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ARTICLE

The Entrepreneurial Welfare Mix: The Case of Community-Based Old Age Services in China

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Abstract
Developing an old-age service system that can meet the fast-growing needs of the aging population is challenging. It is increasingly recognised that community-level services should be pivotal in providing services to older people. In this article, the authors use the Chinese experience and argue that because the state is not clear how such a system should look like, all actors behave like entrepreneurs who strategise, take risks and search for a viable "business model". The research draws upon in-depth interviews and focus groups in six cities in China collected in 2015-2016 and follow-up interviews in one community in three cities in 2021. The findings show that the service system has evolved into a dynamic entrepreneurial welfare mix that actively embraces the market. This research contributes to the theoretical development of the welfare mix. The authors also raised possible issues with such a direction of change in the conclusion.

Keywords: Welfare mix; entrepreneurial; China; community-based; old age services.

Introduction

Developing a viable old-age service system in a fast-aging society is challenging (Muramatsu and Akiyama, 2011). Less well-developed countries and regions face even more severe constraints as they are "getting old before becoming rich". While the care burden would be higher in the coming years, the affordability of old age care and other social services remains low (Johnston, 2021). Understanding how developing countries and poorer regions have dealt with these constraints thus far is crucial in informing future improvements (Wang *et al.*, 2022).

China, for instance, is experiencing the phenomenon of "getting old before becoming rich"(Johnston *et al.*, 2016). With 254 million people aged sixty and above, the number is estimated to reach 402 million by 2040, equivalent to 28% of the population (The Lancet, 2022). China's aging trend is going to be steep because of the tight birth control for more than thirty years and the low fertility is difficult to be reversed to this day (Lucero-Prisno III *et al.*, 2022). China only became an upper middle-income country in 2010. The poorer provinces have even more severe need for old age services due to out migration of the younger population, but the older people have much lower affordability than those in the wealthier provinces (Chen *et al.*, 2022; Si *et al.*, 2023).

'Old age care' or 'aged care' refers to socialised care services that target the older population which can include in-home care, residential care in nursing homes, respite care, etc. 'Eldercare' or 'elderly care' is more centred around care within a family context (Horn *et al.*, 2015). Even though in the literature on China, people often use eldercare and old age care interchangeably. Old age services include services beyond 'care' (e.g. domestic helping, social participation, emergency support, information and legal advices). In this article, we use the term 'old age services' in communities to refer to a wide range of social services that support the lives of older individuals or families within the communities that they live in. As the old age service system continues to develop, the connotation of the types of services provided by the state and the private sectors also evolves over time.

Our research utilises official statistics, government documents and in-depth field research in multiple Chinese cities in China over seven years (2014-2021). It shows that the evolving old-age service system involves actors seeking viable business models, leading to a dynamic entrepreneurial welfare mix. Successful business models could deliver the urgently needed old age services. So far not all actors have discovered their business models, and a fully functioning coordinating framework is yet to be established. We will discuss the strengths and weaknesses of this approach and contributes to the theorisation of the welfare mix, providing insights for addressing the challenge of aging in developing countries.

Welfare mix

The term 'welfare mix' or 'mixed economy of welfare' came from the notion that welfare is not only produced by the state or the market (Salamon, 1987), but jointly by the state, market, communities, non-profits and households. The mix can be formal and informal and for profit or non-profit (Pestoff, 1992). The driving force for a welfare state to become mixed welfare or welfare mix can be driven by a whole range of factors, political ideology, economic cycles and the social trends (Hemerijck, 2012). A welfare mix can be reconfigured over time (Taylor-Gooby *et al.*, 2020). The changing configuration would reflect the shifting roles of the actors involved (Bode *et al.*, 2011) driven by shifting political contexts, e.g. regime change, changing social attitudes (Lim and Endo, 2016; Taylor-Gooby *et al.*, 2020), or social and economic changes (Steier, 2009; Taylor-Gooby, 1993). The policy tools used to achieve a welfare mix can be restructuring financial incentives (e.g. taxation – Park and Ide, 2014) and welfare benefits (Jenson, 2003), adapting models of delivery and governance (e.g. privatisation or co-production – Pestoff *et al.*, 2006), or redefining social citizenship (Ascoli and Ranci, 2013; Hogg and Baines, 2011; Moreno, 2010). The welfare mix may happen at a national or regional level (Carrillo and Duckett, 2010) and in various policy settings, e.g. care healthcare, and education (Böcker *et al.*, 2017; Liu and Cook, 2020). Mixed welfare has always been part and parcel of traditional societies (Lewis, 1999) and developing countries (Gough *et al.*, 2004).

