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Key words: ownership, pension institutions, market-oriented reform

Introduction

In 2013, the population of senior citizen aged 60 or above in China has reached 202 million people. That number is expected to grow to 300 million by 2025 and exceed 487 million by 2050, accounting for 34.8% of its overall population(Yushao Wu, Junwu Dang,2014). As a result, welfare security for elderly people has also become a major social problem. Especially families with just one child where the number of elderly people forced to move into a nursing home is on an increase as most of their children are not able to take care of them due to work. Subsequently, the demand for nursing homes has escalated rapidly in China during recent years. To combat this problem, Chinese local governments have not only step up construction of new nursing homes but also introduced various incentives to encourage private investment in nursing facilities. Such effort pushed the total number of nursing homes throughout China to 94,110 in 2014, which means there were more than 27.2 beds per 1000 people. However, this was still markedly below the standard in developed countries which averaged at 50-70 beds per 1000 people(Lei Chen,2016). Furthermore, in 2015, the number of elderly people in China who can no longer care for themselves has also surpassed 40 million; many of whom would require either admittance into a nursing home or other forms of care.

Nonetheless, as demand for both state-owned and public nursing care facility is extremely high, most people must wait for years, sometimes even ten years, before a bed is available. On the other hand, the lack of interest in private facilities has resulted in low bed occupancy rate and little profit, forcing a lot of operators to rely heavily on government subsidies.

In response to such over-demand (state-owned/public) and under-demand (private facilities) of nursing homes, this study has sought to analyze general demand for and user satisfaction at nursing facilities according to type of ownership using a questionnaire.

Summary of Previous Research

Although studies on demand for nursing homes by elderly people in China had first emerged during the 1990s, it was not until the 21st century that such subject finally took off in numbers. A study by Yue Xiong (1998) showed that age and health condition strongly influenced an elderly person's demand for nursing facility. Another by Dongqing Yang and Zhen Huang (2009) found that demand for nursing facility is directly affected by an elderly person's economic situation where people with higher income have less demand for facility but higher demand for other medical or health services. In addition, the ability of a family to care for its elderly is also a clear factor on the level of demand for nursing facility. In other words, the better the ability of a family to care for its elderly, the less it would need nursing homes (Peng Zhang, 2016). Meanwhile, Lihua Lei (2017) demonstrated how age, self-reliance, and marital status may all impact nursing home admittance. According to her study, elderly people who have become less self-reliant as a result of old age were more likely to choose facility care and elderly living alone are 5.5 times more inclined toward facility care than those living with a spouse. Moreover, the more children an elderly has, the less need she/he would have for facility care.

Demand for nursing homes also varies between rural and urban regions. Elderly living in urban areas tend to be more receptive toward facility care than those living in rural areas. The reason for this is that rural areas are much more attached to the Chinese traditional value of filial piety than urban areas, and admitting one's parents to a nursing facility is seen as an act of undutiful child hence dislike for facility care is strong among both elderly people and their children (Huoyun Zhu, Dan Wei, 2015). Also, people with higher education showed more willingness to living in a nursing facility. Meanwhile, elderly with either pension or medical insurance tend to prefer at-home service to facility care as they are in better economic situation to withstand certain risks. Therefore, pension and medical insurance can be extremely important in terms of providing welfare security for elderly people. However, neither are prevalent in China as only 60% of elderly population, mostly company employees and public servant protected by government regulation, are covered by pension or medical insurance (Changxiang Chen, Lina Feng, 2014). On the other hand, elderly people who are actively engaged in cultural and entertainment pursuits are more open to spending retirement years in a nursing home as they would be better fulfilled by the various activities provided at such facility (Xiaoying Shang, 2014).

Many elderly people living in a nursing home also seem to suffer from some kind of illness, indicating that elderly with comparatively poorer health condition are more likely to resort to facility care (Yu Zhou, 2010). However, the presence of chronic disease does not seem to affect the level of demand toward nursing care or nursing facility among elderly people (Min Yang, Ying Qian, 2012).

