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Decentralised policymaking in China is often cited as a key success factor in economic reform and authoritarian resilience. Although the existing literature presents policy diffusion as a technocratic process where socially optimal policies diffuse, many examples exist where the reverse is true or where the central government sanctioned local innovation but the policy diffuses to other places regardless. The author contends that policy diffusion in authoritarian regimes should be understood as a political process, where local officials serve as policy entrepreneurs, rather than a technocratic one. Subnational officials do not respond uniformly to either incentives from the central government or local pressure, but rather adopt experimental policies as a strategy learned from other successful officials. Policy experimentation has emerged as a strategy for officials desiring either career advancement or security, resulting in an S-shaped curve of policy diffusion characteristic of a learning process whereby a few initially innovate but others quickly adopt the experiment once viewed as successful.

Localised experimental policymaking in China is frequently identified as a key success factor in the policy adaptability underpinning economic reform and authoritarian resilience.[1] Local policy experiments may be tested first before triggering larger processes of change, as the experiments often diffuse to other localities and to the level of central policy. Diffusion in this context is the "spread of some innovation through direct or indirect channels across members of a social system".[2] Although much of the existing literature presents the process of diffusion as a technocratic one where socially optimal policies diffuse and the suboptimal ones disappear, many examples exist where the reverse is true, or where the central government sanctioned local innovation but the policy diffuses to other places regardless, such as land auctions and direct elections

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[1] Sebastian Heilmann, "Policy Experimentation in China's Economic Rise", *Studies in Comparative International Development* 43, no. 1 (2008); Cao Yuanzheng, Qian Yingyi and Barry Weingast, "From Federalism, Chinese Style to Privatization, Chinese Style", *Economics of Transition* 7, no. 1 (March 1999): 103–31.
[2] Rebecca Kolins Givan, Kenneth M. Roberts and Sarah Anne Soule, eds., *The Diffusion of Social Movements: Actors, Mechanisms, and Political Effects* (Cambridge: Cambridge University Press, 2010).

in Sichuan.[3] The author contends that policy diffusion in authoritarian regimes should be understood as a political process rather than a technocratic one where local officials serve as policy entrepreneurs. The author uses this term in a similar way to Kingdon's classic definition of policy entrepreneurs characterised by "their willingness to invest their resources—time, energy, reputation, and sometimes money—in the hope of future returns. That return might come to them in the form of policies of which they approve, satisfaction from participation, or even personal aggrandizement in the form of job security or career promotion".[4]

Both the general literature on policy diffusion and the literature focusing on China specifically examine similar mechanisms encouraging diffusion, namely top-down mechanisms of coercion, bottom-up mechanisms of persuasion and horizontal mechanisms of rational learning.[5] The author contends that subnational officials do not respond uniformly to punishment and reward incentives from the central government, or local pressure for policy solutions—rather, they adopt experimental policies as a strategy learned from other successful officials. Policy experimentation has emerged as a successful strategy for officials desiring either career advancement or security. This results in an S-shaped or wave-like curve of policy diffusion characteristic of a learning process where a few officials innovate and very few others adopt the experiment initially.[6] However, once the experiment is viewed as successful, others quickly adopt it before the adoption rates level out again.

In this article, the author analyses the political factors supporting or inhibiting diffusion by studying the specific case of local governments that contract out in-home elder care to non-profit organisations.[7] By tracing the diffusion of this specific policy temporally using interviews and archival materials, the author examines why local officials might adopt policy innovations and experiments. One case alone cannot sufficiently challenge or confirm, but may highlight unknown interactions, identify missing variables in the diffusion process, or help determine the weighting of these different causal variables. These variables may then be further "tested" on additional cases of policy diffusion. The author finds that initially several district governments, in response to unsustainable expenditures for high levels of elderly populations, contracted

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[3] Joseph Fewsmith, *The Logics and Limits of Political Reform* (Cambridge: Cambridge University Press, 2013); Cai Meina, "'Flying Land': Intergovernmental Cooperation in Local Economic Development in China", in *Local Governance Innovation in China: Experimentation, Diffusion, and Defiance*, ed. Jessica Teets and William Hurst (Abingdon and New York: Routledge, 2014).

[4] John W. Kingdon, *Agendas, Alternatives, and Public Policies* (Boston, MA: Little, Brown and Company, 1984), p. 123.

[5] Frank Dobbin, Beth Simmons and Geoffrey Garrett, "The Global Diffusion of Public Policies: Social Construction, Coercion, Competition, or Learning?", *Annual Review of Sociology* 33 (2007): 449–72.

[6] The literature on policy diffusion discusses how the cases of policy adoption (or diffusion) resemble a wave or S-shape as each polity adopts the policy over time.

[7] In-home elder care refers to services offered in the home, such as meal delivery, bathing, disability care, assistance with medicines or shopping. These services are offered as a substitute to institutionalised care like nursing homes.

out in-home elder care to for- and non-profit organisations, such as in Shanghai and Nanjing. This innovation shifted the responsibility for provision of care from the state to private entities, like companies and non-profits, and the resulting public–private partnerships allowed for the proliferation of service models. This policy innovation, despite being endorsed by the central government as early as 2006, did not diffuse widely until 2013. Although the initial diffusion was encouraged due to persistent local governance challenges, diffusion was slow, limited and plagued with intergovernmental competition over policy ownership. However, the reaffirmation of central political will after the leadership transition from Hu Jintao to Xi Jinping led to an accelerated and expanded diffusion in 2013. Political support at both the local and central levels are necessary for a broad and sustained process of policy diffusion; however, the author argues that subnational officials adopted the Shanghai pilot once it was shown to successfully address the problem with elder-care service provision and when deemed a "success" by the central government.

The important finding of this research is that policy diffusion is inherently a political process that may ultimately allow a "bad" idea to diffuse versus a "good" one, and promote the so-called "face" or unsustainable innovation. The political nature of policy diffusion should indicate to Chinese policymakers that the existing adaptive policy process does not naturally allow optimal polices to diffuse; instead, they need to build stronger institutions for supporting policy innovation and capturing knowledge. Much innovation exists at the local level in China, but without a formal process for technocratic evaluation, opportunities are lost for improving governance. Subnational policy innovation is vital to the continued adaptability of the Chinese one-party system in that it allows for responsiveness to changing conditions, and a gradual process of political and economic reform without fundamental change of existing governance institutions.

