

Politics, Markets, and Modes of Contract Governance: Regulating Social Services in Shanghai and Chongqing, China

By
WEI LI
and
BAO YANG

Inspired by the concept of the *regulatory welfare state*, this article identifies four primary modes of governance in regulating contract processes and contract implementation (market-based, hierarchical, professional, and relational), and compares contract governance modes in Shanghai and Chongqing. We find that the governments in these two localities prioritize and integrate the hierarchical and relational modes, relying less on the market-based and professional modes of governance. The emphasis on the hierarchical-relational mode advances the values and mechanisms of trust, adaptation, and alignment with top-down priorities, but may hinder public and legal accountability. We argue that the dynamics of political context and market condition affect the formation and effectiveness of hybrid modes of contract governance, and we advise that regulators in different countries should factor in such dynamics when designing contract governance modes in the regulation of social services.

Keywords: regulatory welfare state; hierarchical-relational; contract governance; regulating social services; China; authoritarian; transitional

The concept of the *regulatory welfare state* (RWS) refers to the state pursuing social objectives through regulations. It captures the double expansion of welfare expenditure and regulation to fulfill social objectives in democratic welfare states (e.g., the U K and Israel) (Haber 2011; Levi-Faur 2014a). The purposes, mechanisms, and forms of RWS can vary across sectors and states (e.g. Benish, Haber, and Eliahou 2017). With the global diffusion of

Wei Li is an assistant professor in the Department of Government and Public Administration at Chinese University of Hong Kong. Her research interests include politics of regulation, public sector reforms, social policy analysis, among others.

Bao Yang is an associate professor of public management at Chongqing University of China. His research interests are situated in the fields of government-NPO relations, performance of public service, and civic engagement.

Correspondence: yangbaoruc@163.com

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privatization and the delegation of social services to the nonprofit and business sectors, regulating social service contracts is one mechanism through which welfare spending and regulation are expanded to meet social objectives (Levi-Faur 2005; Benish 2010).

Since the 1980s, driven by domestic problems and influenced by New Public Management ideas,¹ Chinese public sector reforms have sought to enhance the efficiency, performance, and accountability of the state in the transition from a planned economy to a market economy. In the 2000s, China witnessed a growing number of social organizations (SOs)² to which governments started to contract social services (e.g., poverty alleviation) (Jing and Savas 2009). Chinese governments have also issued an increasing number of documents to regulate social service contracts (SSCs). Due to weak legal institutions, the regulatory style of governance in China differs from that in many Western democratic countries, and the authoritarian context in China presents challenges to integrating the values of new actors into regulation (Lo, Yip, and Cheung 2000; Rooij, Stern, and Fürst 2016).

This article maps the modes of contract governance in regulating social services by Chinese governments and identifies the mix of actors, values, and accountability mechanisms involved. It begins with a review of the literature, identifying four modes of contract governance in democratic welfare states. It then introduces the authoritarian and transitional context of China, which affects the implementation of these modes. Based on official documents, archives, semi-structured interviews, and survey questionnaires, we then analyze and compare the mode of contract governance implemented in two municipalities in China, Shanghai and Chongqing. We then compare this mode with those in democratic welfare states, and we propose policy for regulators.

Modes of Contract Governance in Regulating Social Services

Regulating contracts in social services is important to ensure accountable and effective service delivery (Braithwaite 1999). A governance perspective on contract regulation goes beyond the legal conception of regulating contractual relations to focus more broadly on how institutions shape, reshape, and reflect the preferences and choices of the actors involved through processes, mechanisms, and strategies (Collins 2002; Levi-Faur 2014b). Considerable attention is paid in

