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September 2011

Donation of China's Private Business Owners

Paper for the workshop "Current Labor Market Issues in China" organized by IZA, Bonn, Germany and Renmin University (Beijing) on September 17-18, 2011, Beijing. This work was supported by a grant from Swedish Research Council - Swedish Research Links Programme.

Keywords: China, Private Entrepreneurs, Private Firms, Donations

Abstract

At the end of 2009 did 16.5 million private entrepreneurs employed 86 million workers in China. Some of the income earned by the private entrepreneurs is donated for charity. We use a countrywide survey to throw light on this giving. We report that giving is widespread and sums unequally distributed. The amount of donations made during one year is a reasonable, but not perfect predictor of the amount of donations given during the following year. However, there are also general fluctuations across years most likely due to the occurrence of the Earthquake in Wenchuan, Sichuan. The amount of donations given by private owners varies along many variables. Results from estimating a multivariate model show that the amounts donated are positively linked to income of the entrepreneur. In addition social ties at the individual level as well as the existence of a board of directors, a branch of the Communist Party and a trade union at the establishment affect the amount of donations given.

1. Introduction

As China has grown it has seen a rise in the private sector. A new social stratum of private entrepreneurs has emerged, and the number of employed in the sector has increased. Private entrepreneurial activities in China are embedded in the fabric of the society. As consequence of their activities Chinas private entrepreneurs earn income, and not all is used for investment and private consumption. Some is spend on donations for charity, to benefit broader groups of the population. Donations can also benefit the giver by promoting the goodwill of the donor thereby providing increased business opportunities and therefore seen as investments in social capital. Charitable giving is a rapidly growing activity in present day China.

This paper asks the following research questions related to charitable donations by private entrepreneurs in China: How do donations by private entrepreneurs vary within the population of private entrepreneurs? What determines the amount of donations? We are interested in the importance of income of the entrepreneur, personal characteristics, enterprise characteristics and governance structure of the enterprise. Particularly we are interested in if personal characteristics like gender, age and being religious or pressure from peers and workers in the establishment are the main forces influencing the amount of donations.

There is a vast scholarly literature on donations/philanthropy, see for example Andreoni (2006) and Bekkers and Wiepking (2007) for surveys. Our reading of the literature is that philanthropy can not be understood simply as the material expression of religious or ethical imperative. Charitable giving also functions as a medium through which patronage and relations of power are established, reinforced and challenged. The social act of “giving” often speaks of both community and hierarchy. Social ties can play a strong causal role in the decision to donate and the average gift size. (Meer, 2011)

Some studies on private donations refer to China. One example is Liwei et al (2008) who studied corporate donations following the May 12 2008 Earthquake in Wenchuan, Sichuan. The results of the study indicate that firms choose donation amounts according to economic incentives. For example firms with direct contacts with consumers donated 50 percent more than those with indirect contacts with consumers. There are also studies using one in a line of national surveys of private entrepreneurs. One example is Ma and Parish (2006) who analysed the 1995 survey. The results showed that as many as 87 percent of private entrepreneurs had given at least something sometime in the past and authors conclude that the level of giving appears as exceptional high in light of international experiences. The authors suggest that this can be understood from the background of lack of open political elections in which entrepreneurs can influence policy as well as that relations with bureaucracy are uncertain. Another example is Chen and Touve (2009) who used the 2004 survey of private entrepreneurs among other things establishing a positive relationship between the entrepreneur’s membership in Peoples Congress and donations given. A third example is Jun and Jia (2010) who analysed the 2006 survey to for example relate donations to profitability of firm finding a positive relation. This result is interpreted as philanthropy being an important way to get property rights protection and build political connections that help private enterprises to for example gain access to the credit market.

This paper uses the 2010 round of survey of private entrepreneurs in all of China to take a fresh look at giving for charitable purposes by private entrepreneurs. Besides being more recent than previous studies of donations by private entrepreneurs in China the data has the advantage that the question posed to respondent’s on donations refers to two particular points

in time, 2008 and 2009. We use the survey to describe the total amount of donations and how donations vary by characteristics of the entrepreneur as well as his or her establishment. Furthermore, we estimate a regression model relating the logarithm of the amount of donations to variables expressing the personal income of the entrepreneur and variables measuring personal characteristics of the entrepreneur as well as such measuring characteristics of the establishment including the corporate structure of the establishment.

Turning to results we report that an overwhelming proportion of all private entrepreneurs makes donations during a year and confirm that the amount of donations given by private entrepreneurs in China is substantial and varies much between owners. The median for 2008, when the Wenchuan Earthquake took place, was 10 000 RMB and the mean was as high as 150 000 RMB. In 2009 when the downturn of the world economy was fully felt in China, was the median halved (down to 5 000 RMB) and the mean reduced by one third (down to 102 000 RMB). China's entrepreneurs donate typically one-tenth of their private income. The amount of donations varies by age, gender, education, measure of religiosity, party affiliation, and previous occupation of the entrepreneur. Average donations are higher among members of the organisations People's Congress (PC), China People's Consultative Conference (CPPCC) and All-China Federation of Industry and Commerce (ACFIC) than among non-members. Owners of private firms located in the east of China donate more than those located elsewhere, particularly those in the north east. We also report substantial disparities in average amounts of donations giving between on one hand entrepreneurs with firms having board of directors, trade unions or a branch of the Communist Party and on the other hand establishments without such organizations. The results from the regression analysis show that the amount of donations is relatively strongly positively related to income of the entrepreneur. We also find that variables expressing ties from peers / society (membership in PC and CPPCC) and pressure at the establishment level (board of directors, existence of trade union, branch of the Communist Party) largely affect the volume of donations. In contrast there is little evidence of personal characteristics like religion and gender having an independent effect on amounts donated.

