



Social Enterprise Journal

Social enterprise in China: driving forces, development patterns and legal framework
Xiaomin Yu

Article information:

To cite this document:

Xiaomin Yu, (2011), "Social enterprise in China: driving forces, development patterns and legal framework", Social Enterprise Journal, Vol. 7 Iss 1 pp. 9 - 32

Permanent link to this document:

<http://dx.doi.org/10.1108/17508611111130130>

Downloaded on: 11 October 2016, At: 23:32 (PT)

References: this document contains references to 48 other documents.

To copy this document: permissions@emeraldinsight.com

The fulltext of this document has been downloaded 1596 times since 2011*

Users who downloaded this article also downloaded:

(2011), "Emerging models of social enterprise in Eastern Asia: a cross-country analysis", Social Enterprise Journal, Vol. 7 Iss 1 pp. 86-111 <http://dx.doi.org/10.1108/17508611111130176>

(2011), "Similarities and divergences: comparison of social enterprises in Hong Kong and Taiwan", Social Enterprise Journal, Vol. 7 Iss 1 pp. 33-49 <http://dx.doi.org/10.1108/17508611111130149>

Access to this document was granted through an Emerald subscription provided by emerald-srm:498324 []

For Authors

If you would like to write for this, or any other Emerald publication, then please use our Emerald for Authors service information about how to choose which publication to write for and submission guidelines are available for all. Please visit www.emeraldinsight.com/authors for more information.

About Emerald www.emeraldinsight.com

Emerald is a global publisher linking research and practice to the benefit of society. The company manages a portfolio of more than 290 journals and over 2,350 books and book series volumes, as well as providing an extensive range of online products and additional customer resources and services.

Emerald is both COUNTER 4 and TRANSFER compliant. The organization is a partner of the Committee on Publication Ethics (COPE) and also works with Portico and the LOCKSS initiative for digital archive preservation.

*Related content and download information correct at time of download.



Social enterprise in China: driving forces, development patterns and legal framework

Social enterprise
in China

Xiaomin Yu

*School of Social Development and Public Policy, Beijing Normal University,
Beijing, China*

9

Abstract

Purpose – This paper seeks to address emerging practices of social enterprises (SEs) in China by exploring the institutional context, organisational features and legislative framework of this new phenomenon.

Design/methodology/approach – The analysis is based on data drawn from secondary sources (laws and regulations, forum transcripts and news reports) and primary evidence (in-depth study of six SE cases).

Findings – The various kinds of SEs are highly diversified in terms of social mission, organisational nature, legal form, and operational pattern; the institutional context is underdeveloped, providing growing but still limited financial, intellectual, technical, and human resources; although it allows increasing space for diversified development dynamics of SEs, the legislative system regulating SEs is still flawed in several vital ways.

Research limitations/implications – This paper relies heavily on qualitative research methods to make a preliminary assessment of the development of China's SEs. Neither primary nor secondary data sources collected for this paper can be used to draw any general conclusion of statistical significance.

Originality/value – The paper sheds light on the overall landscape of the recent development of SEs in China, providing a descriptive and normative foundation for cross-country comparative studies and quantitative, explanatory analysis.

Keywords China, Society, Non-profit organizations, Social enterprise

Paper type Research paper

1. Introduction

Broadly defined as a business venture or economic activities aiming at the achievement of social and collective purposes while operating with the financial discipline, innovation and determination of a private-sector business (Alter, 2007), social enterprise (SE) has gained increasing momentum globally over the last two decades. However, the development of SE remains quite a new phenomenon in China, where the past several years have seen a growth in discussions, agencies and practices dealing with SE, social entrepreneurship and social innovation.

SEs in China are sprouting in the soil of the country's escalating market transition, where the role of the socialist state as a social welfare provider has shrunk significantly, the market economy has grown dramatically, and civil society organisations have expanded in various directions. The development dynamics of SEs in contemporary China have generated a variety of puzzles awaiting scientific research. What kinds of organisations are defined as SEs in China, and according to

The author owes a considerable debt of gratitude to Professor Jacques Defourny – without his encouragement and invaluable suggestions this article could never have been written. A special acknowledgement is due to Sophie Adam who has offered professional support in language polishing and editing.



what standards? How can SEs in China be categorised by constructing an evidence-based typology? What are the major social problems or needs to which SEs strive to provide solutions, and how? What are the major features of legal framework for SEs? All these questions are still almost unexamined, despite their practical and theoretical significance.

This paper seeks to somehow help to fill this research gap and to shed light on the new phenomenon of SEs in China, especially by focusing on the specific socioeconomic context of the social welfare regime transformation during China's market transition. However, this paper is only a preliminary study. It is based on both secondary and primary data collected through two research approaches. First, the author carried out a comprehensive review of secondary resources, including SE-related legislation and policies, transcripts of SE forums and media reports. Second, using in-depth interviews and participative observation, the author conducted case studies of several typical SEs in major sectors where SEs play growing roles.

2. Definition and typology of SE in China

2.1 How to define SE in China?

SE was a little known notion in China until 2004, when theories developed abroad began to be increasingly introduced in the country through a series of forums, symposia and conferences. However, practitioners and academics have not yet reached a consensus on the definition of SE in the Chinese context. The ongoing debates mainly focus on two issues: SEs' organisational nature (non-profits or for-profits) and their method of income generation (largely market-based or integrating resources from various origins – market revenue, social donation and government subsidies) [Cultural and Education Section of British Embassy (CESBE), 2008]. The current efforts to delineate SEs in China thus encapsulate two important conceptual elements but may also miss other major components, frequently discussed in existing SE literature, such as the levels of “non-governmentality” and autonomy, community orientation and governance models underlined for instance in the works of the EMES European Research Network[1] (Defourny, 2001; Defourny and Nyssens, 2010).

The development of SEs in China is currently still in its infancy, and the underpinning characteristics of SEs remain blurred and sometimes indistinguishable. Moreover, the absence of specific legislation on SEs in China makes it difficult to elaborate a precise working definition. Consequently, the author believes that a “grounded theory” approach may be useful to formulate an empirical-based definition of SEs in China; in other words it is wise to start with a SE concept broadly defined as “a business venture or economic activities driven by social objectives”, and to base conceptualising efforts firmly and flexibly upon the evolving development dynamics of diverse SE initiatives.

2.2 Towards a multi-level typology of SE in China

To shed light on the characteristics of diverse categories of SEs in Asian countries, various scholars have taken a typological analysis approach, examining the development origins, legal status, organisational missions (especially social objectives) and operational patterns of various types of SEs (Bidet and Eum, 2010; Kitajima, 2010; Kuan and Wang, 2010; Laratta, 2010; Santos *et al.*, 2009; Tsukamoto and Nishimura, 2009). To obtain a bird's-eye view of the convergences and divergences among SEs in East Asian countries, Defourny and Kim (2010) categorise SEs into five major models, thereby opening up multiple comparative perspectives.

In the line of those scholars and considering the complexity of development dynamics of SEs in China, the author chose to build here a typology based on five relevant dimensions (see Table I). First, SEs can be distinguished according to their development origins. On the basis of this dimension, four major types of SEs can be identified: Chinese SEs can have their origins in the state, in market dynamics, in the non-profit sector or in agencies of international cooperation. Section 3 provides a brief review of the development dynamics of these four types of SEs, triggered by different driving forces. Second, SEs can be distinguished from each other based on their social missions, which include employment promotion, social service provision, health care delivery, poverty alleviation and education development. The development patterns

Properties	Categories
I. Development origins	<i>State</i> Reform of the social welfare system Re-employment project for laid-off workers Cross-sector partnership <i>Non-profit sector</i> Commercialising NPO Revenue-making subsidiary of NPO Cross-sector partnership <i>Market dynamics</i> Corporate social responsibility Venture philanthropy Cross-sector partnership <i>International agencies</i> Forum, conference and training Micro-finance initiative Venture philanthropy
II. Social mission	Employment promotion (for WISE) Social care provision Health care delivery Poverty alleviation Education development
III. Organisational nature	Non-profit For-profit Hybrid
IV. Legal status	Civilian-run non-enterprise unit Farmers' specialised co-operative Social welfare enterprise Civilian-run educational institution Commercial company
V. Operational model	Fee-for-service Service subsidisation Market intermediary Entrepreneur support Employment service Co-operative

Table I.
The typology of social
enterprise in China

and typical practices of SEs pursuing these different types of social missions are examined in section 4. Then SEs may be categorised by their organisational nature and legal status, which are closely interrelated. In terms of organisational nature, SEs fall into three major categories: non-profit, for-profit and hybrid organisations. Non-profit SEs include those having the legal status of civilian-run non-enterprise unit; for-profit SEs include those registered as farmers' specialised co-operatives, social welfare enterprises (SWEs), civilian-run educational institutions and commercial companies; while hybrid SEs include those having non-profit/for-profit mixed legal status. Section 5 discusses the legal characteristics of SEs of various legal statuses. Fifth and finally, SEs can be classified on the basis of their operational model, which refers to the configurations used by SEs to create both social and economic value, and is designed in accordance with the SEs' financial and social objectives, mission, marketplace dynamics, client needs or capabilities and legal environment (Alter, 2007). Operational models adopted by SEs in China include fee-for-service, service subsidisation, market intermediary[2] (e.g. through fair trade initiatives), entrepreneur support[3] (e.g. through microfinance institutions), employment service[4] and co-operative[5].

