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IS GOVERNMENT'S INTERVENTION TOO MUCH? THE IMPACT OF PUBLIC AUTHORITIES ON THE DEVELOPMENT OF SOCIAL ENTERPRISES IN TAIWAN

Yu-Yuan Kuan⁽¹⁾ and Shu-Twu Wang⁽²⁾

(1) Department of Social Welfare, National Chung Cheng University, Taiwan

(2) National Pingtung University of Science and Technology, Taiwan

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ABSTRACT

In view of the persistent efforts of Taiwan's government agencies in offering employment services and the involvement of disabled service agencies in social enterprises, the main thrust of this paper is to conduct the examination of NPO social welfare organizations and the employment services they provide disabled individuals. Taking into consideration government policies and the processes which NPO go through in implementing employment services, this study aims to understand the operational framework of NPO social enterprises that takes place when disabled individuals in Taiwan are provided with the necessary assistance.

INTRODUCTION

Along with the progress and development in globalization, the operative methods of Social Economy advocated frequently by the Europe or Social Enterprises by the U.S. have been imbibed and turned into operations and service links by nonprofit organizations (NPO) in Taiwan. The context of social enterprise development in Taiwan has a lot to do with the growth of resource competition (particularly on financial resources) among NPO during the past two decades in the country. In a word, the growth and development of Taiwan's NPO since 1980 can be described as extreme fast. However, since social resources including those of the government and the public are limited, NPO began seeking financial autonomy as a way out. Furthermore, the provision of certain social welfare policy incentives by the Taiwanese government has also promoted many nonprofits to be willing to engage in the operation of social enterprise (Kuan, 2007). It doesn't matter whether it is an issue of competition or policy incentives, the fact remains that the operative method of social enterprise is one of the significant channels for NPO in acquiring resources. In addition, Taiwan's NPO grew side by side with the opening up of the country's distinguished progress of politics and democratization since the late 1980s (Hsiao, 2009), thus making its operations very diverse.

Although the Taiwanese government did not enact specific laws for regulating the formation and operation of NPO social enterprises, there indeed exist certain laws and decrees that lure and encourage nonprofits to engage in social enterprise activities. For example, "Handicapped Protection Law" stipulates that "The cost of goods produced and services provided by all institutions or organizations for handicapped people and shelter factories must be reasonable and kept low. All levels of government agencies, public schools, public utilities agencies receiving government grants, institutions, and private schools are called on to prioritize the abovementioned groups in making their purchases." Because of this, the Ministry of the Interior promulgated the "Method for Priority Purchase of the Goods and Services provided by Institutions for the Disabled and Shelter Factories". This method mandates that all levels of government agencies, public schools, public utility organizations and other institutions to place the NPO of providing services mainly to the disabled on top of their list of suppliers, and that the purchases acquired from them must comprise at least 5% of their total purchases. This particular decree encourages certain nonprofits to establish their own social enterprises. As a consequence, part of this policy helps provide those nonprofit organizations of the disabled services many social enterprise opportunities. Say for example, the privatization efforts of the government provide NPO access to the government's hardware resources in conducting their social enterprise operations. Moreover, through the implementation of the restricted investment policy, the Taiwanese government entrusted NPO with the hardware space to engage in the operation of social enterprises. Finally, in the effort of taking urgent steps to solve the unemployment problem, the government promoted the "Multi-Employment Service Program" in early of the 2000s. Nonprofit organizations are asked to carry out the planning of employment promotion and at the same time provide various short-term employments. All expenses related to this program are covered by the government.

Under the policies and funds assistance program of the Taiwanese government, the involvement of NPO for the disabled in a wide range of social enterprises has become the important factor in the development of Taiwan's social enterprises. Based on the study conducted by Chen et al

(2007), the introduction of Taiwan's social enterprise agencies served all types of handicapped individuals but the greater number of them were the mental retarded, individuals with multiple disabilities, autism, and physically handicapped. The main objective of launching social enterprises for those nonprofits in provision of services to the disabled is to provide job training and employment opportunities that will allow the handicapped individuals to connect with the society and achieve self-empowerment in the long run.

