LÁSZLÓ KÁKAI
UNIVERSITY OF PÉCS

On the Road!? Developing Economy and Nonprofit Organizations in Taiwan¹

Abstract: The development of the nonprofit sector of a country can be assessed by several methods. We may begin by introducing the numeric data and finish by speaking of their social embedment. We may analyse their presence in the economy, the labour market or their contribution to political and social liberalization. In my study I refer to Taiwan as an example to introduce the complex presence and impact of all these processes on the development of the nonprofit organizations in a country less known for a European researcher. With special respect to the economic and political aspects of “development”.

Abstract (Hungarian): Egy ország civil szektorának fejlődését számos megközelítéssel mérhetjük. Kiindulhatunk a számszerű adatok bemutatásból és zárhatjuk a társadalmon belüli beágyozottságukkal. Vizsgálhatjuk a gazdaságon belüli súlyukat, munkaerő-piaci jelenlétüket vagy a politikai, társadalmi liberalizációban játszott szerepüket. Tanulmányom Tajvan példáján keresztül próbálja bemutatni mindezen folyamatok együttes jelenlétét és hatását egy európai kutató számára kevésbé ismert ország civil szervezeteinek fejlődésére. Különös tekintettel a „fejlődés” gazdasági és politikai aspektusaira.

Key words: Economic potential, Civil society, Nonprofit sector, Associations, Foundations, Taiwan

Introduction

In every developed, democratic country of the world, nonprofit organizations (NGOs and NPOs)² are indispensable components of the democratic political systems, playing an important mediator role between society and the political institutions. Their number, role, and influence have been increasing since World War II. The attention directed at nonprofit organizations may primarily be attributed to the more than two-decade-long crisis of the state as well as the crisis phenomena of representative democracy based on political parties. In Europe this crisis manifested itself in various forms. In the developed North, the traditional

welfare social policy was questioned; in a considerable part of the developing South, people became disillusioned with state-controlled development; in Central and Eastern Europe, state socialism collapsed (Kákai 2014a, p. 84).

It has been ages since economists have been seeking an answer to the following question: why can a country be successful, or rather what the chances of a country are for catching up with the rest of the world? As an example, we can mention the Nobel Prize winner economist, Edmund S. Phelps who strived to find the answer to the question of how deeply cultural variables influence the trends in productivity growth, economic activity or employment (Phelps 2006).

Referring to this topic, in my study I wish to introduce the "transfers" through which economic development, or to put it more precisely, economic changes, have become successful in Taiwan. What changes were induced in relation to culture and the society, and how did these counteract on politics and the changes in the legal system? The situation is in many aspects similar to that in the period of transition in the CEE countries. Thus Taiwan is a really good example to understand this process since it has achieved its successes starting from a one-party (autocratic) system. It is worth analysing how the changes in the economy moved the various social groups, what "compromises" the country becoming more and more successful made to turn the population and the entrepreneurs into becoming partners, etc. As natural, I will analyze these processes primarily from the aspect of the NPOs.

Many people have perhaps no information on Taiwan at all; several of them meet this name only if they get some electronic device in their hands and on the back side they see the script: "Made in Taiwan". Indeed, this country is very far from us (Europe), although in many respects this "tiny little" country produces results really worth attention. In my study I try to introduce the features and trends of development in this country mainly focusing at the nonprofit organizations (Kákai 2014b).

The paper is divided into three parts: in the first part I will introduce the economic and political environment and the changes in the civil society in the second. Finally, in the third part I will present the development of the NPOs (legal environment, distribution by activities, contribution in employment and the main features of the sectoral incomes). The conclusions are mainly drawn from secondary analyses, professional literature references, personal interviews and the data gained from the statistical office (ROC) (unfortunately, for reason of lack of financial resources, it was not possible to conduct an independent research).

Economic, social and political background

First of all, it seems necessary to introduce the economic, social and political features of the country.

Taiwan is an island lying between Japan and the Philippines in the Western part of the Pacific Ocean. It is not too big, its territory is around 36 thousand km² (together with the small islands; its length: 395 kms and width: 144 kms) which is a bit bigger than one third of the area of Hungary. This little island, however, is extremely crowded since the number of the population exceeds 23 million which means that the density of population is over 640 persons per square kilometres (in 2013).³ High density originates in several facts, for instance, high birth rate (11.65/1000 capita) and low mortality rates (5.65/1000 capita). The age composition of Taiwan can be considered young since more than 74 percent of the population belongs to the age group of 15-64, while the proportion of the elderly (over 65) slightly exceeds one tenth of the whole population (10.9 percent). Life expectancy in average is 79 years (83 for women and 76 for men).⁴

95 percent of Taiwan's population are Han Chinese. There are only 400 thousand aborigines living on the island (2 percent of the whole population), and they belong to several tribes. The official language is Mandarin based on the Beijing dialect.⁵ Although Taiwan seems to be a country of uniform ethnicity, this in fact is not true. The democratization process having started in the 1980s revealed ethnicity problems, as well. The main conflict lies between the people having escaped from China in the 1940s and their descendants and the descendants of Taiwan's former colonists who are not at all willing to identify themselves with continental China. On the basis of the differing places of origin and the time of immigration Taiwanese society consists of various linguistic and ethnical layers which also act as serious political factors (Kákai 2014b, p.70).

Taiwan is of decisive importance in the development of the Asian and Pacific region. Its economic successes are based on the strategic nature of its economic policy. This strategy lacks ideologies, is based on the realistic evaluation of the country's development level and endowments as well as adaption to the world economic environment. The very first priorities of Taiwan's economic policy are calculability, socio-economic stability and the maintenance of its balance. The state has a considerable role in directing the economic processes, but intervention is always aimed at the certain period of development, and is based on unambiguously determined and proclaimed governmental intentions (Mészáros 2007, p. 9).

Taiwan's economy moves on a relatively durable growth path. Between 1952 and 1997 its GDP grew by 8.5 percent in average. The growth rate of GDP reached 6.5 percent between 1991 and 1997 which was much higher than the world economic growth rate (although it was lower than the rate of the People's Republic of China which exceeded 10 percent). At going prices, the GDP grew from USD 164 billion in 1991 to USD 314 billion by 2000. Concerning the GDP amount, Taiwan became the 15th biggest economy in

the world. GDP per capita rose from USD 8982 (1991) to 13 233 (1997), and then to 14 238 by 2000 (Majoros 2002, p. 73).