The rest of the paper is laid out as follows: The context is described in Section 2, and the data in Section 3 where we also portrait China's private entrepreneurs and their firms. Section 4 reports on the amount of donations by private entrepreneurs and how average donations vary by personal characteristics as well as characteristics of the establishment. In Section 5 we estimate a model explaining the log of donations. Finally the paper summarizes the findings in Section 6.

2. Context

Since the 1950s and some decades thereafter almost all economic activities in China took place in State Owned Enterprises (SOEs), Collective Enterprises or in the Communes. The private sector was very small. This has changed drastically. The Communes are since long history and agriculture is nowadays a household activity. The role of SOEs and Collective enterprises shrank rapidly during the second part of the 90s and some years thereafter. Instead ever larger numbers of persons have registered as self-employed (ge ti hu) or as a private owner employing also others (siying qiye). The latter possibility was opened in 1988 and means that one has to register at the State Administration for Industry and Commerce at different levels. At the end of 2009 not less than 86 million persons were employed in 16.5 million private firms among which about two thirds were located in urban areas and the rest in rural China. (NBS, 2010) Those numbers also show that the average private owned firm is

small in terms of the number of persons employed. The rapid increase in the number of private firms means that only a few have been active for several decades. This is illustrated by numbers from our sample presented in the next section where we also show that the private entrepreneurs have been recruited from a spectrum of occupations.

China's private firms operate in most production sectors of the economy. A majority can be classified as family firms, while others rely to a large extent on funds from shareholders or lenders. The governance structure differs with respect to the existence of having shareholder' meeting^①, the board of directors^② and the board of supervisors^③ as further shown in the next section. There is also a variation when it comes to formal influence by workers on management. While at State Owned Enterprises workers can voice their interest via the trade union alternatively the enterprise branch of the Communist Party, such opportunities do not exist in a substantial fraction of the private firms.

While possibilities to run private firms in present day China are in many aspects much better than previously still it should be understood that private business faces a number of challenges. Capital and credit markets are still not well developed in China. It is not easy for private entrepreneurs to access capital via the formal credit market for starting up or expanding his or her business. Often private owners have to rely on funds from the family and friends. Other alternatives are trade credits; various types of funding provided by private trade agencies as well as retained earnings (Allen et al, 2008). In the informal channels, trust, reputation and relationships are important.

Further challenges come from how the state operates. China's legal framework has not been reformed rapidly enough to allow it to play a large role in contract enforcement. When interacting with governmental bureaucrats at various levels the latter apply complex rules and extended procedures that can lead to delay. Some government offices have the power to supervise a firm or even terminate its activities. Many private owners find that much management time and resources have to be used to steer through the red tape.

This description means that China's private entrepreneurs have much to gain by building social networks to obtain information and extend influence. This can be done by interacting with government officials and policymakers at an individual level. In addition China's private entrepreneurs can establish influence as members of formal institutions. Such institutions also function as channels for policymakers to reach private entrepreneurs and influence them. Examples are People's Congress (PC)^④ and the Chinese People's Political Consultative Conference (CPPCC)^⑤ at different levels, which are the two main channels for China's private business owners to participate in politics. In addition, as the bridge between the governments and the private business owners, All-China Federation of Industry and

^① The shareholder's meetings of a limited liability company are made up of all shareholders. The shareholders' meeting is the company's authoritative organization, exercising its powers in accordance with the Company Law of the People's Republic of China.

^② A company limited by shares has a board of directors with five to nineteen members. The board of directors is responsible to the shareholders' general meeting and exercises powers.

^③ A company limited by shares has a board of supervisors made up of not less than three members. The board of supervisors exercises some powers.

^④ The People's Congress (PC) is China's legislature, which according to the Chinese constitution is the highest organ of state power in the People's Republic of China. There are PCs at each administrative level: central, provincial, municipal, county, and township.

^⑤ The Chinese People's Political Consultative Conference (CPPCC) is a patriotic, united front organization, which is the important institution for multi-party cooperation and political consultation under the leadership of the Chinese Communist Party. The main functions of the CPPCC at various levels are political consultation, democratic supervision and participation in the administration and discussion of state affairs.

Commerce^① (ACFIC) at local levels are also the channels for the industrialists and businessmen to get involved in politics.

The donations for charity made by China's private entrepreneurs can be seen from the picture painted above. In addition to altruistic motives donations helps to build good relations with the government and improves the status of private entrepreneurs in public (Dickson, 2003). Such improved status might help when dealing with officials, i.e., the business owners are given a "helping hand" instead of "a grabbing hand" and in this indirect way private business activity is promoted.

China has a long history of philanthropy. For example according to Peterson (2005) did "late Imperial China possessed a well-developed philanthropic tradition with a mixture of official, religious and private institutions embracing a range of causes from famine relive and care of the elderly and widows to the running of orphanages, sick asylums, medical dispensaries and burial services for the poor, as well as the provision of public services such as waste-paper and waste collection, ferry services, temple repair and other forms of civic improvements." Although the Chinese society has undergone many changes since then, giving has continued to be an important ingredient. The Chinese society is today non-religious but it is still influenced by Confucianism advocating benevolence (ren ai. Under such circumstances generous donations can earn praise and good reputation in the public. In a country where until relatively recently being wealthy was a social disadvantage, donations can signal social responsibility.

Although the Chinese philanthropy is far from being mature due to a not perfect legal system, weakness in social policies and a premature development of NGOs as well as the undeveloped culture of the rest of civic society, China's philanthropy of which private donation account for big part, has developed especially after the devastating Wenchuan earthquake in 2008.

The Annual Report on China's Philanthropy Development (2010) provides an up-to-date account of Philanthropy in China. In China all kind of the received donation including cash and goods from domestic and abroad amounted to 33.278 billion Yuan in 2009. Education, disaster relief and social service are the main fields for the donations. In 2009 donation for education (basic education, vocational education, higher education and other education) accounted for 41.1 percent of the total donation followed by reconstruction after the Wenchuan earthquake and thereafter donations for social purposes like poverty relief. In domestic donation the enterprises are the uppermost donators. Private-run enterprises stood for 5.4 billion donations which represent 41.4 percent of all corporate donations a sum somewhat larger than the 4.5 billion of donations given from abroad. Some donations are given directly to those who should benefit from the gift. In addition China has seen the development and emergence of non profit organisations channelling donations from givers to receivers.