3. Driving forces fuelling the growth of SE

China's socialist welfare system has encountered drastic challenges since the late 1970s, when the market reform was launched and dramatic socio-economic and demographic transitions took place. First, with the reinforcement of the urban enterprise reform, and especially with the corporatisation and privatisation of state-owned enterprises (SOEs) and the dismantling of the rural commune system and collective economy, the government was increasingly expected to replace SOEs and rural communes, which had hitherto been major providers of public services (such as health care, education, social assistance, housing, etc.), as providers of social protection and welfare; this resulted in a challenge to the government in both financial and managerial terms (Lu and Feng, 2008, p. 59). A serious financial crisis arose in the state-funded welfare system when the government's budget for social welfare (services) and social relief was reduced, from 0.58 per cent of GDP in 1979 to 0.19 in 1997 (Shang, 2001). Second, a series of demographic and socio-economic changes – rapid ageing of the population, decreasing family size, explosion of rural-urban migration – have eroded the function of traditional family and kinship networks in providing services for senior citizens, children, the disabled and other vulnerable groups. Third, radical socio-economic transformations during the market reform led to the emergence of new types of vulnerable groups, such as the unemployed or rural migrants and their children, who were excluded from the traditional welfare system. The inability of the traditional welfare regime to reduce unemployment and to respond to an ever-growing demand for social services for these newly emerging vulnerable groups triggered massive protests and challenged the governing legitimacy of Chinese authorities.

In response to these dilemmas, the Chinese government gradually directed the welfare system towards a trajectory of decentralisation and privatisation; it did so by allowing local authorities more power to decide and implement social policies, by mobilising resources from the flourishing market economy and emerging civil society, by encouraging partnerships between the state, the market and the third sector, and by seeking solutions to problems in innovative and entrepreneurial ways. All these trends contributed to the emergence of SE initiatives; however, China did not experience a real "burgeoning" of SE until very recently, when several driving forces emerged in the state, market and non-profit sectors.

3.1 State sector

In the state sector, the first embryo of SE appeared in the reform of the social welfare system, in the 1980s, when the Chinese government launched income-generation-oriented reforms for state-owned welfare entities, emphasising the diversification of financial resources and services and seeking new sources of revenue by providing services for a fee and running small businesses. The other focus of the reform was the decentralisation of service provision; this was achieved by mobilising resources from local governments and communities and establishing a multi-level and multi-pillar system of welfare institutions. Gradually, this reform agenda developed into a whole set of new policies, later called “community services”, which was formally defined by the Minister of Civil Affairs in 1994 as a new type of welfare economy in China (Shang, 2001, pp. 269-70).

In order to tackle the growing problem of lay-offs, the state introduced, in 1993, a national policy package called the “Re-employment project”. Within its toolkit, the centrepiece is the “re-employment service centre” (RSC), which was first introduced in Shanghai in 1995. In 1998, a new state policy required every state firm planning to lay off surplus staff to set up an RSC to take care of the dismissed workers. The core functions of the RSC are to guarantee the basic livelihood of redundant workers and to assist in their re-employment. Despite their organisational differences, all RSCs follow almost identical operational and financing mechanisms. The centres are funded jointly by the local state, the enterprise and social insurance funds in equal shares (Wong and Ngok, 2006). Then, in 2001, the Ministry of Labour and Social Security and eight other central administrative organs issued a new policy, entitled “Opinions on Promoting Community-based Employment”, whose aim was to channel the growing demand for community-based services into a new solution to large-scale urban unemployment. Under this policy, “community-based employment entities” (CBEEs) are designed as a major mechanism to create community-based jobs for laid-off workers. The re-employment model sustained by the operation of RSCs and CBEEs has been identified by Chinese scholars as an embryonic form of work integration social enterprise (WISE) which emerged during the market reform (Shi, 2005).

Beside these state initiatives, the current rise of SE is a result of the Chinese government’s effort to empower the private sector as a vehicle to solve various social problems that have surged under market reform. In May 2010, the State Council introduced an across-the-board policy to derive more investment from the market and the third sector and to boost the role of non-state agencies in various public sectors, such as urban facilities, welfare housing, health care, education, services for the elderly and the disabled, culture and entertainment, etc. In recent years, the Chinese government has also acknowledged the importance of SE/entrepreneurship as a vehicle of socio-economic development and has taken more steps to cultivate momentum of SE/entrepreneurship in China. For example, in 2005, the State Council’s Leading Group for Poverty Alleviation and Development and the Ministry for Civil Affairs partnered with the World Bank to launch the first “China Development Marketplace” (CDM) programme. The second CDM programme was launched in 2007, providing grants of over eight million yuan (or nearly 1.2 million dollars)[6] in total to 50 innovative development projects proposed by non-profits working in the fields of poverty alleviation, environmental protection, services to migrant workers and their children, reconstruction after the Wenchuan earthquake, etc.

3.2 Non-profit sector

The past decade has witnessed the emergence of civil society organisations (CSOs) as new agents of socioeconomic development and providers of social services in China. There are three legal types of social organisations that are sanctioned by the Chinese government: social associations, civilian-run non-enterprise units and foundations. As illustrated by Figure 1, since relevant regulations were passed, in 1998 and 2004, all three kinds of CSOs have grown drastically. By the end of 2009, the total number of social associations, civilian-run non-enterprise units and foundations reached 431,000; they were hiring 5,447,000 employees and creating roughly 49.31 billion yuan (or 7.39 billion dollars) in value added, or 0.345 per cent of the total value added in the service sector [Ministry of Civil Affairs of China (MOCC), 2010].

While all three categories of CSOs have increased gradually, many scholars point out that civilian-run non-enterprise units may manifest more SE traits than the other two forms of CSOs (Wong and Tang, 2006/2007; Shi, 2005). As non-profit entities established by civilian organisations and individuals using non-state resources, civilian-run non-enterprise units play an essential role in delivering diverse types of social welfare. For example, among the 190,000 units registered in 2009, 92,703 were dedicated to education, 28,060 to social service, 27,237 to health care, 9,760 to scientific and technological research, 7,188 to culture, 6,591 to sports, 2,080 to industrial and business services, 1,628 to vocational services, 1,466 to agriculture and rural development, 1,049 to ecology and environment, 782 to legal services, 271 to religion and 11,608 to other services (MOCC, 2010).

Although CSOs have now obtained more socio-political space for their development than they enjoyed during the Maoist era, they remain under close state control and are subject to strict conditions for registration, license renewal, monitoring and administrative supervision (Béja, 2006; Wong and Tang, 2006/2007). However, as Chinese authorities have encountered escalating challenges in social development and social welfare in recent years, they have increasingly come to rely on a “big society, small state” formula and they now attach more importance to the growth of the third sector and the active participation of social organisations. The 12th Five-Year Plan of the Chinese Communist Party, which was passed in October 2010 and serves as the country’s central administrative blueprint for social and economic development from 2011 to 2015, gives priority to the increase of social investment in the education and health care sectors and to the construction of a “strengthened and innovative social administration regime”, where citizens and social organisations are encouraged to have an active participation (Chinese Communist Party Central Committee, 2010).

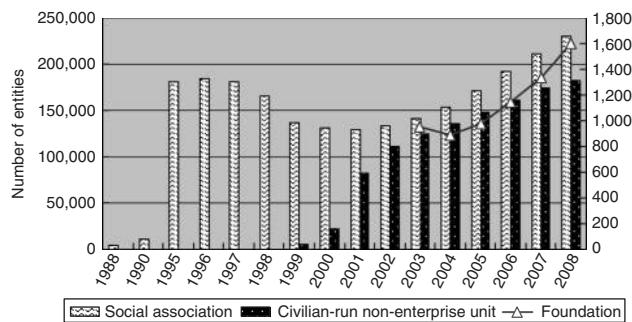


Figure 1. Development of three types of CSOs in China (1988-2008). Numbers of foundations are to be read on the right-hand side of the figure

Source: NBSC (2009)

The development of the non-profit sector in China has long been handicapped by financial constraints as well. According to a national survey, about 40 per cent of non-profits rank the problem of revenue shortage as the most significant barrier confronting the development of the third sector in China (Li, 2008). In response to this situation, non-profits in China are experiencing, in their search to become financially self-sufficient, a trend towards marketisation and commercialisation: they apply enterprise-style management and engage in various types of market-based income-generating activities, such as providing services for a fee, engaging in state's purchase-of-service contracting, cooperating with commercial firms in charitable activities and cause-related marketing and carrying out profit-making investments (Zhang, 2008).

