

## Research on the Quality Management Mechanism of Chinese Government Procurement of Public Services

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### Abstract

The government meets the growing surge of social supply and demand through the purchase of public services from social organizations. Since the introduction of concept to China in the 1990s, government procurement of services has become one of the main ideas of public service reform; government procurement plays an increasingly important role in constructing a service-oriented government and improving public services. In recent years, China attaches a growing importance to the government procurement of public services and starts to reform the way, process and scope of government procurement of public services, and constantly improves quality control mechanisms of government procurement of public services. Based on a wide literature review of texts on the purchase of public services at home and abroad, this paper combines with the actual needs of our citizens and studies the quality control mechanisms of government procurement of public services.

**Key words:** Government procurement; Public services; Quality management

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### INTRODUCTION

The Eighteen Congress has pointed out that we should “initially realize overall equalization of public services.” The “Twelfth Five-Year Plan” has proposed requirements for the purchase of public service from the status and national needs for public services from the following aspects. First, social organizations are the main providers of government procurement of public services products. China needs to broaden its purchase channels in this regard, through the introduction of market competition mechanism to enable suppliers to compete with each other. Second, the government needs to expand the scope of purchase of services, which are important for stimulating economic growth, improving social vitality, promoting employment and improving government efficiency. Third, the purchase of public services is different from other products, which are reflected in the intangible characteristics of the service itself. To effectively improve the quality and the effect of government procurement of services, strengthen the multiplier effect of government procurement of services for economic growth and stimulate the inherent vitality of the economic society are the focuses to deepen reform at this moment.

### 1. THE ORIGIN OF QUALITY MANAGEMENT OF GOVERNMENT PROCUREMENT OF PUBLIC SERVICE

On the origin of government procurement of services policies, most scholars agree that it comes from *Federal*

*Procurement Law* promulgated by the United Kingdom in 1961. The British Government promoted the concept of public-private partnerships to many surrounding countries and has had a profound impact on government public procurement policies of many countries. In the late 1970s, in many of the reforms programs implemented in the UK, again it achieved public service provision through cooperation between different sectors. The difference is that the American government mainly uses outsourcing policy for the purchase of services (Ge, 2013). As of 2013, the US federal government has signed more than 20 million service outsourcing contracts with a variety of non-profit organizations and private companies.

Many countries in the world take the quality of government procurement of services very seriously. Various countries have introduced related regulations and policies on government procurement of services and require departments to operate in accordance with standardized procedures. For example, Britain divides government procurement process into eight stages, in strict accordance with the steps by making procurement plans for the independent audit. The United States divides the procurement process into six parts to improve the level of fairness in the procurement process. It also establishes a strict monitoring system to ensure the quality and effectiveness of government procurement of services.

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## 2. OVERVIEW OF QUALITY MANAGEMENT SYSTEM OF GOVERNMENT PROCUREMENT OF PUBLIC SERVICES

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In studies of the quality control of government procurement of public services, scholars study the quality and supervision of government procurement of public services from the perspectives of “marketization”, “socialization” and “de-administration”.

### 2.1 Marketization Perspective: “Competition Mechanism”

Research on marketization perspective indicates that government procurement of services is to implement market operations and use market competition mechanism to achieve high efficiency of supply and distribution. Complete competition mechanism can help identify the quality of services and improve the service efficiency. Meanwhile, under the marketization perspective, the government advocates the involvement of market competition mechanism to break the government monopoly on public services and improve the quality of public services and also give the public more opportunities to choose. Experts in this area have pointed out that the introduction of market competition mechanism to participate in government procurement of public services will not only save costs, but also brings more efficient services to the public.

### 2.2 Socialization Perspective: “Volunteering mechanism”

Studies from socialization perspective suggest that the nature of the government procurement of public services is to take social volunteering mechanism, transfer the quality monitoring process of government procurement of services into a socialized operation and provide the public with more equitable and effective services to achieve the balance between supply and demand. The new public service theory points out that in the process of purchasing public services we should focus on fairness and justice, adhere to the principle that people are the subjects of public services, in the volunteering mechanism in socialization perspective, require service providers have a loving attitude and seriously treat each and every citizen, and thus ensure in the collective society every citizen has the entitled rights and assumes corresponding responsibilities, actively promotes the rational allocation of public resources and makes up for the imperfect drawback of quality management mechanism of government procurement of services (Qi, 2013). The goal of government procurement of public services is to achieve the maximization of the public interest rather than the maximization of economic benefits under the market mechanism. However, socialization is not to reject marketization on the whole, but to use the advantages of market and abandon the disadvantages. The essence of socialization is to achieve the maximization of production efficiency under the premise of just distribution.

