



## **Inequality and Social Stratification in Post-socialist China \***

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### **Abstract**

This essay reviews research on inequality and social stratification in China since the mid-1990s. Going beyond the theoretical framework of the market transition debate, research in the field has been much advanced by paying more attention to the roles of the institutions of Chinese state socialism, such as the household registration (*hukou*) and urban work unit (*danwei*) systems, and workers' self-selective mobility. Empirical studies have benefited from the systematic collection of well-designed and high-quality survey data and from the application of advanced statistical methods. Substantive analysis has been extended to new themes related to social class, gender, ethnicity, education, wealth and housing. The essay concludes by seeking to identify wider implications of empirical findings from China for comparative research on inequality and social stratification and provides some suggestions on the future direction of the field, including more efforts on theorization, comparative research, concrete institutional changes, and specific regional contexts. Sociological research on inequality should also be actively engaged in public policy discussion on relevant issues.

## **Introduction**

The past four decades have witnessed burgeoning sociological research on China. The accumulation of literature on the changing patterns of inequality and social mobility is particularly impressive. When China studies were first reviewed in this journal (Whyte, Vogel & Parish 1977) and in the 1980s (Walder 1989), little published work was distinctively sociological in focus, and empirical studies of inequality and stratification were too scanty to warrant a single review article. The subsequent booming literature can be attributed partly to the sharply rising inequality in China since the mid-1990s (Li et al. 2013, Li et al. 2017 chapter 2, WIL 2017, Xie & Zhou 2014), and partly to social scientists' continuing and fundamental interest in how the institutional transition from a redistributive economy to a market economy has re-shaped the social stratification order, which has stimulated a heated and as yet unresolved, debate (Bian & Logan 1996, Heyns 2005, Nee 1989, 1996, Rona-Tas 1994, Szelenyi & Kostello 1996, Walder 1996, Xie & Hannum 1996).

Two essays previously published in this journal are highly relevant to the themes to be covered here. The first evaluated controversial findings in the market transition debate, albeit not in the specific context of China, with an attempt to reconcile competing theories (Nee & Mathews 1996). The second essay provided a more comprehensive review of post-1980 research on class stratification, socioeconomic inequalities and mobility in China, focusing on structural changes in the (early) reform era with reference to the Maoist past (Bian 2002). Building upon this work, I propose in this essay to provide a systematic review of theoretical perspectives beyond the market transition debate and empirical analyses of Chinese inequality and stratification—in particular, the research development since the 2000s, focusing on the quantitative sociological research on the changing patterns of inequality in the perspective of China's institutional transition to a market economy.

The review is organized in three main sections: (1) new theories/perspectives; (2) new data collections and analytical methods; and (3) new research themes. The essay concludes by seeking to identify wider implications of empirical findings from China for comparative research on inequality and social stratification and provides some suggestions on the future direction of the field.

## **Beyond the Market Transition Debate: New Theories and Perspectives**

Early studies of inequality and stratification in reform-era China were centered primarily on the market transition debate. Market transition theory proposed that the emerging market economy would undermine the socialist redistributive economy, leading to a decline in returns to political power and an increase in returns to human capital and to private entrepreneurship (Cao & Nee 2000, Nee 1989, 1991, 1996, Nee & Mathews 1996). Alternative explanations emphasized the persistence of the redistributive power (Bian & Logan 1996) or the conversion of political power to economic advantage (Rona-Tas 1994).

Controversies are rooted in how to interpret divergent empirical findings in the antithetical framework of the market vs. the state. Scholars initially involved in the debate mainly relied on confirmatory studies of income inequality, and particularly of the influence of political power and returns to human capital, to infer changes in the social stratification mechanisms. Subsequently, some scholars suggested that such a dichotomous division might have been improperly drawn (Zhou 2000a, 2000b), citing the evidence that the rise of the market was not necessarily accompanied by a decline in the state's influence. Following the unresolved debate, various new theories and perspectives have been proposed to account for the post-socialist inequality in general and Chinese stratification in particular, which can be summarized in the following streams:

### **1. Macro-structural Revisionism**

As inconsistent and contradictory findings accumulated, there were some signs of compromise within the conceptual framework of redistribution vs. market. Even market transition theorists acknowledged the persisting advantages of party members and cadres in terms of income and occupational attainment (Nee 1991, 1996, Nee & Cao 2002) and maintained that discontinuous changes were modest in scope, but they argued that this was due mainly to partial reform and that the predicted events would occur if a tipping point were to be reached (Nee & Cao 2002). On the other hand, proponents of the power persistence thesis also revealed that income returns to measures of both positional power and human capital not only increased in urban China from 1988 to 1995 but also were significantly higher in cities where labor and capital markets were better developed. However, there was no sign to show that further expansion of the markets' influence would lead to decline in the positional

power (Bian & Zhang 2002). In a conceptual model of coevolution between politics and the markets, Zhou (2000a) argued that state-initiated reforms and the emerging markets were intrinsically interconnected—neither could be understood without a complete and substantive understanding of the other. Both political and market factors were found to contribute significantly to a household's economic wellbeing (Jin & Xie 2017). Continuity and discontinuity in Chinese stratification were generated through different mechanisms of resource allocation that were combined and interacting in complex patterns.