Entrepreneurial welfare mix

The term 'entrepreneurial' means behaving like an entrepreneur who strategically uses resources to generate value for the business (Shafer *et al.*, 2005). More specifically, entrepreneurial behaviour includes strategic actions to use policy instruments to incentivise 1) innovation and 2) responsible risk-taking (Ricketts, 2006). For private entrepreneurs, the value is financial profits. For a social entrepreneur or Non-Government Organisation (NGO), the value can be social when financially viable (Müller, 2012). It has been recognised that the public sector can behave like entrepreneurs (Kayne, 1999). Governments pursuing financial gains or economic growth are often labelled as entrepreneurial state (Mazzucato, 2011; Dannestam, 2008). They may use social policy or social services to support or even boost economic growth as in the productivist welfare regimes in Asian countries (De Bruin, 2018).

Similarly, in the context of China, the tendency of the government to use an entrepreneurial approach toward social services has attracted the attention of researchers. For example, housing and even affordable housing have been turned into a fertile ground for housing financialisation

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for some local governments (Zhang, 2020) and for attracting skilled migrants (Shen and Li, 2022). Preschool, after school and higher education and healthcare have also become highly commercialised. But these are not much different from privatisation or productivist welfare state configurations.

In this article, we argue that in some field of welfare production, 'entrepreneurial welfare mix' is emerging in China, i.e. key stakeholders, including the state (centre/local), private providers and the Non-Profit Organisations (NPO)s, all behave like entrepreneurs. In this sense, the state's role in the entrepreneurial welfare mix cannot be equated with the usual welfare mix. In the entrepreneurial welfare mix, the key stakeholders, including the state, are not prescribing the solutions. They invest in the development of solutions that are viable as a business model. This definition has an underlying assumption that the state facing the social needs or challenges does not necessarily know how to generate long term solutions. New solutions can be risky for all stakeholders. Even the state is not sure where to put the money. The private actors can be equally risk averse. To examine an entrepreneurial welfare mix, we need to understand:

- The incentives of the stakeholders. As the market may not always recognise the commercial value of meeting certain social needs, they may be hesitant to step into a service field. An entrepreneurial government may introduce policies or make strategic public investments to stimulate or enable businesses development. Private and NGO providers may respond to these incentives to engage in finding business solutions.
- The usage of funding. Most of the funding comes from the private sector and the state actively attracts private sector funding to finance the welfare production. The state funds are 'seed funds' or start-up funds to develop new businesses and nurture new actors.
- The resulting service system. With the entrepreneurial welfare mix, we may observe a welfare production system that is more dynamic than the systems in which the state fully funds the services provided. This is because the investment made by the state is only seed fund, which is not sufficient for a business to survive. Failing to establish a viable business within the given timeframe would mean the demise of the business concerned.

Research methods

This in-depth case study employs qualitative analyses of field research data and documentation analysis of government policies. It aims to understand the complex policy system and actor interactions over time (Haynes, 2008).

Primary data was collected from various sources, including field research in six cities from August 2014 to May 2016: Shanghai, Hangzhou, Chengdu, Guiyang, Haicang, and Taicang. These cities were selected due to their involvement in national community old age care pilots, representing both wealthier coastal provinces (Shanghai, Zhejiang, Fujian and Jiangsu) and poorer inland provinces (Sichuan, Guizhou). In each city, three communities were researched (inner city old, inner city newly built, peri-urban), conducting in-depth interviews and focus group meetings with local stakeholders. Follow-up interviews with key informants (one local government official and five service providers) were conducted in 2021 to capture their adaption to policy changes. The researchers collaborated with the local Old Age Commissions or local Civil Affairs Bureaus identifying stakeholders and organising focus groups.