Meanwhile, social organizations are mainly responsible subjects for the provision of public services, and the market itself has the speculation of blind pursuit of profit, which is likely to cause unfair allocation of marketing resources and poor quality of public services and other issues. Especially in our country, because of the double identity of non-profit social organizations within the system and outside the system determines its own embarrassing position. Therefore, it is urgent to establish more stable, standardized social organizations to promote the sound operation of the market.

### 2.3 De-Administration Perspective: Function Transfer

This study is about the transformation of government functions to achieve the “de-administration” of government functions, transfer the quality supervision of public services from only government supervision into community supervision and expand the scope of supervision so that everyone in society can participate in the supervision. This also allows the government to try different roles, making proper adjustments on the responsibility for supervision. Through reform, the government is no longer to act as a leading role in public services, but a helper to the society. Meanwhile, some experts point out that the two roles the government plays in the procurement of services should be combined, that

is to say, the government is the main decision-maker in public services, but also the supervisor in the purchasing behavior of the two parties in the transaction process. However, we should regulate the implementation of the relevant functional departments of power, prevent arbitrary of governmental departments involved in the purchase process and promote fair government procurement of public services. In the process of transformation of functions, the government should also clearly recognize that de-administration does not mean de-responsibility. In fact, in the process of procurement of services, the government needs to determine the purchase direction, select and screen vendors, rationally use funds and clarify their responsibilities. Accordingly, the government should also strengthen that the top-level design for outsourcing services, macroeconomic policy-making and supervision on the whole are the power and responsibility of the government that must be fulfilled.

#### **2.4 Integration and Transcendence: “Contract” Research Orientation**

Contract research paradigm believes that China is different from the West and the quality management system of China’s government procurement of public services is process dominated by the government and driven externally. At present, there is still a gap between the government-leading quality control mechanisms China has established and the quality management system produced under the mature Western market conditions (Tang, 2013).

From the point of view of contracting, China’s government procurement of services is a new kind of political and social relations as well as a kind of relationship existing between the state and the people and the government and the agent. The first relationship has a wide range of social significance. The government, as a reflection of the people’s will, is the group which represents the most fundamental interests of the people; the second relationship is a manifestation of a contractual relationship of economic contract. The actual process of government procurement of services is the consultation process between the government and the agent to agree on the powers, responsibilities, and benefits and so on.

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### **3. PROBLEMS IN THE QUALITY CONTROL MECHANISMS OF GOVERNMENT PROCUREMENT OF PUBLIC SERVICES**

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#### **3.1 Inadequate Legal Guarantees**

Currently influenced by history and external conditions, China has not yet formed a sound quality management system of government procurement and established a sound legal system. The core problem the process

of government procurement of services from social organizations faces is how the government effectively ensures the supply of public services through market regulation and after public services are referred to social organizations how to conduct appropriate risk assessment. A sound legal system is not only related to change of the concept of the system, but more effectively guarantees the effective delivery and implementation of services. Related departments should be based on the actual needs to establish relevant laws and regulations, to clarify the competence of the government and the responsibility of social organizations in the process of providing public services, and to specify the content of performance evaluation criteria and the regulatory system in the implementation of public services.

#### **3.2 Slow Development of Social Organizations**

This is mainly manifested in the deficiencies of the development of social organizations; from the practice of government procurement of public services in developed countries, developed countries prefer to achieve competition among service providers through the market and they use more competitive services, which in certain degree promotes the development of multi social organizations and provides more selectable objects for the purchase. To improve the quality of procurement of services through competition can not only improve the efficiency of purchase, but also effectively reduce the purchase cost. However, from the actual situation in China, an important reason for restricting the current government purchasing quality of public services is that the purchase objects to choose are limited and narrow and open and competitive purchasing is not enough. This leads to insufficient competitors who provide services and there are “innate” deficiencies in the quality assurance. The reason is that some civil organizations are weak in capability and its development is deficient. Due to historical reasons, in planned economy era China neglected the construction of non-profit social organizations and social organizations have not been fully developed with a low level and small scale as well as weak capacity and other issues, so many social organizations are unable to meet the basic requirements for government procurement of services and provide goods and services that the government needs to purchase. In the supplier selection, the choice of organizations is also very limited. After data analysis we find that, government-sponsored social organizations’ revenue reached 13% of total revenue, and it is much lower compared with the average of 36% in 39 countries.