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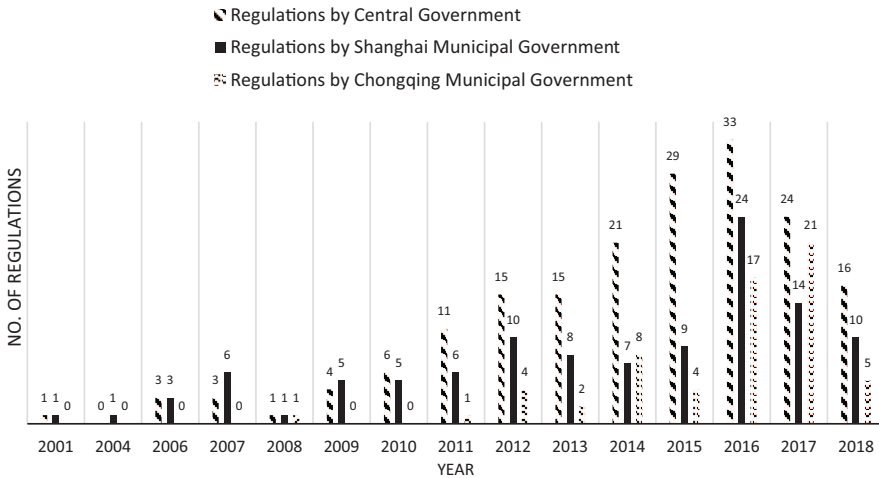
TABLE 1
 Modes of Contract Governance in Regulating Social Services

	Regulating contracting processes	Regulating contract implementation
Market-based mode	Reduces service cost; meets service needs through fair competition; enhances transparency; lowers entry barriers; and enables objective evaluation of proposals (Lane 2001).	Competition motivates contractors to perform well and little monitoring is needed (Romzek and Johnston 2005).
Hierarchical mode	Contractors align services with government funders' requirements (Gazley 2008); contract officials follow political or managerial superiors' preferences in decision making (Brown, Potoski and Van Slyke 2006).	Close monitoring by government funders; frequent reporting by contractors (Romzek and Johnston 2005).
Professional mode	Evaluates proposals by professional criteria pertaining to social values (i.e., improving people's lives) (Lynch-Cerrulo and Cooney 2011).	Evaluates outcomes based on client and social impacts (Lynch-Cerrulo and Cooney 2011); professional evaluation by contractors or independent inspectors (Christensen and Ebrahim 2006; Clarke 2008).
Relational mode	Negotiation before reaching a contract agreement; trusted service providers are preferred; lacking contractual specificity and great flexibility afforded to contractors (Van Slyke 2009).	Ensuring contractors' good performance by nurturing long-term relations; adaptation of service requirements is allowed in response to contingencies (Bertelli and Smith 2010).

the literature to four primary modes of contract governance in regulating social services (see Table 1). Each mode represents a form of the regulatory welfare state that advances different values and uses different accountability mechanisms.

The *market-based mode* relies on competition to place pressure on service providers to lower their service costs and respond to the needs of users. This mode, however, is often found to be ineffective in the social service sector because of a lack of competition and difficulties in pre determining the service needs, cost, and quality in the contracts (Van Slyke 2009). The *hierarchical mode* relies on the authority of the state and hierarchical accountability to influence contract decisions and monitor contract implementation. This mode requires considerable resources and capacity on the part of government funders and may stifle service providers' levels of innovation and responsiveness to users (Kim 2005). The *professional mode* defers to professional knowledge, standards, and norms to ensure the accountability of contractors (Lynch-Cerrulo and Cooney 2011). The *relational mode* is built on repeated interactions, resource sharing, and informal accountability mechanisms such as trust, reputation, and opportunities and gains for future collaboration (Van Slyke 2009). To prevent this mode

FIGURE 1
Regulations of Government Contracts in Social Services



SOURCE: Database PKULAW.CN

from negatively affecting public accountability, penalties should be adopted, such as threats to terminate the contract (Bertelli and Smith 2010).

There are overlaps and trade-offs among the multiple objectives, values, and accountability mechanisms associated with the four modes of contract governance we have listed. For instance, the mechanism of market competition does not fit well with the relational mode, which values trust; the professional mode may contradict the upward accountability required by the hierarchical mode; and the relational mode, which nurtures service providers, could enhance the service providers' professional accountability. We propose that prioritizing and integrating multiple modes of contract governance yields a source of hybridity, relating to other sources articulated by Benish and Mattei (2019), such as the integration of market logic into public organizations, or private actors bringing business culture and civil society values into the codesign and codelivery of public services. One challenge to implementing the hybrid contract governance mode lies in the choice of what primary values to advance (e.g., efficiency and equity) (Windholz and Hodge 2012). Other challenges relate to the integration of different accountability mechanisms that consider the tension and uncertainty involving multiple actors in complex conditions (e.g., top-down control and bottom-up innovation; market competition and control of service quality) (Benish 2014; Jantz et al. 2018).

