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Dual Identity and Social Organizations' Participation in Contracting in Shanghai

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ABSTRACT

Chinese governments, driven by both pragmatic and legitimacy purposes, have been enthusiastically engaging social organizations in service contracting to meet rising service demands. This article argues that social organizations' participation in contracting is shaped by their dual identity as state agents and social actors. Such a dual identity is forged by China's institutional environment and its internal tension may create both incentives and disincentives for contracting. Using the data from the competitive contracting for the social service program in Shanghai (2009–2013), the article finds intriguing evidence that both identities had positive influences on social organizations' participation. Social organizations actively participated to demonstrate loyalty and manage their relations with government, as well as to seek new resources, social visibility and professional capacities. They reconciled the two identities by adopting multiple strategies. Further analysis reveals how contracting has been adapted to the social-administrative system in China.

Introduction

The institutional environment of social organization development in China has been getting increasingly encouraging.¹ After decades of fast economic growth and significant demographic changes, Chinese society has developed a strong demand for social services that far exceeds the direct service capacities of government.² Engaging social organizations has become a constituent of the blueprint of China's public service system. In 2013, the Central Government issued *Circular No. 96*, announcing the principle that governments shall make efforts to contract with capable social forces for services.³ The Ministry of Finance and other ministries then jointly issued *Notice No. 96* in 2014 to regulate the

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¹Yijia Jing, 'Between control and empowerment: governmental strategies towards the development of the non-profit sector in China', *Asian Studies Review* 39(4), (2015), pp. 589–608.

²Linda Wong, 'The third sector and residential care for the elderly in China's transitional welfare economy', *Australian Journal of Public Administration* 67(1), (2008), pp. 89–96; Yijia Jing, 'Outsourcing in China: an exploratory assessment', *Public Administration and Development* 28(2), (2008), pp. 119–128.

³The Office of the State Council, *Guanyu zhengfu xiang shehui liliang goumai fuwu de zhidaoxing yijian* [Guidelines on the Government Procurement of Services from Social Forces]. *Circular No. 96*, issued on 26 September 2013.

processes of service contracting.⁴ As fiscal revenues in China have increased rapidly,⁵ the policy favor of social service contracting may divert huge resources to social organizations in China.

Besides pragmatic demands, these changes reflect increasing legitimacy of social organizations in China. Decades-long marketization has led to a more complex Chinese society whose demands and problems are growing beyond the reach of the state. The rise of domestic civil society and China's external learning have gradually induced an official view of social organizations as supplementary and complimentary to government.⁶ The post-2003 official agenda for a harmonious society paved the path for governments to support and share the growing social organization legitimacy. In response to a newly announced task of 'social construction,' 'social organization' was adopted for the first time in Hu Jintao's Assembly Report to the Seventeenth Congress of Communist Party of China (CPC) in 2007. The simultaneously proposed social management system included party leadership, government responsibility, social partnership and citizen participation as its four elements. Following that, experiments of social deregulation unfolded, while local innovations like social service contracting diffused quickly.

How will the voluntary financing scheme of contracting work? Especially, how will it attract the participation of social organizations? This article intends to look at the responses from social organizations in China to examine these questions. There is ample evidence in Western countries that social organizations face both incentives and disincentives in participating in contracting. Financial resources are always the number one incentive. In 2006, 29.4% of social organization revenues in the US were from government grants and fees.⁷ Flow of public funds to social organizations pushed governments to improve social regulations and contract management, making social organizations more professional, transparent, accountable and thus legitimate.⁸ These favorable factors led to not only a 'global associational revolution,' but also a strengthened collaborative relation between governments and social organizations.⁹ Nonetheless, contracting with government has a dark side. Contracting social organizations may suffer from red tape, drift of organizational missions, and extended obligations to comply with public law norms.¹⁰ Social organizations may hesitate to contract with governments despite the promise of resources.¹¹

The pros and cons of contracting for social organizations in China are further shaped by China's institutional contexts. Despite the increasing recognition of the positive functions of social organizations, China's social organization policy is still control-oriented.¹² Social organizations are mostly followers of government, despite being increasingly self-conscious and resilient.¹³ It is not clear to what extent the market model of contracting may offer social organizations the freedom as market players regardless of administrative boundaries and fetters entrenched in the social regulation system, and it may offer them a chance to mitigate their resource dependence on government. Social organizations

⁴Ministry of Finance, Ministry of Civil Affairs and General Administration of Industry and Commerce, *Zhengfu goumai fuwu guanli banfa (zanxing)* [Regulations over the Government Procurement of Services (Provisionary)]. Notice No. 96, issued on 15 December 2014.

