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Moving towards a Multi-level and Multi-pillar System: Changes in Institutional Care in Two Chinese Cities

SHANG XIAOYUAN*

ABSTRACT

This article examines the situation of institutional care in two Chinese cities. During China's market reforms, previous state welfare homes have encountered significant financial difficulties. At the same time, the demand for institutional care has been on the increase. In response, the Chinese government adjusted previous policies for institutional care in order to mobilise resources from the newly developing market economy. Guided by these new policies, state welfare homes in the two cities tried to solve the problems facing them in creative and entrepreneurial ways. Their efforts gradually changed their financial bases from total reliance on state resources to having more diversified resources. At the same time, new types of welfare homes began to emerge, which were funded by mixed resources from the government, the business society, local communities, and families or individuals. In fact, the coverage of institutional care in one of the two cities was greatly expanded with only very limited state investment.

In China, the population aged 65 and over reached 86.9 million in 1997 (according to SSB, 1998, pp. 20, 113). In 1987 there were about 51.64 million disabled people, 4.9 per cent of the total population. This number increases by about 700,000–800,000 per year (Zhu and Pan, 1995, p. 127). This would suggest that there are now above 60 million disabled people in China. In addition, there were reports that the number of abandoned babies (mainly disabled babies) found in the urban areas has increased (Interview, 1996), although the total number was not available.

* Associate Professor, Institute of Social Development and Public Policy, Beijing Normal University; Research Fellow, Social Policy Research Centre, University of New South Wale, Australia

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Demographic changes have also placed heavy pressure on the system of supporting and caring for these vulnerable people.

From 1978 onwards, China experienced a radical transition from a centrally controlled planned economy to a market economy and the Chinese economy has been developing at high speed. But, at the same time, the population of China has been ageing rapidly. This dynamic situation has posed numerous opportunities to and challenges for China's social welfare system. How do these socioeconomic changes affect China's more vulnerable people? How do these economic reforms affect China's social welfare system, especially its system of institutional care for old people, people with disabilities and orphans?

This article will examine the situation of two Chinese cities. The focus of this research is on institutional care for old, disabled people and orphans in a period of social-economic transition and rapid development. The main beneficiaries of institutional care used to be the *san wu* or 'Three Nos' households or persons, i.e., people with disabilities, older people and children who are not only unable to support or look after themselves, and also those who have no people who legally bear the responsibility to support or look after them (Chen, 1994). The caring services for 'Three Nos' households or persons are provided in the form of institutional and community care. State welfare homes used to be the main institution to provide institutional care for them and the Ministry of Civil Affairs (MOCA) has been the governmental body responsible for them.

The main finding of this research is that welfare homes in the two cities have encountered significant financial difficulties since the middle of the 1980s as the government appropriation granted to them has failed to keep up with the rise in living standards and inflation in a period of a rapid economic growth. At the same time the demand for institutional care has been on the increase. In response, the MOCA adjusted previous policies for fully state-funded welfare homes in order to mobilise resources from the newly developing market economy, and made new policies for promoting the development of 'society-run' welfare homes and 'community services'. Guided by these new policies, state welfare homes in the two cities which are the subject of this article, Nanjing and Lanzhou, have tried to solve the problems facing them in creative and entrepreneurial ways: by looking for donations from society, by charging for services and/or expanding their services to self-funded customers, and so on. The new strategy has been successful. Their efforts not only temporarily solved the problems facing them, but also gradually changed their financial bases from total reliance on state resources to having more

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diversified resources. At the same time, new types of welfare homes began to emerge, which were funded by mixed resources from the government, the business society, local communities, and families or individuals. In fact, the coverage of institutional care in one of the two cities was greatly expanded with only very limited state investment.

RESEARCH METHODS AND SITES

This research is a part of a broader research programme on 'Institutional Change and Social Welfare Provision in China's Transition to the Market'. The research has combined documentary investigation, in-depth interviews with a range of people involved in institutional care, and a small-scale sample survey. The research included in-depth interviews with 150 individuals, including officials, local residents, and old and disabled people themselves in 1996. We also organised a small-scale survey with a sample of 200 old people at the same time. The sample survey was selected by a multistage, probability and random method, the respondents being selected from families sampled from thirty-five residents' or dependants' committees in each city.[1] Apart from interviews, I visited the only two 'fully state-funded' children's welfare homes (one in each city) in the two cities, one 'fully state-funded' general welfare home (for aged and adult disabled people) in one city (Lanzhou) and four 'society' run rest homes in one city (Nanjing): two at district level and two at resident committee level. In May 1999, I interviewed some officials from the Bureau of Social Welfare and Social Affairs, and the Bureau of Social Relief and Disaster Relief, the MOCA in Beijing for the purpose of catching up on policy changes nation-wide after 1996.

Two Chinese cities, Nanjing and Lanzhou, were chosen as research sites. Nanjing is the capital city of the coastal province of Jiangsu, one of the richest provinces in China, where per capita GDP was 9,344 yuan in 1997 (SSB, 1998, p. 65). Lanzhou is the capital city of Gansu, one of the poorest inland provinces, with per capita GDP of only 3,137 yuan in 1997 (SSB 1998, p. 65). Nanjing has ten districts and five counties. The total population of Nanjing is 5.3 million, among whom 2.7 million are urban population (SSB, 1998, p. 366). From 1987 on, the population of Nanjing has been ageing very quickly, 10.7 per cent of its total population was above 60 at the end of 1994. This trend has been generating increasing demand for institutional care and community services for older people. Lanzhou has five districts and three counties. Its total population is 2.8 million (of which the urban population proper is only 1.5 million) (SSB, 1998, p. 366). In 1997, the population aged 65 and over reached 8.8 per cent of the whole population in Jiangsu province, compared with only 4.8 per cent in Gansu

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(SSB, 1998, p. 113). The two cities can be regarded as 'representatives' of rich and poor areas in China to a certain degree. The significant socioeconomic differences between these two research sites gave me a good chance to see how the socioeconomic and demographic factors affect institutional care in Chinese cities.