Regulating Contracts in Social Services in China

We apply the RWS framework to China's social services in respect to the double expansion of expenditure³ and regulation (see Figure 1). Like other countries,

regulations in China are often ambiguous and are subject to interpretation and re-creation by actors involved in the regulatory processes to cope with prevailing contexts in implementation (Zheng 2009; Lahat and Talit 2015). This section highlights the distinct context that affects the implementation of modes of contract governance in regulating social services in China.

First, while other RWSs integrate social and economic values mainly to adjust their relations with the market economy (Benish and Levi-Faur 2020), Chinese governments do so to sustain economic, social, and political stability (e.g., Braithwaite 2020). To sustain domestic political stability in the post-Mao Zedong era while integrating its economy with the world market, China has been transitioning from a planned economy to a market economy since the late 1970s. The current welfare system in urban China was established to protect employees against economic shocks brought by this transition. Under the planned economy, employees of the public work units⁴ (e.g., factories, shops) had low salaries but job security, and their welfare benefits and services were directly provided by their units. With the retreat of the state in many industries and a reform of public work units that aimed to increase their productivity, welfare benefits such as healthcare, pensions, and housing have been jointly financed by employers, employees, and the state through insurance schemes and state subsidies (Guan 2005; Li 2017). Social services—such as care and social assistance for vulnerable groups, job placement for the unemployed, and cultural and sports services for the general population—have been provided by the street-offices⁵ in collaboration with private providers and volunteers. To reduce social conflicts and meet the growing social needs brought by economic development, the Chinese government has recently expanded social services by contracting with SOs (Leung and Xu 2015).

Second, the political context in China affects service market conditions. The Chinese government mandates that only SOs that support the Party's leadership, membership activities, and policies are eligible to register and bid for government contracts.⁶ These regulations exclude many unregistered grassroots SOs working on sensitive issues and limit the degree of competition among SOs.⁷

Third, the literature on welfare states assumes judicial independence and the capacity of courts to enforce government contracts, with both government funders and private contractors being bound by the rights and obligations specified in the contract or understood by the contracting parties. In China, legal institutions are weak and not independent of the Party-state (Peerenboom 2010). Therefore, the legal accountability mechanism can be implemented differently.

Fourth, in democratic welfare states, regulations are often the products of relatively open and plural processes (Benish 2010). In China, policy processes are often centralized and government actors dominate the processes; hence the values of transparency and service responsiveness may not be safeguarded in regulating SSCs (Chan 2018; Li and Weible 2019). With frequent changes in Party leaders and shifting priorities in mandates (Birney 2013), contract officials have to cope with uncertainty when implementing regulations.

Last, certain values that are exercised through political representation of citizens and delegation of authority, such as the equal protection of individual rights

and public accountability, may not be applicable to an authoritarian context (Benish and Levi-Faur 2012). Lacking independent inspectorates and a responsive citizen redress system outside of the executive government in China (Cai and Zhou 2019), a professional accountability mechanism would be weakened by limited input from service users.

Considering the context in China, then, this study investigates: 1) what modes of contract governance in regulating social services are adopted to nurture politically loyal but inexperienced SO contractors while ensuring quality service provision; and 2) how multiple values and accountability mechanisms are integrated and reconciled in implementing the regulations.

Method and Data

We study two localities that are somewhat similar (Seawright and Gerring 2008): Shanghai and Chongqing. Both are municipalities and have three levels of governments: municipal, district, and street-office. Both are required to follow the central government's priorities, but have the discretion to adjust the implementation of regulations according to local circumstances (Birney 2013).

Shanghai and Chongqing have different levels of economic development, service market conditions, and government capacity, and may implement the regulations of SSCs in different ways. Chongqing's GDP per capita is half that of Shanghai and its social policy spending relies more heavily on central government fiscal transfers. Chongqing has a higher level of household income inequality than Shanghai. Nevertheless, Shanghai began to contract out social services to SOs earlier than Chongqing. Shanghai also has more SOs and a higher level of government expenditure on social services than Chongqing (see Appendix I).

Findings from these two localities have the potential to be widely applicable to the rest of China, because the income levels, fiscal conditions, and social policy expenditure patterns of Shanghai and Chongqing represent two clusters of the provinces inhabited by most of the population of China (Tian et al. 2016; Ratigan 2017).

