Emerging Social Enterprises in China:

An Innovative Approach towards Poverty Alleviation and Social Fairness

**Economic Subtheme**

Li Qingran

Hong Kong Baptist University

Department of Economics

Registration Number: 111228174924350
Abstract

Over the past 25 years, China’s progress in poverty alleviation is remarkable. However, the portion of population under poverty line remains high and the unbalanced development between areas also adds difficulties to the effective execution of poverty reduction programmes. The sense of insecurity among the general public is amplified by the weak social safety nets, which further depresses the economic incentives.

Social enterprises, a relatively new phenomenon even in western developed countries, function as an appreciated solution to many social issues by combining social and business purposes. This paper gives a brief review of the background and present development of social enterprises in China. Values of social enterprises in the effort of poverty elimination and fairness achievement are examined in terms of delivering basic services to the disadvantaged groups, enhancing self-reliance of the local communities, combining innovation with entrepreneurship, and promoting cooperation between the government, NGOs and the public. Admittedly, social enterprises, at its infancy stage in China, still have a long way to go. What are the challenges faced by this emerging business format? What kind of policy could be considered by the government to support the growth of social enterprises?

In the final section of this paper, incentive strategies and business models are recommended to fit the situations in China.
PART I – Rise of China’s Social Enterprises

Background

**China’s Poverty Reduction Programme: Achievements and Challenges**

The past 25 years have witnessed enviable achievements of China’s poverty reduction programme. Between 1981 and 2004, the fraction of the population consuming below the World Bank poverty standard\(^1\) fell from 65% to 10%, and the absolute number of poor dropped significantly. This remarkable record has resulted mainly from the economic reforms leading China’s transition from a planned to a market-oriented economy (World Bank, 2009). However, social cost of the economy transition has not been distributed fairly among the population. And the positive economic trend has yet to be transformed into improved well-being for all society members. With the widening income gap and weak social safety nets, the sense of unsecure among the general public is amplified, which depresses the long-run economic incentive.

The 2009 World Bank report pointed out challenges such as the widespread vulnerability to poverty, dispersed allocation of the remaining poor, widening rural-urban gap and increasing inequality, growing disparities in many non-income aspects of human development, emergence of a “floating population” and the weak protection from social welfare and security system. To respond to these challenges, bottom-up approaches are expected in China’s forward agenda.

\(^1\) 888 yuan per person per year at 2003 rural prices
Social Enterprise: Concept and Definition

Social enterprise (SE) is a new-born concept in the last two decades and has drawn increasing attention in many western countries (Borzaga & Defourny, 2001; Defourny & Nyssens, 2008; Kerlin, 2006). SE is also attaining a growing interest in Asia with initiatives diverse in practice (Defourny & Shin-Yang, 2011). But until now there is neither a unified definition nor fixed model for SEs. The EMES European Research Network pioneered its work in conceptualizing SE with nine economic and social factors (Table 1). Borzaga, Galera, and Nogales (2008) simplified this definition into six criteria (Table 2) to describe the ‘ideal’ form SE.

Status Quo

Driving Forces

Although practices of SEs have been implemented successfully in some parts of the world such as the United Kingdom (Bartlett & Molly, 2007) (Table 3), SE in China is still in its infancy. As soon as the term was first introduced in 2004, the Chinese NGOs have shown great interest in the potential of this business model to make profitability and social responsiveness converge. Following the introduction were a series of forums, symposia, and conferences (Table 4), which further promoted this idea. Other driving forces of SEs’ rise in China include the privatization and marketization of public services, increasing participation of the third sector in socio-economic issues, growing awareness of Corporate social responsibility (CSR), and the promotion by international organizations (Yu, 2011).
Legal forms

Judged by the strict definition set by EMES, no mature SE exists in China, or if it did, the amount would be quite limited (CESBE, 2008). If we accept the flexibility proposed by Borzaga et al. (2008), a group of Chinese organizations can be categorized as social or quasi-social enterprises. The current legislative framework in China adopts four legal forms for such SEs: Social Welfare Enterprises, Farmers’ Specialized Cooperatives, Private Educational Institutions, and Civilian-Run Non-enterprise Units (Yu & Zhang, 2009).