The economy produced an annual growth of 4-5 percent between 1998 and 2012; although after the beginning of the economic crisis (2007-2008) the growth rate turned a little bit "hectic"⁶, economic productivity still shows an extremely amazing picture. As for its GDP, Taiwan's economy took the 20th place on the world list. The GDP per capita exceeds USD 16 000, and it is near USD 30 000 at purchasing power parity value. The country has monetary reserves of USD 280 billion which means the fourth place in row after China, Japan and Russia. Inflation is minimal, around 1-2 percent, as well as the balance-of-payment deficit counted in GDP (3 percent). Foreign direct investments were continuously growing, and have stabilized around USD 3-5 billion.⁷

In several fields of high-tech industry Taiwan is one of the biggest exporters (notebooks, LCD monitors, computer motherboards, ADSL and cable modems, LAN cards, etc.). Almost 40 percent of its export is directed to China and Hong Kong. USA has a share of 14 percent as well as European markets (14 percent), while Japan has a share of 7 percent. The trade flow between Taiwan and the European Union surpasses EUR 40 billion with considerable assets of 13 billion on the Taiwanese side. The new world economic power takes the 14th place in production and the 15th place in foreign trade turnover in the world (Majoros 2002, p. 72), its foreign trade balance approaches USD 500 billion which indicates assets of USD 30 billion if correlated with the import.⁸

Unemployment is below 4 percent, 36 percent of the employees work in industry and 59 percent of them work in the service sector. Agriculture only has a proportion of 5 percent. The rapid growth in the number of those finding a job in the service sector is especially striking, and indicates the increasing importance of the sector in GDP production (72 percent).⁹

This unique development was prepared by the economic reforms that were started in the 1950s and implemented in several stages, and the objective of which was the modernization of agriculture and the re-organization of education. Only as a consequence of the transformation of education the number of those getting high grade qualification started rapidly growing. While in 1975 the rate of those possessing a degree in the age group over 15 was 6.5 percent, this number increased to 39.5 percent by 2012.¹⁰ Owing to the reforms, it was mainly young villagers and women who started moving towards the big cities, in hope of a better living. As a result of the efforts made from the '70s, Taiwan gradually turned away from cheap labour force and manufactures (toys and textile) towards the development of heavy industry and infrastructure. Thus more and more qualified labour force, urbanization, the diligence and working capacities of Taiwan's people and the loosening of the political system (one-party system)¹¹ began to show more and more the

contours of a 'Hong Kong-Singapore model'. At the same time, the country, owing to its small size and small domestic market, was an export oriented economy thus in order to sustain its world economic competitiveness, Taiwan was forced to, beside the development of heavy industry (since 70 percent of the GDP growth was gained from the export of heavy industry goods¹²), switch over to the production of technology intensive and capital intensive products. To promote this, industrial parks were established in the 1980s (e.g. Hsinchu scientific industrial park) in order to initiate considerable investments from the private sector. The 'boom' of knowledge intensive industrial sectors highly contributed to the changes in the industrial and social structure. Since the incomes available in the knowledge intensive sectors¹³ highly exceeded those in agriculture, more and more people decided to attend various trainings in order to find a job in the technology intensive industrial sector (Térmege 2003, p. 28).

Development is highly determined by the question of Taiwan's relation to China. The connections between the two countries are ruled by the duality of strong political tensions and economic cooperation. Defining the political status of Taiwan is a rather awkward problem (Láz 2013). According to the People's Republic of China, the government of the Republic of China cannot be accepted as legitimate.¹⁴ Economic interests wiped away the national security political considerations of Taiwan's authorities. They were unable to keep under control the arrival of raw materials, semi-processed and consumption goods and migration from the continent just like the move of products, capital and people towards mainland China. There was a relative improvement in the relations between the two countries after the late '80s since the Republic of China (Taiwan) allowed its inhabitants to visit their relatives living in continental China. And the Taiwanese business sector invested more than USD 6 billion (until 1996) in China. Since this opening, Taiwan has been living in the 'shade' of China which is on one hand advantageous as China's 'friendship' may bring profitable economic possibilities, on the other hand, however, Taiwan's small internal market and export-oriented economy means high level of dependence. As a result, tension is still alive between the two countries; at the moment Taiwan is acknowledged as an independent state by only 23 countries (this number was 68 in 1971 and 31 in 1973). And the problem of economic 'closeness and distance' often results in domestic political conflicts. The latest manifestation (March 2014) of this was the "Occupy Congress" movement which was initiated by university students in order to prevent the conclusion of a trade agreement between Taiwan and China which, according to the opinion of Jang Show-ling, professor of economy, would be advantageous for Chinese big companies but would be disadvantageous for Taiwan workers and SMEs.¹⁵

Looking at the progress we would agree with Twu in that the economic growth in the 1990s generated the new middle classes that were well educated

and were interested in public participation (Twu 2010, p. 32). The expansion of public, and even more, higher education promoted the strengthening of social self-consciousness, which contributed to the evolution of a political system and society adapting to the changes more flexibly.

All in all, we can state that owing to the stable ground of its economic environment and its economic growth rate, Taiwan's development level reaches the lower verges of the level represented by the developed countries.

Civil society – civic movements

The development of civil society in Taiwan has its own unique historical, social, political and cultural background. The primary cultural factor influencing the development of civil organizations in Taiwan is the culture of relationships or "guanxi"¹⁶ which exist in Chinese culture. This basically refers to any persons' or groups' network of contacts and is related to the prominence of organizations, such as guilds, underworld gangs and clans (Liao and Fields 2005, p. 30). Socio-economic effects, thus consolidation and democratization have had a great influence on the development and evolution of Taiwan's civil society and the civic organizations arising from that. Confucianism has an especially strong influence on citizen activity and the various types of organizations (Twu 2010, p. 23). Changes began in the 1980s – Taiwanese were prohibited to organize and assemble until 1987, and were allowed to go to the streets only with affairs supported by the government of the Republic of China. The political liberalization of the country had definitely prompting effects on the growth and expansion of the nonprofit sector. The spread of public education and especially the expansion of higher education promoted the strengthening of social self-consciousness which pushed the political leadership towards the creation of a more acceptable political system and society (Hsiao 2005, p. 182). Besides, external factors like the democratization of the neighbouring countries (South-Korea and the Philippines), economic liberalization and globalization as well as other transnational non-governmental organizations put a forcing pressure on the country; all these together made the Taiwanese government interested in starting a democratic transition (Chu et al. 1997).