For an elderly person, the quality and the cost of service seem to be top priorities when choosing whether to live in a nursing facility. Living environment, condition of accommodation, and provision of other related facilities are other factors that can have a profound impact upon an elderly person's decision (Tongchang Liu, 2001). Generally, as demand for medical service among elderly people is quite high (Juan Hu, 2008), the extensiveness of such service is another important criterion when choosing a nursing home. In addition, growing demand for elderly psychiatric counseling and spiritual healing in China has also led to the specialization of nursing facilities (Xinping Lu, 2004).

To a certain extent, the ownership of the old people's home has impact on the choice of the elderly. Nearly all the elderly are prone to choose public rather than private old-age care institutions mainly because the old have higher trust in the large public institutions relying on the government than the private pension institutions. In addition, and the cost of the private pension institutions is higher with

lower credibility (Zhu Hao, 2014). In this sense, the profitability of the old-age care institutions is relatively poor generally speaking, and most of the old-age care institutions are break-even or at loss (Qing Lianbin, 2017). It is because that the government features a single supply paradigm, vague positioning and uncoordinated supply and demand. To address existing problems and enhance the management efficiency of the old-age institutions, it is necessary to build a systematic framework for classified management of old-age care institutions from the following three aspects: classification and positioning mechanism of government functions, evaluation mechanism for classification and effective guidance mechanism of the old-age care institutions. (Meng Zhaomin, Li Zhen, 2018).

On balance, part of the research on old-age institutions in China focus on the choice of the elderly, and part of it focus on studying their management strategies and institutional arrangements. However, there are few studies on the influence of the ownership of the old-age institutions on the choice and satisfaction of the elderly. Particularly in China, where the government is heavily involved in both the construction and management of nursing homes, much of the market is taken up by facilities that are either entirely public¹ or those that are built by government but run by private sector². Both built and run by a private enterprise are still a rare sight. Hence, this paper attempts to clarify how type of ownership of nursing homes affects the demand of the elderly for nursing homes and their satisfaction by taking into consideration the previous research outlined above.

Method

Data

The present survey was conducted among residents of five districts and four counties of Ningbo between July 12th and July 26, 2015. In China, the type of nursing facility, for instance public (high class), public-built/private-run, private-built/private-run, or municipal elderly homes, can result in great differences. For this reason, the scope of survey used in this study will be limited to above-mentioned types with equally distributed samples. Actual survey was carried out by researchers who personally questioned elderly people at various nursing facilities in Ningbo. A total of 849 valid samples were collected (Table 1).

Situated closely to Shanghai and Hangzhou, Ningbo is a large economic metropolis in Zhejiang Province. At the end of 2014, there were already more than 1,255,000 senior citizens aged 60 or above living in Ningbo, which accounts for 21.5% of its population. This makes Ningbo a moderately aging society by international standards. Thus, this study has chosen Ningbo as its subject in an attempt to forecast demand for nursing facility in China in the near future.

Table.1 Variables Affecting Admittance into Nursing Facilities, Sample Outline

Variable	Incidence	percent	Variable	Average Value	Incidence
Factors Affecting Demand for Nursing Facility					
Facility Type					

¹ "Public" refers to high-class nursing facilities built and run by the government. These are inexpensive with excellent housing condition.

² Nursing facilities built by government and run by private subcontractors are relatively inexpensive with excellent housing condition.

Public (=1) *	315	37.1	Willingness to live in a nursing facility	3.98±0.625	849
Public-built/private-run (=2)	158	18.6	Image of the nursing facility	4.07±0.659	849
Private (=3)	167	19.7	Evaluation of living standard at nursing facilities	3.56±1.577	849
Municipal nursing home (=4)	209	24.6	Income	4.32±1.944	849
Gender			Cost of living in a nursing facility	3.95±1.877	849
Female=0	484	57	User satisfaction at nursing facility	3.97±0.616	849
Male=1	365	43	Satisfaction with Nursing Facility		
Education			Infrastructure	2.03±0.635	849
Below elementary school (=0) *	196	23.1	Care service	2.16±0.693	849
Elementary school (=1)	259	30.5	Medical service	2.32±0.818	849
Middle school (=2)	183	21.6	Rehabilitation service	2.24±0.723	849
High school/vocational school (=3)	136	16	Customer service	1.97±0.642	849
University or above (=4)	73	8.6	Overall user satisfaction	2.05±0.607	849

Variable

Selection of Dependent Variables. This study has assigned the type of nursing home ownership in China as its dependent variable. There are four categories: "1 = Public", "2 = Public-built/private run", "3 = Private", and "4 = Municipal nursing home"³.