3.3 Market sector

Corporate social responsibility (CSR) has gathered increasing momentum in China during the past several years, generating new legislation, perspectives, institutions and practices. The CSR movement is partly driven by the Chinese government's ideology of a "Harmonious Society", which aims to narrow the nation's rich-poor gap, address the problems of unequal access to education and health care, deter environmental degradation and improve disaster relief (Makinen, 2009). China's Corporate Law was amended in 2005, including for the first time a CSR provision. In 2007 and 2008, several regulations on CSR were issued by Chinese central and local authorities to promote voluntary CSR initiatives, especially in the state-owned sector and among publicly listed and export-oriented companies. The Wenchuan earthquake, in 2008, accelerated China's corporations' move towards philanthropy and social responsibility: corporate donations in the country soared to 107 billion yuan (or 16 billion dollars), three times their level in the previous year (Makinen, 2009).

The Regulation on Foundation Administration, which allows private firms to use assets donated by individuals or organisations to set up private foundations, was enacted in 2004. The number of private foundations has risen rapidly ever since, creating a new channel for corporations to participate in charitable activities. Although it is still a rather new phenomenon, the rise of private foundations is one of the most significant signals bearing witness to the development of CSR in the country. By the end of 2008, there were 1,597 foundations in China, with a total sum of assets reaching 30 billion yuan and an annual total of collected donations of 20 billion yuan (Yu *et al.*, 2010). This emerging CSR movement is creating new possibilities for more dynamic corporate philanthropic practices and closer partnerships between companies and non-profits to achieve a win-win situation, serving both commercial imperatives and social needs. For companies pursuing long-term commercial success with a CSR agenda, cooperation with non-profits could improve their public image and reputation, and for non-profits, partnering with companies could lead to more private contributions and alleviate fiscal difficulties.

Moreover, experimental instances of venture philanthropy have emerged in China in recent years, providing multiple resources to fuel the development of SEs. In 2006, New Philanthropy Partners (NPP) was initiated with the goal of helping China's third sector overcome financial, technical and human resource-related barriers through the model of venture philanthropy; it was sponsored by several large companies, the China Youth Development Foundation and the China Foundation for Poverty Alleviation. Specifically, besides donating financial, intellectual and human capital, NPP's sponsoring institutions and board members also engage with grantees, providing

sustained strategic or technical assistance. In December 2007, in cooperation with the China Red Cross Foundation, NPP set up the “Red Cross-NPP Venture Philanthropy Fund”, a specialised fund supporting venture philanthropy projects. Lenovo is another example of a pioneering company engaging in venture philanthropy activities in China: the Lenovo Venture Philanthropy Project was launched and funded by the Chinese-based computer technology corporation Lenovo in December 2007 with the aim of nurturing entrepreneurship in China’s third sector and raising the capability of non-profits to achieve sustainable development through “innovative funding”. So far the project has allotted a total of three million yuan in social venture funds to 16 non-profits, which clearly suggests all this is also at an embryonic stage.

3.4 International agencies

The rise of SE in China is also a result of promotion by foreign or international agencies. Since 2004, international agencies have organised numerous forums or seminars to raise awareness of SE, social entrepreneurship and social innovation and to introduce overseas’ theories and practices in China. In 2004, the British Consulate-General in Shanghai and Global Links Initiative organised a China-British Seminar on Social Entrepreneur/NPO in Beijing and invited several social entrepreneurs from the UK to introduce their experiences to Chinese audiences. In 2007, the Skoll Centre for Social Entrepreneurship of the Oxford University held an International Forum on Social Entrepreneurship in Hangzhou City, in South China, where over 200 participants shared research findings on SEs and social innovation. In 2008, the CESBE in China organised a Forum on Social Innovation and Social Organisation in Beijing; nearly 150 participants discussed the role of non-profits and SEs in fostering social innovation and social changes.

Meanwhile, some international agencies have taken an active role in cultivating social entrepreneurs in China. In 2007, the Youth Business Development International initiative of the Oxford Saïd Business School introduced its experiences to China by establishing Youth Business Development China (YBDC). As a student-led organisation, YBDC strives to empower young Chinese social entrepreneurs and promote social entrepreneurship in China by providing competition, training, networking opportunities and support to current and future social entrepreneurs. Similarly, since 2008, the CESBE in China has organised three sessions of “Social Entrepreneur Skill Training”. Jointly sponsored by the China Social Entrepreneur Foundation and the Narada Foundation, the programme has provided professional training to over 370 potential social entrepreneurs in China. Also in 2008, the Empowering Chinese Social Enterprise Leaders (ECSEL) Initiative was created to grant Chinese students scholarships to attend the Clinton Global Initiative University, launched by President Clinton in 2007 to bring together the next generation of leaders on college campuses around the world to discuss solutions to pressing global issues. In April 2010, the ECSEL 2010 Program brought Chinese students to the USA for a week-long programme designed to assist aspiring social entrepreneurs on their path to building businesses that create positive change.

Leading microfinance institutions, such as the Grameen Bank, have made increased efforts to implement in China the innovative financial service model targeting impoverished people as a vehicle for reducing poverty and enhancing socio-economic development. In 2006 the Nobel Peace Prize laureate Muhammad Yunus, founder of the Grameen Bank, came to Beijing, introducing the idea of the microfinance business model to China at the Grameen International Conference on Microcredit in China and

advising the Chinese government to make the necessary changes in the legal framework in order to encourage microcredit organisations, with the goal of uplifting the poor (Zhu, 2006). The most concrete progress was achieved in October 2009, when the Grameen Trust of Bangladesh and the Alibaba Group decided to join hands to create Grameen China, an initiative aiming to provide microcredit financial services to China's poorest residents, with a view to creating income-generating opportunities for the latter and helping them achieve a higher standard of living. Initially, Grameen China will establish two Grameen Microcredit Companies in the Sichuan province, which is still recovering from the devastating earthquake of May 2008, and in the Inner Mongolia province, with plans to subsequently expand to other provinces with the help of additional partners (Investment Weekly News, 2009).

Venture philanthropy is another field where international investment institutions are playing an active role to support social entrepreneurship in China. For instance, several Chinese social entrepreneurship initiatives have received funds from LGT Venture Philanthropy, a social venture investment programme launched by the LGT Group (the Wealth and Asset Management Group of the Princely House of Liechtenstein) to raise the sustainable quality of life of the less advantaged people in the developing world, especially in the fields of alleviation of human suffering, access to education and creation of sustainable livelihoods. Some private investment firms engaged in venture capital investments – such as Prax Capital, Morningside Ventures, NDC Equity Partners and IDG Capital Partners – are also showing an interest in investing in China's health care, education and clean-tech sectors through a venture philanthropic approach. Once again, most of these initiatives are still quite limited but they suggest a clear trend of significant importance for SE future developments.

4. Development patterns of major types of SE

As we have seen in Table I, China's SEs are currently operating in a wide range of sectors, and they can be classified into five broad types according to the social mission they pursue – work integration, social care, health care, poverty alleviation and education development. This section provides a brief review of the development patterns and emblematic practices of SEs falling into these five major categories.

4.1 *Work integration SEs*

WISEs refer to SEs seeking to assist a wide range of marginalised people who are at risk of permanent exclusion from the labour market, and to help them return to work and to society in general through a productive activity (Nyssens, 2006; Spear and Bidet, 2005; Vidal, 2005). In China, various types of WISE coexist and differences among them may exist on several dimensions:

- some WISEs (such as SWEs) reflect the legacy of China's welfare regime of the Maoist era, while others are new initiatives that have emerged during China's market reform of the last three decades;
- some WISEs are launched by the government, while others stem from civil society innovation or public-private partnerships;
- some WISEs focus on handicapped people as target beneficiaries, while others provide services to other types of marginalised people, such as the laid-off/unemployed, impoverished rural people, rural migrant workers, people hit by natural disasters, etc; and

- some WISEs mainly provide employment opportunities (be they temporary or permanent), while others focus more on organising vocational training and providing job information.

