China – Politics and Economics | 4

Katja Levy | Annette Zimmer | Qingyu Ma (eds.)

Still a Century of Corporatism?

Models of State-Society Cooperation in China and Germany

Nomos

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This research project was generously funded by the Stiftung Mercator (Project No. 155300).

STIFTUNG
MERCATOR

The Deutsche Nationalbibliothek lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data are available on the Internet at http://dnb.d-nb.de

ISBN 978-3-8487-6602-4 (Print)
978-3-7489-0740-4 (ePDF)

British Library Cataloguing-in-Publication Data
A catalogue record for this book is available from the British Library.

ISBN 978-3-8487-6602-4 (Print)
978-3-7489-0740-4 (ePDF)

Library of Congress Cataloging-in-Publication Data
Levy, Katja / Zimmer, Annette / Ma, Qingyu
Still a Century of Corporatism?
Models of State-Society Cooperation in China and Germany
Katja Levy / Annette Zimmer / Qingyu Ma (eds.)
185 pp.
Includes bibliographic references.

ISBN 978-3-8487-6602-4 (Print)
978-3-7489-0740-4 (ePDF)

Onlineversion
Nomos eLibrary

1st Edition 2021

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Introduction

Katja Levy, Annette Zimmer, Qingyu Ma

This volume assembles scholarly papers[1] that represent part of the results of a three-year research project ("LoGoSO Project"[2]) in Germany and China. Earlier versions of these articles were presented at the annual conference of ARNOVA[3] in San Diego in November 2019. This introduction aims to unfurl the background to this comparative project, including the larger discussion on corporatism, and explicate the methodology which we applied in this project. In the final section of this chapter, we will give a short overview of the six contributions to the book.

Background to the Project—Migration, a Challenge for Local Governments

When we started the LoGoSO project in 2016, we were puzzled by two things. First, we wanted to know more about the challenges posed by migration to local governments in China and Germany. In the previous year, Germany had experienced an influx of migrants from war-ridden countries of historical dimensions. These people had been turned down by other European states and were now looking for shelter in the country that had kept its door open. China was not much affected by these events but had experienced several migration generations of even larger dimensions since the 1980s. At that time, the Chinese government had introduced *Reform*

1 The authors would like to thank Mark Sidel, Hu Yinglian, Christina Maags and other participants in the ARNOVA annual conference and the Annual Meeting of the Working Group of Social Science Researchers on China (ASC) of the German Association for Asian Studies in 2019 for their very helpful comments on the contributions.

2 LoGoSO stands for *local government-social organisation*; the full name of the project is: Models of cooperation between Local Governments and Social Organizations—Migration: Challenges and Opportunities. The project received funding from the Stiftung Mercator. The word social organisation is used interchangeably with nonprofit organisation in this volume. The word social organisation is mostly used in research literature on the Chinese third sector.

3 Association for Research on Nonprofit Organizations and Voluntary Action.

and Opening policies and (informally) relaxed the household registration system.[4] It had thus enabled rural inhabitants to move to the cities to find work in the fast-growing manufacturing and assembling factories in the country's eastern coastal areas. We were eager to understand better the challenges that migration entails for local governments and their response to them. Secondly, we wanted to map and explain recent transformations in state–society relations. As we will discuss below, Germany is just growing out of its corporatist traditions. And we found that in China corporatism is being similarly replaced with neoliberal concepts of efficient service provision.

Thus, the research project wishes to compare Germany and China in three main respects: How are the local governments in both countries affected by the influx of large numbers of migrants? How do the local governments respond to these extraordinary challenges? And, what role do non-profit organisations, as providers of public services[5], play in this historically unique situation?

