sup>5</sup> By focusing too strongly on the image of a centralized bureaucratic state and not at the innovative tools and public-private partnerships that are actually being used to provide public goods, they failed to identify new forms of governance in action.

I believe scholarship on public management in China has also fallen into the trap described above until quite recently. Perhaps because of our fixation on China as an authoritarian state (and thereby focusing on the statist aspects of social policy), many western scholars<sup>6</sup> have failed to see that the Chinese party-state is experimenting with indirect governance and various tools of governance as a means of improving public service provision. Or perhaps they have failed to take sufficient note of these new developments because in China, as elsewhere, the development of new tools of governance has led to the bewildering variety of collaborative public-private partnerships that do not easily fit into elegant models of public management or state-society relations.

Also according to Salamon and Elliot, the rise of new modes and tools of governance has vastly complicated the task of public management. They write: “Crucial elements of public authority” are being “shared with a host of non-governmental and other governmental actors, frequently in complex, collaborative systems that sometimes defy comprehension, let alone effective management and control.”<sup>7</sup> As the PRC shifts to a New Governance approach, the same can be said about public management in China. Oftentimes, new varieties of public-private partnership do not easily fit into existing Chinese definitions or management and control mechanisms. As I found during fieldwork in 2012, few policy makers, academic experts, bureaucrats, or policy implementers have a clear sense of the full range of tools currently being employed around China, let alone about how to engage or manage them. This is in part because

experimentation with these tools is a very decentralized process, and in part because these tools are new to China. Finding solutions for employing and managing the new tools of governance is one of the major tasks of Social Management Innovation.

## *Policy Change*

### *Sources of Policy Change*

This dissertation also contributes to an extensive body of institutionalist literature devoted to understanding the sources and processes of policy change. In particular, I model this project on the work of the Religious Economies scholars,<sup>8</sup> who analyse the transformation of religious policy as a function of state, church, and citizen interactions within the hypothesized Religious Marketplace. While this project does not engage in the formal hypothesis testing engaged by these scholars, I similarly assess the interaction of multiple actors and institutions within a Social Policy Marketplace, each of which is looking to maximize certain utilities while minimizing the costs of obtaining them. In this case, politicians are looking to maximize the likelihood of their own political survival (by better responding to social needs) while minimizing the costs of doing so (New Governance is seen as the mechanism for decreasing pressure on state institutions in the service of social welfare provision); Citizens are looking to maximize their access to quality social goods provision while minimizing the costs thereof; and Social Organizations are looking to maximize their own capacity and ability to respond to diversifying social welfare needs while minimizing the costs (barriers to entering the marketplace, etc.).

The applicability of this model across policy-making contexts (for example, across religious policy and social welfare policy contexts; and across democratic and authoritarian contexts) attests to the generalizability of the RCI model.

### *Mechanisms of Policy Change*

This project also substantiates the work of Heilmann and Perry<sup>9</sup> and Florini *et al*<sup>10</sup> who depict China's approach to policy making as decentralized and experimental but centrally controlled. As Heilmann has astutely observed, "making decentralized experimentation work in an authoritarian party-state must involve a special mechanism that legitimizes local initiative while leaving hierarchical control intact." This is precisely the mechanism I have discovered at work as China transitions to a New Governance framework, as evidence by the double-edged Social Construction and Social Management Innovation experiments.

### *Authoritarian Resilience and Adaptation*

China's move towards New Governance may also be seen as a manifestation of authoritarian resilience and adaption. This literature emerged out of observations that political elites in authoritarian states face actors and events that may pose a threat to their political survival,<sup>11</sup> but that some regimes are able to adapt to these threats while others are not.<sup>12</sup> Clearly, the Chinese Communist Party has managed to remain in the former category.

Sebastian Heilmann and Elizabeth Perry have produced an excellent recent work on authoritarian resilience and adaptation in their book *Mao's Invisible Hand*. In it, they provide useful definitions of these terms, derived from both natural and social sciences. Drawing from the work of Brian Walker *et al* (2006 pp. 2-3, 8-9)<sup>13</sup> in the field of ecology, they define *resilience* as "the capacity of a system to experience and absorb shocks and disturbances while retaining essentially the same function, structure, feedbacks, and therefore identity." Applying this definition to the case of authoritarian resilience, the "system" in question is the regime and its governing apparatus; the "shocks and disturbances" in question may be exogenous

(international pressure, environmental crises, structural changes in society or economy) or endogenous (factional strife, institutional devolution, the death of a leader, etc.); and the term “capacity” refers to the ability of the state to adjust without losing control its monopoly over authority, essential functions, or identity. In short, resilience refers to the regime’s ability to adjust in the face of internal and external threats, and therefore secure its survival. Heilmann & Perry (p. 8) derive their definition of adaptability from the work of Douglas North.<sup>14</sup> According to North (p. 80-81), *adaptability* is the “capacity of actors in a system to further resilience” through their actions and interactions, either intentionally or unintentionally (in this context, the “actors” are state leaders and bureaucrats, and the “system” is the authoritarian state).

Let us now return to authoritarian resilience and adaptation in China in the context of this dissertation. The Chinese party-state has demonstrated great staying power during the reform era, which a number of scholars<sup>15</sup> have attributed to the CCP’s capacity for resilience and adaptation (in RCI terms, the CCP has successfully navigated a changing environment and maximized its core utility: survival). The findings of this dissertation are a case in point not only *that* the CCP is adapting to new social realities; it also provides evidence about *how* it is adapting (through the double-edged mechanisms of Social Construction and Social Management Innovation). As such, this dissertation thus builds upon the excellent work of Dali Yang, Pierre Landry, Andrew Mertha, and many others who have explored the ways in which China’s leadership is seeking to strengthen China’s “leviathan”.

Because this adaptive process is currently unfolding, I cannot at this point say whether the New Governance agenda will be successful in the long run. However, future research along the lines suggested above should help determine whether this policy shift is advancing the CCP’s resilience.

### *Whither Civil Society in the Authoritarian Context?*

Within the field of research involving civil society and state-society relations, much debate has taken place about whether and how civil society can really emerge—and, indeed, flourish, in an authoritarian context.

This first requires a definition of civil society. Perhaps the most common comparative definition describes civil society as an *arena* or *space* or *site of intersection* of social activity operating between the state and society<sup>16</sup> and, more specifically, below the state level of organization but above the family level. For instance, Lipschutz defines it as “forms of association among individuals that are explicitly not part of the public, state apparatus, the private, household realm, or the atomistic market.”<sup>17</sup> Similarly, Schwartz & Pharr write that civil society is “that sphere intermediating between family and state in which social actors pursue neither profit within the market nor power within the state.”<sup>18</sup> Many scholars have attempted to define the origins, boundaries, and parameters of this arena. For some, the size of this arena is in an inverse (zero-sum) relationship with the size of the state. Therefore, as a state decentralizes or weakens in the scope of its power, the arena of civil society will increase in size to fill in the gaps of social service provision as well as other social needs not being met by the government.<sup>19</sup> Other scholars contend the space of civil society is a function of the *political opportunity structure* (POS) created by rules, regulations, laws, and practices of the state (an argument reflected by the majority of the civil society literature in the China field).<sup>20</sup> This statist argument for civil society is a variant of the zero-sum argument, for it posits that social organizations can only rise in the ‘space’ where the state allows them to, though it may or may not make claims about the weakening or decentralization of the state, and it is common in discussions of Chinese civil society (see below). Yet another group of theorists argue that civil society should not be

considered so much a space separating state from society, but rather the site where the two intermingle, or where the two are bridged. According to this argument, the state is embedded in society<sup>21</sup> such that “the boundaries of the state are always ill-defined and essentially amorphous, leaking into and overlapping with civil society itself.”<sup>22</sup> *This dissertation views civil society in these latter terms, as a site where the state and society interact.*<sup>23</sup>