SWEs, which provide jobs to disabled workers, are one of the main categories of WISEs; they have played an essential role in promoting the employment of the disabled in China since the 1960s. Almost all SWEs were set up and managed by governmental agencies, collective units or SOEs until the early 1990s, when SWEs were increasingly privatised and their ownership structure began to be growingly diversified. Civil society then emerged as the driving force fostering the development of SWEs: in 1998, the number of “society-run” (shehui ban) SWEs (i.e. SWEs funded and managed by non-governmental entities – individuals or social organisations) reached 42,987, making up over 85 per cent of the total number of SWEs and hiring 722,656 employees with disabilities (MOCC, 2000). However, with the enterprise reform implemented in the late 1990s with a view to enhancing efficiency, SWEs experienced a significant decline. From 1995 to 2008, the number of SWEs decreased from 60,000 to 23,000, and the number of disabled employees dropped from 939,000 to 619,000 [National Bureau of Statistics of China (NBSC), 2009]. Canyou (see Appendix 1) provides a representative example of a SWE-type WISE serving disabled people.

The other major type of WISE in China is the one that seeks to help laid-off and urban unemployed workers return to work. This service is operated by the already mentioned RSCs and CBEEs. RSCs and CBEEs have different functions: RSCs are set up to provide an integrated package of services and benefits, including career training, vocational guidance, job mediation, basic living allowances and social insurance premiums, while CBEEs are created to provide job opportunities in the community-based service sector, such as housekeeping, childcare, homecare for the elderly, delivery of mail and goods, neighbourhood security, estate maintenance, community environment management, fitness and entertainment, etc. From 1998 through 2004, of the 21.6 million workers laid off from SOEs, 19.4 million were re-employed (Lu and Feng, 2008), most of them thanks to RSCs and CBEEs. Over the last decade, the number of CBEEs has increased dramatically, from 35,198 in 1999 to 140,252 in 2008. Among the 468,000 employees newly hired by CBEEs in 2008, 267,000 (57 per cent) were laid-off workers, and 92,000 (20 per cent) were unemployed (National Bureau of Statistics of China and Ministry of Human Resource and Social Security of China, 2009).

4.2 Social care

During the transformation of China’s welfare regime, a huge number of society-run welfare homes emerged, as a result of government encouragement and supportive policies (as we have explained above, a “society-run” initiative is an initiative funded and managed by non-governmental entities, i.e. by individuals or by social organisations). For instance, the number of society-run care homes serving seniors increased rapidly in the late 1990s, from 31,890 in 1995 to 37,344 in 1999 (MOCC, 2009). Some society-run elderly care homes launched by socially oriented entrepreneurs or CSOs and relying mainly on a market-based approach to generate revenue have been recognised by scholars as experiments in social entrepreneurship (Wong and Tang, 2006/2007). Hetong (see Appendix 2) provides a typical illustration of a social-care SE serving the elderly.

Other initiatives focus on childcare. Before the market reform, state-run welfare institutes provided care services only to a very small group of vulnerable children – namely orphans and abandoned children found in urban areas, prior to their adoption. Apart from state-run welfare institutes, work units in cities and the commune system in rural areas also played a supplemental role as welfare providers. When work units and rural communes gradually lost their function, during the market reform, the situation of vulnerable children worsened: in urban areas, they could receive only limited care services from state-run welfare entities, while in rural regions, they had to rely heavily on traditional family and kinship networks for survival (Shang *et al.*, 2005). Currently, a huge number of disadvantaged children have access neither to care services provided by state-run welfare homes nor to family and kinship networks. One of the largest groups of vulnerable children is prisoners' kids, who are not entitled to welfare provision from the state or communities; many of them end up on the street (Shang *et al.*, 2005). Sun Village (see Appendix 3) is a SE providing care services to this group of children.

4.3 Health care

During the market transition, China's health care system was transformed from one that provided affordable preventive and basic health care to all people to one in which many people cannot afford basic care and many families are driven into poverty because of large medical expenses. The share of out-of-pocket payment in total health spending grew from 20 per cent in 1978 to almost 60 per cent in 2002 (Yip and Hsiao, 2008). By contrast, public funding accounted for only 36.2 per cent of all health expenditure in 2003 (Lu and Feng, 2008).

The problems partly resulted from the privatisation of the medical care system launched by the Chinese government. In 1997, the Chinese government launched a new policy to transform the majority of health care providers from public to private non-profit organisations; however, the reform was hindered by the unfavourable legal environment for the growth of the third sector. In 2000, the Chinese government initiated a new reform measure, through which the government determined the status of a small number of high-quality public providers as non-profit organisations, and let all others choose their status as non-profit or for-profit entities. Non-profit providers were to offer basic health care services at prices imposed by the government, while for-profit providers could focus on non-basic services and were allowed more freedom in setting prices. Only non-profit public providers could receive government subsidies (Gu and Zhang, 2006). The direct result was that many state-run health care entities were forced to earn their income from patients when they were cut off from public funding. The reform also resulted in a growingly mixed health care system. As Table II shows, although state-run health care entities still dominate the sector, non-state providers have begun to play an essential role, especially at the grassroots level, through a large number of local health centres and clinics which are of much smaller size than state-run facilities.

In recent years, with a view to curbing the over-commercialisation of the health care sector, the Chinese government has increasingly promoted the development of non-profit health care providers. In 2009, the Chinese central authority introduced a new policy to strengthen the reform of the health care system, emphasising the importance of mobilising resources from society to invest in non-profit health care entities, and especially in those providing charitable services. Operation Smile

	State-run	Society-run	Individual-run
<i>Health care entities</i>	76,704	64,674	136,959
Hospitals	9,777	6,048	3,887
Community health centres/stations	8,598	12,464	3,198
Health clinics (wei sheng yuan)	38,636	920	304
Clinics/health centres/health stations/nursing stations	6,373	41,315	126,089
<i>Health workers (million people)</i>	3.88	0.68	0.47
<i>Beds (million)</i>	3.30	0.55	0.18
<i>Net assets (billion yuan)</i>	790.38	75.16	24.57
<i>Income (billion yuan)</i>	793.81	102.15	63.64
State subsidies	101.69	10.87	0.20
Earned income	688.64	89.76	57.85

Table II.

Health care providers in China in 2008

Source: Ministry of Health of China (2009)

Charity Hospital (see Appendix 4) provides an archetypal example of a SE in the health care sector.

4.4 Poverty alleviation

China has made enviable progress in poverty reduction over the last three decades. By China's official poverty standard, the poverty rate in rural China fell from 18.5 per cent in 1981 to 2.8 per cent in 2004 and the number of rural poor declined from 152 to 26 million over the same period. Measured in terms of the World Bank poverty standard (888 yuan per person per year at 2003 rural prices), China's poverty reduction performance has been even more striking. Between 1981 and 2004, the fraction of the population below this poverty line fell from 65 to 10 per cent, and the absolute number of poor fell from 652 to 135 million, a decline of over half a billion people (World Bank, 2009). However, by the current official poverty standard, set at 1,196 yuan (or 179 dollars) per person per year, in 2009, there were still 35.97 million people living below the poverty line, with over 90 per cent of them living in rural regions (NBSC, 2010); and according to the World Bank's estimation, China still had 254 million people living below the international poverty standard of \$1.25 per person per day in 2008 (using 2005 Purchasing Power Parity for China) (World Bank, 2009). Ethnic minorities, whose main settlements are in either hilly or mountainous terrain, are among the country's most impoverished people: they represent 40-50 per cent of the absolute poor in China (Crook, 2008).

Over the last decade, microcredit initiatives have emerged in China as one of the major forms of social entrepreneurship; they seek to explore a sustainable way to alleviate poverty by mobilising resources and encouraging innovation from civil society and the private sector. In the early 1990s, international development institutions and NGOs introduced numerous microfinance programmes in China (Tang, 2008). The estimated number of microfinance programmes launched by development organisations and NGOs reached 300 by 2006; however, only a few have achieved operational sustainability (Cheng and Li, 2009). In early 2008, the China Banking Regulatory Commission announced a policy to foster the development of microloan lending companies, emphasising their essential role in promoting the development of farming, agriculture and the rural economy. A more comprehensive policy was launched by the State Council in May 2010 to enhance the role of privately

funded financial institutions in rural development, especially those providing microcredit services such as rural credit co-operatives and microloan lending companies. As a result, privately funded microfinance institutions are expanding rapidly. For example, the number of registered microloan lending companies in Shenzhen city increased from 13 in June 2009 to 31 in June 2010; in 2008, they disbursed a total of more than 3.07 billion yuan and provided loans to thousands of borrowers (Zhu and Ding, 2009; Peng, 2010). The Fuping Development Institute (see Appendix 5) is a prototypical example of SE combating poverty through a microcredit institution.