From December 2018 to July 2019, we conducted twenty-three semistructured interviews in Shanghai and Chongqing involving nine government contract officials and the managers of fourteen SOs. The managers of five additional SOs in Chongqing were invited to complete six survey questionnaires without being interviewed. These SOs were contracted by various government agencies, including civil affair bureaus, street-offices, health commissions, and mass organizations.⁸ Their services were of various kinds such as home-based elderly care, cultural services for disabled youth, and counseling services for families who had lost their only child (see Appendix II and IV-A). We also collected public and internal documents during the fieldwork.

We based the design of the semistructured interviews and survey questionnaires on a literature review and pilot interviews conducted in Shanghai and Chongqing (see Appendix III). Informed by the literature, and using qualitative analysis

techniques (meaning categorization, analytical memo writing, and open and axial coding) (Corbin and Strauss 2008; Saldana 2009), we developed eleven code categories for the hierarchical mode, six for the market-based mode, sixteen for the professional mode, and thirteen for the relational mode. We analyzed the interview transcripts and survey questionnaire responses according to these categories (see Appendix IV–B1). The purpose of the analysis, following Yin (2009, 130), was to identify evidence that supported our expectations or offered alternatives.

We systematically searched a database sponsored by the Beijing University Law School to identify the regulations that are in effect. We determined which eleven keywords (see Appendix I) to use for the search of the literature, major regulations, and trial searches. Altogether we identified 182 documents issued by the central government, 110 documents by the Shanghai Municipal Government, and 63 documents by the Chongqing Municipal Government from 2001 to 2018 (see Figure 1). We identified the contract governance modes that the central and local governments adopted from the major regulations issued after 2013.

Analysis and Findings

Modes of contract governance in national regulations

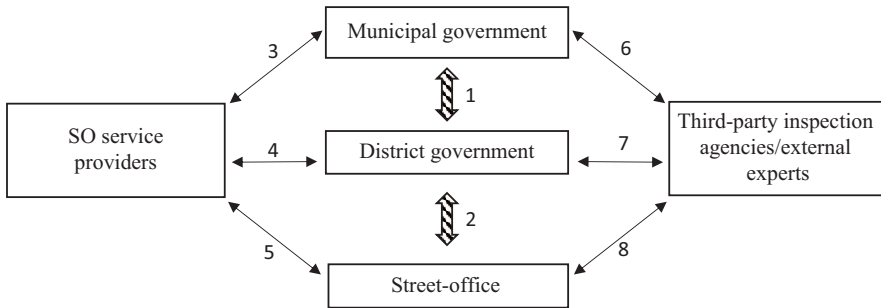
The national regulations stipulate four modes of contract governance in regulating social services: market-based, hierarchical, professional, and relational.⁹ The regulations stipulate that various government agencies and mass organizations shall, in principle, contract out social services through competitive tendering. This initiative also aims to meet growing needs for high quality, fair, and diversified services in areas such as education, healthcare, culture, and sports, both for vulnerable groups (e.g., the disabled) and the general population.

These four modes have potentially conflicting purposes, values, and accountability mechanisms. Some strategies to enhance service quality embody the values of trust and collaboration in the relational mode of contract governance and conflict with the market-based mode of contract governance. For instance, renewing contracts for incumbent providers with good performance records may hinder fair market competition and increase the risk of corruption.

Similarly, some strategies associated with the hierarchical mode could contradict the market-based mode and the professional mode of contract governance. For instance, encouraging pre-tendering communication between bidders and government funders can better align bidders' services with government priorities, but might hinder market competition. To exert political control over SO contractors and to implement performance targets specified in the contracts, the government must closely monitor the whole process of contract implementation. This strategy is costly and reduces the professional autonomy of contractors to innovate and meet diversified service needs.

The potential trade-offs among the four modes of contract governance that the central government adopts leave room for local governments to adjust regulation implementation according to local circumstances.

FIGURE 2
Actors and their Roles in Regulating SSCs in Shanghai



NOTES: 1 and 2 - The government (finance bureau) approves budget applications for services applied by various agencies at the same level or by a lower level government; 3, 4 and 5 - The government administers the tendering processes and monitors contract performance funded from its budget; the government coordinates the implementation of contracts funded by a higher level government; 6, 7 and 8 - The government invites third-party inspection agencies or external experts to evaluate contract bidders' proposals, train contractors and monitor contract performance.