Let us return, now, to the question “ can an autonomous civil society exist in a political environment that is highly dominated and controlled by a party-state apparatus? The responses to this question are mixed. On the one hand, China in the reform era has seen the rise of more political freedoms than before; many of which have been initiated by the state itself. Ogden provides a succinct list of these developments: greater freedom of daily life, greater liveliness of debates in academic circles, vibrancy of the mass media, increasing autonomy of interest groups and associations, a more assertive national legislature, the implementation of democratic elections in China’s 930,000 villages, and the development of a legal system that is accessible to ordinary citizens.<sup>24</sup> To this list I would add the spiking number of social movements surrounding environmental degradation, unemployment and poor social security provision that are sometimes tolerated by the state<sup>25</sup>, and the establishment of public hotlines and letters and visits offices through which citizens can file complaints about companies, other citizens, and even local governments.<sup>26</sup> All of these developments may reflect a growing political opportunity structure for civil society.

Still, others are sceptical that the seeming profusion of social involvement in politics implies a true rise in the ability civil society to influence Chinese politics in a significant way, or rather, to give rise to political transformation outside that already being implemented by the party-state. These sceptics point out that the implementation of local elections is limited solely

to the village level and wrought with problems; the so-called empowerment of People's Congresses is questionable because these congresses have little power to enforce their rulings,<sup>27</sup> the legal system, while certainly improved from before, is weakened by low usage, poor enforcement capacity and problems with protecting plaintiffs from retribution by officials, employers, etc.<sup>28</sup>; the freedom of expression of intellectuals and the media continue to be severely curtailed by state controls; social movements that explicitly criticize the larger state or appear to be spreading are still quashed<sup>29</sup>; and social organizations continued to be controlled by the state.<sup>30</sup> These scholars focus on the ways in which the state exerts control over social organizations, citing the various regulatory and legal mechanisms the state uses to limit the political power of non-state actors. Social organizations are only legal if they have sponsors within the state or party institution (and these individuals can withdraw support at any times), they can be shut down for various financial reasons, they are forbidden from replicating nationally, their leaders can, at any time, be transferred to other jobs, etc.<sup>31</sup> Finally, another body of scholarship provides evidence that China's civil society is growing *despite* the efforts of the state.<sup>32</sup> This scholarship presents case studies in which peasants, workers, women, social organizations, and other groups are finding ways to leverage their interests against those of the center, thereby 'negotiating' the state.<sup>33</sup>

This dissertation provides evidence that the state continues to exert a tremendous amount of control over China's third sector in the form of its strong social management framework, but, nonetheless, it is creating new opportunity structures for the development of civil society. One way to look at this change is that China's leaders are trying to maintain *political control* over civil society while also promoting a greater degree of *functional overlap* between state and society. The functional boundaries (that is, in the field of social goods provision) between the

two are not so much black and white, but an increasingly large area of grey. In a recent conference I attended at Indiana University, Professor Wang Ming of Tsinghua University called this newly emerging relationship “Co-governance.”<sup>34</sup> I see this as China’s version of New Governance.

Another contribution of this dissertation—in both in the area of state-society relations and authoritarian resilience/adaptation (discussed below)—is that it fleshes out the link between changing societal demand and the party-state’s decision to undertake social policy reforms.<sup>35</sup> Chapter Four attempts not only to account for the social diversification that has taken place during the reform era, but also to show how China’s leaders have, first, interpreted these developments, paving the way for the current social policy reforms. Clearly, China’s leaders are worried about the destabilizing affects economic reforms have had on society, and have undertaken social policy reforms aimed at re-stabilizing society.

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## NOTES

<sup>1</sup> Because of the broad scope of this project, the dissertation also draws from a wide range of research related to different pieces of the emerging framework.

<sup>2</sup> See Yuetan and Zhongguancun case studies in part II.

<sup>3</sup> Document 9 is discussed in Chris Buckley, “China’s New Leadership Takes Hard Line in Secret Memo,” *New York Times*, August 19, 2013, [http://www.nytimes.com/2013/08/20/world/asia/chinas-new-leadership-takes-hard-line-in-secret-memo.html?\\_r=0](http://www.nytimes.com/2013/08/20/world/asia/chinas-new-leadership-takes-hard-line-in-secret-memo.html?_r=0) Last accessed 11/29/14

<sup>4</sup> In their 2004 book *Global Civil Society*, an outcome of the Johns Hopkins Comparative Nonprofit Sector Project, Salamon, Sokolowski *et al.* also pointed to the dominance of a social and political discourse focused on the “two-sector” model (which looks only at two socio-economic spheres outside the family unit: the market and state) as a reason for overlooking the significant role played by third sector/civil society in new forms of governance (see below for in-depth discussion of this term). Furthermore, they argue, oversight was “reinforced by statistical conventions that have kept this “third sector” of civil society organizations largely invisible in official economic statistics” (p. 4). With Salamon in the lead, Johns Hopkins set out to remedy this oversight by undertaking a comprehensive study of the economic and social contributions of the third sector, as did the United Nations’ System of National Accounts. What Salamon’s team found after compiling data on the contribution of the third sector from

36 countries, was that by the late 1990s the third sector was contributing some \$1.3 trillion USD, or 5.4 percent of the combined GDP of these countries—together, the capital produced equalled that of the world's 7<sup>th</sup> largest economy with a total aggregate work force of 45.5 million full time equivalent workers (p. 15). With numbers like these, academics and policy makers around the world (including China!) began to pay more attention to the role and contribution of non-state actors in public service provision. See Lester M. Salamon and S. Wojciech Sokolowski *et al.*, *Global civil society: dimensions of the nonprofit sector*. (Baltimore: Johns Hopkins Center for Civil Society Studies, 1999). China was not included in this 2004 study, and nor has it received much attention from the John's Hopkins civil society researchers, though their project is the largest, most comprehensive study of global civil society-- although they did perform a joint analysis of China's public service outsourcing project with the help of Karla Simon and Leon Irish in 2009 (see footnote 6).

<sup>5</sup> Salamon, Sokolowski, *et al.*, *Global civil society*, 7.

<sup>6</sup> With the exception of a few, including the following: Leon Irish, Lester M. Salamon, and Karla Simon, "Outsourcing Social Services to CSOs: Lessons from Abroad" *World Bank Report* no. 50385 (2009), [http://ccss.jhu.edu/wp-content/uploads/downloads/2011/12/Outsourcing-Lessons-from-Abroad\\_2009.pdf](http://ccss.jhu.edu/wp-content/uploads/downloads/2011/12/Outsourcing-Lessons-from-Abroad_2009.pdf) last accessed 11/29/14; Simon "Civil Society in China"; and Jessica Teets, "New Models of Service Delivery in China: The Emergence of Social Innovation (*shehui fuwu moshe de fazhan: shehui chuangxin*)," *Fudan Public Administration Review*, (March, 2012).