CONTRACTING OUT IN-HOME ELDER-CARE SERVICES (居家养老服务 *jujia yanglao fuwu*)

Due to the success of the one-child policy and increasing life expectancy, China now has the largest greying population in the world, which will increase from 111.7 million in 1995 to 407 million in 2040, and fewer children to care for the elderly.[8] A Ministry of Health survey from 2003 revealed that 44.8 per cent of urban residents and 79 per cent of rural residents did not have medical insurance, thus providing care for the elderly might cost up to 13.1 per cent of gross domestic product by 2050. In the late 1990s, the central government mandated building a comprehensive elderly service system beginning in urban areas, and many urban governments responded by expanding the capacity of nursing homes.[9] In response to the emerging challenge of providing

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[8] "Elderly" refers to those aged 60 years and above.
[9] Jing Yijia, "Action on Ageing in China: A Multi-Perspective Analysis", *Fudan Journal of the Humanities and Social Sciences* 2, no. 4 (2009): 83–103.

cost-effective care for China's ageing population, district-level governments in Shanghai and Nanjing piloted the first experiments in elder care, specifically to contract in-home elder care services to for- and non-profit organisations in the early 2000s. The rationale behind this experiment was that nursing homes are too expensive to build for the size of the population, so services need to be developed to allow the elderly to "age in place". In fact, about 14 million elderly citizens surveyed in 2004 preferred to live in state-run nursing homes, but there were only 1.04 million beds available.[10] These experimental systems included many other components as well, such as government-run nursing homes, meal service at community centres, elderly day-care centres, and both private and public financing and service provision.

In Shanghai, the Jing'an district pilot programme resulted in the Home Care Programme (HCP or *jujia yanglao*), which is a government-sponsored, community-based and partially subsidised system serving the elderly at neighbourhood service stations or at home.[11] By November 2012, the Shanghai Bureau of Civil Affairs was funding 231 community service agencies with 32,000 home-care workers serving a total of 271,000 elderly households.[12] This translated to an increase of 8,000 elderly households served since March 2012. Shanghai's policy experiments with HCP have been promoted by the central government since 2001, and in 2003, the Gulou district government in Nanjing piloted a similar contracting system for in-home elder care.

Before 2004, only Shanghai, Nanjing and a few other places experimented with contracting out in-home elder care services. In 2004, the Ningbo Haishu district government issued Zhengban No. 29 "On Haishu District Home-Care Social Work Guidance", which proposed that non-profit organisations help establish and operate a new home-care service system, and provide a full range of services for the elderly.[13] Following these initial experiments, in 2006, the Ministry of Civil Affairs (MoCA) promulgated a regulation inviting "national pension service social experiments" nationally, and by 2008, Hangzhou initiated contracting through the District Civil Affairs Bureaus for elderly home-care services, with monthly, semi-annual and annual evaluations by the Municipal Civil Affairs Bureau and Social Welfare Department. Despite the MoCA regulation, this policy of in-home elder care did not diffuse widely.

At the central level, political will to address this problem grew stronger in the latter half of Hu Jintao's tenure as evidenced by the five-year plans. Between the 11th Five-Year Plan (2006–10) and 12th Five-Year Plan (2011–15), the central government changed from "stick to the principle that government leads and society participates"

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[10] Chen Youhua, "Renkou laoling hua, jingji fazhan yu laonian shehui fuli sheshi jianshe" (Ageing, Economic Development and Construction of Elderly Social Welfare Facilities: A Case Study of Nanjing), *Renkou xuekan* (*Population Journal*) 2 (2004): 20–5.

[11] Jing'an is one of the richest urban districts in China, outside of Hong Kong.

[12] Shanghai Civil Affairs Bureau, *Practical Projects*, 2012, at <http://www.shmzj.gov.cn/gb/shmzj/node9/node1668/index.html> [10 December 2013].

[13] *Lunwen (Xueshu tang),* "Zhengfu goumai jujia yanglao fuwu: gonggong fuwuzhong de hezuo gongzhi" (Government Contracting of In-Home Elder Care: Collaborative Public Policy to Deliver Public Services), 27 May 2013, at <http://www.lunwenstudy.com/lunwen/20130527954.html> [10 December 2013].

to "enhance and guide social capital and foreign capital to invest in health institutes; open up permission for investment to diversify hospital forms; and actively promote private health-care insurance". This shift encouraged local governments and agencies to develop community care services, and encouraged social organisations to participate in establishing long-term medical care, rehabilitation, hospice and other services normally performed by the pension agency. As power began transitioning from Hu Jintao in late 2012, the Xi administration reaffirmed political support. During this period, the MoCA initiated a study tour to share the contracting experiences, especially the Shanghai model, widely across the country. By May 2013, most of the remaining provinces and districts piloted the in-home care contracting scheme. For example, both Jining district in Shandong and Haidian district in Beijing initiated a pilot programme focusing on in-home care provision for the elderly.[14] In the following section, the author explores this diffusion pattern to analyse why diffusion was slow but ultimately successful.

THE POLITICS OF DIFFUSION: TOP-DOWN, BOTTOM-UP OR HORIZONTAL MECHANISMS?

The literature on policy diffusion examines the mechanisms that encourage diffusion, namely top-down mechanisms of coercion, bottom-up mechanisms of persuasion and horizontal mechanisms of rational learning.[15] In the Chinese context, scholars similarly contend that the central government institutionalised the "experimentation under hierarchy" system and uses the cadre evaluation system to incentivise policy experimentation at the subnational level in a top-down fashion.[16] Others argue that subnational officials are embedded in local communities and respond to local needs, although these local needs are often included in the evaluation system as well.[17] Recently, several scholars assert that subnational officials are motivated by horizontal mechanisms, namely learning from one another under conditions of competition and uncertainty.[18] In this

[14] Lan Fang, "Beijing Haidian qu shidian zhengfu goumai jujia yanglao fuwu" (Haidian District in Beijing Pilots Contracting of In-Home Elder Care), *Caixin*, 2013, at <http://china.caixin.com/2013-05-02/100522916.html> [12 August 2013].

[15] Dobbin, Simmons and Garrett, "The Global Diffusion of Public Policies".

[16] Sebastian Heilmann, "From Local Experiments to National Policy: The Origins of China's Distinctive Policy Process", *The China Journal*, no. 59 (January 2008): 1–30.

[17] Ann Florini, Lai Hairong and Tan Yeling, *China Experiments: From Local Innovations to National Reform* (Washington, DC: Brookings Institution Press, 2012); Lily L. Tsai, "Solidary Groups, Informal Accountability, and Local Public Goods Provision in Rural China", *American Political Science Review* 101, no. 2 (2007): 355–72.