The rapid development of private economy in China has produced resources to give but also contributed to the rapid social stratification in the Chinese society. As China's private economy become booming and the private entrepreneurs have become more numerous, a wealthy social stratum is forming as the direct consequence of social changes. Generous

^① The All-China Federation of Industry and Commerce (ACFIC) is a people's organization composed of China's industrialists and businessmen under the leadership of the Communist Party of China, and a non-governmental chamber of commerce. It is also a united front organization and a unit of the National Committee of the Chinese People's Political Consultative Conference.

donators can earn praise, good reputation and respect in the public. This in a country the reluctant wealthy people can be easily labelled with stigma of being stingy and lacking social responsibilities. The Chinese culture can work as the positive driving forces to promote private donations and sensitive to outer pressures especially in some special occasions, such as the occurrence of natural disaster happened.

Chinese policies encourage private donation and private donation can be seen as a part of Chinese social security system. For a rather long period of time, China was dominated by highly centralized planed-economy and was under the influence of equalitarianism, private donation was nowhere in a country where poverty was universal. However, the picture of China change dramatically, and the Chinese society is being highly stratified. For example, a large number of social assistance recipients coexisting with a wealthy social stratum of private business owners in China. The large income gap is seen as an obstacle for social development. The government work report of the State Council of P.R.C since 2005 recognizes the role of Philanthropy in China. In 2009, the Ministry of civil affairs drafted a charity business law to the state for approval, and charity regulations in local level have been drafted in some provincial level units.

In China private donation is a kind of political behaviour. For one thing, private donation is the response to the political mobilization from the party-state at different levels and other social organizations closely associated with politics like trade union and the Communist party. It is common that party organizations and trade unions work as an effective mechanism to mobilise private donations in enterprises. In this respect are the Chinese private entrepreneurs different in social origins compared to its the counterparts in the rest of the world. Although the social origins are diverse, the Chinese private business owners are much influenced by the political culture. In fact some of the owners were earlier managers in the state-owned enterprises (SOEs). This means that they are not an opposing force of the government, on the contrary; they can be seen as the willing partners of the party-state. (Dickson, 2003) For example the authors previous study on Chinese private business owners in 2003 and 2005 showed that around one third of private entrepreneurs were those years CPC members, see Gustafsson, Gang and Dai (2010) Finally, private donation can earn political rewards and facilitating private entrepreneurs' political participation. China is country with frequent natural disasters, and the social-economic development is very unbalanced. In some places private donation can play a substantial role. Much as in the late 18th century situation in France as described by Tocqueville, special moments occur when a newly emerging business class offers monetary payments for charity and for honorary offices. In exchange, the government, hunting for new sources of revenue, provides social recognition and political access.(Ma and Parish, 2006).

3. Data and Characteristics of Chinese Private Entrepreneurs

The data used in this study were collected in the ninth National Sample Survey on China's Private Enterprises during spring 2010 by the All-China Federation of Industry and Commerce and the All-China Society of Private Economy Research (Zhongguo siying qiye yanjiu ketizu 2010). The survey belongs to a series of similar surveys carried out since the beginning of the 1990s. Data on our key variable private donations refers to years 2008 during which the Wenchuan earthquake took place and 2009 when the consequences of the international financial crisis became visible in China.

The survey covers all 31 provincial level units (provinces, autonomous regions and municipalities directly under the central government of China) of People's Republic of China. It targeted private enterprises (siying qiye) with eight or more employees and sampled one per mille of private companies in each of China's 31 provincial-level units. 59.1 percent of respondents were sampled via the All-China Federation of Industry and Commerce (ACFIC); the remaining 40.9 percent were selected via local Industrial and Commercial Bureaus (ICB) in a two-stage sampling process. The sample procedure means that the observations in the 31 provincial level units were drawn to be proportional to the number of private business owners in the province level units. Province level units with the larger number of observations in the sample are Jiangsu (N=338), Guangdong (N=300), Shanghai (N=274), Zhejiang (N=273) and Shandong (N=254). Provincial level units with the smallest number of observations are Tibet (N=15), Ningxia (N=30) and Xinjiang (N=37), all autonomous regions with a large proportion of the population belonging to ethnic minorities.

A number of Chinese organizations and their personnel were involved in designing questionnaires and carrying out the fieldwork. Researchers from the Chinese Academy of Social Sciences and Beijing Academy of Social Sciences were involved in the entire research process from questionnaire design to statistical analysis and writing up reports. The surveys are judged to be of high quality. Results from the surveys have been important references for policy makers. There is no other regularly made survey of private entrepreneurs covering all of China with such a width in scoop that can be used for academic research. The sample at our disposal consist of 4 614 observations and after trimming the dataset by deleting observations where the donations were recorded to be larger than income (before donations) and a few other observations with implausible values on the key variables donations we are left with a sample of 4 228 observations. In several tables do we divided the whole sample into two parts according to if respondents were sampled by All Federation of Industry and Commerce (ACFIC) or by State Administration of Industry and Commerce (SAIC).

