

Mixed Supply Model of Public Service Provision in “Village to Residence” Community: An Empirical Case Study in Jinan⁺

Chunlei **Huang***
Shandong University

Abstract

China is experiencing rapid transition of urbanization. From the 1980s till now, the transformation of “village to residence” has become a prominent approach for numerous villages in the urban-fringe areas of China. This paper discusses the mixed supply model of public service provision, on the basis of an empirical study of two cases in Jinan City, by illustrating the transformation of urbanization and how public services in the communities are delivered. The paper also considers existing challenges in the model and accordingly provides a series of policy suggestions, including defining responsibilities of government, speeding up the joint-stock reform of collective assets and innovating the public service provision mechanism.

Keywords: “Village to Residence”, new-type urbanization, mixed supply model of public services

JEL classification: H41, H44, O18, R51

1. Introduction

The three decades of opening-up and administrative reforms have witnessed dramatic urbanization in China. From the 1980s to the present, the transformation from “Village to Residence” (*cun gai ju*, 村改居) has been an important approach for local peasants in urban-fringe communities to turn into urban residents overnight. While there have been significant improvements in the public service provision for the special type of urban community, a good many problems have also risen in practice. As a matter of fact, from the perspective of transition, problems that have been exposed in the process of “Village to Residence” reflect the complexity and comprehensiveness of breaking the systematic barriers that have long rooted in Chinese rural-urban dual structure. Having been put forward in the eighteenth National Congress of the Communist Party of China (CPC), the new urbanization strategy emphasizes the urbanization of citizens, allowing the shift from agricultural surplus labor in the countryside to non-agricultural industry and cities, along with enjoying the same basic public services as urban residents. And these include social security, health care, education, culture and others. Therefore, it has been a crucial standard for ‘Village to Residence’ communities whether public service provision can be successfully unified between urban and rural areas.

2. Literature Review

Experimentations in “Village to Residence” have drawn much attention of Chinese scholars, policy-makers and practitioners. Researches have been focused on many aspects. Initial scholarship had focused on the individual rights and interests, as well as collective asset restructuring. Currently, the main concern has been expanded to the issues of social

security, resident participation, community culture, community organization, public service provision, community construction and management, as well as grass-roots party construction. Empirical studies of public service provision in “Village to Residence” have attempted to answer the following set of questions:

- Who are the providers of public services in “Village to Residence” community? Are there any differences from each other in the delivering of services?
- What are the problems in practice on the issues of public service provision in “Village to Residence” community?
- How to improve public service delivery as policy-makers in municipal governments?

Chinese scholars tend to have agreements on the differences between the “Village to Residence” communities and other types of urban communities. Influenced by the original tradition of village autonomy, the collective economy has become the most solid economic sources, even the “unlimited liability” for public affairs in the “Village to Residence” community (Zhou, 2011; Pang and Wang, 2011). In practice, many problems have been found in regard to public service provision in this type of community, including the insufficiency of input, dislocation and absence of providers, and the lack of the mandatory and normativity in government investment, which result in the imbalance and equality of resources between urban and rural area, as well as different groups in urban community (Tang, 2010; Liang, 2013; Wang, 2014). Chen (2003) proposes the establishment of a new public goods supply mechanism – public pilot private run. Tang (2010) and Wang (2014) put forward multi-center providers of public service in “Village to Residence” community. Whereas theoretical framework has been provided for the

existence of the complexity of public service provision, existing studies have not yet approached the provision of public services in a systemic, integrated way. In addition, it is not sufficient to account for the significance of the public service provision for this specific type of community.

Therefore, the research aims to describe the process of transition of “Village to Residence” community in Jinan (濟南) from the historical perspective, and analyze the characteristics of mixed supply model of public services by conducting investigations in two communities. It also identifies the problems in the practices of public service provision and seeks to draw conclusions on the mechanisms of public services provision in the community.

