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Research on the Development Strategy of State-owned Enterprises Participating in the Elderly Care Service Industry

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Abstract: Developing the silver economy constitutes a critical strategic measure for advancing the national strategy of actively responding to population aging, wherein state-owned enterprises (SOEs) are tasked with assuming a leading and exemplary role. As a core sector of the silver economy, participation in the development of the elderly care service industry serves as one of the key strategic pathways through which SOEs fulfill their leading and exemplary responsibilities in promoting the silver economy. Engaging in the elderly care service industry not only enables SOEs to respond proactively to the national strategy of addressing population aging and diligently fulfill their corporate social responsibilities, but also bears profound strategic significance for enhancing resource allocation efficiency, facilitating industrial synergy, and advancing strategic transformation.

Keywords: Silver economy; State-owned enterprises; Elderly care service industry

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1. Introduction

With strong policy support for actively addressing population aging, the silver economy has witnessed rapid emergence, with various social capital entities venturing into the elderly care service industry. As a leading force in the socialist market economy, it is imperative for SOEs to actively engage in the development of elderly care services. *The Opinions of the General Office of the State Council on Developing the Silver Economy and Enhancing the Wellbeing of Older Persons* (GOSC Circular No. 1 [2024]) explicitly calls for "leveraging the leading and exemplary role of SOEs, and encouraging and guiding them to actively expand silver economy-related businesses in alignment with their primary responsibilities and core operations." This document outlines two strategic directions for SOEs in developing the silver economy: first, to "play a leading and exemplary role", and second, to "expand silver economy-related businesses in line with their core mandates." However, existing research remains limited on how SOEs can develop the silver economy in accordance with their own realities—particularly in relation to the elderly care service industry. Building on relevant strategic management theories, this paper conducts a preliminary exploration of strategic pathways for SOEs to engage in the elderly care service sector.

2. Strategic value of SOEs participating in the elderly care service industry

Against the backdrop of intensifying population aging, developing the silver economy is a vital strategic initiative to implement the national strategy of actively responding to population aging, foster new drivers of economic growth, and improve people's quality of life [1]. As the leading force in the socialist market economy, SOEs participating in the elderly care service industry, in conjunction with their main responsibilities and core businesses, play a leading and exemplary role in the silver economy, holding multiple strategic values for comprehensively promoting the high-quality development of SOEs.

2.1. Expanding new approaches to fulfill corporate social responsibility

Fulfilling Corporate Social Responsibility (CSR) is a key obligation of SOEs. Currently, CSR efforts by SOEs are largely concentrated within the ESG framework, encompassing the three dimensions of Environment, Social, and Governance. Specifically, in the "Social" dimension, their CSR efforts are currently concentrated primarily in the areas of poverty alleviation and philanthropy. The elderly care service industry bears significant public welfare attributes; active participation in the development of this industry can open up new avenues for SOEs to fulfill their CSR. This not only helps SOEs play a leading and exemplary role in implementing the national strategy of actively responding to population aging and better fulfilling their CSR, but also contributes to further enhancing the positive social image of SOEs.

2.2. Improving the utilization efficiency of idle resources and rational placement of surplus personnel

Many SOEs have a large amount of idle resources, such as unused factory buildings, office spaces, training centers, sanitariums, and other institutions with functions of education and training or recuperation. These resources are often non-production and non-operational, having little connection with the enterprises' core businesses. They feature low utilization efficiency and some surplus personnel, thus frequently becoming a burden on the enterprises. Transferring these idle resources and surplus personnel to the elderly care service industry can not only increase the supply of elderly care services but also help SOEs improve the utilization efficiency of idle resources, properly place surplus personnel, reduce historical burdens, and enhance the competitiveness of SOEs.

2.3. Strengthening industrial synergy

For SOEs in sectors such as commercial insurance, real estate, tourism, and pharmaceuticals, the elderly care service industry is closely related to their core businesses. By effectively integrating elderly care services with their main operations, these SOEs can generate an "1+1>2" industrial synergy effect and create a "second growth curve." For instance, state-owned commercial insurance companies can develop insurance-backed retirement communities, aligning the long-term stable cash flows generated by these assets with the long-duration liabilities of long-term life insurance products. This helps to extend asset duration and effectively meets the principle of asset-liability matching in insurance fund management. State-owned tourism companies can integrate tourism services, scenic spots, and hotel assets with the elderly care sector through industrial chain integration, developing travel-based elderly care services, and expanding into new business areas. State-owned pharmaceutical companies can leverage their core strengths in healthcare and wellness to develop health-oriented elderly care and long-term care services. This not only broadens the utilization channels of their core resources but also fosters a related diversification development model.