<sup>7</sup> Lester M. Salamon and Odus V. Elliott, eds., *The tools of government: a guide to the new governance*, (Oxford: Oxford University Press, 2002): 2. For instance, Stanton and Moe show how the United States has created entities called "Government Corporations" (e.g. The Government National Mortgage Association or Ginnie Mae) and "Government-Sponsored Enterprises" (e.g. Fannie Mae) to provide real estate financing for the public. Government Corporations are legally separate from the US Government, but nonetheless are created, owned, and controlled by the state, whereas Government-Sponsored Enterprises is government chartered but privately owned and controlled. Neither of these social policy tools is entirely independent of the state, making them difficult to classify and manage. China also has a range of GONGOS and public-private partnerships that are not easy to classify or regulate. Thomas H. Stanton and Ronald C. Moe, "Government Corporation and Government-Sponsored Enterprises." In Salamon and Elliot, eds., *The tools of government: a guide to the new governance*, (Oxford: Oxford University Press, 2002).

<sup>8</sup> Rodney Stark and Laurence Iannaccone, "A Supply-Side Interpretation of the 'secularization' of Europe" *Journal for the Scientific Study of Religion* 33 no. 3 (1994): 230-252 use RCI to explain the secularization process in Europe (that is, the visible decline in religious belief and/or practice.) according to the mechanisms of supply (created by states and churches) and demand (of would-be religious practitioners in society). After specifying the *religious preferences* (or rather, demands) in society are, by nature, diverse, they provide a *supply-side* explanation about how collusion between states and monopolistic churches have an adverse affect on the prevalence of religious practice in society. They argue when states use their regulatory powers and financial support to ensure that one church monopolizes the 'religious market,' people begin to lose interest in religion because 1) there is a lack of "supply" that meets the wide variety of religious preferences among the people, and 2) leaders of church monopolies tend to become lax about innovating and attracting their would-be parishioners'

interests. As a result, the marketplace of religion becomes stagnant and people whose religious preferences are not met by the monopolistic church lose interest and either stop practicing or do so in private. Another exemplary study that applies RCI to religious policy making comes from Anthony James Gill, *The political origins of religious liberty* (Cambridge: Cambridge University Press, 2008). Gill sets out to explain the political origins of religious liberty in states around the world and at different historical periods. In order to explain the rise of religious freedom or lack thereof, Gill looks at the “political and economic interests of politicians and the institutional interests of religious leaders” in the religious policy-making arena (p. 7-8). *Politicians*, he argues, will seek to limit religious freedom (through state regulatory structures) when they feel a religious group or groups are a threat to their political survival; they will tend to favor one religious group (or church) when that group has a monopoly over society and can help lower the cost of ruling (and politicians will help some churches gain monopoly over other religions if it helps simplify or ensure their ability to stay in power); and they will favor religious liberty in situations where the religious ‘marketplace’ exhibits a high degree of pluralism (and politicians need the support of many groups in order to stay in power). Leaders of *dominant religions* seek to maintain their monopoly of power by cutting deals with politicians that regulate the religious marketplace and discriminate against religious minorities, while leaders of *religious minorities* will seek a regulatory environment that makes it easier for their members to organize and practice. .

<sup>9</sup> Sebastian Heilmann and Elizabeth J. Perry. *Mao's invisible hand: the political foundations of adaptive governance in China*, (Cambridge, Mass: Harvard University Asia Center, 2011).

<sup>10</sup> Ann Florini, Hairong Lai, and Yeling Tan, *China experiments: from local innovations to national reform*, (Washington, D.C.: Brookings Institution Press, 2012).

<sup>11</sup> Examples of the Authoritarian resilience and adaptability literature are as follows: First: Dali Yang, *Remaking the Chinese leviathan: market transition and the politics of governance in China*, (Stanford: Stanford University Press., 2004). Yang provides a sweeping study of the ways in which the party-state has rebuilt institutions to maintain control in the face of economic reforms. Similarly, Barry Naughton and Dali Yang argue the CCP has been able to hold itself together despite decentralizing because of its strategic use of the *nomenklatura* system. See Barry Naughton and Dali Yang, *Holding China together: diversity and national integration in the post-Deng era*, (New York: Cambridge University Press, 2004). Andrew Walder has emphasized the remarkable stability of the party-state’s organizational structure even as the composition of China’s elite has changed over time. See Andrew Walder, “Elite Opportunity in Transition Economies,” *American Sociological Review* 68 no. 6 (2003): 899-916 and Walder, Andrew, “The Party Elite and China’s Trajectory of Change” *China: An International Journal* 2 no. 2 (2004). Meanwhile, Andrew Nathan attributes the resilience of the CCP to 1) institutionalization of the elite succession process and containment of factionalism in the party and 2) its ability gain social legitimacy through the creation of social pressure valves or “input institutions” such as letters and visits departments, people’s congresses, local elections, mass media, etc. See Andrew Nathan, “Authoritarian Resilience” *Journal of Democracy* 14 no. 1 (2003). Similarly, Andrew Mertha discusses the CCP’s responsiveness to political pluralisation as it struggles to stay in power. See Andrew Mertha, “Fragmented Authoritarianism 2.0” *The China Quarterly* 200 (2003): 995-1012. More recently, Heilmann and Perry look at “policy mechanisms behind staying power of the CCP”—how has

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the CCP achieved rapid and profound organizational, economic, and social change over the last three decades?" Heilmann and Perry, eds., *Mao's invisible hand*, 2.

<sup>12</sup> For instance, the Soviet Union is often cited as a case in which the regime was unable to adapt successfully to changing social and economic conditions—and thus collapsed. After the fall of the Soviet Union, many academics and western policy makers, in turn, predicted the Chinese Communist Party's days were also numbered. See Valerie Bunce, *Subversive institutions: the design and the destruction of socialism and the state* (Cambridge: Cambridge University Press, 1999).

<sup>13</sup> Heilmann and Perry, eds., *Mao's invisible hand*, 8. This definition is drawn from ecological literature: Brian Walker et al. "A Handful of Heuristics and some Propositions for Understanding Resilience in Social-Ecological Systems." *Ecology and Society* 11 no. 1 (2006): 2-3.

<sup>14</sup> Heilmann and Perry, eds., *Mao's invisible hand*, 8 taken from Douglass C. North, *Institutions, Institutional Change, and Economic Performance*, (Cambridge: Cambridge University Press, 1990): 80-81; and also Douglass C. North, *Understanding the Process of Economic Change*, (Princeton: Princeton University Press, 2005): 154.

<sup>15</sup> Examples of which are listed in footnote 11 above.

<sup>16</sup> Other scholars utilizing versions of this definition include Jürgen Habermas, *The structural transformation of the public sphere: an inquiry into a category of bourgeois society*, (Cambridge: MIT Press, 1989); John Keane, 1988. *Democracy and civil society: on the predicaments of European socialism, the prospects for democracy, and the problem of controlling social and political power*, (London: Verso, 1988); Salamon, Sokolowski et al, *Global civil society*. "

<sup>17</sup> Ronnie D. Lipschutz and Judith Mayer, *Global civil society and global environmental governance: the politics of nature from place to plane*, (Albany: State University of New York Press, 1996): 2.

