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# Contracting Out Social Services in China's Three First-Tier Cities: Exploring 'Variation' through the Eyes of NGO Practitioners

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In the last two decades, the Chinese government has made serious attempts to enhance social provision by contracting out social services. Empirical evidence suggests that openness and flexibility of resource allocation gradually decrease from Guangzhou in southern China to Beijing in northern China, amongst China's three first-tier cities. This study further reveals that state–non-governmental organisation (NGO) relations vary not only across geographical locations but also amongst service sectors governed by government departments and mass organisations. The varied state–NGO relations across geographical locations and service sectors manifest the complexity of the state–NGO collaboration under China's fragmented authoritarian governance system. Different local circumstances and diverse considerations of local officials involving vertical and horizontal lines of authority accounted for the variations and complexity from the eyes of NGO practitioners.

**Keywords:** Welfare contracting; governance; fragmented authoritarianism; state–NGO relations; China.

## Introduction

The policy design of welfare contracting and the changing state–non-governmental organisation (NGO) relations have become a prominent topic in social policy discussions and theoretical considerations regarding China's welfare state development (Wen, 2017; Howell *et al.*, 2021). A growing body of literature has investigated the sub-national diversity in resource allocation practices and state–NGO relations across regions and service sectors (Leung *et al.*, 2012; Chen *et al.*, 2022; Qu *et al.*, 2022). Empirical evidence on how varied practices have affected state–NGO relations remains scarcer – and sometimes contradictory (Martinez *et al.*, 2021). This study aims to fill this research gap by offering a critical review of contracting out social services, one of the major reform measures adopted by the Chinese government for enhancing social provision.

The research team conducted in-depth interviews with sixteen NGO practitioners across China's three first-tier cities – namely, Beijing, Shanghai and Guangzhou – to achieve these research objectives. The respondents include scholars engaging in social work supervision and community development practice and senior managers and frontline social workers of NGOs in various service sectors. All of them have extensive experience in tender submission and evaluation, contract management and programme evaluation.

This study reveals regional–sectoral variations in the state–NGO relations in contracting out social services by government departments and mass organisations<sup>1</sup> in three cities. The regional–sectoral variations in the state–NGO relations manifest the complexity of the state–NGO

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collaboration under China's fragmented authoritarian governance system. The findings contribute to the discussion on the welfare regionalism of China's social protection and the politics of social policy making and implementation in China.

### Welfare contracting in China's fragmented authoritarian governance

In China, subordinating societal forces to the state powers has always been a communist tradition. Since the late 2000s, the state has promoted NGOs to preserve the essence of social stability and political legitimacy. Through welfare contracting, the authoritarian state harnesses societal forces to advance its objectives, such as alleviating the 'three mountains' on the back of the masses – housing, education and social care. As a policymaker and purchaser, the local state has always been a leading actor in welfare contracting and collaboration with NGOs (Howell *et al.*, 2021; Mok *et al.*, 2021).

However, the local state is not a cohesive and monolithic entity in collaboration with NGOs through welfare contracting (Hildebrandt, 2013; Fu, 2017; Qiaoan, 2020; Yuen, 2020). Various local authorities, including government departments and mass organisations, have the power to conduct welfare contracting and involve NGOs to provide various social services. Government departments and mass organisations at the municipal level must be accountable to two superiors: *vertically* to functional administrative authorities along with the hierarchical bureaucratic structure that reaches up to various organs of the central government in Beijing and *horizontally* to general-purpose territorial governments. For example, the municipal civil affairs bureau must accept professional and functional supervision from the civil affairs organs at the upper levels. Meanwhile, as a part of the municipal government, this civil affairs bureau is beholden to the mayor of the city.