The researchers asked questions about the interviewees or their organisations' roles in the service system, constraints they face, and their strategies for business survival. The interviewees and focus group participants were anonymised. The interview and focus group data are transcribed and organised into themes, and quotes are attached to the themes. Secondary data, such as historical documents and official statistics, were also used to provide national-level information.

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Findings

Policy shift: from welfare mix without entrepreneurship to entrepreneurial welfare mix

Welfare mix without entrepreneurship

After the Communist Revolution, China broke away from the traditional care model of relying on children for elder care. Ever since there has been continued efforts to search for a viable mix to meet the changing needs of older people. The 1954 Constitution of the People's Republic of China (1^{st} edition) stipulated that financial support should be provided to sick and disabled older people by the state or the community. The state was responsible for providing social protection and implementing the retirement system concerning the state-owned enterprises, public institutions, and government organisations. In practice, the state only provided subsidies and some subsidised services to retired urban formal employees. Family members (spouses and children) were expected to look after their older people. The socialisation of old age services was very limited, and services targeted those who could not take care of themselves and had no children or relatives. By 1964, 700 care homes across the country served 79,000 older people (Pei, 2004). However, many regions terminated the pastoral care system due to funding shortages (Liu, 2006). Therefore, even in the so-called 'Central Planning' era, it was a mixed welfare system in which the state provided some minimalistic welfare, employers allocated the welfare entitlement, social service providers provided services according to a person's entitlement and families provided care for the majority of the population. State-run urban or collectively run rural care homes supported the poor without income and kin's support. Some public sector retirees and honoured soldiers would get some state provided care. In the society, there was ad hoc support among neighbours and schools would organise students to show respect to the elders (尊老、敬老) during school holidays and national holidays.

In this state prescribed, or more accurately, state choreographed 'welfare mix', the local actors were expected to follow central government set the rules. The local governments and other actors, except for the kin and friends, were merely implementers of the central government policies. The funding for the state-defined social services was budgeted and allocated according to the diligent implementation of the centrally prescribed services.

The entrepreneurial central government: searching for a viable welfare mix for old age services

In the 1980s and the 1990s, children's capacity to care for their parents declined due to the shrinking average household size (four point four one in 1982, three point nine six in 1990, further down to three point four four in 2000 – Hu and Peng, 2015). This trend was attributed to the impact of the One-Child Policy and the lifestyle change that children and parents stopped living under one roof (Zeng and Wang, 2018). As housing was privatised, the residential communities organised through employment also started to disperse, and people resettled more frequently. These changes undermined the old social support system for old age services, which hinged heavily upon the informal help provided by family members and neighbours.

Initially, there was some considerable enthusiasm for institutionalised care homes, as high-ranking civil servants had been well taken care of in state-funded care homes. This was seen an ideal solution by many. Some local authorities even considered the possibility of older individuals using their pension social insurance to pay for such services (West, 1999). However, as the population continued to age, the demand for long-term care became more pressuring. Even older individuals with pensions found it increasingly difficult to afford long term care. In response, the state adopted a similar approach as before: raising funds. In 2016, a pilot program for long-term care insurance was launched in twelve cities to assist people to pay for long-term care services. By 2022, this insurance program had been expanded to include forty-nine cities (Hanewald *et al.*, 2022).

Funding aside, the state quickly recognised that solely relying on institutionalised care was not feasible. Affordability was one concern and having all older people staying in care homes would be inefficient and inconvenient and inconvenient for families (Li *et al.*, 2021). It became evident that additional steps needed to be taken before older people could transition into care homes.

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However, there was no concrete idea of what the new old age care system should be. Starting from 1996, the government took a more proactive approach to social service delivery by establishing a multi-layered service system (State Council, 2001). The objective was to provide: 'ten care home beds for every thousand older people, and care home services were to be provided in 90% of the rural towns and villages'. However, transforming this pledge into reality proved challenging. Private businesses did not perceive the field as attractive for investment.