⁵The annual growth rate of China's fiscal revenues between 2000 and 2014 was 18%. Nonetheless, the growth rate has dropped below 10% since 2015.

⁶Dennis Young, 'Alternative models of government–nonprofit sector relations: theoretical and international perspectives', *Nonprofit and Voluntary Sector Quarterly* 29(1), (2000), pp. 149–172.

⁷Kennard Wing, Thomas Pollak and Amy Blackwood, *The Nonprofit Almanac 2008* (Washington, DC: The Urban Institute Press, 2008).

⁸David F. Suárez, 'Collaboration and professionalization: the contours of public sector funding for nonprofit organizations', *Journal of Public Administration Research and Theory* 21(2), (2011), pp. 307–326; Katherine O'Regan and Sharon Oster, 'Does government funding alter nonprofit governance? Evidence from New York City nonprofit contractors', *Journal of Policy Analysis and Management* 21(3), (2002), pp. 359–379.

⁹Lester M. Salamon, 'The resilient sector: the state of nonprofit America', in Lester Salamon, ed., *The State of Nonprofit America* (Washington, DC: Brookings Institution Press, 2002), pp. 3–87.

¹⁰Arthur C. Brooks, 'Is there a dark side to government support for nonprofits?', *Public Administration Review* 60(3), (2000), pp. 211–218; Jody Freeman, 'Extending public law norms through privatization', *Harvard Law Review* 116(5), (2002), pp. 1285–1352.

¹¹Susan MacManus, 'Why business are reluctant to sell to governments', *Public Administration Review* 51(4), (1991), pp. 328–344.

¹²Vijia Jing, 'Between control and empowerment'.

¹³Tony Saich, 'Negotiating the state: the development of social organizations in China', *The China Quarterly* 161, (2000), pp. 124–141; Andreas Fulda, Yanyan Li and Qinghua Song, 'New strategies of civil society in China: a case study of the network governance approach', *Journal of Contemporary China* 21(76), (2012), pp. 675–693.

may have difficulty in understanding and adapting to the 'contracting' invitation from government. On the one hand, as agents of their supervisory government agencies, social organizations have to fulfill tasks assigned from above. On the other hand, they are increasingly perceived as social actors and are expected to survive and prosper by meeting emerging social demands. The relation between these two identities may determine social organization responses to contracting.

This article will analyze social organization participation in contracting by looking at the dual identity of social organizations and their reconciliation in China. As both state agents and social actors, social organizations may face obvious tensions in balancing the conflicting mandates from the hierarchy and from the market. Does the regime simply leave this difficult trade-off to the social organizations by providing a contracting option? Alternatively, does the corporatist regime in fact maintain a safety belt by providing an affordable and directional process of transition that gradually introduces openness and competition? This article will argue that both identities will influence social organizations' attitudes toward contracting, and the level of success in reconciling them depends on the extent that the political model of control and the economic model of contracting are streamlined in the macro institutional context.

The article will first discuss the formation of the dual identity of social organizations in China and its predicted directions of influence on social organization participation in contracting. Then Shanghai's competitive contracting for the social service program will be introduced and actual social organization engagement in that program will be analyzed. The authors of the article will then use survey data and interview information to analyze the incentives of social organizations to participate and how they reconciled the two identities. The authors will discuss the internal logic of such reconciliation and its effects before concluding.

Dual Identity and Social Organization Response to Contracting

Dual identity of social organizations in China was first of all a consequence of China's social regime that was built in the 1950s with a prioritized goal of social control. As political totalitarianism and economic planning hardly allowed social freedom and space, social organizations were either abolished or retained after being reformed by the state as state organs. Post-1978 political and economic reforms relaxed the stringent political control over social organizations and partially restored their social identity. A corporatist social regime has emerged since the 1980s to internalize the rising tensions and conflicts due to the emergence of a civil society.¹⁴ Specifically, social organizations were allowed to be established to meet various kinds of new social demands under a state-dominated regulatory system.