As the nexus of the functional and territorial governance system, local authorities are situated in at least two different information and incentive systems (Lieberthal, 1992). Vertical accountability emphasises technocrats' expertise and judgements about proper function in the policy sectors. By contrast, horizontal accountability highlights the overall responsibility for the territorial administration, such as social and economic development within the jurisdiction. Policy objectives and bureaucratic interests in the two-dimensional institutional arrangement do not always align and sometimes conflict with each other. Each bureaucratic unit at each level has a strong incentive to marshal information and maximises its interests (Lieberthal, 1992). For example, a civil affairs bureau might need to represent its jurisdiction and compete against civil affairs bureaux in other jurisdictions for recognition and endorsement from a higher level of government. Meanwhile, this civil affairs bureau might also need to bid for the resources and bargain with other local departments, such as the education bureau, within the jurisdiction (Qian and Mok, 2016; Gilli *et al.*, 2018). In short, fragmentation and disjunctions in values and beliefs, authority, resources, decision-making and policy implementation have characterised China's governance system, which is conceptualised as *fragmented authoritarianism* (Lieberthal, 1992).

Under the *fragmented authoritarianism* framework, policy-making powers are overlapping vertically and horizontally, without clear boundaries of responsibility and authority (Teets, 2021). Policy problems involving multiple authorities will have to go through a prolonged process of bargaining, negotiation and even competition to reach a solution. Meanwhile, local officials may selectively implement national policies to protect their departmental interests by taking advantage of asymmetric information in a vast country such as China (Qian and Mok, 2016). This fragmented policy-making and implementation system provides room for NGOs' survival and development in an authoritarian state. More specifically, local governments allow NGOs' activities if these NGOs bring large amounts of resources to solve social problems. Thus, local governments can claim credit whilst avoiding blame in collaboration with NGOs (Ashley and He, 2008; Spires, 2011). To exploit the niches of fragmented bureaucracy, NGOs shall have political trust and personal connections with government officials, either incumbent or retired (Hsu and Hasmath,

2017; Spires, 2020), and expertise and capability to provide professional services and solve problems (Yuen, 2020; Howell *et al.*, 2021). With these advantages, NGOs, including those with an international background, can legally register and operate in China (Li, 2020). Some NGOs can even engage in the policy-making process and advocate policy changes (Mertha, 2009; Noakes and Teets, 2020). From another aspect, the fragmented authoritarian governance system may also bring obstacles and political risks to NGOs. For example, competition and conflict amongst authorities may result in an unexpected policy U-turn. NGOs may suddenly encounter extra regulatory requirements imposed by other authorities and lose previous collaboration and even legal status (Li, 2020).

In summary, the present research aims to investigate variations in contracting designs and state–NGO interactions across geographical locations and service sectors. The geographical locations and service sectors are within the purview of different local authorities, including government departments and mass organisations. Respective values, beliefs and interests of local authorities would result in various contracting designs and coordination modes of the state–NGO collaboration. Hence, the fragmented authoritarianism model highlighting fragmentation and disjunctions in China's decision-making and policy implementation would be helpful to understand the variations in resource allocation of contracting and state–NGO interactions across geographical locations and service sectors.

## Research method

This study focuses on China's three first-tier cities – namely, Beijing, Shanghai and Guangzhou. Beijing, the capital city of China, is the political centre and one of the four direct-administrated municipalities in China. Since 2003, Beijing, together with other municipalities, such as Shanghai and Guangzhou, has outsourced some social services to the private sector and NGOs (Chan, 2005). These small-scale social services included residential care for the elderly and the disabled, community development, community corrections and so on (Jia and Su, 2009). Beijing began to regularly contract out social services to NGOs in 2010, one year after the establishment of earmarked funding for society building, and the authentication of ten local chapters of mass organisations as municipal hub organisations to supervise NGOs in their sectors (Yue, 2016).

Located on the eastern coast of China, Shanghai is another direct-administrated municipality in China and the financial and economic centre of mainland China. As early as 1995, Shanghai Pudong New District Government entrusted Shanghai Young Men's Christian Association to manage the Luoshan Citizen's Club. This is the earliest attempt by the Chinese government to purchase services from NGOs (Jia and Su, 2009). In 2009, Shanghai started contracting out programmes to serve the elderly, children, poor and disabled through NGOs (Jing and Chen, 2012).