Selection of Independent Variables

Individual attribute. As shown by previous research listed above, the education background and financial income of an elderly person can have a great impact on his/her demand for nursing facility. Accordingly, this study has also used education and income as one of its independent variables.

Cost of living at a nursing facility. Unlike public nursing facilities which are highly affordable, the cost of living at a private nursing home in China can be quite expensive, resulting in a lack of patronage. Response to this question is divided into five categories: "1 = Cost is very low", "2 = Cost is fairly low", "3 = I do not know", "4 = Cost is quite high", and "5 = Cost is very high".

³ Municipal nursing homes refer to inferior nursing facilities built by the municipality. It is affordable but has comparatively lower living standard.

Willingness to live in a nursing facility. In China, the ownership of a nursing facility can have a strong impact on an elderly person's willingness to live in such a facility. Elderly people participating in this survey were asked whether they are willing to live in a nursing home. Response is divided into five categories: "1 = Not at all", "2 = Not really", "3 = I do not know", "4 = Yes", and "5 = Very much so".

Image of the nursing facility. In China, infrastructure, service level, and cost can vary greatly depending on the type of ownership. As mentioned above, nursing facilities that are either public or public-built/private-run are affordable with excellent living condition. Private nursing facilities also have excellent housing condition but at a higher cost. Municipal nursing homes are an inexpensive option, although its environment is somewhat substandard. Hence, this study has tried to introduce this particular variable as another means to gauge the level of influence ownership has on elderly people's decision when choosing a nursing home. Response to this question is divided into five categories: "1 = Very bad", "2 = Bad", "3 = I do not know", "4 = Good", and "5 = Very good".

Evaluation of living standard at nursing facilities. Higher evaluation of living standard at a nursing facility is often tied to higher user satisfaction with its infrastructure and services. Similarly, lower evaluation leads to lower user satisfaction. Response to this question is divided into five categories: "1 = Living standard is very low", "2 = Living standard is low", "3 = I do not know", "4 = Living standard is somewhat high", and "5 = Living standard is very high".

Satisfaction with medical insurance. Medical cost in China has escalated as a result of economic growth, causing grave financial burden on its senior citizens. Medical insurance is a way to alleviate that burden. The content of medical insurance in China is greatly affected by a person's occupation before retirement. For instance, insurance for relatively stable occupations such as public servant or teacher is high whereas insurance for a private company employee is lower in comparison. This study has sought to analyze how satisfaction with one's medical insurance can affect an elderly person's decision when choosing a nursing facility. Response to this question is divided into five categories: "1 = Not satisfied at all", "2 = Not quite satisfied", "3 = I do not know", "4 = Quite satisfied", and "5 = Very satisfied".

Satisfaction with Nursing Facility. In terms of satisfaction with a nursing facility, this study has looked into areas such as infrastructure, care ability, medical service, rehabilitation service, customer service, and over user satisfaction. Response to this question is divided into five categories: "1 = Not satisfied at all", "2 = Not quite satisfied", "3 = I do not know", "4 = Quite satisfied", and "5 = Very satisfied".

Data analysis

As dependent variable chosen for this study (ownership type) is also a discrete variable, it is impossible to build a regression model using ordinary least squares (OLS). Instead, to accommodate the characteristics of the chosen dependent variable, this analysis has adopted the multinomial logit models (MNL) with public nursing facilities as the reference group. In terms of factors affecting demand for nursing facilities, results (Table 2) verified statistical significance for variables such as education, income, image of the nursing facility, willing to live in a nursing facility, cost of living at a nursing facility, and satisfaction with medical insurance ($P < 0.05$). Statistical significance was also observed in variables such as infrastructure, medical service, care ability, rehabilitation service, customer service, and overall satisfaction levels ($P < 0.05$) when looking at user satisfaction with nursing home. The model demonstrated good overall applicability as its likelihood ratio (LR value) was

also statistically significant ($P < 0.05$).