1. Social Welfare Enterprise (SWE)

SWE is a special type of enterprises which contribute to employment generation by hiring disabled workers with some working ability. SWE is a kind of Work Integration Social Enterprise (WISE). By regulation, 35% or more employment vacancies should be provided to the disabled. Because of their endeavor on welfare of the disabled, SWEs are granted exemptions from value-added tax, sales tax, and income tax of the enterprise.

The traits of public welfare of SWEs are gradually fading over the recent decades. Unbalanced development between economic efficiency and social merits was pointed out in a policy research report by the Ministry of Civil Affairs of the People’s Republic of China (MOCA) (2008). Contrary to their profit growth from 1978 to 2004, the population of SWEs

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2 Social Enterprises designed to provide working opportunities to workers with minimal chances of being employed by traditional enterprises

3 The Interim Regulation on Employment of the Handicapped by the Social Welfare Enterprise
was shrinking as well as the employment of the disabled. As shown in Figure 1, the number of SWEs in China continued to decrease in the recent decade. By the end of 2010, there were 22,200 SWEs which employed 625,000 disabled workers.

2. Farmers’ Specialized Cooperative (FSC)

FSCs are mutual-help organizations aiming to incorporate the poor in China’s development success. Different from the modern corporations, FSC does not distribute profit based on share-holding but on procedures decided by its members. This participatory governance matches with the autonomy feature of SE.

The rapid growth of FSCs in recent years is partly attributed to the removal of many institutional barriers in 2006. In 2007, there were 1609 FSCs in China. The numbers continued to growth in the successive years but with diminishing rate. By the end of the year 2010, the number of registered FSCs is over 350,000 (Figure 2). However, motivations of some FSCs are not based on serving members’ common interests but on acquiring government subsidies, which has distorted their economic and social functions (Zhang & Ren, 2011).

3. Private Educational Institutions (PEI)

PEIs rose to meet the unsatisfied demand for human capital investment. By the year 2010, 1,800 higher education schools are running by private institutions, approximately 30% of the total amount (Figure 3). The portions in secondary and regular primary schools are comparatively lower, which is largely due to the successful implementation of the 9-year compulsory education system.
However, significant inequalities in education attainment beyond primary school remain noticeable. Furthermore, the education of children from migrant families in urban areas is strictly limited by the hukou system (World Bank, 2009). PEIs reflect more flexible approaches towards penetrating the education services in remote areas, also some of them have become the only choice of migrant families in the urban cities. But compared with other state-run institutions, PEIs are in a weaker position of supporting policies (Yu & Zhang, 2009).

4. Civilian-Run Non-Enterprise Unit (CRNEU)

The past few years have seen a growing trend of social organizations’ participation in socio-economic issues in China. Steady increase in the number of CRNEUs, staff and workers, and added-value has been observed in the recent years (Figure 4 & Table 5).

CRNEUs are considered as quasi-SEs due to its non-profit nature and operation under close government supervision. But such characters are not sufficiently rewarded with privileged tax policies. They only enjoy exemptions from the enterprise income tax on revenue from subsidies and donations excluding that from commercial activities.

To conclude, the currently adopted legal forms for SEs in China diversified greatly in their organization natures and operations. It is not easy to identify these SEs and no well-operated supporting system has been established for innovative solutions or long-term investment.

**Part II – SE: Innovative Solutions to Socio-Economic Problems**

Social enterprises reflect a bottom-up approach to tackle the issues of poverty alleviation and social fairness attainment. Their contributions can be seen from four various perspectives.
Our analysis in this part is supplemented with cases which were selected from a general report by CESBE (2008) on the grassroots SE practices in China.

**Delivering Basic Services to the Disadvantaged Groups**

Over the past three decades, extreme poverty has almost been eliminated in China. However, as the poverty rate continues to decline, the remaining poor are more dispersed (Figure 5), which requires more household-oriented approaches rather than area-based projects (World Bank, 2009).