Guangzhou, the provincial capital of Guangdong province in southern China, has been the pioneer of China's economic and social reform since the late 1970s. By the late 2000s, Guangzhou carried out contracting out social services on a large scale when the central government delegated the power and privilege of 'early and pilot implementation' to Guangdong province to innovate social provision and public governance. In September 2007, officials of the Youth League invited university teachers of social work to register an NGO and undertake a youth service project as part of a pilot scheme initiated by the Central Committee of the China Communist Youth League (Law, 2013). In 2009, after visits to Hong Kong and Singapore, municipal officials decided that, by 2012, each street-level community should have at least one 'integrated family service centre' operated by NGOs and social workers to provide professional family service (Wen, 2017). The integrated family service centre<sup>2</sup> under the purview of the civil affairs bureau has become Guangzhou's flagship contracting out initiative. By the late 2010s, many other social services, such as integrated community centres for mental rehabilitation, gradually developed in Guangzhou through a similar contracting approach.

**Table 1** Respondents profile

City	Respondent No.	Job Title	Service Sector	Main Purchasing Entity
Beijing	BJ20180822	Scholar	Nonprofit management	
	BJ20180824	Instructor of Practice	Community development	
	BJ20190520	Agency Director	Family service	Women's federation
	BJ20190522-1	Scholar	Nonprofit management	
	BJ20190522-2	Agency Director	Family service	Women's federation
Shanghai	SH20181115	Scholar and Practice Supervisor	Community development	
	SH20190305-1	Agency Director	Community service	Civil affairs bureau
	SH20190305-2	Agency Director	NGO incubator	Civil affairs bureau
	SH20190305-3	Agency Director	Community service	Civil affairs bureau
	SH20190308	Scholar and Practice Supervisor	Community development	
Guangzhou	GZ20181209	Program Manager	Family service	Civil affairs bureau
	GZ20181210	Agency Director	Rehabilitation	Disabled persons' federation
	GZ20181211	Program Manager	Family service	Civil affairs bureau
	GZ20181212	Program Manager	Drug rehabilitation service	Justice bureau
	GZ20181213	Scholar and Practice Supervisor	Community development	
	GZ20181214	Agency Director	Family service	Civil affairs bureau

Total: 16 respondents.

These three cities have made significant efforts in the development of welfare contracting in the past three decades. In addition, these efforts were made not only by local governments but also by respective chapters of mass organisations. Thus, these three cities provide fertile ground for examining variations in contracting out social services in China.

From January 2018 to May 2019, the research team conducted in-depth interviews with sixteen respondents in the three cities. Each city has two groups of respondents, including scholars engaging in social work supervision and community development practice, and agency heads and frontline social workers from NGOs. Table 1 presents the profiles of the sixteen respondents from three studied cities.

The research topic of state-NGO relations remains sensitive owing to an inherent power imbalance between state and NGOs. The research team recruited respondents through purposive sampling. Firstly, the research team invited scholars in the three studied cities to outline the policy landscape of welfare contracting and NGO development. Secondly, the research team further invited scholars to refer NGO practitioners from the local main agencies for interviews. In the interviews, respondents were asked to describe the local contracting practices, such as financial sources, tendering procedures and contract management. Then, they were invited to further elaborate on the interactions and relations between NGOs and local authorities in the tendering process and day-to-day service delivery. Finally, respondents were invited to compare the practices and state-NGO relations in three studied cities according to their perceptions and

observations. The transcripts of interviews were coded and grouped into main themes that included service and contract duration, tendering method and matching, political concerns and official attitudes, the origins and service sectors of NGOs and the nature of purchasing entities. The key findings will be presented in the following sections.

The Sub-Committee on Research Ethics of the Research Committee of Lingnan University approved the study protocol.

### **Serving the community with varied practices across geographical locations**

This section compares the general resource allocation practices in the three cities. The comparison is based on the characteristics of resource allocation highlighted by respondents. Notably, all practices are a mix, not pure. Owing to policy diffusion and policy learning, local authorities, both government departments and mass organisations in the same geographical location tend to adopt similar practices in welfare contracting. Moreover, the rationales underpinning varied resource allocation practices across cities include horizontal bargaining with the finance bureau, risk management and blame avoidance as the fragmented authoritarianism model suggests.