Table 1. Characteristic of China's private entrepreneurs in the total sample and each for the two sub-samples in 2009

	Total sample		ACFIC sample		SAIC sample	
	N	Percent of those with valid values on the characteristic	N	Percent of those with valid values on the characteristic	N	Percent of those with valid values on the characteristic
Gender						
Male	3542	84.4	2232	87.8	1310	79.0
Female	657	15.6	309	12.2	348	21.0
Information missing	29		12		17	
Age (years)						
-39	901	21.6	385	15.2	516	31.4
40-50	2073	49.7	1321	52.3	752	45.8
51+	1193	28.6	820	32.5	373	22.7
Information missing	61		27			
Education						
Short	435	10.5	246	9.8	189	11.6
Medium	1184	28.6	701	28.0	483	29.7
Long	2514	60.8	1558	62.2	956	58.7
Information missing	95		48		47	
Religion						
Domestic	709	17.9	469	19.5	240	15.4
International	130	3.3	93	3.9	37	2.4
No religion	3120	78.8	1840	76.6	1280	82.2
Information missing	269		151		118	
Previous occupation						
Cadre	374	8.8	239	9.4	135	8.1
Manager	1950	46.1	1299	50.9	651	38.9
Worker or peasant	639	15.1	327	12.8	312	18.6
Other	1265	29.9	688	26.9	577	34.4

Information missing						
Political party membership						
Comununist Party of China (CPC)	1694	41.7	1077	43.6	617	38.7
Democratic Party	236	5.8	208	8.4	28	1.8
No members	2132	50.4	1184	48.0	948	59.5
Information missing	166		84		82	
Membership in Peoples Congress (PC)						
Member	935	27.5	715	35.0	220	16.2
Non-member	2466	72.5	1330	65.0	1136	83.8
Information missing	827		508		319	
Membership in Chinese Peoples Political Consultative Conference (CPPCC)						
Member	1293	37.4	1093	50.0	200	15.7
Non-member	2164	62.6	1091	50.0	1073	84.3
Information missing	771		369		402	
Household income of private owners						
—100000 RMB Yuan	1565	41.4	658	29.1	907	59.5
110000—490000 RMB Yuan	1754	46.4	1253	55.4	501	32.9
500000—990000 RMB Yuan	272	7.2	206	9.1	66	4.3
1000000 RMB Yuan +	193	5.1	143	6.3	50	2.3
Information missing	444		293		151	
Donation rate (private donation / household income)						
0.00	816	26.7	296	15.6	520	44.9
0.01-0.10	1250	40.9	778	40.9	472	40.8
0.11+	993	32.5	828	43.5	165	14.3
Information Missing	1169		651		518	
Total		100		100		100

Source: Authors calculations based on the data from the ninth National Sample Survey on China's Private Economy in 2010.
Note: A long education is defined as college and university education; a medium education is defined as having at Least senior middle school. Buddhism and Taoism are coded as Chinese religion, Christianity, Catholic faith and Islam as international religion.
Household income includes wage, capital gains (including gains from own private firm and other firms invested by the private entrepreneurs), financial investment returns (including bank interest and stock returns), income from real estate investment, agricultural income, etc

Table 1 provides information on some characteristics of the respondents. Most private entrepreneurs are male and the proportion women (16 percent) are small. China's private owners also belong to a club of middle-aged persons, as about half are aged 40 to 50, which are the mature age in the Chinese culture. Educational background varies, with well-educated businesspersons having long education account for more than half of the surveyed owners, and only one-tenth of the owners possess less than senior middle school. Compared to earlier survey this indicates that the structural changes have occurred in terms of educational background of private business owners. While the typical Chinese private business owners is not religious there are minorities having religious belief of different kinds. As regard of the previous occupation some were already earlier closely connected with entrepreneurship and business administration, while other businesspeople worked previously as cadre which signals having social capital advantages for opening and operating a business while still some other private entrepreneurs were recruited from the rank of ordinary workers and farmers.

Chinese business owners have links with politics in the different ways. Our data show that as many as 42 percent of the respondents are members of CPC; while a small number of private owners is member of one of the democratic parties. Besides the Chinese business owners having such a linkage to the party-state, a minority are representatives of People's Congress or / and Chinese People's Political Consultative Conference at different level. If we look at the structure of the respondents of the sample by ACFIC and the SAIC sample, there are not much of differences to comment on. In both sub-samples a minority donate more than 10 percent of their private income.

Table 2 Characteristics of Private Firms and Their Governance Structure in 2009

	Total sample		ACFIC sample		SAIC sample	
	N	Percent of those with valid values on the characteristic Or mean value	N	Percent of those with valid values on the characteristic Or mean value	N	Percent of those with valid values on the characteristic Or mean value
Production sector						
Manufacturing	1613	38.2	1117	43.8	496	29.6
Mining, Real estate and Construction	571	13.5	364	14.3	207	12.4
Commerce and services	1195	28.3	626	24.5	569	34.0
Other	849	20.1	446	17.5	403	24.1
Information missing						
Year of registration						
- 1991	105	2.7	90	3.8	15	1.0
1992-2000	1457	37.0	1138	48.1	319	20.3
2001 -	2378	60.4	1139	48.1	1239	78.8
Information missing	288		186			
Family enterprise						
Yes	2812	88.2	1713	89.0	1099	87.0
No	375	11.8	211	8.3	164	13.0
Information missing	1014		629		412	24.6
Shareholders meeting						
Yes	1874	55.9	1010	48.9	864	67.1
No	1481	44.1	1057	51.1	424	32.9
Information missing	873		486		387	
Board of directors						
Yes	1941	45.9	1319	63.8	622	48.3
No	1414	42.1	748	36.2	666	51.7
Information missing	873		486		387	
Board of supervisors						
Yes	1070	31.9	677	32.8	393	30.5
No	2285	68.1	1390	67.2	895	69.5
Information missing	873		486		387	
Communist Party organization at the firm						
Yes	1177	35.1	938	45.4	239	18.6
No	2178	64.9	1129	54.6	1049	81.4
Information missing	873		486			
Trade union at firm						
Yes	1774	52.9	1377	66.6	397	30.8
No	1581	47.1	690	33.4	891	69.2
Information missing	873		486		387	
Degree of marketization	4228	100.0	2553	100.0	1675	100.0
Total		100.0		100.0		100.0

Source: Authors calculations based on the data from the ninth National Sample Survey on China's Private Economy in 2010.