Under these objective frameworks described above, the main focus of Taiwan's social enterprises is to provide the disadvantaged handicapped with employment services. As emphasized by Kuan (2007), the principal reason behind emerging social enterprises and their various types, from disabled social welfare agencies to shelter factories, is to provide their clients "work integration". The ability of the various types of social enterprise services to create employment is the much-anticipated social function (Chen and Xue, 2005). The social enterprises use the operative model of "work integration" in providing low-income citizens, middle-aged unemployed, women, disabled, and other socially disadvantaged individuals with proper training on selling goods or rendering service, and arrange their future employment. By doing so, it enhances the employment capabilities of the socially disadvantaged or marginalized groups.

In view of the above-mentioned persistent efforts of Taiwan's government agencies in offering employment services and the involvement of disabled service agencies in social enterprises, the main thrust of this paper is to conduct the examination of NPO social welfare organizations and the employment services they provide disabled individuals. Taking into consideration government policies and the processes which NPO go through in implementing employment services, this study aims to understand the operational framework of NPO social enterprises that takes place when disabled individuals in Taiwan are provided with the necessary assistance.

1. EMPLOYMENT MODEL - WORK INTEGRATION SOCIAL ENTERPRISES

According to Kuan (2007), social enterprise organizations in Taiwan has multiple types, which can be roughly divided into 5 classifications: (1) work integration or affirmative business; (2) local community development organizations; (3) social enterprises providing social services and products; (4) venture capital business created for the benefits of NPO; and lastly, (5) social cooperatives. Each of these social enterprises has its own unique characteristic and target of concern. For example, type 2 helps the cultural and economic development of regional communities, type 1 addresses the employment problem of disadvantaged groups, while type 4 emphasizes the generation of surpluses by a for-profit company to benefit the charitable activities of a NPO. However, the characteristics and structures of these five types of social enterprises are not mutually exclusive, and one type of social enterprise may also show traits attributable to other types of organizations. In this regard, this article aims to highlight the employment pattern in work integration since this type of social enterprise focuses on the employment problem of disadvantaged individuals.

One of the cross-borders studies done by the European Research Network (EMES) portrays "work integration" as: "The work integration of social enterprises is primarily for unemployed individuals with social problems, for those who have been unemployed for a long time, for young job-seekers with low educational attainment, as well as for those coming from socially disadvantaged groups and women. These enterprises are created to provide transitional work, permanent jobs, permanently subsidized job integration, or even to facilitate participation in various social activities through work projects. They also offer temporary job training to the

unemployed or arrange their permanent employment" (Davister et al, 2004). The employment pattern of work integration seeks to utilize the employment channels in assisting clients to return to the job market and also to provide permanent employment to those who have acquired proper training. As a result, the social enterprise model of work integration plays a dual role: first, to cultivate the skills and capabilities of the socially disadvantaged and second, to solve the unemployment problem.

Work integration or affirmative businesses and enterprises providing social services and products are the most visible forms of social enterprises in Taiwan. This type of social enterprise is deeply concerned with the socially disadvantaged minority (especially the handicapped) and it is able to integrate them with the labor market by providing them with proper training and employment assistance. Some of these work integration businesses have achieved notable results in terms of vocational training, counseling and job placement for their beneficiaries; they have also contributed to change the public's perception towards people with disabilities. Majority of this type of NPO social enterprises establish workshops, shelter factories, or shelter stores to provide job training and employment opportunities. Although their operating techniques are commercially-oriented, they still rely heavily on the government's direct or indirect support. Obviously, their annual funding for running the social enterprises is a combination of government subsidies, people's donations, and operating profits. Moreover, it is important to note that most of these enterprises are small in size, and the beneficiaries they employ can only receive a small salary (Kuan, 2007).