According to the MNLM analysis: 1) The higher the education background, the more likely an elderly person would choose public nursing facility over public-built/private-run nursing facility or municipal nursing home; 2) The image and living standard evaluation of public-built/private-run nursing facilities rated better than that of public nursing facilities; 3) Although the number of elderly willing to live at a private nursing facility is lower than those willing to live at a public nursing facility, people with higher satisfaction with their medical insurance showed more willingness to live in a private nursing facility; 4) Elderly people are less likely to choose a municipal nursing home and more likely to choose a public nursing facility when they have either higher income or when the cost of living is higher.

In terms of user satisfaction with nursing facilities: 1) Although the level of satisfaction with infrastructure at a public nursing facility is higher than that at a public-built/private-run nursing facility, more people were satisfied with medical service at public-built/private-run facilities; 2) Private nursing facilities scored higher with care ability and medical service but were lower with customer service than public nursing facilities; 3) Municipal nursing homes showed low overall satisfaction despite scoring higher than public nursing facilities with rehabilitation service.

Table 2. Regression Analysis for Demand for and User Satisfaction with Nursing Homes according to Type of Ownership

Facility Type	Coef.	Std. Err.	z	P>z	95% Conf.	Interval
Public-built/private-run						
Below elementary school (=0) *						
Elementary school (=1)	-0.510	0.290	-1.760	0.079	-1.078	0.059
Middle school (=2)	-0.760	0.330	-2.300	0.021	-1.407	-0.112
High school/vocational school (=3)	-1.433	0.387	-3.700	0.000	-2.192	-0.675
University or above (=4)	-1.146	0.536	-2.140	0.033	-2.197	-0.095
Income	-0.042	0.527	-0.590	0.558	-0.181	0.098
Cost of living in a nursing facility	0.106	0.071	1.710	0.087	-0.015	0.228
Willingness to live in a nursing facility	-0.255	0.193	-1.320	0.187	-0.633	0.123
Image of the nursing facility	0.505	0.207	2.440	0.015	0.100	0.910
Evaluation of living standard at nursing facilities	0.682	0.214	3.190	0.001	0.262	1.101
Satisfaction with medical insurance	-0.073	0.166	-0.440	0.660	-0.399	0.253
Infrastructure	-0.890	0.231	-3.850	0.000	-1.343	-0.437
Care service	0.132	0.222	0.600	0.552	-0.303	0.568
Medical service	0.382	0.173	2.200	0.028	0.042	0.722
Rehabilitation service	-0.080	0.214	-0.370	0.709	-0.500	0.340