Regulating social service contracts in Shanghai

The Shanghai municipal and district civil affairs bureaus have launched a philanthropy program to provide funding and capacity training to support new service initiatives designed by grassroots SOs for vulnerable groups (e.g., the elderly, children of migrant workers). Successful programs are then contracted by the government through the fiscal budget.¹⁰ Governments at different levels regulate the SSCs that they fund and coordinate contract implementation for those funded by a higher level of government (see Figure 2). During 2012–2016, government service procurement from SOs increased from 440 million to 699 million CNY, and the number of philanthropic activities undertaken by SOs increased from 294,516 to 840,032.¹¹

Regulating the contracting processes in Shanghai

Following the lead of the central government, four modes of contract governance have been adopted to regulate the contracting processes and realize the multiple objectives of fair competition, efficient and high-quality service contractors, and equalized service provision in accordance with government priorities:¹²

- contractors shall be selected through open and competitive tendering, and government service purchasing shall lower service cost (*market-based mode*);
- external experts or expert agencies shall be involved in, and professional standards adopted for, contract decisions (*professional mode*);

- service contracting shall be led by the government to fulfill the urgent and major livelihood needs of people, and to equalize public service provision (*hierarchical mode*); and
- long term contracts (up to 3 years) can be used to provide continuous and stable services, and the past performance of incumbent contractors shall be considered in re-tendering the same service contract (*relational mode*).

In practice, the government prioritizes the values of collaboration, stability, and trust in the relational mode. Competition for contracts is limited and lowering the price is not a major consideration in contracting decisions. When bidding, SOs usually offer a budget slightly lower than the tendering requirements to appear cost efficient.¹³ Prior to the tendering processes, lower level government funders are required to apply for budget approval from higher level governments. Application for budgets is competitive among government agencies.¹⁴ However, government funders usually identify preferred contractors prior to the budget approval.¹⁵ They often prefer incumbent contractors when re-tendering services. For instance, a district women's federation contracted more than half of eighteen service programs to incumbent providers. The major reasons include reducing the uncertainty of new contractors' performance, stabilizing service provision, enhancing service quality through long-term collaboration, and saving on the administrative cost of tendering.¹⁶ Among the six SO service providers that we interviewed, four won more than 80 percent of the contracts for which they had bid.¹⁷ A youth service provider's manager acknowledged that most of the provider's bids for government contracts were successful because it often negotiated and reached an agreement with government funders before entering the tendering process.¹⁸

In practice, government funders prefer the hierarchical mode. External experts' professional considerations have less impact on contract decisions than hierarchical accountability considerations, such as service providers' support of the Party¹⁹ and whether contractors' services align with the government funders' priorities.²⁰ For instance, a district women's federation contracted a service program that promoted "family harmony" because this had been mentioned by Xi Jinping as a priority.²¹ Government funders prefer SOs that have been recommended by a higher level of government or are in possession of government-certified qualifications. These qualifications evaluate SOs' compliance with regulations and policies, including supporting the Party's leadership and membership activities.²² Five of six SO service providers confirmed that these qualifications helped them to win government contracts.²³

Multiple values and accountability mechanisms are integrated and reconciled in the hybrid mode of contract governance implemented in Shanghai. The hierarchical mode that gives advantage to service providers with government-certified qualifications is perceived by service providers to have enhanced their managerial capacity and professional accountability.²⁴ The relational mode of the contracting process can lower the administrative cost of tendering and offer contractors professional autonomy to innovate services.²⁵

Regulating contract implementation in Shanghai

Multiple modes of contract governance are adopted to regulate contract implementation, as follows:²⁶

- The cost of contracted services shall be lower than government provision (*market-based mode*);
- Contract performance shall be evaluated according to professional indicators (e.g., service effectiveness) and by third-party inspection agencies (*professional mode*);
- The whole process of contract implementation shall be monitored by multilevel government funders in accordance with regulations and policies (*hierarchical mode*); and
- The incumbent contractor's performance shall be publicized and considered when re-contracting the same service (*relational mode*).