Moreover, China's institutional transformation involved multifaceted processes, of which marketization was only one. Changes in inequality may be driven by economic growth and structural change, rather than by marketization. Walder (2002) showed that income returns to cadres and entrepreneurs in rural China were contingent on the relative importance of wages and entrepreneurship in the local economy. In some regions where township and village-owned enterprises played an important role, village cadres and their family members were able to maintain their income advantages, and the growth of wage employment as an alternative source of income may have reduced the relative economic advantages of private entrepreneurs.

Hence, the issue of who wins and who loses in the market transition was complicated, largely contingent upon specific institutional arrangements between the market and the state (Szelenyi & Kostello 1996, Walder 1996). Such specific institutional arrangements evolved continuously, creating a changing structure of opportunities. Those who were able to take advantage of the new opportunities would be better off and become winners. Moreover, further marketization injected new value into public property, which may also have generated opportunities for the incumbent elite to convert their political privileges into economic advantages. This process, however, was dependent upon the extent of the regime change and legal barriers, which varied across countries and different reform stages (Walder 2003). In China, the massive privatization in the late 1990s brought fundamental changes in firm ownership and created a new elite class of private entrepreneurs, many of whom were former cadres and former managers of state-owned enterprises (Kung & Lin 2007, Li & Rozelle 2003, Walder 2011, Walder et. al 2013). To what extent they were able to exploit such opportunities depended on how the privatization process was structured and regulated locally (at provincial levels) (Xu & Wu 2018).

In summary, the macro-level institutional transition from redistribution to a market economy had no straightforward impact on advantages enjoyed by former elites in post-socialist China. Scholars subsequently moved beyond the framework of the market transition debate and paid more attention to the roles of concrete institutions and intermediate processes in shaping inequality in China and called for substantive institutional analysis (Zhou 2000a). The urban work units (*danwei*) and the household registration system (*hukou*) thus have received special attention (Wu 2002, Wu & Treiman 2004).

## 2. Substantive Institutional Analysis: *Hukou*, *Danwei*, and Chinese Social Stratification

*Hukou* and *danwei* were two institutions installed in the 1950s to facilitate the redistribution of resources and life chances among Chinese citizens. The *hukou* system required all Chinese households to be registered in the locale where they resided and also categorized as either “agricultural” or “nonagricultural” (synonymously “rural” or “urban”) status. The system divided China into two societies (Chan 2009, Chan & Zhang 1999), with the majority of the population confined in the countryside and entitled to few of the rights and benefits that the socialist state conferred on urban residents, thus creating not only a spatial stratification between the countryside and the cities, but also two unequal classes of Chinese citizens (Solinger 1999, Wu & Treiman 2004). In urban areas, the *danwei* had served as an intermediate agent linking individuals to the state and conferring unequal socioeconomic status and life chances on workers in accordance with its structural position in the redistributive hierarchy (Bian 1994, Walder 1992, Whyte & Parish 1984). Studies have well documented individuals’ work unit (*danwei*) attainments and associated socioeconomic benefits in urban China (Bian 1994, Lin & Bian 1991).

Because the *hukou* and *danwei* were key institutions to the Chinese redistributive economy, they shall be brought to the center of research on how the institutional transition to a market economy affected changes in inequality. Economic reform since the mid-1980s has transformed the role of *danwei* in urban social stratification. State-owned enterprises were pushed to the market to compete, and their capacities in generating extra revenues and rewarding their employee-members were further differentiated, not always in line with their structural position in the redistributive

hierarchy (Naughton 1997, Xie & Wu 2008). In contrast to the predictions by market transition theory, returns to education did not monotonically increase as work units became more marketized, because bonuses, which constituted more part of employees' compensation in more marketized firms, were more equally distributed, at least up to the early 1990s (Wu 2002, Xie & Hannum 1996).