As the rural-urban income gap widened, disparities in attaining basic health and education has created increasing burden to the low-income earners. These groups have been chronically positioning themselves in a sense of insecure, and tend to end up with minimum-welfare informal employment and high-risk working conditions. SEs reflect effective responses to the insufficient public services by complement the supply of general interest goods – education, medical care, etc. – to the disadvantaged groups (Borzaga et al., 2008).

**CASE: Beijing Stars and Rain**

Beijing Stars and Rain⁴ is a SE dedicating to individualized education for autistic children. Compare with the other civil-run educational centers who give direct tutoring to children,

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Beijing Stars and Rain also provide training courses to parents. This unique design has effectively relieved the post-treatment burden of the organization by equipping parents with necessary skills to educate their own children. To ensure the quality of parent education afterwards, the teaching techniques are based on applied behavior analysis (ABA) and require participation of parents in all teaching activities.

In the past decade, it has provided individual education therapy and consulting services to more than 2,000 autistic children from 32 provinces. Over 700 parents were trained to apply the ABA principles in their children’s education.

**Enhancing Self-Reliance of the Local Communities**

In many western provinces of China, underprivileged families are trapped in poor not because of deprived geographic locations but the limited access to information and underutilized local resources. These resources, including labor, culture, and natural landscape, provide the potential soil where many social enterprises sprout.

Contribution to a self-reliant community can be achieved by encouraging participation of local stakeholders and a more balanced use of local resources. The community-based efforts of SEs set up household-oriented poverty alleviation strategies instead of charity or short-term relief.

Another endeavor of the SEs is in the area of assisting the labor transfer process. The critical factor leading to disadvantaged status is not inability but the inadequate return to labor (World Bank, 2009). Therefore, vocation or technical training programmes are founded to support transfer of rural surplus labor to non-agricultural employment.
**CASE: Xingeng Workshop**

Xingeng Workshop\(^5\) devotes itself to discovering equal market opportunities for the vulnerable groups by training unprivileged workers and promoting fair trade. Xingeng started its family handicraft workshop project in Henan for villagers to earn their livelihood in a safe working environment and to build up a life of dignity. From 2008 to present, Xingeng has provided training and employment opportunities to over 100 local housewives aged between 30 and 50. Among them, two-thirds have already attained self-employment.

**Combining Innovation with Entrepreneurship**

Innovation is highly emphasized by social entrepreneurs to ensure competitiveness in the marketplace. As a key identifier for SEs, innovation does not only refer to the design of product but also the overall business model with supply chain and cost management (Tang et al., 2008).

Unique values added by SEs are usually through the process of creating new industries, validating innovative business models, and allocating resources to compensate market failures. Since SEs target at finding socio-economic solutions rather than exerting pressure to the system (Santos, 2010), their efforts are often well-received by the community. Also, political sensitivity is greatly avoid and thus less intervention from the bureaus.

**CASE: Hua Dan**

Hua Dan\(^6\) is one of the pioneering organizations in China to combine social services with educational theatre. To achieve the goals of personal leadership, relationships, and

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\(^5\) [http://www.xingeng.org/En/index.asp](http://www.xingeng.org/En/index.asp)  
participatory arts, Hua Dan unfolds its plan through the following three approaches:

- Delivering inspirational workshops in partnership with community organizations and commercial companies;
- Training migrant workers with professional art practices;
- Cooperating with art professionals to design innovative projects.

Programmes and projects of Hua Dan are summarized in Table 6. With the major targeting group as migrant workers, Hua Dan’s programmes have expanded their employment options.

**Promoting Cooperation between Government, NGOs, and the Public**

SEs can establish complementary relations between different socio-economic sectors. If backed by well-supporting legal and institutional context, SEs will be a perfect proxy for communication between authorities, NGOs, and the general public in

- facilitating household-based targeting programme by encouraging local participation and conducting household surveys and interviews;
- assisting inter-agency coordination;
- tackling the mistrust towards social donation handling by adding transparency.