Note: family-based enterprises refer to the enterprises whose ownership and power of operation belong to one person or one family totally or mostly.

Table 2 provides information on Chinese private firms and their governance structure derived from our data. Because of the unique developmental environment for the private economy and other influencing factors, the Chinese private firms are generally younger than those in the Western world. Table 2 shows that the proportion of the private firms registered before the year 1991 is very small and in contrast three-fifths registered as private firms after 2001. Large proportions of private firms are in competitive industries, for example 28.3% of the surveyed private firms are in the field of commerce and service. An overwhelming majority of private firms can be classified as family firms. More than half of the private firms have established the institution of shareholder's meeting while a large minority established a board of directors or a board of supervisors. Table 2 further shows that firms having a branch of the Communist Party are in majority while the reverse is the case for those having a trade union. Trade unions and CPC branches are more frequent in ACFIC firms than in SAIC firms.

4. Describing Private Donations

Private donations in this study refer to the personal gifts for the purposes of poverty alleviation, relieving the victims of natural disaster, environmental protection, education and charity etc. given by the Chinese private business owners. Donations consist of cash as well as gifts in kind, the latter are in the survey converted into their market value. Our data (see also Table 4) show that private owners donated substantially larger sums in 2008 when the Earthquake in Wenchuan occurred than in 2009 when the downturn of the world economy was fully felt in China. The median actually halved from 10 000 Yuan to 5 000 Yuan. Mean donations were much higher both years meaning that a minority of business-people donated rather large sums, and the reduction from 161 000 Yuan to 111 000 Yuan was in percentage not as large as the drop in the median.

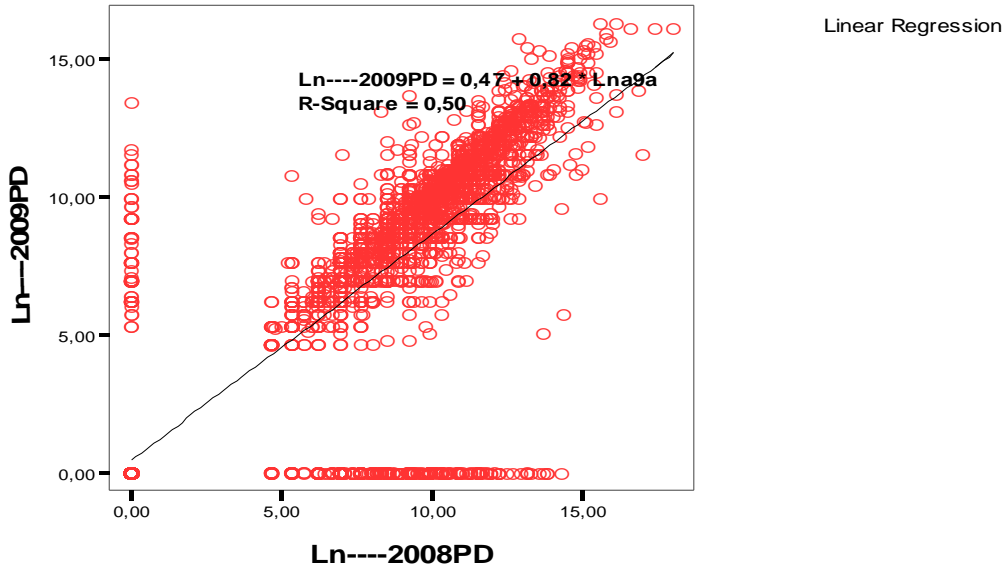


Figure 1. The amount of Log donations 2008 and 2009 among Private Entrepreneurs^①

A first look at the data on the amount of donations is provided in Figure 1 where we plot firms by the log of the amount of donations 2008 and 2009. It illustrates a large variation in sums donated across firms. It also shows that most entrepreneurs donated a sum each of the two years, although some only donated during one of the year. Furthermore, the figure shows that while it is true that there is much persistency in donations across years, meaning that the amount of donations in 2008 is a reasonable good predictor of the amount of donations in 2009, is the relationship far from perfect. There is a kind of “donation inertia”.

^① In this scatter plot, Ln-PD2008 is the short for logarithm of private donation for the year 2008, Ln-PD2009 is the short for logarithm of private donation for the year 2009.

Table 3 Donations by deciles by private entrepreneurs in 2009 Unite: Chinese Yuan

Deciles	Total sample		AFIC sample		SAIC sample	
	N	Mean	N	Mean	N	Mean
1 decile	361	0.00	223	299	138	0.00
2 decile	361	331	223	1940	139	0.00
3 decile	361	1173	223	4246	138	181
4 decile	363	2652	223	7997	138	526
5 decile	361	5431	223	13732	139	986
6 decile	361	10817	223	23340	138	1748
7 decile	361	20996	223	39041	138	3422
8 decile	361	41354	223	68811	138	7832
9 decile	361	94263	223	148125	139	23792
10 decile	361	887679	223	1181059	138	342210
Missing value	617		325		292	
Total	4228	106446	2228	148929.8	1383	38005
Donation participation	N	percentage	N	percentage	N	percentage
Proportion giving no donations in 2008	460	12.1	127	5.5	333	22.5
Proportion giving positive donations in 2008	3332	87.9	2188	94.5	1144	77.5
Missing values	436		238		198	
Proportion giving no donations in 2009	823	22.2	301	13.2	522	36.3
Proportion giving positive donations in 2009	2886	77.8	1971	86.8	915	63.7
Missing values	519	—	281	—	238	—
Proportion giving no donations in 2008-2009	384	10.6	102	4.6	282	20.4
Proportion giving positive donations in 2008-2009	3227	89.4	2126	95.4	1101	79.6
Missing values	617		325		292	
Total	4228		2553		1675	

Source: Authors' calculations based on the data from the ninth National Sample Survey on China's Private Economy in 2010.