<sup>18</sup> Frank J. Schwartz and Susan J. Pharr, *The state of civil society in Japan*, (Cambridge: Cambridge University Press, 2003).

<sup>19</sup> Burton Weisbrod, "The future of the non-profit sector," *Journal of Policy Analysis and Management* 16 no. 4 (1997): 541-555; Kal Rustalia, "States, NGOs, and international environmental institutions," *International Studies Quarterly*, 41 no. 4 (1997): 719-740; Elizabeth Economy, *The river runs black: the environmental challenge to China's future*, (Ithaca: Cornell University Press, 2004); Tony Saich, "Negotiating the State: The Development of Social Organizations in China," *The China Quarterly* 161 (2000) Pp. 124-141.

<sup>20</sup> The term POS is best explained by Douglas Macadam, John D. McCarthy, and Mayer N. Zald, *Comparative Perspectives on Social Movements: Political Opportunities, Mobilizing Structures, and Cultural Framings*, (Cambridge: Cambridge University Press, 1996). Some other examples of literature positing a state-dominant theory of civil society: Robert Pekkanen, "Moulding Japanese Civil Society" in Schwartz, Frank J. and Pharr, Susan J., eds., *The State of Civil Society in Japan*, (Cambridge: Cambridge University Press, 2003); Susan Whiting, "The Politics of NGO Development in China," *Voluntas* 2, no. 2 (Fall 1991): 16-48; Michael B. Frolic, "State-led Civil Society" in Timothy Brook and Michael B. Frolic, eds., *Civil Society in China* (New York: Armonk, 1997). This argument is used in the context of all regime types, from democratic to authoritarian, though it tends to dominate theories of civil society and

social movements in authoritarian states such as China, the former Soviet Union and Eastern European States, etc.

- <sup>21</sup> Joes S. Migdal, *State in society: studying how states and societies transform and constitute one another*, (Cambridge: Cambridge University Press, 2001); Peter B. Evans, *Embedded autonomy: states and industrial transformation*, (Princeton: Princeton University Press, 1995).
- <sup>22</sup> Paul Wapner, *Environmental Activism and World Civic Politics*, (Albany: State University of New York Press, 1996): 6.
- <sup>23</sup> This is not to be confused with the Social Policy Marketplace arena, which is where the state, society, and the business sector interact in the pursuit of providing social policy goods.
- <sup>24</sup> Suzanne Ogden, *Inklings of democracy in China* (Cambridge: Harvard University Asia Center, 2002): 4.
- <sup>25</sup> Yongshun Cai, *Collective resistance in China: why popular protests succeed or fail*, (Stanford, Calif: Stanford University Press, 2010); William Hurst and Kevin J O'Brien. "China's Contentious Pensioners," *The China Quarterly* 170 (2002): 345.
- <sup>26</sup> Kevin J. O'Brien and Lianjiang Li, *Rightful resistance in rural China*, (Cambridge: Cambridge University Press, 2006)
- <sup>27</sup> Murray Scot Tanner, "How a Bill Becomes A Law in China" in Stanley Lubman, ed. *China's Legal Reforms*, (New York, Oxford University Press, 1995).
- <sup>28</sup> See Mary J. Gallagher, "Use the law as your weapon!": Institutional change and legal mobilization in China" in Neil J. Diamant, Stanley Lubman, and Kevin J. O'Brien, *Engaging the Law in China; State, Society, and Possibilities for Justice* (California, Stanford University Press, 2005); O'Brien and Li, *Rightful Resistance*; and R. P. Peerenboom, 2002. *China's long march toward rule of law*, (Cambridge, UK: Cambridge University Press, 2002).
- <sup>29</sup> Take, for instance, the crackdown on Falun Gong.
- <sup>30</sup> See Whiting, "The Politics of NGO Development in China"; Vivienne Shue, "State Power and Social Organization in China" in Joel S. Migdal, Atul Koli, and Vivienne Shue, *State Power and Social Forces: Domination and Transformation in the Third World*, (New York, Cambridge University Press, 1994); Frolic, "State-led Civil Society"; and Elizabeth Knup, "Environmental NGOs in China: An Overview." *China Environment Series* 1 (1997): 9-16. These scholars point to the continued state control of the many new social organizations in China: Shue, for instance, discusses the dominance of a kind state corporatist model (though she admits that there is a continuum of more and less state control), while Frolic makes the case for "state-led civil society" and He discusses the prevalence of 'semi-civil society'.
- <sup>31</sup> Economy, *The river runs black*, 134-135.
- <sup>32</sup> Edward Friedman, Paul G. Pickowicz, Mark Selden, and Kay Ann Johnson, *Chinese Village, Socialist State* (New Haven: Yale University Press, 1993); Jeffrey N. Wasserstrom and Elizabeth J. Perry, *Popular protest and political culture in modern China: learning from 1989*, (Boulder: Westview Press, 1992); Elizabeth J. Perry, Mark Selden, *Chinese society: change, conflict, and resistance* (London: Routledge, 2000); Timothy Hildebrandt, *Social Organizations and the Authoritarian State in China* (Cambridge: Cambridge University Press, 2012).
- <sup>33</sup> To use Tony Saich's phrase. Saich, "Negotiating the State," 124-141.
- <sup>34</sup> Wang Ming's presentation at Indiana University's China Philanthropy Summit. October 30, 2014.

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<sup>35</sup> Fewsmith also discusses the party's anxiety over social unrest (following the 2008 economic crisis) in Joseph Fewsmith, "Social Order in the Wake of Economic Crisis", *China Leadership Monitor*, 28 (Spring, 2009), <http://www.hoover.org/sites/default/files/uploads/documents/CLM28JF.pdf> Last accessed 11/29/14.

## APPENDIX A:

### Party-State Institutions Involved in Social Policy

#### A. The Party-State at Center

##### *Role of China's National (Central) Leadership*

The preferences of China's central leadership, and particularly those occupying the positions of General Secretary of the CCP, President, and Premier, have played an important role in determining the direction of policy in China. Under the leadership of first, Deng Xiaoping and second, Jiang Zemin, the Chinese party-state largely dismantled China's social policy framework in efforts to encourage market liberalization and rapid economic development. However, the Hu Jintao/ Wen Jiabao administration, which lasted from 2002 until the end of 2012, re-prioritized social development and the reconstruction of a stronger social safety net. Both leaders used their high positions to advocate for an improved and more coherent social policy framework under the slogan 'building a harmonious society,' 'social construction,' 'community construction,' – what I am calling features of a Chinese-style New Governance approach.

##### **The Central Committee (CC) of the Chinese Communist Party**

The Central Committee is the most powerful body of the Chinese Party-State. It is composed of 350 members and alternates. The CC holds several plenary sessions over each five-year term to debate and promote new policy directions. At the head of the CC is the *Standing Committee of the Central Political Bureau (Politburo)*, comprised of 7-9 members who are the highest ranked leaders of China. These include the General Secretary, Premier, and other top

leaders who often hold concurrent party and state positions.<sup>1</sup> The Politburo Standing Committee is *de facto* the highest policymaking body in China and holds power to enact laws, although the PRC Constitution vests the National People's Congress with this authority. Every five years the CC convenes a National Congress (NC)<sup>2</sup> in which new leadership is chosen and in which new policy directions are forged—potentially with major impacts on the future direction of China.