[18] Jessica C. Teets, "Let Many Civil Societies Bloom: The Rise of Consultative Authoritarianism in China", *The China Quarterly*, no. 213 (January 2013): 19–38; Thomas Heberer and René Trappel, "Evaluation Processes, Local Cadres' Behaviour and Local Development Processes", *Journal of Contemporary China* 22, no. 84 (2013): 1048–66; Mei Ciqi and Margaret Pearson, "Diffusion of Policy Defiance among Chinese Local Officials", in *Local Governance Innovation in China: Experimentation, Diffusion, and Defiance*, ed. Jessica Teets and William Hurst (London: Routledge, 2014).

section, the author first examines each of these three causal mechanisms, and then uses the case of the diffusion of elder care programmes to analyse the empirical support for each.

Top-Down Mechanisms of Diffusion: Experimentation under Hierarchy

The broader literature on policy diffusion focuses mostly on the use of coercion mechanisms, either from higher-level governments or from stronger states in the international system.[19] Scholars of policy diffusion in China also focus on the ways that the central government directly encourages local officials to experiment with designated policies. For example, Sebastian Heilmann argued that China's political system allows for more diverse and flexible input than might be predicted from its formal structures due to the institutionalisation of the "experimentation under hierarchy" approach (*shiyan zhuyi*):

> An experimental policy process of 'proceeding from point to surface' (*youdian daomian*) entails a policy process that is initiated from individual 'experimental points' (*shidian*) and driven by local initiative with the formal or informal backing of higher-level policy-makers. If judged to be conducive to current priorities by Party and government leaders, 'model experiences' (*dianxing jingyan*) extracted from the initial experiments are disseminated through extensive media coverage, high-profile conferences, intervisitation programs and appeals for emulation to more and more regions.[20]

This approach (also known as experimentation under the shadow of hierarchy [ESH]) combines centralised definition of programme objectives with extensive local implementation experiments, where bottom-up policy innovations are effectively fed back into national programme adjustments.[21] Policy experimentation is thus a "purposeful and coordinated activity geared towards producing novel policy options that are injected into official policymaking and then replicated on a larger scale, or even formally incorporated into national law".[22] In an historical example, Heilmann described how after securing the informal consent of the prefecture Party committee, the Party committee of Yongjia county (in Wenzhou, Zhejiang) initiated experiments with new incentives for peasant households in response to declining agricultural production resulting from collectivisation policies in 1956.[23] Due to the "anti-rightist campaign", however, the experiments were labelled "anti-socialist," and local cadres were expelled from the Party and sent to labour camps. Interestingly, the same prefecture-level leaders who tacitly endorsed the experiments a few months earlier ended up

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[19] Charles R. Shipan and Craig Volden, "The Mechanisms of Policy Diffusion", *American Journal of Political Science* 52, no. 4 (2008): 840–57.
[20] Heilmann, "From Local Experiments to National Policy".
[21] Sebastian Heilmann, Lea Shih and Andreas Hofem, "National Planning and Technology Zones: Experimental Governance in China's Torch Program", *The China Quarterly*, no. 216 (December 2013): 896–919.
[22] Heilmann, "Policy Experimentation in China's Economic Rise".
[23] Heilmann, "From Local Experiments to National Policy".

repressing them at the height of the campaign. In the system of experimentation under hierarchy, decentralised experimentation minimised the risks and costs to central policymakers by placing the burden on local governments, and by using them as scapegoats in cases of failure.[24] However, if innovation serves the interests of cadres at the central level and is often considered dangerous for those at subnational levels of government, why do we observe such a large amount of policy experimentation at lower levels? China scholars argue that the cadre incentive system, composed of the target responsibility system and "one-level-down" supervision responsibility, creates incentives for cadres even at lower levels.[25]

Beginning in the 1990s, the central government recentralised the political management system after years of economic reform characterised by decentralisation to subnational governments. A key aspect of recentralised political control is the maintenance and strengthening of the cadre management system. Under this system, the central Party Organisation Department appoints and reviews officials at the provincial level (one level down), which then occurs at the subnational level through the same one-level-down practice. Local officials, whether concerned about career advancement or security, are theorised to be incentivised to implement policies or design experimental pilots that might otherwise be incompatible with local interests.

The target management responsibility system (*gangwei mubiao guanli zerenzhi* 岗位目标管理责任制) consists of a set of performance criteria that align local officials' behaviour with the preferences of the centre. Subnational officials are evaluated regularly using this system, which employs economic targets like public goods provision to evaluate cadre performance and determine promotions and raises.[26] Although there is debate over the weighting of targets, officials are promoted based on a combination of targets prioritising economic development, the maintenance of social order and political connections.[27] Officials ranked as "excellent" under the responsibility system receive bonuses, pay raises, medals, honorary titles and merit records.[28] While promotion

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[24] Heilmann, "Policy Experimentation in China's Economic Rise", p. 21.

[25] Heberer and Trappel, "Evaluation Processes, Local Cadres' Behaviour and Local Development Processes"; Anna L. Ahlers and Gunter Schubert, "Strategic Modelling: 'Building a New Socialist Countryside' in Three Chinese Counties", *The China Quarterly*, no. 216 (December 2013): 831–49.

[26] Tsui Kai-yuen and Wang Youqiang, "Between Separate Stoves and a Single Menu: Fiscal Decentralization in China", *The China Quarterly*, no. 177 (March 2004): 71–90; Susan H. Whiting, "The Cadre Evaluation System at the Grass Roots: The Paradox of Party Rule", in *Holding China Together: Diversity and National Integration in the Post-Deng Era*, ed. Barry J. Naughton and Yang Dali (New York: Cambridge University Press, 2004), pp. 101–19.

[27] Susan H. Whiting, *Power and Wealth in Rural China: The Political Economy of Institutional Change* (New York: Cambridge University Press, 2001); Pierre F. Landry, "The Political Management of Mayors in Post-Deng China", *Copenhagen Journal of Asian Studies* 17 (2005): 31–58; Pierre F. Landry, *Decentralized Authoritarianism in China: The Communist Party's Control of Local Elites in the Post-Mao Era* (New York: Cambridge University Press, 2008), p. 31; Bo Zhiyue, *Chinese Provincial Leaders: Economic Performance and Political Mobility since 1949* (Armonk, NY: M.E. Sharpe, 2002).