#### ***Service duration: short-lived or recurring projects?***

Service duration, or length of the contract, is an essence of a contract. According to the national interim regulation in 2014, no specific requirement exists regarding the length of the contract (Ministry of Finance, 2014). In 2020, the formal regulation stated that the length of the contract should be less than one year. With sufficient resources, purchasing entity is allowed to sign a contract not exceeding three years for those routine and continuous services with stable prices (Ministry of Finance, 2019).

Service duration varies significantly across cities in the fieldwork. Although a three-year project is a common framework in Guangzhou and Shanghai, Beijing tends to purchase service in the form of short-lived (normally not more than one year) and 'piecemeal' contracts for separate projects.

Financial regulation and informal politics are the main reasons for short-term projects. According to the formal regulation, a contract funded by an annual budget needs to be completed in one financial year. A multi-year contract is a little breakthrough in this budgeting regulation and needs the finance bureau's statutory authorisation (BJ20180822). Therefore, purchasing entities have to bargain with the finance bureau for special arrangements. Given the powerful status of the finance bureau and the traditionally marginalised status of bureaux in social services, local officials would tend to avoid this red tape unless they gain the blessing and endorsement of municipal leaders.

Secondly, short-term projects with a small amount help policy bureaux manage political and financial risks involving non-state actors. Welfare contracting remains a new practice for many local officials. Finance and policy bureaux are particularly concerned with the financial audit after a high-profile campaign launched in 2012. Government officials are all scared of doing the wrong thing and pay more attention to the proper financial procedure than service effectiveness:

After award of contract, it becomes NGO's own business to run the project. Government does not care what NGO serves and how large the impact is. Government will merely emphasise, do not bring me trouble, and do not make any mistakes on the money issue. That is fine if the service is not so effective (BJ20180822).

In addition, a smaller amount for each project means that more projects can receive support. This case is extremely helpful for local officials to satisfy more relevant parties. This point is particularly important in Beijing, the political centre of China, with tens of thousands of

high-profile people with complex social connections. As a respondent illustrated, ‘if someone asks you to give a favour (in tender), you can’t afford the price to displease it in Beijing’ (BJ20180822).

Different from the widespread short-lived contracts shaped by formal regulation and informal politics, Guangzhou has extended the length of contracts in the city’s flagship contracting initiative, the integrated family service centre. Initially, every contract lasted for three years with an annual budget of two million CNY (Wen, 2017). The civil affairs bureau decided to extend the service duration to a five-year project and to increase the amount to 2.4 million per year in the third wave of contracting in 2018. These policy adjustments were said to address NGOs’ concerns about retaining social workers and enhancing service quality:

Civil affairs bureau perceives that, three years are not long enough to generate (good) service outcomes. And it also notices, staff turnover rate is significantly different between one-year contract and three-year contract. Penetration of social service cannot be intensive when there is too frequent replacement of service provider (GZ20181213).

According to this observation, Guangzhou officials adopted a service quality narrative to support the extension of the project duration. This case was more ambitious and less conservative in collaboration with NGOs than Beijing’s contracting practice.

#### ***Provider selection: who gets service contracts and how?***

Legal regulation has set open and competitive tendering as the default method for government procurement but allows flexibility for local authorities to use selective tendering under certain circumstances, such as a small funding amount. Thus, open and selective procurement methods can be observed in the studied cities but with some geographical patterns.

Major social service programmes for three years and with several hundreds of thousands of public money must be allocated through competitive tendering. Competitive tendering with an objective and fair bid assessment process has been conventionally assumed to choose the best service provider. However, the case where the decisions are controversial and without accountability is not rare.

Two agency heads in Guangzhou working respectively with the disabled persons’ federation and civil affairs bureau provided their experience of failing at retaining contracts in competitive tendering.

“We have run this rehabilitation project for four years. But other agency won the bidding for next wave of service despite no experience in this field. All of us felt surprised and didn’t know the reasons (GZ20181213).