### **Party Organizations, Commissions, & Leading Groups:**

In addition to these constitutionally constructed bodies, party central also establishes special national level party organizations, commissions, and leading groups (which extend their jurisdiction down the ranks of the hierarchy).<sup>3</sup> These Organizations, Commissions, and Leading Groups are set up to focus on issue-specific aspects of leading and managing the country, and to better coordinate policies that require the cooperation of multiple ministries, bureaus, and administrative units.

### **National People's Conference (NPC):**

The NPC is the highest organ of the Chinese state apparatus. The NPC is composed of some 3,000 deputies elected every 5 years by provincial level People's Congresses, and it meets annually. At the pinnacle of NPC is its Standing Committee, which meets every two months and holds legislative powers as well as powers to enforce the Constitution. Legally, the NPC is at the pinnacle of policymaking, but the actual power of the NPC is frequently debated. Scholars have regarded the NPC as a “rubber stamp” institution for decisions already made by the Central Committee.<sup>4</sup> For instance, some 70% of the NPC's participants are also high-level CCP members.<sup>5</sup> This may be changing. According to Tony Saich, the powers of the NPC have been

strengthened since 1991, when the Party's Central Committee issued a document limiting the party leadership only to establishing *overall direction* of policy and making the NPC have more direct control over the various ministries, agencies, and leading groups. He writes: "it was now required that ministries should report significant political laws they were drafting to the NPC leadership in advance. In addition, NPC leaders were placed in charge of working out any problems with such legislation with the Politburo or Secretariat."<sup>6</sup> The power of the NPC to influence legislation vis-à-vis other central institutions was further strengthened in March, 2000, when it passed the "Legislation Law."<sup>7</sup> The Legislation Law stipulates that only the NPC can make laws regarding basic human rights, litigation, and taxation.

### **The State Council (SC):**

As executive head of the NPC, the State Council is the highest level of the government and the highest body responsible for state administration. The State Council is "able to submit proposals on laws to the NPC or its Standing Committee as well as to formulate administrative measures in accordance with the laws; to exert leadership over the non-central levels of administration as well as the ministries and commissions; to draw up and to put into effect the national economic plan and state budget; and to oversee public order and safeguard the rights of citizens."<sup>8</sup> The State Council manages China's (currently) twenty-one ministries, as well as its various state commissions, committees, bureaus, and ad hoc organizations.

The field of social policy has been dominated by the SC during the reform era. As Chan, Ngok & Phillips write "since the 1980s, social policies have been regulated by rules, directives, decisions, circulars, and proposals issued by the SC or its agencies, rather than laws enacted by the NPC or the Standing Committee."<sup>9</sup> All policies regarding social insurance, public relief, old

age insurance, healthcare, employment, and housing have been guided by administrative regulations issued by the SC and its ministries. Specific laws relating to SMI will be discussed in later chapters.

### **Ministries involved in Social Governance**

Each ministry has official sub-branches reaching down the administrative totem pole to the district and township level. Their jobs are to coordinate the improvement and implementation of policy. While these are largely vertical structures, their activities can often overlap (along with those of other governing bodies), imposing differing and contradictory policy requirements onto provincial and local governments.<sup>10</sup>

Much of the social construction and social management reforms within China's ministerial structures are occurring at the provincial level and below, so I defer a discussion of these reforms to the next chapter. Here, though, I identify several of the ministries most relevant to this study:

#### ***Ministry of Civil Affairs (MOCA):***

MOCA is China's key institution for coordinating and managing all manner of civil affairs. Of particular relevance to this study, MOCA is the central body responsible for social security issues such as social assistance programs for the poor and those suffering from physical illness, social welfare services for older people, orphans and disabled people, and special treatment for demobilized soldiers and their families<sup>11</sup> -- essentially all those who are unable to look after themselves. Following China's theoretical categorization of social policy areas (discussed in intro), MOCA has created separate departments for each issue areas. For instance,

the (Disaster) Relief Department; Social Assistance Department; Social Welfare & Charity Promotion Department; Division of Grassroots Political Power & Community Building. MOCA also manages community services including the administration of state-run eldercare facilities.

Also of importance to this study, MOCA is the governance organ in charge of registering and supervising the activities of social organizations, *minfei*, and foundations (discussed in some detail in Chapter 7) The branch directly responsible for these duties is the *Social Organization Management Bureau*(社会组织管理局)。

***Ministry of Labor and Social Security (MLSS):***

MLSS is in charge of labor policies as well as social insurance programs and welfare packages specifically relating to workers (and primarily those enmeshed in the State Owned Enterprise sector). Since the late 1990s, MLSS has been crafting China's employment-based social insurance system, and working on re-employment programs for China's many laid-off workers.<sup>12</sup>

***Ministry of Health (MOH):***

This ministry plays the central role in formulating healthcare policies. In addition to drafting policy, the Ministry of Health also has the power to implement policy, to create and reform health-related programs, and to allocate resources within the healthcare system. In addition, this ministry is in charge of providing and promoting health education and information and in monitoring the quality and efficacy of healthcare provision throughout China.

***Ministry of Education (MOE):***

This ministry is in charge forming and implementing education policy, overseeing educational content (with input from the propaganda department), and providing quality assurance at all levels of China's educational system.

### **Chinese People's Consultative Conference (CPCC):**

The CPCC is a forum that brings together party-state officials with representatives, lobbyists, and interest groups from all walks of Chinese society (on an invitation only basis). Headed by a member of the Politburo Standing Committee, the CPCC is a national-level site for policy discussion, suggestions, and feedback.

As one source suggests, "The CPPCC has as its basic functions providing political consultancy on major state policies and encouraging a united front of patriotic intellectuals to contribute to modernization. The CPCC is an important symbol of multiparty cooperation in China's modernization programs, and reform leaders have increasingly emphasized its role."<sup>13</sup> Topics discussed in the meeting reflect issues of nationwide concern. That said, while the CPCC is a site of much discussion, feedback, and debate, it has no decision-making powers.

In the last few years an increasing number of leaders from China's social organizations and foundations have been invited to present on their issues at the Chinese People's Consultative Conference (CPCC), as have academics and policy experts from outside the party-state.<sup>14</sup> For instance, in the 2012 CPCC, as the party-state was debating the content of a new charity law, several leaders of private foundations were called in to discuss their positions on why and how to build the capacity of China's charity sector.<sup>15</sup> Likewise, a group of scholars from the Peking University's Civil Society Research Center who specialize in research about China's burgeoning (and yet not well understood) trade association sector were called in to report on

their findings.<sup>16</sup> This was done in the context of larger state-level (NPC) discussions about how to best manage civil society.

### **Mass Organizations:**

Officially under the supervision of the CPCC are China's "Mass Organizations." Several of these organizations date back to the founding of the PRC and were created with the following purposes in mind:

As secondary or auxiliary vehicles for the party's "mass line," the organizations constituted a united front of support for the party line and policies and conveyed the impression desired by the party that the broad strata of the population endorsed and was unified behind the communist leadership. Moreover, mass organizations were used as a means to penetrate the society at large, encourage popular participation, mobilize the masses, and integrate them into party-directed political life.<sup>17</sup>

Each of these organizations is arranged hierarchically, extending from the central government all the way down to the neighborhood and street levels in urban areas.

