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Analysis of Opportunities and Challenges for State-Owned Enterprises in Participating in the Elderly Care Service Industry Development

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Abstract: The intensification of population aging and the emergence of the silver economy have made it an inevitable trend for state-owned enterprises (SOEs) to participate in the elderly care service industry. By systematically analyzing the opportunities and risks of participation of state-owned enterprises in the service sector, the paper identifies the advantages and disadvantages of participation in the service sector, and proposes further strategic options. The study aims to provide practical reference for State-owned enterprises to organize their services in an orderly manner and to achieve synergy between their own development and industrial upgrading, while supporting the high-quality development of the service sector in support of the elderly and addressing the challenges of population ageing.

Keywords: State-owned enterprises; Elderly care service industry; Opportunities and challenges

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1. Introduction

With the deepening of population ageing and the rapid growth of the silver economy in China, the participation of SOEs in the development of the old-age services sector has been a major trend. However, as the elderly care service industry remains an emerging sector in China—with its business model not yet fully established and industrial policies still in the exploratory stage—SOEs face significant strategic uncertainties in how to engage in this field. Therefore, a systematic strategic analysis of the opportunities and risks associated with SOE participation in elderly care services is essential. This involves identifying the favorable and unfavorable conditions for such involvement and, based on this, proposing feasible and realistic strategic pathways for SOEs to engage in the elderly care service industry.

2. External opportunities for SOEs in participating in the elderly care service industry

Against the backdrop of the rapid rise of the silver economy and the country's vigorous implementation of the active ageing response strategy and the Healthy China strategy, SOEs face highly favorable external opportunities in participating in the development of the elderly care service industry, mainly including market opportunities and policy opportunities.

2.1. Market opportunities

With the intensification of population aging and the increasing prevalence of small, empty-nest, and elderly-only households, traditional home-based elderly care models—reliant on filial support—and welfare-oriented elderly care systems can no longer meet the growing demand for elderly care services. Enhancing the marketization and industrialization of elderly care services and actively developing the elderly care service industry have emerged as effective solutions to address the "care difficulty" and meet escalating demand.

The scope of the elderly care service industry has been defined differently across policy documents. *The Opinions on Accelerating the Development of the Elderly Care Service Industry* (GOSC Document No. 6 (2006)) describes it as a service sector providing daily care and nursing for the elderly to meet their special needs. *Several Opinions of the State Council on Accelerating the Development of the Elderly Care Service Industry* (State Council Document No. 35 (2013)) expands this to include elderly living assistance, elderly products, health services, fitness, cultural entertainment, financial services, and tourism. Synthesizing these, this paper categorizes the basic business models of the elderly care service industry into four types:

Basic elderly care services: These include essential services such as daily living assistance and medical nursing for the elderly, primarily aimed at meeting the fundamental care needs of the elderly, especially those with middle- and low-income levels.

Upgraded elderly care services: High-end offerings such as premium elderly apartments and insurance-backed retirement communities, which provide higher-level daily care and medical services primarily for middle- and high-income elderly individuals.

Enrichment-oriented elderly care services: These mainly consist of services such as elderly sports and fitness, cultural and recreational activities, and tourism, with the primary goal of enriching the lives of the elderly.

Supportive elderly care services: This category includes elderly financial services and the marketing of elderly care products. These services are designed to provide the necessary support and guarantees for the elderly to access the aforementioned types of care services.

In recent years, China's elderly care service industry has experienced rapid development, demonstrating vast market potential. According to the 2023 Elderly Care Industry Development Report: Breaking Barriers in Institutional Care, jointly released by the China Research Center on Aging and SDIC Health Industry Investment Co., Ltd., the elderly care service sector—as the core component of the broader elderly care industry—had surpassed a market size of RMB 1 trillion by 2020 [1]. The National Information Center forecasts that by 2030, individuals aged 65 and above will account for 20% of China's total population. Meanwhile, *the White Paper on the Development of China's Elderly Care Industry*, released by the Chinese Academy of Social Sciences, projects that China's elderly care market could reach RMB 13 trillion by 2030 [2].

At present, China has largely established a "9073" elderly care model, wherein 90% of the elderly receive home-based care, 7% are served by community-based elderly care services, and 3% are cared for in institutional settings. Different care models align with diverse service types, giving rise to an increasingly diverse and segmented market.

Meanwhile, rising living standards have led more elderly to pursue high-quality, diversified, and personalized elderly care services. Their expenditure on daily necessities and medical expenses has gradually declined, while spending on cultural activities and non-regular expenditures has increased. As a result, a variety of emerging elderly care services are attracting increasing attention.