According to professor Hsin-huang Michael Hsiao, transition took place in three waves (Hsiao 2012, pp. 44–48). The first wave started just before the termination of the state of emergency (1980–1986); this period of time made seven bigger movements commonly known: consumers, people against environmental pollution, activists of environmental protection, women, inhabitants, students and the New Testament Church. As a result, the ruling party Kuomintang (KMT) made steps towards liberalization and democratization. They terminated the state of emergency, and allowed new parties¹⁷ and press institutions to be established.

During the second wave (1987-1988) another seven movements stepped on the stage: the welfare movements of (1) workers, (2) farmers, (3) teachers and (4) motion disabled and disadvantaged, the human rights movements of (5) veterans and (6) political prisoners and the visiting home movement of (7) those descending from the mainland China.

Finally, Hsiao calls the period between 1988 and 1993 the third wave when the government made further steps in order to transform the political system. One of the main reasons for this is the government's project serving great infrastructural development (Mei-nung Dam project, the Pan-nan complex project and the Kon-liao nuclear establishment which brought about several demonstrations and protests (Twu 2010, p. 37). Five movements started in these years: settling home to Taiwan, the preservation of Hakka¹⁸ culture, the one against nuclear power, the urban housing prices and the legal reform movement (e.g. gender equality, labor and farmer rights, minority identity etc.).

As it can be seen, the movements involved people of very different social and life situations, from farmers and workers through women to students and teachers. They demanded the termination of the injustices having resulted from various governmental decisions. Social movements manifested in critical articles, organization of seminars as well as street demonstrations and other forms of action. All these changes ended in the evolution of a multi-layer non-profit sector since the several social movements, think tanks and community organizations re-organized their former forms of operation as a result of the changes having taken place from the 1980s. Results speak for themselves: from the late 1990s protests have not been so tense, and the government has become more indulgent concerning street demonstrations despite the fact that the number of such demonstrations has grown (Térmeg 2003, p. 17).

Similar to the case of Korea, social movement groups in Taiwan play an important role in spreading democratic values and mobilizing citizen support. Moreover, strong economic growth in the 1990s facilitated the creation of some influential corporate and private foundations that provided financial resources for supporting newly established civil organizations.

Nonprofit sector in Taiwan

Both the economic boom and consolidation and the democratization process exerted a positive effect on the Taiwanese nonprofit sector. Therefore, the interesting feature of the country's not-for-profit world hides in legal regulation. The Kuo Ming Tang (KMT) government revised the restrictive laws governing civil organizations and created a new set of rules under the social organization law, which transformed civil organizations leading protest

and social campaigns into regular NPOs and NGOs. The civil law passed in 1987 was in fact the crowning of the democratization process initiated by the social movements; it gave place to formal organizations and started the institutionalization process of the organizations.

Taiwan's nonprofit sector can be categorized in several ways. Hsiao argues that the Taiwan's nonprofit organizations can be divided into two categories according to their main goals of establishment. The first type advocates social movements (*social movement sector-advocacy*) and fight for social reforms, while the second type aims to improve the lives of disadvantaged groups (*nonsocial movement sector-service- providing*) and provides social welfare (Hsiao 2005, p. 45). At the same time, regulation does not seem consistent¹⁹ since it can rather be called "state security focused than civil focused" (Baron 2002, p. 7). Kuan at al. classify nonprofit organization in Taiwan based on their registration with the governments (Kuan at al. 2010). Major types of nonprofit organizations in Taiwan include (1) foundation, (2) associations, (3) unions and professional organizations, (4) temples and churches, and (5) cooperatives. Table 1 shows types, legal forms, governing agencies, and the number of registered nonprofit organizations in Taiwan in 2009 (Twu 2010, p. 27).

Table 1 Major Types of Taiwan Nonprofit Organizations

Type	Legal form	Regulating agency	Number
Foundation	Directives supervising foundations	Central, county and city government	4 000 ²⁰
Association	Law on civil organizations	Ministry of Interior, city and county government	34 173
Union and Professional Organization	Law on civil organizations	Ministry of Interior, city and county government	9 942
Temple and Church	Directives supervising temples	city and county government	14 993
Cooperatives	Law on co-operatives	Ministry of Interior	5 117
Total			68 225

Source: Twu 2010, p. 28

Thus, the total number of all nonprofit organizations across these five groups amounted to 68,225 in 2009. The major three types of nonprofit

organizations are associations (34,173), temples and churches (14,993), and unions and professionals organizations (9,942). All nonprofit organizations must get registered by the relevant governmental organ (see the table), which is followed by a multi-step administration process. The basic aspect of categorizing the organizations is whether they are membership organizations or foundations (Hsiao 2003, p. 184). Basically the three steps involve: 1) getting permission from the government agency related to the work of the civil organizations; 2) setting aside an endowment which can range anywhere from USD 16,000 to the one million (for foundations only), depending on the supervising government agency and 3) registering with the district court closest to the civil organizations headquarters. The establishment of a membership organization needs at least 30 founders. When this number is reached, the organization is to pass an inner supervision made by the state official system (Hsiao 2005, p. 46). National organizations must get registered by the Ministry of Interior while local organizations by the local or county offices of social affairs. Registration with a supervising government agency can differ from civil organization to civil organization and is left up to the discretion of the government agency, and is usually completed within one month. Appeals are available if an application is denied. It should be noted that regulations for temple registration fall under a different set of laws. In additions, the different government agencies responsible for civil organization registration all have rules for different categories of civil organizations. Tax laws in general make the operation of associations and foundations more difficult since they must pay tax after their incomes. The exceptions are organizations (Article 4(13) the ROC) doing educational, cultural or charity work – the law exempts them from paying tax after their incomes (Hsiao 2003, p. 184; Hsiao 2005, p. 46). Article 36, item II. of the ROC income tax law that a for-profit business can give to legal nonprofit organizations 10% of its net income before tax (this law applies to domestic enterprises). Article 17 of the income tax law, states that an individual can make a deductive donation of up to 20% of their annual gross income or NT 200 million (Liao and Fields 2005, p. 62).

