

**THE RESEARCH OF OPERATION MANAGEMENT OF  
PRIVATE ELDERLY CARE INSTITUTIONS OF ANSHUN CITY  
OF GUIZHOU PROVINCE OF CHINA: CASE STUDY OF RED  
SUNSET ELDERLY CARE CENTER**

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Project submitted as partial requirement for the conferral of

**Master of Science in Business Administration**

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September 2016

## **Resumo**

Devido ao crescente envelhecimento da população chinesa o tratamento da população idosa tem vindo a assumir-se como um dos mais importantes problemas de saúde pública.

Na tentativa de melhorar a qualidade de vida dos idosos, o governo está a focar a sua atenção na gestão das instituições que prestam cuidados aos idosos. Os resultados da presente pesquisa podem, eventualmente, possibilitar uma melhoria do desempenho dos serviços prestados e da eficiência das organizações, melhorando a qualidade de vida da população alvo.

De acordo com a informação recolhida, muitas das instituições privadas estão a ter prejuízo devido às elevadas exigências deste sector de atividade, não conseguindo, por vezes, continuar a prestar estes serviços, especialmente em zonas como a província de Guizhou, onde este sector de atividade tem ainda uma expressão modesta.

O objetivo desta tese é, não só identificar as dificuldades que estas instituições (na cidade Anshun da provincia de Guizhou) enfrentam, mas também propor soluções práticas que possam contribuir para o desenvolvimento de estratégias mais adequadas com vista à qualidade dos serviços prestados e à auto-sustentabilidade organizacional.

**Classificações JEL:** M1, I30

**Palavras-chave:** Envelhecimento da população, Instituição de cuidados de idosos privado, Gerenciamento de operação, Estratégia.

## **Abstract**

In the last few years, due to the aging population of China, the elderly care has been a major focus for the government. The government itself has taken such problem as one of the important issues in China. The research is focus on operation and management mode of elderly care institutions by following the developmental trend of market economy and the research results may help elderly care industry develop rapidly and effectively, solving current tension problem of elderly care and improving the life quality of aging population in their old age

According to the official data, most of the operating situation of private elderly care institutions of China are in the losing-money situation under the background of enormous marketing demands of elderly care service, and some of such institutions realized that it is difficult to keep a normal daily operation, especially for those located in the provinces where elderly care industry is undeveloped, such as Guizhou province. The purpose of this thesis is to find out the real operation difficulties in operating process of private elderly care institutions of Anshun city of Guizhou province by the method of quantitative and qualitative research, providing practical suggestions in order to ease or even eliminate such difficulties and combing the future development of such institutions with the developing trend of elderly care industry, provide effective suggestions in operation, management and strategy orientation areas with such institutions, which may help develop in right way.

**JEL Classification:** M1, I30

**Keywords:** Aging population, Private elderly care institution, Operation management, Strategy.

## **Acknowledgments**

In order to accomplish this individual research, I really took a lot of work and relative backgrounds studying and it is no doubt that this thesis is the first and the worthiest challenge in my student's life. I would like to take this chance to thank all of my friends, colleagues, family, directors and those who provide help with me in my writing process.

Firstly, I would like to sincerely thank my supervisor Prof. Luís Martins for his patient guidance and effective advice during the elaboration of this thesis, giving me additional motivation to complete this thesis.

Secondly, I would like to express my sincere thanks to all the living elders, manager and staffs of Red Sunset elderly care center for their fully cooperation, helping me with data collection and interview and providing me with a direct and clear understanding of the local private elderly care institutions.

Finally, I would like to show my sincere thanks to my family and friends who are accompanying with me when I lose my motivation.

My sincere and grateful thanks.

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## **Acronyms**

CCRC – Continuing-Care Retirement Communities

GDP – Gross Domestic Product

ICS – International Common Standard

MCA – Ministry of Civil Affairs

RMB – Renminbi

RCF– Residential care facility

SAT– State Administration of Taxation

USD – United States Dollar

# **1. Introduction**

## **1.1 Problem statements & Research Question**

Till the end of 2010, the total number of beds for elderly care in china was about 3,208,000 and every 1000 old people would compete with 18 beds which is not only lower than that of developed countries (50-70 beds), but also lower than that of some developing countries (20-30 beds).(Construction Plan of China 2011-2015) There 1201 different types of elderly sectors were established in Guizhou province up to the end of 2014. 7% of these sectors are non-government nursing homes which have 5,000 beds totally, however this figure didn't reached the number (33,000) that 12 five-year plan required and also didn't meet the needs of residential elders according to the press conference of increasing development of elderly care industry of Guizhou province, 27 April 2015. This means that the elderly care industry is a hot cake as well as a large market waiting for being develop and exploit.

However, the real operational situation of such private elderly care institutions is negative, especially those located in the economically deprived areas. The first season data of MCA of China of 2015 shows that only 50% of non-government elderly care institutions can break even and 40% of them were still in losing money situation for a long-time, and just 9% of them can make profit. For example, there are 4 private elderly care institutions in Anshun city of Guizhou province and the occupancy rate of these institutions is lower than 50% until the end of 2014. (Newspaper of finance people China, June 2015) This means that these institutions struggled in the dilemma of operation started from a long time ago, not mention to make a profit.

It is a very strange situation in this industry currently, higher market needs but lower profit in most of these sectors. What challenges these private institutions face with nowadays? What the deficiencies of operational management system they have? How to overcome current difficulties and make a profit? How to use the current policy helping themselves to change this awkward situation and attract more financing?

## **1.2 Motivation**

The existing theoretical and empirical researches emphasize the importance of understanding how embodied and emplaced experiences shape individuals' identities and sense of place for the study of one's well-being. (Kearns & Gesler, 1998) Most of the research have focused on elderly people in the community, formal and informal home care and residential care, and they have already done enormous researches about this industry from many aspects, such as social science, economics, political science and law, acquiring abundant results. (Andrews & Phillips, 2005) However, far less of the research could pay attention on the operation management of non-government elderly care sectors in undeveloped province of China.

This research will focus on the operational system from the perspectives of social welfare and commercialization. The motivation of this thesis is trying to find out the real-time difficulty in operating process of such private institutions and to provide effective solutions. Hope that the outcomes would provide theoretical support with the operation mode and development in future and also hope that such outcomes of can encourage relative departments to rebuild their roles and responsibilities clearly in order to make policies implementation efficiently. What's more, the results would help these private institutions have good understanding of their drawbacks in operation. Such institutions would escape from operational plight by taking the solutions of the thesis effectively, increasing the occupancy rate and realizing break even, even profit-making in the near future.

## **1.3 Objects and Methodology Approach**

I will do a case study and to take one of local private elderly care institutions of Anshun city of Guizhou province as research object, focusing on the aspect of operation management mainly. And I will use three methods to do this research, including literature study, questionnaire survey and deeply interview for the living elders and manager.

## **1.4 Structure**

This thesis includes 4 other chapters besides this introduction: the literature review is presented in chapter 2, illustrating an overview and inevitable development of elderly care industry and relevant theories and historical background that have been researched; The chapter 3 is evaluation system design and questionnaires, analyzing the questionnaire's data and giving a summary for interviews; The case study of Red Sunset elderly care center is chapter 4, introducing clear background of Anshun city of Guizhou province where is the research object located in from three aspects: aging population, financial condition of local people and the development of local private elderly care institutions and combining collected data with the information of interview to do such case study and providing the results and suggestions of future development of such is illustrated; finally, chapter 5 is giving a general conclusion of this thesis and its limitations and suggestion for future research as well.

## **2. Literature Review**

### **2.1 Welfare Pluralism**

The earliest person who has been done a dissertation about welfare pluralism was Rose. (1986) According to his research, social welfare involves three parts, including household, market and state. All of such parts can also represent as the provider of social welfare and they can be integrated to be the welfare entirety of society. Because of such welfare combinations, social welfare can be considered as a composite product of diverse regulations.

Evers (1988) believed that the definition of welfare pluralism of Rose was really simple and should put the analytical framework of welfare triangle into the context of culture, economy and polity. These three parts of the context can correspond specifically to organization, value and social members. Economy (market-directed) provides the welfare of employment; personal effort, family security and mutual community are the

core of informal welfare; the government can distribute social resources by formal regulation of social welfare. Under the certain context of culture, economy, society and polity, the social welfare of the government and the family welfare from family members can share the risk of social members when the market is out of control.

However, Olsson (1993) applied trichotomy of country, market and public society (family, neighbor, voluntary sectors) to analyze welfare country and discussed welfare decentralization and privatization by using the concept of society. He believed the development direction of the organization which provide welfare with public society can be expected.

The framework of welfare pluralism of Gilbert (1998) illustrates two points. One is that it is constituted by four departments, including the government, informal organization, voluntary organization and commercial organization. Such four departments provide social welfare with those who need help. Another one is that these four departments are involved in the national welfare market of public and private. They are existed separately but still the overlapping part in market-oriented economy of capitalism.

Welfare pluralism provides welfare diversification to achieve social cohesion and integration. (Abrahamson, 2005) The core ideas of welfare pluralism theory are decentralization and participation. Decentralization is that the welfare right not only be given from central governments to local ones, but also be given to market and society. The meaning of participation is that welfare consumer, private sectors and non-profit organizations can enable to participate in the providing process and strategy making of welfare services. If the position of the government can be changed from directive provider of social welfare to the planner, purchaser, manager and arbiter of welfare services, and can encourage other social organizations to take the position of welfare service provider, this would give more welfare spaces and responsibilities for non-profit and profit organization, family and community, leading to the situation of welfare pluralism. (Powell& Hewitt, 2002; Castles, 2004)

Privatization was created by the development of welfare pluralism, which means the government provides the opportunity of social welfare providing with private

departments totally or partly, and this could create the market regulation with time. The government can adjust supply and demands with price and giving importance on receiving cost and also can apply the methods (using consumer's purchase power and beneficiaries paid) in order to distribute and make effective use of resources. (Wuxiong Chen, 1999)

The privatization of western welfare countries was developed in three directions. (1) Decrease the reliance of financial subsidy from the government constantly; (2) Charity activities have commercial color gradually, providing services in profit-making orientation, therefore the number of welfare profit institutions are increasing; (3) Motivation of altruism is replaced for using of beneficiaries paid. (Wuxiong Chen, 1999)

In conclusion, welfare pluralism emphasizes the government power decentralization and social welfare privatization. With the guidance of this theory, privatization takes an important place, becoming the main direction of reform of western welfare countries. The privatization practice in western countries shows that welfare service provider and creator can be separated.

## **2.2 Social Welfare Socialization**

A condition of social welfare is conceived of as comprising three elements, the degree to which social problems are managed, the extent to which needs are met and the degree to which opportunities for advancement are provided. (James Midgley, 1995)

In order to solve the growing conflict between supply and demand of social welfare in elderly care service, the Chinese government borrows ideas from "Welfare Pluralism theory" and proposed the concept of social welfare socialization. The government hopes that the market, enterprise and non-government organization could be involved in the Chinese social welfare system and policy by reforming, applying social resources to make up the shortage of national resources.

Dejiang Zhang, Minister of Civil Affairs, proposed the main ideas of content of social welfare socialization in Beijing 1990, including management socialization, source of funding socialization, socialization of service subject and the facilities and

organizations of service socialization. (Dejiang Zhang, 1990)

11 departments of Civil Affairs jointly released the opinions about increasing speed of achieving social welfare socialization (Guo Ban Fa [2000] No.19) in order to complete such contents, including investment diversification, service subject socialization, service mode diversification and service institutions specialization.

(1) Investment diversification, means investment with various channels, including the government, organization and individual, thereby making the ownership situation of diverse forms between social welfare institutions to develop together.

(2) Service subject socialization, means that the government not only has to provide those who are called "Wubao Elderly" (have no children, no dependable relatives, and no work ability or income), refugees and orphan with financial support, but also has to enlarge the service subjects to the whole social elders and disabled group. Depends on the different backgrounds of such service subjects, to provide different services (paid, privilege and unpaid services).

(3) Service model diversification is that social welfare institutions and communities are not only focus on elderly care and helping the disabled but also have the service function to provide supporting for families, in order to develop the welfare service facilities and networks of community effectively.

(4) Service institutions specialization means to make the service providers more professional, to enforce practical regulations for the evaluation system, to advocate volunteer service and to build and support voluntary sectors.

Through practical reform for two decades, Chinese social welfare industry has been developed profoundly and the new developing situation is created (mainly led by the government, and departments cooperate with each other and social resources are also involved) (Wenjie Peng, 2005)

Diversification of financing channels was realized initially and the government helped vulnerable groups successfully with direct and enormous financial and political investment and satisfied the welfare service needs of residents by using operational power of the market and community. (Xiaoyuan Shang, 2001)

But there were many researchers pointed out that lots of deficiencies were created and existed during the reform process of social welfare socialization. Beihai Tian (2008) thought that such reform faced with three main difficulties, including the difficulty in establishing social cooperation system, shortage of social financing and the slow growing social welfare institutions.

The government relied on the market operation excessively while ignored the functional effect of itself during this reform, and this was the phenomenon of role absence. (Qi Pan, 2007; Xiulan Zhang, 2006)

On one hand, this policy reform has exactly provided opportunity to those who have adequate financial ability to enjoy welfare service, but another hand, those who lack family and financial support and cannot afford the “marketization” service fee were likely to be excluded to have access to such institutions. (Guancui Luo& Jie Lei, 2008)

In conclusion, readjusting and relocating the responsibility of the government are common part in both of Chinese social welfare socialization and social welfare privatization of western welfare countries. Both of them emphasize on reducing the government’s welfare service function directly and encourage more private and individual institutions to participate and to provide social welfare service. What’s more, in order to improve service quality by market regulation and to satisfy the diverse needs of the public, both of them have to weaken the responsibility of the government while relatively to strengthen the impact of market and non-profit organization on social welfare providing. However, although Chinese social welfare socialization was established under the condition of market mechanism, there are uncompleted parts of such mechanism and the level of non-profit organization and service professionalization did not reach that of developed western countries.