The Challenges of Migration

The LoGoSO project juxtaposes two countries faced with challenging migration movements, albeit very different ones. Germany received migrants from different countries and cultural backgrounds; China experienced do-

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4 The PRC government introduced the household registration (户口 *hukou*) system in the 1950s. In the early years of the People's Republic, it had the purpose of controlling rural migration to the cities and was strictly implemented. It meant that citizens with rural *hukou* who nevertheless came to the cities had an illegal status and were not eligible for any public services. Health insurance for themselves and their families or schooling for the children at a place different to their registered home were out of reach. When economic development took off in the 1980s and workers were needed in the industrial areas along the east coast of China, the implementation of the *hukou* regulations was relaxed, but only to a certain degree. Workers were able to move to the cities with less risk of being sent back home but still without access to social services for themselves and their families. More recently, migrant workers in the cities have had limited access to social services at their place of work. Since the social security systems of China's rural and urban areas were strictly separated, the reform of these systems and the ensuing reform of the *hukou* system are complex processes that are still going on.

5 Public services refer to services provided to needy members of society. These services can be considered part of the responsibility of the state but are outsourced to other organisations, non-profit organisations (or social organisations) or for-profit organisations.

mestic migration from one locality within the country to another. However, from a more abstract point of view, the two countries faced similar challenges, particularly at the local government level: groups of new inhabitants had to be integrated into the receiving society and the social service system. This task not only posed financial and logistic questions but demanded structural reforms—and cooperation with societal actors. The following short overview of the socio-historical background in Germany and China exemplifies the challenges, differences and similarities with regard to migration in the two countries.

Starting with the end of the Second World War, Germany has seen four phases of immigratory flow: (1) The "re-settlers phase", when ethnic German expellees (*Vertriebene*) were forced to leave Central and Eastern Europe after 1945 and sought shelter in the then two separated halves of Germany, the Federal Republic of Germany and the German Democratic Republic. (2) The guest worker phase began in the 1950s. West Germany quickly began to recover with the economic support of the American Marshall Plan and workers were needed. Consequently, workers were invited from southern Europe, mainly from Italy in the 1950s, and from Spain, Greece, Turkey, Portugal and Yugoslavia in the 1960s. This time, integration was more of an issue, since the second generation of migrants came from a different language and cultural background than the first. Simultaneously, beginning in the 1950s, a second phase of ethnic German refugees (*Aussiedler*), again coming from Central and Eastern Europe, reached Germany. (3) The fall of the Wall in 1989 triggered migration to Germany among people with a German ethnic background who had lived in the Soviet Union. Against the background of the history of the Nazi regime and its crimes against humanity, which had triggered massive refugee migration, and in expectation of the returning ethnic German migrants, the Federal Republic of Germany instituted a broad right to seek asylum in its Constitution of 1949. This "open door policy" in Germany was not welcomed by all Germans and anti-foreigner sentiments rose in the 1980s and have become a more or less underlying problem in the context of immigration in Germany ever since. More recently, Germany's right of asylum was restricted considerably, while, on the other hand, the need for a foreign labour force was acknowledged by the Immigration Act, which came into force in 2005. However, in 2015, due to armed conflicts in the Middle East (Syria, Iraq, Afghanistan, etc.) and a very strict asylum policy in most European countries in the face of this challenge, in a fourth phase, an unprecedented number of almost 900,000 migrants entered Germany and presented a great challenge for the federal and particularly the local governments in Germany (Gluns 2017).

As for China, we understand domestic migration as referring to those people who move from one Chinese locality to another locality in China and change their residence for a longer period of time. As mentioned before, China experienced several phases of large migration as a consequence of the economic development in the PRC. These developments first took off in the affluent regions of China's east coast. Eastern China therefore functioned as a pull factor for labour migrants from poorer areas in central and western China. Apart from spatial problems of accommodating the large influx of people from poorer regions in the cities, the above-mentioned *hukou*-registration system posed a particular Chinese problem in the context of migration. Due to this system, the social security systems in rural and urban areas were separated. Earned entitlements could not be transferred from one place to another. Rural labour migrants and their families had no way of participating in urban social security systems. This meant that, at least in the initial years, they had no health insurance, no pension scheme, no unemployment insurance, and their children could not attend urban schools. These conditions remained in place even in more recent decades, when labour mobility was unofficially encouraged. Labour was increasingly in demand from the booming manufacturing and assembling industry in China, the "workbench of the world".