Rapid privatization in the late 1990s had fundamentally restructured the *danwei* system and created a more fluid labor market in urban China. Consequently, the significance of work unit (*danwei*) sector/ownership (commonly grouped in four categories as government/public institutions, state-owned enterprises, collectively owned enterprises, and private enterprises) in social stratification seemed to decline (Jansen & Wu 2012, Lin & Wu 2009). Xie and Wu (2008) revealed that, while a work unit's sector accounted for only a small fraction of the variance in workers' earnings, its financial situation (measured by profitability) remained the second largest determinant of earnings after the region or city. Hence, work units remained relevant, but their mechanism for creating inequality may have undergone a subtle transformation as the channels of resource distribution among work units have been altered (Wu 2002, Li 2015). Further analysis shows that inequality persists primarily between government agencies/public institutions and enterprises. Even after taking into account individuals' selectivity, the organizational income premium (a structural effect) could still be found (Wu 2013).

Compared to work units, *hukou* played a much more prominent role in social stratification, even in the late reform period. After taking place of residence into account, rural *hukou* origin was found to significantly decrease one's educational attainment and chance of joining the Communist Party (Wu & Treiman 2004, Wu 2011), and disparities in schooling and income between rural and urban *hukou* holders continue to remain large even today (Hao et al. 2014, Liu 2005). Although *hukou* status, assigned at birth, can be thought of as primarily an ascriptive attribute, some limited channels are available for those of rural origins to obtain urban status, such as receiving vocational/higher education, joining in the party or military service (Zhang 2015). Access to these resources, nevertheless, is constrained by family background, including *hukou* origin (Wu & Treiman 2004). While converting one's *hukou* status from rural to urban is a central aspect of upward social mobility, the selective process also shapes the pattern of intergenerational occupational mobility in Chinese society (Wu & Treiman 2007). The weak association between parent's and offspring's

occupational status found among the urban population is due to the rural-urban divide and the selectivity of rural-origin people in cities, rather than to the state egalitarian policies (Blau & Ruan 1990, Lin & Bian 1991, Whyte & Parish 1984).

The economic reform has relaxed administrative control of rural-to-urban migration via the *hukou* system, and the surging migration in the reform era has brought more visible social boundaries into cities where the *hukou* system encounters the *danwei* system. Many local city governments continue to employ *hukou* status as the explicit basis for providing subsidies, welfare and public service, and to discriminate against migrants without local *hukou*. Such “institutional discrimination” is more severe in government/public institutions than in public enterprises. Inter-sectoral comparisons reveal that the role of the *hukou* in Chinese social stratification may be eroding as the redistributive state gradually retreats to give way to competitive labor markets. Indeed, rural migrant workers have been found to enjoy a slight earnings advantage in the urban private sector (Wu & Song 2014, Zhang & Wu 2017). In addition to the rural-urban *hukou* divide, the distinction between local *hukou* and nonlocal *hukou* also plays an important role in determining workers’ entry into different sectors, occupational attainment, and earnings (Li et. al. 2015). In the rapid urbanization process, many villages have been directly incorporated into cities and their residents have been granted urban *hukou* status. As the selectivity of urban *hukou* status declines, its socioeconomic significance has changed accordingly. Today an urban *hukou* premium is found primarily among those whose *hukou* was converted based on merits (Wu & Zheng 2018).

### 3. The Opportunity-Mobility Perspective and Micro-level Sorting Process

Given an existing intellectual gap between the macro-level institutional transition and earnings inequality among individuals, a new stream of literature moves a further step towards a micro perspective, explicitly conceptualizing the process as to how transitions alter opportunity structures in labor markets and how individuals respond to changing opportunities by moving across different positions.

A notable example was workers’ mobility from the public (state and collectively owned) sector to the private sector. From 1990 to 2016, the share of urban employment in the public sector declined from 81.5 percent to 16.0 percent (National Bureau of Statistics 2017, see also Li 2013). Workers entered the private sector through two qualitatively different mechanisms—through layoffs that pushed them

into the market involuntarily or through self-selection that allowed them to voluntarily “jump” into the market sector (Lee 2000, Wu 2010a). These two groups of workers were likely to possess different characteristics. Workers’ labor market performance was contingent on when and how they entered the market. Those who entered early on experienced neither higher earnings nor higher returns to education than those who remained in the state sector, although later entrants did experience an earnings premium and higher returns to education (Wu & Xie 2003). More specifically, among late entrants, only voluntary entrants enjoyed earnings advantages over those who remained in the public sector, and the causal effect of a market entry on earnings was negatively associated with the propensity for making such a transition (Wu 2010a, Xie & Wu 2005).