The core of the corporatist social regime was a social organization registration and supervision system (SORSS) that matched China's administrative structure.¹⁵ In 1989 the Chinese central government issued *Regulations on the Registration and Supervision of Social Groups (shehui tuanti dengji guanli tiaoli)* for membership-based social organizations. In 1998, *Provisional Regulations on the Registration and Supervision of Service Organizations (minban feiqiye danwei dengji guanli zanxing tiaoli)* was issued to set rules for social organizations focusing on service delivery. The *Regulation on the Supervision of Foundations* was issued in 2004 as an update of its 1988 version.¹⁶ These regulations shared a consistent logic of social control. For social organizations to be legally built, they should first have a business supervisory agency (*yewu zhuguan danwei*), which was usually a party or government agency at or above the county/division level (*xianchuj*). Then they could apply for registration at a corresponding Civil Affairs agency in that jurisdiction, which also did annual appraisal for registered social organizations. The business of

¹⁴Yijiang Ding, 'Corporatism and civil society in China: an overview of recent debate in China', *China Information* 12(4), (1998), pp. 44–67; Bruce J. Dickson, 'Cooptation and corporatism in China: the logic of party adaptation', *Political Science Quarterly* 115(4), (2000), pp. 517–540.

¹⁵Timothy Hildebrandt, 'The political economy of social organization registration in China', *The China Quarterly* 208, (2010), pp. 970–989.

¹⁶Social groups, service organizations and foundations are three major types of social organizations in China, with the former two accounting for the absolute majority in number.

a registered social organization was limited to the jurisdiction of its business supervisor, and usually in one jurisdiction only one social organization could be established for one specific functional area. SORSS carefully embedded social organizations in the existing administrative grid. Resources, missions and management of social organizations were controlled by their supervisory agencies. A national survey of 1,508 social organizations was carried out in 1999, showing that 54% of social organization revenues were from governmental grants, subsidies and service fees.¹⁷ Recently enacted legal documents like the 2016 *Charity Law of the People's Republic of China* and the 2016 *Law of the People's Republic of China on the Administration of Activities of Overseas Non-Governmental Organizations within the Territory of China* reaffirmed the SORSS principles. The dominance of the administrative system created no confusion for social organizations as primarily an agent of the government.

Nonetheless, the Chinese government has developed a genuine demand for professional social organizations at arm's length. Despite an administrative orientation, social organizations are all 'social' by definition according to laws and their organizational charters. As the lack of professional social organizations was thought to be as a result of exaggerated administrative control and intervention, recent reforms have developed a principle to separate government from social organizations in their operation. Incumbent officials are no longer allowed to assume the leadership of social organizations, while it has become more difficult for retired officials to do so. Social worker as an occupation has received systematic policy encouragement, lending support to rational and professional management of social organizations.¹⁸ In 2014, there were more than 150,000 certified social workers in China.

Meanwhile, a changing socioeconomic environment provides more diverse resources to social organizations and increases their autonomy. Service fees have become one significant revenue source. Charity-based donations proliferated. In 2014, donations by citizens and organizations reached an unprecedented RMB 104.6 billion.¹⁹ In that single year, Ma Yun and Xu Chongxin donated 2% of the share of the Alibaba Group, with a value of RMB 24 billion, to build a charity fund.

Recent dissatisfaction with the performance of social organizations has resulted in selective deregulations. In 2011 the Beijing Municipal Government allowed industrial and commercial associations, social welfare, charity and social service organizations to apply for registration without having a supervisory agency. Guangdong Province applied this to all types of social organizations in 2012. Local governments may introduce different models of social organization development with varying combinations of empowerment and control.²⁰ Some local governments were active in developing social innovation culture and supporting grassroots social organizations and new social entrepreneurs, such as the venture philanthropy program that emerged in Shanghai and then spread to cities like Shenzhen, Guangzhou, Suzhou and Kunshan.²¹

These local reforms were recognized by the Third Plenum of the 18th Party Conference held in 2013, which re-emphasized the general principle to separate government from social organizations.

Upon this background, contracting for social services seems a further effort to move the line of trade-off between the two identities in favor of the social one. Contracting creates a demand–supply market whose resource allocation benefits service producers with competitive advantages. In theory, social organizations that are more professional, responsive to market demands, and autonomous in decision-making have a higher chance of obtaining government contracts, and of surviving and prospering in the long run. The rights and obligations specified by the contract shape the relations between

¹⁷Guosheng Deng, *Feiyingli zuzhi pinggu [Nonprofit Organization Evaluation]* (Beijing: Shehui kexue wenxian chubanshe, 2001).

¹⁸In 2004 the Ministry of Labor and Social Security issued the *State Occupational Standards on Social Workers*. Since then this Ministry and the Ministry of Civil Affairs have made a series of policies encouraging and regulating the development of this occupation.

¹⁹Tuan Yang, ed., *Zhongguo cishan fazhan niandu baogao 2015 [Annual Report on China's Philanthropy Development 2015]* (Beijing: Shehui kexue wenxian chubanshe, 2015).

²⁰Jessica Teets, 'The evolution of civil society in Yunnan Province: contending models of civil society management in China', *Journal of Contemporary China* 24(91), (2015), pp. 158–175.