Therefore, as far as the integration of migrants is concerned, Germany and China face very different challenges. In Germany—the basic needs for food and shelter aside—the integration of immigrants is mostly a cultural, educational and language-related challenge. In addition, there is general anti-foreign sentiment in German society to contend with. For China, the biggest integration challenge for migrants is that into the social security system of their respective locality (Ma Xiulian 2017). In both cases, it is mainly the local government that bears the responsibility for successful integration. The next section expounds these administrative challenges and the role of societal actors in response to them.

The Role of Local Governments and Non-profit Organisations in Dealing With the Challenges of Migration

It is the local governments that bear the main burden of responsibility and work in dealing with the influx of migrants. This is due to the administrative organisations in Germany and China. In both countries, the local administration authorities are responsible for social service provision for the citizens and newly incoming migrants within their jurisdiction. And in both countries, local administration bodies have to act with limited bud-

gets and under the urgent social pressure of the need to integrate the incoming people into the receiving communities.

In Germany, municipalities (*Kommunen*) represent the local government. According to the German constitution, a municipality is the lowest administrative level in the federal system. The so-called *principle of universality* purports that every task concerning a community is legally a municipal activity. The individual structure and capacities of the municipalities are defined in the communal constitutions of the federal states. Therefore, the size and form of the municipalities and also the communal power-sharing and suffrage systems vary slightly in the federal states. In general, the municipal council and the municipal administrative body are the basic spheres of local governance. The mayor, as head of municipal administration and chair of the municipal council, connects the two spheres. City-states such as Berlin have a slightly different structure because they are municipalities and federal states at the same time. Basically, local governments in Germany have the right of communal self-administration (Art. 28 II GG). According to this law, municipalities are able to administer and organise their matters and activities independently, unless federal or state law explicitly makes other arrangements. In the administrative hierarchy, roughly, the federal government is responsible for national issues, like foreign policy, defence, national infrastructures and financial administration, while the federal states are, among other things, responsible for education, the police and the courts. The municipalities, on the third and lowest administrative level in Germany, are responsible for the social and health sectors, public bodies and economic development. First and foremost, the municipalities execute most of the administrative activities. These administrative tasks on the municipal level include assigned tasks from upper administrative levels as well as tasks of self-administration, which again include obligatory and voluntary tasks. Tasks assigned to municipalities can constrain the manoeuvring space of these municipalities. The revenues of municipalities are composed of municipal tax revenues as well as vertical and horizontal fiscal compensation. The financing of assigned tasks is supposed to accompany each assignment from above. However, the assignment and also fiscal compensation constrain municipal decision-making power. In addition, the municipalities often complain that financial support is often not enough to fulfil additional tasks (Zimmer and Szeili 2017). The municipalities bear the largest part of the integration tasks along the current immigration phase, because many of the related policy areas are within the scope of their responsibilities. Against the backdrop of recent developments, the federal states and municipalities have successfully demanded additional federal means to cope with the additional tasks

resulting from increased immigration. However, the municipalities still struggle to accomplish all the tasks due to tight finances and limited manpower (Gluns 2017).

In China, governance at the local level is decided and implemented by the local People's Congresses and the local governments which exist on the county, prefecture and provincial levels. Administrative responsibilities are also divided into central and local responsibilities. While the central government is responsible for national defence, diplomacy, security, boundaries, national strategic resources, prevention and control of national major infectious diseases, etc., the local governments take care of tasks such as social order, local traffic, public thoroughfares and community services. As for their expenditure, some have to follow national standards and are therefore shared proportionally between central and local governments, e.g. the expenditure on basic health insurance and compulsory education is borne to a large extent by the central government, while the expenditure on medical and health care as well as education is mainly borne by the local governments, with only a little portion taken on by the central government. Therefore, in China, local governments are under great pressure, too, as far as the fulfilment of their manifold tasks is concerned (Ma Qingyu et al. 2017).

This is why, in both countries, the governments have turned to non-profit organisation (NPOs) for support, although their political systems and the governments' attitudes to NPOs differ greatly. The case studies in this research project show how the state and NPOs cooperate in providing services to migrants in four policy areas, namely education, employment, social services (including legal aid) and vulnerable groups.