**CASE: Fuping Housekeeping Vocational School**

Fuping Housekeeping Vocational School is a branch under Fuping Development Institution\(^7\), which provides a service chain of training, job settlement, and welfare protection. It has built up a “civilian founded, government aided” model that promotes public welfare through socially responsible investments. Fuping SE Workshop has successfully incubated several

\(^7\) [http://www.fdi.ngo.cn/](http://www.fdi.ngo.cn/)
individual SEs originating from the third sector and established long-term cooperative relations with them.

Part III – Responding to Challenges

Although the central authorities are holding a less aggressive attitude towards SEs as opposed to the NGO sector (Zhao, 2012), key bottlenecks still withhold the growth of SEs in China. Responding to these challenges, establishment of a supporting mechanism should be the priority. And the Chinese government is suggested to rationalize its role as a promoter not a controller.

Challenges Faced by SEs in China

For the Four Legal Forms

The four legal forms presented in Part I diversify in operation models and enjoy different levels of tax policy privilege. Yu & Zhang (2009) proposed six sources of legal and institutional challenges confronted by these quasi-SEs in China:

- status dislocation due to high entrance barriers;
- no specific legislation on SE’s commercial activities;
- policies lacking executive power;
- limited external financial support;
- capital deficiency for self-sustaining;
- business success dominated by relation with government.

These obstacles have eroded some of the favorable SE characteristics, leading to loss of autonomy and imbalance between commercial profit and social objective. The weak legal
protection as well as complicated administrative formalities have also lowered the incentive of social entrepreneurs to setup their business.

**For Grassroots Practitioners**

Grassroots practices have overcome some obstacles imposed to the quasi-SEs by engaging in innovative commercial activities, encouraging participations of beneficiaries and stakeholders, and enjoying more flexibility in business operations. However, the path of growth has not become easier. Challenges encountered by the social entrepreneurs include funding shortage, scarcity of talents and technical resources, lack of innovative solutions, and competitive disadvantage with profit-oriented companies (CESBE, 2008).

Among the challenges mentioned, deficiency of funding is the most serious but common limitation, especially for SEs providing services to the unprivileged. For example, Beijing Starts and Rain was once compelled to postpone its schedule for two years due to insufficient funding. Another factor obstructing the financing process roots in the loss of trust in the Chinese society with many citizens becoming increasingly cynical to the funding activities of social organizations. The charity scandal in 2011 which rocked China’s Red Cross has deepened the public mistrust and made financing from donations more difficult than ever.

**Role of the Chinese government**

While the success of SEs in many European countries, especially UK, is inseparable from the support of both the central and local government (Kerlin, 2006). In China, prerequisites for the fulfillment of SEs’ socio-economic objectives include two aspects that deserve government’s consideration.
1. Legal and Fiscal Framework Construction

It is on top of the agenda to set legal recognition of various forms appropriate for SEs. Considering the immature characteristics of SEs in China, it would be wise to adopt a broadly define concept for SEs which is flexible enough to adapt to their diverse initiatives. The optimal features of legal framework for SE development include: (1) social merit as a legal bound; (2) participatory governance of the stakeholders; (3) distribution constraint on profit; and (4) reduced limitations on commercial activities (Borzaga et al., 2008).

SEs should also be supported through fiscal measures in aspects of tax exemptions and monetary subsidies. To limit the opportunistic behaviors as well as to avoid the criticism of unfair competition from other sectors, qualifications of SEs should be examined based on their social vision as well as level of innovation before financial privilege is granted. Project-based evaluation is recommended, since it is easier for the government to conduct a cost-benefit analysis on the supporting scheme.