To incentivise community-based services, a Starlight Project funded by the Sports Lottery, 32,000 old-age service facilities emerged in urban communities in three years, providing a range of services including domestic workers, emergency support, day care, health and recovery, sports and entertaining activities (Mu, 2009). There were also some privately funded service facilities in the wealthier housing estates. By 2005 there were, on average, one point three urban welfare facilities for older people in every sub-district, and every nine point eight residential complexes had one urban welfare facility for older people across the country (State Council Information Office of the People's Republic of China, 2006). However, in 2006, the funding for Starlight Project was discontinued as the state realised that the community service providers did not manage to replace state funding with private funding.

To push for further marketisation, the government withdrew from social service delivery completely, turned its service arm into NGOs, and encouraged new NGOs and private enterprises to fund and deliver social services. The twelfth Five-Year Plan (2011-2015) proposed to build an old age service system to produce thirty care home beds per thousand older people. New national standards for care facilities at the community level were also introduced (State Council PRC, 2011). By the end of 2015, there were 2280 national level old-age service NGOs, 210,000 legal aid centres, 71,000 organisations for protecting older people's rights, 53,000 older people's schools with seven point three three million older students, 371 thousand activity rooms (Ministry of Civil Affairs, 2016). However, it became evident that NGOs and small businesses could not shoulder all the old age care services all by themselves.

The earlier ninety (family) + seven (community) + three (institution) service structure was changed to ninety-seven (home + community-based services) + three (institution) service structure. Considering that home-based services took the lion's share of the service market, merging the community-based care with home-based care opened up the home-based services to community-based service providers, which had been struggling with low demand within individual communities.

In recent years, the central government shifted focus to the private sector and promoted the 'Silver Hair Economy' by leveraging the power of the financial market. Banks were urged to offer favourable loans to private companies entering the old-age service sector. However, the Silver Hair Economy did not meet the state's expectations. Even the old age friendly real estate development turned out to be a bubble. The COVID-19 further disrupted the market activities. In 2022, the central government further integrated the development of old age services into the national agenda as a means to boost the economy. 'Old age consumption' was the catch phrase. In a report published in 2022, the State Council's 'Opinions on Further Unleashing Consumption Potential and Promoting Consumption Sustained Recovery' tipped several market opportunities for private businesses: old age care homes of various scales, commercial pension insurance, domestic healthcare equipment, old age friendly internet shopping, adaptation of old age friendly homes and living environment and old age cultural and entertainment facilities.

The policy changes indicate that the central government was not very clear what to do to begin with. It has been experimenting with using a wide range of resources and different service structures (communities, state, market and family) to produce a more viable welfare mix at the national level. It deliberately avoided a fully state-funded service system. Very different from the central planning era where the central government policy makers dictated what the local implementers could do, in the post-1980 era, the central government only focused on agenda-setting, incentivising local authorities and local service providers to come up with service models

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that fit local circumstances and institutionalise the good local practices. The state was willing to revise the service structure to create conditions for non-government service providers to survive.

Entrepreneurial local authorities

As the national agenda shifted towards supporting private and NGO providers, the local governments adjusted their positions and saw their role as creating a framework and setting the stage for old age care services and attracting businesses to run the show (zhengfu datai qiye changxi, 政府搭台, 企业唱戏). This was also partially because the local authorities were not very clear what show they should put on. The field research in 2014-2016 identified several types of local state stage setting. The local governments' entrepreneurial behaviour has the following aspects.

- Partnership with service delivery NGOs and enterprises. The governments made in-kind contributions such as business venues and in-cash contributions, such as annual cash contributions or block grants. These were often well-established services that would require continuous delivery, such as older people's canteen, and live-in care centres.
- Project-based government grants, in which private businesses or NGOs bid for government funding to organise activities and provide services, and the latter had to show the outcomes of the activities, e.g. how many events were organised or how many users were served. These were either one-off events that had to show immediate results or new service initiatives that could establish themselves. For both types, the contractors have to prove the money was not spent in vain. If the new services were successful, they could either be absorbed into the state subsidised programs for a longer term or became self-sustained businesses. For example, the day-care centres started from trial initiatives to be institutionalised later in Shanghai.

The governments had no intention of being the sole funder of community-based services. It expected the service providers to develop viable business models and use more private-sector funding.