We were interested in how the local administration coped with the challenges and how the relationship between the state and the NPOs unfolded in this area. From a historical perspective, we discovered interesting similarities between Germany and China which are worth a comparative approach. These similarities can be summarised as a corporatist tradition that has slowly made room for a neoliberal form of cooperation. The state's influence was pushed back in favour of those market forces that promised more efficient use and allocation of resources. Although these shifts took place in slightly different time periods in China and Germany, as the next section will show, in both countries there is a strong tendency towards a neoliberal approach of non-profit–government relations, i.e. considerations of cost-effectiveness and service provision are introduced into the formerly bureaucratic systems and lead, among other things, to the outsourcing of certain social services to external private providers.

State–NPO Relationships in Transition—Corporatism and Neoliberalism

One of the important observations made by the research project is that the relations between local governments and non-profit organisations have changed significantly in recent history, both in Germany and China. As this section will sketch out, research on the third sector[6] of both countries has identified (different variants of) corporatism as a framework that described the close relationship between the state and societal actors well until recently. As some of the contributions in this book discuss in more detail,[7] this characterisation has made way for other forms of relations such as marketised and network types of cooperation.

In the debate about China, corporatism is usually derived from Schmitter's idea of corporatism, i.e. a top-down conceptualisation of the relationship between the state and societal organisations in which "a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports" (Schmitter 1974, 93 f.). In other words, corporatism is mainly used to describe a particular hierarchical form of *interest representation* among societal organisations vis-à-vis the state. This view was deemed useful by scholars like Unger and Chan (1995) to grasp the role of state- or Chinese Communist Party (CCP)-initiated organisations (so-called government organised non-governmental organisations, GONGOs) which play an important role in the CCP conception of societal participation in party state governance. Similarly to imperial times, when the Chinese emperor's power would only reach down to a certain level of society, while grassroots society was governed by lower level administration bodies beyond the direct reach of the emperor, under the CCP the mass organisations were responsible for governing—and also listen to the grievances of—the grassroots level of society and for transforming this knowledge into policy. More sophisticated forms of corporatism were developed in later research literature. They are discussed in more detail in the contributions in this volume.

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6 In this introduction and throughout the volume, we use third-sector to indicate the area of activity of non-profits which neither belongs to the state nor to the market.

7 See the contribution by Levy and Ketels and by Ma et al. in this volume.

For the description and explanation of the state–society relationship in European countries, particularly the German variant, a slightly different understanding of corporatism is applied which is not only concerned with *interest representation* but describes a *subsidiary form* of "governing society by formalized intersectoral and intermediary collaboration [...]" (Bode 2011, 117 f.).[8] In this sense, corporatist societies involve organised groups in rule-making and governing society. In the German case, this variant of governance is particular useful for understanding Germany's third sector, which, particularly in the welfare and social services domain, is organised in umbrella organisations, the German Welfare Associations and their affiliated members, which are organised independently and are not subject to state interference. At the same time, the Associations participate in rule-making processes concerning almost every welfare related policy area such as health or care for youngsters and children. The origins of this system date back to the German Empire, and it was consolidated in the Weimar Republic and—after a break during the Nazi period—re-established in the early years of the Federal Republic of Germany (Zimmer 1999, 40 f.).

In both countries, these corporatist forms of governance have been transformed and have made way for other forms of state–society relations, albeit at slightly different points in contemporary history. In China, societal organisations started to develop rapidly in the 1980s, following Deng Xiaoping's *Reform and Opening Policy*. While the Chinese third sector in the 1980s was still dominated by those organisations initiated by the state and/or the CCP, it started to diversify in the 1990s. Today, the GONGOs play a minor role in the third sector in China, and at least some societal sectors are now dominated by privately initiated organisations. This shift in the initiators of third sector organisations means that there is a large variety of actors, motivations and organisational goals, but it does not mean that Chinese NPOs can act completely independently today. They are still strictly controlled by a registration system that binds them closely to the state. In addition, they have to establish basic level CCP organisations inside their organisations as soon as they employ three or more CCP members.[9] To a large extent, NPOs in China are not membership-based[10] (influential exceptions are the state-run trade associations) and are therefore not

8 For more information on subsidiarity in Germany's third sector, see the contribution by Zimmer and Grabbe in this volume.