### **2.3 Social Capital Theory**

Social capital includes three parts: individual, organizations and aggregate. Social organizations not only come from but also be embedded in social networks which is actual and potential resource that can be used. The embeddedness characteristic of



social organization illustrates that social capital does not like the traditional physical capital and human resource and it is existed in the internal of organizations but has relation between each organizations. (Nahapiet, J & Ghoshal, S, 1998)

Nan Lin (2004) believed that resources can reflect relation characteristic of social network. Social capital is a kind of resource coming from such network. Therefore the resource's network is to connect diverse social resources one by one by the model of different social relations, creating a reticular tie-network between individual and organizations.

There two basic dimensions in social capital, constructional dimension and relational dimension. (Moran, P, 2005) The first one involves in the impersonal relation system between subjects (individual and unit), including the generation and construction of relation network and the contact frequency. The second dimension is the special relationship which is built by historical interaction and influence people's behavior, such as friendship, trust and respect.

In Chinese studies, Yanjie B and Haixiong Q (2000) regarded quantization of social capital of enterprises as the outside social relation of enterprises, such as the vertical relation of the enterprises, superior authority and sub-departments and the horizontal relation of other enterprises. However, Linping L (2006) pointed out that there was a neglect in research of Yanjie and Haixiong, ignoring the social relation of each departments of the enterprises, and gave a clear definition about the social capital of enterprises, which was mainly outside social capital of enterprises. The social capital of elder care institutions is divided into three dimensions, including vertical, horizontal and social relation by applying dimension of measurement of outside social capital of enterprises. (Fanghua Z, 2006 & Xiaohu Z, 2008)

In the development of elderly care institutions, they have created diverse relation networks with other organizations, and their social capitals come from such networks. From the view of the relationship of organizations, the social capital of private elderly care institutions is acquired from three organizational relations, including the government, market and social connection. As the main subject of providing welfare

resources, the government provides important support and supervision with these institutions in various aspects, such as financing, organizational management, human resources configuration and policy making, being a vertical relation with such institutions. While, the market is responsible for diverse functions, such as improving efficiency, decreasing cost and increasing service quality, and it is the driving mechanism for these institutions. The relation between market organizations (business leagues, outside line organization and suppliers) is horizontal. Social connection of these institutions is the relation with communities, voluntary organizations and intermediary organizations (welfare association and foundation) and they provide assisted resources for the development of such institutions. (Juan L, 2013)

## **2.4 Elderly care industry in developed countries**

### **2.4.1 The mode of residential care in US**

Michael Hunt (1985) believed that Naturally Occurring Retirement Communities was the product coming from the development of home care and the elderly was the main population who lived in such communities in the middle of 1980s, although the initial aim of design of such communities is not for old people. In such communities, the elderly can participate in plan-making for their communities and build social relationship with each other by themselves and learn how to cope with others from different age level initiatives. Therefore, they were likely to enjoy the process of being service providers and beneficiaries, instead of receiving service passively.

Continuing-Care Retirement Communities is another type of residential care, which integrates function of apartment blocks and service. The living condition of these communities is that seniors need to sign a life-care contract and this may mean that such old people could spend later life in these communities with relatively expensive fee. There are three main facilities in classic CCRC, including independent living, assisted living and nursing home. Each of them can provide social activities, different courses, health care and other living support and the elderly can choose depends on themselves'

needs.(Hui Jiang, 2012)

## **2.4.2 Institutional care in Japan**

There are two types of elderly care institutions, the elderly welfare institution which is funded by the government and operated by private sectors with social financing and resources after the local government permitted. The source of caring providers comes from four groups. (1) The government staff, accounted for 60%-70% of total such providers and this group has caused heavy budget for the local government since it increased the number of civil servants for the government in order to keep the service quality in high level.(2) non-government organizations, are partly funded by the government, such as Social Welfare Association, and these organizations can provide relatively effective and high quality service with the elderly under the operation of the market mechanism and these organizations develop at a rapid pace. (3) Volunteers, are mainly undergraduates, housewife and the healthy elderly. (4) Enterprise-service of elder care industry, comes from Unit States and acquires financial support by insurance. (Hui Jiang, 2012)

## **2.5 Institutional Care in China**

### **2.5.1 A developmental history of institutional care**

In early time of 1990s, elder homes were identified as "Homes of Respect for the elderly," as if to imbue them somehow with XIAO (孝). Social welfare institutions which located in small or medium-sized cities are often lumped childless elders, mentally ill patients, and orphans together under one roof. The central government fully funded such welfare institutions. (Zhan, 2000).

By the late 1990s, such institutions have been encouraged to be financially self-reliant. By then, many urban social welfare and social relief systems were facing policy neglect. For instance, the government budget for social welfare services and social relief was reduced from 58% of GDP in 1979 to 19% in 1997. (Shang, 1998)

Due to decentralization and cutting in financial support of the government, such institutions have been forced to find financing from other channels and this provided opportunities with private capitals when it comes to service industry of China. Former welfare homes for elders, orphans, and the mentally ill have become privatized. They have had not only to balance their budget, but also create innovative ways to earn income in order to cover the operating capital in providing higher quality services and attract more non-government-funded investors.

Nowadays, most of welfare institutions have become social service institutions. Compared with home care, these institutions are defined as that which can provide daily care, food and physical examination professionally after the elderly paid service fee based on the regulation of such institutions. (Chengong Z, 2005) Although some of them may still accept partial funding from the government, most of them have to find their own financing resources in order to make break even. These resources include government and community funding, business donations and financing from individuals and families. (Heying J zhan, Guangya L& Hongguang B, 2005)

### **2.5.2 Types of Institutional Care**

There are mainly three types of institutional care that classified by property of institution in Chinese market currently: (1) Social welfare institutions are funded by the government and these institutions have to register in public-sector organizations; (2) Half-social welfare institutions should register in non-enterprise private organizations; (3) Profit welfare institutions have to register in State Administration for Industry and Commerce and SAT.(Chengong Z, 2005) Elders' needs, such as daily assistance and medical attention in a certain degree, are likely to rely on such institutions. The government treats public centers and private centers as different in access to acquire public resources and the government's support. Public centers are supported by the general public resources coming from the government and which could provide better equipment, facilities and well trained staffs. However, private centers lack well defined and material support from the government, facing with the mix trends of residents with

high risk health issues and limited financial resources to pay. (Li W., 2008)

### **2.5.3 The systems of providing institutional care**

In China, there are two systems to provide institutional care for elders: (1) The social welfare system is run by departments of Civil Affairs at various levels and it operates welfare institutes, homes for the aged, and veteran care facilities; (2) The medical care system is run by the department of health, providinglif geriatric hospitals, nursing facilities, rehabilitation wards, and mental health hospitals for demented elders. These two systems have been separated into funding mechanisms and policies, thus creating different segments for long-term care. (Wu, B., Mao, Z.F., & Xu, Q, 2008)

## **2.6 Relevant elderly care concepts**

### **2.6.1 International Common Standard of aging**

International Common Standard is that the percentage of those who are 60 and over is over 10% or the percentage of those who are 65 and over is over 7% in total population of a country or a province, and this country or province is getting in aging society. (United Nations, 1956)

### **2.6.2 Active aging**

For elderly people, active aging means the ability for self-care, the capacity to adapt to the outcomes of aging, active involvement in community and society, and a positive attitude in aging. (Bartlett & Peel, 2005; Bowling, 1993)

### **2.6.3 Long-term-care**

Long-term care services include a broad range of health, personal care, and supportive services that meet the needs of frail older people and other adults whose capacity for self-care is limited because of a chronic illness; injury; physical, cognitive, or mental disability; or other health-related conditions. (HHS, 2013)

China's long term care is dominated by family oriented care, supplemented by institutional care, provided by the public or private sector. Challenged by the changed social and economic environment, the practice of the ancient tradition of seniors living with their adult children during the later years, however, remains the social norm. It does not have a classification of different levels of care as used in the United States such as independent living, adult day care, assisted living programs, and skilled nursing facilities. The Chinese classification is more based on the individual's dwelling place rather than the level of care. (Qiu F, Scott S, Deborah G, Ron F&Peter F, 2013)

#### **2.6.4 Five Guarantee System of China**

Wubao elders are those who eligible for a government-funded welfare system called the "Five Guarantee System" (in Chinese, wubao means "5 guarantees"). This supporting system can guarantee that eligible elders could receive the 5 life basics: food, clothing, room, medical care, and burial after death. The population who can enjoy such helping policy of such system should: (1) no working ability; (2) no income source;(3) no children or other people who can provide life support and care with legal responsibility (called "Three No")(Bei W, ZongFu M,&Renyao Z, 2009)

#### **2.6.5 Private elderly care institutions**

People-Run non-Enterprise and Company-Run enterprise elderly care institutions collectively called private elderly care institutions. People-Run non-Enterprise institutions have to register in MCA, set up by individual, enterprise and social organization and its ownership belongs to these subjects totally and it is non-profit institution. Company-Run enterprise institutions have to register in the State Administration for Industry and Commerce and SAT, and set up by individual, organization and profit-oriented.

### **2.7 Empirical Studies in China**

### **2.7.1 Research of the needs of institutional care**

There lots of researchers have done practical research about the needs of institutional care from different perspectives and geographical areas. Baoan Song (2006) did social analysis of the elderly's choice when they live in elder care institution by doing questionnaire research among 5000 seniors in 14 provinces. The results shows that 95% of such elderly choose home care, including independently living and living with family. Only 5% of them choose to live in elderly care institutions. However, another research shows 9.69% of old people hope to live in elder care institutions in five cities of Zhejiang province (Wen S 2006). From the view of the age group, 14% of those aged from 60 to 64, 17% of those aged from 65 to 69, 8.7% of those aged from 70 to 75 and 7% of those aged from 75 to 79 are willing to choose living in elderly care institutions in Zhejiang province. (Wenjiong H, Cuiying Y & Xiaoting L, 2008) According to such results, for the old people from such province, the needs of living in elderly care institutions shows an increase trend, although their decision is different based on age groups and geography.

There were over 100 thousands elders who are 60 or above in Gulou district of Nanjing city in the end of 2012, accounted for 16.5% of the total population of this district and the number of this population remained in increasing trend with 5% every year. 35 private elderly care institutions were located in this district that can provide 2,868 beds for the elderly, but only satisfy about 5% caring need of such aging population. This means that the phenomenon of big shortage in elderly care needs of this district still existed and the number of elderly care institutions cannot cope with market needs, creating the conflict between the needs and demands. (Dan S& Zhongjie G, 2013)

### **2.7.2 Research of operation of private elderly care institutions**

Private elderly care institutions are still in the initial stage of development and may enforce some profit-oriented measures to make a living. Some such institutions still balk at giving the order of daily work directly from the person in charge and the total right is focus on this person as well. The management of daily work mainly relies on

emotion, experience and habit, lacking practical regulation and strict financial management. This means that the operation mode of family-owned and patriarch-based management may not be avoided during this stage. However, few of these institutions have already completed relatively complex construction in management, such as personnel system and clear regulation in management. (Yanyan S& Wei W, 2004)

The management of human resource of such institutions also has problems. (Dan S& Zhongjie G, 2013) 56% of such institutions were only focus on the daily physical care, ignoring the emotional care in the care-providing process in Gulou district of Nanjing city and 10% of total staffs did not acquire high school qualification and about 60% of them only have primary school qualifications, some even without any educational qualifications. Because of the busy working schedule and the low monthly salary, few young people who have nursing skill and medical knowledge would like to take this job position and this has created a shortage of professional caring providers. Although some of these institutions provide training courses for their staffs, the heavy workload makes it difficult for those who have low educational qualification to participate in.

There are also lots of problems existed in the operation system of such institutions since they are still at the initial developing stage. The living cost of such institutions in Beijing was normally at a high level and cannot satisfy diverse needs of those from different income groups. The data shows that 31.67% of the elderly who can afford living cost independently, while those who need their family and others to afford living cost partly and those who need their children to totally afford such fee accounted for the same percentage, 30.4% respectively. (Ming L& Peiyan X, 2003)

Most of the private elderly care institutions are rent place for setting up business and because of the impact of real estate market, the price of rent shows a rapid increase annually with 5%-10%. With the increasing in rent and commodity price and, these institutions have to increase the living fee for the elderly in order to make a living, rising to 50-100 RMB per month per person. However, this measure cannot alleviate the financial difficulty of such institutions and the operational capital is increased gradually, creating serious operational pressure. (Dan S& Zhongjie G 2013)



Kaiyu Tao (2005) did research which is focus on the loss and profit situation of such institutions and he emphasized that it is necessary for these institutions to enhance awareness of industrialization and to find right position in market, decreasing the cost of society and company effectively and increasing tangible and intangible asset.

However, many investors are likely to invest in real estate instead of elderly care industry because the return rate is lower in the same period. 81.8% of these institutions acquire financial support only based on individual financing and the single channel for financing will cause a big operational risk. (Dan S& Zhongjie G 2013)

The outside organizations lack good understanding and supporting for these institutions.14% of these institutions in Gulou district of Nanjing city were located in the inside or around of community, relying on the community but lacking connection with the health care institutions of the community and other sectors, therefore 32% of health care sectors which are unwilling to cooperate with them and it is difficult for making use of health service resources. (Dan S& Zhongjie G 2013)

### **2.7.3 Studies in governmental support for private elderly care institutions**

The responsibility of the government is to do macro-control for the development of these institutions, enforcing measures in the distribution of elder care resources, avoiding low-quality institutions to be built repeatedly and competed disorderly, guaranteeing the development and operation of these institutions under normative and ordered market mechanism. (Xia L, 2002)

After 2000, the central government and MCA continuously issued the documents, “The opinion of increasing speed on social welfare socialization”(2000 No.19) and “The suggestion of supporting social forces to invest and set up social welfare institutions”(2005 No.17) The local government enforced and issued a serious supportive and protective policies, such as preferential tax, preferential fee for renting land, preferential water and electricity fee, for such institutions based on the order of central documents in order to encourage enterprises, public-sector organizations, social groups and individuals to participate in investment elderly care industry.