In addition to the above categorization, there are some other approaches, as well. Todayashi Terano, for example, sees three different categories of nonprofit Organizations: (1) political parties, (2) trade unions and trade and industrial organizations, and (3) social organizations.²¹ Using any of the approaches, we can see the basic characteristic of the Taiwanese nonprofit sector clearly, which originates in the movement culture and the establishment of formal organizations, namely that some of them are movement or advocacy nonprofit organizations while others are service suppliers. Today most of them belong to the service supplier category despite the fact that representative nonprofit Organizations are relatively new elements of Taiwan's nonprofit world, and play an important role in the democratization of the country.

Concerning the data of the period subsequent to the birth of the law, one can see clearly the extensive growth pace of social organizations since their number grew to six times as much between 1991 and 2012.

60 percent of the membership organizations were established around the turn of the 1980s and '90s. We have much less knowledge about foundations, though. 70 percent of the foundations, their number estimated around 4000, were established by private persons; the proportion of those launched by various organs and governmental organizations is around 25 percent. Most of them were founded in the late '80s. Consequently, Taiwan's civic sector is definitely dominated by the newly established organizations. Consequently, Taiwan's civic sector is definitely dominated by the newly established organizations.

Before the 1990s, the civil nonprofit organizations in Taiwan had a strong urban characteristic as shown in a higher proportion of associations and foundations located mainly in city of Taipei²² and Kaohsiung City.²³ A study conducted by Kuan revealed that about eighty percent of top 50 foundations are located in city of Taipei. This location patterns reflects an unequal distribution of philanthropic resources and voluntary activities between urban and rural areas (Kuan 2000).

Figure 1 Changes in the number of Taiwanese nonprofit organizations between 1987 and 2013

Source: Dept. of Social Affairs, MOI & Council of Agriculture, Council of Labor Affairs, Executive Yuan. 2014/3.

At the same time, rapid growth does not necessarily mean that more and more strong organizations arise; notwithstanding, contradicting symptoms,

the general presence of ‘one-person’ or ‘mini’-organizations occur, as well. According to Brian Kennedy,²⁴ these ‘mini-NGOs’ are mostly founded because in certain organizations there are strong inner fights around prime leadership, and the one losing this fight may launch a new organization with his supporters. This symptom is proved by Michael Hsiao’s surveys, as well. According to the research made around the millennium, only one third of the queried nonprofit organizations had elected leaders, and 21 percent of the leaders came from public offices. It is also general that ‘rising’ politicians use nonprofit organizations as a stepping stone, and are in fact engaged only with increasing their social prestige and political influence, and are unable to properly draw the organization under their control. Perhaps the birth of so many one-person or mini-organizations originates (beside others) in this fact (Hsiao 2005, p. 49). As a whole, these organizations may weaken other organizations because of their real objectives and personal competition²⁵ as well as weak resources and under-qualified staff.

Taiwanese professional literature mentions the following requirements concerning nonprofit organizations: they must (1) bring into public discourse and highlight social problems, (2) initiate and support important reforms, (3) sustain and defend social values, (4) supply services for the persons and groups in need, (5) improve their social activity by establishing social networks and social capital (Hsiao 2003, p. 185).

The breakdown of the sector by activity shows an interesting picture. As earlier referred to, the sector is mainly dominated by service suppliers, and within that the supply of social services plays a decisive role.

Table 2 Rate of registered nonprofit organizations in Taiwan by organizational purpose, 2010 and 2013

Organizational purpose	Proportion	
	2010	2013
Arts & education	17.3%	15.9%
Healthcare	3.2%	0.1%
Religion	4.9%	3.9%
Recreation and sports	12.0%	13.1%
Social services	31.6%	35.2%
International affairs	7.2%	8.1%
Economic affairs	11.6%	9.4%
Others	12.1%	13.2%

Source: Ministry of the Interior, as April 2010 and December 2013

They are followed by the organizations acting in the fields of arts and education, spare time and sports and other activities. As far as the ‘development trend’ of the organizations is concerned, it is clear that in the period after

the 'opening' in 1987 the most dynamic field was that of social services since the number of the organizations acting here tripled between 1988 and 1999, while the growth rate of other fields was a lot lower than this (the organizations showing the lowest growth rate in number were those in international and economic relations and athletics).²⁶ One third of all of the nonprofit organizations belong to this group. Their proportion has kept increasing after 2000, and according to the data from 2013, they make 35 percent of the whole sector.²⁷

On the basis of all the above and compared to the various types of international nonprofit Organizations, Taiwan belongs to the group of the countries with the dominance of social services.

Table 3 Patterns of nonprofit structures by countries

Pattern (type)	Country
Education-dominant	Argentina, Belgium, Brazil, Ireland, Israel, Mexico, Peru, United States
Health-dominant	Japan, Netherlands, United States
Social services-dominant	Austria, France, Germany, Spain, Taiwan
Culture/Recreation-dominant	Czech Republic, Hungary, Romania, Slovakia
Balanced	Australia, Columbia, Finland

Source: Salamon et al. 1999; Twu 2010, p. 29)

The growing importance of social and welfare affairs is also well indicated by the growth in the rate of the public expenditures allocated to these fields.

In terms of government spending, public expenditure on social welfare was USD 9.9 billion (NTD 346.9 billion) in 2003, accounting for 15.7 percent of total government spending. In 2007, the amount of social welfare expenditures increased to USD 11.4 billion (NTD 372.2 billion), which was about 2.9 percent of Taiwan's GDP and accounted for 16.3 percent of total government expenditure. Over the past few years, public spending on social welfare has significantly risen (Lo and Wu 2015, p. 456). As visible from the data (see Table 2 and 3), in parallel with the growth in the governmental social and welfare expenditures, the number of social and welfare organizations increased, as well.

Financial role played by NGOs and their contribution in employment

The measure to which the NPOs are able to participate in employment and their income structure are very important indicators of their national economic and social power. The main question concerning the latter one is

the diversity of the operation and the income structure of the sector and so the rate to which they are dependent on state supports.

One of the main indicators of the importance and contribution of the civil organizations is the role they are able to play on the labour market. According to the data gained from the survey made within the frames of the John Hopkins Comparative Nonprofit Sector Project in 38 countries, there are big differences in the contribution of the NPOs in employment²⁸ in the certain countries. While the average is very high in the developed countries (over 8 percent in average within the economically active population in Western Europe and the Anglo-Saxon countries), the contribution of the NPOs in the Latin American (2.3 percent in average) and the post-socialist countries (CEE) is very low (1.1 percent in average). In this respect, the industrialized Asian countries (Japan and Republic of Korea) take a medial position (3.3 percent in average) (Franco et al. 2005, p. 13). But in case we only consider the countries where the nonprofit sector is dominated by social services (Austria, France, Germany, Spain and also Taiwan), the contribution of the sector in employment is relatively high (5.6 percent in average) (Franco et al. 2005, p. 20).