9 This is still the case under the recent legislation of the Charity Law and related legislation (Levy and Pissler 2020).

10 At the beginning of 2020, of the officially registered societal organisations in China 364,808 were membership-based associations and 487,011were organisations

primarily aimed at interest representation but rather focus on the provision of services. Another factor that is also part of the shift away from the corporatist system was the introduction of the government's procurement of services from third sector organisations. In our case studies, it becomes apparent that the highly competitive procedures of state procurement of services are greatly influenced by neoliberal considerations of efficiency and the reduction of costs. In short, roughly since the turn of the 21st century, the corporatist practice in China has slowly been transformed into a neoliberal, highly competitive system of government procurement of services from NPOs.

The German corporatist system's transformation had other causes. It was a system of subsidiarity, i.e. the firm establishment of the corporatist umbrella organisations, particularly in the areas of health and social services, in the 1960s, that actually transformed these organisations "into functional equivalents of public sector institutions" and that finally caused their dysfunctionality. In the early 1980s, they had seemingly turned into bureaucratic organisations that were as unresponsive as government institutions and, therefore, were unable to respond adequately to current societal trends. Accordingly, they had to face a significant loss of legitimacy. At the same time, neoliberal ideas had emerged since the 1970s and suggested that the rules of the free market could be the panacea to the so-called cost-disease of the German welfare state and particularly of health and social service provision. In the 1990s, the Welfare Associations, as the key providers of social services at that time, lost almost all their privileges; since then, they and their member organisations have had to compete with commercial enterprises when offering their services to local governments (Zimmer 1999).

In other words, the two countries find themselves in similar, post-corporatist periods of new orientation in state–NPO relations, China since the turn of the century, and Germany as early as since the 1980s. This astounding similarity[11] between the two countries, which otherwise are so different as regards their history, culture, size, population density, economic development, political system and so on, encouraged us to set up a research design that included field research in both countries and a comparative perspective. This research design will be presented in the next section.

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without members (479,375 social services organisations and 7,636) foundations) (Source: http://data.chinanpo.gov.cn/, last access: 23 January 2020).

11 Actually, we found even more similarities; see the contributions by Levy and Ketels and Ma, Xie and Li.

Methodology of the Research Project and a Typology of State–NPO Relations

The LoGoSO project is a research project encompassing three research teams. The basic division of work of the research teams was that one German team was responsible for the fieldwork in Germany and one Chinese team was responsible for the field research in China. A further German team served as the coordination hub, was responsible for the organisational and administrative management of the project and ensuring the comparability of the data collected and compliance with scientific quality standards, and it conducted comparative research.

Field research was conducted in two cities in each country. We selected Berlin and Guangzhou as two of the largest cities in their countries. Cologne and Hangzhou represent two medium-sized cities that function as economic hubs in their region. All four cities are immigrant cities with a well-established third sector.[12] The nineteen cases of local government–NPO cooperation that form the core of the study were selected from four policy areas: education, employment, social assistance (including legal aid) and vulnerable groups. We chose these policy areas with the goal of ensuring comparability and researchability. Policy areas were chosen (1) that were significant in the pursuit of integrating the different types of migrants in the receiving communities in China and Germany; (2) that involved equal cooperation between the state and NPOs (instead of being dominated by one of them) in both countries; and (3) that were equally accessible to the researchers in both countries. Preliminary desktop research on the services offered by NPOs to migrants in the two countries revealed that the above-mentioned four policy areas fulfil these criteria.[13] The selected cases were cooperative projects or programmes by NPOs and local gov-

12 See Ketels 2019 for more details on the case cities. Beijing was an early choice as a sample city. The idea was to include two capital cities in the study, Berlin and Beijing. However, in 2017, in the course of the research project, the Beijing government decided to cap its population and send home a significant proportion of its migrant population (see Hornby 2017). In this situation, research on the integration of the migrant population in Beijing would have met serious obstacles. Therefore, Guangzhou was selected instead. This city is characterised by a significant need for migrant integration due to the large production capacities of the city with their insatiable need for rural migrant workers.