To be certain, such differential sorting processes were contingent upon the institutional transitions at the macro-level and interacting with the changing opportunity structures in the labor markets. While self-employment provided a major avenue of mobility for those who were deprived of socioeconomic opportunities under state socialism, a dual opportunity structure gradually evolved in the urban labor market, in which the private sector offered an alternative but increasingly attractive career path for social mobility (Davis 1999). Consequently, data analysis shows that both education and cadre status deterred people from entry into self-employment in urban areas but not in rural areas. Over time, however, urban cadres have become increasingly more likely to be self-employed, and only those who became self-employed in urban China during the late reform period enjoyed higher incomes than wage earners (Wu 2006).

The differential sorting processes of individual workers in the labor markets and aggregated consequences have produced structural changes, reflected in the changing compositions of the labor force and income inequality. Nearly half of the growth in earnings inequality from 1996 to 2010 was due to increased returns to education; the other half can be attributed to changes in the composition of the labor force, specifically, shrinkage of the public sector and a surge in rural-to-urban migration (WIL 2017, Zhou 2014).

### **New Data Collections, Research Designs and Methods**

Early studies of Chinese inequality and stratification have mainly been based on cross-sectional surveys at one site, in either rural or urban areas, rendering empirical

results hardly comparable to assess their broad implications. Much of the advancement in this research since 2000 has benefited from the increasing availability of national representative household survey data and new research designs and methods.

#### 1. New Data Collections

“Life Histories and Social Change in Contemporary China” (LHSCC), completed in 1996, has been a milestone project in the development of social surveys in contemporary China. Although survey data collected from multiple sites had previously been employed in some research (e.g., Nee 1996, Xie & Hannum 1996, Zhou 2000a), it was not until the LHSCC that the data from a national probability sample survey of the general population became available, with a particular research theme on social stratification. The survey is a multistage stratified national probability sample of 6,090 adults aged 20-69 from all regions of China (except Tibet). Samples from rural and urban areas were drawn separately, yielding 3,003 rural cases and 3,087 urban cases, which can be combined, with appropriate weights, to form a national sample (see Treiman & Walder 1996).<sup>1</sup> The survey questionnaire solicited extensive information on respondents’ life histories and the characteristics of family members to provide a comprehensive database for the study of inequality and mobility in Chinese society. The sampling designs, quality control, and documentation were to the highest professional standards among surveys conducted in China in the 1990s.

The Chinese General Social Survey (CGSS), launched in 2003 and modelled after the US General Social Survey, is an annual or biennial cross-sectional survey of a nationally-representative sample of the population from all provinces except for Tibet, and the 2003 survey had an urban sample only. Similar to the LHSCC, the CGSS has adopted multistage, random sampling stratified by region, rural and urban populations, and by education. One person aged 18 or above is randomly selected from each sampled household to serve as the survey’s respondent (Bian & Li 2012). The sample size varies in each wave, ranging from roughly 6,000 to 12,000 cases in different years. Although the CGSS projects are general and open in topic selection, stratification and mobility are at the top of its list of scholarly themes. The CGSS data

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<sup>1</sup> See details at <http://www.library.ucla.edu/social-science-data-archives/life-histories-social-change-china>

for 2003 and 2008 contain detailed retrospective information about education and job history, which scholars can analyze to address various issues related to educational stratification and career mobility in both the pre-reform and reform eras. The accumulated CGSS surveys since 2003 have provided a continuously-updated national dataset for tracking long-term social changes.<sup>2</sup> The data can also be compared with those from previous surveys (e.g., the LHSCC) to assess changing inequality patterns during a critical period of China's economic development and privatization.

While repeated cross-sectional data are useful to research on macro-level social changes over time, they are of limited use in addressing individual changes and causality (Firebaugh 2008). The China Family Panel Studies (CFPS), launched in 2010, represents the burgeoning interest in collecting panel data in China. The CFPS aims to collect comprehensive information on the community, family and individual levels across multiple domains from a nearly nationally representative sample (25 provinces covering 94 percent of the national population). It uses multi-stage, implicit stratification and a proportion-to-population-size sampling method with a rural–urban integrated sampling frame, dividing provinces into six self-representative strata (Shanghai, Liaoning, Henan, Gansu, and Guangdong, and rest). Extensive information about sampled households and all individual household members was collected: the baseline survey interviewed 33,600 adults and 8,990 children from 14,960 households, who have been followed up biennially towards 2020 (Xie & Hu 2014).<sup>3</sup> The CFPS provides researchers with high-quality and comprehensive data on inequality covering multiple domains and across multiple levels. As more waves of panel data accumulate, researchers can analyze the causal pathways on which individuals evolve over time as they are affected by their family and community environments and their past experience (e.g., Xie et al. 2015, Zhang et al. 2014).