2. POLICY CONTEXT OF SOCIAL ENTERPRISE DEVELOPMENT IN TAIWAN

Based on the study of Kuan (2007), the major characteristics of the nonprofit sector's development in Taiwan in the last two decades can be described as follows:

- The number of NPO has increased rapidly. The Taiwanese government has untied its rules governing the application of establishment for civic groups and nonprofit organizations. Social forces have emerged rapidly and then caused the growth of nonprofit organizations which are founded in accordance with people's autonomy and voluntarism.
- Although the number of NPO increased rapidly, their general scale remained small. But the growth of large-scale NPO is also an obvious trend showing an upward change like Tzu-Chi, Taiwan Fund for Children and Families, World Vision Taiwan, Eden Social Welfare Foundation, etc. However, their number is not proportionate to the total number of NPO in Taiwan.
- To adapt to the changing needs of the society of Taiwan, the services rendered by NPO have become very diverse.
- The founding sources of both social organizations and foundations generally depend on donations, membership dues and government support. With regard to obtaining resources, competition among nonprofit organizations is becoming more and more apparent.

Considering the past two decades in the society of Taiwan, the government's effort to promote democracy led to the positive development of nonprofit organizations. Similarly, the related public policies adopted by the government also played an important role in the growth of social enterprises. Certain aspects of the government's protection laws for disadvantaged groups (esp., physically or mentally handicapped) showed significant progress for the past several years. At the

same time, the related policy measures intending to alleviate the unemployment problems (particularly the unemployment problems of middle-aged individuals and women) also had a positive effect on the growth of social enterprises. Below are descriptions of these public policies:

2.1. Policy on the employment services rendered to physically and mentally disabled individuals

With regard to the employment of disabled people, the assistance rendered by the Taiwanese government includes both the labor and social welfare sectors. After the amendments on the Law for the Protection of the Disabled People's Rights and Interests in 2007, the employment services for disabled people were incorporated into the labor sector. There used to be two channel of assistance for the employment of disabled individuals. The first is by means of job training, job counseling, employment services, follow-up, re-employment counseling and other employment rehabilitation services. These afore-mentioned services focus on the development of the work skills and capabilities of the disable persons and their objective is to prepare these individuals for holding competitive capabilities in the job market. The second channel is also related to job training but it concentrates more on providing a "protected" job-training field that is meant to separate itself from market competition. The disabled are usually accommodated in a sheltered workshop for this type of employment promotions measure. It is where they receive work training, develop good work habits and are matched to an appropriate job (Wang and Huang, 2008).

With regard to the sheltered workshops, Section 30 of the Law for the Protection of the Disabled People's Rights and Interests states that, "the labor authorities must provide the necessary support and employment services to disabled individuals who possess limited work capabilities and are not ready to cope with competition in the job market. They are also required to offer sheltered employment services to disabled individuals who are willing to work but do not possess the capabilities as yet. Labor authorities and its subordinate agencies have the obligation to set up or reward the set-up of sheltered workshops or stores." In view of this, the Taiwanese government in 2002 maps out possible implementations of services for the employment of disabled people, namely: the "Establishment and Reward System of Sheltered Workshops for Disabled People" and "Facilities and Staff-Hiring Criteria in Sheltered Workshops for Disabled People". Although the Labor authorities modified the regulations on the establishment, reward system, and staff employment of sheltered facilities, the sheltered facilities still face continuous operations problems because of intense market competition. Consequently, the Institute for Information Industry was entrusted to carry out the "National Development Plan for Sheltered Workshops" in 2004. One of its achievements from the project was to launch a "Good Shelter Website", which made it easier for sheltered workshops to sell their products and services to the public.

In 2003, the "Law for the Protection of Disabled People" called on the government sector to prioritize the purchase of goods and services produced by NPO social welfare agencies mainly for the disabled. Based on this, the "Measures for Prioritizing the Products and Services of Welfare Agencies for Disabled People" were created in 2005, which states the concrete steps and measures in prioritizing these products. Again in 2005, the Council of Labor Affairs amended the "Shelter and Employment Services Plan for Disabled Persons" for the purpose of assisting local governments in conducting their shelter and employment services, to provide employment opportunities to disabled people with inadequate capabilities but show willingness to work, and to raise the quality of shelter and employment services, etc.