Some of the Mass Organizations most relevant to SMI are as follows:

#### ***All-China Women's Federation (ACWF)***<sup>18</sup>

ACWF has acted as a conduit for women's and children's health and education programs and poverty alleviation programs by setting up grassroots stations or partnering with local grassroots service organizations. Not only does the ACWF implement top-down policy, but it also has increasingly formed partnerships with grassroots NGOs working on women's issues.

***All- China Youth Federation (ACYF)<sup>19</sup>***

ACYF stands at the peak of a network of youth-focused associations and organizations, and helps to ensure the proper socialist education of China's youth, mobilizes youth into volunteer activities, and acts a feeder into for young leaders into the party ranks.

***All-China Federation of Trade Unions (ACFTU)<sup>20</sup>***

ACFTU manages the gamut of workers' interests and rights, as well as the drafting of labor policy and legislation in collaboration with MLSS.

***China Disabled Persons' Federation (CDPF)<sup>21</sup>***

A relative newcomer to the group of Mass Organizations is the China Disabled Person's Federation (CDPF). The party state created this organization in 1988 in an attempt to better represent the needs of China's some 85 million disabled citizens (and to control their organization). In recent years the CDPF has since been very busy helping to create legislation to protect the rights and interests of disabled groups across China;<sup>22</sup> it has also helped to facilitate direct service provision ranging from ocular transplants to the creation of specialized schools for the disabled, and has steadily been cultivating the development of grassroots-based organizations that provide support services. The CDPF also monitors the quality of both direct and indirect service provision.

**National Level (Professional) Associations (行业协会) (Government Organized)**

Another variety of institution created by the central party-state to ensure the smooth and harmonious organization of social forces are government-organized "Associations" with focus

on specific issue areas. These organizations are registered directly under the central Ministry of Civil Affairs (in other words, since they have attained national level registration status, they can work nationally). Like the Mass Organizations, these so-called national “support” organizations are state run, and organized from the top-down. They work as ‘hubs’ to inform and coordinate issue-based organizations across the country. They also link up to similar international organizations, acting as points of contact for professional exchanges and learning.

A couple of relevant examples follow.

## **B. Provincial Level Governance Structures**

### **Party in the Provinces**

Each provincial-level unit has its own *Provincial Secretariat*, *Party Congresses*, and *Party Committee* that has provincial-level duties corresponding to national-level counter parts. Provinces also have the jurisdiction to set up their own commissions, research groups, etc. so long as they are in harmony with the requirements of the central party.

### **Provincial Level Governments**

Provincial level governments are each composed of a *State Council* (as at the national level, the SC is the highest provincial level government organ) and a *Local People’s Congress* headed by a *Local Standing Committee*. Just as at the national level, local State Councils also have the ability to make and implement policy to reflect local needs and conditions—with the heavy input of local party congresses and committees and in conformity with national laws.

Provincial level governments also house bureaus corresponding to national level ministries and

committees (for example Bureau of Civil Affairs; Bureau of Education), which, in turn, are in charge of overseeing their offices at county, district, and lower levels of the state.

### **C. Local Governance Structures**

#### ***Municipalities***

Each local administrative level is guided by a ***Party Committee*** that is tasked with the transmission of policies and goals set by party central and provincial level party committees, with helping local governments adapt policy to local conditions, and with acting as a feedback mechanism back up the hierarchy. These committees extend all the way down to the level of the Resident's Committees (RCs), and often into registered social organizations. Following suit with the Provincial-level party governance structure, Party Committees in experimental localities have also established ***Social Construction Work Committees*** and other institutions to facilitate social management reforms.<sup>23</sup>

Generally speaking, municipalities also have government bureaucratic structures that mirror those at the provincial and national level. Each Municipality has its own *People's Congresses* headed by *Standing Committees*, and bureaus (such as the Bureau of Education and the Bureau of Civil Affairs) linking up the hierarchy and into the national level ministries.

#### ***Urban Districts/ Counties***

Districts also have their own *People's Congresses* and *Standing Committees*<sup>24</sup> and Offices corresponding to relevant ministries (Office of Civil Affairs, Office of Education, etc.). This administrative level is in charge of overseeing street level government activities (discussed below), and, in some cases, district governments overstep street level governments to micromanage the activities of Resident's Committees and grassroots Social Organizations.

### ***Street Level Governments***

Beneath the district administrative level, an increasingly important administrative division for social management and construction in large municipalities is the *Street Level People's Government Administrative Offices*. The street office represents the lowest-level *official* administrative presence of the state in Chinese cities. Historically, street governments did not directly interact with residents on a regular basis unless there was a civic matter requiring paperwork. This is changing along with the shift to NG.

### ***Neighborhood and Resident's Committees***

Neighborhood and Resident's Committees to deal with the day-to-day needs of citizens. Neighborhood/ Resident's committees are *de facto* the lowest level officially recognized arbiters of civil affairs in China even though they are not included in the official state administrative structure, which only extends down to the Street level.<sup>25</sup> See Chapter two for more on these forms of organization.

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### **NOTES**

<sup>1</sup> Tony Saich, *Governance and Politics of China, 3<sup>rd</sup> ed*, (Hampshire: Palgrave, 2011): 101.

<sup>2</sup> At the time this dissertation was being researched, China was gearing up for a leadership changed under the 16<sup>th</sup> (2013) National Congress. Note: The National Congress of the CCP is not to be confused with the National People's Congress, which is the highest apparatus of state power in China.

<sup>3</sup> For example: the Central Organization Department (which controls the appointment and advancement of some 70 million party members); The Central Propaganda Department; The Central Policy Research Office; The Party School; the People's Daily; and the Central Compilation and Translation Bureau. Examples of Party-led Commissions include: The Central Political and Legislative Commission; the Central Commission for Comprehensive