However, in real life, because of the influence of traditional concept, these institutions found it is difficult to receive such preferential policies, instead of being discrimination by other social organizations and being diverse crowded out and spited by the local government. (Shichao T, 2010)

## **2.8 Conclusion**

To review the theoretical framework of Welfare Pluralism and social welfare socialization, gives a clear and deep understanding of diverse functions of the welfare system and the revelatory meaning for developing social welfare in China base on national condition. And such framework also illustrates that it is necessary to develop diverse types of welfare institutions. While in the view of social capital, it emphasizes the importance of social resources for setting up and operating elderly care institutions although the mode of development cannot follow totally normal profit-making or non-profit organizations. The limited studies in elderly care of developed countries could provide practical references for the Chinese elder care industry, but I think that not all of them have reference value since there is different national condition between China and such countries. This thesis is focus on private elderly care institutions which is included in institutional care, so the relevant illustration of institutional care and elder care concepts of China could provide a crystal understanding of how this type of institution is created and its developing direction. The conclusion of Empirical studies of China: there are two main difficulties for private elderly care institutions, the operational difficulty and the difficulty in acquiring effective supporting from the local government, although there is a huge market need.

By review the literature researches of China, most of them have focused on diverse aspects of private elderly care institutions to do research, including theoretical research, the research of in-depth, semi-structured interview, quantitative study and qualitative research, but there are two deficiencies:

(1) Theoretical research and practical research are disconnected, and maybe this is the reason why the operational difficulty be caused and the discrimination which is from

social organization and the local government has negative effect in solving the real existed problems. There are geographical difference in local policy-making, tradition, cost and standard of living and theoretical researches may be out of connection with real situations, so the results cannot be used well in the practical life.

(2) The existed researches normally take the government and private elderly care as the research subjects, ignoring the elderly. In the quantitative research, the managers or staff of private elderly care institutions are the main population those who accept questionnaire survey. However, the elderly just as the cold number existed in the statistics and they are the participants but unlikely to speak out. This cannot reflect the substance of some problems in some degree and cannot reveal deep problems also, which does more harm than good during the research.

### **3. Methodology**

#### **3.1 Evaluation system design and questionnaires**

The research method of this thesis is combining quantitative study with qualitative research, and there three questionnaires are designed in quantitative study according to the aim of this research.

The first one is for those who will choose to live in such institutions in future and this one includes two parts. The first part is to collect the basic background of respondents and the second part includes nine multiple choices in order to cunderstand and evaluate which important influencing factors, such as price, environment, nursing care level, service quality, they will consider seriously when they choose such institutions for themselves in future. The rule of the second part is that 3 points means very important; 2 points means important; 1 points means normal; 0 points means doesn't matter or don't care. The aim of this questionnaire is to understand the elderly care concept and needs of respondents nowadays.

The second one is one part of case study of Red Sunset elderly care center, and it's especially for those elders who have lived in such institution. It also includes two parts:

one is to collect the basic information of the elderly; another one is to know the reason when they choose this institution and to understand their evaluation and living experience, in order to analyze the service quality in objective way.

The last questionnaire is also one part of case study of such center, but it is especially for the manager of such center. The aim is to understand their current operation situation and real-life difficulty in order to provide practical suggestions for their further development objectively based on research results.

### 3.2 The analysis of basic information of respondents

The questionnaire for those who have lived in Red sunset elderly care center is hand out with paper form and the total number is 29 but effective recalling number is 12. However the questionnaire for those who will live in such institutions in future is sent by electronic edition and the total number is 112, and effective recalling number is 112 as well. So the total number of effective recalling questionnaire is 124 and the passing rate is 87.94%.

The basic information of respondents includes eight things: gender, age, education level, cohabitation situation, their children information, occupation, economic condition and health condition. (Table 1-11)

Table 1: Gender distribution

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	42	33.9	33.9	33.9
Female	82	66.1	66.1	100.0
Total	124	100.0	100.0	

Table 2: Age distribution of total respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20—30 years old	45	36.3	36.3	36.3
30—50 years old	15	12.1	12.1	48.4
50—70 years old	51	41.1	41.1	89.5
70-80 years old and over	13	10.5	10.5	100.0
Total	124	100.0	100.0	

Table 3: Age distribution of those who lived in Red sunset elderly care institution

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 60—70	3	25.0	25.0	25.0
70—80	7	58.3	58.3	83.3
80 and over	2	16.7	16.7	100.0
Total	12	100.0	100.0	

Table 4: Education level distribution

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Illiteracy	3	2.4	2.4	2.4
Primary school	3	2.4	2.4	4.8
Middle school	29	23.4	23.4	28.2
High school	26	21.0	21.0	49.2
University and above	63	50.8	50.8	100.0
Total	124	100.0	100.0	

Table 5: Cohabitation information of those who haven't live in private elderly care institutions

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Live alone	16	14.3	14.3	14.3
Live with spouse	41	36.6	36.6	50.9
Live with spouse and children	18	16.1	16.1	67.0
Live with parents	17	15.2	15.2	82.1
Others	20	17.9	17.9	100.0
Total	112	100.0	100.0	

Table 6: Cohabitation information before retirement of those who have lived in Red sunset elderly care institution

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Live alone	7	58.3	58.3	58.3
Live with spouse	2	16.7	16.7	75.0
Live with spouse and children	3	25.0	25.0	100.0
Total	12	100.0	100.0	

Table 7: Their children information

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No child	44	35.5	35.5	35.5
One	57	46.0	46.0	81.5
Two	12	9.7	9.7	91.1
Three and above	11	8.9	8.9	100.0
Total	124	100.0	100.0	

Table 8: Health condition information

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Health	36	29.0	29.0	29.0
Physical condition has a little problem but no disease	71	57.3	57.3	86.3
Have chronic disease but can take care of myself	17	13.7	13.7	100.0
Total	124	100.0	100.0	

Table 9: Occupation distribution

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Business man	2	1.6	1.6	1.6
Employee of government departments and institutions	29	23.4	23.4	25.0
Worker and famer	34	27.4	27.4	52.4
Doctor	12	9.7	9.7	62.1
Students	19	15.3	15.3	77.4
Others	28	22.6	22.6	100.0
Total	124	100.0	100.0	

Table 10: Economy condition before retirement of those who lived in Red sunset elderly care institution

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 2000-5000 RMB/month	8	66.7	66.7	66.7
1000-2000 RMB/month	3	25.0	25.0	91.7
1000 RMB/month and under	1	8.3	8.3	100.0
Total	12	100.0	100.0	

Table 11: Economy condition of those who haven't live in private elderly care institutions

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 5000 RMB/month and above	21	18.8	18.8	18.8
2000-5000 RMB/month	62	55.4	55.4	74.1
1000-2000 RMB/month	21	18.8	18.8	92.9
1000 RMB/month and under	8	7.1	7.1	100.0
Total	112	100.0	100.0	

### 3.3 Results and analysis

#### 3.3.1 Questionnaire for those who haven't lived in such institutions

Table 12: The analysis of the reason why they will live in such institutions with basic features aspects

		The main reason that you will choose to live in private elderly care institutions in future				
		No children or children has no time to take care of me	Lose self-care ability because of disease	Would like to live with peers	Others	Total
Age	20—30 years old	15	3	13	14	45
	30—50 years old	4	0	5	6	15
	50—70 years old	13	3	29	3	48
	70—80 years old and over	1	0	3	0	4
Gender	Male	14	2	17	4	37
	Female	19	4	33	19	75
	Illiteracy	1	0	1	0	2



Education level	Primary school	1	0	0	0	1
	Middle school	5	1	8	6	20
	High school	4	1	19	2	26
	University and above	22	4	22	15	63
Economic condition	5000 RMB/month and above	7	3	8	3	21
	2000-5000 RMB/month	17	1	32	12	62
	1000-2000 RMB/month	7	2	6	6	21
	1000 RMB/month and under	2	0	4	2	8
Their children Information	No child	15	3	13	13	44
	One	16	2	29	8	55
	Two	1	1	6	2	10
Current Cohabitation	Three and above	1	0	2	0	3
	Live alone	7	0	5	4	16
	Live with spouse	13	3	23	2	41
	Live with spouse and Children	3	1	9	5	18
	Live with parents	7	0	7	3	17
	Others	3	2	6	9	20
	Business man	2	0	0	0	2
Occupation	Employee of government departments and institutions	8	0	16	2	26
	Worker and famer	7	2	16	3	28
	Doctor	3	0	4	4	11
	Students	4	2	6	7	19
	Others	9	2	8	7	26
	Health	7	1	13	13	34
Health condition	Physical condition has a little problem but no disease	23	5	31	9	68
	Have chronic disease but can do self-caring	3	0	6	1	10

According to the data of table 12, we can know that people's every basic feature has relation with the reason why will live in private elderly care institutions in certain degree and this sub-chapter try to analyze the impact and preference based on such eight

aspects separately.

44% of total respondents will live in such institutions because they want to live with peers in future, however the figure for those who have no one to take care and for other reasons accounted for 29.64% and 20.54% separately. It is worth to mention that there few people will live in such institutions because of lack of self-care ability.

From the gender view, the male is more likely than female to live in such institutions with the reasons that they want to live with peers and no one to take care of them.

From the view of education level, the respondents from high school background are more likely to live in such institutions because they want to live with peers, but the main living reasons for those from the background of middle school and university and above are more dispersion than that from high school, which means the people form these two groups have more reasons to live in such institutions. The number of respondents from the background of primary school and illiteracy is one and two separately, and because of the sample limitation, the analysis of these two groups doesn't require representativeness and we didn't do analysis.

From the view of economy condition, over 50% of those whose monthly income from 2000 to 5000 RMB and 1000 RMB and under want to live in such institutions since they want to live with peers, while those whose monthly income form 100-2000 RMB and 5000 RMB and above will live in such institutions due to the same reason accounted for same percentage (33.33%) in total respondents of each groups.

From the view of their children information, over 50% of those who have one and two children are more likely to live with peers in such institutions, however for those who have no child, all reasons mentioned in table are likely to be their living in reasons and does not excludes other 'didn't mentioned reasons'. Because of the limited number of sample of those who have three children and above (3 people) and lack of representativeness, didn't do analysis.

From the view of current cohabitation, 43.75% of those who live alone will live in such institutions because no children or children have no time to take care of them, and this can illustrate that due to the one-child policy and the weakening function in family

elderly care, the declining in family size will have impact on elderly supporting model in future. Over 50% of those who live with spouse and live with children and spouse are more likely to move in such institutions since they want to live with peers. For those who live with parents and other types of cohabitation, they have many reasons for living in such institutions.

Form the occupation view, living with peers becomes the firstly chose reason for those who are the employee of government departments and institutions, worker and farmer, to choose living in such institutions, but for other occupations, such as students and doctors, they have more reasons to live in such institutions in future. I didn't analyze the businessman group because of the quantity limitation of sample.

From the view of health condition, health respondents will have more reasons to live in such institutions not only the four mentioned ones in table 12. However for those who has a little physical problem but no disease and those who have chronic disease but can do self-caring, they are more likely to move in such institutions since they want to live with peers, especially for the latter group (45.59% vs 60%).

Table 13: The factors when choosing private elderly care institutions people will consider (Respondents from Guizhou province)

<b>Influencing factors</b>	<b>3 points</b>	<b>2 points</b>	<b>1 points</b>	<b>0 points</b>	<b>Total points</b>
The monthly cost, including the fee of room, food and service, is important and main factor	32	16	6	1	134
The location and surrounding, such as near home and great greening, are important	33	17	5	0	138
The medical facilities and nurses who have professional caring skills are important	45	8	2	0	153
Friendly employees and service quality are important	46	9	0	0	156
The design of room and convenient facilities that	41	12	1	1	148

especially for elders are important					
If near hospital and same types of organizations is important	37	14	3	1	142
High reputation in public and good comments are important	43	11	1	0	152
If various types of nutritious food and leisure activities could provide is important	38	14	2	1	144
The management level of such institutions is important	44	11	0	0	154

We can see from the table above, the points of the quality and attitude of service providers, the management level, the medical and nursing care level and the public reputation are higher than other five factors, so these four factors can be regarded as the main factors that people from Guizhou will consider when they choose a private elderly care institution.

Table 14: The main factors and total points (Respondents from Guizhou province)

Main influencing factors		Total points
A1	The quality and attitude of service providers	156
A2	The level of management	154
A3	The level of medical and nursing care	153
A4	The public reputation and good comments	152

According to the situation of total points (table 14), and with the formula below:

$$\lambda_i = A_i / \sum A, \quad i = 1, 2, 3, 4$$

We can calculate the weight coefficient of these four factors:

$$\lambda_1 = \lambda_2 = \lambda_3 = \lambda_4 = 0.25$$

These four factors are same important for people from Guihou when they choose to live in private elderly care institution in future. What's more, these four factors almost reflect four different operation areas of such institutions, including management skill, human resource, marketing and the level of facility, and this can illustrate that the development of such institutions will have a big challenge according to current

operation situation and the investment will be enormous as well if they want to do something practically in these four areas at the same time in order to win a big market firstly.

Table 15: The factors when choosing private elderly care institutions people will consider (Respondents from other provinces except Guizhou)

<b>Influencing factors</b>	<b>3 points</b>	<b>2 points</b>	<b>1 points</b>	<b>0 points</b>	<b>Total points</b>
The monthly cost, including the fee of room, food and service, is important and main factor	33	23	1	0	146
The location and surrounding, such as near home and great greening, are important	36	18	3	0	147
The medical facilities and nurses who have professional caring skills are important	35	18	4	0	145
Friendly employees and service quality are important	42	11	4	0	152
The design of room and convenient facilities that especially for elders are important	36	20	1	0	149
If near hospital and same types of organizations is important	27	21	5	4	128
High reputation in public and good comments are important	39	14	4	0	149
If various types of nutritious food and leisure activities could provide is important	35	19	3	0	146
The management level of such institutions is important	21	28	4	0	123

We can see (table 15) that the points of the quality and attitude of service providers, the design of room and convenient facilities, the location and surrounding and the public are higher than other five factors, so these four factors can be regarded as main factors that people from other provinces (except Guizhou) will consider when they choose live

in a private elderly care institution.

