

12 Private Roles for Public Goals in China's Social Services

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China, like other countries, has public needs that far outstrip the abilities of the government alone to deliver, including the broad array of social services that support healthy aging. In this chapter, drawing on a survey of 17 medium-sized cities, we discuss how China's local governments are seeking ways to create public value through contracting with the private sector and collaborative arrangements with some shared *discretion*, what we label “collaborative governance” (Donahue and Zeckhauser 2011; Donahue, Eggleston, and Zeckhauser 2018).¹

China's determination to rapidly replicate—even leapfrog—the social service networks constructed over decades or centuries in the West poses a historic challenge of capacity-building. Audacious plans for “equalization of access” to eight major service areas—education, employment services, social insurance (pensions, maternity and unemployment insurance, etc.), social support services, healthcare and public health, family planning, housing security, and cultural, sports, and recreational activities—were announced in mid-2012 by the central government. The 12th (2011–15) and 13th (2016–20) five-year plans call for an expanded role for competition and outsourcing in basic public services ranging from health and education to

The authors gratefully acknowledge the work of the Fudan University students involved with the 17-city survey in early 2013, as well as the excellent research assistance of Yingtian He and Sen Zhou.

1 Collaborative governance is defined as government sharing with the private sector a real measure of *discretion* as to the means and, to some extent, the ends of collective action (see Donahue, Eggleston, and Zeckhauser 2018). The private sector includes both for-profit and non-profit entities.

affordable housing.²

Yet local governments bear primary responsibility for social services, and these commitments threaten to over-match their capabilities. Local governments face the dual burden of unfunded mandates from above and insufficient revenues.³ Efficiency-promoting innovation is the only possible way out when commitments exceed capabilities.

In many Western countries, budget shortfalls are the major drivers of service-delivery innovation. In China, the good news is that central-level public-sector revenues have been on the rise. The bad news is that local governments, which provide virtually all social services, have large and growing debts, debts that are a macro-economic concern.⁴ Yet ambitions remain high, and those ambitions will be a driving force fostering the innovations that reshape social service delivery. Policymakers appear to aspire to a social service system reflecting the broader ideal of a lean, efficient, and effective government within a market-based economy. The prospect of forging a hybrid social service system featuring significant private-sector engagement inspires considerable enthusiasm. In short, Chinese policymakers are in the process of embracing—or perhaps more precisely re-inventing—the underlying principles of what is sometimes called the “new public management” movement in America.⁵

Any major shift toward collaborative delivery of social services will inevitably transform China's governmental institutions as well as their relationships with private organizations and the public at large (Jing and Savas 2009; Brown, Gong, and Jing 2012; Jing 2015). The vast majority of projects highlighted in the national public-private partnership (PPP) demonstration projects, for example, fall within the more traditional categories of municipal engineering, transportation, area development, and tourism. Nevertheless,

2 The two plans are “The Outline of the Twelfth Five-Year Plan for National Economic and Social Development of the People's Republic of China” (Chinese version available at https://www.cmab.gov.hk/doc/12th_5yrsplan_outline_full_text.pdf) and “The 13th Five-Year Plan for Economic and Social Development of the People's Republic of China” (<http://en.ndrc.gov.cn/newsrelease/201612/P020161207645765233498.pdf>).

3 See, for example, Wong (1991); Oi (1995); Croll (1999); Adams and Hannum (2005); Cook (2011); Duckett (2011); Eggleston, Oi, and Wang (2017).

4 Fiscal revenues of Chinese governments grew from ¥1339.5 billion in 2000 to ¥10387.4 billion in 2011, an increase of 675 percent (National Bureau of Statistics of China 2012). But more recently, local governments have struggled to finance many services and have expanded debt considerably (Guess and Ma 2015; Wong 2016; Eggleston, Oi, and Wang 2017).

5 For a classic popular book in this tradition, see Osborne and Gaebler (1993); a more recent sample is Eggers and Macmillan (2013).

a few cases do focus on affordable housing, education, healthcare, and elder care (see CPMCC 2019, 2016a). While private involvement in social services remains embryonic, other domains have already seen significant change, including some arenas of actual or incipient collaboration (as addressed in Donahue, Eggleston, and Zeckhauser 2018).