We take a closer look at the amount of private entrepreneurs during the period January 2008 to December 2009 by deciles in Table 3. As can also be inferred from Figure 1 we find that donation by Chinese business owners are unequally distributed. There is a very large gap between the lowest deciles and the highest. For example, the mean donation by Chinese private business owners for the first decile is zero, and the mean donation by Chinese private business owners for the tenth decile is 887 679 Yuan.

In Table 4 we break down the sample by a large number of personal and firm characteristics and report on how means and medians of donations for each of the years 2008 and 2009 vary. Several observations can be made. With few exceptions are medians lower than means and numbers are lower for 2009 than for 2008. We report many differences between entrepreneurs having various personal characteristics. Male entrepreneurs donate large sums than female entrepreneurs. Entrepreneurs younger than 40 years of age donate considerably lower sums than those above that age. Short educated entrepreneurs donate smaller sums than particularly those with a long education. Entrepreneurs who earlier were cadre donate larger sums than those who were recruited from other occupations, and particularly large is the difference towards people who earlier were peasants or workers. Furthermore members in a democratic party donated larger sums than those who are members in the Communist Party who in turn on average donate larger sums than non party members. Members in CPPC and members in AFIC donate on average larger sums than non-members. Private entrepreneurs who state they are religious donate larger sums than those who indicate that they have no religion.

Table 4 Donations of Private Entrepreneurs in 2008 and in 2009 by Characteristics

	Year 2008				Year 2009			
	N	Median (1000 Yuan)	Mean (Yuan)	Std. Deviation	N	Median (1000 Yuan)	Mean Yuan	Std. Deviation
Sex								
Man	3524	10	161265	1468403	3428	5	110904	590596
Woman	645	3.5	90799	706227	637	2	54428	430519
Total	4169	10	150363	1378494	4065	5	102054	568822
Age								
51—	1194	10	267288	2406278	1161	8	147420	857286
40—50	2059	10	124629	659534	1998	5	95644	421847
—39	892	3	53642	313214	884	2	55579	333771
Total	4145	10	150446	13821392	4043	5	101752	569438
Education								
Short	429	3	168156	1868388	420	2	132870	902042
Middle	1175	5	50924	190010	1140	3	45681	272834
Long	2505	10	195805	1594290	2450	8	124181	600516
Total	4109	10	151488	1388327	4010	5	102774	572526
Previous Occupation								
Cadre	168	15	179254	735883	157	10	170545	747418
Manager	2009	10	194293	1863304	1943	8	122850	679054
Work and Peasant	710	3	119304	896807	702	2	79987	482497
other	1302	8	93723	463490	1283	5	72892	360131
Total	4189	10	149721	1375230	4085	5	101627	567462
Party								
Member CPC	1692	10	151651	923195	1637	7	119449	661965
Member Democratic Part	230	30	204547	581410	231	20	164965	571591
No party membership	2137	5	148725	1730658	2087	3	85304	499177
Total	4059	10	153108	1396766	3955	5	104090	576430
PC Membership								
No	4091	10	141321	1265296	3990	5	99493	549954
Yes	98	10	500406	3744787	95	10	191218	1071140
Total	4189	10	149721	1375230	4085	5	101627	567462
CPPC membership								
No	3354	5	147012	1505451	3265	3	91440	550895
Yes	835	20	160604	620682	820	20	142188	627841
Total	4189	10	149721	1375231	4085	5	101627	567462
Membership in AFIC								
No	1323	10	14285	61434	1277	0.5	16919	206560
Yes	2611	20	227435	1734409	2564	15	147447	689408
Total	3934	10	155753	1416928	3841	5	104051	578958
Religion								
Chinese Religion	697	15	172758	787708	684	10	143462	703308
non-Chinese Religion	136	10	356197	3173828	130	10	147856	896522
No	3146	7.65	139706	1393238	3079	4	92385	528953
Total	3979	10	152895	1409488	3893	5	103212	578932
Region								
East	2086	10	157670	1593470	2052	8.25	106875	575636
Middle	676	6	213788	1773126	647	3	126977	657340
West	980	5	126287	617373	953	3	90356	447524
North-East	447	2	67116	528670	433	2	63680	617033
Total	4189	10	149721	1375231	4085	5	101627	567462
Degree of marketization								
Marketization index < 7.9	1768	5	113677	749360	1716	3	83271	444074
Marketization index > 8	2024	10	128795	780966	1993	8	95771	523582
Total	3792	10	121746	766329	3709	5	89988	488384
Production sector								
Manufacturing	1389	10	95085	346670	1342	8	66236	232505
Mining Estate etc.	652	30	500716	3331766	644	20	299277	1205832
Retail and services	1383	5	85608	501644	1358	2	62294	372895
Others	765	5	65678	331415	741	3	66028	346989
Total	4189	10	149721	1375230	4085	5	101627	567462
Year when registering								
—1991	97	20	114764	296931	99	13	72702	168406
1992—2000	1438	20	243706	2152887	1401	13	138338	675056
2001—	2412	5	81862	638116	2351	2	62986	406373
Total	3947	10	141635	1394568	3851	5	90649	518202
Family Enterprise								
No	1141	8	168682	1216114	1089	5	111944	515650
Yes	3048	10	142623	1430372	2996	5	97876	585196
Total	4189	10	149721	1375231	4085	5	101627	567462