3. The Development of “Village to Residence” Community in Jinan

The first “Village to Residence” community in Jinan has appeared at the end of 1980s. By the end of 2004, the number has increased to 102. The rapid growth of “Village to Residence” communities is closely related to the rate of urbanization¹ in the same period in Jinan. It is historically recorded that Jinan has been leading a role in the area of restructuring into joint-stock system for collective assets. QT community has been awarded as “Huaiyin Pattern” (*Huaiyin moshi*, 槐蔭模式) by the Central Government in the year 2002. In 2010, in order to standardize registration of “Village to Residence” community, municipal government of Jinan issued “Opinions on Further Strengthening the Community Construction”, which hindered the rapid growth of registration. According to the statistics of The Civil Affairs Bureau of Jinan, the number of “Village to Residence” communities has undergone a slower growth from 102 to 129 over the past 10 years.

Located in the west-north suburbs of Jinan with a coverage of 150 acres (*mu*, 畝), Village Committee QT was registered as Residents’ Committee (*jumin weiyuanhui*, 居民委員會) in 1989. In history, there were no village enterprises and vegetable planting that sustain most of the villagers. The change from “agricultural to non-agricultural” has resulted in the loss of land for young people aged from 18 to 30, who were employed by state-owned industries such as cement plants, ceramics plants and building materials plants. In 1998, in order to improve the living condition of the residents, QT Committee undertook the remodeling of old village, which produced a lot of collective assets by renting housing properties along the street. In 2002, QT Committee launched the joint-stock reform of these collective assets. Afterwards, the value of collective assets has increased smoothly due to the urbanization and especially the rise of rental income. Notably in 2009, Jinan West Railway Station Planning was completed and QT was included in the core of the planning area. Currently, approximately 4,700 residents live in QT Community, of which about 700 are the original villagers.

Another case is HT Community that locates in the north suburbs of Jinan with a coverage of 2,000 acres (*mu*). In 2004, HT Residents’ Committee was registered. In the early years of reforms, while other villages distributed land among the peasants, HT took back the dispersed lands to invest into 12 business enterprises. In the mid-1980s, HT village had taken a significant leap from agricultural village to industrial village. Along with the rapid development of urbanization in Jinan, HT strived to develop the service industry such as logistics, occupation education and commerce, which has become the mainstay of the collective economy. Around 14,200 residents currently live in HT Community, of which the original villagers are about 4,200.

4. The Characteristics of Mixed Supply Model of Public Services in “Village to Residence” Community – Investigations of Two Cases in Jinan

In general, the provision of public services in “Village to Residence” community have been improved significantly ever since it was started in Jinan during 1980s. However, as a special transition community in urban areas, “Village to Residence” community demonstrates distinct differences from other urban communities with a mixed supply model of public services, which involves collective economy, private economy and government supporting projects, especially its heavy dependence on the village collective economy. Besides, the difference between two “Village to Residence” communities is remarkable in terms of the supply model of public services due to the social and economic basis in the history, the scale of the community, and the geographic position, etc.

In order to elaborate the characteristics of public service provision in “Village to residence” community, we will refer to two cases of HT Community and QT Community in Jinan, illustrating the providers and provision mechanisms of three types of urban infrastructure, basic public services, and public affairs and public services within the community.

4.1. Multiple Providers of Public Services

4.1.1. Main source of provision: The village-level collective economy

Having growing out of villages, “Village to Residence” communities have clearly showed differences in living environment, industry, and residents’ income composition from the traditional village. However, the collective asset of “Village to Residence” community has been continually accumulating and improved due to the geographical advantages in urban suburbs and the aggregation effect of city resources.