As the United States and other Western countries have already discovered, however, private roles in social services summon special sorts of complexity. Local governments have experimented with different forms of social service provision, and the diversity of the contemporary landscape reveals the deep impacts of path dependence, serendipity, and inertia. As we show in our survey at the cusp of the most recent wave of “PPP demonstration projects” in China, originally few cases involved true collaboration. Indeed, in many cases even among the nationally recognized PPPs, the private sector is a state-owned enterprise (Bloomberg 2017). Government directives reiterate the call for leveling the playing field for the private sector, thus revealing that old practices and prejudices continue to inhibit collaborative governance between public- and private-sector actors in China.⁶

This chapter surveys the status quo of China’s social service sector prior to the most recent wave of demonstration projects, presenting results from a 2013 survey we conducted of 17 medium-sized cities spanning 10 provinces. We supplement our customized survey data with relevant information from standard statistical sources. As the chapter concludes, we reflect on the potential for, and the hazards of, public-private collaboration in this uniquely important and distinctly complex policy arena for a rising and aging China.

A Tale of Seventeen Cities

Capitalizing on the good offices of co-author Yijia Jing of Fudan University, in 2013 we deployed a contingent of Fudan students to gather evidence about public service delivery models in 17 medium-sized cities or districts within larger cities. We do not claim an ideal sample of systematically

6 For example, the “Circular on Further Advancing the Public-Private Partnership in Public Services” (CPMCC 2016b) exhorts “finance departments at all levels shall work with relevant agencies to create a level playing field, and. . . prevent differential or discriminatory treatment on potential partners under unreasonable terms (including too high or irrelevant eligibility requirements, and excessive deposit), so as to boost private investments.” Also see discussion and examples of “government NGOs” in Jing (2015): “Grassroots groups often regard government-initiated non-profit organizations as bureaucratic, rigid, less innovative and unprofessional. They often make no effort to hide their antipathy towards the monopoly status and strong political connections these groups enjoy” (601).

representative locales; indeed, the cities are a “convenience sample” of the Fudan students’ hometowns. Nevertheless, our sites capture a broad range of geographic diversity and economic development, as summarized in table 12.1. They ranged in population at the time from 150,000 in Yichun to 9.9 million in Harbin, capital of Heilongjiang Province; the average population was 2.7 million. Productivity and prosperity diverged widely across the sites, from ¥11,594 (about US\$1,800 on a per capita gross domestic product [GDP] basis) in Jianshi, Hubei Province, to ¥105,978 (about \$17,000) at that time in Shanghai’s Pudong district.

TABLE 12.1 Population and per capita GDP of the 17 cities in the sample, 2011

City	Province	Administrative level	Population (millions)	Per capita GDP (yuan)
Jianshi	Hubei	County-level	0.41	11,594
Xishui (Qingquan Town)	Hubei	County-level	0.87	14,267
Yichun (Yichun District)	Heilongjiang	County-level	0.15	20,548
Cangnan	Zhejiang	County-level	1.18	24,993
Mianyang	Sichuan	Prefecture-level	4.61	25,794
Lianyungang	Jiangsu	Prefecture-level	4.39	32,159
Cangzhou (Xinhua District)	Hebei	Prefecture-level	7.13	36,445
Tai’an	Shandong	Prefecture-level	5.51	41,791
Ningguo	Anhui	County-level	0.39	41,981
Harbin (Nangang and Xiangfang Districts)	Heilongjiang	Municipality	9.94	42,682
Changyi	Shandong	County-level	0.58	45,318
Yan’an (Baota District)	Shaanxi	Prefecture-level	2.15	51,724
Ninghai	Zhejiang	County-level	0.61	52,581
Jiading District	Shanghai	Prefecture-level	1.51	60,738
Yidu	Hubei	County-level	0.40	69,216
Cixi	Zhejiang	County-level	1.04	84,223
Pudong District	Shanghai	Prefecture-level	5.18	105,978
Average			2.71	44,825

SOURCE: Statistical yearbooks, People’s Republic of China.