We have served in the community for three years. I do not understand why we lost in the tendering. New brooms sweep clean. New officials would like to have a market reshuffle (GZ20181214)”.

‘Contract snatching’ in competitive bidding has long been discussed, where some agencies intentionally use tricks and strategies, such as extremely low prices or surprising value-added services, to beat the service provider in place in open tendering (Wen and Chong, 2014; He *et al.*, 2022). This case raises public concerns about the fairness and effectiveness of choosing service providers through market competition.

Thus, several respondents in Shanghai and Beijing show hesitations in adopting open tendering for welfare contracting. These respondents are sceptical that competitive tendering can well match procurement and supply. There are two main concerns: firstly, government officials are not



familiar with all NGO applicants and service details; secondly, NGOs, outside the community, cannot fully understand and satisfy the needs of residents.

As an alternative, these local authorities prefer selective tendering for resource allocation. More importantly, selective tendering has been carried out in two different ways according to the local circumstances: collaboration with intermediary and hub organisations in Shanghai and contracting to community associations (a sort of government-organised NGOs, GONGOs) in Beijing.

Firstly, intermediary and hub organisations bridging between government procurement and NGOs' service supply are widespread in Shanghai (Jing and Chen, 2012). These intermediaries include various agencies, such as NGO incubators, social workers' associations and charity foundations. They are commissioned by local authorities to perform need assessments, organise venture philanthropy and innovation championships and make service delivery decisions. In Shanghai, each municipal policy bureau matches one intermediary NGO in the service sector for welfare contracting. This practice along the vertically functional administrative line 'would be for the convenience of management (as involving less NGOs)' (SH20181115).

Secondly, the practices of intermediary and hub organisations and venture philanthropy championships have been phased out in Beijing (BJ20180824). A respondent (BJ20190522-1) pointed out that this change was partly because of the departmental interest and reluctant attitude of local chapters of mass organisations: with vast social, political and economic resources, these authorities were annoyed to be 'downgraded' as hub NGOs and insisted that they should own similar political power over contracting out. This reluctant attitude reflects the fragmented authority in China's public governance.

Currently, local authorities in Beijing are paying particular attention to developing community self-governance and community associations through welfare contracting, which are completely falling in line with the general ideals of the party-state regarding community governance since 2017 (The Central Committee of the Communist Party of China and the State Council, 2017). That is, the civil affairs bureau brings Chinese Confucian and socialist traditions of public service back into the community and mobilises certain prominent residents and spontaneous community leaders to register a small entity and undertake government contracts serving fellow residents. Most of these community elites, such as retired officials and professionals, are Chinese Communist Party members and trustworthy for the party state. A respondent believed that the practice can truly address residents' needs:

These (ordinary) NGOs are outcomers. They do nothing but scratch the surface and leave after the end of contract... Some wealthy communities in Chaoyang district asked for decentralisation, then they can mobilise residents to self-organise and self-govern an agency and serve the community. They are living in the community and know what the residents want (BJ20180824).

This respondent disapproved open tendering in Guangzhou because NGOs and social workers without close personal connections with residents would not be able to provide quality services:

Community self-governance should be the future direction of community development and government purchase-of-service in the mainland China. The contracting out in Guangzhou, involving outside NGOs to serve the communities, would not suit the conditions of northern China... It even may not be workable in Chinese cultural circle (characterised by the differential modes of association) (BJ20180824).

In short, selection methods of competitive bidding, intermediary organisation and self-governance community present a decreasing level of competition and less openness for NGO participation. Overall, resource allocation practices, including the length of contract and tendering

methods, vary significantly across geographical locations. These varied practices exercise different levels of state control over NGOs, which is generally increasing from south to north China.

### **Regional–sectoral pattern of state–NGO relations**

This section analyses state–NGO relations on top of resource allocation. Although there have been established forms and procedures of welfare contracting in three cities, the state–NGO collaborative partnership has not been institutionalised.