For example, total collective asset of HT Community is worth more than one billion yuan (renminbi), and its annual net income is above 20 million yuan. The annual collective housing rental income of QT Community is about 8 billion yuan, and is increasing more than 5 percent per year. The collective economy logically becomes the main source of public service provision in “Village to Residence” community. In addition, the platform of investment and management in the residential area for a long time is “whoever developed, who matched”. The surrounding municipal facilities (such as parks, water, electricity, roads, kindergartens and clinics, etc.) in HT and QT Community were invested and constructed by their collective economic organizations. According to the statistics of *Jinan Statistical Yearbook 2013*, there were respectively 4,218 and 3,523 employees in collective economic units in the fields of education, health and social work. It shows that the collective economy is still playing a role in public service provision and public affairs in Jinan. Some basic public services and a variety of social welfares, and social insurance largely rely on the collective economy. Most landless young villagers of HT Community were employed by its collective enterprises. Thirty percent of the collective net income is annually spent on villagers’ welfare (over 20 million) and the residents’ committee operation (10 million, the property service is free for villagers). Moreover, the collective economic organization is responsible for the reinvestment and management of the community kindergarten, apartment for the elderly, park, etc. Public toilets are invested equally by both the collective economy and the local governments. In QT Community, 8-million-yuan annual income of the collective economy is needed to pay for property costs, 2 million yuan for villagers’ welfare, and about 2 million yuan for annual year-end bonus, 1.8 million yuan for the two committees’ cost (vehicle expenses, staff wages, etc.), and consequently the total expenditure accounts for 70% of its net income.

For the individual-paid portion of the old-age insurance, 85% is reimbursed by the collective economy, and the percentage of the individual-paid portion of medical insurance, which is 300 yuan per year, is 100.

4.1.2. The recurrence of government responsibility

Under the guidance of “Urban and Rural Harmonious and Public Finance Construction”, governments at all levels in China have constantly widened the investment in urban-rural public services. The continuous development in public employment, service for the aged, fundamental public health, and community culture provides a favorable environment for the promotion of public service in “Village to Residence”. According to our investigation, the government has provided equal access for all urban residents, such as low-security, disability payments, social insurance, unemployment registration, re-employment training, and home-based care for the aged.

In the past of HT Community, the village collective economy was alone responsible for the refuse collection and public toilets, and now the municipal government shares one half of the investment and bears all of the maintenance costs. As a result, the condition and environment of public toilets have been improved greatly. As for educational facilities, the old arrangement that the government only undertook the wages of formal faculty has changed since 2012. In this year, the primary school in HT village was transferred free to urban education bureau; meanwhile the government bears all the cost of relative inputs. While the government’s responsibility is strengthening, there is a great disparity vis-à-vis residents’ actual demands at the level and quality of public service. Some problems are more prominent, such as the deficiency of employability of residents, serious shortage of facilities for home care,

lower standard-reaching rate of public health services and facilities, and increasing tension of educational resources, etc.

4.2. The Diversity of Public Service Provision Mechanism

4.2.1. Highlight the decentralization to grassroots government

In the early times, the transformation of “Village to Residence” was conducted by village collective organization itself in most cases. Later, the government began to spare more responsibility in the process of transformation. According to the new policy “The Opinion on Accelerating the Renovation of Urban Village in Jinan 2014”, the municipal government further improves the operational mechanisms and management systems. District or county governments hold the main responsibility of organization and implementation while the municipal government is responsible for planning, coordination, supervision and guidance. As a supportive measure, 60% of land leasing fees will be allocated to each district as the cost of reconstruction of urban village, and 70% of the land leasing net income will be allocated to each district, which would be used for renovating infrastructure and balancing fund in urban villages. Considering the advantages of grass-roots government, this arrangement is conducive to the promotion of efficiency.

4.2.2. The continuity of village autonomy mechanism

Although the villager communities have already shifted to the neighborhood committee, village autonomy has not disappeared in many “Village to Residence” communities. Most native villagers believe that they conduct their private and public affairs in accordance with village regulations and rules made by the trinity, namely village collective economic organization, village committee and village party branch. Only native villagers living in the traditional village are qualified to

participate in residents' committee election and other public affairs.

In HT Community, apart from members of neighborhood committee, who have specific duties, members of community Party Committees and collective economic groups are appointed with the same list. Offices under neighborhood committee offer reception service to the native villagers and solve their concerns and problems. The collective stake still accounts for 60 percent in collective assets, while the proportion of workers is 40 percent. Only the native villagers have access to participate in the election of the "two community committees".

Although joint-stock reform of collective assets was completed in QT Community in about 2002, residents only share out bonus to quantifiable assets, and the rights will be withdrawn by the company when they retire, which lead to the new problems of the vacancy of the subject of ownership. In addition, residents' committee creates a property management company to operate services for the residents in a self-regulatory and self-serving system.