Table 16: The main factors and total points (Respondents from other provinces except Guizhou)

Main influencing factors		Total points
B1	The quality and attitude of service providers	152
B2	The public reputation and good comments	149
B3	The design of room and convenient facilities	149
B4	The location and surrounding	147

According to the situation of total points (table 16), and with the formula below:

$$\lambda_i = B_i / \sum B, \quad i = 1, 2, 3, 4$$

We can calculate the weight coefficient of these four factors:

$$\lambda_1 = \lambda_2 = \lambda_3 = \lambda_4 = 0.25$$

These four factors are same important for people from other provinces (except Guihou) when they choose a private elderly care institution to live in future. According to these four factors, we can see that those respondents not only pay more attention on soft facilities of such institutions but also give priority in hardware facilities, and this means such people more likely to care about their living experience than other aspects when they live in. For those potential guests who come from other provinces, the local private elderly care institutions should know their real needs and satisfy with them largely, otherwise such institutions may have few attractions for them to move in and the target guests maybe become smaller and be limited in the local elderly, and this does more harm than good in marketing view.

### 3.3.2 Questionnaire for those who have lived in private elderly care institution (Red sunset elderly care center)

Only 28.57% of those who have no one to take care chose to move in this institution because high reputation of such center in public and good comments while less 50% of respondents decided to live in this center because of its public reputation and good comments according to table 17, and this means that this center may has some problems in the marketing.

In the interview with these respondents, 75% of them said they didn't know any specific details about this institution before they live in, such as the price, the space and facilities of each room and the daily food. Their generation has final right to decide if their parents to live in elderly care institutions or not and which institutions. In this case, the young generations play a role in impeding their elders receiving such information and depriving the right of choosing. If such elders have unhappy living experience during living period, the strongly intervention of their generation would be an objective reason.

Table 17: Crosstabulation count analysis

		Which main reason attracts you to choose living in this institution:			Total
		Great service and friendly employees	High reputation in public and good comments	Others	
The reason that you decide to live in the elderly care institution:	No children or children has no time to take care of me	0	2	5	7
	Would like to live with peers	1	0	0	1
	Others	0	3	1	4
Total		1	5	6	12

No matter the respondents come from which economic level before retirement, 75% of them rely on their basic pension to cover living expense basically after retirement, only few elder who have financial capability can afford extra elderly care insurance personally according to table 18. According to the data of the average monthly basic pension of retirees of Anshun city (1972 RMB/month), not including the elderly care insurance of residents that providing by the local government (70 RMB/month), and

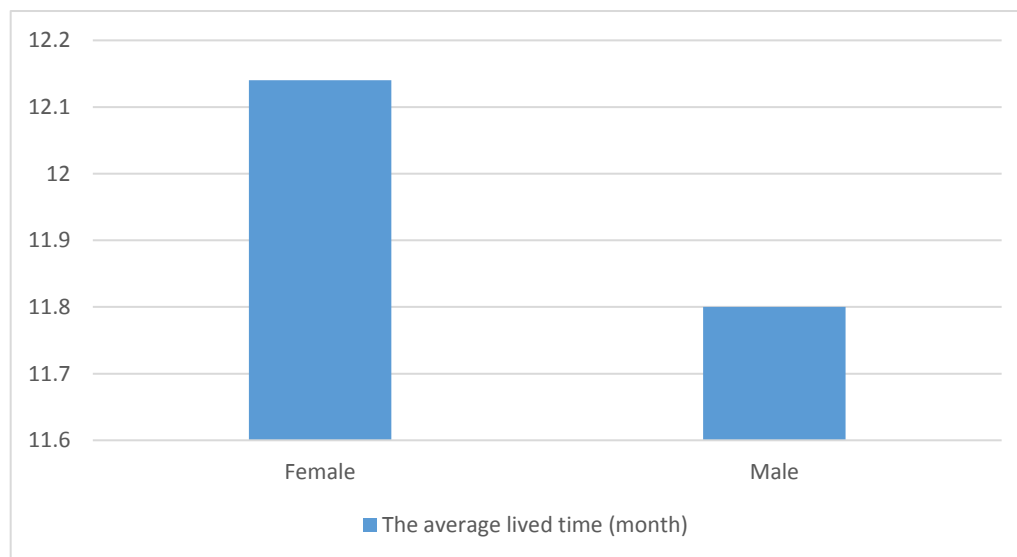
the data of pricing of private elderly care institutions from the local Civil Affairs (1500-2500 RMB/month) in 2015, for most of retirees who chose to live in such institutions, their basic pension maybe only can afford their monthly living fee. If they want to buy value-added services in such institutions or buy new daily necessities, such as seasonal clothes and favorite snacks, maybe they will face the economic tensions, which can pose a negative effect on their life quality.

Table 18: Crosstabulation count analysis

		Who afford your monthly living costs :		Total
		Pension	Elderly care insurance and pension	
Your economic condition before retirement:	2000-5000 RMB/month	6	2	8
	1000-2000 RMB/month	2	1	3
	1000 RMB/month and under	1	0	1
	Total	9	3	12

Elderly care insurance of this questionnaire is that people bought personally from private insurance agency and organization, not the public one that providing by the government.

Table 19: The average lived time (month) of female and male



According to table 19, from the view of gender, the average living time of per female



is much longer than that of per male. (12.14 months VS 11.8 month) Although these two figures are around one year, over 50% of those who lived in this center under half-year and half-year to one year are unlikely to continue living in this center based on the data of table 20. This means that the one-year living rate of this center may has unstable fluctuation. However, for those who lived in over one year, they will continue to live this center for at least one to two years.

Table 20: Crosstabulation count analysis

		In the future, you will continue to live in this institution?			Total
		Yes, will live at least for one or two years	No, will change to live other private institutions	Not sure	
How long have you lived in this institution:	Under half-year	3	0	3	6
	Half-year to one year	0	1	3	4
	One year to three years	2	0	0	2
	Total	5	1	6	12

In the view of satisfaction degree of four areas, over 60% of respondents have highly satisfaction on the quality of service, being respected by others and outside environment, and over 50% of such population have highly satisfaction on the room and food based on the date of table 21. However, the highly satisfaction doesn't mean no room for improving. According to the data of same table, over 60% of such population think that enriching and improving types and quality of food can help them improve their life quality there, because they think that current food just satisfy with their basic need which is avoiding hungry.

Table 21: The satisfaction evaluation of respondents in four aspects

The degree of satisfaction	Room	Food	Quality of service	Be respected	Outside environment
Highly satisfaction	58.3%	58.3%	66.67%	66.67%	66.67%
Just ok	16.67%	25%	33.33%	33.33%	25%
Need to improve	25%	16.67%	-	-	8.33%

In the interview with the elderly, they commonly agree with that the space of each room is small and public area of each room is small as well. Every room is around 12m<sup>2</sup> and three old people lived together in one room normally, and this means that average space of a room for each elder is only 4m<sup>2</sup>. What's more, each room doesn't has 24 hours hot shower facility and those who want to take a shower have to go to the public shower space, which is really inconvenient especially during the winter time and will giving those who pay more attention on personal privacy with contradictive emotion due to the stranger impression.

Table 22: The main improvements that the elderly think this institution could do to improve their life quality

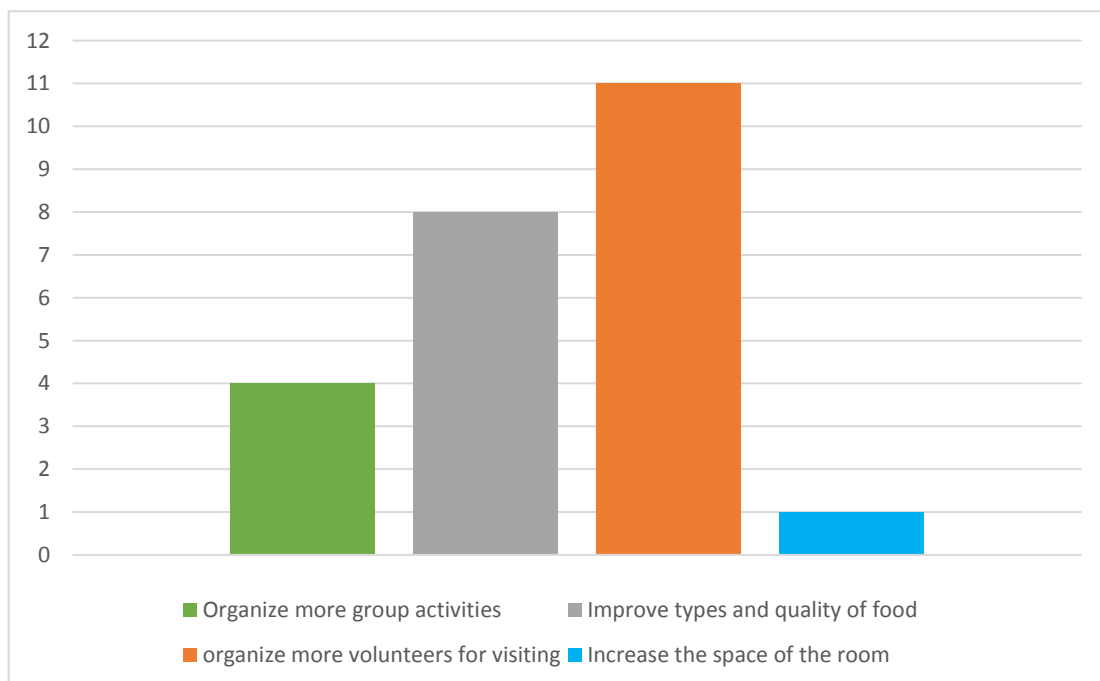
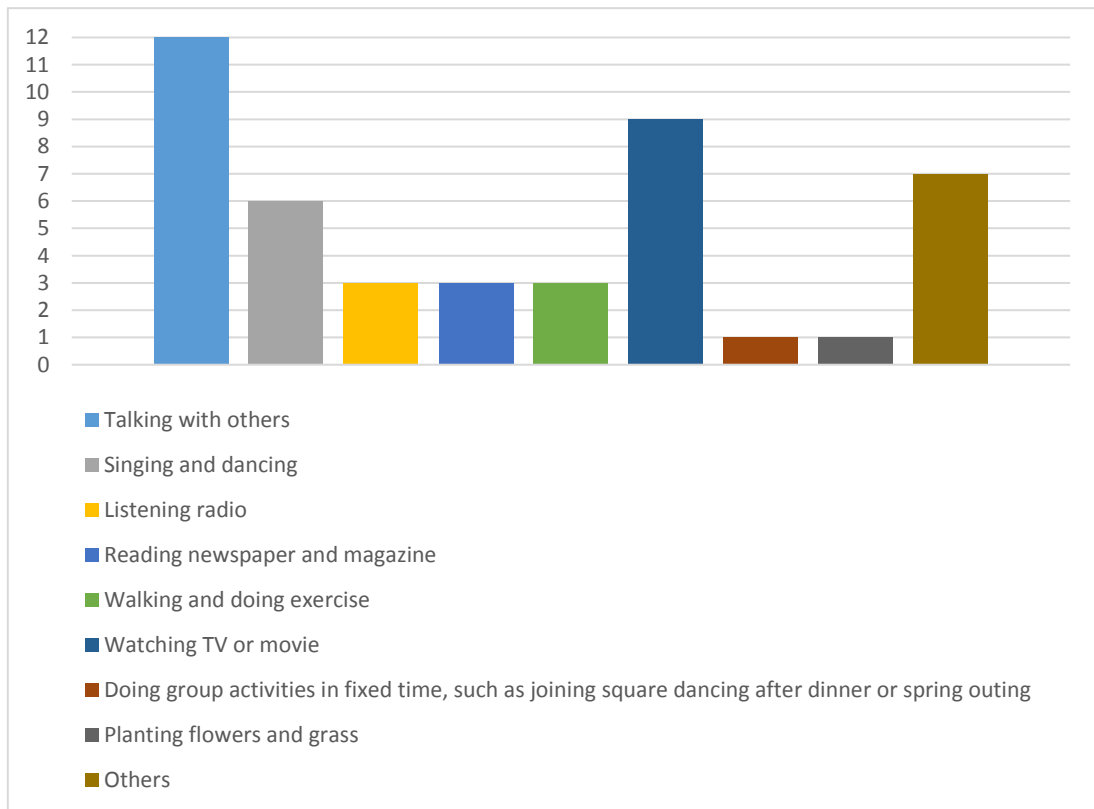


Table 23: The main reason that you didn't chose public elderly care institutions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bad service quality	3	25.0	25.0	25.0
	Others	9	75.0	75.0	100.0
	Total	12	100.0	100.0	

75% of the respondents didn't choose to live public elderly care institutions because of other reasons, excluding the pricing and beds tension problem of such institutions and lack of understanding about such institutions. Only according to the data of table 23, it is hard to define if there is market competition between the public and private elderly care institution of Anshun city.

Table 24: The leisure activities the elderly would like to do in this institutions



According to table 24, there are four leisure activities that most of the elderly are likely to do, including talking with others, reading newspaper and magazine, others and singing and dancing. To summary, they like to do self-entertainment. 91.67% of the elderly hope more volunteers to come for visiting and 33% of them hope to organize more group activities by this center. This can illustrate that most of the elderly lack deep

communication with each other at least, which makes them feel lonely easily and have such hopes.

In the interview with the elderly, 41.38% of them said that there is few recreational facilities, such as Majiang equipment which is the most popular leisure activity that the elderly from Guizhou are likely to play. These elders normally relied on talking with others and reading papers in order to kill the boring and long daily time. All of the respondents said their lives have nothing changed compared with the time before living in this center, and this would illustrate that this center has really satisfied with their basic living needs, having food to eat and providing room to live, but for their developing needs, such as recreational needs, this center haven't noticed or ignored, not mention to satisfy.