When implementing these regulations, the professional and market-based modes are downplayed. When SO contractors are subject to frequent self-reporting and government inspections that largely focus on recordkeeping and program management, they are distracted from delivering professional services to the clients.²⁷ Moreover, the performance indicators that measure the service cost and service effectiveness contribute to only a small part of the contract evaluation scores.²⁸ Government funders often lack the professional capacity to assess service effectiveness,²⁹ while third-party inspection agencies (TIAs) often lack the relevant expertise, resources, and independence to professionally evaluate contractors' performance.³⁰

To realize the dual purposes of developing SOs and fulfilling top-down performance targets, government funders prioritize and integrate the hierarchical and relational modes to regulate contract implementation. To develop SO contractors and nurture long-term relations, TIAs are requested by government funders to use lenient evaluation criteria in the initial one or two years of contracting and to provide capacity training to contractors.³¹ The government funders also mobilize governmental resources to help inexperienced contractors to deliver services. They help high performing contractors to attract positive publicity from state-owned media, obtain contracts from higher level government funders, and win government-sponsored competitions.³² To save on the expenses of outsourcing inspection, the government funders choose to self-monitor contractors and waive the third-party inspection of contractors with good performance records.³³

The emphasis on the hybrid hierarchical-relational mode of contract governance hinders legal and public accountability. The fact that TIAs are not independent allows government funders to flexibly request additional services not specified in the contracts according to the superior authority's mandates. However, such adjustment is often not funded and contradicts the notion of legal accountability.³⁴ Government funders ask TIAs to endorse contractors with average or poor performance,³⁵ which harms public accountability. For instance, SOs contracted to provide healthcare services to elderly people with physical and/or

mental disabilities have been allowed to adjust service targets to younger and healthier groups.³⁶

Regulating social service contracts in Chongqing

The Chongqing government aims to expand community-based social service provision by training social workers, developing new SOs, and contracting services to SOs. From 2013 to 2017, the Chongqing government contracted 688 service programs to SOs in 18 service areas (e.g., services for the youth, the elderly, and the disabled) (Chongqing Daily 2017). The Chongqing government is also mandated to contract social services to 100 “exemplary” SOs to build 400 “exemplary” communities within a short timeframe (Zhang 2015).

Regulating the contracting processes in Chongqing

The contracting procedures in Chongqing are similar to those in Shanghai. The Chongqing government also stipulates four modes of contract governance to regulate SSCs.³⁷

In practice, governments in Chongqing, like those in Shanghai, prioritize and integrate the hierarchical and relational modes of contract governance. The budget for contracting is granted by giving priority to programs that align with government work priorities (e.g., poverty alleviation). Based on the value of fairness, budgets are also evenly allocated according to the distribution of street-office communities.³⁸ Competition for contracts is limited. Of the eight SOs in Chongqing that we studied, two won all of the contracts they bid for, three won more than 70 percent, and three won less than half. In contracting decisions, lowering service cost is again not a major consideration. In one district, the indicator measuring the service unit cost accounted for 12 out of 103 total marks in evaluating bidders’ proposals.³⁹ The district government often overruled the evaluations by external experts and selected contractors who negotiated and reached agreements with street-office funders prior to the tendering process. One reason for the overrule is that SOs are perceived to have limited service capacity and sometimes lack integrity. Hence, SOs who are trusted and supported by street-office funders are considered more likely to implement contracts successfully. SO contractors could also initiate new ideas and influence program design during the pre-tendering negotiation with street-offices.⁴⁰ Contractors’ support for the Party is valued: all of the SO contractors that we studied in Chongqing have Party members among their full-time staff (see Appendix II-B).

Due to limited government funding, high demand for social services, and a lack of qualified service providers, the hybrid hierarchical-relational mode is implemented in Chongqing to a greater extent than in Shanghai. In one district, selecting contractors for a community service program progressed through three stages: first, the district government randomly selected three SOs with good performance records from a database; second, if the selected SOs were interested in the

contracts, they were expected to negotiate with the street-office governments prior to the tendering process; and third, all of the selected SOs were to bid for the contracts, but only the SO that reached an agreement with the street-office in the previous stage would be contracted. Initially, there were only four SOs in the database, and that number increased to eleven in 2018. The district government had limited choices of service providers for more than forty communities.⁴¹ As a result, not only do the incumbent contractors with good performance records continue to be contracted to deliver the same program, but less competent contractors were also trained by external experts to improve their service design. SOs with a good reputation among higher level governments are highly trusted by lower level government funders; SOs that are recognized as “exemplary” by higher level governments are awarded contracts without competitive tendering.