Institutional care for orphans in the two cities

Each of the two cities has one children's welfare home. They are the Social Children's Welfare Home of Nanjing City and the Children's Welfare Home of Lanzhou City. Before 1949, most orphanages in China were established and run by individuals, by churches or charity organisations, some of them from Western countries. After the communist government came to office in 1949, the latter were regarded as a kind of 'imperialist cultural aggression' by the new government (Duoji, 1995). Some of these orphanages were closed, some were taken over by the new government and reorganised as state orphanages, that is, state children's welfare homes. After the transitional period, a new system of social welfare and social relief was established and the government monopolised the running of children's welfare homes up to the present.

POLITICALLY ENGAGED CHILDREN'S WELFARE HOMES AND THE ECONOMIC REFORMS

The system of children's welfare home in China was characterised by government monopoly. The Chinese government bore full financial and administrative responsibility for welfare institutions. The role of the government used to be that of sole provider. The maintenance or development of children's welfare homes relied entirely on government appropriation, which was largely dependent on financial or political considerations of the nation, not the interests of orphans. In this context, not only did the government bear heavy responsibilities for supporting orphans, but also the situation of orphans became a kind of political symbol: either it was regarded as a manifestation of 'socialist advantages', or as something that 'brought shame on the socialist society' when things were going wrong. The interests of the orphans themselves, however, were hidden from view by political considerations. Efforts to seek other financial resources, such as appealing to society for donations, were implicitly or explicitly banned for political reasons (Interview, Lanzhou, 1996).

During the economic reforms, the Chinese economy has been developing at high speed. However, owing to the political voicelessness of conventional welfare beneficiaries and the lack of independent forces in Chinese society to form a voice for them (Shang, 1998), the MOCA found that it was at a

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big disadvantage in attracting more state appropriation.[2] The urban social welfare and social relief systems were facing policy neglect. The government's budget for social welfare (services) and social relief was reduced from 0.58 per cent of GDP in 1979 to 0.19 in 1997 (SSB, 1998, pp. 20, 280). State investment has fallen behind what is needed to maintain welfare provision at existing levels, and there is no way that civil affairs departments are able to meet the present demand. This macroeconomic situation has had significant effect on state welfare homes. State appropriation for them failed to keep up with rise in living and maintenance costs, even while the amount of such appropriation increased. A gap between the state appropriation and their real expenditure has occurred as a result. These welfare homes have to fill this gap through various forms of income-generation activities.

Another problem facing the children's welfare homes in both Nanjing and Lanzhou is that the number of abandoned babies is on the increase. Throughout the current socioeconomic transition, the flow of population from rural to urban areas has continued to increase. Increasingly, people in Chinese society come to know about children's welfare homes. As a result, more disabled children, mostly from rural areas, are being abandoned in the areas near these welfare homes (Interview, Nanjing and Lanzhou, 1996). In neither city can the rate of expansion of the children's welfare homes match the increase in abandoned children. The two welfare homes have about 600 beds for live-in children. However, about 600 to 700 abandoned babies were found per year in the two cities (Interview, Nanjing and Lanzhou, 1996). There was no problem with healthy babies: many families wanted to adopt them. From 1995 they could be legally adopted by foreigners and from 1999 they could be adopted by Chinese families. In Nanjing, some 80 abandoned female babies were adopted in 1995. It is very rare for Chinese families, or indeed for any family anywhere, to adopt disabled babies. Inevitably, most abandoned babies found in the two cities are disabled. This fact places a heavy pressure on local civil affairs departments and on the two children's welfare homes.

Against this background, the MOCA formulated its main reform policies. The state used to monopolise institutional care for ideological and political reasons. Now, for the purpose of dealing with financial difficulties faced by the old welfare system and the unique social problems that have appeared in the nation's socioeconomic transition, the MOCA has had to break this state monopoly and mobilise resources from all walks of life as well as to diversify its services. It gave permission to children's welfare homes to look for other financial resources, such as charging for

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services or appealing to society for donations. The following cases show how these policies are changing the financial base of institutional care for orphans from a state-dominant to a mixed system.

THE CASE OF THE SOCIAL CHILDREN'S WELFARE HOME OF NANJING CITY

In 1951, the communist government took over two orphanages from Catholic churches in Nanjing and merged them to establish a new welfare home for orphans, which was re-named the Social Children's Welfare Home of Nanjing City in 1981.

The Social Children's Welfare Home of Nanjing City is one of only two 'second-class children's welfare homes' in the nation (there is no officially recognised 'first-class children's welfare home' in China. The other one is the children's welfare home in Shanghai). The Nanjing home has 332 staff, including 137 doctors and nurses, and 20 teachers. The welfare home has 330 beds for live-in residents and 135 hospital beds for live-in patients. It currently accepts more than 400 children as residents, most of them orphans and/or disabled children. It provides services for the orphans in the welfare home as well as for paid outside patients.