4.2.3. Multiple mechanisms for other participatory forces

Firstly, compared with ordinary urban communities, "Village to Residence" communities have stronger sense of community belonging with traditional culture of mutual help in the neighborhoods. In the process of urbanization, the thriving collective economic ties further consolidate the common interests among the native villagers. Secondly, estate developers have become necessary participants in the construction of infrastructure for the "Village to Residence" community, which has alleviated a huge financial pressure for municipal construction; however, their bias towards profits rather than growth and development results in that commercial projects of high rate of return are abundant while projects of low earning rate, even non-profitable one such as park, green

land, hospital and education facilities, are in short supply. Thirdly, some public utilities are privately provided and run by more and more companies and nonprofit organizations, such as private nursing home, private clinic and kindergarten and so on. Jinan municipal government initiated beds and living subsidies for the inspiration of private nursing homes since 2011. Lixia District (歷下區) government provides fiscal subsidies of children nursery fee to the residents since 2013.

5. Challenges and Solutions of Mixed Supply Model of Public Services in “Village to Residence” Community in Jinan

Basically, big progress has been achieved in the public service provision for “Village to Residence” in Jinan. However, the mixed supply model of public services is still in a chaotic status lacking in stability of rules and norms, and with remaining contradictions and problems. Thus, systemic reforms are urgently needed.

5.1. Clarification of Government Responsibility

As mentioned above, two levels of governmental responsibility are employed in the transformation of “Village to Residence” in Jinan. The decentralization is helpful to motivate local governments and to promote the service provision based on local conditions. However, decentralization is not a substitute to centralization and coordination. In fact, there are extreme disparities in public financial strength between the five districts of Jinan. Meanwhile, collective economic basis of different communities varies widely, so too much emphasis on decentralization may not be conducive to achieving equalization of basic public services but may instead exacerbate the gap.

Some advices can be given to tackle these problems. Firstly, municipal facilities and public service facilities should be well designed

before the transformation, which is the primary responsibility of municipal government. Secondly, appropriate mode for infrastructures and facilities should be selected at the basis of different conditions during the transformation of villages. The well-developed villages should be encouraged to participate in the investment and construction of municipal facilities and public services, and local government is responsible for necessary regulation on the quantity and quality of the construction. Thirdly, after the transformation, it is needed for local governors to make a universal urban management for all of communities according to the equalization of basic public services. Central and provincial governments should take on more responsibilities for basic public services such as primary education, public employment, social insurance, social services and health care. Municipal governments should strengthen its roles in investment and management of municipal facilities and local public services, especially in bridging the gap between rich and poor districts by financial transfer payments. In our survey, we learned that the Shandong Province government came up with a special fund to subsidize infrastructure improvements within the old community (including sewer, street lighting, landscaping, pavement, fitness equipment, refuse vehicles, etc.) from the beginning of fiscal year 2012. “Village to Residence” community can also apply for this subsidy according to their needs. We suggest that such transfer payments should be normalized and institutionalized in the future. The under-developed communities should be especially financed according to the equalization standards of basic public services.

5.2. Keynote: Collective Property Right Reform

It seems obvious that the collective economy is closely linked to the welfare of native villagers and the public service provision for all

residents in “Village to Residence” community. And the collective economy, which has been strengthened by urban economic aggregation, has also made great contributions to the urban construction and community public service provision in the transformation of “Village to Residence”. But the trinity - village collective economic organization, village committee and village party branch has displayed some distinct defects. Firstly, it is believed that monopoly and autocratic management are derived from the confusion of villager committee’s functions for public service provision and enterprise business management (Pan and Zhou, 2004). We also found that some villages prefer the distribution to accumulation of collective economy, and there is no clear restriction on the proportion of working funds for the community’s neighborhood committee in the total collective assets income. This will inevitably affect the competitive power of the collective enterprises which are mainly distributed in the secondary industry. Secondly, collective property rights in many “Village to Residence” communities is also incomplete (Zheng, 2010), which has resulted in undesirable phenomena such as unregulated management, insufficient disclosure of financial information and black-box problems of collective economic organizations. However, the restructuring of collective economic organizations are often underpowered, and grass-roots government has to bear increasingly severe pressure of social instability.