Regulating contract implementation in Chongqing

The Chongqing government announced four contract governance modes to monitor contract implementation. In practice, the market-based and professional modes are of relatively little use as in Shanghai; the hierarchical and relational modes are prioritized and integrated by the Chongqing government. Lowering service cost comprises a small percentage of contract evaluation scores.⁴² TIAs are not independent of the government funders and have to accommodate the latter’s requests for lenient contract evaluation.⁴³ Street-office officials and community cadres⁴⁴ also care less about contractors’ performance measured by professional indicators (e.g., service quality) and more about the ability of contracted services to attract positive attention and evaluations by higher level government.⁴⁵ Contractors are allowed to adjust their services in the process of implementation due to unexpected users’ needs or service requests by governments not specified in the contracts (e.g., preparing presentation materials). Contractors have to negotiate with governments for additional resources or to adjust contract agreements.⁴⁶

The hybrid hierarchical-relational contract governance mode has been emphasized to a greater extent in Chongqing than in Shanghai. Lacking qualified TIAs, six of the eight SO service contractors that we studied had evaluated the contract performance of other SOs. In one case, an external expert was selected to evaluate his own SO’s contract performance; this was later investigated by the Party Discipline Committee.⁴⁷ To avoid such conflicts of interests, government funders often have to evaluate contractors on their own or, if they have resources, invite inspection agencies from outside Chongqing. The monitoring by street-offices is so lenient that services are often not delivered by professional staff as required.⁴⁸ The government funders also have to tolerate underperformance of contractors who are funded and granted “exemplary” status by higher level governments.⁴⁹

Discussions and Conclusion

The concept of RWS captures the double expansion of expenditure and regulation for SSCs in China. Like its counterparts in other countries (e.g., Benish and Mattei

2019), the Chinese government sought to reconcile the values of equity and efficiency, as well as integrate multiple accountability mechanisms in designing contract governance modes. In practice, both the Shanghai and Chongqing governments prioritize and integrate the hierarchical and relational modes of contract governance, relying less on the market-based and professional modes to regulate SSCs. In democratic welfare states where private service sectors are well developed (e.g., the United States and the UK), the dominance of the hierarchical-relational mode is atypical. Instead, service users and contractors can pressure the government over contracting decisions through coalition building and advocacy. Contractors can defer to professional expertise and norms to resist input-and-task-based scrutiny by the government (Romzek and Johnston 2005; Schwabenland and Hirst 2017). In political systems where both government funders and contractors are subject to criticism and accountability pressure from civil society (e.g., Germany, Denmark, and Israel), the use of the hierarchical-relational mode that may threaten public and legal accountability can be checked (Benish 2014; Jantz et al. 2018).

The similar modes of contract governance implemented in Shanghai and Chongqing can be explained by the authoritarian and transitional context in China, and this explanation can be applied to the rest of the country as well. The governments in both localities need to nurture politically loyal but inexperienced SO contractors to quickly adapt to the shifting priorities of the superior authority; they are also mandated by the central government to fulfill the dual purposes of mobilizing private resources for social service provision and of maintaining political control over civil society. The government officials in the two localities assign extra-contractual tasks to SO contractors in a top-down and unpredictable style, reflecting the features of state-society relations in China's corporatist regime (Unger and Chan 2008). This style constrains the bottom-up and independent input of contractors, service users, external experts, and inspectorates in regulating SSCs, and hinders public and legal accountability.

In Chongqing, the hierarchical-relational mode of contract governance has been emphasized to a greater extent than in Shanghai. Government funders show a higher tolerance for underperformance by contractors and conflicts of interest of external inspectorates. The different practices in Chongqing can be explained by its low government capacity, high demand for social services, and limited number of qualified contractors and external inspectorates. These explanations are transferable to other localities in China with similar levels of economic development, fiscal conditions, and service market conditions.

This study represents a first step in qualifying and explaining the mode of contract governance in regulating SSCs in China. Given the small and unrepresentative sample of respondents, the study does not exhaust various hybrid forms of contract governance modes implemented across China, and hence limits its generalizability to different parts of the country. China's context also differs from the contexts of other countries. Future research can address this limitation by studying and comparing contract governance modes in other places in China and other countries.