2.2. Policy opportunities

In February 2006, the *Opinions on Accelerating the Development of the Elderly Care Service Industry* (GOSC Document No. 6 (2006)) issued by the General Office of the State Council, first proposed the term “elderly care service industry” at the government level. This marked the transformation of the elderly care service sector from a purely welfare-oriented undertaking to a structure where welfare-based institutions and market-oriented industrial sectors coexist.

In May 2013, the State Council issued *Several Opinions of the State Council on Accelerating the Development of the Elderly Care Service Industry* (State Council Document No. 35 (2013)), which emphasized “fully leverage the fundamental role of the market in resource allocation and gradually enable social forces to become the principal drivers of elderly care service development.”

Subsequently, in August 2014, the Ministry of Finance, in collaboration with the Ministry of Commerce, issued *the Notice on Piloting Market-Oriented Development of the Elderly Care Service Industry*, proposing the establishment of “a long-term mechanism to promote the development of elderly care services through socialization, marketization, and commercialization.”

From a policy perspective, over 40 national-level policy documents related to elderly care service development were issued from 2016 to the end of 2018 alone, of which as many as 20 were released in 2016 [3]. In January 2024, the General Office of the State Council issued *Opinions on Developing the Silver Economy and Enhancing the Wellbeing of the* Elderly, putting further forward a series of guiding opinions on expanding elderly care service-related formats from the perspective of developing the silver economy.

Among the various policy documents successively issued to promote the development of the elderly care service industry, a series of relevant policies have also been proposed for SOEs to participate in this sector. These policies support SOEs in reallocating their idle resources to the field of elderly care services, thereby providing a new pathway for SOEs to address resource idleness and engage in the elderly care service industry.

3. Internal advantages of SOEs in participating in the elderly care service industry

SOEs possess distinct internal advantages in participating in the development of the elderly care service industry, primarily reflected in the dynamic advantage of fulfilling CSR, idle resource utilization, and support derived from their core business operations.

3.1. Motivation for corporate social responsibility (CSR)

Compared to private enterprises, SOEs—due to their public ownership nature—exhibit stronger motivation to fulfill CSR. In March 2019, according to the *Performance Evaluation Measures for Central Enterprise Leaders* (SASAC Order No. 40), social benefit indicators for public welfare-oriented SOEs incorporate thirdparty evaluations. Enterprises with suboptimal evaluation results may face score deductions or demotions in performance assessments.

The government has placed increasing emphasis on the performance of SOEs in fulfilling 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*, which, for the first time, explicitly identified “caring for the development of elderly care service industry” as a key component under the dimension of “enhancing the level of services for people’s better life” in the high-standard fulfillment of CSR by central SOEs.

These target requirements for CSR performance among central enterprises help establish an internal incentive mechanism for SOEs to engage in the elderly care service industry. As a result, SOEs are more proactive and motivated than other types of enterprises in fulfilling high-standard CSR through active participation in the development of elderly care services.

3.2. Idle resource advantages

Due to historical factors, some SOEs have accumulated idle resources—such as internal hospitals, sanatoriums, and former office premises—that are well-suited for the development of the elderly care services. And in recent years, some SOEs have also accumulated a batch of idle assets, such as abandoned office buildings, factories, and operation areas, during their restructuring and reorganization. Additionally, in the process of industrial transformation and upgrading of SOEs, some human resources have become underutilized due to mismatches with the technical and business requirements of new enterprise operations.

Through appropriate integration and adaptive reuse, repurposing these assets for the elderly care service industry can not only enhance the efficiency of resource allocation within SOEs but also help reduce land acquisition costs and infrastructure construction expenses associated with providing such services, thereby forming a distinct cost advantage.

3.3. Core business support advantage

SOEs are generally large in scale and operate under relatively standardized operations, with few undesirable commercial behaviors such as operator absconding or customer fraud. As a result, elderly care services provided by SOEs tend to earn greater trust from older adults and enjoy higher credibility.

Furthermore, some SOEs, such as state-owned real estate companies, state-owned commercial insurance companies, and state-owned tourism companies, have core businesses that exhibit strong industrial complementarity with the elderly care service sector. This enables them to provide strong business support for SOEs engaging in elderly care services in aspects such as property provision, pension insurance services, and travel-residence elderly care services.

4. External challenges for SOEs in the elderly care service industry

While SOEs possess external opportunities and internal advantages in engaging with the elderly care service industry, they also encounter certain challenges. These primarily manifested in the following aspects: the increasingly intense industry competition, the long investment payback period coupled with relatively low profit margins, and underdeveloped regulations within the sector.

4.1. Intensifying industry competition

In recent years, as the government has gradually liberalized the elderly care service market and an increasing amount of private capital has entered the sector, the operational landscape of the elderly care market has become increasingly diversified. The growing number of market participants has inevitably heightened competitive pressures within the industry, placing mounting challenges on SOEs seeking to engage in elderly care services.