²¹Vijia Jing and Ting Gong, 'Managed social innovation: the case of government-sponsored venture philanthropy in Shanghai', *Australian Journal of Public Administration* 71(2), (2012), pp. 233–245.

contracting governments and social organizations. Hence social organizations may be driven by their social identity to welcome contracting.

Nevertheless, the identity of social organizations as state agents may prevent them from being optimistic about contracting. Most social organizations were created by their supervisory agencies. These supervisory agencies not only have responsibilities to monitor the political behavior of affiliated social organizations, but they also have them as important public policy instruments. Further, they may also share in open or invisible ways the economic and managerial benefits produced by service activities of social organizations.²² An exclusive principal–agent relation is a precondition for supervisory agencies to maintain such a leadership position. If social organizations develop multiple principals through contracting, supervisory agencies may face political risks as well as lose instrumental benefits. As social organizations in China still have a general inclination to establish good connections with government,²³ they may hesitate to participate in contracting which may disturb their relations with supervisory governments.

Hence contracting may create dilemmas for Chinese social organizations that are driven by two competing identities. Two extreme consequences may be imagined. One is that social organizations participate actively in a way to seriously damage their administrative identity. This seems unlikely as social control will continue to be a policy priority in China. Another is that social organizations are simply fettered by their supervisory agencies and give up the new opportunities. This is still undesirable and violates the recent trends of social reform. Consequently, the author predicts that contracting in China will be introduced in a way to accommodate both identities of social organizations. In the following, the local practices in Shanghai will be examined to see how this may be possible.

Research Methods and Data

Shanghai, a city with more than 25 million residents, has been the first among many prospering and ambitious Chinese cities to seek the status of a global city. The city's economic affluence, highly aged population and sophisticated public management have encouraged local officials to lead nationally in social service provision and innovation. Limited by the small size of its civil service as well as by the lack of expertise and capacities in delivering new and high-quality social services, the city has developed a strong interest in contracting with social organizations. Contracting is also deemed as a way to cultivate social organizations that may actively participate in community governance and improve social harmony.

The Program of Competitive Contracting for Social Services, as one prominent case of such efforts, was started by the Shanghai Municipal Bureau of Civil Affairs (SMBCA) in June 2009. The SMBCA invited the 18 district governments in Shanghai to submit a call for proposals (CFPs) of one-year service projects and then organized competitive bidding on their behalf. To induce the participation of district governments, service projects that were contracted out would be half financed by the SMBCA. These projects could only be contracted to social organizations through bidding. By preventing district governments from selecting the contractors, this annual program has the aim of encouraging competition, openness and professionalism in order to promote the performance of a variety of services for the elderly, the urban poor, the disabled, young people and other disadvantaged groups. Since 2009, the program has been continuously implemented except in 2010. Tables 1 and 2 show general information about the program. By the year 2014, 678 contracts had been awarded to 325 social organizations with a total value of RMB 246.25 million.

In 2009, the author began intensive studies of the program and established close research relations with the SMBCA. The research team received archives of all the bidding documents by the yearend of

²²Francis Corinna-Barbara, 'Quasi-public, quasi-private trends in emerging market economies: the case of China', *Comparative Politics*, (2001), pp. 275–294.

²³Xueyong Zhan and Shuiyan Tang, 'Political opportunities, resource constraints and policy advocacy of environmental NGOs in China', *Public Administration* 91(2), (2013), pp. 381–399; Xueyong Zhan and Shuiyan Tang, 'Understanding the implications of government ties for nonprofit operations and functions', *Public Administration Review* 76(4), (2016), pp. 589–600.

Table 1. Contracts and contract value of each year, 2009–2013.

	2009–2010	2011–2012	2012–2013	2013–2014	Total
No. of contracts	127	170	197	184	678
Contract value*	39.84	59	80.08	67.33	246.25

Note: *The unit is RMB million.

Source: Compiled from the SMBCA archives.

Table 2. Competition and cost saving of the program, 2009–2013.

Service recipients	Contracts	Submitted proposals (total and per contract)	Average contract value (RMB)	Cost saving* (RMB million)	Rate of cost saving
Elderly	318	711/2.24	436,495	5.43	3.91%
Children	107	238/2.22	320,404	1.44	4.19%
Poor	93	175/1.88	279,377	0.77	2.96%
Disabled	98	212/2.16	301,024	0.95	3.23%
Other	62	149/2.40	290,691	0.69	3.85%
Total	678	1485/2.19	363,196	9.28	3.77%

Note: *Cost saving refers to the difference between contract price and the price cap set in the CFP.