[28] Maria Edin, "Remaking the Communist Party-State: The Cadre Responsibility System at the Local Level in China", *China: An International Journal* 1, no. 1 (March 2003): 1–15.

is not officially considered a reward under this system, officials who receive "excellent" evaluations for two or more years in a row are normally promoted—"in short, today almost all Chinese local officials have been structured into a highly personalised, individualised incentive scheme".[29] Heberer and Trappel investigated the impact of evaluations on the behaviour of leading county and township cadres, and found that the system creates important incentives for local cadres.[30] Kennedy and Chen found that even mayors and Party secretaries operate under the responsibility system with a list of key duties that are counted towards promotion—and that in addition to targets like social stability, economic development and urbanisation, *political innovation* itself is counted as a promotion measure.[31] It is important to note that "innovation" does not mean a policy that is entirely new, but new to that specific local context so adopting an experiment from another province would count as "innovation". In this way, the target responsibility system creates the indirect incentive for subnational innovation by helping local cadres meet the promotion criteria set by the centre if successful, and the direct incentive that innovation itself has become part of promotion criteria, so innovation benefits cadres regardless of whether the policy is successful.

These arguments based on promotion goals contend that political elites at the centre desire certain types of policy innovation and use the cadre management system to incentivise the creation or adoption of subnational experimentation. However, critics point out the wide variation in subnational innovation despite the fact that all cadres operate under the same incentive system. If the ESH framework and the cadre evaluation system encourage innovation, why do we observe officials acting like Weberian bureaucrats and simply implementing central policies without innovating? Additionally, if innovation is incentivised and orchestrated from the centre, why do we see not only variation in the existence of innovation but also local officials deviating from the centre's authorised instances of innovation? For example, Heilmann, Shih and Hofem found that out of 53 cases of high-technology zones, 39 cases have manifested evidence of medium to very high "functional deviation" or variation from the intended programmes and goals.[32]

Critics of the promotion-incentives school of thought contend that this observed variation illustrates the presence of other factors impacting subnational officials' willingness to adopt experimental policies, including the weighting of innovation targets in the target responsibility system, capacity for innovation (i.e. resources like revenue), and social or bottom-up factors that might affect the cost–benefit calculation. For

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[29] Tian Han, ed., *Lingdao ganbu kaocha kaohe shiyong quanshu* (*Practical Comprehensive Handbook of Reviewing and Evaluating Leading Cadres*) (Beijing: China Personnel Press, 1999).
[30] Heberer and Trappel, "Evaluation Processes, Local Cadres' Behaviour and Local Development Processes".
[31] John James Kennedy and Chen Dan, "Election Reform from the Middle and at the Margins", in *Local Governance Innovation in China: Experimentation, Diffusion, and Defiance,* ed. Jessica Teets and William Hurst (London: Routledge, 2014).
[32] Heilmann, Shih and Hofem, "National Planning and Technology Zones", p. 905.

example, Heberer and Trappel argued that the performance evaluation system has become an important incentive for local cadres, but the weighting of political innovation targets varies across municipalities and provinces.[33] Thus, differences in innovative behaviour might correspond to the weight innovation plays in cadre evaluation.

Moreover, some areas might have few opportunities for lower-level cadres to experiment, such as poorer regions with significant resource constraints. Also, not all leading cadres are willing to initiate innovation due to personal risk aversion. Although it is clear that personality does play a role in the decision to innovate, this analysis focuses on the institutional rather than personality characteristics that influence cadres to innovate. All cadres operate under the same institutional setting, which while controlling the personality factors, will influence their behaviour if in a more conducive setting that increases the perceived benefit of innovation while reducing the perceived risks.

Additionally, other critics point out that the observed variation could be due to factors intervening between the incentive system and local officials' behaviours. For example, Zhu Xufeng observed that older cadres (both in age and tenure) are less willing to adopt experimental policies, although age impacts differently on mayors who are more likely to innovate versus Party secretaries who are less likely.[34] Simply put, cadres who desire career security versus advancement might act differently under the same evaluation system.

In the specific case of in-home elder care, the government under Hu Jintao shifted its policy stance to encourage local governments to experiment with elder care models in the 12th Five-Year Plan beginning in 2011. This political support continued during the leadership transition to Xi Jinping. In fact, in 2012, the MoCA launched a national campaign to "educate" local governments about the regulation originally issued in 2006 to begin contracting elder care (民政部关于开展"全国养老服务社会化示范单位"创建活动的通知民函 [2006] 292号). During this campaign, the MoCA used previously developed models of innovation like the Shanghai model, and contracting out in-home elder care diffused to most localities by the summer of 2013. As Figures 1 and 2 illustrate, the diffusion of in-home elder care contracting was very slow and limited until 2011, and then accelerated and broadened in 2013.

Although it is difficult to determine causality in this complex chain of events over the last 13 years since the first policy experiment, it appears that while initial diffusion was slow and unresponsive to central signals, the second wave of diffusion beginning in early 2013 might have been influenced by the new Xi administration's reaffirmation of support signalling continued lower political risk associated with

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[33] Heberer and Trappel, "Evaluation Processes, Local Cadres' Behaviour and Local Development Processes".

[34] Zhu Xufeng, "Local Government Entrepreneurship, Official Turnover, and Organizational Innovation: Diffusion of Administrative Licensing System Reform in China", presented at the workshop on Local Government Entrepreneurship in China: Dynamics, Achievement and Risks, 24–26 October 2013, Tsinghua University, Beijing.

Figure 1. **In-Home Elder Care by 2006**

Source: Based on the author's calculations.

Figure 2. **In-Home Elder Care by 2013**
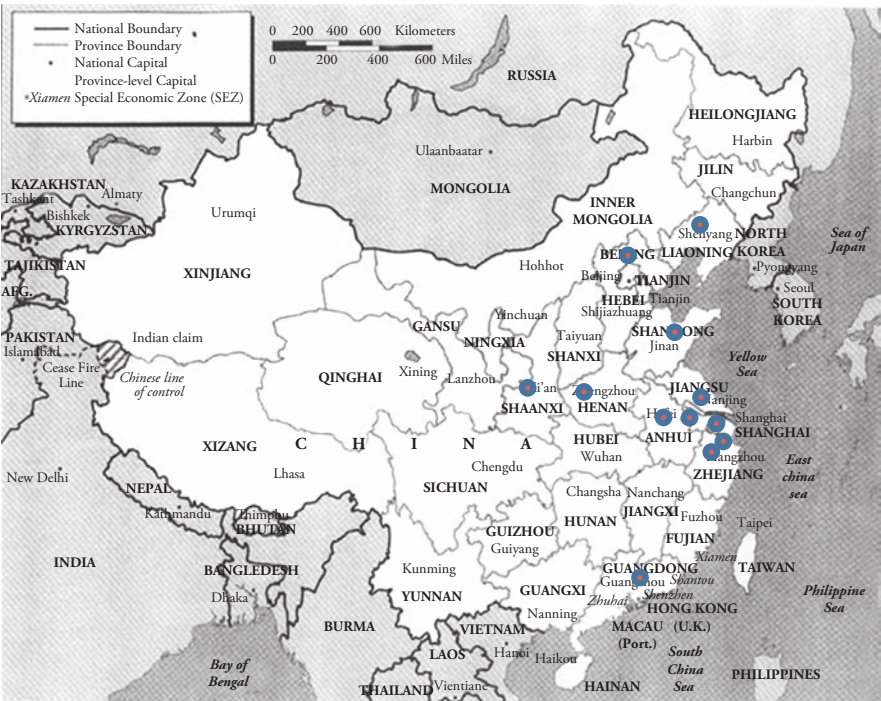
Source: Based on the author's calculations.

