

Discussion on Realistic Difficulties and Strategic Reconstitution of Public-Private Cooperation in Public Nursing Institutions for the Aged in China

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Abstract—The public-private cooperation of public nursing institutions for the aged is an important part in the reforms of public nursing institutions for the aged. At present, there are some realistic difficulties for the public-private cooperation of public nursing institutions, such as the restraint caused by the management system of public institutions, the institutional environment in need of urgent improvements, lack of incentive and supervision mechanisms and obstacles to channels of participation by the public. Therefore, it is needed to construct the institutional environment for public-private cooperation of public nursing institutions for the aged and establish the corporate governance structure of public institutions as well as perfect the mechanism design for public-private cooperation, which are strategic selections for public-private cooperation of public nursing institutions for the aged.

Keywords—public nursing institutions; public-private cooperation system; realistic difficulties; strategic reconstitution

I. INTRODUCTION

The public-private cooperation system is also known as the public-private partnership, PPP for short, i.e., the institutional arrangement that public sectors and private sectors establish cooperative relationship, to provide public products or services[1].

As the carriers of services for the aged invested and established by governments, public nursing institutions for the aged are “the final line of defense” for the social welfare supply system for the aged in China. In recent years, with the intensification of population aging, public nursing institutions for the aged established under the background of the planned economic system cannot adapt to the economic and social development on functional orientation, management system and operation system, and the reforms in public nursing institutions for the aged represent for the irresistible trend.

It is clearly pointed in the “Notification on Development of Experimental Works of Reforms in Public Nursing Institutions for the Aged” (Correspondence of the Ministry of Civil Affairs [2013] No. 369) issued by the Ministry of Civil Affairs in 2013 to: “carry out the public nursing institutions for the aged in a publicly established and privately operated way”. It is mentioned in the “Implementation Opinions on Encouraging

Participation of Private Capital into Services Provided to the Aged” (Correspondence of the Ministry of Civil Affairs [2015] No. 33) jointly issued by ten departments including the Ministry of Civil Affairs and State Development and Reform Commission that: “it is encouraged to deliver nursing institutions for the aged invested and held by governments, especially newly established ones, to private sectors to operate by means of contracting, joint operation, joint venture and cooperation in a way of open bid invitation at the premise of clarification of property rights, so as to realize operating mechanism marketization.”[2] Therefore, it is necessary to conduct reforms in current management and operating systems of public nursing institutions for the aged as well as introduce private capital and the market mechanism, so as to form the public-private cooperation system of public nursing institutions for the aged[3].

II. REALISTIC DIFFICULTIES FOR PUBLIC-PRIVATE COOPERATION OF PUBLIC NURSING INSTITUTIONS FOR THE AGED

The public-private cooperation of public nursing institutions for the aged in China is restrained by the management system of public institutions at the present stage, with realistic difficulties such as immature institutional environment for the public-private cooperation system, imperfect cooperation mechanism and obstacles to participation channels for the public.

A. *Restraint by the Management*

Public nursing institutions for the aged are public-welfare institutions belonging to various levels of civil administration departments. At present, the management modes adopted by public-welfare institutions are blurry and chaotic. Firstly, public nursing institutions for the aged strongly dependent on and affiliate to civil administration departments. Secondly, public nursing institutions for the aged face with the problem of imperfect corporate governance structure in public institutions. Although the corporate governance structure has been established in public institutions at the present stage, no fundamental change has been made on management method adopted for public institutions with corporate governance structure by governments. The hierarchical control method still

exists in the management of public institutions by competent departments and related governmental departments. The not implemented dominant roles of the legal person in public institutions and the imperfect corporate governance structure lead to undefined participation objects and nonstandard cooperation process of the public-private cooperation of public nursing institutions for the aged. [4] Such a participation method leads to the problem of undefined participation objective in the public-private cooperation. Therefore, the current management system of public nursing institutions for the aged has restrained the smooth implementation of the public-private cooperation of public nursing institutions for the aged at the present stage.