Table 25: The analysis of best mode of elderly care based on three aspects

		For you, the best mode of elderly care is?			
		Live in public elderly care institutions	Live at home but need others to take care	Others	Total
Age	60—70 years old	2	0	1	3
	70—80 years old	4	2	1	7
	80 years old and over	2	0	0	2
Gender	Male	3	1	1	5
	Female	5	1	1	7
Health condition	Health	1	1	0	2
	Physical condition has a little problem but no disease	1	1	1	3
	Have chronic disease but can do self-caring	6	0	1	7

According to the data of table 25, from the view of age groups, the older people are more likely to choose enjoying old age in the public elderly care institutions compared with living at home; from the view of gender, female are more likely than male to regard living in public institutions as the best way for elderly care; from the view of health

condition, those who have chronic diseases have more tendency than those who have health physical condition and those who have a little physical problem to live in public elderly care institutions for old age.

It is worth to mention that no matter from which views to do analysis, the private elderly care institutions are not involved in the respondents' consideration.

In the interview with such respondents, all of them said they didn't live in any elderly care institutions before living in this center, no matter the public or the private ones. This means that the development of private elderly care institutions of this city is really fell behind, leading to their weakening competitiveness which is reflected in the respondents' considered options.

These respondents continue keeping the old concept (the public elderly care institutions represent high credibility generally) for elderly care industry and in any case, such institutions are best way for old age although most of the elders do not have detailed understanding of these institutions.

## **4. Case study analysis**

### **4.1 The background of development of private elderly care institutions in Anshun city**

As one of the inland cities which is located in central area of Guizhou province of China, the city scale is relatively small, and it still suffers from the problems of aging population, the weakening of family elderly care and lack of elderly care institutions.

#### **4.1.1 The aging population of Anshun city**

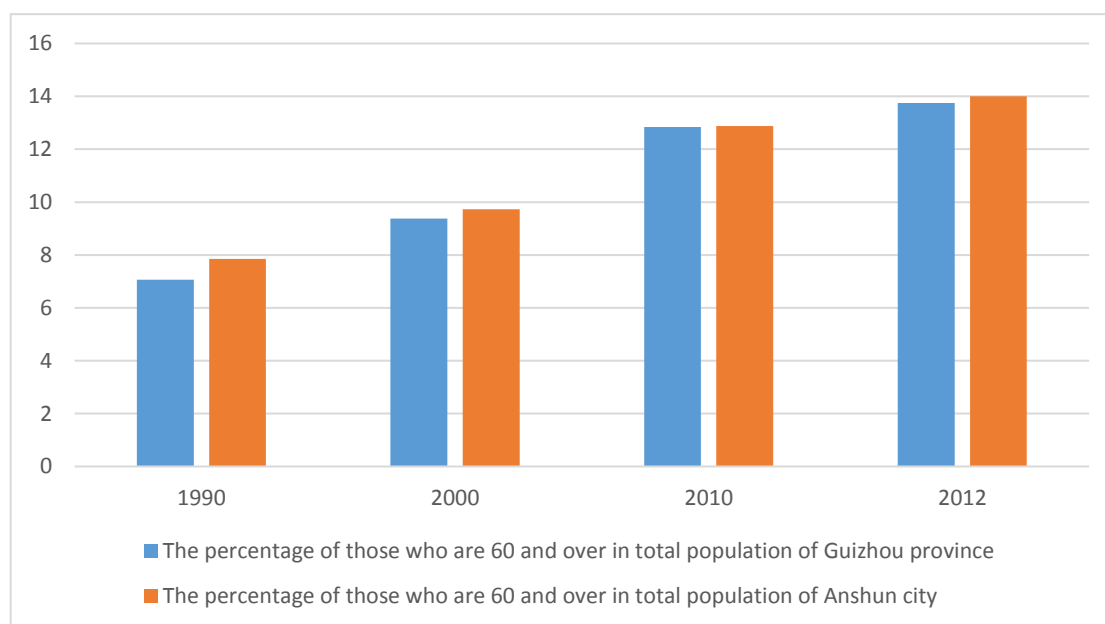
The proportion of those who are 60 and over in total population of Guizhou province was increased from 7.07% to 12.84% during two decades (1990-2010), however the figure for Anshun city (one of cities of such province) has already exceeded such figure for Guizhou province in 1990 (7.85% vs 7.07%) and it showed a rapid rose from 1990 to 2010, increasing to 1.6 times.

Such aging population of this province was 4,790 million in the end of 2012, accounting

for 13.75% of the total population and this figure was over the ICS level (10%). This means Guizhou province was entered into the aging society in 2012. The percentage of such population in Anshun city was 14% at the same time, which means this city was entered into aging society earlier than the whole province and the increasing speed was faster than that of whole province as well.

According to the statistical survey, the total population of Anshun city was 231,350 million and those who are 60 and over was 339,400 which accounted for 14.67% of total population. The population of Empty-nest elderly (old people living without their children) was 154,800 million, accounting for 45.6% of the total aging population of this city.

Table 26: The changes in the percentage of aging population of Guizhou province and Anshun city from 1990 to 2012 (%)



Population aging process, characteristics and trends of Guizhou(THEORY EDITION), 06 2013.

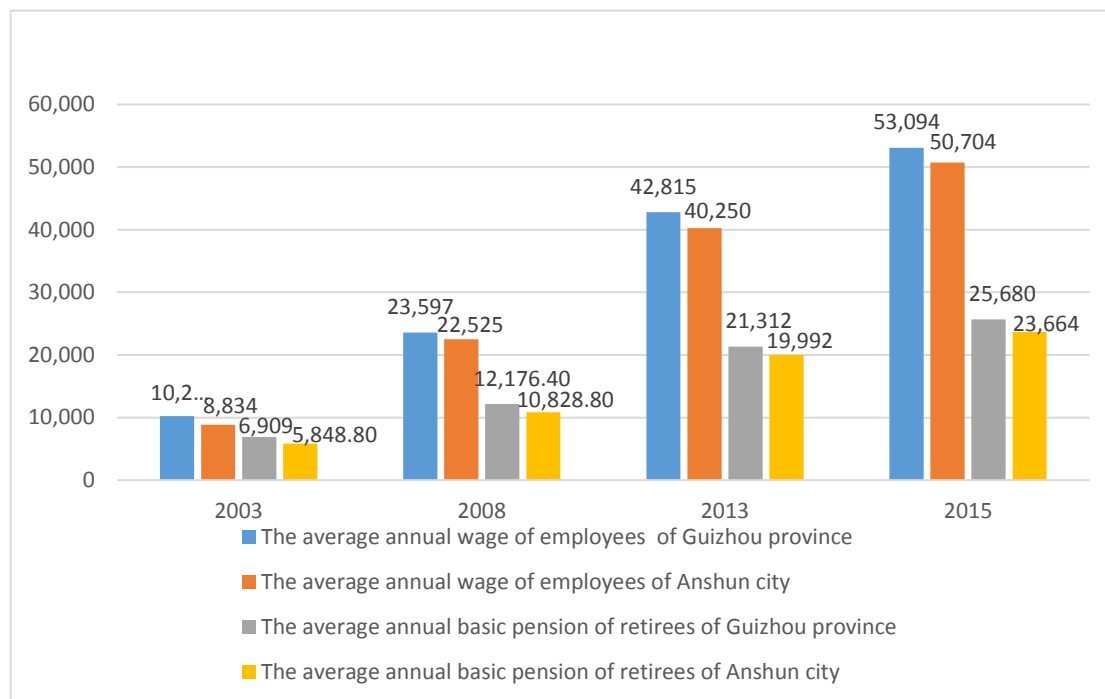
The population of every family in China was 3.24 people according to the data of 6th nationwide population census, decreasing by 0.5 people compared with the data of 5th census. The number of traditional family model (three generations under one roof) will decrease with the increasing of ‘Four-two-one’ family structure rapidly and the capability of family elderly care will be weakened gradually as well. The trend of

smaller family becomes obvious, and this will lead to the population of empty-nest elderly increased significantly. When the parents who have one-child getting in old age, the young generation not only needs to support their child but also four old people, which means whether in the aspect of economic income or time, they will find it is difficult to cope with well and elderly care service socialization will become inevitable trend.

#### 4.1.2 The financial condition of local people

Developed countries entered into the aging society with the developed foundation of production capability and the GDP per capita is over 5000 USD, however the figure for Guizhou province was less 600 USD when it entered into aging society in 2003. The figure for China reached 6100 USD in 2010 and the figure for Guizhou province was 51% of this data (3117 USD), which means this province was economically underdeveloped province in China, compared with other provinces.

Table 27: The changes in average annual basic pension of retirees and the average annual wage of employees of Guizhou province and Anshun city (¥)



Human Resources and Social Security Statistical report of Guizhou Province (2003-2015),

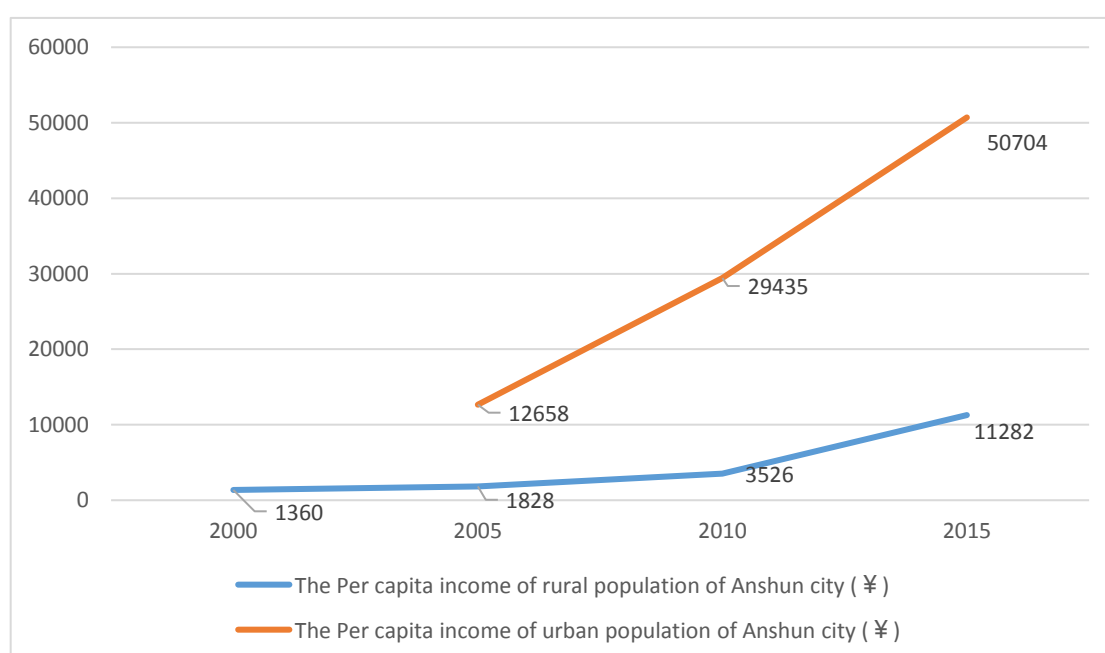
<http://gz.hrss.gov.cn/col/col32/index.html>

The average annual wage of employees of Guizhou province increased twice times every five years from 2003 to 2013, and the growth of such figure showed a slowdown trend, decreasing to 1.2 times until the end of 2015. It is worth to mention that the figure for Anshun city showed the same growth trend, but the level of average annual wage of such city was still less than that of the whole province.

The average annual basic pension of retirees of this province also increased 3.7 times during this period, but the figure for Anshun city increased 4 times. This means that the average monthly basic pension of retirees of this city (1972RMB/month) stood at the higher level that of whole province (2140RMB/month) till the end of 2015. What's more, the monthly elderly care insurance of residents from rural and urban areas of Anshun was increased from 55 RMB/person to 70 RMB/ person starts from February 2015 and this means that the real average monthly basic pension of retirees was over 2000 RMB.

In this province, the average annual wage of employees was 1.5 times the average annual basic pension of retirees in 2003, after which this figure increased to 2.06 times in 2015, and the ratio of Anshun city also showed the same increase during this time.

Table 28: The changes in annual per capita income of rural and urban population of Anshun city (¥)





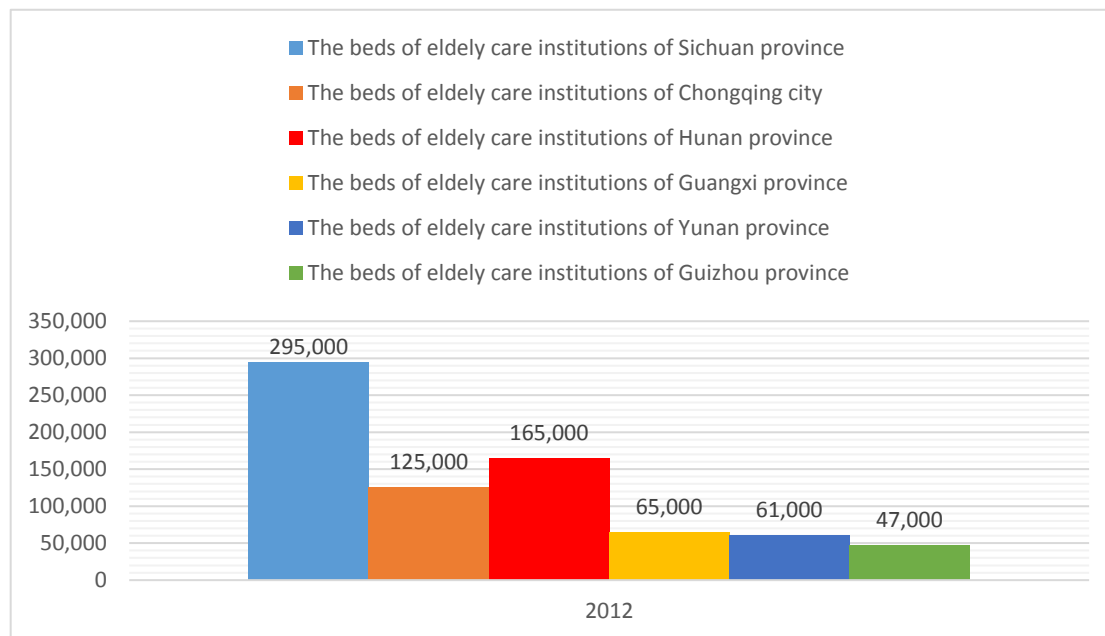
<http://www.anshun.gov.cn/information.jsp?infol=8747>

The changes in such ratio can illustrate that the growth of annual basic pension of retirees is much slow than that of annual wage of employees of whether this province or Anshun city during the same period.