The Social Children's Welfare Home of Nanjing City encountered significant financial difficulties in the 1980s. According to the head of the home, in the first half of the 1990s, although its state appropriation had increased greatly, its budget was still very tight. Its state appropriation increased from about 1 million yuan per year before 1993 to about 4 million yuan per year in 1995. However, the increase was not enough. The home had to find other ways to earn money for its children and to improve the living standards of the staff. This is called *chuangshou* or 'creating income'. During the investigation, I found that the target for 'creating income', set by departments of civil affairs, is 3,000 yuan per staff-member per year for a first-class welfare home, and 2,000 yuan per staff member per year for a second-class welfare home.

In the first half of the 1980s, the best doctors at the welfare home began to leave because the welfare institution could not pay them as well as other hospitals could. The welfare home realised that it had to find a new way to strengthen its financial base. It also realised that its capability and experiences in therapeutic programmes for disabled children were valuable resources, and that there was a big market for this kind of treatment, since few hospitals specialised in the field. From 1987 it paid close attention to developing its therapeutic programmes and hospital departments. For this purpose it took on an additional name, calling itself 'The Disabled Children Therapeutic Centre of Nanjing'. It made great efforts in

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different ways to attract outside patients: introducing better equipment and recovery technology, providing better services, investigating the extent of childhood disability in Nanjing city in order to find potential customers; establishing 'family hospital beds' for those disabled children whose families could afford them; and earning children's health services contracts with local major enterprises and public institutions. It also accepted paid resident children. These methods have been very successful in terms of making money (1.4 million yuan in 1995), and raising the home's reputation. Its residents come from all parts of China as well as from five other countries. The welfare home can therefore create income, and, because of this, it has the resources to improve the working and living standards of its staff. All of its nurses have opportunities to be trained in Hong Kong. If it did not do this successfully, it would inevitably lose its best staff.

The Social Children's Welfare Home of Nanjing City was officially recognised by the MOCA as a successful way for welfare homes to develop in the environment of a market economy. The way they run the welfare home was called the 'Nanjing model'.

Another way for welfare homes to create income is by appealing to society for donations. Chinese society is becoming richer than before and has a larger economical potential to support its vulnerable groups. The Nanjing welfare home began looking for donations from 1993 (this practice was banned before then). Donations from society increased very quickly. The mayor of Nanjing personally supports three orphans in the home. The welfare home ultimately obtained donations amassing to more than 400,000 yuan per year. Half of this money was used for children's food. Because of this, the children's nutrition was greatly improved. In 1996, it had already obtained 400,000 yuan by the period of the Chinese New Year.

THE CASE OF THE CHILDREN'S WELFARE HOME OF LANZHOU CITY

Lanzhou city was once the capital of one of the poorest inland provinces in China. In 1954, the communist government moved all previous orphanages from there to another city, Yinchuan. The city had no orphanages from 1954 to 1959. From 1959 to 1960, there was widespread famine in China and the province lost a population of almost 1 million. In consequence, the number of orphans increased greatly. The provincial government had to establish 84 new orphanages to take in up to 15,149 orphans. The children's welfare home in Lanzhou city was established at that time (Editorial Committee of *Annals of Gansu Province*, 1994). It was merged into an adult welfare home amid the political

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turbulence of the Cultural Revolution in the 1970s by a local 'Revolutionary Committee', which had temporarily replaced the previous local government. In the 1980s, it was once again separated from the adult welfare home (Interview, Lanzhou, 1996).

Like its counterpart in Nanjing, the Children's Welfare Home of Lanzhou City encountered significant financial difficulties in the 1980s. Before 1993, the state budget for the children's home was too tight to buy milk for nursing babies (Interview, 1996). In the first half of the 1990s, state appropriation to the children's welfare home increased, although at a lower rate in comparison with Nanjing. However, the increase might be due mainly to the fact that they have politically powerful staff and workers in the home. Table 1 shows that while, on the one hand, the state appropriation for the children's welfare home increased greatly in 1993 and 1994, on the other hand, subsidies towards the children's living standards did not change from 1992 to 1995. Most of the increased funds were used for the remuneration of staff and workers in the welfare home.

In Lanzhou, the head of the children's welfare home told me that the state appropriation was 83 yuan per child per month. The sum had to be divided up: 60 yuan per month for food, 10 yuan for medicine and 13 yuan for clothes and other items: 60 yuan per month was not enough for 500 millilitres of milk per day, and 10 yuan was not enough even for the cost of medicine for influenza. So the local government gave 25 yuan per child per month in additional subsidy. The welfare home have to pay the children's school fees when a child becomes old enough to go to an ordinary school. One child in the home had kidney disease. In order to treat him, the welfare home had already spent one and half year's budget for health services for all its children (Interview, Lanzhou, 1996). Sometimes they had to use flour porridge to feed their babies instead of milk (Interview, Lanzhou, 1996). This was a common practice in rural areas and in urban society twenty years ago.

As a result, the children's home has had to find other ways to earn money. Like the children's welfare home in Nanjing, there are mainly two ways for the home to generate income: one is to look for donations from society, and the other is to earn money by accepting self-funded children, and/or by providing therapeutic programmes or other health or caring services to self-financed patients.