diffusion of *certain* types of policy experiments, particularly those dealing with service delivery, economic development and the environment.[35] This diffusion pattern illustrates that central signals are not effective on their own.

Bottom-Up Mechanisms: Responding to Local Governance Problems

Bottom-up arguments focus on local need incentivising policy experimentation. For example, Lily Tsai argued that variation in local officials' behaviour can be explained by the social networks in which they are embedded at the community level.[36] In this literature, local officials maintain their authority over policy innovation regardless of policy shifts and fads at the centre, and local needs motivate local officials to experiment and adopt innovative policies. Although factional politics at the centre might dictate how transparent local governments want to be about these innovations, policy change is driven by local officials responding to governance challenges that impact community well-being and their standing in the community.

     For example, Madam Zhang Jinming, the county Party secretary in Buyun township in Sichuan, viewed initiating the first direct and competitive elections for the mayor of a township as a solution to the difficult situation the local government faced whereby local residents refused to cooperate in any project launched by the township government.[37] Madam Zhang was willing to bear the political risk of this experiment, which was later halted by the centre, in order to re-establish the social stability in her township.[38] In this example, incentives established at the centre play a secondary role in encouraging local officials to adopt new policy innovations. Instead, innovation is more strongly rooted in addressing governance problems and often persists even in the face of central sanctions. This was also a motivating factor for experimenting with the minimum livelihood guarantee (MLG), which did not elicit a strong interest in such innovation at the centre at the beginning. Instead, as Hammond found, this experiment was advocated by Minister Duoji Cairang of MoCA in response to his perception of poverty as a major challenge to social stability: "… I would argue that Duoji was not motivated by what might be called rational self-interest or a ministry building tendency … a more likely alternative motivation are pragmatic concerns born of increasing urban poverty and enterprise reform … Duoji drew a clear ideological connection between socialism, the legitimacy of the party, and the MLG".[39]

     In the case of in-home elder care, the Shanghai local government initially piloted the contracting-out scheme in response to the quickly growing elderly population—one of the highest in the country—and the unsustainability of building enough nursing

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[35] Author's interview with He Zengke, director of the Local Governance Innovation Awards Program, June 2015.
[36] Tsai, "Solidary Groups, Informal Accountability, and Local Public Goods Provision in Rural China".
[37] Florini, Lai and Tan, *China Experiments*, p. 63.
[38] Kennedy and Chen, "Election Reform from the Middle and at the Margins".
[39] Daniel R. Hammond, "Policy Entrepreneurship in China's Response to Urban Poverty", *Policy Studies Journal* 41, no. 1 (2013): 119–46.

homes to provide comprehensive care. As of the end of 2012, the city's total elderly population aged 60 and over reached 367.3 million, or 25.7 per cent of the total population; and according to government projections, Shanghai will have a household population aged 60 and older of more than 4.3 million (30 per cent of the population). Further projections predict that by 2025, the proportion of the ageing population in Shanghai will reach 35 per cent of its total population. However, as of the end of 2012, the total number of beds in the city-run nursing homes were 105,000, only serving about three per cent of the elderly population. With such a large ageing population, the existing institutional solutions lack the ability to resolve this challenge.

In response, the city introduced the HCP, which involves professional service organisations to provide community station or home care services for seniors, including rehabilitation care, health care and other services such as day-care centres. The HCP pilots began in 2000, and by 2004 the municipal government ranked HCPs as the first "practical projects" to be included in the government budget.[40] Preliminary interviews suggest that the pressure of the growing ageing population and high costs of building nursing homes in the metropolitan area encouraged government officials to develop this innovative policy.[41] Figure 3 illustrates the density of the elderly population in Shanghai, and supports the argument that Jing'an district responded to local needs in creating the first HCP pilot.

Similarly in Haishu district in Ningbo city, Zhejiang province, local officials faced a larger-than-average elderly population—in 2000, the total population aged 60 and above as a percentage of the total population was 1.3 per cent, but rose to 18 per cent by 2006. Forty-two per cent of the total number of the elderly are "empty-nest" elderly living alone, which was an increase of seven per cent from 2000. The "empty-nest" elderly present a particular challenge to the government since they cannot depend on families to provide care. Haishu district originally responded by investing large amounts of resources into constructing nursing homes; however, the population was too large to be entirely served by building homes alone. Officials "found that a single pension method can hardly meet the needs of the elderly, and the government's enormous financial pressure cannot be sustained".[42] In fact, daily operations—including the cost of land, other fixed assets, operating costs and fees, and monthly subsidies per bed—cost the government 25 to 35 yuan per bed. Currently, the waiting list period for Ningbo city nursing homes, from application to approval,

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[40] Shanghai Civil Affairs Bureau, "On the Full Implementation of the 2008 Municipal Pension Services Practical Projects to Further Promote the City Pension Services Work (Shanghai China Fu Fa [2008] No. 5)" (关于全面落实2008年市政府养老服务实事项目进一步推进本市养老服务工作的意见) (沪民福发[2008]5号), 2008. Shanghai Civil Affairs Bureau, "A Notice to Further Standardize the City Community Home Care Service (Shanghai China Fu Fa [2009] No. 26)" (关于进一步规范本市社区居家养老服务工作的通知) (沪民福发[2009]26号), 2009.

[41] Author's interview with a Shanghai elder-care contractor, June 2011.

[42] *Lunwen* (*Xueshu tang*), "Zhengfu goumai jujia yanglao fuwu: gonggong fuwuzhong de hezuo gongzhi" (Government Contracting of In-Home Elder Care: Collaborative Public Policy to Deliver Public Services).