The Chinese government has reflected on the limited implementation of the market-based and professional modes of contract governance and has sought to

strengthen these modes.⁵⁰ We advise that to overcome the difficulties of integrating different values and accountability mechanisms, the government should facilitate nongovernmental actors' participation in and input into regulatory processes.

The study posits that dynamics between political context and market conditions affect the formation and effectiveness of hybrid modes of contract governance. Regulators in different countries should factor in such dynamics when designing modes of contract governance in regulating social services.

Notes

1. "New public management" includes the adoption of performance and outcome-based management techniques and an emphasis on efficiency and responsiveness to customers in the public sector (see Benish 2014).

2. Social organizations are termed "NGOs" or "nonprofits" in other countries.

3. The government's expenditure on social services increased significantly from 2001 (28.5 billion CNY) to 2016 (544 billion CNY) (Ministry of Civil Affairs 2017; see Appendix IV-C).

4. Public work units refer to government agencies, public institutions, and state-owned and collective-owned urban enterprises that provide employment and welfare for the citizens during the Central Planning era (1950s-1970s) in China (see Li 2017).

5. A street-office is an administrative agency dispatched by the district government.

6. Ministry of Civil Affairs 2016. See Appendix IV-C.

7. Registration for philanthropy/charity organizations, and urban/rural community service organizations has been relaxed; other grassroots groups still find it difficult to register as SOs (Chan 2018).

8. Mass organizations operate as government agencies, such as the Youth League, Women's Federation, and Federation of the Disabled.

9. State Council 2013. These four modes are followed by Shanghai and Chongqing, with details given in the next section. See Appendix IV-C.

10. Shanghai Civil Affairs Bureau 2017. See Appendix IV-C.

11. Shanghai Social Organization Bureau 2017. See Appendix IV-C.

12. Shanghai People's Government 2015. See Appendix IV-C.

13. Interview YGY.

14. For instance, the YP District Civil Affairs Bureau received over 600 applications in 2018, of which it only approved 387. Interview YPM.

15. Interviews YPM and YPC.

16. Interviews HPW and YPC.

17. Interviews AQL, BYL, YZX, ZJS.

18. Interview YGY.

19. All of the SO service providers we studied in Shanghai had Party members among their full-time staff (see Appendix II-B).

20. This particularly applies to government funders with specialized service domains (e.g., the Women's Federation). Interviews YPC, YPM, HPW.

21. Interview HPW.

22. Shanghai Social Organization Bureau 2018. See Appendix IV-C.

23. Interviews YGY, AQL, BYL, YZX, ZJS.

24. Interviews YGY, YZX.

25. Interviews HPW, KJSC, YJSC.

26. Shanghai People's Government 2015. See Appendix IV-C.

27. Interviews LCL and BYL.

28. Service output indicators that can be converted to service unit cost contribute to 10 per cent of the total marks. Service effectiveness indicators only contribute to 9 percent of the total marks (Shanghai Quality Supervision Bureau 2012; see Appendix IV-C). In practice, the weighting can be lower. Interview YPSA.

29. Interviews YZX and LCL.
30. Interviews BYL, JSP, XZJ, ZJS.
31. Interview HPW.
32. Interviews YPM, KJSC, YGY. .
33. Interviews YPC and JSP.
34. Interviews HPW and YPM.
35. Interviews YPSA and JSP.
36. Interviews YPSA, JSP, YZX.
37. Chongqing People's Government 2014. See Appendix IV-C.
38. Interview JLPB.
39. Interview JLPB.
40. Interviews RA, SCB, YYS.
41. Interview RH.
42. In the JL District, service output volumes comprised 13 out of 100 evaluation marks in 2017. Interview JLPB.
43. Interview RH.
44. "Community cadres" refers to the Party organ's secretaries, who direct the residential committees' work for the neighborhoods. They report to the street-office Party work committee. (CCPCC 2019; see Appendix IV-C).
45. Interviews RH, SCB, YYS.
46. Interviews RH, RA, YYS.
47. Interview YYS.
48. Chongqing Civil Affairs Bureau 2018. See Appendix IV-C.
49. Interview YYS.
50. Ministry of Finance 2018. See Appendix IV-C.

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