2.4. Implementing strategic transformation

As the trend of population aging intensifies, the demand for elderly care services is growing increasingly, and the elderly care service industry boasts broad development prospects [2]. Some SOEs with poor operating performance can seize this valuable external opportunity and make use of various preferential policies offered by the government to support the elderly care service industry. By proactively pursuing strategic transformation and restructuring into elderly care service enterprises, these SOEs can not only revitalize their existing assets, turn disadvantages into advantages, and convert crises into opportunities, but also further fulfill their corporate social responsibilities and play a leading and exemplary role in the development of the silver economy.

3. Strategic approaches for SOEs participating in the elderly care service industry

The choice of approaches to participate in the development of the elderly care service industry constitutes a key strategic issue for SOEs engaging in this sector. From the perspectives of SOEs' own corporate goals and responsibilities, business development and resource allocation, as well as strategic management, SOEs can generally adopt four strategic approaches to participate in the development of the elderly care service industry at present.

3.1. Treat participation in the elderly care service industry as a new approach for SOEs to fulfill CSR

Actively responding to national strategies is a key way for SOEs to fulfill their CSR. Traditionally, SOEs have focused their CSR efforts on areas such as poverty alleviation, educational donations, disaster relief, and environmental protection, with relatively few cases of CSR engagement in the elderly care service sector. With the implementation of the national strategy to proactively address population aging, participating in the development of the elderly care service industry—which carries certain public welfare attributes—has emerged as a new and strategic approach for SOEs to actively respond to this national priority and fulfill their CSR. In June 2024, the State-owned Assets Supervision and Administration Commission (SASAC) issued the *Guidelines on High-Standard CSR Performance by Central Enterprises in the New Era*. These define the essential components of high-standard CSR for SOEs from four dimensions: "Strengthening the foundation for high-quality enterprise development", "Enhancing the capacity to serve economic and social development", "Improving the ability to meet people's needs for a better life", and "Cultivating new advantages in international competition and cooperation." Notably, for the first time, "caring for the development of aging-related causes" has been included as a key element under the dimension of "enhancing the ability to meet people's needs for a better life", opening up a new pathway for SOEs to fulfill their CSR.

3.2. Encourage SOEs to view participation in the elderly care service industry as an important approach for promoting industrial synergy

SOEs such as commercial insurance, real estate, tourism, and pharmaceuticals have core businesses that are closely linked to the elderly care service industry along the industrial chain or offer highly complementary products. By participating in the development of elderly care services, these SOEs can foster industrial synergy with their main businesses, achieve positive interactions, and generate a “1+1>2” synergy effect. This can even help cultivate new growth drivers for future corporate development. For example, in May 2024, China Life Insurance launched a 10-billion-yuan Silver Economy Industrial Investment Fund to accelerate the deployment of its “Guoshou Jiayuan” elderly care community projects in 20–30 central cities across the country, vigorously building a “trinity” health and elderly care service system integrating institutional care, community care, and home-based care. Poly Developments has established Poly (Guangzhou) Health Industry Investment Co., Ltd. as the core platform for advancing its health and elderly care business. The company is building a virtuous ecosystem for investment and operation in the health industry, using health and elderly care services as an entry point to provide society with professional, full-lifecycle, full-chain, and age-inclusive health services. To date, Poly has developed a relatively complete and mature health and elderly care industry chain.

3.3. Taking participation in the elderly care service industry as an important approach to dispose of idle resources and improve resource allocation efficiency

During the planned economy era, the “enterprise-run society” model resulted in SOEs holding non-core assets, such as in-house hospitals and sanatoriums. In recent years, SOEs have further accumulated idle assets—including unused offices, factories, and workshops—through restructuring. Meanwhile, industrial upgrades have left some employees with skills misaligned with new business needs, creating a surplus of human resources. Managing these idle assets and personnel has become a key challenge. The elderly care sector features low investment and technical barriers, receives policy support, aligns with SOEs’ CSR goals, and is well-suited to these underutilized assets and staff. Leveraging such idle resources for eldercare helps reduce SOE burdens and improves resource efficiency. For instance, Kunming Iron and Steel (Kunsteel) Group repurposed former transport and branch facilities into community-based elderly care zones, offering rehabilitation-focused services. It also built the Kunsteel Health and Elderly Care Center near its affiliated Grade-B Class-A hospital (Kunming No. 4 People’s Hospital), enhancing integrated medical and eldercare services while boosting hospital demand [3].