4.5 Education

Over the last two decades, China's educational policy has focused on the inclusiveness of compulsory education, which, since the promulgation of the Compulsory Education Law in 1986, has been defined as the right to a nine-year primary and secondary education for all school-age children. In 2006 the law was amended, explicitly stating that students are entitled to an education free from all tuition charges and incidental fees. However, the country has faced daunting challenges in trying to extend compulsory education of adequate quality to all population groups, and particularly to children in ethnic minority areas and poverty-stricken rural regions. National statistics show that in 1993 there were 2.61 million school-age children in villages who were not enrolled in primary or secondary schools, making up 87 per cent of the country's total three million non-enrolled children. In China's western minority regions, where 50 of the total 55 ethnic minority groups live, the enrolment rate of school-age children at compulsory education level is persistently lower than the country's average level.

Financial difficulty is one of the prominent reasons accounting for the problems encountered in actually implementing compulsory education. Since the amendment of the Compulsory Education Law in 2006, governments at the county and provincial level have been charged with the primary responsibility for raising funds for compulsory education. However, the gap in education expenditure remains very significant between regions with a stronger economy, on the one hand, and less-developed regions, such as the western minority areas, on the other hand. In response to the insufficiency of education funding in impoverished regions, the Chinese government has attached more importance to mobilising non-government sources from charitable donations and the increasingly privatised education market. Consequently, education providers began to rely less heavily on state funds and increasingly on earned income, such as "undertaking's revenue" (*shiye shouru*), which refers to fees charged by schools for providing educational and auxiliary services.

The privatisation dynamics of the education market in China are also reflected by the growth of civilian-run educational institutions at the higher, secondary, primary and early-age education levels. The number of civilian-run educational institutions increased from 79,207 in 2005 to 100,403 in 2008, and the number of enrolled students rose from 16.35 to 30.42 million in the same period (see Table III).

In recent years, as a growing number of rural migrant workers started bringing their children with them to the cities where they had found jobs, migrant children's access to compulsory education in cities has become a major social problem. The results of the fifth National Population Census, carried out in 2000, showed that 20 million school-age children had migrated to cities with their parents, and that 1.8 million of these children had no access to schooling in cities; the non-enrolment rate among these migrant children reached 9.3 per cent (Wang and Tian, 2007). Indeed,

migrant children who are not registered as permanent residents in cities (i.e. they are still registered as having their official residence in their rural region of origin) are denied access to free education, and the parents are required to pay “trans-region education fees” in order for their children to be allowed to attend public schools in cities. As a result hereof, many migrant children cannot afford public schools but attend instead cheaper private schools, which are frequently run by profit-driven entrepreneurs rather than by professional educators (Carr, 2007). Most private schools for migrant children lack sufficient facilities and qualified teachers and provide low-quality education. For most low-income migrant workers, these private schools are the only affordable choice. It is in response to the unmet demands for qualified education for migrant children that New Citizen Plan (see Appendix 6) was launched by the Narada Foundation in 2007; it is a typical social entrepreneurship initiative in the education sector.

5. Legislative framework for SEs

China’s current legislative framework does not provide any specific legal form for SEs, which thus have to choose a legal status among a variety of legal forms, based on various relevant laws. The legal forms currently adopted by SEs include those of commercial companies[7], farmers’ specialised co-operatives, SWEs, civilian-run educational institutions and civilian-run non-enterprise units. SEs’ characteristics in terms of ownership, tax exemption, profit distribution and governance model vary according to their legal form.

First, the various types of SEs differ from each other in terms of ownership. The ownership structure of most SEs with a for-profit legal form – commercial companies, SWEs and civilian-run educational institutions – is capital-oriented, and ownership rights are assigned exclusively to the shareholders. Farmers’ specialised co-operatives constitute an exception in this regard, in so far as they are a type of for-profit SE in which non-investor members have the same right to participate in the governance process as investor members, and they receive their share of the annual surplus profit. As far as non-profit organisations – civilian-run non-enterprise units – are concerned, China’s existing legislation does not explicitly state whether their ownership is public or social, but only confers the rights to dispose of the SEs’ assets onto the bodies supervising their operations (yewu zhuguan danwei); these bodies are exclusively governmental agencies or agencies authorised by governments. In this sense, the ownership of non-profit SEs in China can be defined as “quasi-governmental” in nature; it thus differs markedly from the “social ownership” (by individual members,

	Schools				Enrolled students (million)			
	2005	2006	2007	2008	2005	2006	2007	2008
Universities and colleges	547	596	613	962	2.12	2.81	1.21	6.19
Junior and senior high schools	9,825	10,366	10,547	10,562	7.55	8.44	9.16	9.61
Primary schools	6,242	6,161	5,798	5,760	3.89	4.12	4.49	4.80
Kindergartens	68,835	75,426	77,616	83,119	6.68	7.76	8.69	9.82
Total	79,207	92,549	94,574	100,403	16.35	23.13	23.55	30.42

Source: NBSC (2006-2009)

Table III.
Expansion of civilian-run
educational institutions
(2005-2008)

community or non-profit social entities) or “multi-stakeholder ownership” structure recognised or required by national-level legislations on SE in various European countries such as Italy, Portugal, Greece and France (Defourny and Nyssens, 2010).

Second, the various legal types of SE differ significantly in terms of tax-exempt items and degree of tax exemption. In the Chinese context, non-profit SEs are not necessarily more likely to be granted a more favourable tax status than for-profit SEs:

- Commercial companies do not benefit from any tax exemption, no matter how genuinely they act as non-profit organisations.
- SWEs enjoy wide-ranging tax exemptions, whose level depends on the percentage of disabled workers employed (the minimum rate of disabled workers in the enterprise’s total workforce is 10 per cent): 50-100 per cent exemption from income tax; 100 per cent exemption from business tax; 100 per cent exemption from product tax (except for alcohol); 100 per cent exemption from value-added tax.
- Farmers’ specialised co-operatives are granted tax-exempt status concerning: value-added tax for agricultural products and materials of production; enterprise income tax in agricultural, foresting and fishing industries; reduced value-added tax rate (from 17 to 13 per cent) on agricultural goods; and individual income tax in some provinces, such as the Zhejiang Province.
- Civilian-run educational institutions are exempt from paying: business tax for revenue generated by educational labour, technological development, consultation and services, as well as kindergarten services; enterprise income tax for technological development, consultation and services provided by higher educational institutions and occupational schools, and government funds or allowance.
- Civilian-run non-enterprise units have a secondary tax immunity status: they are exempted only from the enterprise income tax on revenue from government funds and social donations, but not on income generated by their commercial activities.

Third, the degree to which profit distribution is prohibited for SEs also varies dramatically according to their organisational nature. Profit allocation is only partially limited, or not limited at all, for for-profit SEs of various legal forms, while the current Chinese legislative system contains a regulatory blind spot for non-profit SEs:

- Commercial companies are not constrained by any restrictions regarding profit distribution.
- SWEs are allowed limited profit distribution; specifically, “the major part of profits shall be used to improve technological conditions, enlarge production scale, replenish circulating capital and increase employee welfare and awards”.
- Farmers’ specialised co-operatives may allocate surplus profits to members of the co-operative according to the methods and procedures agreed upon by the members.
- Profit allocation is not prohibited in civilian-run educational institutions either. Rather, the investor can earn a profit up to a certain percentage of the total surplus, which is determined by the governing bodies of civilian-run educational institutions, taking into consideration the average profit margin of the industry.

- The existing law provides no direct specification regarding civilian-run non-enterprise units' rights to distribute profit. The law stipulates that "legal income earned according to state regulation should be used only for activities specified by the charter [of the organisation]". Moreover, there is no consistent specification on the revenue-generating commercial activities of civilian-run non-enterprise units. On the one hand, units are banned from "undertaking profit-making commercial activities", but they are also simultaneously allowed to register as organisations operating a business of education, health care, employment, sports, science and technology research and consulting, social welfare (care for the elderly and children, community service, etc.), legal services or other activities.

Fourth, the governance model also varies according to the legal form chosen by the SE; it depends heavily on the level of autonomy enjoyed by the organisation in its relationship with the government. Civilian-run non-enterprise units, civilian-run educational institutions and SWEs are under close supervision by governmental agencies in varying ways.