The field research in 2014-2016 also revealed that when the local officials acted as funders, they were pushed to behave like entrepreneurs because they had to be responsible for the performance of their funding portfolios and make 'good' investments. They had to face performance indicators such as how many service providers were funded, what services were funded, how many people served, value for money, user satisfaction, etc. However, they were not always experienced investors. The seemingly controlling behaviour of local governments, as often complained of by the NGOs in the field research, could be the result of lacking in trust in the ability of the NGOs. This was particularly the case in the early days when NGOs entered the field. They were not experienced to operate like businesses and were likely to rely on the state funds only. However, the government officials could be penalised if the NGOs they invested in were not successful or broke their promises.

Some local officers or staff members working for community governing bodies (resident committees, 居委会) were keen to turn the social work NGOs (working on identifying service needs and matching funds) into their subordinates. This had been interpreted by some of the social workers as the governments' intention to control them. However, a deeper investigation would show that this was often the 'entrepreneurial' initiative of the committee staff members. They faced two challenges at the NGO social workers arrived. The first was the long-lasting issue of poor staffing at the grassroot level both in terms of numbers and qualifications. In the Chinese residential communities, there were five to nine committee staff members for 1000-3000 households. The higher level authority, the Street Office (jiedao ban, 街道办), has twenty to twenty five formal and casual staff members for a 20,000 residents neighbourhood and less than 100 staff members for a larger neighbourhood of 100,000 residents. They had to implement policy

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tasks assigned by all government agencies, as often compared to as 1000 threads from above leading to one needle at the bottom (上面千条线,下面一根针). The existing staff members working for the grassroots level authorities were often retired older people who were not well trained. In contrast, social workers at NGOs were younger and had university degrees and often received professional certificates. They were a very attractive labour force to the resident committees. The second challenge is the NGOs posed serious competition. Some NGOs had overlapping scopes of businesses with the local authorities. If the resident committees do not improve the ways they work, the NGOs might be able to replace them. Fearing that they would be replaced by the social work NGOs, the local authorities either openly criticised the NGO workers for being out of touch or lacking in experience or sent their own staff members to study to get social worker certificates. These responses showed that the local authorities were motivated by the possible loss of jobs rather than for political reasons. This could be further confirmed that by 2021, in the community we studied in Jiangsu, more university graduates entered the grassroots authorities as employees and the older staff members were also better trained, the local authorities no longer considered the NGO social workers as threats.

Also at the early stage, the attitudes of the local officials varied geographically. In Shanghai and Zhejiang, the local officials quickly recognised the market's potential even in the early 2010s. In Jiangsu, the local officials were hesitant to give up control in 2015 but became more friendly to market players in 2021. Some other local governments such as those in Sichuan and Guizhou were more open to NGOs initially than the other cities, probably because of the relatively longer presence of NGOs in this part of the country (Li *et al*., 2019).

Relatively speaking, in the largest cities like Shanghai, Hangzhou and Chengdu, urban space was a big constraint in service delivery in communities. The services started from single service in a room in the residential building or in a converted office space. They gradually evolved into one stop service complex that offers multiple services in one venue. Obviously, different locations have different availability of space. Inner city communities suffered from more serious aging issues but struggled to get service space. Peri-urban communities had more rooms for providing services, but there were not enough older people to attract service providers. Some entrepreneurial municipal governments such as Shanghai started to explore the possibilities of converting inner city housing into rental housing, and moving older people living in city centres to better services in a peri-urban old age housing complex.

Entrepreneurial service providers

There is nothing new about having private or NGO service providers behave like entrepreneurs. However, examining their changing attitude overtime in the entrepreneurial welfare mix will give us some insights on the interaction between the state and the service providers. In 2014-2016, NGOs interviewed complained about government control and insufficient government funding. Not many private sector businesses operated in the community old age service sectors as they did not see 'business' in these service fields. Whereas in 2021, the NGO service providers seemed to have shifted their attention away from getting more support from the government and the focus of their attention shifted to how to reshape the businesses to become profitable. The driving force behind such change was the pressure to survive. The NGOs were more aware that the state only wanted to provide seed funds and they had to leverage the limited government support to gain much larger funds.