In Lanzhou, the welfare home is not as fortunate as its counterpart in Nanjing. It has insufficient money for investing in equipment for therapeutic programmes and health services. As a result, it is unable to earn much money from hospital business, and has to rely on donations. The

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TABLE 1. *State appropriation for the children's welfare home in Lanzhou*

Year	State appropriation for the welfare home (yuan)	Living standard for each child (yuan/per month)
1983	–	25
1986	–	38–40
1989	–	51–53
1990	349,000	50–60
1991	379,000	50–60
1992	463,000	108
1993	601,000	108
1994	901,000	108
1995	937,000	108

Sources: 1983–89: Editorial Committee of *Annals of Gansu Province,* 1994, pp. 681–2; 1990–95: Interview with the head of Lanzhou's Children's Welfare Home, 1996.

head of the welfare home, an exemplary caring professional, told us he had found that increasing numbers of people in society would like to donate to the care of orphans, and that he had never been disappointed in his charitable fund-raising campaigns. The welfare home raised about 300,000 yuan in 1995. Most of this money was spent on children's food and clothes. The living standard of their children had increased from 108 to 220 yuan per month. Whereas, in the past, they could afford to give the children meat dishes on only three days during the Chinese new year, this year, however, they could now afford to feed them meat on 17 days. They can also afford to give their children meat dishes once per week, a luxury they could not afford before. All the babies in the welfare home now had regular supplies of milk (Interview, Lanzhou, 1996).

In sum, the administrators of the two children's welfare homes have to deal with pressure from four sources: various welfare demands of their staff, a very tight budget set by the state, the maintenance of a minimum living standard for their children, and the increased demand for their services from society. Although they have reacted to these pressures by making great efforts, and have successfully enlarged their financial bases by mobilising whatever resources have been available to them, their success has been affected by the political voicelessness of their main constituencies, in that they find it difficult to get both political and economic support at higher levels of government. They are compelled by their financial difficulties to rely increasingly on market-based resources. By doing so, the institutional nature of these welfare homes also is in process of change. They are no longer the previous 'fully state-funded' welfare homes. Their financial bases have been diversified. The cases of the children's welfare homes in Nanjing and Lanzhou also show how state

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children's welfare homes in different circumstances adopt different strategies, which largely depend on what resources are available to them. In the case of Nanjing City, the Social Children's Welfare Home is no longer a conventional welfare home; it produces therapeutic services, and charges for these services. The main function of the home has changed from providing free caring services to orphans to providing broader services to patients in society. If the trend continues, it could gradually become a financially independent welfare 'enterprise'. In the case of the Lanzhou home, half of its children's living costs depend upon non-government resources.

INSTITUTIONAL CARE FOR OLD AND DISABLED PEOPLE IN THE TWO CITIES

In China the main institutional arrangements to help vulnerable urban people include institutional and community care for the *san wu*, special employment policies for people with disabilities along with community services to them, and permanent or temporary poverty relief for the *san wu* and individuals and families in hardship. The services provided to the *san wu* are characterised by means-testing, kinship and capability testing, and very low benefits.

The caring services to the *san wu* or 'Three Nos' households or persons are provided in forms of institutional and community care. For the majority of the population in China, the family and network of relatives is the backbone of the system of caring for older or disabled people. Most older and disabled people receive caring services from their families. Institutional care is simply not available to them, either from governments, or from commercial providers.

Socioeconomic changes in the market transition and policy changes

During the economic reforms, two factors have had significant effects on this system. First, the economic development was accompanied by a process of decentralising economic power; from 1980 to 1995, the share of central and total government expenditures in GDP declined rapidly (EAAU, 1997, p. 110). The state's ability to achieve its main policy goal was seriously reduced. State appropriations for the previous state welfare homes failed to keep up with the rise of living and maintenance costs. A gap between state appropriation (from central government) and their real expenditure has occurred as a result. Local governments had to fill this gap through various forms of 'extra-budgetary' revenue generation. This created differences between 'inter-budgetary' funds', i.e., appropriations from the formal fiscal system, and the real expenditure of welfare homes and their reliance on

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'extra-budgetary funds'. At the national level, extra-budgetary expenditures account for 14.54 per cent of total real expenses for general welfare homes, 12.54 per cent for children's welfare homes and 26.26 per cent for mentally disabled welfare homes (based on statistics in Planning and Financial Bureau, MOCA, 1994, pp. 334–52). Resources from local governments and other channels have become increasingly important.

The second factor is that the market transition and rapid ageing of population raised new problems for the previously family-based caring system: demographic ageing, geographical mobility and rapidly decreasing family size (owing to the policy of one child per family) all contributed to the reduction of the functions of the family and the support it can provide. Our survey with 200 old people in the two cities suggests that more than 18.5 per cent of respondents do not live with their child(ren), and this per cent is 21 in Nanjing and 16 per cent in Lanzhou; 22.5 per cent of respondents said they were willing to live in welfare homes. The demand for institutional care for old and disabled people has been on the increase while the existing supply remains very limited. Political disadvantages, financial difficulties and new social demands have forced the MOCA to seek new resources and to put its work on a broader social basis. At the same time, the newly developed market economy has been providing fresh opportunities.

Given this background, the MOCA devised its main reform policies, which stressed the need for new methods of finding resources while trying to change the social base of the welfare system from vulnerable and politically voiceless groups to a broader one. The result was that civil affairs departments could claim more investment and support from government and society in order to meet both old and new social demands for welfare services. The new policies also give state or semi-state welfare homes a chance to respond to the challenge of the market in innovative and creative ways.

In practice, the policy changes in this field can be divided into two types. The first is the income-generation-oriented reforms for state owned welfare homes, which have been enforced since the 1980s. These stressed diversification of financial resources as well as of services. The MOCA gave welfare homes permission to seek revenue from other channels, such as allowing welfare homes to provide charged services or run small businesses in order to alleviate their financial constraints.