Figure 3.   **Population Density in Shanghai Aged 65 and Above, 2000**
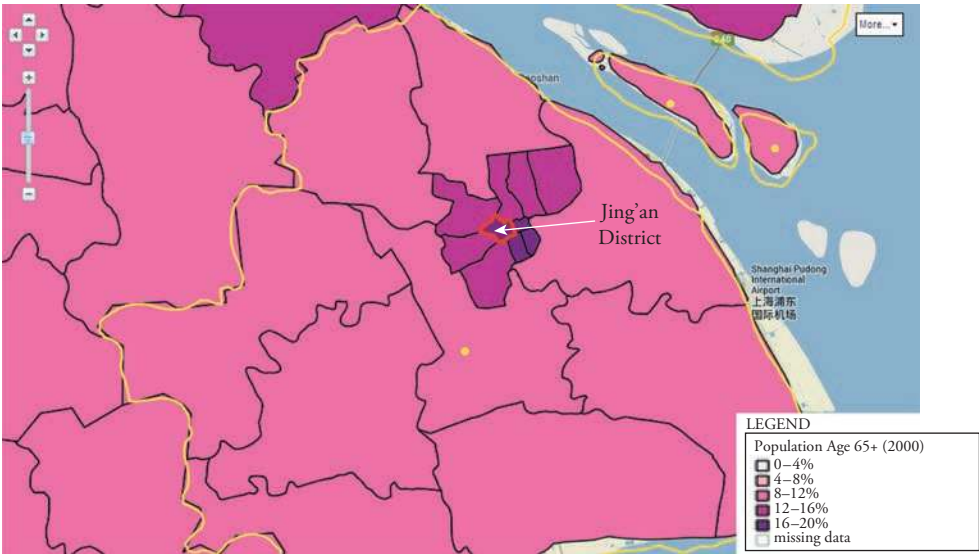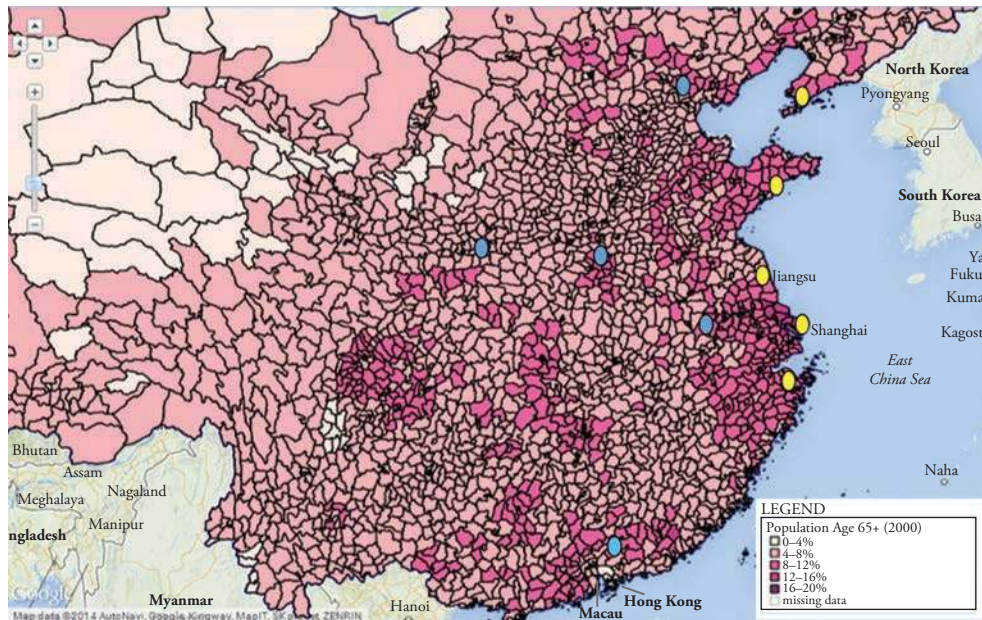

Source: Prepared by the author using map software at Harvard Map Project.

takes four years. In Ningbo, local officials needed to respond to this increasingly urgent situation of a rapidly ageing "empty-nest" population and the unsustainability of trying to serve the entire elderly population through nursing home care; this encouraged local officials to borrow ideas from places like Shanghai to develop a contracting model for in-home elder care.

However, evidence shows the initial pre-2006 diffusion pattern is in east coast cities with higher elderly populations, but the post-2012 diffusion spreads inland to cities without such large elderly populations (Figure 4); the pre-2006 diffusion pattern (in yellow) is in east coast cities with higher elderly populations, but the post-2012 diffusion (in blue) spreads inland to cities without such large elderly populations.

Areas that are late adopters of the policy have on average six per cent elderly as a total percentage of the population compared to that of early adopters at 12 per cent. This finding suggests that local need seems to play a larger role for early adopters than for late adopters. However, the pilot districts often do not have the largest elderly populations in the province, suggesting that local need plays a role in motivating policy adoption but is not the sole factor. For example, in Beijing, Haidian district is piloting this programme, but its elderly population is only four to eight per cent of its total population compared to that in the neighbouring Xichang, Dongcheng, Xuanwu and Chongwen districts at 12 to 16 per cent.

Wide variation among local officials in responsiveness to local problems is similarly observed in the cadre management system. In short, both the top-down and bottom-up incentive arguments seem to only explain a small percentage of subnational

Figure 4.   **Policy Diffusion over Elderly Population Density, 2000**

Source: Prepared by the author using map software at Harvard Map Project.

innovation and diffusion. The author contends that incentives for meeting targets or solving governance problems exist and are important, but there are multiple strategies to meet these goals. In fact, the evaluation system often has hundreds of "priority targets" with thousands of sub-targets. Although the existing top-down and bottom-up incentives create a context increasingly supportive of experimentation, risk and uncertainty are still high and unmitigated by either incentive system.

Horizontal Mechanisms: Social Learning

Recently several scholars asserted that subnational officials are motivated by horizontal mechanisms, namely learning from one another under conditions of competition and uncertainty.[43] The author argues that the observed variation in local behaviour is explained by the fact that local officials are engaged in a learning process that teaches that innovation strategy is the most successful path towards career advancement and solving persistent local problems. This lesson could be learned in different ways and at different speeds, but convergence around this strategy is observed over time as evidenced by the increasing numbers of pilot programmes in China.

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[43] Teets, "Let Many Civil Societies Bloom: The Rise of Consultative Authoritarianism in China"; Heberer and Trappel, "Evaluation Processes, Local Cadres' Behaviour and Local Development Processes"; Mei and Pearson, "Diffusion of Policy Defiance among Chinese Local Officials".