5.3. Suggestions: Innovation Mechanisms of Public Service Provision

The transfer cost of rural labor spending in the public service provision was estimated as about 130,000 yuan in Shandong Province. The urbanization ratio will reach about 68 percent in 2015 and 72 percent in 2020 according to the planning in “Development Program of Urbanization in Jinan (2014-2020)”. Obviously, it is utterly inadequate

to only rely on governmental expenditures to fill the supplying gap of public service of urbanization. How to use the various economic factors and mobilize all sectors of the society is a big challenge for every urban government. Generally speaking, “whose matter, who is the most concerned about”. In the investigation, we found that the strong collective economic organizations in “Village to Residence” community have invested heavily in the construction and management of infrastructure and public service facilities, such as parks, education, medical treatment, pension, health and others in the case that early government finances are not in place. They have received a substantial return as well as the promotion of public interests of community residents. It tells us that collective economic organizations has advantages in the provision of public services as it gains a better understanding of the needs of the community residents and the pursuit of long-term economic benefits. There can be a win-win economic and social benefit under the incentives of the land and taxation policies. Meanwhile, other tools such as franchising, financial subsidies, and government procurement of services can be innovated to attract private and social organizations’ investments in education, health care, pension, garbage collection and others.

6. Conclusion and Prospect

Ever since the new-type urbanization strategy was officially put forward by the 18th National Congress of the Communist Party of China in 2012, the equalization of public service provision (including the equalization of supply and demand, as well as with different groups) has become the focus of public attention. As a special way of urbanization, the process of “Village to Residence” still demonstrates a traditional village governance pattern which has a strong inertia in the transformation of

public service provision, a high reliance on the collective economy for the public service financing, the closed nature of public service beneficiaries, and absence of government responsibility. This is obviously incongruous with the diversified, opening and democratic trend of urban development in China. However, the public service provision in “Village to Residence” community is influenced by multiple factors including the collective asset restructuring, community governance ability, clear responsibility of government, coordination of public policies, and development of social power. We suggest that firstly government function in public service provision should be clarified; meanwhile spending responsibilities between central and local governments, whose aim is to equalize the responsibility between the two in basic public services, should be rationally readjusted. The joint-stock further reform should be made in the collective assets in order to establish a modern enterprise system. It needs to construct democratic, open, transparent, and efficient community public service governance mechanism on the basis of village governance. Public policies as well as the financial and investment system should be improved to motivate the collective organizations and other social forces in the public service provision. This research has reference value for the transformation of “urban villages”. Finally, this paper can be further improved in some aspects in the future, for example in the directions of diversified case studies and a comprehensive study of public policies.

Notes

- + Acknowledgements: Thanks for the supports of Innovation Fund of Shandong University (IFYT12105), and for the convenience provided by the departments concerned during investigation in Huaiyin, Licheng and Tianqiao district of Jinan.

* Dr Chunlei Huang (黄春蕾) is an Associate Professor at the Department of Public Administration, School of Political Science and Public Administration, Shandong University (山東大學, Jinan, Shandong Province, China). She completed both undergraduate and Master's degree programmes at the Department of Public Finance, Shandong University (1995-2002), and obtained her PhD degree at the Department of Public Finance, Xiamen University (廈門大學, Xiamen, Fujian province, China) (2002-2005). Dr Huang has been teaching at the School of Political Science and Public Administration, Shandong University, since 2005. She was a post-doctoral researcher (2006-2010) at the Applied Economics Post-Doctoral Mobile Station in Shandong University. Dr Huang's main research interests are provision of public goods and public-private-partnership, nonprofit organizations and social governance in China. <Email: hchunlei@sdu.edu.cn>