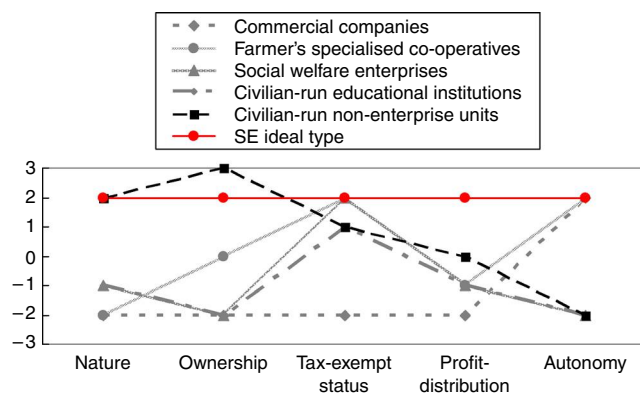
- Two categories of governmental agencies have a supervision function over civilian-run non-enterprise units: the operation supervision organs (yewu zhuguan danwei) and the registration administrative organs (dengji guanli jiguan), which serve as the civil affairs department at various levels. These two categories of governmental agencies participate in the governance process in two ways: the organisation undergoes an inspection by these agencies at the time of its registration, and these agencies have a decision-making power concerning the legal status of the organisation; these agencies conduct an annual investigation of the registered organisations regarding their compliance with law and policy and the organisations' bylaws, fiscal conditions, revenue sources and expenditure, and changes in organisational and employment provisions. However, there is no specific provision concerning the internal governance of civilian-run non-enterprise units.
- Educational administrative organs at various levels (for non-vocational schools) and the labour department at various levels (for vocational schools) are granted authority by law to make decisions on the approval of registration of civilian-run educational institutions, and they conduct an annual evaluation regarding these organisations' financial situation, educational quality and teachers' training activities. Beside external supervision by governmental agencies, civilian-run educational institutions are required to set up an internal governance structure composed of a board of trustees/directors (decision-making body), a school president (executive management), a Staff and Workers' Congress and a trade union organisation (democratic management and monitoring).
- As far as SWEs are concerned, the local civil affair departments are the supervisory organs responsible for: providing macro-managerial guidance to steer the development direction; conducting an annual investigation based on documents, financial records and other relevant materials submitted; facilitating the implementation of favourable policies; providing services related to production and operation. However, the general manager has the authority to conduct the day-to-day management independently. Moreover, as an

institutional legacy from socialist enterprises, SWEs are required to promote democratic management by setting up a Staff and Workers' Congress or a disabled employees' association and they are subject to monitoring by grassroots organs of the Chinese Community Party.

By comparison, commercial companies and farmers' specialised co-operatives have a greater degree of autonomy, in that governmental agencies have no significant supervisory function over them.

- In commercial companies (limited liability companies or companies limited by shares), the internal governance structure is constituted by the shareholders assembly (governing body), the board of directors or the sole director (legal representative), the supervisory committee and the managers.
- Farmers' specialised co-operatives' internal governance structure is constituted by the assembly of members (governing body), the board of directors or the sole director (legal representative), the supervisory committee and the managers.

To summarise, as illustrated by Figure 2, the legal characteristics of Chinese SEs vary, in terms of organisational nature, ownership, tax-exempt status, profit distribution and governance autonomy, according to the legal form chosen by the organisation. Under ideal circumstances, one could argue that typical SE legislation may define the SE as an autonomous non-profit organisation with a social/multi-stakeholder ownership structure, which enjoys more favourable tax status than purely commercial firms, and is constrained in its profit distribution to ensure its community-interest orientation.



Notes: On nature, -2 = entirely for-profit, -1 = moderately for-profit, 0 = neither for-profit or non-profit, 1 = moderately non-profit, 2 = entirely non-profit; on ownership, -2 = purely privately owned, -1 = moderately privately owned, 0 = neither privately nor socially owned, 1 = moderately socially owned, 2 = purely socially owned, 3 = quasi-state-owned; on tax-exempt status, -2 = strongly unfavourable, -1 = moderately unfavourable, 0 = neither unfavourable nor favourable, 1 = moderately favourable, 2 = strongly favourable; on profit-distribution, -2 = fully allowed, -1 = moderately allowed, 0 = neither allowed nor prohibited (no regulation), 1 = rather restricted, 2 = fully prohibited; on governance autonomy, -2 = closely supervised, -1 = moderately supervised, 0 = neither supervised nor autonomous (unregistered), 1 = moderately autonomous, 2 = strongly autonomous

Figure 2.
Legal characteristics of
SEs according to their
legal form

Compared with this overly simplified ideal type, which is itself debatable, the legislative framework for SEs in China is much more complicated and diversified. Among the five types of legal forms usually adopted by organisations that could be considered as SEs, farmers' specialised co-operatives and civilian-run non-enterprise units are those which manifest most of the salient features of a typical SE, and probably are the most "suitable" legal forms for SEs in China's current legislative context, in spite of severe limitations.

6. Concluding remarks

During the past several years, since non-profits began to play a vanguard role in serving social needs left unmet by governmental and market agencies, China has witnessed a burgeoning development of SEs. This article aims to provide insight into the dynamics, context and features of this new phenomenon. As a result of the socio-economic and legislative context configured during China's market transition, SE in China is following a development route which looks quite different from its counterpart in western countries.

At first sight, one can identify trends which are also found, to a certain extent, in western Europe. Indeed, the recent rise of SEs in China was driven by multiple forces that emerged during the market reforms – the state's efforts to privatise and marketise public services, the third sector's endeavours to play a greater role in solving social-economic problems, the private sector's growing interest in CSR and venture philanthropy, and international players' activities to foster social entrepreneurship in China. However, compared with the situation in many western countries, the institutional context for SE is much less developed; it provides (growing but) still limited financial, intellectual, technical and human resources – all of which are important for a sustainable development of SE.

Second, as reflected by empirical evidence collected for this study, Chinese SEs display quite specific features as to their legal status, their organisational nature and their operational model. However, as in most Western or East Asian contexts, they share a core similarity, in that they all constitute an innovative solution to pressing and emerging social-economic problems which are not solved efficiently by the state sector and the private market.

Finally, the legislative system regulating SEs in China also differs from the more favourable legislations which exist in several western countries. Under China's current legislative framework, there is no specific legal form for SEs. Depending on the legal form they choose, SEs have diverse characteristics in terms of ownership, tax-exempt status, profit distribution and governance model. Although China's current legislative system provides a wide space for a diversified development of SEs, it also has several vital flaws. For instance, most forms of SEs are based on conventional private ownership or "quasi-governmental" ownership, far from a type of "social ownership" or "multi-stakeholder ownership". Also, under the current legislation system, non-profit SEs do not benefit from a more favourable tax status than for-profit entities, which puts the former in a disadvantaged competitive position. Another major concern comes from the fact that the governance structure of SEs is determined too much by government intervention, without full consideration of the roles of the various stakeholders; this constrains the possibility for a democratic governance model to emerge in China's social economy sector.

In a comparative perspective, this also means that some criteria put forward by the EMES European Research Network to identify SE do not have much relevance in

today's Chinese landscape. Indeed, according to the EMES working definition, a high level of organisational autonomy is one the salient features of SEs, while under the current Chinese legislative framework, the two major legal forms of non-profit organisations – namely the social association and the civilian-run non-enterprise unit (the latter being also the ideal organisational form of SEs in the country) – are under close government supervision at the registration threshold and through annual inspection. Moreover, as shown by Defourny and Nyssens (2010), one of EMES's most specific contributions to the SE debate is to highlight the participatory governance structures that are often found in European SEs. However, many existing SEs in China are registered as for-profit companies, in which the ownership and control rights are legally retained by investors and are not necessarily being shared with other stakeholders, especially the beneficiaries. However, in a medium-term perspective, further developments of a more autonomous third sector in China might change this picture.

Notes

1. According to the EMES European Research Network, the defining characteristics of SEs include: (1) a continuous activity producing goods and/or selling services; (2) a high degree of autonomy; (3) a significant level of economic risk; (4) a minimum amount of paid work; (5) an explicit aim to benefit the community; (6) an initiative launched by a group of citizens; (7) a decision-making power not based on capital ownership; (8) a participatory nature, which involves the persons affected by the activity; (9) limited profit distribution.
2. The market intermediary model of SE provides services (typically product development, production and marketing assistance and credit) to small producers (individuals, firms or co-operatives), to help them access markets and add value to products made by producers receiving market intermediary services (see Alter, 2007, p. 33).
3. The entrepreneur-support model of SE sells business support and financial services to self-employed individuals or firms, which then sell their products and services in the open market (see Alter, 2007, p. 32).
4. The employment service model of SE provides employment opportunities and job training to people with high barriers to employment such as the disabled, the homeless, at-risk youth and ex-offenders. The type of business is predicated on the appropriateness of jobs it creates for its clients, regarding skills development, and consistency with clients' capabilities and limitations, as well as its commercial viability (see Alter, 2007, p. 35).
5. The co-operative model of social enterprise provides direct benefit to its co-operative members, through member services: market information, technical assistance, collective bargaining power, economies of bulk purchase, access to products and services and external markets, etc (see Alter, 2007, p. 40).
6. For this paper, the exchange rate is 1 US dollar = 6.67 Chinese yuan.
7. Commercial companies in China have a variety of legal forms, including sole proprietorship enterprise, partnership enterprise, wholly foreign-owned enterprise, Chinese-foreign joint venture enterprise, Chinese-foreign co-operative enterprise, limited liability company, and company limited by shares.