The second part of the reform policies is that the MOCA has decentralised service provision in order to mobilise resources from local governments and communities and to establish a multilevel and multipillar system of welfare homes. This policy was first made in 1984 and gradually developed into a whole set of new policies later called 'community services'.

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Community services in urban areas began in 1986–87. From 1994, the MOCA formally defined 'community services' as a new type of welfare economy, and set growth targets of output and profit value for it. The objects of community services include activity centres or welfare homes for older people and people with disabilities, *gongliaozhan* or 'welfare workshops' for the mentally disordered, and many other housework services, small restaurants, barber shops, repair shops and so on. Both ordinary residents and the needy are the intended focus of such community services. Small sums of state investment from 'extra-budgetary funds' of local governments, volunteers' efforts, and business income constitute the financial basis of community services.

'Community services' is the key point of a set of new policies. First, the 'social targets' of civil affairs departments were changed from very small and politically voiceless groups ('Three No' or hardship households) and broadened to include all urban residents. Second, civil affairs departments could ask for material investment or privileged policies at local levels on behalf of 'community services'. Third, the new policies were issued without necessary financial subsidy from central government (which was why the MOCA could achieve it), apart from the possibility of tax preference to local governments. This also explains why the contents of 'community services' include both profit-making activities and free welfare services. The new policies gave local civil officials a chance to mobilise market-related resources to solve social problems facing them. The implementation of the new policies is very decentralised because it relies entirely on local resources.

Guided by these new policies, institutional care in urban areas has gradually changed from a state owned system to a multiownership system; there are state owned, collectively or enterprise owned, share owned, and even privately owned welfare institutions to be found now. Currently, about 19 per cent of 'Three Nos' whom the state and communities support are in institutional care, and 81 per cent are in community care. At the national level, in 1997 state welfare homes provided only 18 per cent of beds, and accommodated 18 per cent of all institutional residents (see Table 2, where the decline in the number of rural welfare homes reflects gradual deterioration of rural community-based welfare systems after the decollectivisation in the 1980s). This type of development has played a part in changing the make-up of the sectors.

INSTITUTIONAL CARE IN LANZHOU AND NANJING

The current system of institutional care for old and disabled people in the two cities includes state welfare homes for old and mentally disabled people

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TABLE 2. *Development of welfare homes in China (1979–1997)*

Year	Total welfare homes	Government run	Collectively run	Among collective homes	
				urban	rural
1979	8,076	606	7,470	–	–
1982	11,270	684	10,586	–	–
1984	21,933	743	21,190	–	–
1985	27,855	752	27,103	3,481	23,622
1995	43,074	2,182	40,892	17,345	23,547
1997	42,385	2,216	40,169 ('society' run)	20,367	19,802

Source: SSB, 1987, pp. 117, 115, 121; SSB, 1996, p. 724; SSB, 1998, p. 792.

TABLE 3. *Multi-pillar welfare home system in China (1997)*

Welfare home at level	Welfare homes	Number of staff	Number of beds	Total recipients
Total	42,385	184,253	1,031,022	785,199
government run	2,216	64,542	186,918	143,749
society run	40,169	118,724	836,892	635,226
(urban)	20,367	65,494	456,880	351,930
(rural)	19,802	53,230	380,012	283,296

Source: SSB 1998, p. 792.

and semi-state rest homes. There is one general welfare home funded by the state for old and adult disabled people in each city. Nanjing has two welfare homes (hospitals) for mentally disabled people, and Lanzhou has one. In Nanjing, a multilevel welfare home system has appeared: although there is still only one fully state-funded welfare home for old and adult disabled people. Local governments at district and street levels have managed to establish 200 rest homes for old people, which rely on locally mobilised mixed resources (Table 4). This is not the case in Lanzhou.

Diversification: the case of the Lanzhou general welfare home

The general welfare home in Lanzhou is a fully state-funded welfare home. It was established in 1953 to accept 'Three No' older and disabled people. In 1996 it had 185 residents, 70 per cent of them disabled, and one third self-financed. It had 78 employees, and 25 retired employees on its payroll.

The welfare home obtained 0.85 million yuan from the government in 1995 (not including 0.4 million yuan for reconstructing its heating system) as its annual budget. This state budget was not enough to run

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the home. It had to spend 0.6 million yuan on salaries for employees and pensions for its own retired ex-employees, which left only 0.25 million yuan for the living expenses of residents in the welfare home and running expenses. The living standard of its residents is 87.5 yuan (equivalent to the price of 28 kilogrammes of flour in the city) per person each month, including food, clothes and health services. The welfare home actually spent 116 yuan per person each month on food. It had to use the money it earned to pay for very basic expenses, such as the subsidy of food expenses, and expenses of health services for its own staff. The welfare home could afford only the cost of basic health services provided by its own nurses. Its residents could not afford residential hospital care even in cases of emergency.

The home earned money in the various ways. It attempted to attract self-funded residents. Each self-funded resident had to pay 170 yuan if they could look after themselves, and 300 yuan each month if they could not look after themselves and were in need of special services. In order to attract more self-funded residents, the welfare home built some new houses with better equipment, charging those older people who could look after themselves 255 yuan per person per month. There was not much demand for its services in Lanzhou because older people in this city still preferred to stay at home with their children. Older people as well as their children would lose face if they lived in a welfare home. It hired out its spare rooms to people apart from the elderly. It ran small enterprises. It appealed to society for donations. By all these means, the home earned over 0.2 million yuan in 1995 (Interview, Lanzhou, 1996).