2. Improvement of Institutional Context

The disadvantaged position of SEs compared with the traditional for-profit companies largely results from their limited access to equivalent markets, especially the credit market. The difficulty in acquiring start-up capital and lack of talents are the most critical constraints hindering SEs’ growth. Government-backed funding support bodies can be of great help in expanding the business capacity of SEs, and have been proved successful in UK (Bartlett & Molly, 2007). However, under the rigid legal framework in China, cooperation with international organizations seems to be more preferable at present time. In 2008, the second
China Development Marketplace\textsuperscript{8} (CDM) granted over US$1.1 million to 50 innovative projects by CSOs. Jointly held by the World Bank and three Chinese bureaus, the programme reflects the government’s efforts to identify and support innovations by civil organizations and mobilize social resources to tackle challenges towards building a harmonious society.

**Part IV – Incentive Strategies and Business Models**

The social goal of SEs is often developed to deliver public goods which often face the dilemma of market failures due to absence of incentive structures. To motivate the stakeholders to contribute resources such as labor, capital, and cooperation, incentive strategy is a must of sustainable business models.

In this part, we adopt the framework constructed by Sommerrock (2010) for SEs by integrating the social and business components into four dimensions: *value proposition*, *product design and market definition*, *internal and external value creation architecture*. The four elements are inter-supported and are used to develop incentive strategies for social entrepreneurial organizations.

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\textsuperscript{8} China Development Marketplace (CDM) is an initiative of the World Bank to fund innovative projects of civil society organizations in China. Entitled “Supporting Grassroots Innovations for a Harmonious Society,” the 2nd CDM was held in Beijing in 2008. Primary partners are the State Council Leading Group Office for Poverty Alleviation and Development, Ministry of Civil Affairs and Ministry of Finance.
**Value proposition**

Value proposition defines “the benefit for stakeholders of an organization satisfies needs and encourages cooperation” (Sommerrock, 2010, p. 145). The stakeholder groups involve the target groups, volunteers and employees, other socio-economic sectors (e.g. NGO partners, local communities, commercial enterprises). Three strategies to create participation incentives are proposed by Sommerrock (2010), namely *social value creation with beneficiaries, for beneficiaries, and hybrid social value creations*. Some of the SEs in China that adopt each model are given in Figure 6.

However, SEs in each dimension tend to operate independently in their own field without much cooperation. For example, SEs in the “with beneficiary” model often take a high risk of hiring the disadvantaged and have to bear the large cost of training its workers. On the other hand, SEs in the “for beneficiary” model suffer from income deficiency since services are offered to those with inability to pay. Therefore, training outsourcing from the former to the latter can be a win-win solution to both entities.

**Product Design and Market Definition**

In the dimension of product design and market definition, innovation plays a dominant role in developing incentive strategies.

Products of SEs have to carry with them tangible benefits to the stakeholders. Public services delivery has the built-in material incentives for the beneficiaries. However, motivations are often eroded and sustainability is hard to achieve. Therefore, entrepreneurs are required to
execute innovative business operations which encourage stakeholder participations and promote self-reliance in the long run. An example of innovative entrepreneurship is demonstrated in Hua Dan’s case.

Strategies for market definition have two general categories: (1) meeting the unsatisfied demand; and (2) bridging the existing supply and demand. While the first type can be observed in many SE practices in China, the second type is rarely seen at present. The parental control from Chinese government has limited SEs’ access to many socio-economic issues and information is often blocked between different sectors. However, with the role government transiting into service-orientation, the growth potential of SEs this market is quite promising.

**Internal Value Creation Architecture**

Resource deficiency is the considered to be the key bottleneck hindering the growth of SEs in China. Because of the great difficulty in capital acquisition, SEs in China have developed material and immaterial incentives to attract human capital and economic capital from the stakeholders. Figure 7 summarizes the major strategies and practices in China.