The four objectives of the Council of Labor Affairs are the following: to provide employment arrangements for disabled people with inadequate capabilities but show willingness to work, to raise the ability of disabled persons with inadequate capabilities to adapt to work, to help disabled persons with inadequate capabilities to gain employment in sheltered facilities, and lastly, to integrate government and social resources in establishing a sound shelter and employment systems. The main objective of sheltered employment service is to ensure reasonable salaries for their clients by protecting the rights and interests of the sheltered employee, enhancing the sheltered employment services, strengthening relations between employer and employee, and helping establish sheltered workshops.

Through the outsourcing model, the government granted NPO the right to operate. That has become one of the important operation models in developing the social enterprises in Taiwan. This type of outsourcing model includes the space and facilities provided by the government. The NPO engaging in commercial activities by means of an outsourcing contract likes, for instance, the current coffee shop operation of the Taipei and Kaohsiung government. Taipei government's Enjoy Coffee was formerly run by the Children Are Us Foundation and later on succeeded by the Taipei Victory Center for Enhancing the Potential of the Disabled People. On the other hand, Kaohsiung government's Smile Coffee is now operated by the Children Are Us Foundation. Aside from this, the government also allows the concession of public space from time to time to NPO for their commercial undertakings. The best example in this case would be the gasoline stations entrusted to NPO by the Taipei government. The land space was formerly handled by the Labor Bureau of Taipei and the gasoline stations were operated by China National Petroleum. With the aim of stepping up the employment of disabled people, the China National Petroleum donated the related facilities needed for the gas stations and the government opened them up for public bidding in 2002.

In relation to the 2002 public bidding of the Taipei City Government's gasoline stations, there were seven NPO welfare agencies who submitted 11 working plans. In the end, it was the Sunshine Social Welfare Foundation and the Syinlu Social Welfare Foundation who acquired commission to the gasoline stations for 3 years. It is required that four fifth of the entire staff is composed disabled people who possess at least 3 impairments. In the past, disabled people are made to engage in physical labor with low added-value jobs like cleaning, washing cars, transporting load, etc. Gasoline stations have long been regarded as a large-scale monopolized industry. The ability of social welfare NPO to run these stations establishes a new model for employing disabled individuals. The two gas stations are commissioned by the Labor Bureau, run by agencies for the disabled, and is being provided with technical support by China National Petroleum. The two foundations (Syinlu and Sunshine) estimated that each gasoline station can provide 231 job opportunities for the disabled people within the period of operation. The operative model of this integration of government, NPO and enterprises indicates the following significance (The Epoch Times, 3/2/2003):

- The government helps nonprofit organizations to be financially independent. This also establishes an operating pattern in providing disabled people with employment.
- The various industry alliances and diverted marketing formed by the cooperation between nonprofit social welfare groups and enterprises can help yield employment services for disabled people.
- By means of offering the support rendered by for-profit enterprises to NPO welfare

services, the enterprises increase their confidence in hiring disabled people.

2.2. Employment service policies for the jobless

The recent global economic recession led to the increasing loss of jobs and Taiwan is no exception. This is in addition to the attractiveness from Mainland China directing at the traditional industries of Taiwan to move out. The result is that those socially disadvantaged minorities (e.g., burdened family women, middle-aged individuals, disabled people, aborigines, capable workers depending on living support) are the first to feel the negative impacts. The increase in unemployment destabilizes the job market. In view of this, the Council of Labor Affairs used the Employment Stabilization Fund in 2001 to carry out the "Sustainable Employment Project". And from then on, they have subsequently been promoting "Employment Hope Project", "Sustainable Employment Project", "Public Service Employment Expansion Plans", "Diversified Employment Program" etc. The Diversified Employment Program is a joint effort of the private and the government sector to promote employment partnerships through creative inquiry, local development plans, and guiding the unemployed in joining civic society work. It is underscored that the common efforts made by the government and the private sector ought to create employment opportunities, nurtures the abilities of the unemployed, and looks forward to relieving the unemployed disadvantaged minorities from the crisis and pressures. And soon after the end of subsidies, it is hoped that they would carry on, expand their capabilities and continue providing employment channels to the jobless.

The "Diversified Employment Program" is said to be an important government policy directed towards the development of social enterprises. According to the Diversified Employment Program Manual prepared by the Council of Labor Affairs in 2008, the plan is divided into two types¹. The distinction is the different ways by which the government assists nonprofit organizations to engage in social enterprises.