The case of Lanzhou general welfare home suggests that the welfare home was compelled by the financial difficulties facing it to diversify its financial base and to look for income from a potential caring market. It was a matter of supply and demand in the potential 'caring market' which decided whether the policy of diversification was successful or not. Because of this, a large demand for caring services for old people is actually a positive factor for the success of the policy of diversification. If there were more demand for institutional care in this city, the financial situation of the welfare home could be better.

Diversification and decentralisation: community services and institutional care in Nanjing

The welfare homes for older and disabled people in Nanjing are facing the same problem as their counterpart in Lanzhou in that the state appropriation for them has failed to match the rise in prices and standard of living. However, the civil affairs departments not only have to cope with the

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financial difficulties faced by so-called 'fully state-funded' welfare homes, but also to consider more social demands for welfare services, especially care for older people. For the second task, the civil affairs departments in Nanjing face a different situation from their counterparts in Lanzhou: on the one hand, the population is ageing more rapidly in Nanjing than it is in Lanzhou; on the other, the market economy is more developed in Nanjing than it is in Lanzhou. The situation means that there is both more demand for aged care, and potentially more resources in the market, which can be used to meet that demand. Facing both challenges and opportunities generated by socioeconomic change, the government's policies are crucially important in determining how well welfare services can meet the social demand. At the same time, government agencies have their own independent interests to pursue, such as the expansion of budget and influence. The new social demand has given a good opportunity to the local civil affairs departments in Nanjing to pursue their own interests. They have seized their chance with both hands, and promoted the development of 'community services'.

The development of community services relies entirely on local resources. Civil affairs departments have to ask for material investment or privileged policies on behalf of community services at local levels. In Nanjing, the Bureaux of Civil Affairs at municipal and district level managed to issue a set of documents jointly signed by about twenty other government agencies. These documents promised to give extra investment, new buildings and tax concessions, to district governments, street offices and resident committees, on behalf of the 'community services' (Interview, Nanjing, 1996). All the new buildings and investment will belong to government agencies at the same level but will actually be controlled and used by civil affairs departments. While doing so, the interests of civil affairs departments and local governments will be bound together, and the position of civil affairs departments in governments will become more important as well. Since the new policies were implemented almost without financial resources from central government and with only very limited financial support from local governments, local officials had to run profit-making businesses to earn revenue before they could deliver any services. In Nanjing local officials called this practice '*yi shi*(2) *ye yang shi*(4) *ye*' (using the money earned by profit-making business to support non-for-profit services). Local civil affairs departments earned large amounts of extra-budgetary funds through this practice, estimated at about two-thirds of government expenditures at district level. Community services therefore could develop on a self-created financial base.

In the context of the above mentioned institutional changes, in part as

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TABLE 4. *Multi-level welfare home system in Nanjing City, 1994*

Welfare home at level	Welfare homes	No. Employees	Beds	Recipients government funded	Recipients self-funded	Total recipients
Municipality	1	146	250	140	90	230
District or County	9	131	452	231	160	391
Street	191	671	3387	→	→	3,185
Total	201	948	4,089			3,806

Source: Interview with Bureau of Civil Affairs, Nanjing.

a result of the efforts made by civil affairs departments and in part because there was a great demand for institutional care, a multilevel welfare home system appeared in Nanjing. The Bureau of Civil Affairs of Lanzhou had made similar efforts, but with less success than in Nanjing, mainly owing to lack of demand. Figures for Nanjing's multilevel welfare home system are given in Table 4.

District welfare homes largely rely on the fiscal situation of district governments (on their extra-budgetary fund) since it is difficult for them to become financially independent. The local market economy in Nanjing is more developed than it is in Lanzhou, and so there are several welfare homes run by district departments of civil affairs. They are simple, but the older people in them appear to be content. Street offices in Nanjing also run some welfare homes, which they support themselves.

The strategy of developing 'society-run' welfare homes has been successful in Nanjing. The welfare homes 'run by society' have to be financially independent. That means governments do not invest much money in them. The following case shows how this type of welfare homes works.

One welfare home is located in Fuzimao street, Nanjing. It is subject to district government and run by the Section of Civil Affairs (*min zheng ke*). The street has a population of 42,746; more than 16 per cent of the whole population are 60 years old and above. There are sixteen 'Three No' older people. Although families bear the main responsibility of looking after older people, there is a large demand for aged care services.

The welfare home was established in 1987. It was established by 'society', not only in name, but also in practice. The district government managed to get funds for its main construction (120,000 yuan), and other 'work units' located in the district have made donations; a furniture shop donated several pieces of furniture, a television factory donated a colour TV set, and so on.[3] The welfare home has ten rooms, with an area

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of 260 square metres, and 24 beds, with a colour TV set and video in the common room.

The district government did not give money to the welfare home for maintenance. The welfare home has had to meet its expenses from its own income, and has had to be run in a very efficient way. Its main income comes from charging for the older people who live there. The principal ways it survived financially are as follows.

First, the main income of the welfare home came from the resident older people. It had two 'Three No' aged people, and 22 self-paying older people. The district section of civil affairs paid for the 'Three No' older people's living expenses, according to the state standard for 'Three No' people, 6,000 yuan per year. (If the 'Three No' old people did not live in the welfare home, the government would only have paid them 110 yuan per month.) The 'Three No' older people in the district have priority for residential accommodation. If they apply for residence, the welfare home would have to reduce the number of self-financing patients in order to free rooms to accommodate the 'Three No' people.