#### **3.3 Limited Transparency in Government Procurement of Public Services**

##### **3.3.1 Fund Budget to Purchase Public Services Is Not Disclosed**

Currently, the government purchase of social services has been included in the acquisition catalog, but the capital

budget of government procurement is not open and in the process of government purchases there is serious information asymmetry. Meanwhile, the openness of market to purchase public services is inadequate and the market transparency and competition are not enough. The purchase cost of the service is generally high. Funds of government procurement of services are not clearly defined and have no scope restrictions with greater flexibility and randomness.

### **3.3.2 The Government Procurement of Public Services Lacks Standardized Procedures;**

Government purchase of public service in developed countries in Europe and America began early and they have developed a set of strict procedures to regulate the buying behavior. Currently, the open bidding at all levels of government and procurement of public services through market competition are relatively few, and that is mainly because there is a lack of standardized procedures and guarantees of the behavior of government procurement of services.

## **4. APPROACHES TO IMPROVING QUALITY CONTROL MECHANISMS OF GOVERNMENT PROCUREMENT OF PUBLIC SERVICES**

### **4.1 To Broaden the Scope of Government Procurement of Services**

As early as 2003, China has enacted relevant laws and regulations to regulate matters related to government procurement of public services, but the procurement scope of “public service” is still relatively limited. Citizens’ demand for the types of public services is increasingly complex, and the progress of the services provided by the government obviously cannot keep up the pace of increase in the needs of the masses. We should expand the procurement catalog, refine the buying process in the policy, establish goal-oriented, performance-oriented quality management system with clear rights and responsibilities, broaden the purchase channels, change the government functions and concepts and improve its management and control mechanisms.

### **4.2 To Vigorously Support the Development of Social Organizations**

Social organizations are the main providers of products and services. To broaden the government’s procurement channels, we need to start from social organizations. We should actively change our concepts, re-examine the role positioning of social organizations in social management, encourage the development of social organization and take measures to promote social capital into the government procurement of public services. Social organizations are an important support providing

public social services and the government should focus on fostering and primarily develop various social organizations, and constantly improve the cultivation policies of social organizations to address the problem of lacking policy. Affected by objective conditions, there is a big gap between the development of most of the non-profit social organizations in China and social organizations in developed countries. There is a lack of relevant professional personnel in the process of actively cultivating social organizations; the government should increase investment in training of professionals and increase relevant professional talent pools.

### **4.3 To Enhance the Transparency of Purchasing Processes**

In quality management process of purchasing service, the government should have a complete process and standardize the behavior of related work. Government procurement of public services uses public taxes, so the process should be open and transparent to allow citizens to understand the flow of taxes and protect the public’s right to know. Before purchasing services, the government should identify the funding needed to buy the public services and make the purchase of services can be financially supported, and issue public notice to inform the public. In evaluating the procurement of services, steps of procurement services should include the following: preparation of the budget and the timely approval; entrusting procurement departments to taking applicable ways in accordance with regulations to make purchases, such as public announcement and public bidding, etc. Government function departments should conduct effective supervision on whether social organizations have the capacity to provide the service and the implementation of services and other aspects and give timely and effective feedback to the public.

### **4.4 To Improve the Supervision and Management Mechanisms**

Government is the main decision-maker and participant in the procurement of public services and whether its behavior is fair and equitable will be directly related to the vital interests of the masses. Accordingly, the government needs to have complete quality control, supervision and management practices and needs a complete set of management solutions for the application, review, approval, tendering, contracting, implementation, knot, feedback, etc. of the project and should assign the regulatory responsibilities to relevant functional departments. The government should establish management programs from different perspectives: first, it needs to combine the central and local regulatory agencies with a clear set of different monitoring range and supervision. Second, the regulatory process of the regulatory authorities should be absolutely public are subject to the supervision of the masses. Third, only to implement effective quality management system

can the government achieve the best regulatory results of procurement of services, strengthen the regulatory purposes of the quality of services social organizations provide, and thus provide a comprehensive evaluation of the result and the quality of public services provided. Finally, the governmental departments need to clarify the scope of purchase of services, further identify the quality, indicator and requirements of public services social organizations provide, provide a reference standard for the social organizations to work better, and allow social organizations which provide public services to be effectively regulated and evaluated; with a broad and comprehensive participation of the people and the news media, to allow the active oversight role of the society.

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## SUMMARY

In the process of government buying public services from social organizations, we need to have a sound quality management system, to effectively monitor the quality of government procurement of public services and the effect of services implemented by social organizations.

Governmental function departments should carry out the respective responsibilities, under the premise of improving the government procurement system, identify the implementation of the government procurement process, develop a detailed procurement plan, and publish the procurement content to the general public; with the promotion of the government, social organizations and the general public together, we should actively achieve fair and impartial monitoring and evaluation of the government procurement of services.

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