**Human Capital**

Sommerrock (2010) explored three incentive strategies for obtaining human capital: (1) the integration of beneficiaries; (2) value-added volunteer employment; and (3) niche volunteer employment. The first two strategies are mostly adopted by the Chinese SEs, and some SEs engaging in professional services use the third method to attract volunteers with specific value proposition and professional qualifications. FSCs have the embedded feature of integrating the beneficiaries since all the decisions are made by members jointly. Other SEs
involve target group participation by providing employment opportunities. For example, part of Hua Dan’s employees used to receive its services. Immaterial incentives are commonly used in the value-added strategy. These incentives can be personal satisfaction, unique learning experiences, or training opportunities. Niche volunteer employment, although maybe the most effective and beneficial strategy, is bounded by its specific requirement on volunteers’ educational background and skills.

**Economic Capital**

Even SEs with innovative value chains run into capital deficiency. Funding shortage forces SEs to postpone their project schedules and sometimes leads to organization shutdown. Commercial activities are the major income sources for most SEs in China. Beside earnings from their core business, many cooperate with the private sector in their CSR programme. However, profit is often too trivial to support SEs’ operation. And except SWEs, neither market-based SEs nor CRNEUs enjoy tax exemption on commercial income. Therefore, fundraising became an important capital source. A number of international foundations are playing an active role in supporting social entrepreneurship in China. Also, some local companies set private foundations for SE investment. In 2007, Lenovo entrusted the Non-Profit Incubator with managing the Lenovo Venture Philanthropy (VP) Fund, which is the first VP fund in China (Zhao, 2012).

**External Value Creation Architecture**

The two critical components of SEs’ external architecture are their customers and value creation partners. Customers are parties who receive goods or services provided by SEs. They are normally the direct beneficiaries but sometimes can be integrated into the value creation
process as in the “for beneficiary” model of value proposition strategies. Value creation partners are the joint-plays in SEs’ value chains. Relationship and communication with these external stakeholders should be carefully managed. It is suggested that a network platform should be founded to facilitate information exchange and feedback control. As for customer relationship management, this network mechanism adds transparency to SE’s business operation and prevents trust crisis. Communication channels between SE and its value creation partners – both existing and potential ones – are broaden by enhancing information mobility in the market.

In conclusion, to create a well-performed business model for SEs, incentive strategies must be developed to reflect the synergies between each of the four dimensions. Firstly, SE’s value proposition lays the foundation for building other model elements. Secondly, product design and market definition should follow the roadmap settled for further value chain construction. And the external and internal architecture supplement and promote each other in the value creation process. Lastly, value created should be evaluated against SE’s value proposition. Their relationship is illustrated in Figure 8.
Appendices

Tables

Table 1: Nine Criteria of Social Enterprise Held by EMES

<table>
<thead>
<tr>
<th>Economic Criteria</th>
<th>Social Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>● a continuous activity producing goods and/or selling services</td>
<td>● an explicit aim to benefit the community</td>
</tr>
<tr>
<td>● a high degree of autonomy</td>
<td>● an initiative launched by a group of citizens</td>
</tr>
<tr>
<td>● a significant level of economic risk</td>
<td>● a decision-making power not based on capital ownership</td>
</tr>
<tr>
<td>● a minimum amount of paid work</td>
<td>● a participatory nature, which involves various parties affected by the activity</td>
</tr>
<tr>
<td></td>
<td>● a limited profit distribution</td>
</tr>
</tbody>
</table>

Source: Borzaga & Defourny (2001)

Table 2: A Simplified Definition of Social Enterprise

<table>
<thead>
<tr>
<th>Economic Criteria</th>
<th>Social Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>● an economic activity producing goods and/or selling services</td>
<td>● an explicit aim to benefit the community or a specific group of people</td>
</tr>
<tr>
<td>● a degree of autonomy</td>
<td>● decision-making power not based on capital ownership</td>
</tr>
<tr>
<td>● a trend towards paid work</td>
<td>● exclusion of profit-maximizing organizations</td>
</tr>
</tbody>
</table>

SE is “a private and autonomous organization, providing goods or services, with an explicit aim of benefiting the community, that is owned or managed by a group of citizens, and in which the material interest of investors is subject to limits”.