#### ***State–NGO interactions in an overarching authoritarian system***

Several respondents urged local authorities to review and improve the policy designs (GZ20181210) so that welfare contracting can be conducted in a more open, fair and transparent manner. However, respondents also reminded that policy changes may aggravate the power imbalance in the state–NGO relations. For example, a longer length of contract does not imply less state control. NGOs may need to follow the state’s policy closely to land a big contract:

(Long duration) is a double sword. If government relies on social workers, longer life of project will offer huge room for social workers to consolidate their work. But on the other hand, it is a signal about obedience . . . It will be a huge loss for the agency once it loses the bid. This loss will last for five years (GZ20181213).

Thus, regional variations in openness and flexibility of resource allocation practices for NGOs are only in a relative sense. In the fieldwork, all NGOs undertaking government contracts only focus on service delivery, and there are no more discussions on the concept of civil society (BJ20180822; BJ20180824; GZ20181213; GZ20181214). The concept of civil society implies an independent public sphere against the state from the eyes of the party-state.

Similar to this silence on the civil society concept, a variety of respondents in all studied cities used the term ‘subordinate’ to describe NGOs’ relations with local authorities. The state–NGO collaboration through welfare contracting has still been perceived as a one-off deal rather than an institutionalised partnership. Individual mindsets and personal connections remain important for the development of collaborative relationships:

State-society relation is an empty concept. In Chinese societies, state–society relation, actually, is the interpersonal relationship between agency head and government official, rather than inter-organisation relationship . . . The collaboration relies heavily on personal connections. Changes in personnel, from either side of the collaboration, may result in the termination of relationship. Changes can happen surprisingly fast (BJ20180824).

The shared concerns about open and fair resource allocation, state control and NGO obedience and uncertainty in collaboration manifest the authoritarian essence of state–NGO relations across China, regardless of varied practices adopted in different cities.

#### ***From dependence to partnership: specialist NGOs and mass organisations***

In an overarching authoritarian system, state–NGO relations are variable by engaging the details of specific social contexts and service sectors with pre-contractual relationships (Marwell and Brown, 2020). To be specific, NGOs’ working relationships with mass organisations are more likely to be partnerships than that with government departments.

Social development has long been subordinated to economic growth in China. Authorities of social policies and social services, such as bureaux of education, health, civil affairs, as well as mass



organisations, have been a marginalised group in the governance system. Thus, increasing earmarked funding for contracting out social services means a lot to these authorities without political importance and financial resources, particularly for mass organisations.

Mass organisations are not constituent units of the municipal government. Their political and financial power is significantly weaker than government departments (GZ20181210). Thus, mass organisations were eager to make good use of welfare contracting and expand policy territory. Their officials would like to achieve outstanding performance in welfare contracting as a political credit of connecting the mass, which might lead to a shining political career ahead (BJ20190522-1). The interactions between mass organisations and specialist NGOs are significantly different from blame avoidance of government departments that are subject to rigorous review and audit. Mass organisations have strong incentives to uphold a patron–client relationship with a few NGOs specialised in their service sectors to help to achieve policy outcomes:

My agency serves women and children, whom are the scope of women's federation . . . (since few NGOs are working in this sector), it is easy for the women's federation to give you a service contract with one or two hundred thousand yuan (BJ20180822).

The interaction based on resource dependence has been a long-standing debate in China. Government officials sometimes criticised NGOs, in general, that 'merely follow government resources, instead of organisational and professional missions'. By contrast, respondents from specialist NGOs provided several cases of striving for autonomy in the fieldwork.

Most of these specialist NGOs originated from the affiliated units of government departments and mass organisations before the 2000s. Later, they were required to register as independent entities during China's several waves of public sector downsizing and received public subsidies annually. Now, they need to participate in welfare contracting and undertake various service projects to support themselves (GZ20181210; BJ20190522-2).