The incentive system for subnational cadres is mostly established at the central level; however, solving local problems is also important to many officials either as an end in itself or simply a means to meet career advancement and security goals. Innovation is a strategy to attain these goals rather than a direct result of the established incentive system, and is a learned adaptive response to the changing political economy at the subnational level in China. Thus, this is an ideational rather than interest-based argument. The author contends that through observing the examples of the promotion trajectories of other cadres, local officials learned that innovation is a more successful strategy over time, which also served to reduce the perceived risk of this strategy.

Increasingly numerous lessons of successful policy entrepreneurship reduce the risk and uncertainty surrounding innovation, as behavioural norms shift towards experimentation. Mei and Pearson argue that observed convergence around a strategy of local innovation even in the face of central sanctions should not be understood as a decline of the centre's political authority, but rather, the result of a dilemma intrinsic to the control mechanism used by the centre.[44] Through the "hold-to-account" mechanism, although local officials understand their superiors' power over promotion, the pattern of *selective* sanction in the short run between the centre and local officials is repeatedly observed by other local officials and generates a shared view that the probability of being sanctioned is low, and even if an official is sanctioned, the cost in the long term is not high.[45] This risk is also offset by the opaque nature of local government. As local officials learn that the risk involved is low and the benefits are high, this learning process decreases the risk associated with policy experimentation.

This learning process occurs through a variety of sources, including observation of other cadres' career trajectories, gossip, Party school trainings and exemplar campaigns. At the subnational level, the political economy changed substantially throughout the 1980s and 1990s with significant public-goods decentralisation and fiscal recentralisation. The resulting resource gap motivated cadres to reimagine strategies for career success, specifically how to meet the promotion targets and advance community welfare without additional funding. Policy experimentation helped many local cadres to bridge the resource gap, and over time other officials learned from these successes to adopt policy innovation as a promotion strategy. Heberer and Trappel found that successful policy experiments influence the standing of local leadership and their evaluation scores by demonstrating the ability to implement policies according to specific regulations.[46]

Learning from other subnational cadres' promotion trajectories occurs via informal sources like observation and information-sharing (gossip), but also from formal strategies like exemplar campaigns and innovation awards coordinated by the central

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[44] Mei and Pearson, "Diffusion of Policy Defiance among Chinese Local Officials".

[45] Ibid.

[46] Heberer and Trappel, "Evaluation Processes, Local Cadres' Behaviour and Local Development Processes", p. 1061.

government. The China Local Governance Innovations Awards programme offers a good illustration of this more formal learning mechanism, which trains local cadres in policy experimentation and innovation through the Party school network. Party schools create opportunities and spaces for local cadres to learn from one another by developing a community with a shared consciousness.[47] Heberer and Trappel also found that leading local cadres share information and experiences through Party membership and Party-state networks.[48] Shared membership in the Communist Party of China (CPC), joint meetings and campaigns create frequent opportunities for cadres to learn from one another. This community learning process is reinforced institutionally as well. Evaluations strengthen group consciousness and identity—if an item of the project is not accomplished, all high-level officials may become a target for sanctions.[49] In addition, an exogenous source of learning originates from think tanks, research centres and civil society organisations. These organisations offer a new source of ideas for policy innovation to local officials, and increasingly play a larger role in policymaking.[50]

In the case of elder care, the author finds that social learning explains the diffusion pattern better than vertical explanation. Diffusion was slow until the Shanghai pilot showed "success" and triggered diffusion through the mechanisms of gossip, being included in the Party school curriculum, and exemplar campaigns promoted by MoCA beginning in 2012. Diffusion of in-home elder care was a learned strategy to address a local problem and to gain recognition from supervisors. Figure 5 illustrates that diffusion was not a simple response to local needs.

Examining the early (denoted in red) and late adopters (yellow) demonstrates that a vast majority of the pilots occurred in the wealthiest areas, with the exception of Shaanxi. This trend offers support for the argument that cadres in wealthier places with more capacity adopt policy experiments at higher rates than other areas. This case study offers limited support for the vertical explanation, but instead the wave-shaped curve of diffusion, as illustrated in Figure 6, supports a horizontal process of learning.

In summary, the target management, one-level-down supervision and "hold-to-account" systems all seek to align local incentives with central directives. Competition among cadres for promotion motivates a search for better strategies, but this could result in many outcomes. Additionally, the local needs of the community in which

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[47] Frank N. Pieke, *The Good Communist: Elite Training and State Building in Today's China* (New York: Cambridge University Press, 2009).

[48] Heberer and Trappel, "Evaluation Processes, Local Cadres' Behaviour and Local Development Processes", p. 1064.

[49] Zhou Xueguang, "The Institutional Logic of Collusion among Local Governments in China", *Modern China* 36, no. 1 (2010): 63.

[50] Andrew Mertha, "'Fragmented Authoritarianism 2.0': Political Pluralization in the Chinese Policy Process", *The China Quarterly*, no. 200 (2009): 995–1012; Jessica Teets, *Civil Society under Authoritarianism: The China Model* (New York: Cambridge University Press, 2014).

Figure 5.   **Early and Late Adopters by County GDP, 2000**
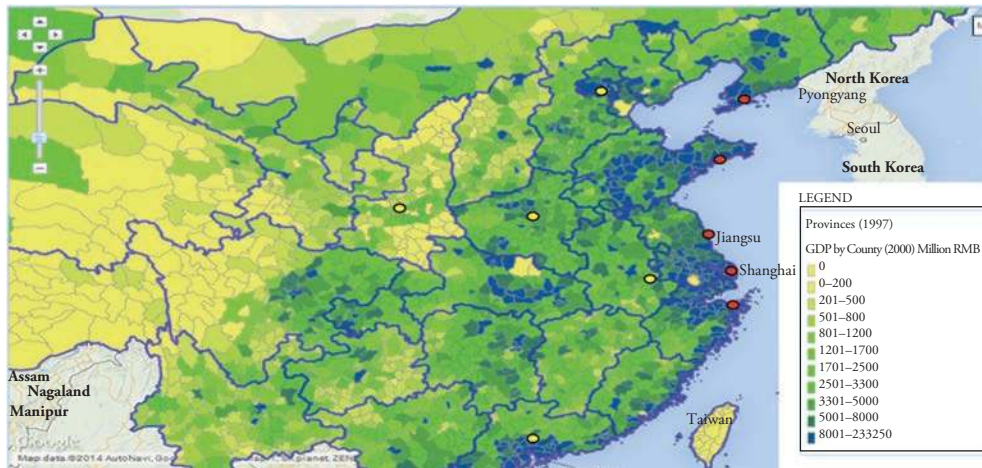
Source: Prepared by the author using map software at Harvard Map Project.