Source: Borzaga, Galera, and Nogales (2008)

Table 3: Assessing Impact of SE in UK by Economic Regeneration

<table>
<thead>
<tr>
<th>Economic Indicators</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated turnover</td>
<td>£27 billion</td>
</tr>
<tr>
<td>Contribution to GDP</td>
<td>£8.4 billion (estimated 1% of the total GDP)</td>
</tr>
<tr>
<td>Number of Units</td>
<td>55,000</td>
</tr>
<tr>
<td>Number of employees</td>
<td>475,000 with a further 300,000 work on a voluntary basis</td>
</tr>
</tbody>
</table>

Table 4: Forums and Seminars on SE, 2004-2008

<table>
<thead>
<tr>
<th>Title</th>
<th>Time &amp; Venue</th>
<th>Organizer(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sino-British Symposium on Social Entrepreneur/ NPO</td>
<td>2004; Beijing</td>
<td>The British Consulate-General Shanghai; Global Links Initiative</td>
</tr>
<tr>
<td>Conference on Social Enterprise and Public Welfare Undertaking</td>
<td>2006; Beijing</td>
<td>Alashan SEE Ecology Association; Beijing Brooks Center</td>
</tr>
<tr>
<td>Conference on Social Innovation and Building Innovation-oriented Country</td>
<td>2006; Beijing</td>
<td>China Center for Comparative Politics &amp; Economics; the British Council; the Youth Foundation</td>
</tr>
<tr>
<td>Skoll World Forum on Social Entrepreneurship</td>
<td>2007; Hangzhou</td>
<td>Skoll Center for Social Entrepreneurship, Oxford University; the Global Entrepreneurship Research Center under the School of Management, Zhejiang University; the Entrepreneurs School of Asia</td>
</tr>
<tr>
<td>Seminar on Developing Social Economy and Harmonious Society</td>
<td>2007; Beijing</td>
<td>Cultural and Education Section of the British Embassy in China</td>
</tr>
<tr>
<td>Seminar on the Situation &amp; Future of Social Enterprise in China</td>
<td>2008; Beijing</td>
<td>Peking University-Hong Kong Polytechnic University China Social Work Research Centre</td>
</tr>
<tr>
<td>Forum on Social Innovation and Social Organization</td>
<td>2008; Beijing</td>
<td>Cultural and Education Section of the British Embassy in China</td>
</tr>
</tbody>
</table>

Table 5: Statistics on Civilian-run Non-Enterprise 2006-10

<table>
<thead>
<tr>
<th>year</th>
<th>Total Value Added (Billion yuan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>11.2</td>
</tr>
<tr>
<td>2007</td>
<td>30.8</td>
</tr>
<tr>
<td>2008</td>
<td>37.2</td>
</tr>
<tr>
<td>2009</td>
<td>48.5</td>
</tr>
<tr>
<td>2010</td>
<td>51.8</td>
</tr>
</tbody>
</table>

Source: China Statistical Yearbook 2011

Table 6: Hua Dan’s Programmes and Projects

**Women Empowerment Programme**
Operating since 2006, this programme has helped shape the individual capacity of over 800 migrant women based in Beijing, giving them the confidence and skills to transform their lives.

**Migrant Training and Employment Programme**
This programme trains and employs marginalized youths and migrant workers to facilitate workshops and eventually manage Hua Dan projects. This not only creates greater access to jobs in the arts for a more diverse range of Chinese citizens, but is also providing a platform for expression of cultural values and perspectives. Hua Dan currently has five long term migrant facilitators on staff.

**Children’s Education Programme**
Since 2007, Hua Dan has worked in partnership with schools and community centers in Beijing to reach over 3,800 migrant children. Hua Dan has delivered projects, theatre programs and workshops on a variety of themes complementing school curriculum. The programme also provides training to teachers to support the integration of more creative, interactive and experience-driven learning into the curriculum.

**Sichuan Earthquake Rehabilitation Programme**
Our Sichuan team has been running a rehabilitation program since 2008. Hua Dan has worked with over 2,500 women and children using participatory arts to help building confidence, communication and leadership skills required for rebuilding homes, communities and lives.