The data were gathered through structured (but flexible) Mandarin-language interviews of local officials about arrangements for delivering nine public services: emergency medical transport (ambulance services), medical insurance and healthcare delivery, care for the elderly, care for the disabled, compulsory education (grades 1–9), affordable housing construction and

management, park management (gardening and landscaping), job training, and public transportation.⁷ Some of these functions—notably park management, public transportation, and affordable housing—fall outside of most definitions of “social services,” but are included here for the perspective they offer on both the bundle of duties and the opportunity to learn and improvise that local officials encounter.

Only two of the cities we examined have no significant private role in the delivery of any of the nine services—a remarkable finding all on its own for a nation so recently viewed as classically communist, and which still self-identifies as socialist while embracing a market-based economy. Private roles in social service delivery were discovered in poorer as well as richer Chinese cities, though there is a perceptible tendency for wealthier cities (as measured by average per-capita GDP) to experiment more aggressively with private roles. (Later we speculate as to why this might be the case.) Our survey examines the delegation to the private sector across a spectrum of arrangements, not just collaborative governance. The collaborative governance form would neither be expected nor recommended for the entirety or even the majority of private-sector roles.

As found by an earlier survey of American cities (Donahue and Zeckhauser 2011, ch. 9), “contracting out”—that is, delegating to private providers *without* the shared discretion that defines collaborative governance—is very common for park management. All but two cities in our sample contracted out gardening and landscaping for city parks. One of the sample sites in Zhejiang, however, actually shares discretion for elements of park management in an arrangement that bears the hallmarks of collaborative governance. In addition to this one example of park management, only long-term care for the disabled displayed examples of true public-private collaboration. (Several interviewed officials revealed that caution about more extensive sharing of discretion with private parties is driven by the concern that private parties might grab excessive profits—a classic illustration of what we term payoff discretion; see Donahue and Zeckhauser [2011]; and Donahue, Eggleston, and Zeckhauser [2018].)

Construction of affordable housing units also overwhelmingly involved contracting with private providers. It should not be surprising that private engagement has been less common for social services, which tend to be multi-dimensional, difficult to define, and politically delicate, all qualities that push appropriately toward more public control. Primary and secondary education, as well as long-term care services for the elderly and disabled,

7 All interview quotes have been translated by the two Chinese-speaking authors, sometimes with slight re-casting for clarity in English.

featured some private involvement; health services less; and emergency medical services none at all. (This last is hardly surprising, since at the time it was technically illegal for private organizations to deliver emergency medical services.) The finding that direct government provision completely dominates public transportation services was more unexpected, both because such services seem reasonably amenable to delegation, and because they frequently feature major private roles in other countries.⁸

The following sections report on the survey results for each social service in greater depth and situate those results within the broader context of national policy.

Health services

In our 17-community survey, we find results that are broadly consistent with both the status quo and the recent trajectory of China nationwide (e.g., see Eggleston, forthcoming). Despite signs of openness to a greater private role, in all of the surveyed cities the public sector continues to be the dominant insurer and provider. Few cities systematically contract with private providers, and no cities adopt an explicitly collaborative approach in the health sector. Existing private delivery mostly served a small bifurcated clientele: the burgeoning upper middle class, and those left out of standard public provision, such as migrant workers and new peri-urban communities with fewer public facilities. Interview subjects endorsed a larger role for private hospitals, but subject to the stipulation that they proved able to match or exceed the service quality of public hospitals. “Private hospitals certainly deliver worse services than public ones, due to their limited resources,” according to a government official of Jiading County, Shanghai. A Harbin official similarly argued that:

Private hospitals need to fight for their life and actively compete for patients. If we can have proper management, private hospitals could be truly beneficial, helping to share the burden on public hospitals and the government. Appropriate management and regulation are the most crucial factors.