13 In the selection of the policy areas, we had to take into account that the two countries differ with regard to the service areas for migrants that are usually supported by NPOs and those that are solely provided by the governments. For example, housing, is an important service offered to migrants by NPOs in Germany, but it is not a typical service offered by NPOs in China. Health was also excluded as a

ernments focusing on service provision for migrants in these policy areas, and they were selected to vary with respect to NPO size, age (year of establishment), migrant involvement in operations, funding source, competition and administrative level.

Moreover, each group was supposed to identify and analyse one unsuccessful case, i.e. a case in which the cooperation with local government failed. These "failed cases" were added in order to cross-check the results on the conditions that lead to the success or failure of cooperation.[14] Another complex aspect of ensuring comparability was to control the typology of organisations. The researchers had to make sure that they were referring to similar types of organisations. The core problem in this respect was the fact that the two countries have very different approaches concerning the organisational definitions of NPOs. The first difference is that in Germany it is not the organisational form that indicates whether an NPO is a charitable organisation or a for-profit enterprise, but it is the tax authority which makes the final judgement in this matter. A limited liability company can be a non-profit in Germany if it does not distribute its profits to its owners/shareholders, but reinvests a considerable share of them into the charitable goal of the organisation. On the other hand, a German foundation could be regarded as a for-profit organisation by the tax authorities if its purpose is not charitable, for example a family foundation whose purpose to generate a regular income for family members only. In contrast, in China, organisations have to register in one of three organisational forms, i.e. a foundation, social service organisation or association. These organisational forms are, by legal definition, non-profits. More recently, the Charity Law (2016) has opened up new ways for Chinese NPOs to solicit donations if they register, in addition to their NPO status, as *charity* organisations.[15]

All in all, 71 interviews were conducted in Germany and China between July 2018 and April 2019. The German and Chinese research teams

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service area in the investigation because the organisational structure of the health systems in China and Germany proved to be too different to be comparable.

14 As anticipated, it turned out to be very difficult to find "failed cases". However, the project teams managed to find three cases, one each in Guangzhou, Berlin and Hangzhou, but did not succeed in finding one in Cologne. Therefore, the total number of cases is nineteen, not twenty. See Tables 3 and 4 in the appendix of the chapter by Levy and Ketels.

15 See Levy and Pissler 2020 on the details and implication of the new legislation in China. See Tables 3 and 4 in the appendix of the chapter by Levy and Ketels for the organisational forms of the case organisations.

adopted a "general field guide" developed by the coordinating team that was used as a guideline or masterplan for the empirical research conducted in Germany and China and which was adapted when necessary. In this way, it was ensured that across the countries, policy areas and different actor constellations the data collected was indeed comparable and suitable for comparative analysis afterwards. Interviewees in both countries comprised of managers, staff and volunteers of the NPOs as well as local government representatives. Backed by desktop research and observations, the interviews lay the foundation for the in-depth case studies.[16]

The contributions in this volume present part of the results of the LoGoSO project against the background of the societal developments and challenges described above and based on the methodology and theoretical framework presented.

The Contributions in this Volume

In her contemporary portrait of the third sector in Germany, Annette Zimmer looks at the traditional background, legal framework, and recent changes to the cooperation relationship between the state and NPOs. In her analysis, she points out that it might be advisable to introduce a legal form for non-profits, although this would be a radical novelty in the third sector of the country.

Zimmer and Grabbe's article focuses on Germany and gives an overview of the different traditions and models of public administration. In particular, the authors explicate the German "dual system" of social service provision that is characterised by a link between local self-government and subsidiary social services provision. Recent shifts in the history of German public administration had a profound impact on the relations between the local governments and the service providing NPOs. The former very privileged NPOs have to compete with a multitude of other actors for government subsidies. The findings of this paper present the backdrop to the German cases of the research project.

Lovelady and Grabbe analyse the German cases of the project's sample with special attention to the modes of cooperation between local governments and NPOs from a public administration perspective. They find that

16 The primary reports on the public administration traditions in the cities and selected case reports are in the process of being published in Chinese with the National Academy of Governance Press (国家行政管理出版社出版).