The above-mentioned policies on social enterprises development shows the direction which the government is taking as far as this area is concerned and indeed has been a big help to the development of social enterprises. The government's efforts to provide employment assistance and to privatize its land protect the objectives set by the nonprofit organizations in operating social enterprises. On the other hand, it also reduces the operating costs of social enterprises. However, related government policies on social enterprises development unnecessarily bring NPO positive effects. Based on the analysis conducted by Kuan (2007), the government gives both "advantages" and "disadvantages" to NPO social enterprises. The advantages are: (1) manpower support, (2) promotes the products and services, (3) grants land and building concession to NPO, (4) government officials take the lead in promoting the products of social

¹ These two plans are: 1. **Economic Plan**: The nonprofit organizations raise the projects which possess prospects of industrial development and can provide as well as advance employment opportunities for the unemployed. 2. **Social Plan**: Each ministry, municipality, county (city) government or non-government organization are to promote social benefits and possess employment advancement benefits.

Public employment service agencies handle the promotion of personnel based on the following regulations: 1. The economic plan prioritizes the involuntarily unemployed and middle-aged unemployed, and handles the job registration of those who have been unemployed for more than 3 months. 2. The social plan focuses on the socially disadvantaged, those who had been unemployed for a long time and other objectives. It prioritizes the processing of job registration of those who have been unemployed for more than 3 months. 3. To prioritize those who have never participated in the Public Service Employment Development Program, Sustainable Employment Project, Diversified Employment Development Program, Temporary Employment Allowance and other related allowances and welfare benefits to the unemployed.

enterprises. Meanwhile the disadvantages are: (1) reliance on funds, (2) NPO are asked to pay certain fees and rents to the government, (3) the government rules are not clear about the position of social enterprises in sheltered workshops.

3. CASE STUDY

Commercial means or the creation of business-like projects in operating NPO began in Taiwan in the early of 1990. Like for example the bakery and restaurants of Children Are Us Foundation, the wheelchair project of Eden Social Welfare Foundation, the car wash and gas stations of Sunshine Social Welfare, book and card-selling and ecological tours of the Wilderness Protection Society. Since 1990 to date, the government sector continuously pushes the Welfare Industry policies and the Council of the Labor's "Diversified Employment Development Program" to ease the pressures brought about by unemployment. It also urges NPO to engage in profit-generating activities.

This research utilizes two cases to examine the process involved in the NPO social enterprises and the effects caused by government policies. The first case is the sheltered workshops operated by the Children Are Us Foundation, while the second case is the public bid for the gasoline station by the Sunshine Social Welfare Foundation.

3.1. Sheltered workshop operated by Children Are Us Foundation

In 1995, a group of parents having mentally disabled kids established the co-sponsored Children Are Us Foundation which aimed to provide work and life training to mentally challenged individuals from 16 years old and above. This started a new page in taking care of disabled children in Taiwan. The organizational objective of the foundation is to educate and look after the disabled throughout his life. The main activities include: Children Are Us bakery and restaurant, family house in community, temporary and short-term daycare center, employment assistance, and disabled children club (<http://www.c-are-us.org.tw>). Apart from the care and work participation provided by NPO for disabled people, Children Are Us Foundation was established with the hope of providing skill training to intelligence disabled children. After observing how the Community Center for the Disabled in Japan set up its bakeshop, the knowledge learnt from Japan was adopted and the first Children Are Us Bakery was opened in Kaohsiung. It was hoped that learning the baking skill can become a source of stability and livelihood for the children.