Officials thus seem open to an expanded private role, and some localities have moved aggressively in that direction recently; at the national level, meanwhile, such changes have been limited.

⁸ There was one case of contracting out to a single corporation, a state-owned enterprise.

Emergency medical services

Emergency medical services—or, more prosaically, ambulances—are provided through a wide range of delivery and financing options in many countries. Private-sector roles are extensive, and in some cases dominant. China is a stark exception. Private provision of ambulance services was technically prohibited by law at the time of our survey. Nevertheless, private ambulances had been under consideration, notably in rural areas, with the motive of increasing supply. This suggests that the illegality of private involvement may not reflect a principled and durable objection, given pragmatic concerns about needed provision. Interviewed officials in our sample sites gave mixed signals about whether private ambulance services should be rejected on principle or whether a more mixed-ownership approach might deliver greater public value. One ambulance driver in Jianshi County, Hubei Province, expressed deep skepticism about private involvement—though on pragmatic rather than ideological grounds. “I think it is almost impossible for private parties to contract to provide ambulance services because of specialization and high cost. . . . Moreover, local people hardly understand the concept of private contracting.” Specialization and high cost do not preclude contracting if there is a well-developed private sector for that service, which many localities in China of course lack for ambulance services or other services where private involvement is proscribed or discouraged. Thus, this quote and similar ones by local officials in other sites we surveyed reveal an instinct to preserve public-sector dominancy, and lack of understanding of the potential benefits and risks of private contracting, or else legitimate concerns about private parties extorting seriously ill or injured patients for money, which cloud judgments about other features of contracting that could be readily addressed with appropriate contractual structures and effective monitoring arrangements.

Primary and secondary education

Collaborative governance has characterized some specific types of social service provision in China for decades. Non-governmental *minban* (people-run) schools are a salient example. Far from being a twenty-first-century innovation, they date back to the Mao era. As Hannum et al. (2008) note,

much of school finance in China during the Cultural Revolution [1966–76] relied on local community support for *minban*, or people-managed, teachers and schools. . . . Education authorities ceded authority over state-managed

elementary schools to local production teams or brigades, communes, factories, business enterprises, neighborhood revolutionary committees, etc. . . . *Minban* teachers were paid in grain rations and supplementary cash wages. . . (Hannum et al. 2008, 4).

Presumably pragmatism—serving a population that would otherwise lack a school—trumped any ideological objections to private-sector involvement. *Minban* schools, in different manifestations, survive to the present day. The private-sector role in education has evolved over time to fit new niches neglected by mainstream public schools, and to supplement public schools with learning technologies and other services (for a more detailed discussion see the chapter on education in Donahue, Eggleston, and Zeckhauser [2018]).

Results from our 17-city survey help to illustrate the important though still circumscribed domain of the private sector—including but extending beyond *minban* schools—in contemporary Chinese education. In Mianyang, Sichuan Province, private education plays a significant role in compulsory education, and officials consider its quality to be relatively high. Private schools even attract students from outside Mianyang. The local government gave extensive support to private education, assigning some teachers hired and paid by the government to private schools and subsidizing private kindergartens. One of the county governments within Mianyang provides funding to a private middle school on the same terms as it offers public middle schools. Shanghai's Jiading District hosts two very different types of *minban* schools. The first category serves migrant workers' children. While these schools are of mediocre quality, they charge no fees to parents and comprise a vital part of the Jiading school system, since 56 percent of residents are from other provinces and thereby legally excluded from mainstream public schools. The second category—more comparable to conventional private schools in the United States—charge high tuition to supplement governmental funding. They are run by private corporate sponsors and are perceived to be of much higher quality. These examples from our survey confirm that, while there is certainly room for expansion and differentiation relative to the United States and other nations, the private sector has already carved out a meaningful set of niches within Chinese education.