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- Management of Social Order; The State Commission for Public Sector Reform; The Central Anti-Corruption Guidance Group.
- <sup>4</sup> Kevin J. O'Brien, *Reform without liberalization: China's National People's Congress and the politics of institutional change* (New York: Cambridge University Press, 1990): 79.
- <sup>5</sup> Saich, *Governance and Politics of China*, 152.
- <sup>6</sup> Saich, *Governance and Politics of China*, 154.
- <sup>7</sup> National People's Congress, 9<sup>th</sup> Congress, 3<sup>rd</sup> Session, *Legislation Law of the People's Republic of China*, March 15, 2000, Translated into English at <http://www.china.org.cn/english/government/207420.htm> Last accessed 11/29/14
- <sup>8</sup> Saich, *Governance and Politics of China*, 159.
- <sup>9</sup> Chak Kwan Chan, King Lun Ngok, and David Phillips. 2008. *Social policy in China: development and well-being* ( Bristol, UK: Policy Press, 2008): 49.
- <sup>10</sup> See Kenneth Lieberthal, *Governing China: From Revolution to Reform* (New York: W.W. Norton & Co., 1995): 169-70 for discussion of the "matrix muddle."
- <sup>11</sup> Chan, Ngok, and Phillips, *Social policy in China*, 50.
- <sup>12</sup> King Lun Ngok and G. B. Zhu, "Reinventing The Communist Government in a Transitional Economy: A Review of China's 1998 Central Government Restructuring" in *Asian Profile*. (February, 2003): 50.
- <sup>13</sup> Robert L. Worden, Andrea Matles Savada and Ronald E. Dolan, eds., *China: A Country Study*. Washington: GPO for the Library of Congress, (1987), <http://countrystudies.us/china/107.htm> last accessed 11/24/14.
- <sup>14</sup> Author's Interviews, Spring, 2012.
- <sup>15</sup> Author's Interviews, Spring, 2012.
- <sup>16</sup> The issue of how to define and manage China's rapidly developing trade association sector has been a hot topic among China's provincial and local leaders involved with SC/SMI over the last few years. It should be noted that university researchers have long been called in to consult about specific issues at CPCCs.
- <sup>17</sup> Worden, Savada and Dolan, eds., *China: A Country Study*.
- <sup>18</sup> Established in 1949. See their website for more on organizational structure: <http://www.women.org.cn/english/english/aboutacwf/orgsyst.htm> last accessed 11/24/14
- <sup>19</sup> For more on the All China Youth Federation, see [http://www.acyf.org.cn/2009-12/24/content\\_3311280.htm](http://www.acyf.org.cn/2009-12/24/content_3311280.htm) , Last accessed 11/24/14. The ACYF is comprised of a central governing body, some 16 national member organizations including the Communist Youth League, YMCA, YWCA, and numerous youth focused Associations; it also boasts 36 provincial level member organizations.
- <sup>20</sup> See ACFTU's website: <http://english.acftu.org/template/10002/file.jsp?cid=64&aid=213>
- <sup>21</sup> China Disabled Person's Federation. See their website: <http://www.china.org.cn/english/government/207420.htm>
- <sup>22</sup> For more on the laws the CDPF has helped to pass, see: <http://www.cdpf.org.cn/english/lawsdoc/lawsdoc.htm>
- <sup>23</sup> See Chapter's 8 and 9 for discussions of Social Construction Work Committees.
- <sup>24</sup> Counties and Districts are the lowest level with People's Congresses as such, although Towns and Villages have corresponding Offices.
- <sup>25</sup> Urban Resident's committees date back to 1954, and the most recent law detailing their functions was published in 1989.

## APPENDIX B

### Defining the Third Sector and Social Organizations In China

#### Defining the Third Sector

This term is often used interchangeably with civil society, but here it refers to the sector of social organizations as distinct from the business sector and the public (state) sector. I prefer the term ‘third sector’ to civil society in this project, first, because I feel it describes a narrower scope of social organization than does civil society. While the term ‘civil society’ tends to include types of social activity ranging from informal knitting or bowling clubs to massive formal organizations such as the international red cross, I use the term ‘third sector’ here to connote the (at least partially) non-state, non-profit, but organized,<sup>1</sup> segment of civil society — in other words, the cross section of “social organizations” (defined below) with clear missions devoted to “public good.”<sup>2</sup> Following Salamon, Sokolowski *et al*, this “structural-operational” definition of the third sector<sup>3</sup> may include

both religious and secular organizations; organizations with paid staff and those staffed entirely by volunteers, and organizations performing essentially *expressive* functions—such as advocacy, cultural expression, community organizing, environmental protection, human rights, religion, representation of interests, and political expression—as well as those performing essentially *service* functions—such as the provision of health, education, or welfare services”...” intentionally excluded, however, are government agencies, private businesses, and commercial cooperatives and mutuals.<sup>4</sup>

While I recognize that the distinctions between the three sectors are not always clear, especially in an authoritarian context such as China where the state often penetrates both the business and social sectors, I will use the term ‘third sector’ as short hand to describe the arena of social organization, other than state or market, that provides expressive and service goods for the public. It is this arena of social organization that the Chinese party-state is interested in building.

In addition to the matter of scope, I prefer the term ‘third sector’ when discussing the arena of social organizations in China because the phrase ‘civil society’ is often considered to be a term loaded with political charge, and therefore a matter of sensitivity.<sup>5</sup>

### **NGOs, Social Organizations, GONGOs, etc.: The trouble with identifying categories in the Chinese Context**

Identifying non-governmental organizations (NGOs), government-organized NGOs (GONGOS), Civil Society Organizations (CSOs), grassroots organizations, social organizations, and the like in contemporary China is a source of much frustration among academics, policymakers, human rights activists, and international development professionals. While attending a recent conference in Shanghai,<sup>6</sup> I witnessed a prominent scholar of Chinese state-society relations exclaim in angst “after three decades of studying social organizations in China, we still lack an accurate conceptual framework for classifying and understanding social organizations!”—a comment which received many sympathetic nods from the mixed Chinese and international audience.

How can it be that after decades of research on the subject, we still continue to lack a helpful conceptual framework for understanding social organizations in the People’s Republic of China? First, at the core of this confusion has been a stubborn propensity for many students of Chinese state-society relations to engage in conceptual stretching,<sup>7</sup> that is, to wedge contemporary Chinese state and social institutions and behaviors into western, democratic-regime derived categories. By stubbornly trying to distinguish between “state” and “non-state organizations” actors; by trying to apply the western notion that the state and civil society should exist as separate entities and in a zero-sum relationship, these students of state-society relations in China have tended to obfuscate the large degree of overlap that continues to exist between the

Chinese state and social actors.<sup>8</sup> Second, China recognizes only three kinds of organizations that can legally register in the third sector: “social organizations” (*shehui zuzhi* 社会组织/ *shehui tuanti* 社会团体 or SOs), “civil non-enterprise units” (*minjian feiqiye danwei* 民间非企业单位 or CNEUs) and “foundations” (*jijinhui* 基金会).<sup>9</sup> But, in fact, there exists a dizzying array of civil society organizations ranging from state to non-state, for-profit to non-profit, and nearly everything in between. This range of organizational and financial structures are not adequately captured by China’s legal registration categories, and therefore much confusion has persisted, both outside and inside China, about how to conceptually arrange the spectrum of organizations.

In spite of persisting conceptual confusion, in recent years several scholars have made great strides to better categorize the range of organizations in China’s third sector. I draw attention here to Jonathan Schwartz’ & Shawn Shieh’s 2009 book, which provides perhaps the best comprehensive overview of classification attempts to date. This is captured in a particularly useful diagram<sup>10</sup> which depicts the range of state-society actors on a scale from “State Organizations” to “Independent Social Organizations”, and further divides the list into “Top-Down” organized entities to “Bottom-Up grassroots” organized entities. What is particularly useful about this conceptualization is that it depicts a range of relationships between social organizations and the state, wherein as we move from left to right, the degree of social organization embeddedness in the state weakens. Accordingly, Neighborhood / Village committees, Mass Organizations and People’s Organizations have the highest level of embeddedness within the state; GONGOs and Semi- or Quasi-GONGOS are somewhat less embedded; non-state organizations are registered as Social Organizations, Civilian-run Non-Enterprise Units or Foundations; some unregistered NGOs have a lesser degree of state penetration; and other NGOs and grassroots organizations remain independent of the state.