In order to maximise its income, the welfare home had to use its beds very efficiently. The rate of its bed occupation was always 100 per cent, and even more in special circumstances; it once had 32 resident older people. The manager of the welfare home changed its common room into a big bedroom for the extra eight people to live in.

Most of the older people in this district were retired workers. Their pensions were very limited, so the welfare home could not charge them more than the minimum rate. In 1996, the standard charges were:

(1) older person who can look after him/herself: 260 yuan per month, food inclusive;
(2) older person who can partly look after him/herself: 300 yuan per month, food inclusive;
(3) older person who cannot look after him/herself: 340 yuan per month, food inclusive.

The standard charge increases when the pension rate in the city increases. The average pension benefits in this district were between 350 to 360 yuan per person per month. The charge by the welfare home is slightly lower than the average pension, leaving the older people with a little pocket money.

Second, the welfare home had to reduce its expenses to the minimum standard. It had five staff: a manager, a chef and three carers. Their wages were lower than the local average wage, 260 yuan per person per

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month, without any labour insurance benefits. Because of this, the welfare home could employ only retired people, redundant workers or workers with rural resident registrations. These people could accept lower payment (since either they still enjoyed labour insurance benefits and some subsidy from their ex-employers, or else they had no other choice). For example, the manager of the welfare home was a pensioner, who could live on her pension income and who worked only partly because of the extra money; the chef had no urban resident registration, her husband was an urban worker, and she could not get a better job in the city without a urban resident registration. The other three staff included a redundant worker from a nearby loss-making collective enterprise, and two rural migrant workers. The five staff had to provide services for the 24 live-in patients, 24 hours a day, 7 days a week, without paid holidays or week-end leave. The head of the street office told me that there were so many redundant workers in the city, many of them wanted to have a job in the home. Anyone who did not work properly could be replaced with ease.

Third, the welfare home tried hard to reduce its expenses. For example, one of its main expenses was on food. The manager had the responsibility of buying food every day. She had to get up earlier than the others to go to a local 'early-bird market', where she could buy cheaper and better meat and vegetables for the resident older people. The local sellers knew her since she went to the market every day, and usually gave her some bargains.

Fourth, the welfare home also provided some food delivery services to the local home-cared elderly or disabled people, and charged for these services. The welfare home also charged self-funded resident older people for extra services, such as funeral services.

Because of these activities, the welfare home could keep itself financially independent. It could even save 5,000 yuan per year. The local section of civil affairs did not invest in any maintenance. When it needed new equipment, the local government would make the extra investment. In 1995, the district government invested 100,000 yuan to build a new rest pavilion for the welfare home.

There were 6 welfare homes like this in the district, with 121 beds in total. Local government invested only very limited money in them. However, there was a large demand for these services, and many older people had to wait for a long time to gain admission. The average age of the residents was 80 years of age.

In summary, the market economy and ageing population are creating new problems for, and social demands on, local governments. The new

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social demand is larger in economically developed areas, such as Nanjing, than it is in relatively underdeveloped areas, like Lanzhou. The local civil affairs department in Nanjing is using entrepreneurial ways to solve the problem. This strategy is successful in terms of benefiting both local government and residents. The multilevel welfare home system appeared as a result of these welfare policies.

The new type of welfare homes is markedly different from old state welfare homes in many respects. First, relations between welfare homes and the government are different. These welfare homes are not funded by the government so they have to make considerable efforts to balance their income and expenses in order to survive. Resulting from this fact, government involvement in these welfare homes and the economic efficiency of these welfare homes differs greatly. Second, relations between these welfare homes and their resident older people are different: most of the resident older people pay for the services they receive (although at subsidised prices) and the welfare homes rely on their payments. The older people have to be treated as proper customers, and they are no longer politically voiceless welfare recipients. To a certain degree they are the main work of these welfare homes now. Third, relations between these welfare homes and their staff are different from those in the old ones. The interests of staff are no longer central. The value of their services (or labour power) is decided by the market, so these welfare homes can provide services much more cheaply than the old ones do. Fourth, these welfare homes are not pure commercial providers, most of them get low rent houses from local governments and do not pay tax, which explains why they can provide services at affordable prices to low-income old people.

All this means that the new type of welfare home is actually half market agency and half welfare provider in nature. Since there is a great demand for this type of service, which will not be met by further government investment or by voluntary contributions, it can be predicted that the large demand for the care of older people will be responded to mainly by the market, or, more likely, by mixed efforts made by government, local communities, families, or individuals and business. This is the new welfare economy promoted by the MOCA. In this context, the tasks of government in this field will shift further away from direct welfare provision to making policies and regulations in order to achieve a healthy development of the new economy.

CONCLUSION

The case of the two Chinese cities is distinctive because it shows how the state may help its vulnerable citizens without major direct financial

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commitment, and how the government, the market and local communities may work together to meet welfare demands. The income generation-oriented reforms for state welfare homes, the policies of 'running welfare by society' and of 'community services' have had a limited success, in terms of solving social problems in a context of shortage of funding from the state.

As a direct result of these policies, the extreme financial difficulties faced by state welfare homes have been alleviated, and some old and disabled people other than the *san wu* are also receiving caring services, which were simply unavailable in the past.