Customer service	0.193	0.235	0.820	0.411	-0.267	0.653
Overall user satisfaction	0.240	0.273	0.880	0.380	-0.296	0.776
_cons	-4.045	1.486	-2.720	0.006	-6.958	-1.133
Private						
Below elementary school (=0) *						
Elementary school (=1)	0.250	0.333	0.750	0.454	-0.404	0.903
Middle school (=2)	0.261	0.353	0.740	0.460	-0.430	0.952
High school/vocational school (=3)	-0.253	0.383	-0.660	0.508	-1.003	0.496
University or above (=4)	-0.053	0.497	-0.110	0.915	-1.027	0.922
Income	0.052	0.071	0.730	0.467	-0.088	0.191
Cost of living in a nursing facility	-0.073	0.061	-1.200	0.229	-0.193	0.046
Willingness to live in a nursing facility	-0.406	0.180	-2.250	0.024	-0.759	-0.053
Image of the nursing facility	-0.260	0.188	-1.380	0.167	-0.629	0.109
Evaluation of living standard at nursing facilities	0.190	0.201	0.950	0.344	-0.204	0.585
Satisfaction with medical insurance	0.384	0.169	2.270	0.023	0.053	0.716
Infrastructure	-0.391	0.211	-1.860	0.064	-0.804	0.022
Care service	0.719	0.208	3.460	0.001	0.312	1.126
Medical service	0.562	0.166	3.390	0.001	0.237	0.887
Rehabilitation service	-0.412	0.218	-1.890	0.058	-0.839	0.015
Customer service	-0.572	0.224	-2.550	0.011	-1.011	-0.133
Overall user satisfaction	-0.178	0.273	-0.650	0.514	-0.712	0.356
_cons	0.181	1.395	0.130	0.897	-2.553	2.914
Municipal nursing home						
Below elementary school (=0) *						
Elementary school (=1)	-0.462	0.290	-1.590	0.112	-1.031	0.108
Middle school (=2)	-0.811	0.350	-2.320	0.021	-1.497	-0.125
High school/vocational school (=3)	-1.590	0.439	-3.620	0.000	-2.450	-0.729
University or above (=4)	-2.684	1.144	-2.350	0.019	-4.927	-0.441
Income	-0.338	0.077	-4.400	0.000	-0.489	-0.188
Cost of living in a nursing facility	-0.873	0.095	-9.230	0.000	-1.059	-0.688
Willingness to live in a nursing facility	0.083	0.221	0.370	0.709	-0.351	0.516
Image of the nursing facility	0.064	0.216	0.300	0.768	-0.359	0.486

Evaluation of living standard at nursing facilities	0.067	0.217	0.310	0.758	-0.358	0.492
Satisfaction with medical insurance	-0.197	0.192	-1.030	0.303	-0.573	0.178
Infrastructure	-0.008	0.250	-0.030	0.973	-0.498	0.481
Care service	0.166	0.250	0.660	0.506	-0.325	0.657
Medical service	0.366	0.198	1.850	0.064	-0.022	0.754
Rehabilitation service	0.730	0.232	3.140	0.002	0.275	1.185
Customer service	-0.164	0.261	-0.630	0.529	-0.676	0.347
Overall user satisfaction	-0.729	0.343	-2.130	0.034	-1.402	-0.057
_cons	3.097	1.638	1.890	0.059	-0.114	6.308

(Type of ownership == public is the base outcome)

Results

This study has performed a quantitative analysis on demand for and user satisfaction with nursing homes according to type of ownership. Results showed that demand for and satisfaction with nursing facilities in China can vary greatly depending on the type of ownership. Elderly people living in nursing homes built and run by government were generally better educated and had higher opinion for infrastructure at these facilities. However, the same facilities scored rather poorly with medical service, which is pivotal for an elderly person. This could be related to the fact that public nursing facilities are merely a part of the entire public welfare program and, unlike private businesses, they do not seek to provide customized service in order to pursue maximal profit. On the other hand, although infrastructure at public-built/private-run nursing facilities rated poorer than public nursing facilities, the scores for their overall image and living standard were quite high. Particularly, satisfaction with medical service scored even higher than public nursing facilities. This is due to the fact that public-built/private-run nursing facilities are operated on private funding, therefore they must constantly improve management to provide services tailored to customer needs in order to generate profits. However, being less competitive in both infrastructure and cost of living, demand for this type of nursing facility is still lower than public facilities. Furthermore, the target customer of public-built/private-run nursing facilities are elderly people with higher education and higher income, but this particular group tends to prefer public nursing facilities. As a consequence, elderly people hoping to move into a public nursing facility with cheaper rate and better living environment, including better infrastructure, are so high in number that one can expect to wait for years, even ten years, before a place becomes available. Moreover, people who are more willing to move into a private nursing facility is 33% ($\exp(-0.4058161) = 0.67 - 1 = -33\%$) less than those willing to move into a public nursing facility, leading to extreme shortage of demand for private enterprises. Yet, the level of satisfaction with care ability and medical service are both higher at private nursing facilities than public ones. This indicates that the private nursing homes are more competitive than public nursing homes in these particular areas. Indeed, care ability and medical service are absolutely pivotal in elderly care, which means private nursing facilities have successfully homed in on the real needs of elderly people and are constantly seeking innovation and quality improvement in the services they provide. However, in terms of customer service, they performed poorer than public nursing facilities. This suggests a shortcoming in their