Source: Compiled from the SMBCA archives.

2014 including CFPs, proposals and contracts. The research team conducted semi-structured interviews with officials from the SMBCA and all district governments, as well as with the leaders of ten contracting social organizations in 2009 and 2010. The team also participated in a series of work meetings organized by the SMBCA.

To examine the impacts of the dual identity, in 2010 the author administered a questionnaire survey with all 116 contracting social organizations of the first program year, and obtained 104 effective responses. These 104 social organizations were quite young with an average age of six years in 2009, and 32 social organizations were less than three years old. The average number of full-time staff members was 11 in 2009, ranging from 0 to 117. Seventy percent of them had annual budgets of less than RMB 500,000 in 2009. These social organizations reflect exactly the characteristics of social organizations in China which are: young, small and not highly professional. The following analysis will use data from all the above sources.

Analysis

The archival data from the SMBCA show a picture of active participation in Shanghai's competitive contracting program. Table 3 summarizes the proposals attracted by contracts (column 1), proposals submitted by social organizations (column 2) and contracts awarded to social organizations (column 3). For the 678 contracts awarded in the first four program years, 463 of them attracted at least two competitors. On average, each contract received 2.19 proposals, similar to the reported 2.48 of a similar program in New York City.²⁴ Five hundred and eighty-two social organizations submitted proposals, with an average of 2.55 and a range between 1 and 29. Three hundred and twenty-five (56%) social organizations got at least one contract, ranging from 1 to 18.

Table 3 shows good participation and competition, which seems surprising according to prior discussions. To explain the active participation of social organizations, the survey asked the social organizations to rank a series of potential incentives for them to participate in service contracting. Answers range from 1 (fully agree) to 5 (fully disagree). Table 4 shows the descriptive statistics of the survey results. The replies to these questions demonstrate positive influences of both identities.

²⁴Emanuel S. Savas, 'Competition and choice in New York City social services', *Public Administration Review* 62(1), (2002), pp. 82–91.

Table 3. Participation of social organizations in the program, 2009–2013.

Proposals received	Contracts	Proposals submitted	Organizations	Contracts awarded	Organizations
1	215	1	289	0	257
2	172	2	125	1	172
3	246	3	58	2	70
4	38	4	39	3	47
5	6	5	17	4	12
6	1	6	14	5	12
		7	11	6	3
		8	6	7	1
		9	6	8	2
		10	4	9	1
		11	3	11	1
		12	1	12	2
		13	2	14	1
		15	1	18	1
		16	1		
		20	1		
		25	1		
		26	2		
		29	1		
Sum 1,485	678	1485	582	678	582

Source: Compiled from the SMBCA archives.

Table 4. Incentives of social organizations to participate in contracting, $n = 104$.

Incentives	Min	Max	Average	Standard deviation
Compliance	1	4	2.01	0.72
Relationship management	1	4	1.83	0.76
Resource diversification	1	5	1.84	0.95
Reputation and branding	1	5	1.81	0.85
Service capacity	1	4	1.56	0.59

The Identity as an Agent of the State

A social organization's identity as an agent of government hinges on its organizational affiliation to supervisory agencies, as well as on its general dependence on government agencies for critical resources like budgets and legitimacy. Contrary to the article's predictions, participation in contracting seems to be supported by this identity.

Compliance

Social organizations were asked if they participated in contracting with the aim of accomplishing tasks for supervisory government agencies. Interestingly, they basically agreed and returned an average answer of 2.01. Such a recognition of a hierarchy-driven obligation seems to violate the logic of contracting as a market model that encourages free choice and autonomy. By further examining the first year's service projects regarding their local sponsors and contracting social organizations, it is found that 107 of the 127 projects were awarded to social organizations that were registered in the jurisdictions where the services were delivered. In 2013 there were 165 such projects among all the 184 projects. Contractors of these projects were mostly affiliated to government agencies that designed these projects. So, although they signed contracts with the district bureau of civil affairs, in reality these social organizations successfully got the contracts from their supervisory agencies through a competitive process.

The interviews with government officials show that the competitive bidding program was introduced in 2009 as a major social innovation of the SMBCA. District governments in Shanghai had no experience

with the new policy, but had to participate due to top-down institutional pressures.²⁵ For those government agencies that decided to submit their service projects to the SMBCA for bidding, they worried that strangers or unqualified social organizations would win just by offering a seemingly better response plan. Such fear of losing control drove these agencies to encourage their affiliated social organizations to submit proposals. This obviously offered 'incumbent' advantages as these social organizations were entrenched members of local communities where contracted services were delivered. Not surprisingly, proposals from within a jurisdiction had a 39% chance of winning the contract, while it was only 17% for proposals from other jurisdictions.