Apart from the number and objectives of the organizations there is extremely little data available on the national economic contribution and financial situation of the organizations as well as the role they play in employment. According to certain estimations, (see Chang et al. 2013), the rate of those employed and paid in the sector in full-time or part-time jobs is around 5 percent of the total number of the employed which is slightly lower than the average in the countries dominated by social services (5.6 percent). Since there is no general data collection on the economic and labour market contribution of these organizations, relevant information can only be gained from various surveys and researches.²⁹ Despite the fact that we do not have comprehensive data on the contribution of the sector in employment, the existing research data and interviews allow us to highlight some phenomena.

According to the survey made by the Himalaya Foundation in 2005 about 300 foundations, 11 percent of the organizations have one or two, 32 percent have 3-5 and 27 percent have 6-9 full-time employees which means that 70 percent of the organizations are operated by less than ten people (Wei-Wen Chang et al. 2013, p. 6). Yu-Yuan Kuan et al. came to a similar conclusion; according to their data, 81 percent of the social organizations have less than three full-time employees (34 percent have none). As far as part-time workers are concerned, 78 percent of the organizations employ less than 5 persons in such a status, and 29 percent of them have no part-time employees at all (Yu-Yuan Kuan et al. 2008, p. 5). The labour market positions of these organizations have not changed much since 2005 according to the interview survey made with 20 organizations and published in 2013, most of the surveyed organizations had 3-5 employees. One reason for this may be that the average salary of the employees working for these organizations is not too high (NTD

40 000 which equals USD 1200), and an even bigger problem is that their salary does not really change even after 3 years, either, which means that they reach the ‘top salary’ of the sector when taking up the job (Chang et al. 2013, p. 11). The most serious of these problems is the fact that it is common for civil organization workers to take on one or more individuals jobs, and due to financial constraints, their average salary is much lower than in the business sector leading to a loss of professionally trained employees (Liao and Fields 2005, p. 52).

Organizational revenues and their sources make a point of great nicety in Taiwan, and for this reason it is very difficult to get relevant, reliable and comprehensive data. To come over this problem, I set out from the researches and papers published during the latest years, and I focused at the common features. These make it clear that the main resources of the incomes of somewhat more than 50 percent of the nonprofit organizations are from private donations and state supports (Lo and Wu 2015, p. 457).

We can only make indefinite statements concerning the breakdown of the organizations by income, as well, and the picture gained is somewhat “confusing” a bit. According to the data by Michael Hsiao, almost one third of the surveyed organizations had less than NTD 1 million (USD 30 000) income, 13 percent had between NTD 1 and 2 million and 10 percent had NTD 2-3 million a year, i.e. the annual income of nearly half of the surveyed organizations remained below NTD 3 million (USD 90.000). Besides, there is great difference between the income level of the associations and the foundations. While 20 percent of the foundations have an annual income exceeding NTD 50 million (app. USD 1.6 million), the income of more than half of the associations is below NTD 2 million (app. USD 60 000). This symptom definitely proves the opinion quite widespread in Taiwan which says that “*associations are poor while foundations are rich*” (Hsiao 2005, p. 49). The analysis made by Yu-Yuan Kuan et al. presents another type of income structure although it proves some of the conclusions based on Hsiao’s data.

Table 4 Total revenues and expenses of nonprofit organizations during the fiscal year of 2007

NTD	Total revenues			Total expenses		
	number	%	cumulative	number	%	cumulative
0–500 000	202	42.5	42.5	208	44.9	44.9
500 001–1 000 000	64	13.5	56.0	55	11.9	56.8
1 000 001–10 000 000	145	30.5	86.5	143	30.9	87.7
10 000 001–100 000 000	55	11.6	98.1	47	10.2	97.7
100 000 001–	9	1.9	100.0	10	2.2	100.0
Total	474	100.0		462	100.0	

Source: Kuan et al. 2009, p. 10

The data in the table make it clear that more than half of the organizations involved in the survey had an income less than NTD 1 million, and this value is 20 percent higher than that found by Michael Hsiao. At the same time, the great divergence within the incomes is indicated in the data found by Kuan et al, as well, since the 350 thousand times difference between the organizations with an income of NTD 10.000 and those with NTD 3.4 million reflects enormous disproportions. I.e. Kuan's data seem to underpin Hsiao's results which say that the financial balance of most of the Taiwanese nonprofit organizations is below NTD 1 million (app. USD 30 000) (Kuan et al. 2009, p. 9).

Examining the incomes of the organizations, we will find that they get financed primarily from donations, gifts, member fees and grants gained from the government or some of its organs. If the grants from governmental resources are looked at more thoroughly, it becomes clear that in the cases of 20 percent of the organizations these resources amount to more than half of their income (Kuan et al. 2009, p. 10). It shows that most associations in Taiwan receive state resources, but that is generally less than 20 percent of their overall revenue (Liao and Fields 2005, p. 65). Nonprofit organizations worry that the government may seek to influence their operations through its financial support. As a result of this, non-profit organizations stress the need for the government to simply provide aid without any further involvement.

Table 5 Income of the organizations by resources

Type %	Government or public agencies	Donations and gifts	Special events	Dues/ Membership fees	Private sale of goods and services	Other sources
0%	216(43.1)	153(30.6)	380(76.9)	181(36.3)	391(78.8)	278(55.8)
1–25%	115(23.0)	177(35.4)	91(18.4)	142(28.5)	58(11.7)	184(36.9)
26–50%	74(14.8)	61(12.2)	16(3.2)	48(9.6)	15(3.0)	5(1.0)
51–75%	46(9.2)	39(7.8)	4(0.8)	33(6.6)	14(2.8)	8(1.6)
76–99%	43(8.6)	46(9.2)	3(0.6)	59(11.8)	13(2.6)	6(1.2)
100%	7(1.4)	24(4.9)	0(0.0)	36(7.2)	5(1.0)	17(3.4)
Total	501(100.0)	500(100.0)	494(100.0)	499(100.0)	496(100.0)	198(100.0)

Source: Kuan et al. 2009, p. 11

The analysis also introduces the fact that besides governmental grants³⁰ donations from private persons³¹ and membership fees from private persons³² are of considerable importance, as well. Private, business and governmental supports are followed by the income from 'mere' activity or the sale of services.