References

- Alter, K. (2007), "Social enterprise topology", available at: www.virtueventures.com (accessed 20 July 2009).
- Béja, J.P. (2006), "The changing aspects of civil society in China", *Social Research*, Vol. 73 No. 1, pp. 53-74.

- Bidet, E. and Eum, H.S. (2010), "Social enterprise in South Korea: history and diversity", paper presented at the International Conference on Social Enterprises in Eastern Asia: Dynamics and Variations, Taipei, 14-16 June.
- Carr, S. (2007), "Education gap could threaten China's stability", *Knight Ridder Tribune Business News*, 4 January, p. 1.
- Cheng, E.J. and Li, R.Y. (2009), "Community development funds: a new vehicle for poverty alleviation in China?", *Public Finance and Management*, Vol. 9 No. 1, pp. 37-75.
- Chinese Communist Party Central Committee (2010), "The 12th five-year plan", available at: www.caijing.com.cn/2010-10-28/110553747.html (accessed 15 November 2010) (in Chinese).
- Crook, D.S. (2008), "Poverty and inequality among Chinese minorities", *Mountain Research and Development*, Vol. 28 No. 1, pp. 93-5.
- Cultural and Education Section of British Embassy (CESBE) (2008), "The general report of social enterprise in China", available at: http://dsi.britishcouncil.org.cn/images/BC_China_Social_Enterprise_Research_Report.pdf (accessed 12 May 2010).
- Defourny, J. (2001), "Introduction: from third sector to social enterprise", in Borzaga, C. and Defourny, J. (Eds), *The Emergence of Social Enterprise*, Routledge, London, New York, NY, pp. 1-28.
- Defourny, J. and Kim, S.Y. (2010), "A cross-country analysis of social enterprises in Eastern Asia", paper presented at the International Conference on Social Enterprises in Eastern Asia: Dynamics and Variations, Taipei, 14-16 June.
- Defourny, J. and Nyssens, M. (2010), "Conceptions of social enterprise and social entrepreneurship in Europe and the United States: convergences and divergences", *Journal of Social Entrepreneurship*, Vol. 1 No. 1, pp. 32-53.
- Gu, E. and Zhang, J.J. (2006), "Health care regime change in urban China: unmanaged marketization and reluctant privatization", *Pacific Affairs*, Vol. 79 No. 1, pp. 49-71.
- Investment Weekly News* (2009), "Grameen trust and Alibaba group to create Grameen China initiative", *Investment Weekly News*, 10 October, p. 161.
- Kitajima, K. (2010), "Practice and theory of social entrepreneurship in Japan", paper presented at the International Conference on Social Enterprises in Eastern Asia: Dynamics and Variations, Taipei, 14-16 June.
- Kuan, Y.Y. and Wang, S.T. (2010), "Taiwanese social enterprises: characteristics, development trend, and effect", paper presented at the International Conference on Social Enterprises in Eastern Asia: Dynamics and Variations, Taipei, 14-16 June.
- Laratta, R. (2010), "The spread of social enterprises in Japan", paper presented at the International Conference on Social Enterprises in Eastern Asia: Dynamics and Variations, Taipei, 14-16 June.
- Li, G.A. (2008), "The advantages and pitfalls of commercialisation of nonprofits", *Modern Business and Industry*, Vol. 2, pp. 32-4 (in Chinese).
- Lu, M. and Feng, M.L. (2008), "Reforming the welfare system in the People's Republic of China", *Asian Development Review*, Vol. 25 Nos 1/2, pp. 58-80.
- Makinen, J. (2009), "In China, philanthropy as a new measuring stick", *New York Times*, 24 September, p. B5.
- Ministry of Civil Affairs of China (MOCC) (2000), *China Civil Affairs Statistical Yearbook 2000*, China Statistics Press, Beijing (in Chinese).
- Ministry of Civil Affairs of China (MOCC) (2009), *China Civil Affairs Statistical Yearbook 2009*, China Statistics Press, Beijing (in Chinese).
- Ministry of Civil Affairs of China (MOCC) (2010), "Statistical report on civil affairs development of 2009", available at: <http://cws.mca.gov.cn/article/tjbg/201006/20100600081422.shtml> (accessed 11 August 2010) (in Chinese).

-
- Ministry of Health of China. (Ed.) (2009), *China Statistical Yearbook 2009*, Chinese Peking Union Medical College Press, Beijing.
- National Bureau of Statistics of China (NBSC). (Ed.) (2006-2009), *China Social Statistical Yearbook 2006-2009*, China Statistics Press, Beijing.
- National Bureau of Statistics of China (NBSC). (Ed.) (2009), *China Social Statistical Yearbook 2009*, China Statistics Press, Beijing (in Chinese).
- National Bureau of Statistics of China (NBSC). (Ed.) (2010), *China Statistical Summary 2010*, China Statistics Press, Beijing (in Chinese).
- National Bureau of Statistics of China and Ministry of Human Resource and Social Security of China. (Eds) (2009), *China Labor Statistical Yearbook*, China Statistics Press, Beijing (in Chinese).
- Nyssens, M. (2006), *Social Enterprise: At the Crossroads of Market, Public Policies and Civil Society*, Routledge, New York, NY.
- Peng, Y. (2010), "24 micro-loan lending companies went into operation", *Shenzhen Commercial News*, 24 June, p. 3 (in Chinese).
- Santos, J., Macatangay, L., Capistrano, M.A. and Burns, C. (2009), "Southeast Asia", in Kerlin, J.A. (Ed.), *Social Enterprise: A Global Comparison*, Tufts University Press, Lebanon, NH, pp. 64-86.
- Shang, X.Y. (2001), "Moving towards a multi-level and multi-pillar system: changes in institutional care in two Chinese cities", *Journal of Social Policy*, Vol. 30 No. 2, pp. 259-81.
- Shang, X.Y., Wu, X.M. and Wu, Y. (2005), "Welfare provision for vulnerable children: the missing role of the state", *The China Quarterly*, Vol. 181, pp. 122-36.
- Shi, L.R. (2005), "From informal employment organizations to social enterprise", *Theory Journal*, Vol. 139, pp. 42-4 (in Chinese).
- Spear, R. and Bidet, E. (2005), "Social enterprise for work integration in 12 European countries: a descriptive analysis", *Annals of Public and Cooperative Economics*, Vol. 76 No. 2, pp. 195-231.
- Tang, M. (2008), "Inclusive growth and the new phase of poverty reduction in the People's Republic of China", *Asian Development Review*, Vol. 25 Nos 1/2, pp. 81-99.
- Tsukamoto, I. and Nishimura, M. (2009), "Japan", in Kerlin, J.A. (Ed.), *Social Enterprise: A Global Comparison*, Tufts University Press, Lebanon, NH, pp. 163-83.
- Vidal, I. (2005), "Social enterprise and social inclusion: social enterprises in the sphere of work integration", *International Journal of Public Administration*, Vol. 28 Nos 9/10, pp. 807-25.
- Wang, Y.S. and Tian, Y. (2007), "Children of rural migrants yearning for equal education", *Xinhua News Net*, 6 March, available at: http://news.xinhuanet.com/misc/2007-03/06/content_5806282.htm (accessed 15 July 2010).
- Wong, L. and Ngok, K.L. (2006), "Social policy between plan and market: xiagang (off-duty employment) and the policy of the re-employment service centres in China", *Social Policy and Administration*, Vol. 40 No. 2, pp. 158-73.
- Wong, L. and Tang, J. (2006/2007), "Dilemmas confronting social entrepreneurs: care homes for elderly people in Chinese cities", *Pacific Affairs*, Vol. 79 No. 4, pp. 623-40.
- World Bank (2009), "From poor areas to poor people: China's evolving poverty reduction agenda", available at: http://siteresources.worldbank.org/CHINAEXTN/Resources/318949-1239096143906/China_PA_Report_March_2009_eng.pdf (accessed 11 December 2010).
- Yip, W. and Hsiao, W.C. (2008), "Market watch: the Chinese health system at a crossroads", *Health Affairs*, Vol. 27 No. 2, pp. 460-8.
- Yu, X.M., Liu, Z.X., Zhang, Q. and Zhang, X.L. (2010), "Taxation policies on foundations in China", *Taxation Research*, Vol. 300 No. 5, pp. 25-8 (in Chinese).