Relationship Management

Social organizations were asked if they had the aim of obtaining government support and other benefits beyond the contracts. The answer is again positive, with an average of 1.83. Under the current SORSS in China, social organizations have to carefully manage their relations with supervisory agencies. Taking and implementing a contract successfully can demonstrate social organizations' loyalty and capacity to supervisory agencies, and encourage the latter to keep their multiple resource commitments to affiliated social organizations. Enhanced trust from supervisory agencies is critically important as they hold enormous discretion to influence the governance structure and processes of affiliated social organization.

Meanwhile, participation in contracting activities could further expand the social organizations' connections to a wider scope of government agencies and make them more publicly visible. Social organizations were usually implementers of their supervisory agencies and had relatively simple and narrow relational networks. Being a service contractor helped social organizations build multiple connections with the SMBCA, district government agencies and other government agencies. The expanded and enriched networks of social organizations may bring about convenience and new opportunities. The enthusiasm to widen governmental ties reflected a deep belief in government as the patron of social organizations.

The Identity as a Social Actor

Social organizations' identity as social actors may drive them to take advantage of the market and professional opportunities provided by contracting. The survey offers evidence that social organizations' quest for resources, reputation and capacities positively influences their participation in contracting.

Resource Diversification

Social organizations were asked if they pursued a purpose of accessing new financial resources. The answer was positive with an average of 1.84. Contracting social organizations diversified their economic resources in two ways. For those who got contracts from government agencies in other jurisdictions, they received new service payments. There were 20 such contracts. For another 107 contracts, they were awarded to contractors registered locally. The chance was high that these projects were partially based on what the contractors had been doing. For them, contracting basically led to a change of funding methods and the real revenue increase was mostly from the matching money from the SMBCA. Consequently, they got less discretionary money.

New resources were critical for social organizations in order to hire new staff and professional social workers. Sole-source fiscal supply and line-item budgetary allocation under the existing social regime hinder the flexibility of social organizations to develop professional capacities. In contrast, contracting social organizations should hire professionals to design implementation plans and deliver services. As the pay level of social organization employees was far below a white-collar standard, social organization leaders were eager to get multiple contracts which may co-subsidize a few decently-paid positions in need of high-skilled employees.

²⁵Jing Yijia and Bin Chen, 'Is competitive contracting really competitive? Exploring government–nonprofit collaboration in China', *International Public Management Journal* 15(4), (2012), pp. 405–428.

Reputation and Branding

Contracting social organizations also agreed (1.81) that they participated for better organizational reputation and branding. The reputational gain came from multiple sources. A first source was the fact of getting a contract through competition. This was a symbol indicating that the social organization was competitive and professional. It also indicated sound internal management and governance structures since these were preconditions for submitting bids. A contracting social organization may also be deemed as innovative, active, and willing to take on challenges. A second source was the recognition from the government system. As the program involved multiple levels of governments, being a contractor meant a systematic commitment from the government. This was especially useful for grassroots social organizations that could convince potential donors of their good relations with the government. In addition, training, best practice exhibitions and public engagement activities organized by the SMBCA offered new opportunities for public visibility for social organizations.

Reputation of social organizations quickly rose as an important intangible asset. This reflected the richer and more diverse resource environment of social organizations, which had to disseminate their information, trustfulness and capability in a cost-effective way to meet external expectations and access resources. Social organization reputation was useful for both contracting governments and potential donors to identify reliable partners. The effect was cumulative.

Service Capacities

Contracting social organizations agreed most that they were incentivized by a motivation to enhance their capacity to deliver charity services (with an average score of 1.56). Contracting led to multiple capacity consequences. To compete for a contract, social organizations had to develop their response plans with implementation details including scheduling, human resource inputs, targets and goals, and financial estimates. Usually they had to hire certified social workers and design implementation from professional perspectives.²⁶ They received more monitoring and accountabilities on their service delivery, as well as better support from government such as training, access to community residents and coordination with other community organizations. These new changes were in sharp contrast to the old model in which social organizations waited for orders and instructions from their supervisory agencies. Service capacities developed through contracting may be deployable to other jurisdictions, affording more mobility to social organizations.

Contracting social organizations also benefited in other ways that would positively affect their service capacities. To be a qualified and reliable service partner, they unanimously made efforts to formalize their organizational governance by building councils, creating clear authority structures and standard operating procedures, and ensuring compliance with accounting and financial regulations. These measures tended to induce better organizational management and service performance. Contracting has greatly enhanced the interactions of social organizations with government, familiarizing them with the public institutional environment and raising their efficiency when working with government.