Finally, the survey came to the conclusion that the number of the organizations declaring a decrease in their incomes³³ was twice as much as of those speaking of a growth. In case we add to this the opinions on expenditures, we will come to the conclusion that in the period of 2005-2007 one third of the organizations faced a slight growth of expenses while the downturn of incomes was general in the whole sector (Kuan et al. 2009, p. 14).

Table 6 Organizations financial indicators changed between 2005–2007

Financial indicators	Decreased sums	Increased sums	Total
Total revenues	229 (42.5%)	141 (26.2%)	539 (100%)
Total expenses	144 (27.6%)	187 (36%)	521 (100%)
Total assets	78 (16.9%)	102 (22%)	464 (100%)
Total liability	46 (11.5%)	66 (16.1%)	410 (100%)
Total net value	97 (22.2%)	86 (19%)	437 (100%)

Source: Kuan et al. 2009, p. 15

In case we put this picture into the context of the economic situation described at the beginning of this study, the straws in the wind indicating the economic crisis will be clearly detectable (the growth rate of Taiwan's GDP started decreasing considerably just in this period; it grew by only 0.7 percent in 2008). As noted, public spending on social welfare has increased recently, but the nonprofit sector as a whole has grown even faster. Hence, the average amount of government subsidies to each nonprofit organization has fallen. As a result, nonprofit organization in Taiwan must compete for their shares of government. Both private donations and government subsidies are highly influenced by economic fluctuation, requiring non-profit organizations to find other ways to support their programs. That's why many of them have started to sell goods and services in order to earn steady revenues (Lo and Wu 2015, p. 457).

Conclusion

One can discover several parallel symptoms between the history and the development of Taiwanese and European nonprofit organizations. In Europe, the structural crisis of neo-liberal capitalism and the adjustment policy led by the welfare states increased the spending of the households and the civil society at a rate varying by countries. It is the Southern European countries that suffered the most serious effects of the crisis, especially the economies on the periphery in a Europe splitting along a Northern-Southern fault line. As a result of the policy of financial consolidation applied after 2009, the nonprofit organizations were put under double pressure: by the increasing

expectations from the society and the limits in resources. All this meant that the civil sector had to find an answer to the crisis, but in the meanwhile it had to represent the interests of excluded and vulnerable social groups, as well (Gallego and Cabrero 2013, p. 132).

In contrast, Taiwan has come a different path. Economic boom and its sustainability resulted in the liberalization of the political system, which was definitely advantageous to the spread of civic/social organizations. Owing to the never shrinking development of democracy, economic liberalization, the extension of education and the introduction and application of technological innovations, Taiwan has perhaps entered the group of developed countries by today, and can be taken as a model for developing countries.

At the same time, the ‘model’ having been created does not at all adjust to the (mainly) economic successes reached by the country which means that the process has started, but in order to have a model comparable to the developed civic societies created in Taiwan, several generations and several political decisions will be necessary. Taiwan stands as an example of the “cyclic process” which is more or less typical of developed liberal democracies, and means that it is only a strong civic society standing on wide “social legs” that can bring about political changes, and that it is successful politics that can lead to economic, social and welfare changes! All these together might sustain a developed civic society and a developed state in the long run. The challenge faced by the Taiwanese state lies in the question whether it is able and willing to create a civic society operating sufficiently. And the question on the side of the population and the various movements (which played a substantial role in the democratization of the country) is whether they are able to control and influence the state actively. To wit, the examples of the European and Eastern European countries indicate the fact that it is only a democratic state which may be capable of establishing a democratic civil society and it is only a democratic civil society that may be able to sustain a democratic state.

References

- Baron, B. F., 2002. The Legal Framework for Civil Society in East and Southeast Asia. *The International Journal of Not-for-Profit Law*, 4(4). Available at: <http://www.icnl.org/research/journal/vol4iss4/art_1.htm> [Accessed 20 March 2015].
- Chang, W. W., Huang, C. M. and Kuo, Y. C., 2013. Design of Employee Training in Taiwanese Nonprofits. *Nonprofit and Voluntary Sector Quarterly* XX (X), pp. 1–22.
- Chu, Y. H., Hu, H., and Moon, C. I., 1997. South Korea and Taiwan: The International Context. In: Diamond, L., Plattner, M.F., Chu, Y. H. and Tien H.M. eds. *Consolidating the Third Wave Democracies: Regional Challenges*, Baltimore: The Johns Hopkins University Press.