In just one community in Jiangsu, we identified several strategies:

1. Working with private investment. The NGOs interviewed in 2021 discussed how they tried to raise funds from private investors, how they came up with franchising ideas to raise funds in the capital markets, and how they had tried to partner with giant state-owned and large

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private enterprises to raise more funds. They discussed selling the brands to the bigger service providers as business modules.

2. Developing brands and charging fees. In 2014-2016, a couple of famous companies were active in the market. Smaller NGOs looked up to these successful companies, but the smaller NGOs quickly dismissed fee-based services as they did not want to be perceived as money-driven. In 2021, every NGO interviewed, young or old, big or small, spoke in business languages. They talked about providing fee-based services, and they were more than happy to discuss charges for membership that would allow access to more advanced services. They were enthusiastic about brand building and developing standardised services for future franchises.
3. Diversifying business. In 2014-2016, community service providers usually focused on one or two types of old-age services. The businesses struggled with a small number of users and were keen to take over the services for multiple nearby communities to achieve economy of scale. The local authorities were unwilling to let them expand to different communities as they were unsure whether the service providers would channel the ear-marked service resources to other communities. These days, each service provider runs several lines of services (e.g. old-age care and childcare; old age learning and old age tourism) or produces 'add-ons' to the old age services (e.g. providing old-age care and selling old age-friendly products) and businesses of a different nature (e.g. daycare centre + convenient stores or book stores). Most service providers also combine on-site services with home-based services.

With the recent state effort to lure private businesses into the care sector, some new service models mushroomed in the sphere of community-based services. For example, 1) 'G2B' (government-to-business): the government pays for the construction of care facilities and entrusts or funds the care providers to provide home-based services in the community; 2) 'B2C' (business-to-consumer): the service company directly provides services and collects service fees from customers or commercial insurance; 3) O2O (online to offline): digital platforms are introduced to match services which would be delivered face-to-face (Zhang and Men, 2018). These new private actors often relied on digital platforms to allow services to run across-administrative boundaries.

Discussion and conclusion

The field research helps to put together a landscape of the entrepreneurial welfare mix, which shows that when there is no clear solution to a major social challenge, all key stakeholders in the welfare mix behave like entrepreneurs. There is still a general guideline at the national level regarding what goals to achieve, but the national government does not prescribe solutions as it used to do. It created platforms and adjusted the service structures to improve the efficiencies for subsidies. It also flew the flag for the Silver Hair Economy and actively signalling market opportunities. The local states' role became investors. The investment was meant to be start-up funds for business entrepreneurs to enter the field and develop viable businesses. The NGOs and private businesses learnt to shift from government fully-funded service deliverers to business developers and focus on attracting private funds rather than counting on the government. In the process to adapt, the government employees also evolved into entrepreneurs as they had to identify businesses with good potentials and support them to perform well. In this sense, the collection of stakeholders formed the welfare mix, an eco-system of entrepreneurship.

The entrepreneurial welfare mix so far has not been able to solve the old age care service problem. However, it stirred up greater interests in the private sector. The willingness of the private businesses to engage with the state's calls is obviously related to the continued efforts to optimise the service framework so that the private businesses would have greater flexibility to decide where and how to provide what services. The result is the emerging of a kaleidoscope of

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partnerships and business models. The once ideologically motivated NGOs are now starry-eyed when talking about the potential to sell the branded services to venture capitalists or franchise out to become service chains. Questions, however, remain. Is the entrepreneuralisation of the welfare mix creating a de facto privatisatised system? Will the NGOs become cream-skimming private businesses after they taste the juicy fruit in the private market, in particular the capital market? Will the increased investment be matched with improved services?

Lastly, it is worth noting that the entrepreneurial welfare mix is not the single form of welfare mix in China. As discussed, the lack of clear solutions allowed this particular type of welfare mix to thrive. Where the state believes that it knows what to do (such as education reform), the state continues to behave in an authoritarian manner. Then in the future, if the state gains better understanding of the old age care system, will there be a U turn? The answer to this question is crucial as it may determine how deep the private sector is willing to engage.

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