Affordable housing

Extraordinary returns to migration have fueled a massive and unprecedented surge of urbanization that has been a great enabling force in China's rise. Managing this tsunami of population inflow, and especially providing appropriate housing, is one of the present day's most imposing governance

challenges. The scale is difficult for non-Chinese to appreciate, with the “floating population” of temporary migrants totaling more than 200 million—equivalent to the population of Brazil, and larger on its own than the entire population of every country but Indonesia, the United States, India, and China itself. Over the coming decades, China’s cities are projected to absorb an astounding 300 million new residents (Peng 2011; Eggleston et al. 2013). For both the construction and management of affordable housing, delegation in general, and collaborative governance in particular, offer much-needed options.

How can China gain more of the benefits from private involvement in this area while controlling the costs, risks, and adverse effects? Increasing the supply of affordable housing requires that local governments cooperate with private developers—a challenging requirement, since both sides might have preferable alternatives. Local governments can harvest much higher revenues by allocating land to commercial rather than residential use (or affordable housing in particular). Developers’ profits are often capped for affordable housing construction.

China’s localities employ three primary methods for promoting the private provision of affordable housing, only the last of which can be considered collaborative governance (see the chapter on real estate in Donahue, Eggleston, and Zeckhauser [2018]). First, municipalities purchase existing, privately constructed housing to offer to local residents. Second—assuming that the discouraging incentives noted above can be overcome—the government contracts with private companies to build new units with specified characteristics at a specified price. Third, the local government can require commercial developers to designate a share of new units as affordable housing.

In our 17-city survey, affordable housing emerged as an active arena of private involvement in public missions. Most housing officials interviewed reported engaging private actors in the construction of affordable housing, with some turning to the private sector for housing management as well. But while more than three-fourths of the cities featured private construction or management or both, none of them reported engaging the private sector on terms where discretion was considerably shared. This may hint that there are hidden impediments to truly collaborative approaches to affordable housing in China—or alternatively, and we think more probably, may suggest the untapped potential for new approaches. The international evidence offers both good news and bad news in this regard. On the positive side is the vast number of examples of private involvement, on terms of shared discretion, in publicly supported housing. In just the United States alone, “Section 8” rental assistance, a range of tax preferences for affordable housing, and

conditional permitting that requires a specified share of affordable units for mixed housing developments—among other arrangements—engage fully private entities that are influenced but not controlled by the government in the provision of housing. On the negative side, there is abundant evidence that these arrangements are prone to risks that must be monitored, such as the private parties being able to extract benefits for themselves disproportionate to the public value they create.

Long-term care for the elderly and disabled

As noted elsewhere in this volume, China's low fertility, increases in longevity, and changes in living arrangements and employment (e.g., migrating for work) combine to limit the number of adult children directly providing care for elderly parents—the traditional model—thus making it imperative to develop capacity for elder care beyond the family. China's local jurisdictions have experimented with a range of options for coaxing private investment into long-term care.

Several interviewees in the cities we studied confirmed that long-term care was as yet not well developed; few private, for-profit providers found it attractive. “The biggest obstacle is attracting private firms, for it is almost impossible for a private company to run a profitable nursing home according to the national standard,” said a government official of Cangnan County, Zhejiang Province. A government official from Yinchun, Heilongjiang Province, lamented, “Private nursing homes have ameliorated the shortage of supply and alleviated some of the pressure on the public sector. However, due to their limited budgets, low-quality facilities, and other problems, overall effectiveness is limited.” Some officials in higher per capita income areas shared these concerns, such as one government officer from Shanghai's Jiading County: “We do not encourage the private sector to be involved in the elder-care industry. . . . Elder care should be undertaken by the government, since it is a costly activity, not a profitable business.” Yet affluent cities in practice encourage private elderly homes by offering subsidies. For example, Shanghai announced it has achieved the “90-7-3 scheme” goal set in its 11th five-year plan: 90 percent of the elderly remaining in their homes, 7 percent of the elderly remaining at home but accessing community-based elderly support services, and 3 percent of Shanghai's elderly population receiving institutionalized care. Since the existing infrastructure was insufficient to meet the 3 percent target of accessible nursing home beds, both the Shanghai municipal government and district governments subsidize every new bed in nursing homes (regardless of ownership) and provide an annual subsidy if

the bed is occupied. Despite official approval and support, however, expensive land and lack of urban planning for specialized homes for the elderly often have discouraged private investment in the long-term-care industry.