At the same time, the industry is characterized by long investment payback periods and relatively low profit margins. Although the cash flows generated from investments are generally stable, the prolonged payback period and low average return on investment (ROI) in the industry impose considerable financial pressure on SOEs operating in elderly care services.

4.2. Underutilized effective market demand

Compared with Western countries, population aging in China is gradually shifting from "aging before affluence" to "aging while becoming affluent." As of 2023, there were 132 countries and regions worldwide that had entered an aging society, among which 62.1% had a per capita Gross National Income (GNI) exceeding USD 14,000. In contrast, China's per capita GNI stood at USD 13,400 [4].

Although China's per capita income has increased significantly from USD 7,900 in 2015, the elderly population's asset ownership in China remains at a lower-middle level globally [5]. According to a survey released by the People's Bank of China in 2024, elderly individuals aged 65 and above nationwide owned elderly-related assets equivalent to approximately 5.2% of the country's total disposable income [6]. While this represents a substantial increase from the 2% recorded in 2015, it remains considerably lower than that of high-income countries. For example, in the United States, the population aged 55 and above holds about 70% of the nation's disposable income.

From the perspectives of elderly care support sources and demographic structure, currently, 42% of China's elderly aged 65 and above rely on family support, and 35% depend on public pensions and subsistence allowances to maintain their basic livelihoods. Meanwhile, the number of high-age, disabled, and chronically ill elderly individuals continues to rise. The population aged 80 and above has exceeded 35 million, and disabled elderly individuals are estimated to be around 35 million [7–8]. These groups remain in urgent need of basic, welfare-oriented elderly care services.

In summary, although China has a large elderly population, the relatively low per capita income and limited asset ownership among the elderly mean that a significant proportion still depend on home-based care and publicly funded welfare elderly care institutions. As a result, the effective demand within the elderly care service market is far smaller than the potential demand. This also means that SOEs participating in the development of elderly care services face the same challenges commonly encountered by other specialized elderly care providers, such as shortages in client resources and high housing vacancy rates.

4.3. Inadequate industry regulations

At present, China's elderly care service industry remains in its early stages, with blurred boundaries between elderly care as a welfare service and as a market-oriented industry. Previously established regulations designed for managing welfare-oriented elderly care have been applied to the market-driven elderly care service sector, leading to regulatory misalignment.

Additionally, some of the newly established regulatory frameworks for the elderly care service industry are overly general and lack detailed, systematic implementation guidelines, resulting in regulatory gaps. For instance, there are currently no comprehensive or stringent regulatory measures in place to effectively prevent the abuse of elderly residents by care staff—a major concern for both seniors and their families. This regulatory shortfall often leads to serious legal disputes, exposing SOEs involved in the elderly care sector to a range of potential operational safety and legal risks.

5. Suggestion for SOE participation in the elderly care service industry

Based on the above analysis, it can be seen that SOEs participating in the development of the elderly care service industry not only have favorable market and policy opportunities as well as internal advantages, but also face challenges such as industry competition and inadequate regulations. Against this backdrop, the study further proposes strategic choices for SOEs to participate in the elderly care service industry from three aspects: their own CSR, business development, and resource allocation.

5.1. Participating in the elderly care service industry development as a new CSR approach for SOEs

With the implementation of the national strategy for actively responding to population aging, participating in the development of the elderly care service industry—which carries certain public welfare attributes—has emerged as a new strategic pathway for SOEs to actively respond to the national strategy and fulfill their CSR obligations. In June 2024, the State Council and SASAC issued the *Guidelines on High-Standard CSR Performance by Central Enterprises in the New Era*, which define the basic connotation of high-standard CSR for central enterprises. Notably, for the first time, the guidelines identify "caring for the development of aging-related causes" as a core component under the dimension of "enhancing the ability to contribute to the well-being of the people", thereby opening up a new avenue for SOEs to fulfill their CSR responsibilities [9].

5.2. Participating in the elderly care service industry development as a core path for SOEs to promote industrial synergy

The core business operations of SOEs in sectors such as commercial insurance, tourism, and pharmaceuticals exhibit strong industrial linkages or significant product complementarities with the elderly care service industry. By participating in the development of elderly care services, SOEs in these industries can foster industrial synergy between their main businesses and the elderly care sector. This not only helps cultivate new growth points for future corporate development but also generates synergistic effects and facilitates positive interactions across sectors.

5.3. Participating in the elderly care service industry development as an important approach for SOEs to utilize and optimize resource allocation

Due to the relatively low investment and technical thresholds in the elderly care service industry, coupled with support from national policies, it is easy to connect with the aforementioned idle hardware and human resources of SOEs. Therefore, repurposing the idle resources of SOEs for the development of the elderly care service industry can not only reduce the operational burden on SOEs but also save land costs and infrastructure construction costs for launching elderly care services, further improving the efficiency of resource utilization and allocation of SOEs.

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