B. Need of Urgent Improvement

Perfect institutional environment is the primary condition for public-private cooperation, including diversification of participants, market perfection degree and perfection of related laws and regulations. During the implementation of the public-private cooperation of public nursing institutions for the aged, with respect to participants, there are difficulties such as undeveloped nursing for the aged, insufficient amount of market players, short time and limited professional knowledge, leading to limited amount of objects in accordance with related conditions as well as extremely limited selection ranges for bid invitation. Secondly, with respect to market environment perfection degree, the market environment in China faces with difficulties such as tedious procedures in government agencies, low efficiency and non-transparent policy information and operation, excessive intervention from governments to enterprises, imbalanced competition between non-public economy and public economy, unfair treatment to non-public economy and low market integrity degree. Finally, with respect to perfection of laws and regulations, there is no legal standard for the public-private cooperation system of public nursing institutions for the aged. For example, on the aspect of selection of cooperation objects of public nursing institutions for the aged, there is no specific law or regulation. According to "Implementation Opinions on Encouraging Participation of Private Capital into Services Provided to the Aged" (Correspondence of the Ministry of Civil Affairs [2015] No. 33), "it is required to select cooperative objects in a way of open bid invitation". At present, the "Law on Public Bidding" issued in 1999 is the law and regulation about bid invitation in our country, which is applied to engineering-based bid invitation, with especially complicated qualification requirements to bidders and operation of projects. In the public-private cooperation of public nursing institutions for the aged in our country, managers have explored ways to select cooperators such as recruitment, competitive negotiation and direct entrustment; however, no complete standard or bid invitation degree has been formed so far.

In conclusion, the imperfect institutional environment has been an important factor hindering the smooth implementation of public-private cooperation of public nursing institutions for the aged[5].

C. Lack of Mechanism Design

The public-private cooperation mechanism is presented as specific operating rules and contents during the formation and operation process of the public-private cooperation, such as the incentive mechanism and the supervision mechanism. Perfect public-private cooperation mechanism leads to reasonable behavioral style of various participants; however, imperfect cooperation mechanism leads to opportunistic behaviors of subjective, giving rise to increased transaction expenses, chaotic cooperation process, or even failure in cooperation. The public-private cooperation of public nursing institutions for the aged is involved in realistic barriers of lack of mechanism design in our country.

With respect to incentive mechanism, to certain extent, cooperation is actually a problem of incentive. "Incentive means motivating enthusiasm of participants. Incentives, also known as inducements, implicate purpose of private institutions. In fact, the essence of the public-private cooperation system of public nursing institutions for the aged is that public departments and private departments cooperate to realize joint objectives. The premise of the purpose is the scientific institutional design, which is utilized to realize interest demands of both parties. The design of the incentive mechanism is the fundamental approach for realizing the interest demand, so as to realize incentive compatibility between public institutions and private ones. At present, during the implementation of the public-private cooperation system of public nursing institutions for the aged, the incentive measures of public departments to private departments mainly include administrative means, in lack of institutional guarantee measures. At the same time, private departments pursue for short-term yields, with obvious pursuit of profits. For this reason, it is needed to coordinate between benefits of public institutions and private ones with effective incentive system design, which is a problem in need of urgent solution.

With respect to supervision mechanism, at present, public departments of public nursing institutions for the aged are supervised and managed directly by civil administration departments, with relatively perfect supervision mechanism. However, no scientific supervision system has been formed for the public-private cooperation part of public nursing institutions for the aged. It is obvious that this phenomenon will lead to failure in standardization of the public-private cooperation system as well as corrupt behaviors[6].

D. Hindered Channels for Public Participation

The final purpose of the public-private cooperation system of public nursing institutions for the aged is to use the resources of services for the aged to the maximum extent, to meet diversified demands on services for the aged. Therefore, the implementation of the public-private cooperation system is closely related to the public. The smooth channel for public participation is the necessary condition for the implementation for the public-private cooperation system for nursing institutions for the aged.

At the present stage, during the implementation of the public-private cooperation system of public nursing institutions for the aged, there is no smooth channel for public participation,

and the objects of the public-private cooperation system of public nursing institutions for the aged are mainly institutions or beds with good hardware facilities. The supply for services for the aged cannot reflect demands of the society, leading to inefficient configuration for the public resources for services for the aged. In addition, public participation is the effective approach for supervising the quality and service effect of the services for the aged, giving consumers power of “voting with feet”. European and American countries were during the reforms in services for the aged during 1980s, and it was advocated to provide consumers with more choices, known as “another intangible hand”, advocating another provider for social services at the condition of failed current social service provider. It is obvious that the smooth public participation channel is an effective approach to supervise the effect of the public-private cooperation system of public nursing institutions for the aged. At present, our country is facing with realistic problems such as obstacles in public participation channels as well as single evaluation indicators for service effect and quality of nursing institutions for the aged. Such problems will lead to failure in evaluation on cooperation effect of the public-private cooperation system of public nursing institutions for the aged, intensifying difficulties in implementation of the public-private cooperation system of public nursing institutions for the aged.