- Zhang, Y.L. (2008), "Dilemma and governance: the operation of marketisation of nonprofits", *China Agricultural University Journal of Social Sciences Edition*, Vol. 25 No. 4, pp. 170-80 (in Chinese).
- Zhu, L.H. and Ding, L.P. (2009), "Four more micro-loan lending companies get registered in Shenzhen city", *Shenzhen Commercial News*, 4 June, p. 4 (in Chinese).
- Zhu, Z. (2006), "Microcredit will work in China, Nobel laureate says", *China Daily*, 23 October, p. 1.

Further reading

- Cheng, T.M. (2008), "Interview: China's latest health reforms", *Health Affairs*, Vol. 27 No. 4, pp. 1103-10.
- Mancino, A. and Thomas, A. (2005), "An Italian pattern of social enterprise: the social cooperative", *Nonprofit Management and Leadership*, Vol. 15 No. 3, pp. 357-69.

Appendix 1. Canyou Group

Arising from a small computer workshop established by Weining Zheng, a leukaemia patient, and four disabled people in 1999 in Shenzhen City, Canyou Group is currently a large hybridised group composed of one charitable foundation, four non-profit organisations and 15 social welfare enterprises (SWEs), providing occupational training, job opportunities and social services to over 1,000 disabled employees coming from all over the country.

Some SWEs of the Canyou Group are funded by foundation investment, while in others investors are local entrepreneurs committing to employ disabled people. In some cases, the local government is also a partner, providing free-of-charge land and plant buildings.

The core business activities fall into two categories: one is the provision of wide-ranging IT services (software development, animation design, call centre and other types of outsourced IT services), in which well-educated college graduates are hired; the other is the manufacture and sale of IT products, such as cell phones, where disabled people with a lower educational level are trained and offered stable jobs. By the end of 2009, the total annual revenue of the Canyou Group exceeded three million yuan.

Appendix 2. Hetong

Hetong was founded in 1995 in Tianjin City as a company delivering institutional care to vulnerable elders. The company was founded by Jiake Fang, a medical graduate who turned to the issue of elderly care when he visited Austria in 1992 and was impressed by the development of the elderly care sector there. Hetong has now expanded into a highly integrated entity of mixed organisational forms: a social association, a charitable foundation and a series of civilian-run non-enterprise units.

Hetong's key beneficiaries are elders in their late seventies, suffering from illness or incapable of caring for themselves. In Hetong's care homes and hospital, located in Tianjin and Beijing, the elderly can receive personal care services and medical treatment. From 2005 to 2009, Hetong's care homes provided services to 4,713 elderly customers.

Hetong relies mainly on a fee-for-service approach to generate revenue, supplemented by income from social donations and government funds. In 2009, its total revenue reached 21 million yuan.

Appendix 3. Sun Village

Sun Village was initiated in 1996 by Shuqin Zhang, a retired police officer in Shaanxi province, as a small-scale shelter for convicts' children. By 2008, Sun Village had expanded into six children's villages, located in Beijing city and in the Shaanxi, Henan, Jiangxi, and Qinghai provinces. Encountering difficulty in getting government support, Sun Village was not registered as a non-profit organisation but rather as a commercial company.

Sun Village is dedicated to providing foster care, tailored educational programmes, psychological counselling, rights protection services and vocational training for the children of convicts. Between 1996 and 2010, Sun Village provided assistance to over 2,000 prisoners' children; currently more than 400 children reside at the six children's villages.

In recent years, Sun Village has made ever-increasing efforts to achieve financial self-sufficiency through a variety of market-based revenue-generating methods. Its business venture started in 2002, when Sun Village started renting over 40 acres of land in the suburban area of Beijing and set up a farm, planting jujube trees and selling fruit. By 2009, the farm had doubled in size; its income-making activities had diversified to include organic farming, chicken raising, charitable tourism, etc. By the end of 2008, Sun Village's annual revenue reached 0.9 million yuan, of which 79 percent was income earned from farm-related business and 21 percent originated from social donations.

Appendix 4. Operation Smile Charity Hospital

Operation Smile Charity Hospital was launched in 2007 in Hangzhou City as a joint initiative of Operation Smile, one of the world's leading charitable health care organisations, and Operation Smile Foundation China.

The hospital provides reconstructive surgery for children born with facial deformities such as cleft lip and cleft palate and for children from impoverished families; all services are free of charge. By the end of 2009, more than 2,000 children born with a severe cleft condition had received safe and effective reconstructive surgery from the hospital and were able to lead a normal life.

The hospital relies on the voluntary contributions of medical professionals and social donations for sustaining its activity.

Appendix 5. Fuping Development Institute

The Fuping Development Institute was initiated by several prominent economists and entrepreneurs in 2002 as a non-governmental entity aiming to reduce poverty and achieve social justice and sustainable development. In the same year, Fuping was registered as a civilian-run non-enterprise unit, one of three legal forms of non-profit organisations in China.

Fuping's first experiment of micro-credit can be traced back to 1993, when one of its founders, economist Yushi Mao, set up a micro-finance fund with his personal donation of 500 yuan to make small-scale loans to poor farmers in a village in the Shanxi province. The farmers were to repay the loans with interest. In 2008, cooperating with social investment partners, Fuping established a social investment company, which invests mainly in firms engaging in microcredit business.

In 2009, with Fuping's investment and assistance, a micro-credit company went into operation in the Yongji county (Shanxi province), providing micro-loans to farmers to meet their needs for entrepreneurship, house-building, education, health care, livelihood, and in other areas. By 31 July 2010 the company had disbursed a total of more than 36.42 million yuan, offering small-scale loans (up to 20,000 yuan) to more than 2,000 borrowers.

Appendix 6. New Citizen Schools

New Citizen Plan was launched in 2007 by the Narada Foundation as a platform to foster the development of private schools through which migrant children can gain equal access to education of good quality. Under this plan, the Narada Foundation decided to make donations for the construction of 100 non-governmental public welfare schools in five to ten years. These schools are called "New Citizen Schools" and aim to train children to become new socialist citizens with ideals, morality, culture and self-discipline. By 2008, two private schools located in Beijing had been re-constructed as "New Citizen Schools"; they recruited mainly migrant children at compulsory education level.

SEJ
7,1

In 2008, responding to the lack of qualified teachers frequently encountered by schools for migrant children, the Narada Foundation and BN Vocational School set up a Teachers Training Centre to train teachers for the newly constructed New Citizen Schools.

In the same year, New Citizen Plan expanded its action from compulsory education to the vocational education of migrant children. By the summer of 2008, two vocational schools had been re-constructed, with a view to enhancing the competitiveness of migrant children graduating from middle schools in the urban labour market and facilitating their social integration into urban life.

32

Corresponding author

Xiaomin Yu can be contacted at: shellymyu@yahoo.com.cn

This article has been cited by:

1. Daphne W. Yiu, William P. Wan, Frank W. Ng, Xing Chen, Jun Su. 2014. Sentimental Drivers of Social Entrepreneurship: A Study of China's Guangcai (Glorious) Program. *Management and Organization Review* 10:01, 55-80. [[CrossRef](#)]
2. Xiaomin Yu School of Social Development and Public Policy, Beijing Normal University, Beijing, China . 2013. The governance of social enterprises in China. *Social Enterprise Journal* 9:3, 225-246. [[Abstract](#)] [[Full Text](#)] [[PDF](#)]
3. Lars Hulgård. 2011. Social economy and social enterprise: an emerging alternative to mainstream market economy?. *China Journal of Social Work* 4:3, 201-215. [[CrossRef](#)]
4. Timothy Curtis. 2011. 'Newness' in Social Entrepreneurship Discourses: The Concept of 'Danwei' in the Chinese Experience. *Journal of Social Entrepreneurship* 2:2, 198-217. [[CrossRef](#)]
5. Jacques Defourny and Yu-Yuan Kuan Jacques Defourny Centre for Social Economy, HEC Management School, University of Liege, Belgium Shin-Yang Kim Civil Society & Welfare Department, Sungkonghoe University, Seoul, South Korea and University of Paris, Nanterre, France. 2011. Emerging models of social enterprise in Eastern Asia: a cross-country analysis. *Social Enterprise Journal* 7:1, 86-111. [[Abstract](#)] [[Full Text](#)] [[PDF](#)]