Figure 6.   **In-Home Elder Care Policy Diffusion Pattern**
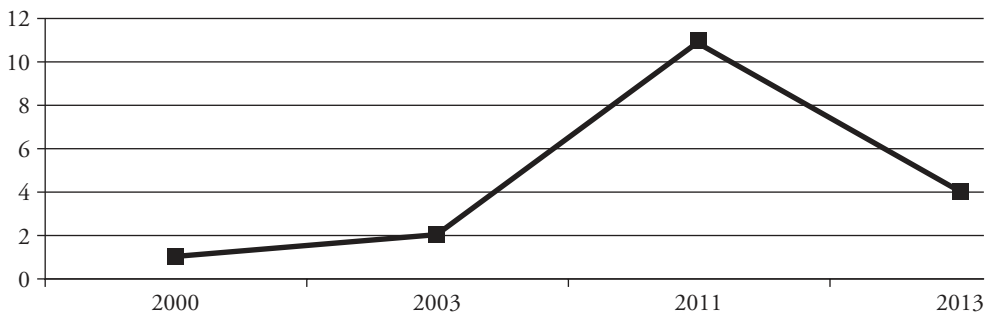
Note: Y-axis represents the number of adopting provinces.
Source: Prepared by the author.

officials are embedded also exert some influence, but perhaps less so for higher govern-ment levels like county and above where cadres rotate through many areas and hope to be promoted out of the province in which they serve. The author contends that a process of learning explains the increase in subnational policy innovation and diffusion despite the risk and uncertainty, as cadres learn from the promotion successes of others. This is an adaptive response to the political ecosystem, and leads to subnational government serving as experimental policy laboratories as observed by many scholars and China analysts.

IMPLICATIONS

Policy experimentation and diffusion often helps the CPC to better adapt to changes in its political and economic systems. In fact, Heilmann, Shih and Hofem found that one policy experiment—the high-technology zones (HTZs)—have a built-in mechanism for "active contribution to policymaking through administrative exploration".[51] Heilmann et al. noticed that the bureaucrats in the Ministry of Science and Technology that oversee the HTZs use the zones for information-gathering about which innovations actually work and which existing policies should be adjusted in response.[52] In addition, the wide variation that Heilmann et al. observed in HTZs (mission drift) resulted from the discovery by local officials of "tangible economic potential (ranging from creative promotional schemes for start-up firms to opaque property deals) that had not been recognized by national policy-makers beforehand".[53] This variation or mission drift means that "HTZs thus have been a means to deal with pervasive uncertainty regarding the unknown potential, appropriate priorities and effective instruments of innovation policy. This uncertainty can be reduced if policy-making is designed as a search and discovery process and includes corrective mechanisms such as decentralized experimentation, continual central-local feedback, regular review and adjustments of national programs".[54] Heilmann and co-authors implicitly argue that mechanisms for *learning* should be included in all experimental policy programmes, rather than conducting this learning process on an ad hoc basis as is the present situation.

In addition to the ad hoc nature of experimentation, the current system results in informal and superficial innovation. The inability to institutionalise policy innovations at the local level creates unsustainable experiments because policies are discontinued and not followed through when officials leave the office.[55] Hence, diffusion has relatively short birth and death cycles that correspond to political business cycles. Many policy experiments are also what this author has described as "face innovation". Face innovation is also an adaptive response to learning about promotion strategies, and manifests itself as such when subnational officials determine that the *appearance* of being innovative matters more than the outcome of the innovation. Factors that could result in the face innovation include short tenure of officials in the present role and/or policy areas so complex that results are difficult to measure. For example, innovation that involves protecting the environment takes a long period of time to show any result, and is such a complex issue that it is difficult to attribute any change in the environment to one particular policy. Additionally, the average tenure of officials in a position is 2.7 years, meaning that any positive outcome of innovation introduced by one cadre will be

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[51] Heilmann, Shih and Hofem, "National Planning and Technology Zones", p. 915.
[52] Ibid.
[53] Ibid.
[54] Ibid.
[55] Fewsmith, *The Logics and Limits of Political Reform*.

enjoyed by another.[56] In these instances, innovation might still be the best promotion strategy and make the cadre appear to be responsive to local problems; however, the type of political and financial resources needed to make the experiment successful and sustainable are not worth investing in. Experimental policies are initiated, but not institutionalised, and often discontinued as soon as the cadre is rotated to another position. Failed or face innovation limits the ability of the CPC to continue to adapt to changing political and economic conditions; thus incentives must be created not only to promote policy experimentation but also to sustain it.

The significance of this research is that social learning has created a norm of policy experimentation and diffusion, but that this process is currently informal and does not naturally allow optimal polices to diffuse and suboptimal to disappear. Instead, Chinese policymakers must build stronger institutions to support policy innovation and capture knowledge. Yu Keping, founder of the Local Governance Innovation Awards Programme, also advocates for the creation of a national governance system, which seems to have received support at the Third Plenum of the 18th Party Congress in 2013.[57] As Yu argues, this is important because "government innovations are the innovative reforms conducted by public authorities to increase administrative efficiency and promote public interest. The process of government innovation is a continuous process of reforming and perfecting the public sector, it is a form of governance reform ... The Communist Party of China and the Chinese government have always emphasised political reforms, but political reforms in China are not reforms of the basic political institutional framework, but [rather] reform of its national governance system, which is manifested in government innovations".[58]

This process at the central level should include the review of local innovation to identify policies that match both local needs and central preferences, and then launching of education tours and trainings, similar to those used in the Shanghai model of in-home elder care. Much of the innovation exists at the local level in China, but without a formal process for technocratic evaluation, opportunities are lost for improving governance. Although the author is not advocating for a top-down process of policy experimentation, the central government does have a role to play in innovation and reform, namely incentivising local experimentation, analysis and diffusion of successful experiments, and halting face innovation or corruption cloaked as experimentation.

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[56] Zhu, "Local Government Entrepreneurship, Official Turnover, and Organizational Innovation".

[57] Ngeow Chow Bing, "From Translation House to Think Tank: The Changing Role of the Chinese Communist Party's Central Compilation and Translation Bureau", *Journal of Contemporary China* 24 (2015): 554–72.

[58] Yu Keping, "Women guli he tuidong shenmeyang de zhengfu chuangxin?" (What Kind of Government Innovation Do We Encourage and Promote?), in *Zhengfu chuangxin de Zhongguo jingyan* (*Governance Innovations in China*), ed. Yu Keping (Beijing: Zhongyang bianyi chubanshe, 2011), p. 3.