The annual per capita income of rural population of Aushun city increased 2.6 times from 2000 to 2010, after which this figure showed a significant increase in next five years (from 3526 RMB/year to 11282 RMB/year). However compared with the figure for urban population in 2015, just one-fifth of it. This can illustrate that there is a big gap between the rich and the poor in this city and will definitely cause different and various elderly care needs that come from different economic classes.

#### 4.1.3 The development of local private elderly care institutions

Table 29: The number of beds of elderly care institutions of six provinces

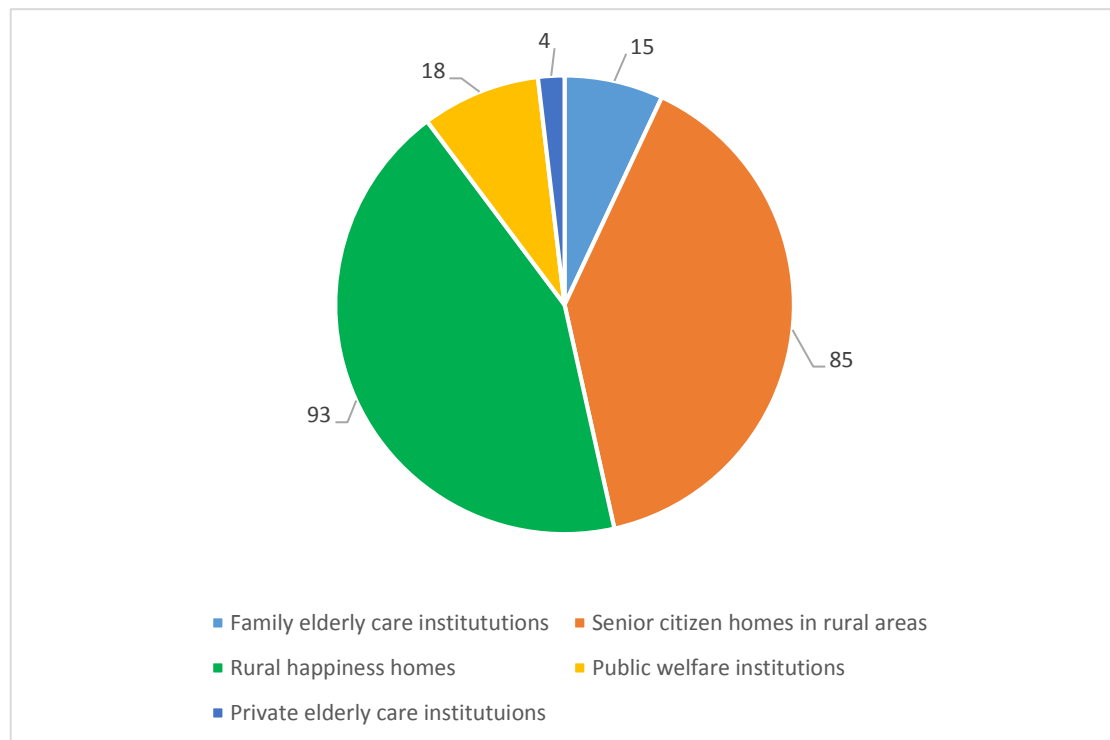


The policies and suggestions document for the current development of elderly care industry of Guizhou province, the Civil Affairs of Guizhou province, 16 May 2013

The number of beds of elderly care institutions of Guizhou province was 470,000 and every thousand old people have 10 beds in the end of 2012 according to data survey. Compared with the figure for other provinces besides Guizhou, the figure for Sichuan was the highest in these six provinces and was 6.28 times that of Guizhou. Unfortunately, the figure for Guizhou was the lowest number of beds for elderly care in such provinces.

Elderly care institutions of Guizhou province are mainly focus on the welfare institutions of urban areas and senior citizen homes of rural areas currently. The main check-in objects are ‘Three No’ people of urban areas and the household enjoying the five guarantees of rural areas. There a little number of institutions can provide elderly care service to the old people who don’t come from such two backgrounds. The private elderly care institutions was developed slowly and the total beds of such institutions only 4,000 in the end of 2012, accounting for 9% of beds of total elderly care institutions of this province.

Table 30: The number of elderly care institutions of Anshun city in 2015



Rural happiness homes is hosted and managed by villagers' committee, and they are comprehensive

welfare institutions, providing daily care services for elders, such as organizing outdoor relax activities. The funds rising of this institutions comes from the local government, villagers' committee, personal villager and social organization.

According to the data of Anshun Civil Affairs, the number of elderly care institutions of this city was 205 in the end of 2015, and the number of private elderly care institutions was 4, accounting for only 2% of total such institutions. Those four private ones are established before 2010, and the total number of beds in those ones is less 200 and the occupancy rate of total beds is under 50% for a long time.

The scale of private elderly care institutions was small and most of them rent local residents' houses as business using after renovating and redecorating, which means it is not easy to provide the elderly with enough space to do whether outside or inside activities.

The service management of those institutions still follows the rule of collectivization which is unified management (treating every old people as the same and providing the same things and services for them as well). This operational mode is the same as the senior citizen homes in rural areas, and this cannot satisfy with the needs of those old people who come from urban areas or who come to Anshun for traveling and avoiding summer heat.

The charging standard of such institutions can be divided into levels based on the caring needs of the elders. The elderly can be distributed into three groups: self-care, half self-care and disabled elders and the charge for each group is different, from 1200 RMB/month to 2500 RMB/month.

## **4.2 The private elderly care institution —— Red sunset elderly care center**

### **4.2.1 The basic information**

Red Sunset Elderly Care Center is one of the oldest and biggest private elderly care institutions in Anshun City, and it was established in 2006 after which it was refurbished and extended for five times. The last time of refurbishing and extending was in 2012. The center's covered area is 600m<sup>2</sup> and the real floor area is around 300m<sup>2</sup> till June 2016. The buildings of this center were rented out in 2012 from a previous landlord to be used for elderly care.

This institution has total 64 beds for the elders and the occupancy rate was under 50% as of June 2016. According to an interview with the manager, the occupancy rate tended to be under 50% for many years and the mobility rate of the elders was high as well, especially for those who had any health conditions and the average living time for this group was 5 months. Every room is around 12m<sup>2</sup> with a simple bathroom and can comfortably hold a maximum of three elders. The only electric equipment in each room is a small television and a coal-fired furnace is the only heating equipment for each room in the winter.

The living fee for this center includes the bed, food and others and can be divided into two levels: one is for those who only need basic care, such as being provided with daily food and the fee for this level is 1800RMB/month; another one is for those who need special care or simple nursing care and the fee for this level is 2500RMB/month. According to the interview with the manager, this center doesn't accept those who need professional medical care to live in because it lacks professional medical staff and facilities.

The green area of this center is about 40m<sup>2</sup>, including an arbor providing a shady resting place and planting area with various trees. There aren't recreation room and any entertainment facilities such as Majiang machine which is a traditional leisure activity that people from the southwest area like to play.

This center is located in the central area of Anshun City and transportation is easily accessible, making it convenient to be found and reached. There is also a health care center of community near this center, about 10 minutes away walking.

### **4.2.2 Employee information**

This center has only one top manager who is responsible for everything in her institution. She is also the founder of this center. This manager is a retired elder who is 70 years old this year and she didn't have any managerial knowledge or experience when she opened this institution. Even nowadays, she lacks practical and effective methods to manage this center.

This institution has nine employees until the end of June 2016, including two securities, five employees who can provide simple nursing care and two logistical staffs. The average age of the employees (except two securities) is 46.2 years old. It is worth to mention that all of those nine employees were retired elders before working in this center. According to the interview with the manager, the turnover rate of total employees is relatively high, around 40% to 70% every year and this is a common phenomenon in elderly care industry. The manager also said that she never organized training courses for the employees. The salary level of those who can provide simple nursing care is around 3000 to 5000 RMB/month and that of the logistical staff is around 3000 RMB/month.

This center doesn't has own financial staff and it applies finance and accounting outsourcing in order to save the operation capital.

### **4.2.3 The general information of operation**

This center became a non-profit elderly care institution after it signed an agreement with its supervision department, the local Civil Affairs in the beginning of 2013. The operation mode of this center was old and outdated, using a family-style philosophy for a decade. The manager hold the power of decision for everything and she chose to focus her attention solely on how to secure more financial support, ignoring the development of other areas of this center, such as marketing and satisfying her elders.

Most of the elders of this center have financial ability and can afford living fee by themselves. The service function of this center is only one - To provide daily meals and no other types of service or value-added service. This center's income comes solely

from its normal and basic service, accepting the elders to move in. The operating capital comes from personal investment of the manager mainly while financial support of the local Civil Affairs and a few other social donation subsidize the center as well. Because of joint-ventured dispute and difficulty in dividing profit in 2014, she rejected to accept any funding. The main expenditure of this center comes from three areas, including house renting, water and electricity fee and depreciation of fixed assets.

According to the manager's interview, the balance situation for last year, 2015, was in losing situation and she thinks that the main problems during the operation process were lack of financial support and lack of effective supporting policy from the local government, leading to difficulty in operation and no more money to add basic facilities which can make living condition better for the elders.

As a conclusion, the main reasons why Red Sunset Elderly Care Center is having trouble in its operations are:

(1) Difficulty and inefficiency in policy implementation of the local government. The related preferential policies and financial support have a direct relationship with the operational and working capital, and these two capitals would show a tension situation in real operation process due to lack of specified financial subsidy. This is the reason why the manager said that the urgent need currently is to receive financial support. The manager currently holds the local Civil Affairs in low regards and keeps some resentment.

(2) Lack of systematic management. The management method for this center is out of date and cannot meet the practical operating demand. This old method would not only cause confusion in internal management, but it would also require the manager to be a human resources manager and to be an accountant sometimes. Also old method would cause difficulties in development of strategy and operation, and this is the reason why for the future marketing, the manager has no useful and practical measures to propose.

### **4.3 SWOT Analysis**

The SWOT analysis is a study of a company's internal strengths and weaknesses as well

as its external threats and opportunities with the purpose of identifying strategies that can create a company-specific business model aligned with the company's resources and capabilities to best fit the demands of the environment in which the company operates (Hill et al, 2012)

**Strength:**

From an objective point of view, this center has been operating for 10 years, since 2006, without effective financial and preferential policy supporting for 6 years and it also has been built a relatively high reputation and good impression in the local public due to its long operating history compared with other three private elderly care institutions.

From a subjective point of view, over 50% of the living elders of their generation chose this center as ideal elderly care place firstly due to its reasonable fee and high reputation. No elders have complaints about the monthly fee, according to an interview made to the living elders.

Predominant weather and good location of Anshun city provide a special advantage to this center. The annual average temperature of this city is 14.5°C and the highest average temperature in summer is 26°C. Because of the plateau terrain and the high level of air humidity, the air quality of this city is fresher than average and this is the main reason why more and more elders from other provinces would like to come for a summer holiday in order to escape from scorching heat. They normally live elderly care apartments or such institutions from May to September, even till the middle of October, at least four months. What's more, the location of this center is in central part of this city and this could provide more convenient for living and finding.

**Weakness:**

The biggest weakness of this center is lack of systematic management, such as:

(1) Lack of professional human resources management, which has caused lack of awareness to organize training for employees and high turnover rate of employees, although under the market background of lack of professional elderly care staff, the

manager also doesn't have awareness to cultivate such staff on her way in order to make the service quality better; (2) Ineffective marketing;(3) Lack of self-strategy orientation has caused blurring in development of this center and the manager still pinned center's development on financial supporting of the local government and the expansion program of this center in near future.

The bad condition of soft facilities and equipment is general feedback from the living elders based on the interview and data of questionnaires, such as no hot-water heater in each bathroom, small space of each room and lack of food's variety.

The manager rejected some elders' requests, ignoring their needs. Four interviewees think that the living experience was just as the same as in a jail, because they haven't gone out of the center for a long-time while the manager chose to ignore this problem due to an alleged security problem. In the short term, due managing decisions, the elders' living experience had become worse and in long term, this phenomenon may pose a negative effect on the occupancy rate and on the center's public reputation.

Ignoring the needs of the elders and their living satisfaction illustrates dysfunctional managerial decisions, since the single function in the elderly care center is to provide accommodation, food and decent living conditions to the elderly. It is not possible to meet diverse market needs with such operating mode and development in future. The document (Supporting policy and Measures of the development of elderly care industry for social organizations and institutions, 28 Jan 2015) is clearly defined that the local government of the cities of Guizhou province should put the issue of supporting social organizations and institutions to develop elderly care industry into the plan of national economy and social development, encouraging social capital participated in elderly care area largely and supporting with financing, land using, preferential tax and relative areas. This document not only gives priority in supporting policies and measures, but also pays attention on the investors' rights and interests, such as providing one time award(under 10% of value-added investment of investors) if private elderly care institution is approved by the third apartment.

The 'migrant' elderly care is the new model of elderly care in China and it means that



the elders are likely to go to different places for their retired lives depending on season changing, like bird migration. The aim of such model is to improve their life quality in a different and special way and the character of this model is seasonal, multi habitability and traveling oriented. According to the research of living form and consumption behavior of the elders from cities in China, 16.4% of the elders are likely to travel a lot and the traveling need of such elderly becomes obvious. The report of traveling and living need of Chinese elders also illustrates that traveling to other places for spending their retired lives and relax has become consumption request of such elders.

With increasing of local macroeconomic standards, people's income and life quality are increasing rapidly and the purchasing power of local inhabitant increased as well. This means that they would have more money to support their old age compared with last decades, and probably would invest more money in consumption of elderly care in order to achieve a better and high quality elderly life.

**Threat:**

Difficulty in the policy's implementation and inefficiency financial support of the local government are the biggest threats for the private elderly care institutions. Following current system, the main responsibility of local Civil Affairs is to manage and supervise elderly care institutions but it is mainly focus on social welfare homes and rural old-age homes and the main accepting elders are '**Three-No**' from urban areas and '**Five-Guarantees**' from rural areas. To build and operate a private elderly care institution it will involve many third parties, not just the local Civil Affairs, however the local Civil Affairs is responsible for planning program, argumentation, approval, land requisition and financial support, and these issues are out of the power and ability of this department. In practice, the declaration, approval and implementation of elderly care program would show a separation between finance and power. Subject that has unclear responsibility can cause difficulty and inefficiency in the policies implementation of local government.