- Franco, R. C., Sokolowski, S. W., Hairel, E. M. H., Salamon, L. M. 2005. *The Portuguese Nonprofit Sector in Comparative Perspective*. Católica and Johns Hopkins University. Available at: <http://ccss.jhu.edu/wp-content/uploads/downloads/2011/11/Portugal_National_Report_2005.pdf>[Accessed 20 March 2015].
- Gallego, V. M. and Cabrero, G. R., 2013. A harmadik szektor európai és spanyol értelmezése. (European and Spanish interpretation of third sector) *Civil szemle*, Vol. 37. No. 4, pp.127-149.
- Hsiao, H. H. M., 2003. NGOs and the Democratization of Taiwan: Their Interactive Roles in Building a Viable Civil Society. In: Schak, D. C. and Hidson, W. eds. *Civil Society in Asia*. Ashgate, England, pp. 180-191.
- Hsiao, H. H. M., 2005. NGOs, the State, and Democracy under Globalization. The Case of Taiwan. In: Weller, R. eds. *Civil life, Globalization and Political Change in Asia: Organizing Between Family and State*. Routledge, London-New York, pp. 42-57.
- Hsiao, H. H. M., 2012. Social Foundation of Political Vitality In: Tsang, S. eds. *The Vitality of Taiwan*. UK: Palgrave Macmillan, pp. 37-56.
- Kákai, L., 2009. *Kik is vagyunk mi? Civil Szervezetek Magyarországon*. (Who on Earth are we? Civil organizations in Hungary) Pécs: Publikon Kiadó
- Kákai, L., 2014a. Hungarian Nonprofit Sector Twenty Years After: The Situation of the Third Sector and Impacts of the Economic Crises. *Politeja*, Vol. 28. No 2, pp.83-113.
- Kákai, L., 2014b. Nonprofit szektor „Ázsia zöld szívében”. (Not-for-profit sector, “the green heart of Asia) *Civil Szemle*, Vol. 40, No 3, pp. 69-81.
- Kennedy, B., 2000. ‘Taiwan’s NGOs need organized leadership’. Available at: <<http://www.taipeitimes.com/News/editorials/archives/2000/09/26/0000054946/1>> [Accessed 14 June 2014].
- Kuan, Y. Y., 2000. The State of Nonprofit Organizations and Foundations in Taiwan (in Chinese) Paper presented at the Second Cross Straits Public Affairs Conference. The National Institution of Public Administration, Beijing, China
- Kuan, Y. Y., Cheng, C. H. and Leu, C. H. 2008. ‘The Employment of Third Sector in Taiwan Based on 2005 Survey Data’ *National Taipei University Social Work Review* Vol. 49, No.1 (2008/01), pp. 1-38.
- Kuan, Y. Y, Wang, S. T., Chiou, Y. C., Lu, W.P., Duh, C. R., Kang, F. C. and Chen, Y. H., 2009. Study on the Nonprofit Sector in Taiwan: Finance and Management Challenge. Session D-1 Panel, Paper 3. The 6th ISTR Asia and Pacific Regional Conference. ‘Changes, Challenges, and New Opportunities for the Third Sector. November 1-3, 2009 Taipei, Taiwan, pp. 1-16.
- Kuan, Y. Y., Duh, C. R., and Wang, S. T., 2010. A Portrait of the Distinguishing Features of Taiwan Nonorofit Sector: Data Analysis on the Partial Finding of a Nationwide Survey. *Jurnal of Public Administration*, 37, pp. 111-151.
- Lo, K. and Wu, S., 2015. Giving in Taiwan: On the Rise Following Economic

- Growth and Political Democraization. In: Wiepking, P. and Handy, F. eds. *The Palgrave Handbook of Global Philanthropy*. UK: Palgrave Handbook Macmillan, pp. 455-472.
- Láz, A., 2013. Tajvan státusza a világban. (Taiwan's positions in the world.). Available at: <http://www.polspect.eu/kulfold_tavol-_kelet_es_oceania/tajvan_statusza_a_vilagban.html> [Accessed 14 December 2014].
- Liao, J. and Fields, A., 2005. An Assessment of Civil Society in Taiwan (2005). Transforming State-Society Relations: The Challenge, Dilemma and Prospect of Civil Society in Taiwan. Taiwan: Center for International NGO Studies - National Sun Yat-sen University Kaohsiung. Available at: <http://www.civicus.org/new/media/CSI_Taiwan_Executive_summary.pdf> [Accessed 28 July 2015].
- Majoros, P., 2002. A Kínai Köztársaság (Tajvan) és az Európai Unió kapcsolatai az ezredfordulón. (The relations of the Republic of China (Taiwan) and the European Union at the millenium.) Magyar Tudomány Napja - Budapesti Gazdasági Főiskola, pp. 71-79.
- Mészáros, K., 2007. Taiwan és a szárazföldi Kína gazdasági és politikai kapcsolatai a Sing-kortól napjainkig. (The economic and political relations between Taiwan and continental China from the Sing era until our days.) (OTKA T 043152). Available at: <http://real.mtak.hu/949/1/43152_ZJ1.pdf> [Accessed 14 December 2014].
- Phelps, E. S., 2006. Economic Culture and Economic Performance: What Light Is Shed on the Continent's Problem? CESinfo/CCS Joint Conference, San Servolo (Venice), July 21-22, 2006. Available at: <<http://www.columbia.edu/~esp2/Center3rdAnnualConf2006Sept27.pdf>> [Accessed 20 March 2015].
- The Republic of China Yearbook, 2002*. Government Information Office. July 2002. Available at: <[http://www.eridanus.cz/Zeme\(2/mapa/Asie/Vy\(1chodni\(1_Asie/Taiwan/Yearbook2002/INDEX.HTM](http://www.eridanus.cz/Zeme(2/mapa/Asie/Vy(1chodni(1_Asie/Taiwan/Yearbook2002/INDEX.HTM)> [Accessed 10 December 2014].
- Salamon, L. M., Anheier, H. K., List, R., Toepler, S., Sokolowski, S. W., and Associations, 1999. *Global Civil Society: Dimension of the Nonprofit Sector*. Baltimore, MD: The Johns Hopkins University Press
- Taiwan Statistical Data Book, 2013*. Council for Economic Planning and Development – Executing Yuan, R.O.C. Taiwan
- Térneg, V., 2003. Tajvan Európa egyik Kelet-Ázsiai partnere. (Taiwan – an Eastern Asian partner of Europe.) Budapesti Gazdasági Főiskola, Nemzetközi Kommunikáció Szak, Európai üzleti tanulmányok szakirány, Budapest, p 73. Available at: <<http://www.doksi.hu/get.php?lid=15103>> [Accessed 10 December 2014].
- Terano, T., 2002. Taiwan: From Subjects of Oppression to the Instruments of Taiwanization In: Shigetomi, S. eds. *The State & NGOs: Perspective from Asia*. Institute of Southeast Asian Studies, Singapore, pp. 263-288.
- Twu, R. D., 2010. 'The Growth and Transformation of the Nonprofit Sector in Taiwan' *Comment of Public Affairs*, Vol. 11(1). (2010/06), pp. 23-46.