During the transition, NGOs undertaking specialised work have made heroic efforts to consolidate a truly independent status and identity:

Who are we, and what services can, or should we provide (when we detached from women's federation)? We made up our mind to provide frontline services (to show we are a truly independent agency). Thus, we proactively explored collaboration with communities, by using our financial reserves and without any support from women's federation. We succeed ultimately and let women's federation well understand that we are an independent agency. (BJ20190522-2)

From another aspect, a sense of betrayal, including competition and conflicts amongst local authorities (Li, 2020), could destroy the survival and development of the agencies in a specific service sector. Thus, these specialist NGOs shall maintain their traditional working relationship with mass organisations. For example, these NGOs, with their rich expertise and experiences, can provide technical support and professional advice to mass organisations in planning innovative initiatives. Autonomy in service delivery and contribution to policy planning make these specialist NGOs more likely to have a sense of partnership with mass organisations (GZ20181210).

### **Diverse attitudes and variations in resource allocation and state–NGO relations**

The last two sections illustrated differences and similarities in resource allocation practices and state–NGO relations across geographical locations and service sectors. Resource allocation and perceived relations are closely intertwined with fragmentation in local officials' values and beliefs, authority and resources.

Local officials face a mixed career incentive to collaborate with NGOs through welfare contracting. On the one hand, social protection has become part of the promotion tournament in China, particularly in wealthy coastal regions (Meng, 2020; Zhang, 2020). Local officials are eager to promote innovation and achievement in social services (GZ20181210; BJ20190522-1). On the other hand, contracting with NGOs might bring political and financial risks, such as poor service quality and corruption. Respondents in this study revealed diverse attitudes amongst local officials underpinning variations in resource allocation practices and perceived state–NGO relations (Newland, 2018).

Regarding the mindset and capacity of local officials, respondents from three studied cities generally shared that, the officials in Guangzhou are open-minded, capable and willing to learn more about social service and social work. For example, despite changes in personnel, policy implementation is still on track: ‘They keep learning . . . officials (of disabled persons’ federation) responsible for welfare contracting are familiar with the procedure’ (GZ20181210).

Different from those in Guangzhou, respondents believed that local officials in Beijing and Shanghai are more conservative and less liberal. These officials tend to take advantage of administrative power and financial resources to guide NGO development. Little space exists for NGOs to expand their scope of services outside the commissioned projects.

Shanghai’s practice (of intermediary organisations) would be for the convenience of management (as involving less NGOs). This, probably, is related to this city’s traditionally strong administrative capacity, as well as local officials’ conservative attitudes. Officials in Yangtze River Delta, including Shanghai, and Jiangsu and Zhejiang provinces, remain relatively conservative. After all, Guangdong is the pioneer of reform and open-door (SH20181115).

This pioneering and can-do attitude in Guangzhou has been fully manifested by its contract extension from three-year to five-year in 2018, well before the national regulation when the three-year rule came into force in 2020. By contrast, officials in Beijing and Shanghai will only do the work that they are required or allowed to do, such as developing community self-governance in line with the supreme opinion of the party-state. A respondent from Shanghai’s public institutions concerning social development pointed out that,

Officials (in other cities, such as Guangzhou) might want to make some innovations. They are willing to explore, then launch a massive publicity campaign. In Shanghai, officials will be more prudent. It means, if we want to make a breakthrough innovation, we should plan ahead what procedures we need to go through (SH20190305-1).

After all, diverse attitudes at the individual level can only adjust a small part of the system in which individuals operate. Variations in resource allocation practices and perceived state–NGO relations are still bounded by the overarching authoritarian system in China. For example, Beijing’s municipal government has never made a high-profile presence of NGOs because China’s political heart is on the city, and the ruling communist party must take the centre stage (BJ20180822; BJ20180824).

## Discussion and conclusion

This article compares resource allocation practices and state–NGO collaboration in social service launched by government departments and mass organisations in China’s three first-tier cities – namely, Beijing, Shanghai and Guangzhou. From the practitioners’ viewpoints, contracting out social services and the state–NGO relations in China have multiple facets of subnational diversity.

Firstly, regarding guiding opinions of welfare contracting issued by municipal finance bureaux, resource allocation practices (i.e. contract duration, procurement method and agency selection) of government departments and mass organisations are similar within the same jurisdiction but vary across the three studied cities.