*While recognizing the complexity and diversity of organizations operating in China's third sector, this dissertation will often use the term 'social organizations' as short hand for the range of organizations therein. I only distinguish between the legal categories when necessary.*

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## NOTES

- <sup>1</sup> This dissertation employs the standard definitions of 'non-profit' and 'organized' provided by Salamon, Sokolowski *et al.*, For non-profit they write "(such organizations) are not primarily commercial in purpose, and do not distribute profits to a set of directors, stockholders, or managers." The term 'organized' is defined as having "some structure and regularity to their operations, whether they are formally constituted or legally registered." This definition "embraces informal, i.e., nonregistered groups as well as formally registered ones. What is important is not whether the group is legally or formally recognized but that it have some organizational permanence and regularity as reflected in regular meetings, a membership, and some structure of procedures for making decisions that participants recognize as legitimate. See Lester M. Salamon, S. Wojciech Sokolowski *et al.*, *Global civil society: dimensions of the nonprofit sector*, (Baltimore, MD: Johns Hopkins Center for Civil Society Studies, 1999): 9.
- <sup>2</sup> Salamon, Sokolowski *et al* include the following elements in their definition of the Civil Society Sector: in addition to non-profit, organized, and voluntary, organizations therein must also be determined as private and self governing. As explained above, China's social organizations often do not fully fit these requirements, but this does not automatically indicate that they are merely appendages of the state.
- <sup>3</sup> They prefer the term civil society sector.
- <sup>4</sup> Salamon and Sokolowski, *Global civil society*, 10.
- <sup>5</sup> In fact, China's central propaganda ministry actually went so far as to ban the use of the word civil society (Chinese: *gongmin shehui* 公民社会) in official discourse in 2011—though the ban does not seem to have been widely enforced. See Jessica Cowell, "Civil Society (*gongmin she hue*) Banned in China," *Shanghai List*, January 12, 2011, [http://shanghaiist.com/2011/01/12/civil\\_society\\_banned\\_in\\_china.php](http://shanghaiist.com/2011/01/12/civil_society_banned_in_china.php) Last viewed 11/29/14.
- <sup>6</sup> November 2011 conference on Outsourcing Service Provision organized by Shanghai Jiaotong University.
- <sup>7</sup> See Collier & Mahon for discussion of conceptual stretching: David Collier and James Mahon, "Conceptual Stretching' Revisited: Adapting Categories in Comparative Analysis" in *American Political Science Review* 87 no. 4 (1993): 845-855. Brook & Frolic have also made this argument about importing the civil society concept to China: Timothy Brook and Michael Frolic, *Civil society in China*, (Armonk, N.Y.: M.E. Sharpe, 1997).
- <sup>8</sup> I made this mistake when I first arrived in China and made the mistake of asking a Chinese contact to aid me in approaching local "NGOs" (non-governmental organizations, or "*fei zhengfu zuzhi*" 非政府组织). The contact stared blankly at me, and then said, "we don't have NGOs in China." While many NGOs do, in fact, operate in China, this exchange illustrates that societal recognition of a "non-governmental" sector, or a sector of organizations that operates outside the state, remains weak. Indeed, a vast swath of the Chinese public remain unaware that there are NGOs in their midst, not only because the sector is nascent and

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underdeveloped, but also because the preferred term of the party-state is “Social Organization” (Chinese: *shehui tuanti* or 社会团体, or sometimes more directly translated as *shehui zuzhi* 社会组织)。

<sup>9</sup> See chapter seven for an in-depth discussion of these legal categories and what they mean for the development of China’s third sector.

<sup>10</sup> Jonathan Schwartz and Shawn Shieh, *State and society responses to social welfare needs in China serving the people*, (Abingdon, Oxon: Routledge, 2009): 7.

## APPENDIX C

### INTERVIEW LOG\*

Date	Location	Title	Organization
9/19/11	Beijing	Program Officer	NGO
9/21/11	Beijing	Program Officer	NGO
9/21/11	Beijing	Program Officer	NGO
10/20/11	Beijing	Professor	Peking University
10/22/11	Beijing	Researcher	Center for Disease Control Nanjing
10/25/11	Nanjing	BoCA Officers (2)	BoCA
10/25/11	Nanjing	Party Officials (2)	Nanjing CCP
12/5/11	Shanghai	Vice Director	Social Mgt Office
12/6/11	Beijing	Project Manager	NGO
12/5/11	Beijing	Program Assistants	NGO
12/10/11	Beijing	Vice Director	Shaanxi Province Research Office
3/12/12	Beijing	CEO	NGO Business
3/12/12	Beijing	Executive VP	Firm
3/12/12	Beijing	Secretary General	Foundation
3/12/12	Beijing	Vice Secretary	Foundation
3/12/12	Beijing	Director	NGO
3/12/12	Beijing	Affiliate	Am Cham
3/12/12	Beijing	Executive VP	China Foundation Center
3/12/12	Beijing	Executive	China Foundation Center
3/12/12	Beijing	Chairman	Foundation
3/12/12	Beijing	Vice Secretary General	Foundation
3/13/12	Beijing	Program Officer	Foundation
3/13/12	Beijing	Program Director	Foundation Business
3/13/12	Beijing	Partner	Firm
3/13/12	Beijing	Chairperson of the Board	Foundation
3/15/12	Beijing	Executive Deputy Secretary General	Foundation
3/15/12	Beijing	Professor	Beijing Normal University
3/16/12	Beijing	Deputy Director	Beijing Normal University
3/16/12	Beijing	Director, Corp Citizenship	Business Firm
3/17/12	Beijing	Director	NGO
3/18/12	Beijing	Board Chair	NGO Women's Development Federation
3/18/12	Beijing	Secretary General	All China Women's Development Foundation
3/18/12	Beijing	Project Manager	Foundation
3/18/12	Beijing	Vice Director of Funded Projects Department;	China Women's Development Foundation
3/18/12	Beijing	Director of Healthy Mother Express Dept	China Women's Development Foundation
3/18/12	Beijing	Deputy Secretary General	China Women's Development Foundation China Women's Development Fund

3/19/12	Beijing	Exec VP	China Foundation Center
3/20/12	Beijing	Professor	Central University of Finance
	Beijing		
3/26/12	Skype	Program Officer	Foundation
4/9/12	Beijing	Professor	Peking University
4/11/12	Beijing	Professional	Am cham
			Zhonguan Cun Street Social
4/26/12	Beijing	Street Officials	Management Office
4/23/12	Beijing	Professor	Catholic U
4/26/12	Beijing	Exec VP	China Foundation Center
4/26/12	Xi'an	Professor	Northwestern University
	Shaanxi		
5/4/12	/Township	Director	Township Eldercare Facility
			Center for Chinese Ag Policy,
5/12/12	Beijing	Professor/Deputy Director	CASS
5/14/12	Shenzhen	Director	Shenzhen BoCA
5/14/12	Guangzhou	Director	Zhongshan U Institute Civil Society
			Zhongshan U Center on
5/16/12	Guangzhou	Researcher	Philanthropy
5/17/12	Shanghai	Professor	Fudan University
5/17/12	Shanghai	Vice Director	NGO
5/18/12	Shanghai	Director	NGO
5/18/12	Shanghai	Program Associate	NGO
5/21/12	Shanghai	Director	NGO
5/30/14	Nanjing	Program Officer	Foundation
5/31/12	Beijing	Program Officer	Foundation
6/1/12	Beijing	Director, China Program	Foundation
			Peking University Center for
6/7/12	Beijing	Associate Professor	NGO Research
6/11/12	Beijing	Director, Vice Director	Yuetan Street Office
6/14/12	Beijing	Vice Director	CANGO
6/15/12	Beijing	Director	NGO
			Haidian District Social
6/15/12	Beijing	Director	Management Office

*\* As per the requirement of the University of Washington's Human Subjects Division, I have omitted names of individuals and organizations in order to protect their privacy when this document becomes public.*