**Community Engagement Programme**
Since 2008, this programme has run bespoke workshops and projects with partner organizations. They generally have a multi-stakeholder approach where Hua Dan brings together people from different parts of the community to engage in dialogue and debate about new and innovative solutions for issues that migrant and rural communities face in China.

Source: Hua Dan Official Website [http://www.hua-dan.org/about/](http://www.hua-dan.org/about/)
Figures

Figure 1  Statistics on SWE 2001-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Unit (1,000)</th>
<th>Disabled Workers (10,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>38.0</td>
<td>69.9</td>
</tr>
<tr>
<td>2002</td>
<td>35.8</td>
<td>68.3</td>
</tr>
<tr>
<td>2003</td>
<td>34.0</td>
<td>67.9</td>
</tr>
<tr>
<td>2004</td>
<td>32.4</td>
<td>66.2</td>
</tr>
<tr>
<td>2005</td>
<td>31.2</td>
<td>63.7</td>
</tr>
<tr>
<td>2006</td>
<td>30.2</td>
<td>55.9</td>
</tr>
<tr>
<td>2007</td>
<td>25.0</td>
<td>56.3</td>
</tr>
<tr>
<td>2008</td>
<td>23.8</td>
<td>61.9</td>
</tr>
<tr>
<td>2009</td>
<td>22.8</td>
<td>62.7</td>
</tr>
<tr>
<td>2010</td>
<td>22.2</td>
<td>62.5</td>
</tr>
</tbody>
</table>

Source: China Statistical Yearbook 2011

Figure 2  FSCs and Government Subsidies in Beijing Municipal

Figure 3  Percentage of PEIs by Level of Education in 2010

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Total (1000)</th>
<th>Private (1000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Education</td>
<td>4.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Secondary Education</td>
<td>85.1</td>
<td>9.9</td>
</tr>
<tr>
<td>Regular Primary Schools</td>
<td>257.4</td>
<td>5.4</td>
</tr>
<tr>
<td>Kindergartens</td>
<td>150.4</td>
<td>102.3</td>
</tr>
</tbody>
</table>

Figure 4  Statistics on CRNEUs 2006-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Org. (1,000)</th>
<th>Staff and Workers at year end (10,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>161</td>
<td>154</td>
</tr>
<tr>
<td>2007</td>
<td>174</td>
<td>167</td>
</tr>
<tr>
<td>2008</td>
<td>182</td>
<td>189</td>
</tr>
<tr>
<td>2009</td>
<td>190</td>
<td>208</td>
</tr>
<tr>
<td>2010</td>
<td>198</td>
<td>221</td>
</tr>
</tbody>
</table>

11 Source: China Statistical Yearbook 2011

12 Source: China Statistical Yearbook 2011
Figure 5  Concentration Declines at Lower-Levels Poverty Incidence

Figure 6  Value Proposition Strategies

Social Value Creation **with** Beneficiaries
(integrate target group into value chain)
*e.g. SWEs, Xingeng Workshop*

Social Value Creation **for** Beneficiaries
(deliver public goods & services)
*e.g. PEIs, CRNEUs, Beijing Stars and Rain*

Hybrid Social Value Creation
(combination of the above two)
*e.g. FSCs, Fuping Development Institute*

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Figure 7  Strategies for Internal Value Creation

- Human Capital
  - Integration of beneficiaries (e.g. FSCs, Xingeng, Huan Dan)
  - value-added volunteer employment (e.g. CRNEU, China Youth Education Assistance)
  - Niche volunteer employment (e.g. Beijing Stars and Rain)

- Economic Capital
  - Commercial activities (e.g. SWEs, Xingeng)
  - Fundraising (e.g. CRNEU, Hua Dan)

Figure 8  SE Business Model Dimensions
References


Yu, X. and Zhang, Q. (2009), "Development of social enterprise under China's market transition", paper presented at the 2nd EMES International Conference on Social Enterprise, University of Trento, Trento, 1-4 July.