Identity Reconciliation in Contracting

The above analysis shows that social organizations were positively motivated into contracting by both—seemingly competing—identities. As the hierarchy-based administrative affiliation conflicts with the free market model of contracting, social organizations have taken various strategies to balance the two identities.

First, they systematically made use of their connections with government to secure contracts. The survey shows that most contracting social organizations had delivered similar services at the contracting jurisdiction before the program was started. This probably indicates that local governments designed

²⁶The number of certified social workers was used as one indicator to evaluate a social organization's professionalism in Shanghai's competitive contracting program.

service projects based on their service activities. Both the survey and the interviews showed that it was common for contracting governments to consult the contractors about the design of the CFPs. Such engagement provided these social organizations with incomparable competitive advantages. The tacit consensus served both the contracting government's desire to avoid uncertainties and the social organization's desire to secure resources. To get that privilege, social organizations would have to demonstrate their loyalties and take broader responsibilities than those specified in contracts. In that sense, the formal contract was made informal and relational.

Second, contracting social organizations usually developed their business by deepening their strategic partnerships with local governments. Although competitive bidding allowed social organizations to freely submit proposals, governments tended to treat strangers as opportunists. An anecdote was that in the summer of 2010 an interviewed official of Songjiang District complained to the author that a social organization from Yangpu District 'burst into' the bidding of a project he managed. That social organization submitted four proposals in other districts in the first year and won none. Later the author met the CEO of that social organization. He admitted that he made no efforts to contact contracting governments and only designed proposals to respond to the CFPs that were put online. In the next three program years that social organization submitted 12, 1 and 7 proposals, respectively, and got one contract each year, two from Yangpu District and one from the neighboring Hongkou District. Although this organization has developed fast in recent years and became a star in applying high-tech to elderly care, the ambition of this CEO to get a lion's share in this program received outright setback.

Data show that most successful social organizations cultivated focused, deep and sustainable partnerships. Table 5 shows the five social organizations that received the biggest number of contracts between 2009 and 2014. These organizations usually received most contracts from a single district. Interestingly, all of them except the Elderly Association of Pudong New District of Shanghai were established on grassroots initiatives. Even for these social organizations with more autonomy, the social service market still tends to be segregated, due to the administrative grid as well as the inborn nature of social services as local and less indifferent.

Last but not least, social organizations and leaders demonstrated an interest in acquiring political capital to facilitate their professional development. The Xintu Center for Community Health Promotion in Table 5 is a telling example. The CEO had started it from scratch in 2006 and became a member of Shanghai People's Political Consultation Conference and the Secretary General of Shanghai Association of Social Workers in 2012. Her organization received multiple titles and awards from government such as 'Advanced Social Organization in Shanghai in 2012' and 'Certified 5A Social Organization in China'. These and other honors were helpful to attract diverse donors such as the Narada Foundation, Baxter Foundation, American Chamber of Commerce in Shanghai and Glaxo Smith Kline. The CEO of the HBJJ

Table 5. Top five social organizations in receiving contracts, 2009–2013.

	Contracts awarded	Proposals submitted	Rate of success	Major source(s) of contracts, number and concentration of contracts
Xintu Center for Community Health Promotion	18	26	69%	Pudong New District, 11, 61%; Huangpu District, 6, 33%
Shanghai Xinqing Center for Community Development	14	15	93%	Huangpu District, 14, 100%
Elderly Association of Pudong New District of Shanghai	12	26	46%	Pudong New District, 12, 100%
HBJJ Homecare Service	12	29	41%	Pudong New District, 10, 83%
Fuyuan Social Worker Office	11	13	85%	Jiading District, 11, 100%

Source: Compiled from the SMBCA archives.

Homecare Service in Table 5 also became a standing council member of the Shanghai Association for Intellectuals in New Economic and Social Organizations.

Discussions

The local experiment in Shanghai to plant the market model of contracting in its social-administrative grid seems to have harvested some success by attracting participation and competition. This case provides another example of how the Chinese system can adopt Western models by both introducing self-adjustments and imposing changes over the imported models according to contextual demands, and can thus keep changing in a controlled manner. The rational calculation of contracting social organizations was essentially a response to the constraints and inducements that were provided and shaped by the institutional environment. So what were these self-adjustments and intentional changes in Shanghai's contracting experiment?