As a sort of policy design and decision-making, resource allocation practices have been shaped by various political and economic considerations amongst local officials, as suggested by the fragmented authoritarian model. Varied resource allocation practices offer different levels of openness and flexibility for NGOs. According to respondents, openness and flexibility gradually decrease from Guangzhou in southern China to Beijing in northern China. Based on practitioners' observations, this finding corresponds to a prior study about a rough north–south divide in the development of the social work profession in China based on content analysis of policy documents issued by central and local governments (Leung *et al.*, 2012).

Secondly, state–NGO relations vary across geographical locations because of different resource allocation practices. State–NGO interactions partly occur during tendering and service delivery. Hence, respondents tended to perceive more equal collaboration in Guangzhou with relatively open and flexible resource allocation practices than those in Shanghai and Beijing. This finding is consistent with an existing discussion about the extent of state control over NGOs throughout the country. For example, a recent study used 'constrained autonomy' and 'co-opted participation' to conceptualise state–NGO relations in Guangzhou and Hangzhou (the capital of Zhejiang province and close to Shanghai), respectively (Almén and Sundqvist, 2022).

More importantly, this article finds that, on top of geographical variation, state–NGO relations also vary amongst service sectors governed by government departments and mass organisations. Specifically, it is a sectoral variation in the state–NGO relations that the collaboration between mass organisations and specialist NGOs is closer than that between government departments and general NGOs, regardless of varied resource allocation practices in different cities.

As suggested by respondents (BJ20190520; BJ20190522-2; GZ20181210) in Beijing and Guangzhou, mass organisations and specialist NGOs are more likely to become mutually dependent partners. Because the mass organisations have a strong incentive to enhance policy influence through welfare contracting, and the NGO providers have a strong sense of service mission and professional autonomy. In addition, mass organisations and a few specialist NGOs serving specific user groups have more intensive interactions in policy formulation beyond tendering and service delivery. On the contrary, government departments and a large amount of NGO contractors may consider welfare contracting as a one-off deal in the social service market.

The regional–sectoral variations in the state–NGO relations manifest the complexity of state–NGO collaboration under China's fragmented authoritarian governance system. Diverse considerations of local authorities, such as personal connections, pre-contractual relationships, individual understanding of NGOs and local circumstances, can result in varied decisions about resource allocation and state–NGO relations.

These empirical findings concerning fragmentation in the state–NGO relations under welfare contracting have two theoretical implications. Firstly, the findings join the discussion about welfare regionalism and selective implementation commonly found in China even when local governments are guided by the same national social policy directives (Huang, 2015; Ratigan, 2017; Shi, 2017; Guo *et al.*, 2022), thereby contributing to the evolution of China's social protection system.

Second, similar to the argument of 'fragmented authoritarianism 2.0' (Mertha, 2009), although resource allocation and NGO development are still dominated by the authoritarian party-state, the variations in resource allocation practices and state–NGO relations imply that more actors have been successfully entering the social policy making and implementation through welfare contracting. Organs receive encouragement to become increasingly self-supporting through bureaucratic entrepreneurship (Lieberthal, 1992). A typical example in the fieldwork is that the Guangzhou municipal civil affairs bureau adopted a quality narrative to justify duration extension.

Tournament competition amongst regions and local authorities may enhance social service delivery without fundamentally changing the state–society relationships.

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## Notes

1 Currently, China has twenty-two state-affiliated mass organisations, including the All-China Federation of Trade Unions, the Communist Youth League, the All-China Women’s Federation and the Disabled Persons’ Federation and their respective chapters. Their primary mission is to mobilise various social groups from the masses and serve the party-state’s purposes. Given their political importance, mass organisations are managed in the fashion of government departments following the Civil Servant Law, although they are not part of the government. They have been included in the list of purchasing entities since 2013 (General Office of the State Council, 2013). Mass organisations command vast social, political and economic resources. However, they encounter increasing concerns about marginalisation and irrelevance because of isolation from the masses. They are eager to enhance the role of service provision and reconnect with specific social groups (Howell, 2015; Lei *et al.*, 2022), for example, skill training for workers and job referral to people with disability.

2 The integrated family service centre in Guangzhou has been renamed to the social work service point since 2018.

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