Approaches toward care for the disabled varied considerably from city to city, with substantial private engagement. For example, in Tai'an, Shandong, the government contracts with several private companies to provide care for the disabled. There are hints of true collaboration with at least one of these companies, which has been granted the discretion to experiment with new approaches to service delivery. Illustrating the rich diversity of organizational models in China, interview subjects in Yichun report close collaboration between local officials and a "volunteer association" established in 2011. But upon closer examination the "private" association is revealed to be closely associated with the city government. This revelation, to be clear, does not establish that the Yichun arrangement lacks merit, or even novelty, but it does illustrate the hazards of applying Western labels and concepts uncritically to Chinese contexts. Pudong New District in Shanghai epitomized contracting-out for disabled care with more than 20 projects in 2012 and total expenditures exceeding ¥100 million. In Jiading, another district in Shanghai, spending on private care for the disabled surged from ¥1 million to ¥7 million between 2010 and 2012.⁹

In Shanghai, one of the world's most sophisticated cities, and a true standout city in China itself, local governments have the advantage of large, well-established, thoroughly capable private-sector counterparts. Dealing with such collaborators offers ample room for value-enhancing private discretion. In other sample cities, by contrast, private entities are newer, fewer, and less fully developed. These factors constrain delegation, and especially the complex form of delegation we call collaborative governance. In some cases, the level of funding seemed designed to repel private providers. In Xishui County, Hubei Province, the government subsidy for care for the disabled was ¥3,600 per person per year when we fielded the survey—far too low to support even low-quality operations.

Some Concluding Observations

Private engagement in Chinese social services five years ago, despite some remarkable achievements and many examples of great potential, remained embryonic in most realms and, where it did exist, was hedged about with constraints. With limited exceptions, potential private suppliers were few

9 Data from an interview with officials of the Jiading Association of the Disabled on June 7, 2012.

and unsophisticated, undercutting the appeal of delegation in the eyes of public officials. To complement the 17-community interview project, we conducted a separate survey of 318 local civil servants. Over 93 percent of them endorsed the prospect of greater private provision of publicly funded services in the future, a remarkable statistic given so few existing positive role models. Fewer than half as many of these officials, however, believed that *current* procurement practices in China were very successful. In the intervening years, as these findings suggest, some services have expanded collaboration, while others have not, and variation between localities remains pronounced.

Indeed, delegation remains a secondary counterpoint to today's dominant theme for social services: the state is taking on vastly more responsibilities. As such services become de-coupled from employment at public enterprises, China's government has quickly expanded its role in service provision and has increasingly emphasized the "public-ness" of social services. Such services are expected to offer equal access, guaranteed quality, reliable supply, and assured accountability. In many realms, of course, such as affordable housing or long-term care, the reality is far from the announced expectation.

In addressing the vast demand for expanded and enhanced social services, public responsibility, however, does not necessarily entail public provision. And public provision is highly unlikely to be able to meet the challenge. Admirably alert to these crucial points, China's central and local governments have begun to invite private engagement as they seek to sidestep the sterile debate over the size of the public sector that engages so much political debate in the West (Jing 2008, 2012).

Yet, for many social services, current capabilities fall short of aspirations. The Chinese government has never had the benefit of a well-developed market of private providers for some of these social services. This lack of a history of fruitful cross-sector interaction in social service areas has not prepared officials with the information, experience-nurtured intuition, and institutions required for true collaborations with shared discretion.¹⁰

Despite great potential, lofty ambitions, and sincerely expressed desires to do much more, the private role in Chinese social services delivery remains limited. One important constraint, of course, is the embryonic form of the private not-for-profit sector in China compared to countries in Europe and particularly the United States, where there are long traditions of social service provision through such organizations. Moreover, China's central authorities appear to harbor doubts about the authenticity and reliability

10 See Donahue, Eggleston, and Zeckhauser (2018). For a related discussion from earlier in China's reforms, see Whiting (1998).

of non-governmental organizations and their link to the touchy subject of civil society. Much of what has actually been accomplished in this realm in China owes less to policy pronouncements on high than to pragmatic improvisation by local governments who are actually on the line to arrange for the provision of services. Localities tend to adopt their own approaches to each service. What is surprising is the limited evidence for convergence on any standard delivery model across the localities studied.