Shareholders' meeting								
No	2244	8	123161	1025966	2193	5	92484	531960
Yes	1945	10	180364	1690598	1892	5	112223	605986
Total	4189	10	149721	1375231	4085	5	101627	567462
Board of directors								
No	2224	5	43151	205147	2178	2.95	39501	232499
Yes	1965	20	270338	1989431	1907	10	172581	786633
Total	4189	10	149721	1375231	4085	5	101627	567462
Board of supervisors								
No	3098	6	100540	874697	3034	4	74761	485829
Yes	1091	19	289376	2250857	1051	10	179182	750055
Total	4189	10	149722	1375231	4085	5	101627	567462
CPC party organization at firms								
No	1974	5	59903	362916	2928	2.5	54865	402498
Yes	1069	45	305554	1333380	1157	28	219965	841356
Total	3043	10	146200	4085	4085	5	101627	567462
Household income of private owners								
-100000 RMB	1423	2	23282	122595	1379	1	16304	77563
110000-490000 RMB	1631	13	97375	436438	1611	10	69435	294473
500000-990000 RMB	251	30	333390	1548520	246	24.5	218253	752217
1000000 RMB +	176	90	644702	1548520	178	50	414825	1378413
Total	3481	8	111778	765180	3414	5	76706	437486
Trade union at firms								
No	1422	4	50368	348915	2338	2	37355	291164
Yes	1621	29	230267	1111943	1747	20	187641	791708
Total	3043	10	146200	850514	4085	5	101627	567462

Source: Calculations based on the data from the ninth National Sample Survey on China's Private Economy in 2010.

Notes: PC refers to the People's Congress at different level; CPPC refers to the Chinese People's Political Consultative Conference at different level.

For definition of household income see note to Table 1.

There are also variations in amounts of donations according to a number of firm characteristics. Donations are larger in the prosperous eastern region of the country, much smaller in the northeast. Consistent with this donations are larger in provinces where the degree of marketization is high.^① Entrepreneurs in the mining and estate sector donate larger sums than those who are active in other sectors. Owners who recently registered their firm donate less than those owning older firms. Owners to firms having a board of supervisors donate larger sums than those without such organisation. The median donation of private entrepreneurs owning a firm having a CPC party branch donate about ten times as much as those without such an organisation, and the differences between owners to an establishment with a trade union and those without such an organisation is also rather large.

Summing up the descriptive findings in this section we have reported that an overwhelming proportion of China's private entrepreneurs donate for charity during a year. Donations were across the board larger in 2008 than in 2009, and the difference should be attributed to the need for donations due to the May 12 Earthquake in Wenchuan. We have also learned that sums donated are rather unequally distributed with a few entrepreneurs donating rather large sums, and the majority donating considerably less. There is also variation in the sums donated by a number of characteristics of the entrepreneur as well as characteristics of the establishment. However, characteristics are correlated across individuals and across individuals and establishment. In order to better understand what affect the amount of donations an entrepreneur makes we turn to modelling in the next section of the paper.

5. Modelling Determinants of Private Donations

In this exercise is the dependent variable the logarithm of donations made during year 2009. For observations with zero donations recorded in the data a low positive value is imputed

^① The degree of marketization at the province level is measured in NERI (2010).

before taking the log. As there are missing values for a number of cases in the dataset used not large than 1 641 observations. Of those does 1 045 originate from the AFIC sub-sample and 596 from the SAIC sub-sampled. We estimate the same model for the entire sample, but also for each of the sub-samples. Our preferred specification is shown in Table 5 together with the estimates. In the specification we enter the logarithm of personal income for the entrepreneur during the period January 2008 to December 2009 as an explanatory variable expecting to find a positive relation. We also enter a number of personal characteristics as well as characteristics of the establishment as described in the previous sections.

In a sensitivity analysis we have estimated models for observations with positive observations on donations only. It turns out that the most results are rather similar. However, there are also some differences. Most notable the coefficient for income is lower in the sample with positive donations, indicating that income is (not surprisingly) a rather strong predictor for giving any donations at all. In another sensitivity analysis we explain the mean of donations for 2008 and 2009 using the same specification as below and it turns out that the results are on large similar.

Table 5 A model of the Determinants of the amount of private donation

	Total sample		AFIC sample		SAIC sample	
	Coefficient	Std. Error	Coefficient	Std. Error	Coefficient	Std. Error
Intercept						
Ln Income during 2008 and 2009	0.217 ^{xx}	0.022	0.137 ^{xx}	0.023	0.253 ^{xx}	0.044
Personal characteristics						
Gender male	0.141	0.240	-0.128	0.267	0.170	0.426
Female						
Age						
51—	-0.171	0.250	0.032	0.256	-0.509	0.510
40—50	0.238	0.220	0.301	0.236	0.374	0.407
<39						
Education long	0.536 ⁰	0.285	0.999 ^{xx}	0.289	-0.134	0.562
Middle	0.460	0.299	0.845 ^{xx}	0.305	-0.478	0.589
Short						
Religion Chinese	0.127	0.225	0.250	0.219	0.044	0.487
Other	0.268	0.491	0.058	0.455	0.315	1.225
No						
Previous occupation						
Cadre	0.359	0.330	0.105	0.321	0.075	0.717
Manager	0.213	0.204	-0.148	0.205	0.495	0.419
Worker or peasant	0.160	0.267	0.120	0.282	0.367	0.506
Other						
Party membership						
CPC	0.004	0.182	-0.022	0.179	0.027	0.376
Democratic party	0.605 ⁰	0.357	0.260	0.300	0.375	1.499
No party membership						
PC member Yes	0.832 ^{xx}	0.204	0.694 ^{xx}	0.183	0.903	0.575
No						
Membership in CPPPC Yes	1.257 ^{xx}	0.188	0.700 ^{xx}	0.170	0.986	0.608
No						
Enterprise characteristics						
Marketization index	0.128 ^{xx}	0.042	0.052	0.040	-0.038	0.110
Production sector						
Manufacturing	0.351	0.251	0.019	0.249	0.599	0.529
Mining, real estate, Construction etc	1.004 ^{xx}	0.302	0.986 ^{xx}	0.305	0.754	0.616
Retail and services	0.334	0.264	0.216	0.285	0.691	0.491
Other						
Year of registering business						
- 1991	0.926	0.673	0.559	0.558	-0.229	2.941
1992 – 2000	0.745 ^{xx}	0.182	0.338 ^x	0.169	0.869 ^x	0.444
2001 or later						
Family enterprise Yes	-0.259	0.267	0.095	0.272	-0.661	0.524
No						