The key to such a smooth adoption is the program's inherent linkage to the social-administrative system. While free participation and competition was promoted, only registered social organizations were qualified to submit proposals. Such a requirement brought in the full spectrum of China's social regulation regime and created a basic institutional dilemma for social organizations to participate. For registered social organizations, extending service activities beyond their registered jurisdiction is in theory illegal according to current social regulation represented by SORSS. To handle this, there was a tacit consensus that allowed some experimental flexibility for this program, for example a social organization registered in Huangpu District could receive a government contract in Jing'an District. The underlying logic of political appropriateness was that both the supervisory government agency and the contracting government agency were aware of this and did not disagree. While it may be difficult for a social organization to get that trust from both its supervisory agency and the contracting agency, this was definitely a step forward that slightly relaxed the rigid restriction on social organization activities. Active social organizations that were able to get along well with the two governmental principals could take advantage of this new change to reach out.

Hence contracting nested in the social-administrative system may predict a dual-track system of social management. In the traditional track, registered social organizations are still organizationally and politically supervised by their supervisory government agencies. In the new track, social organizations shall get financial resources from contracting governments by responding to their service demands. These contracting governments may or may not be their supervisory agencies. Such a dual track retains governmental control and meanwhile offers market incentives as well as disciplines to social organizations and allows them to expand their business.

The operation of such a dual track is not without constraints. One major problem is the uncertainty due to the shift of resource base. Social organizations that were accustomed to their dependence on supervisory agencies found it difficult, if not impossible, to quickly adapt to a market model. Another problem, ironically, is that successful shift of resource dependence, if it happens, may unavoidably hurt the authority of supervisory agencies. Hence a compromise was reached through the actual implementation of the program. Contracting governments usually invited social organizations that they supervised or knew well to participate in the open bidding process. The bid evaluation process organized by the SMBCA would have no problem identifying the incumbent advantages of these bidders and following the preference signals from contracting governments.

So although the resource base of a symbiotic relationship between governments and social organizations remained largely intact,²⁷ the way in which to get funded changed from direct appropriation to contracting. While social organizations got more opportunities from the new policy, it is too early

²⁷Anthony J. Spires, 'Contingent symbiosis and civil society in an authoritarian state: understanding the survival of China's grassroots NGOs', *American Journal of Sociology* 117(1), (2011), pp. 1–45.

for them to be overly optimistic about the new scheme. Those social organizations that were more capable in relationship management and in service delivery benefited most. Interestingly, as Table 5 shows, the most successful social organizations in getting contracts were those that were established in response to market demands and kept at arm's length by the government in contrast to the traditional social organizations. These social organizations, besides demonstrating reliability to the government, were more capable of applying new service models and creating performance credits to contracting governments.

Conclusions

This study discusses the dual identity of social organizations in China and how it may shape the social organization participation in social service contracting. Dual identity of social organizations has been historically forged by China's integrated social-administrative regime, and has been made more evident by the recent regulatory relaxations and policy changes that encourage social organizations to be capable service deliverers. Dual identity demands both loyalty to supervisory government agencies and responsiveness to social demands. While recent reforms tend to reinforce social organizations' social identity, the basic structure of the institutional environment of social organizations maintains a balance of emphasis on control and empowerment. A simple judgment is that social organization participation will be negatively affected by their administrative identity yet positively affected by their social identity, so the result may be mixed.

Service contracting is used to examine the existence of dual identity and how it may affect social organization participation. The case study of Shanghai's program of competitive contracting for social services between 2009 and 2014 demonstrates active participation, showing an average of 2.19 proposals per contract. Questionnaire survey and other research methods offer evidence that social organizations were, different to theoretical expectations, positively driven by both identities to participate in contracting. They wanted to both better serve their supervisory agencies as well as make themselves more professional, resourceful and visible. Participation strategies of social organizations reflected their awareness to compromise the two potentially conflicting identities. They made use of their ties with government agencies to secure contracts, develop strategic partnership with local governments, and acquire political capital and support.

The Shanghai case reminds us of the pros and cons of the Chinese-style incremental reforms that have always been struggling for a difficult balance between competing or conflicting mandates. Social organizations' response to contracting was shaped by institutional incentives and constraints intentionally embedded in the contracting policy. The newly created track, namely the resource supply in the market, cannot effectively function independently of the old track of political control. In practice, contracting led to a formal change of the financing method under existing supervisory relations. The seemingly high competition should be seriously discounted as the winning odds of competitors without prior connections with contracting governments were small. Without significantly weakening incumbent advantages, genuine participation and competition would have to be restricted, and the aim of promoting social organizations' professional performance would not be fully achieved. The study in this article, consequently, supports rather than rejects the predicted directions of the influences of the two identities of social organizations on contracting.

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