We do note a weak and uneven tendency for private involvement in social services to be somewhat higher for both low-income *and* high-income locales and somewhat lower in the middle. One possible interpretation is that in less-developed cities, “delegation by default” occurs when the government lacks the necessary resources. At the other extreme (and perhaps best illustrated by the districts of Shanghai in our sample), local governments in more-developed areas delegate with conscious strategic intent, and have rich ecologies of private counterparts and the institutional capacities to oversee their effort, so as to permit experimentation with collaborative governance, in both simple and complex forms, as well as simple outsourcing. This theory that collaborative governance in China comes in two models, basic and sophisticated, may ultimately prove to be the driving force for today’s pattern. Whether or not, a high degree of diversity in the earlier stages of policy development can pay dividends down the road. Best practices advance when the most promising approaches expand and proliferate, while less effective models wither. It is hard to imagine a larger or more fertile laboratory in this regard than today’s China.

It is not surprising that both our customized survey and broader official statistics indicate that, at least to date, the private role in China’s social services remains limited. One reason to expect this pattern is straightforward: social services are relatively hard to delegate. They tend to be complex, non-standard, and more resistant to definition, measurement, and monitoring than (for example) roads, bridges, or parks. Even in the United States—with its enthusiastic embrace of private-sector solutions and a long history of experimentation—the private role in social services remains constrained by the challenges of structuring collaborative relationships that meet acceptable standards of efficiency and accountability. These challenges can be overcome, of course; they frequently have been in the United States, and we are confident that they frequently will be in China. But it will take time, and the experience that accumulates with time, for this to occur.¹¹

11 Jing and Hu (2017) provide examples of how contracting over time can evolve into collaborative governance in China, by fostering mutual trust and collaborative accountability.

A second factor inhibiting private social services is more specific to China and will require special efforts to loosen. Theory suggests, and international experience affirms, that for many and indeed most social services, *non*-profit private entities are more suitable providers than *for*-profit entities. The complexity of the services to be delivered in education, healthcare, elder care, and other sectors; the vulnerability of the clients; and the difficulty or impossibility of complete or current monitoring, make the high-powered incentive of the profit motive—such a beneficial force when well-harnessed—somewhat hazardous.

Non-profit organizations, by contrast, are prohibited by law from distributing net revenues to owners, and this non-distribution constraint (when rigorously enforced) severely restricts the scope for manipulation for private benefit. In addition, non-profits can often exploit the motive of mission as well as (or instead of) money to lower the cost, improve the impact, and minimize the management burden of providing social services. There certainly are successful examples of for-profit social services in the United States and elsewhere. But the non-profit model predominates, and generally outperforms in such areas as higher education, hospitals, and welfare services. So the domain of the private sector may increase substantially as China creates its own path to expanding the non-profit private sector (as it has by calling for expansion of non-profits in health and education; see the respective chapters in Donahue, Eggleston, and Zeckhauser [2018]).

One final note warrants emphasis, however. *Within* this limited domain of private involvement, we expect collaborative governance to be especially important. The extremes on the spectrum of discretion are where the constraints bind tightest. Contractual outsourcing, whereby government retains discretion and private agents simply do what they're paid to do, is constrained by the difficulty of writing sufficiently specified contracts for many social services. Voluntary philanthropy, where private parties advance the public good as they define it with little discretion for government, is constrained by the underdevelopment of the non-profit sector in general and philanthropy in particular. Thus we expect China to become a laboratory for that middle ground of collaborative governance, where the public and private sectors experiment with models of shared discretion for the delivery of social services. And the world will watch and learn.

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