Governance structure of enterprise						
Shareholders meeting Yes	-0.214	0.177	0.278	0.177	-0.548	0.401
No						
Board of directors Yes	0.518 ^{xx}	0.184	0.548 ^{xx}	0.188	-0.130	0.377
No						
Board of supervisors Yes	-0.282	0.184	-0.372 ⁰	0.212	-0.037	0.441
No						
Organisation of CPC Yes	0.924 ^{xx}	0.219	0.584 ^{xx}	0.196	1.876 ^{xx}	0.588
No						
Trade Union Yes	1.166 ^{xx}	0.203	0.597 ^{xx}	0.198	1.142 ^{xx}	0.465
No						
Adjusted R ²	0.291		0.158		0.177	
F- statistics	25.983 ^{xx}		8.270 ^{xx}		5.747 ^{xx}	
Number of observations	1641		1045		596	

Note: The dependent variable is ln of donations given in 2009.

Estimates based on the data from the ninth National Sample Survey on China's Private Economy in 2010.

⁰ Indicates statistical significance at least 10 percent, but not 5 percent level. ^x Indicates statistical significance at 5 percent level, but not at the 1 percent level. ^{xx} Indicates statistical significance at least the 1 percent level.

Starting with coefficients for ln income in 2008 and 2009 we report positive coefficients estimated with high t-statistics in the entire sample as well as in each of the sub-samples. The coefficient is largest in the SAIC sample. We have thus reported that the private income of the entrepreneur, not surprisingly is a rather important determinants of the amount of donations. However, the estimates also indicate that income is not the sole determinants of donations, as a number of other coefficients are estimated with a large t-statistics.

Another finding is that there are very few indicators of personal characteristics affecting the amount of donations. The only exception is that in the AFIC sample is middle as well as a long education having a positive effect. In contrast variables measuring the entrepreneur's political involvement (membership in CPC) and involvement in society (membership in CPPCC) have rather strong effect on amounts given for charity. The persons' social ties thus seem to have large influence on how much a person donates.

Turning to coefficients for variables measured at the establishment level several comments can be made. There are some indications of the degree of marketization playing a role for the amount of donations as the positive coefficient is estimated with a large t-statistics in the total sample. However, this is not the case in each of the two sub-samples. The coefficients for the production section Mining and Construction is rather large and estimated with a large t-statistics in the entire sample as well as in the AFIC sample but.^① A rationale for this could be that it is difficult to enter the sector meaning that social capital is more important than in other sector for being successful in business. There is also clear evidence that owners of newly registered firms donate less than other owners.

A main finding is that coefficient for several variables measuring involvement of others in the business, and thereby pressure to donate are large, and measured with high t-statistics. This is the case for the dummy indicating the existence of a board of directors at the establishment, for the dummy indicating a branch of CPC at the establishment as well as the dummy for a trade union at the establishment. In contrast coefficients for the dummies indicating family enterprise, shareholders meeting as well as the dummy for board of supervisor are not large and estimated with low t-statistics.

^① There are few enterprises in the sector "Mining, real estate and construction" in the SAIC sample.

6. Conclusions

The number of private entrepreneurs in China is rapidly growing and the number of workers employed in it has now reached a number as large as the entire population of Germany, Europe's most populous country. About one tenth of the income accrued to the private entrepreneurs is donated for charity and together with gifts from other firms, the general people and abroad do they contribute to the expanding sector of philanthropy in China. In this paper we have analysed a countrywide survey of private entrepreneurs to look at various aspects of donations made by businesspeople in 2008 and 2009.

We have found that giving for charitable purposes by private business-owners has some clear characteristics. Donations are widespread. Only a minority does not make any donations during a period of two years. There are big disparities in sums donated among Chinese private entrepreneurs. We have also reported that the amount of donations made one year is a reasonable good, but far from perfect predictor of the amounts given next year. However, there are also general fluctuations in gifts across years that most likely have to do with the occurrence of natural catastrophes. The median of donations for 2008, when the Wenchuan Earthquake took place, was 10 000 RMB and the mean was as high as 150 000 RMB. In 2009 when the downturn of the world economy was fully felt in China, was the median halved (down to 5 000 RMB) and the mean reduced by one third (down to 102 000 RMB)

We have reported that the amount of donations given by private entrepreneurs varies along a number of variables. They vary by age, gender, education, measure of religiosity, party affiliation, and previous occupation of the entrepreneur. Average donations are higher among representatives the People's Congress (PC) as well as People's Consultative Conference (CPPCC) and particularly All-China Federation of Industry and Commerce (ACFIC) than among non-members. Owners of private firms located in the east of China donate more than those located elsewhere, particularly those in the northeast China. We also report substantial disparities in average amounts of donations between on one hand entrepreneurs with firms having a board of directors, trade unions or a branch of the Communist Party and on the other hand establishments without such organizations.

Results from the multivariate analysis indicate that the amounts of donations are positively linked to private income of the entrepreneur. However, this is not the entire picture. We have reported several indicators of social ties playing a large role for how much the private businesspeople donates. At the individual level membership in China's Communist Party as well as membership in China's People's Consultative Conference make us predict that donations are larger than if the entrepreneur is not a member. In contrast there is little evidence for personal characteristics like age, gender and religion affecting the amounts given to charity.

The results from the multivariate analysis also show that the amounts of donations are linked to a number of characteristics at the establishment level. Probably most interestingly several variables indicating both incentives and pressure at this level are strongly associated with how much that is donated. Three dummy-variables indicating the existence of a particular organisation were found to be strongly and positively associated with amounts given: firm with a board of directors, firms with a branch of the Communist Party as well firms in which there is a trade union organisation. Furthermore we found that owners of newly registered firms donate less than those owning older firms and that firms in Mining and Construction donates larger sums.

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