III. STRATEGIC RECONSTITUTION

A. *Perfection of Corporate Governance Structure in Public Institutions*

The perfection of the corporate governance structure in public nursing institutions for the aged is the premise for implementation for the public-private public nursing institutions for the aged. The so called corporate governance structure is the organizational structure designed to realize organization governance purpose, composed by power agency, executing agency and supervision agency, to form mutually-dependent efficient system and mechanism, with definite rights and obligations, coordinative operation and mutual balance, laying emphasis on construction of the legal person benefit balancing mechanism.

Generally speaking, the corporate governance structure is mainly the institutional arrangement on power, responsibilities and benefits about corporate authority agency, executing agency and supervision agency. The corporate executing agency is the executing agency for corporate power agency, with the rights to implement corporate agreements or regulations or establish matters stipulated by orders and matters determined by legislation authority agency. The corporate supervision agency refers to the agency implementing supervision and checks to behaviors of corporate executing agency.

B. *Perfection of the Institutional Environment for the Public-private Cooperation System*

The perfection of the institutional environment is the soil for continuous and healthy development of the public-private cooperation system of public nursing institutions for the aged[7]. At present, during the implementation of the public-

private cooperation system of public nursing institutions for the aged, the key content of the institutional environment is to cultivate the law and regulation system with spirit of contract and perfect public-private cooperation system.

Firstly, during the promotion of the public-private cooperation system of public nursing institutions for the aged, it is needed to pay special attention to cultivation of the spirit of contract. The public-private cooperation projects usually have large investment amount and long cooperation period during practice, influenced by multiple factors such as economic term and shifts of governmental officials. For this reason, it is needed to strengthen the spirit of contract to ensure the sustainability of the public-private cooperation system. Secondly, it is required to accelerate the construction of laws and regulations during innovation and development of the public-private cooperation system, so as to protect benefits of both public departments and private ones. Finally, it is needed to formulate unified fundamental and standard legal system for the public-private cooperation of public nursing institutions for the aged, to define labor division, coordination, approval and supervision works among different departments. Besides, it is required to give overall and systematic stipulations on project approval, bidding, construction, operation, management, quality, charging standard and regulating mechanism, project exclusiveness, dispute solving mechanism and delivery of the public-private cooperation projects, so as to promote sound development of the public-private cooperation system.

C. *Construction of the Market Mechanism with the Public-private Cooperation System*

The essence of the public-private cooperation system is to introduce the market players with the best professional competence through the market mechanism, to realize the largest cooperation residue; therefore, the perfection of the market mechanism is an important condition for the implementation of the public-private cooperation system. In order to perfect the market mechanism for the public-private cooperation system of public nursing institutions for the aged, it is needed to relax control over market access, to eliminate the investment barriers to nursing institutions for the aged, so as to encourage private capitals to enter into public nursing institutions for the aged, to form the investment structure with multiple supplies. Secondly, it is needed to establish fair competition environment, to eliminate the situation that the “private departments” are monopolized by public enterprises in the public-private cooperation system of public nursing institutions for the aged. Especially, during the formation of the public-private cooperation system, the market competition mechanism is generally realized by bid invitation, with the essence of price competition, and departments winning the bidding are generally powerful competitors in price, reflecting comprehensive competence in strength and reputation. Therefore, it is needed to ensure equal opportunities for competitive bidding among different bidders, to provide private enterprises with the same treatment. In addition, it is needed to ensure mutual independency among different subjects, to avoid colluding behaviors in bidding. Besides, it is needed to ensure competitors have the same project information, to avoid disclosure of information of objects by bidders. The same bid

evaluation indicator system and evaluation method shall be adopted for all competitors, with open and transparent process. Private enterprises shall be considered with priority for enterprises with the same qualifications and conditions. Finally, it is needed to maintain market orders. On the one hand, it is needed to protect benefits of private departments from interference of local interest groups, to avoid economic disputes. On the other hand, it is needed to ensure benefits of the public, and give necessary governance and punishment to improper operation of private departments.

IV. CONCLUSION

At present, there are some realistic difficulties for the public-private cooperation of public nursing institutions, such as the restraint caused by the management system of public institutions, the institutional environment in need of urgent improvements, lack of incentive and supervision mechanisms and obstacles to channels of participation by the public. Therefore, it is needed to construct the institutional environment for public-private cooperation of public nursing institutions for the aged and establish the corporate governance structure of public institutions as well as perfect the mechanism design for public-private cooperation, which are strategic

selections for public-private cooperation of public nursing institutions for the aged.

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