These policies also produced their by-product: a new type of welfare system, or a mixed welfare economy. This has emerged through both the commercialisation of formerly fully state-funded welfare homes and the establishment of 'society-run' welfare homes. It is essential to the development of the new mixed welfare economy that the efforts made by government, by charity and market operations, and by community-based activities are integrated. The differences between the two cities also show how the social demands (for aged care, for example) and the market, could be positive factors in terms of accelerating the growth of the new welfare economy. The development of the new economy would be impossible without either of them.

The case of Lanzhou and Nanjing shows the direction towards which the Chinese social welfare system is shifting. Although it was still in an embryonic stage in the two cities in 1996, the new welfare economy has been developing at high speed in many other Chinese cities since then. In 1999 the MOCA introduced a new policy called 'socialising of social welfare' (which actually means the 'privatisation of social welfare'), and which combines and further develops the previous policies of 'social welfare run by society' and 'community services'. The new type of welfare system, or more accurately, the new mixed welfare economy, is booming in many Chinese cities. For example, in 1999 the municipal government of Shanghai planned to increase the number of beds in rest homes by 2,500 every year and the total number of beds is projected to reach 1 per cent of the total aged population. The investment needed for reaching this target will come from mixed resources. Currently, the government funded welfare homes have only 24.8 per cent of the total number of beds in this city, mixed funded rest homes (such as the case of Nanjing I analysed above) have 67.5 per cent, and entirely collectively or privately funded (without any government investment) 7.7 per cent. In Wenzhou, one of the most commercialised cities in China, the number of welfare homes has increased by almost 4.5 times over the past three years.

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Seventy per cent of the new welfare homes have been established and run by local 'society'. In other cities such as Guangzhou, Chongqing and Chengdu, the trend is similar. In Guangdong province, 90 per cent of welfare homes are mixed funded or privately funded (Interview, Director of Bureau of Social Welfare and Social Affairs, MOCA, Beijing, 1999). Moreover, the Chinese government is expecting the new economy to contribute to the alleviation of the heavy pressure exerted by widespread urban unemployment in the market transition while providing services for old and disabled people.

The case study shows that the civil affairs department in Nanjing city was heavily involved in establishing and managing the new type of welfare homes. With the deepening of the market-oriented welfare reforms and rapid development of new welfare homes, direct governmental involvement in establishing and managing welfare homes will further reduce. However, the responsibilities for regulating and supervising the new type of welfare home borne by the civil affairs department will increase. The MOCA has to make new policies in order to regularise the development of non-government welfare institutions and to achieve the healthy development of the mixed welfare economy.

In a conference held in 1999, which aimed at 'accelerating "the socialisation of social welfare"', the MOCA requested local departments of civil affairs to change the focus of their work from management to policy-making, to supervising the development of the new mixed welfare economy, and to promoting the development of 'intermediate organisations' (NGOs), which can deliver services to users in the future. When doing so, the MOCA has redefined its role as a regulator rather than a provider in welfare provision. This change was reflected in a recent internal organisational reform in the MOCA (Interview, Beijing, 1999).

The reforms promoted by the MOCA have their own potential problems although they succeeded in solving some social problems in the market transition. To attract more policy support, the MOCA has tried to expand the targets of its work from the vulnerable and politically voiceless groups to more social groups. Therefore, the civil affairs departments can claim more investment from the government and support from society. This strategy has had limited success in terms of meeting its target. However, it might lead to the present politically voiceless groups becoming even more voiceless, since not only other government agencies, but also civil affairs departments, their conventional representatives in government, are moving their focus from them to other social groups, which may be more politically influential (and which therefore can help to attract more policy attention) or richer (and which therefore can pay for services). If there

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were no political forces either within or outside the government to speak for these vulnerable groups, the state might further withdraw its financial support from welfare homes since the need of those people has been partly met by charity and market resources.

NOTES

1 In large Chinese cities like Nanjing and Lanzhou, there are three levels of government organisations: municipal level, district level and street level. Theoretically, government organisations at street level are only representatives of district governments. Below the street level, residents or dependants' committees deal with many government duties.

There were three stages in the survey: the street, the resident committee and the household. At the first stage, 9 of a total of 49 streets in Nanjing and 9 of a total of 42 streets in Lanzhou were selected. In the second stage, a list of all the residents'/dependants' committees in the sample streets was made according to the number of households, 35 resident (or dependent) committees in each city were selected from the list. At the third stage, a list of all households in the sampled resident committees was made in each city and the sampled households were selected from it randomly. The distribution of the selected households is as follows: two to three old people were selected as sample respondents and ten as alternative respondents in each resident/dependants' committees. All the surveys were conducted by face-to-face household interviews by undergraduate students from the Sociology Department, Nanjing University and Lanzhou University. The supervisors were five university teachers and postgraduate students, and thirty-five cadres of residents/dependants' committees in each city.

2 Cui Naifu, the ex-minister of civil affairs in the 1980s had to tell officials in the MOCA: 'Our civil affairs work should serve the central task of the Central Committee of the CCP. . . we should not make the party and governments feel that we are disturbing the fulfilment of the central task' (Zhen, 1996).

3 In China, it is very difficult for local work units to refuse to make the 'donations' required by local governments, since China's taxation system is not regularised and local governments can charge them for many different things, from family planning to killing flies. This type of donation reflected certain hidden power relations between local governments and 'work units'. Therefore, 'donation' cannot be regarded as having the same meaning as 'voluntary charitable contribution' which it carries in Western societies. However, owing to historic reasons, the work-unit system could comprise an important part of urban 'communities' in the post-reform era. A similar type of development is appearing in other parts of China without government intervention (Interview, Beijing, 1999).

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