According to the Interim subsidizing measures of private elderly care institutions of

Guizhou province in 2012, the subsidizing method and criterion is:

One time building subsidy: the subsidy for those institutions which are built and operated by following the criterion, is 3000 RMB/bed but such money will be paid in three years (1000 RMB/year/bed).

Annual operational subsidy: calculated taking into consideration the annual average bed occupancy rate based on the actual number of occupied beds of the elder who lived in over one month. This subsidy per bed per year cannot be less than 200 RMB.

The institutions which have required such subsidy have to sign an agreement with local Civil Affairs and cannot change the non-profit institution to a for-profit, also cannot change the service function (elderly care) over the course of the next five years; otherwise, the subsidy is to be paid back in full to the local Civil Affairs.

In this particular case, the manager of Red Sunset Elderly Care center only received the one time building subsidy of 2013(62,000 RMB) in Jan 2014 and never received annual operational subsidy. It's worth to mention that the operation capital, including house renting, water and electricity fee, board expenses and salaries for the employees and other expenses, comes solely from the Manager's personal savings. No other modes of financial support from investors and organizations exist and the income of this center is generated from living fees that are paid by the elders, as the manager stated. The subsidy from the local government is really important and could help reduce the financial stress to some degree. However, in fact, that this center didn't enjoy such subsidizing policy practically due to an inefficient policy implementation.

What's more, the suggestion of increasing the development of social elderly care system of Anshun city in 2012 mentioned that encourage financial organizations of this city to provide financial supporting for private elderly care institutions and programs with the premise of financial risk controlling; if such institutions hire retired workers or those who have difficulties in finding employment, they would apply to small guaranteed loan in local financial organizations. But in real life, the local banks rejected to provide this institution with such loans, which means that the financial burden of this center would be aggravated.

Supervised role orientation of the local government is inaccurate and according to the same document above: (1) Elderly care service income of private elderly care institutions don't need to pay the business tax;(2) Water, electricity and gas fee of such institutions are same price level as the residential using level;(3) The elderly care institutions are built by retired people or such institutions provide positions to retired population and laid-off workers, these institutions can enjoy the preferential policy of re-employment and income tax of such people after being verified by related apartments. However, in real life, Red sunset Elderly Care Center just has enjoyed the first supporting policy started from 2006 until today. The electricity and gas fee is paid based on the business' turnover and only water fee is paid based on how high the living fees that are charged to the elders are, as the manager said. What's more, she never heard about a preferential tax policy for laid-off workers' income due to re-employment. In this case, the operational capital of this center would be increased indirectly because of such inefficient policies implementation and incoordination between related apartments and the local government. The concept that local elders keep of what a care center should be like is still old-fashioned, they expect the center to take care of them when they have lost their ability to take care of themselves or are affected by illness that prevent them from being completely independent on daily life situations.

However, in the real life, most of the elders choose to live in such institutions because nobody can take care of them at home. They are unlikely to leave the places they are used to familiar with and in their opinion, to live in such institutions is the same as living in a hospital, which would give them a negative feeling. So they are more likely to delay their move-in age if they decide to live in such institutions. According to the interview of living elders, 66% of them think the best way for spending retired life is to live in public elderly care institutions but they didn't know the public ones which wouldn't accept those who like them from such background(health condition, have family and stable pension) nowadays based on the local policy.

Currently there is not obvious competition between the local public and private elderly

care institutions because of the different target customers, but with the development of elderly care market, such competition would become more and more obvious and serious in the near future. However, the competitions among four local private elderly care institutions are also not obvious until June of 2016, due to the old-fashioned elderly care conception of local aging population and slow development of local private elderly care institutions.

The operating capital will increase due to soaring prices and the higher salary expectations from employees every year. Under the background of lacking effective financial support and subsidy, the center's operation would face with big challenge and the working capital are more likely to get in tension also.

Table 31: The summary of SWOT analysis

<b>Strength:</b>	<b>Weakness:</b>
<ul style="list-style-type: none"> <li>1) High reputation in the local public</li> <li>2) Long operating history</li> <li>3) Reasonable monthly charge fee</li> <li>4) Predominant weather and geographical location</li> </ul>	<ul style="list-style-type: none"> <li>1) Lack of systematic management</li> <li>2) Bad condition in soft facilities and equipment</li> <li>3) Lack of professional elderly care staff</li> <li>4) Ignore the needs of elders</li> <li>5) Single service function</li> </ul>
<b>Opportunity:</b>	<b>Threat:</b>
<ul style="list-style-type: none"> <li>1) The positive plan for the development of elderly care industry</li> <li>2) The trend of 'migrant' elderly care mode</li> <li>3) Increasing of people's consumption ability</li> </ul>	<ul style="list-style-type: none"> <li>1) Inaccurate orientation in supervised role</li> <li>2) Difficulty and inefficiency in the policies implementation of local government</li> <li>3) The old and outdated elderly care conception</li> <li>4) Market competition in the near future</li> <li>5) Increasing of operating capital</li> </ul>

#### **4.4 Current developmental direction and operation model in future**

The SWOT matrix, by focusing on the possible interactions between its four variables, indicates four possible generic strategies (Wehrich, H. 1982)

1. WT strategy: one position every firm will want to avoid where they have minimize both weaknesses and threats
2. WO strategy: minimize weaknesses in order to take advantage of opportunities
3. ST strategy: maximize the strengths of the organization to combat and minimize the threats it faces
4. SO strategy: ideal position where the company can maximize their strengths and take full advantage of the opportunities the market presented

As I mentioned that the main difficulties of this center come from its external threat (lack of practical financial supporting) and internal weakness (lack of systematically management) and these two negative factors have caused series problems in the operational process. So I think that the urgent strategy should be WT strategy which is used to minimize operational difficulty.

#### **WT strategy**

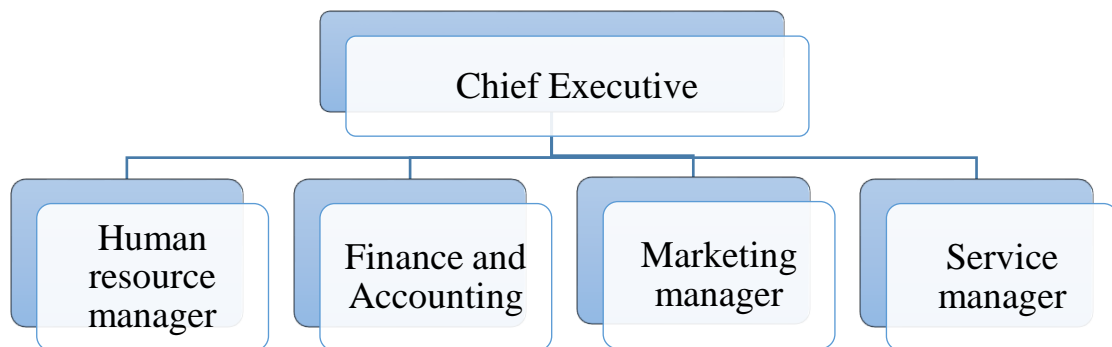
##### **➤ Build a systematic management**

The manager would necessarily need to do power decentralization and build functional organizational structure in order to divide and implement work or tasks practically and systematically with target-orientation. For example, to have a human resources manager could help manage employees effectively, formulating relatively perfect performance evaluation and welfare system, cooperating with local nursing school to organize training, in order to keep staff for longer and get them trained to a professional level and also probably to help relieve the problem of lacking professional elderly care staff and high turnover rate of employees in some degree; to have professional manager of marketing could be helpful for related issues, such as defining target customers and market segmentation effectively, promotion, and so on. This would reduce the risk of low occupancy rates to some degree; to have service manager could supervise the

service quality and collect feedback of living elders effectively in order to adjust or add other types of service, satisfying real-time needs with such elders, and this has positive effect on their living experience and builds good impressions, which is a benefit for keeping high a reputation in public.

Changing the old family-style management mode to business unit organizational structure could be an inevitable trend if follow the development of elderly care market and build a good foundation for center's future development if such structure works well.

Table 32: Business Unit Organizational Structure



➤ **Attract and accept other mode of funding**

The top manager should not only find sustenance in the financial support of the local government but also accept other modes of funding or attract investors to invest money in practical elderly care plan or program of this center if it is possible. Try to have deep communication with the local banks in order to apply for the preferential loan successfully and also try to use the newest and fast way for financing, platform of online finance or to attract financing from overseas.

#### **4.5 The suggestions for future development**

##### **1. Enlarge financing channel**

According to the interview with the manager, there a rural land is distributed to this

center as elderly care using land in the middle of July 2016 and the manager plan to use it for expanding of center scale which is good for the future development but this also means more financial investment which is really push the manager under heavy economy pressure. How financing effectively could be a long-term problem for this center but could keep trying to enlarge financing channels, and don't get in the geographic limitation.

## 2. Change the operating nature

The operation of this center would change to commercial operation mode, in order to avoid the limitation of local policies, the threat of unclear supervised apartments and to develop rapidly with relatively mature systematically management after 2017 (being five-year non-benefit elderly care institutions), because the disadvantages of following the policy of local government are more than the advantages for years, leading to the difficulty in finance and operation and the slowdown development of this center in some degree, even though the profit-orientation elderly care institutions can't enjoy relative preferential policies and financial support.

## 3. Accurate strategy definition

Strengths combining with opportunities can create big advantages and developing SO strategy can make this center stronger, acquiring more market share in the operating process.

Table 33: The summary of SO strategy

<b>Strengths x Opportunities</b>			
	The positive plan for the development of elderly care industry	The trend of 'migrant' elderly care mode	Increasing of people's consumption ability
High reputation in the local public	Attract more the local government's attention to focus on the its development	Good impression and main attraction for the old customers from other provinces to live in	Be used as brand effect to attract more customers

Long operating history	Rebuild brand with related preferential policy	Special advantage in marketing	Be used as brand effect to attract more customers
Reasonable monthly charge fee	-	Special advantage in marketing	Charge fee adjustment for different groups and services
Predominant weather and good location	-	Opportunity to develop diverse services (differentiation)	-

In order to solve the first difficulty effectively which is mentioned in 4.2.3, this center could try to build a closer communication and relationship with not only the local Civil Affairs but also other third departments. The aim is to attract more attention of the local government on its development.

While the developmental suggestion for solving the second difficulty is that this center could pay attention on brand-building emphasizing on service diversity. In order to meet the needs of it's costumers and to follow the development of a new market for the elderly care industry, market segmentation could consider to enlarge it's concept of target customers, mainly focusing on local financially self-sufficient elders who are fixed market while other financially self-sufficient elders from other provinces ('migrant' elders) who can help giving seasonal boosts in occupancy rates that can be planned for strategically in order to maximize the center's capacity. The population of 'migrant elders' can meet the concept sof active aging and for policy making and RCF management, this concept places new requirements on the long-term care of elderly people and it means to create a secure and supportive environment for healthy lifestyles, to provide educational and health-rated activities and opportunities for elderly people, and to encourage their continuous participation and involvement in society (Findlay, 2003; Rowe & Kahn, 1997; WHO, 2002)

So this center could set up relative services (one-day city or rural tours) and soft facilities (comfortable rooms and good meals) with reasonable living fees, providing the new target customers with an abundant and differentiated elderly life. This is not



the only benefit for building a local brand but also market promotion, increased occupancy rates are also a benefit to a large degree. The marketing of this center would not only use traditional advertising such as newspaper, but also use the up-to-date and low-cost channels like online advertisement and phone applications. For example, building an official website firstly with real-time updating information and Wechat official account, providing potential customers with direct time-saving and money-saving opportunity to have an effective and real understanding of the operation, pricing and types of services that this center offers.

The single function of service is the biggest limitation for the future development. Developing and creating early differential services or programs could help the center reach a significant market share early before other potential competitors, especially since this is an underdeveloped market. A few examples of what such differentiated services could be are cooperation programs in elderly care service and entertainment with local old-age associations, social organizations and communities, providing spectacular local group activities or short-day tour for seasonal customers.

#### **4. Strengthening internal management**

This center could continue keeping a systematic management structure and if the operating capital is not causing institutional tensions due to mismanagement and conditions are favorable, the center could explore management segmentation based on the previous structure and increase the number of managers in order to improve work efficiency with task segmentation. In the aspects of human resources, this center needs to keep providing or organizing training programs for managers. For example, visiting other excellent elderly care institutions, learning other modes of operation and accumulating operating experience; to build cooperative projects with local nursing school or other such organization, accepting senior nursing students for internship and providing nursing course for caring employees.

#### **5. Conclusion**

## **5.1 General conclusions**

The purpose of this thesis is to find out and analyze the reason why private elderly care institutions like Run Sunset elderly care center in Anshun city have difficulty in operation, providing suggestions to operational improvement and future development of such institutions.

This thesis is focus on three areas, including aging population, the financial condition of local residents and current development situation of local private elderly care institutions, to do background research before doing questionnaire and interview survey, in order to have a deep understanding of recent development of elderly care industry of this city and the future demands of local elderly care industry. Actually Guizhou province has entered into aging society started from 2003, however Anshun city entered into aging society more early than such province and the increasing speed of the aging population was faster than that of the whole province. This means that Anshun city has huge elderly care market. What's more, due to the increasing of local residents' income and pension, their life quality was increased. This is especially important for the old people, because this means that this population could have more financial ability to afford their elderly care consumption after retirement under the background of high prices. However, the development of elderly care industry of Guizhou province is really falling behind compared with that of other provinces even though market needs and consumption ability of this province are huge and strong. The private elderly care industry of Anshun city is still waiting for exploring and developing compared with local public elderly care one till the June 2016.