1. It refers to the share of household registered urban population in the total population.

References

- Chen M.P. (2003). Study on the “Urban Villages” of public goods supply and demand: A case study of Beijing rural-urban fringe areas. *Urban Issues*, Vol. 6, pp. 61-64 (in Chinese).
- Dang M.D. and Lin J.L. (2004). *One hundred years of urban development history of Jinan – since the open port*, Jinan: QiLu Press, pp. 506-507 (in Chinese).
- Gao L.Z. and Hu X.C. (2004). *Case study of collective asset disposal after “Village to Residence” – Qiantunju, Huaiyin District of Jinan as an example*. *Changbai Journal*, Vol. 4, pp. 82-85 (in Chinese).
- Gao L.Z. and Hu X.C. (2005). Study on “villager autonomy” after the transformation of “Village to Residence” in fringe area of cities – based on

- the investigation of Jinan, *Chongqing Social Sciences*, Vol. 9, pp. 108-112 (in Chinese).
- Huang L.M. (2013). *Study on the “Village to Residence” community governance under social capital perspective – taking Baoan District of Shenzhen as an example*, Wuhan: Wuhan University Press (in Chinese).
- Huang W. (2014). “Urban Villages” governance has to solve three detours. *Nanfang Daily*, 26th May 2014 (in Chinese).
- Lu H.J. (2008). Study on the public goods supply in rural-urban fringe areas – taking Q village in Zhejiang province as a case study. Unpublished Master’s thesis. Shanghai: Shanghai Jiaotong University (in Chinese).
- Party School of the Central Committee Research Group of “Research on the reform of ‘Village to Residence’ in urbanization” (2002). Deepen the reform of “Village to Residence” to promote the development of suburbs. *Chinese Cadres Tribune*, Vol. 5, pp. 57-60 (in Chinese).
- Pan J.W. and Zhou X.R. (2004). *The conflict between villager autonomy and executive power*. Beijing: Renmin University of China Press, p. 16 (in Chinese).
- Qi H.L. (2013). The status and influence of basic public services of “Village to Residence” from the perspective of Community Governance – based on the research of PRD. *The Journal of Yunnan Administration College*, Vol. 3, pp. 115-117 (in Chinese).
- Shandong Province urbanization books: A farmer “transfers to a resident”, the government spends 130000 yuan. *Jinan Daily*, 27th February 2014 (in Chinese).
- Tang P. (2010). Study on the problem of public service provision in “Village to Residence” community – a case study of Gang Village in Guangzhou. Unpublished Master’s thesis. Guangzhou: Zhongshan University (in Chinese).
- Wang S. and Liang H.J. (2009). Study on the social security in “Village to Residence” community – taking Biaoshan Community, Tianqiao District,

- in Jinan as an example. *Legal System and Society*, Vol. 2, pp. 292-293 (in Chinese).
- Wu Y.M. (2013). Demand indifference, supply failure and integration difficulties in public service between urban and rural. *The Journal of Humanities*, Vol. 2, pp. 98-109 (in Chinese).
- Wang Y. (2014). Study on the problem of public service in “Village to Residence” community – taking the Yuanhe Street, Xiangchen District, in Suzhou as an example. Unpublished Master’s thesis. Suzhou: Suzhou University (in Chinese).
- Wang L. (2014). The problems and strategies of transformation about “urban village”. *Guangming Daily*, 20th February 2014 (in Chinese).
- Xuan M.F. (2006). Policy choice paradox in social cost elusion – taking QTju in Jinan “the transformation of old village” as a case. *Society*, Vol. 4, pp. 145-159 (in Chinese).
- Yu Z.P. and Wang J.X. (2011). The analysis of the difference between “Village to Residence” community and urban community and cause – based on the investigation in the community of Qingdao. *Theorists*, Vol. 8, pp. 160-162 (in Chinese).
- Zhejiang Province agriculture department management office. Four obstacles to cooperative joint-stock system reform confronting the rural collective economic organizations. Retrieved on 20th September 2010 from <http://www.caein.com/index.asp?xAction=xReadNews&NewsID=58243> (in Chinese).
- Zhou S.H., Zhou R.B. and Wu Z.D. (2011). *Reconstruction of the “Urban Villages” and transformation of village community against the background of rapid urbanization*. Guangzhou: Zhongshan University Press (in Chinese).