Notes

- ¹ This research was realised in the framework of the TÁMOP 4.2.1.D-15/1/KONV-2015-0006 – The development of the innovation research base and knowledge centre in Kőszeg in the frame of the educational and research network at the University of Pannonia.
- ² There is no consensus according to the definition of *non-governmental organizations and nonprofit Organizations*. Scientific literature basically mentions two criteria; NGOs are groups established voluntarily by private persons or groups of persons which do not aim at profit making. According to the Anglo-Saxon literature, this category includes the non-governmental organizations that act for the society in a nonprofit oriented way (Kákai 2009, p. 12). Nonprofit organizations (NPOs) and non-governmental organizations (NGOs) are very similar organizations - both express independence and demarcation from the state and politics. The main difference between the two is that the term non-governmental organizations (NGOs) is mainly used in the documents of big international organizations (e.g. the UN and its organs, UNESCO, FAO, WHO, etc., the European Commission and the World Bank).
- ³ With this data, Taiwan has the second highest density of population in the world.
- ⁴ Taiwan Statistical Data Book 2013. Council for Economic Planning and Development – Executing Yuan, R.O.C. Taiwan, pp. 29-33.
- ⁵ Two more important dialects are used: Sothern Fu-chen (which is also called Taiwanese) and Hakka. The Hakka population in Taiwan is around 4.6 million people today. Hakka people comprise about 15 to 20% of the population of Taiwan and form the second-largest ethnic group on the island.
- ⁶ This means that GDP growth was 0.7 percent in 2008, 1.8 percent in 2009, 10.7 percent in 2010, 4.0 percent in 2011 and “only” 1.3 percent in 2012 (Taiwan Statistical Data Book 2013, p. 5).
- ⁷ Taiwan Statistical Data Book 2013, pp. 264-265.
- ⁸ Taiwan Statistical Data Book 2013, p. 9.
- ⁹ Taiwan Statistical Data Book 2013, pp. 34-39, and Hungarian Trade Office in Taipei. Available at: <<http://www.hungary.org.tw/magyar/hungary.htm>>.
- ¹⁰ Taiwan Statistical Data Book 2013, pp. 29–33.
- ¹¹ The releases in the political system were perhaps most perceivable in the field of state owned companies. In 1952 57 percent of total industrial production was realized by state owned firms, and this number decreased to 21 percent by 1980 and to 18 percent by 1990. The government is planning to privatize them in the coming years.
- ¹² By today the proportion of industrial production in the GDP has lessened to 31 percent while that of the services reached 70 percent.
- ¹³ Today the average salaries available in industry and the service sector are around NTD 45 000 (app. EUR 1000).
- ¹⁴ The People’s Republic of China has been raising a claim for Taiwan since 1949 and is reluctant to acknowledge the Republic of China as a legitimate state.

- ¹⁵ „Occupy Congress!” People in Taiwan Protest against the Agreement on Trade with China. Available at: <http://www.veooz.com/news/NG_5j_5.html>.
- ¹⁶ Guanxi describes the basic dynamic in personalized network of influence, and is a central idea of Chinese society.
- ¹⁷ The new parties were established during the late ‘80s, and by the millennium their number exceeded 90. The most important of them is Democratic Progressive Party (DPP) which was launched in 1986. In 2000 they won the presidential elections and were the leading party in Taiwan between 2000 and 2008. Available at: <[http://www.eridanus.cz/Zeme\(2/mapa/Asie/Vy\(1chodni\(1_Asie/Taiwan/Yearbook2002/chpt06-2.htm#2](http://www.eridanus.cz/Zeme(2/mapa/Asie/Vy(1chodni(1_Asie/Taiwan/Yearbook2002/chpt06-2.htm#2)>.
- ¹⁸ They are descended largely from Hakka who migrated from southern and northern Guangdong to Taiwan around the end of the Ming Dynasty and the beginning of the Qing Dynasty (ca. 1644). In 2006, a Taiwanese political party, the Hakka Party, was founded to represent the Hakka people and their interests in Taiwan.
- ¹⁹ According to Brian Kennedy (2000), by their legal regulations the government created an environment not very friendly for NGOs. He says that the various laws and rules are sometimes obscure and contradictory and put burden on the organizations which they manage by simply neglecting these regulations.
- ²⁰ The number of foundations is estimated on the basis of Yu-Yuan Kuan’s research.
- ²¹ These latter are defined by the law as organizations acting for public good in the following fields: culture, science, health care, religion, social services, friendly organizations, education, etc. (Terano 2002, p. 270).
- ²² Taipei is the capital city of Taiwan. Taipei City is located at the north tip of Taiwan Island and the most populous city in Taiwan. New Taipei City has an estimated population of around 3.9 million.
- ²³ Kaohsiung City is located in southern-western Taiwan and facing the Taiwan Strait, it is by area the largest municipality, at 2,947.62 km. Kaohsiung city has a population of 2,777,296 people, the second highest of Taiwan after New Taipei city and a population density of 942.22 people per square kilometer.
- ²⁴ Available at: <<http://www.taipeitimes.com/News/editorials/archives/2000/09/26/0000054946/1>>.
- ²⁵ Meaning by this that the stress in this case is not put on the objectives of the organization but persons.
- ²⁶ Terano 2002, p. 272.
- ²⁷ Source: Dept. of Social Affairs, MOI & Council of Agriculture - Council of Labour Affairs, Executive Yuan. 2014/3/3
- ²⁸ In the comparison we use the indicator of the number of staff calculated in terms of regular, full-time employees. *Full-Time Equivalent* (FTE) Jobs describes the total amount of labour employed. Economists measure FTE jobs, not the total number of employees, because it is a more accurate measure that accounts for part-time employment.
- ²⁹ In the introduction of the financial and economic situation I used the survey made by Hsin-huang Michael Hsiao at the beginning of the 2000s with 266 organizations, the research made by Kuan, Y.Y, Wang, S.T., Chiou, Y.C., Lu, W.P., Duh, C.R., Kang, F.C. and Chen, Y.H. in 2007 with the involvement of 617 organizations and the survey

made by the Himalaya Foundation about 330 foundations in 2005.

- ³⁰ Their proportion is 58 percent. At the same time, it must be stressed that one third of the surveyed organizations gain some income from the government owing to contracts concluded to supply some services.
- ³¹ Almost 80 percent of the queried organizations possess this kind of income. Besides, 36 percent of the organizations get business and company supports, as well.
- ³² More than 60 percent of them have such an income.
- ³³ The organizations asked experienced considerable decrease in the fields of governmental grants (41%) and donations and gifts (46%).

About Author

László KÁKAI

He was born in Pécs in 1964. At Eötvös Lóránd University of Budapest he got a degree in sociology on 1994, and in politology in 1995. He has been an associate professor at the Department of Political Studies of the Faculty of Humanities of the University of Pécs since 1997. From November 5th 1999 to May 31st 2002, he worked as a research expert for the Civil Contacts department of Prime Minister's Office. In 2004, he took a PhD degree, and became the research leader of the Századvég Civil Academy. Since 2003, he has been the president of the Pólusok Association of Social Sciences, and is the South Transdanubian substitute member of the National Council of the National Civil Fund. He is Head of the Department Political Science and International Studies at the University of Pécs, and from 2012, president of the Community Environment College of the National Cooperation Fund.

kakai.laszlo@ote.hu