According to the results of data analysis and field interview, the main reasons that cause difficulties in the operation of Red Sunset elderly care center are: (1) Lack of self-systematic management; (2) Difficulty and inefficiency in local government's related policies implementation. Lack of systematic management not only has been caused inaccurate in the operation strategy which is lead to lagging operation mode that can't make a profit effectively, but also has negative effect on living experience for lived

elders. Related policies and financial subsidy of local government could provide this institution with help in operating and working capitals but highly expectation on the local government, and inefficiency in policies and subsidy's implementation have been leaded to negative operation situation, keeping under 50% living rate for years.

In the short term, the suggestion for this institution is to use WT strategy in order to avoid threats from the outside environment, such as inaccurate orientation in supervising role of local apartments, by weakening self-drawbacks according to the SWOT analysis and related strategic analysis. To build management system is most important in such suggestions, since this can improve internal management effectively and can avoid a vicious circle in operation area as much as possible. In financing aspect, this center could try more ways and break region limitation to get financial investment, and don't only put the whole expectation on the subsidy of the government and the loan of local banks.

The suggestion of future development is to combine SO strategy analysis with the results of data analysis: (1) keep to enlarge financing channels; (2) change the operating nature; (3) accurate strategy-orientation (give priority on brand-building and diversity in service function); (4) segment and strengthen internal management. This center also needs to grasp the new developmental trend of such industry, such as 'migrant' elderly care mode and use current preferential policies fully with accumulated operational experience and resources, in order to build elderly care brand in local public effectively.

## **5.2 Limitations and future research**

The limitation of this thesis is sample limitation. In this research, I take a local private elderly care institution as research object, and the results and suggestions of this research have strong targeted meaning but it may lack universality. This means that such results and suggestions may not have wide applicability for other private elderly care institutions in real operating process. What's more, because of the limitation on the number of being interviewed elders, the results of data analysis may not represent the general elderly care conceptions or opinions among the same age group.

Future research could enlarge the range and quantity of sample, therefore the research

results may acquire relatively more universality and the final suggestions may have more practicability which could be used generally. Since this thesis didn't pay more attention on the competitors and market competition, the future research could focus on such aspects to do research under the background of mature elderly care industry, and this could have more practical and referential meaning in the near future. About the new trend of elderly care, 'migrant' elderly care mode, this thesis only illustrates the general information. The future research could do detailed and related research based on such new elderly care mode, providing diversity with operation or management process of private elderly care institutions like Red Sunset elderly care center in Anshun city, even for other institutions of Guizhou province.

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## APPENDIX

### Appendix 1- The questionnaire for those who lived in private elderly care institutions

1. Your sex:
  - A. Male
  - B. Female
2. Your age:
  - A. 50-60
  - B. 60-70
  - C. 70-80
  - D. 80 and above
3. Your education level:
  - A. Illiteracy
  - B. Primary school
  - C. Middle school
  - D. High school
  - E. University and above
4. Your cohabitation information before living in this institution:
  - A. Live alone
  - B. Live with spouse
  - C. Live with spouse and children
  - D. Others
5. How many children you have:
  - A. No
  - B. One
  - C. Two
  - D. Three and above
6. You think your current health condition is:
  - A. Health
  - B. Physical condition has a little problem but no disease
  - C. Have chronic disease but can take care of myself
  - D. Have serious disease and can't take care of myself
7. Your occupation before retirement:
  - A. Business man
  - B. Employee of government departments and institutions
  - C. Farmer or worker
  - D. Doctor
  - E. Others
8. Who afford your monthly living costs:
  - A. Your children
  - B. Elderly insurance
  - C. Pension
  - D. B and C
  - E. Others
9. Your economic condition before retirement:
  - A. Very good and can afford living costs and other extra daily consumption, 5000 RMB/month and above
  - B. Its ok but just can afford living costs, 2000-5000 RMB/month
  - C. Little bad and hard to afford living costs and need financial support of social organization, 1000-2000 RMB/month
  - D. Rely on financial support from social institutions and government, 1000RMB/month and under
10. The reason that you decide to live in the elderly care institution:
  - A. No children or children has no time to take care of me
  - B. Lose self-care ability because of disease
  - C. No room for me to live at home and have family conflict

- D. Would like to live with peers
  - E. Others
11. How many time have you lived in this institution:
- A. Under half-year
  - B. half-year to one year
  - C. one year to three years
  - D. three years
12. Which main reason attracts you to choose living in this institution:
- A. Low monthly cost
  - B. Good facilities, like big private space in the room and soft bed
  - C. Great service and friendly employees
  - D. High reputation in public and good comments
  - E. No other choices
  - F. Others
13. The main reason that you didn't chose public elderly care institutions:
- A. High monthly cost
  - B. Lack of beds and hardly to apply
  - C. Haven't understood public ones
  - D. Bad service quality
  - E. Others
14. Which kinds of leisure activities you would like to do in this institutions(multiple choice):
- A. Talking with others
  - B. Play Majiang and cards with others
  - C. Singing and dancing
  - D. Listening radio
  - E. Reading newspaper and magazine
  - F. Walking and doing exercise
  - G. Watching TV or movie
  - H. Doing group activities in fixed time, such as joining square dancing after dinner or spring outing
  - I. Planting flowers and grass
  - J. Others
15. Do you satisfy with the service quality of employees?
- A. High satisfaction
  - B. Just ok and have room for improvement
  - C. Bad impression and need to improve immediately
16. Do you satisfy with the room you lived and the food this institutions providing?
- A. Highly satisfaction with the room and the food
  - B. The space and facilities of room have to improve but the food is satisfy
  - C. The food is bad but the room is ok
  - D. Low satisfaction with both the room and food
17. Do you like the outside environment of this institution, such as the greening, transportation and location?
- A. Very like
  - B. Just ok
  - C. Need to improve as soon as possible
18. If social people coming to visit, you will think?

- A. Very welcome and hope them come again and frequently
  - B. No special feeling
  - C. Dislike
19. Do you think you are respected by others after you lived in this institution:
- A. Yes, everyone respects me
  - B. Be respected by someone
  - C. No feeling of being respected
20. What's the improvement that you think this institution could add to improve your life quality (multiple choices)?
- A. Organize more group activities, such as singing or Weiqi competition, in order to improve relationship between the elders
  - B. Building more convenient facilities in public area
  - C. Improve types and quality of food
  - D. Add more greening space where can do walking and exercise
  - E. Hold more volunteer activities and build more opportunities with the elders and volunteers to communicate and share things
  - F. Decrease the monthly cost, including the fee of room, food and service.
  - G. Increase the space of the room and add more convenient facilities especially for elderly
21. Compared with the time you didn't lived there ,your life condition:
- A. Become better
  - B. Moving to good way but not much
  - C. No change
  - D. Become worse
  - E. Moving to bad way
22. In the future, you will continue to live in this institution?
- A. Yes, will live at lease for one or two years
  - B. No, will change to live other private institutions
  - C. No, will change to live public ones
  - D. No sure
23. For you, the best mode of elder care is:
- A. Live in public elderly care institutions
  - B. Live in private elderly care institutions
  - C. Live at home even without spouse and children but need others to take care
  - D. Live with children
  - E. Others
24. Would you recommend this institution for other elders?
- A. Yes, very recommend
  - B. Not sure
  - C. No

**Appendix 2-** The questionnaire for those who haven't lived in private elderly care institutions

1. Your sex:
  - B. Male
  - B. Female
2. Your age:

- B. 20-40 B.40-60 C.60-80 D. 80 and above
3. Your education level:  
 B. Illiteracy B. Primary school C. Middle school D. High school E. University and above
4. Your current cohabitation information:  
 B. Live alone B. Live with spouse C. Live with spouse and children D. Others
5. How many children you have:  
 B. No B. One C. Two D. Three and above
6. You think your current health condition is:  
 E. Health  
 F. Physical condition has a little problem but no disease  
 G. Have chronic disease but can take care of myself  
 H. Have serious disease and can't take care of myself
7. Your occupation:  
 F. Business man  
 G. Employee of government departments and institutions  
 H. Famer or worker  
 I. Doctor  
 J. Student  
 K. Others
8. Who afford your monthly living costs:  
 F. Your children  
 G. Elderly insurance  
 H. Pension  
 I. B and C  
 J. Your salary  
 K. Others
9. Your economic condition:  
 E. Very good and can afford living costs and other extra daily consumption, 5000 RMB/month and above  
 F. Its ok but just can afford living costs, 2000-5000 RMB/month  
 G. Little bad and hard to afford living costs and need financial support of social organization,1000-2000 RMB/month  
 H. Rely on financial support from social institutions and government,1000 RMB/month and under  
 I. I'm student and my living cost relying on parents currently
10. The main reason that you will choose to live in private elderly care institutions in future:  
 F. No children or children has no time to take care of me  
 G. Lose self-care ability because of disease  
 H. No room for me to live at home and have family conflict  
 I. Would like to live with peers  
 J. Others

The table under is the factors that you will consider when you choose living in private elderly care institutions. The rule of this question is that 3 points means very important; 2 points means important; 1 points means normal; 0 points means doesn't matter or don't care. Please make “√” on your options.

questions	3 points	2 points	1 points	0 points
The monthly cost, including the fee of room, food and service, is important and main factor				
The location and surrounding, such as near home and great greening, are important				
The medical facilities and nurses who have professional caring skills are important				
Friendly employees and service quality are important				
The design of room and convenient facilities that especially for elders are important				
High reputation in public and good comments are important				
If near hospital and same types of organizations is important				
If various types of nutritious food and leisure activities could provide is important				
The management level of such institutions is important				

**Appendix 3-** The questionnaire for those who are managers of private elderly care institutions

**The basic information of the institution:**

1. This private elderly care institution established in\_\_\_\_\_
2. After opening, if reformed or extended this institution:
  - a. YES    b. NO
  - 2.1 The times of reforming and extending: \_\_\_\_\_
  - 2.2 Last time of reforming and extending: \_\_\_\_\_
3. How many kilometers of covers an area: \_\_\_\_\_ and floor area is: \_\_\_\_\_
4. How many beds has: \_\_\_\_\_
5. Currently, how many old people lived in: \_\_\_\_\_
6. The living rate is:
  - a. 25% and under    b.25%-50%    c.50%-75%    d.75 and above
7. The total fee, including the fee of bed, food, is: \_\_\_\_\_

- 7.1 For those who don't need special care is:\_\_\_\_\_
- 7.2 For those who only need basic care is:\_\_\_\_\_
- 7.3 For those who need special care and nursing care is:\_\_\_\_\_
8. Public transportation of surrounding:
- a. Very convenient b. Normal c. Not convenient d. Public transportation is worse
9. The nearest hospital is:
- a. Health care center of Community b. Rural County Hospital c. Municipal hospital
10. How the buildings of institution come from:
- a. Has original ownership b. rent for using c. the government provide with free d. other
11. Financial supports come from(multiple choice):
- a. The government b. social organizations c. personal financial agency d. borrowing from bank e. collecting money from public

### **The information of the employees**

1. How many employees totally:\_\_\_\_\_
- 1.1 The total managers:\_\_\_\_\_
- 1.2 The total employees who can provide nursing care:\_\_\_\_\_ and the average age is:\_\_\_\_\_
- 1.3 The total medical staff:\_\_\_\_\_ the average age is:\_\_\_\_\_
- 1.4 The total support staff:\_\_\_\_\_ the average age is:\_\_\_\_\_
- 1.5 Others\_\_\_\_\_
2. The main background of those who can provide nursing care and support staff:
- a. Retired workers
- b. people from rural areas with low education level
- c. The graduated students from technical secondary school and junior college
- d. Others\_\_\_\_\_
3. How many times will organize a training course for the staffs?
- a. At least one time per week
- b. At least one time per month
- c. At least one time per year
- d. Never organized
4. The turnover rate of total employees:
- a. Very high,80% and above b. high,40%-70% c. normal, around 30% d. very low, 10%-20%
5. The salary level of the total employees, expect managers:
- a. Very high, 5000 RMB/ month and above
- b. High,3000-5000 RMB/month
- c. Normal level of marketing showed, 2000-3000 RMB/month
- d. Very low, under 2000 RMB/month

### **The generation information of operation of the institution:**

1. The balance situation of last year:
- a. Has more benefits b. few benefits c. No benefits d. losing situation e.

worse losing situation

2. The biggest advantage of this institution is:
  - a. Low monthly fee
  - b. good service quality
  - c. advanced facilities
  - d. high reputation in the public
  - e. others\_\_\_\_\_
3. The main problems that you met during the operation process(multiple choice):
  - a. The low living rate
  - b. High operation cost but low benefits
  - c. Lack effective policy to support
  - d. Lack the professional staff who can provide nursing care
  - e. Lack financial support
  - f. Insufficient basic facilities
4. Financial subsidy could receive from the government per year:\_\_\_\_\_
5. Have received any preferential policy in electricity and water fee?
  - a. Yes, started from opening day
  - b. Sometimes but not continuing
  - c. Never have
6. Have received any preferential price in loan of bank?
  - a. Yes, started from opening day
  - b. Sometimes but not continuing
  - c. Never have
7. Have received any special discount in tax?
  - a. Yes, started from opening day
  - b. Sometimes but not continuing
  - c. Never have
8. Do you think the supporting, such as financial supporting, and policy of the government especially for private elderly care institutions, currently is:
  - a. It's very good and has many practical and effective policies
  - b. It's ok but just some policies can be used in the real life
  - c. No bad and we didn't benefit much preferences as the government said
  - d. Really worse and we actually didn't received any help and supporting from the government
9. Do you think what the disadvantages of private elderly care institutions are compared with the public ones?
  - a. Operation capital is insufficient
  - b. Supporting policy normal is for the public ones
  - c. Basic hardware facilities
  - d. Soft facilities, like service quality and friendly staff
  - e. Internal management
  - f. Others\_\_\_\_\_
10. Do you think the urgent need of this institution in order to make operation situation better is:
  - a. Financial support
  - b. Policy support
  - c. Improve basic facilities



- d. Have more professional staff who can do nursing care and other special supporting
  - e. Others\_\_\_\_\_
11. Do you think the operation situation of this institution in future:
- a. Very optimistic
  - b. little optimistic
  - c. Just ok and not so bad
  - d. Little hard
  - e. Very hard to continue