The Children are Us Foundation was commissioned by the Taipei government in 2000. Enjoy Taipei Café and Restaurant was opened on October 5, 2005. A press conference was held in Taipei to answer queries regarding the help extended by the government to Enjoy Taipei Café and Restaurant. The hourly wage of disabled children was only 66 NT dollars so it seems that they are being exploited. Their low wage does not conform to fair and just practices. This incident shows that although the government has formulated policies to promote social enterprises, still they are not complete and thorough. After the Council of Labor Affairs was tasked to oversee the employment of disabled people, the "Rewards System for Disabled People in Sheltered Workshops" and "Sheltered Employment Services Program for Disabled People" merely referred to the employment in sheltered workshops in terms of relationship between employers and employees. However, they failed to specify that differentiated wages must be paid according to the capacity of the sheltered employee and whether relevant provisions of the Labor Standard Law must be applied. Therefore, these issues were left to the discretion of nonprofit social welfare group and government units, and the vague position of the sheltered workshops remains (Kuan, 2008a).

The aforementioned issue reveals that there is a lack of understanding in the government policies for social enterprises of sheltered workshops. Whether or not sheltered workshops should be transformed to a workplace raise many doubts and contentions. However, since the unit responsible for sheltered workshops is the Labor Unit, the overall structure of the sheltered workshops for them is still considered in the provision of a place for employment. They tend to ignore their role in the protection and care for disabled people. Thus, there is a clear contradiction between the operations of sheltered workshops and labor rules in Taiwan.

3.2. Gas station run by Sunshine Social Welfare Foundation

In 1981, Taipei Christian Friendship Center and a group of ardent individuals combined the resources of 10 social welfare NPOs to jointly establish the Sunshine Social Welfare Foundation. Their goal was to provide social care and professional services in helping burn survivors and those with facial disfigurement on their difficult road to recovery. The group aims to provide a wide range of services, reconstructive environment for recovery, to help them in their physical, psychological and social rehabilitation, and to uphold their human rights and dignity. Sunshine Social Welfare Foundation has a history of 28 years in the provision of services to people with facial disfigurement, burn survivors and other disabilities since the founding. It has grown to be a reputable social enterprise organization. In 2004, this NPO's enterprise related revenues (including revenues from projects, bazaars, donations, services fees, etc) comprise 36.90% of her gross annual value. As of now, the social enterprise unit (shelter workshops) of Sunshine Social Welfare Foundation includes Sunshine Car Wash Center, Sunshine Gasoline Station, and subway light food shops. In 2004, it provided 130 sheltered workshop jobs to disabled people (Sunshine Social Welfare Foundation, 2006/01/25; Kuan, 2008b).

Sunshine Social Welfare Foundation began operating the gasoline station in 2003. Of course, it was made possible by the government's special ordinance. The foundation itself has a higher threshold for operating social undertakings and whose operations are more difficult than the rest. Say for example, operating a gasoline station requires 28 licenses and its manager must possess 6 professional certificates. The foundation must be highly liquid of capital and remain competitive in the market. Although the government has mapped out the operations of nonprofit organizations but it still needs to hand in rental and other fees. Therefore, the stability of running a gasoline station not only can provide room for profits, but also can employ a big number of disabled individuals. However, the threshold and cost of operating a gasoline station hinders most nonprofit organizations from entering the industry. The Labor Council of Taipei City Government has far held 3 biddings for gasoline stations and entries from nonprofit organizations increase each time. This indicates growing competition among social enterprises. Although Sunshine Social Welfare Foundation boasts of 6 years of experience in operating gasoline stations, it still lost in the 3rd round of bidding causing the foundation to withdraw from gasoline operations in 2009.

CONCLUSION

Work integration or affirmative business is the most visible social enterprise model in Taiwan. The government plays an important role in its development process. This is evident in the subsidies for personnel as well as the special rights to land and building, which have helped NPO avoid the competition of for-profit businesses. The special rights offered by government have also allowed NPO to benefit from protection and enjoy beneficial terms in certain business areas. Consecutively, the government has also obtained the support of NPO in addressing numerous

social problems such as unemployment of middle-aged workers, care for elderly people, the rehabilitation, training and employment of people with disabilities, etc.

However, despite encouraging the development of social enterprises, government policies and subsidies also represent an obstacle. Financial resources are not enough for NPO operating social enterprises successfully. To succeed, these organizations need knowledge and techniques, professional staff, ways to maintain product quality, as well as management abilities. In light of the current development trends, most NPO still hope to obtain government subsidies for their social enterprises and the reliance on money from the public sector is still very strong.

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