management and human resource development capability. Although better equipped, private nursing homes are costly and many are situated in more remote areas, leading to exceedingly low occupancy rate. As a result, profitability is poor, leaving less than sufficient funding for management improvement or human resource development. because the current nursing staff in the old-age care institutions generally leave a lot to be desired in treatment, skills and status, and their overall level is inconsistent with the development of old-age institutions (Cui Shuyi, Tian Yang, 2017), which will affect the service capacity of private old-age institutions. The private institutions strive to enhance the comprehensive quality of nursing staff by improving the welfare of nursing staff and setting up a systematic training mechanism.

In terms of municipal nursing homes, the more educated an elderly is, or the more costly a home is, the less likely an elderly person would choose such facility when compared to public nursing homes. Furthermore, while user satisfaction with rehabilitation service is high, overall user satisfaction at a municipal nursing home is quite low. And while the cost of living at a municipal nursing home is low, its equipment and housing condition are decidedly inferior to other type of facilities. This is due to the fact that these homes are established mostly for elderly people with lower or no income, therefore they provide only minimal care with comparatively better rehabilitation services.

Chinese society shares the sentiment that a nursing home should always be cheap so that many elderly people still preferred public nursing facilities over private ones even if they are economically sufficient. However, having become an aging nation, efforts by government alone can no longer satisfy the demand for nursing facility in China. In recent years a reform has taken place in the shape of public-built/private-run facilities (built by government but run by private enterprises). The government entrusts management rights of some of the nursing facilities to private companies and, by retreating from daily operation, it aims to cut cost and improve efficiency. Nonetheless, private companies entrusted with daily operations are excluded from pricing rights. This creates an inevitable bias in the pricing competition between public and private nursing facilities.

In short, direct intervention in elderly care business by the government hinders any rational pricing and the lower prices of public nursing facilities sets a great hurdle for private capital to enter into the market. Apart from providing free-of-charge nursing facility and service to the so-called "Three No" (no ability to work, to income, no one to look after them) senior citizens, the government needs to device a pricing system that is in tune with market demand for all other elderly people. By segmenting the market by price, private enterprises would be able to provide nursing facility or service of various levels of affordability according to own investment or management capacity. This would in turn vitalize the entire market as elderly people are now able to choose nursing homes suited to their financial status.

Discussion

This study aimed to examine the demand for and user satisfaction with nursing homes in a rapidly aging China according to type of ownership through quantitative analysis. Aging population has led to sharp rise in demand for nursing facilities in China. When choosing a nursing facility, personal attributes of an elderly person, such as education and income, can affect his/her decision. However, the different types of ownership of nursing facilities continue to disrupt the balance between demand and supply, gravely affecting the growth of elderly care industry in general and the retirement life of the country's elderly. This imbalance between demand and supply is linked to the two factors discussed below.

The first is private facilities' inability to expand their market share. Marketing strategy is close to non-existent for private nursing facilities as most of these homes are run by smaller businesses and very few well-known brands. As private enterprises, they need to strengthen their competitiveness by actively seeking to broaden market share and improve on management while keeping other competitors and brand image in mind without relying on government subsidies.

The second is direct intervention in nursing business by the government. Nursing homes built and operated with public funding as a part of general welfare program are priced so low that they continue to deter investments from private capital causing a shortage in supply of nursing facilities. Unlike private companies, public facilities are seen as a form of citizen welfare hence do not require to maximize profit. On the contrary, private nursing facilities are run just like other profit-generating businesses where pricing is pushed high by management cost and a need for earning. As a result, a majority of elderly people surveyed hoped to live in less expensive public or public-built/private-run nursing facilities, whereas only a handful expressed interest in the more costly private nursing homes. This means cost of living at private facilities will continue to rise due to low occupancy rate and government subsidies are required as profit remains unforeseeable. Such a vicious circle not only creates an imbalance between demand and supply but also poses as an obstacle for the further development of elderly care industry. Hence, the Chinese government must retreat from the industry and implement market reform.

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