3.4. Taking participation in the elderly care service industry as an important approach for strategic transformation

With the deepening of SOE reforms and changes in the economic landscape, some SOEs must significantly adjust their institutional mechanisms and business portfolios, necessitating strategic transformation. The elderly care service industry—with low entry barriers, vast market potential, and strong policy support—is well-positioned to serve as a key pathway for such transformation. For example, in 2013, due to the relocation of alumina and electrolytic aluminum production from urban to industrial zones, Chalco’s Guizhou Aluminum Plant lost the conditions for “surviving on its core business and developing through support services.” Facing this challenge, the plant initiated a strategic shift: it expanded into modern service sectors, aiming to become a leading industrial and urban comprehensive service provider, and established a “5+3” business model [4]. Notably, elderly care was identified as a strategic focus, highlighting its role in driving the enterprise’s transformation.

4. Strategic suggestions for SOEs to participate in the development of the elderly care service industry

Against the backdrop of the national push to proactively address population aging and develop the silver economy, the participation of SOEs in the elderly care service sector holds significant strategic value. It helps SOEs better fulfill their corporate social responsibilities, efficiently allocate idle resources, strengthen industrial synergy with their core businesses, and advance strategic transformation. To leverage the leading and exemplary role of SOEs in developing the silver economy—represented by the elderly care service industry—the following key policy measures should be prioritized.

4.1. Prioritizing support for SOEs in insurance, real estate, cultural tourism, and traditional Chinese medicine industries to participate in the elderly care service industry

SOEs in the insurance, real estate, cultural tourism, and traditional Chinese medicine (TCM) sectors exhibit strong industrial synergies with the elderly care service industry. These include connections between pension insurance and elderly care, elderly care real estate and services, resort-based elderly care, and TCM health preservation and care. By engaging in elderly care development, these SOEs can not only support national strategies to address population aging and fulfill CSR but also drive business model innovation through cross-sector synergy, creating a "second growth curve" for their own development.

Strong policy incentives are therefore needed to encourage such participation. For example, the State-owned Assets Supervision and Administration Commission (SASAC) should raise the evaluation weight of elderly care involvement in the social responsibility assessments of SOEs in these sectors. Leveraging their high credibility and brand strength, these SOEs should also be supported in developing chain-based, branded elderly care services—such as operating branded elderly care apartments and communities—to scale up quality and impact. This approach aligns public interest with enterprise growth and enhances overall sector development.

4.2. Encourage SOEs to focus on developing low- and mid-end elderly care market

Currently, the high-end elderly care market in China has become relatively saturated, with increasingly mature business models—such as insurance-backed retirement communities and premium elderly care apartments. However, the low- and mid-end segment, particularly community-based and home-based elderly care, remains underdeveloped due to its characteristics of being small-scale, fragmented, complex in service delivery, and low in profit margins [5]. SOEs can leverage their unique resource capacities and strategic objectives to focus on this underserved market. For example, they can establish elderly care stations in nearby communities or in their legacy residential areas. Such initiatives not only help fulfill CSR but also effectively address the care needs of retired employees, thereby improving employee welfare.

4.3. Encourage the adoption of the PPP Model

Public-private partnership (PPP) refers to a collaborative partnership between public authorities and private organizations, based on concession agreements, to provide public goods or services. Through formal contracts, it establishes a cooperative relationship that clarifies the rights and obligations of both parties, ensuring the smooth execution of the collaboration. In the development of elderly care services, some SOEs possess idle physical assets—such as unused real estate, medical, and healthcare facilities—but lack the operational expertise and business models specific to elderly care. In such cases, SOEs can partner with private elderly care institutions: the SOEs contribute land and facilities, while private operators provide management, personnel, and operational know-how. Through such strategic cooperation, the strengths of both sides are leveraged, complementing each other's weaknesses to jointly deliver elderly care projects effectively.

4.4. Establish a supervision system for the service quality of the elderly care service industry

First, develop rigorous quality standards and operational guidelines for elderly care services, emphasizing quantifiable metrics and practical enforceability to provide a solid foundation for industry oversight. Second, set up an effective inspection and supervision mechanism by refining regulatory measures in the elderly care market to ensure that the legitimate rights and interests of the elderly are protected during service delivery. Third, implement a rating system for elderly care services that conducts comprehensive evaluations of care facilities in terms of staffing, infrastructure, service quality, management, and reputation, and publicly discloses the assessment results to standardize service practices.

By regulating the market order of the elderly care service industry, these measures help reduce transaction costs and information asymmetry for SOEs participating in the sector, thereby providing a well-regulated and orderly industry environment that enables SOEs to play a leading and exemplary role in the development of elderly care services.

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