In addition to the CGSS and CFPS, the Chinese Household Income Project (known as the CHIP 1988, 1995, 2002, 2007 and 2013), to which a special sample of migrant households was added in 2002 and afterwards, provides an important source for both economists and sociologists tracking the dynamics of income distribution in China (Griffin & Zhao 1993, Riskin et al. 2001, Gustafsson et al. 2008, Li et al.

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<sup>2</sup> See details at <http://www.chinagss.org/>.

<sup>3</sup> See details at <http://www.iss.pku.edu.cn/cfps/EN/>.

2013).<sup>4</sup> Finally, there is useful data available from China's population censuses. The censuses of 2000 and 2010 included a long form questionnaire administered to 10 percent of all households. There was also a one-percent population sample survey in 2005 (known as "mini-census"), conducted between two censuses and collected information on respondents' work income, work unit sector, working hours, fringe benefits, and employment status, as well as other demographics. These data are an indispensable source of data for social scientists tracking large-scale social changes and trends in socioeconomic inequality (e.g., Treiman 2013, Wu & He 2015).

## 2. Research Designs and Methods

Previous scholarship on Chinese society was largely tied to area studies, which typically relied on poor-quality data and descriptive tools and thus occupied only a marginal position in the discipline of sociology. Since the late 1980s, research in the Chinese inequality field has become more disciplinarily bounded and theoretically oriented, initially exemplified by work involved in the market transition debate. Such a shift has been further consolidated by thoughtful research designs and rigorous methodology in empirical analyses.

Take the operationalization of marketization as an example. A straightforward approach is to use the passage of time and to attribute temporal changes to the effect of marketization (e.g., Bian & Logan 1996, Nee 1989, Shu & Bian 2003, Hauser & Xie 2005). However, the impact of marketization may be confounded with that of other socioeconomic trends (e.g., economic growth) that may affect stratification in different ways (He & Wu 2018a, Walder 2002). The second approach is to compare patterns of inequality among different work unit sectors, particularly the state and market sectors (Zhao & Zhou 2002), or sectors in finer classifications (e.g., Zhou 2000a, Wu 2002, Wu & Song 2014), to measure the monotonically increasing exposure to the market influence. This approach, although easy to implement, may overlook the fact that factors sorting workers into different sectors are endogenous to marketization (Wu & Xie 2003). The third approach is to approximate the local extent of marketization either by developing a typology of region (grouped by provinces)

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<sup>4</sup> Other institution-sponsored academic surveys relevant to the studies of inequality include the China Labor Force Dynamics Survey (CLDS) at Sun Yat-sen University since 2012, focusing on employment (<http://css.sysu.edu.cn/Data>), and the China Education Panel Survey (CEPS) at Renmin University of China since 2013, focusing on school processes (<http://www.chinaeducationpanelsurvey.org/>).

(Nee 1996) or by using specific regional or city statistics (e.g., Bian & Zhang 2002, Cohen & Wang 2009, He & Wu 2017, Xie & Hannum 1996).

The designs above are made possible not only by the increasing availability of survey data with large sample sizes, but also by the application of advanced statistical methods. To demonstrate the source of earnings inequality related to specific structural factors (e.g., occupation, employment sector), Brown's decomposition method (Brown et al. 1980) in econometrics has been applied to show that rural migrants' earnings disadvantages are largely attributable to occupational segregation (between-occupation variation) based on workers' *hukou* status, rather than to unequal pay within the same occupations (or "wage discrimination"), and the segregation effect is more prominent in the government/public institutions than in enterprises (Zhang & Wu 2017); earnings inequality between Uyghurs and Han locals in Xinjiang are mainly derived from within-sector differences, whereas disparities between Han migrants and Han locals are mainly due to sectoral segregation (Wu & Song 2014).

Under certain circumstances, scholars sometimes may be interested in assessing the relative importance of different factors in contributing to income inequality at a specific time point or over time. Using a partial  $R^2$  as a measure, namely, the net proportion of the variance explained by a determinant after the inclusion of all other independent variables, studies show that city and *danwei* profitability were among the two most important factors contributing to income inequality in urban China in 1999 (Xie & Wu 2008), and region and rural-urban residence type continued to be the two major factors explaining nationwide income inequality in 2010, followed by education (Xie & Zhou 2014). To decompose trends in income inequality with repeated cross-sectional data, new methods are proposed to model group means and variance simultaneously, and attribute overall income inequality to changes in different sources (Jansen & Wu 2012, Zhou 2014).

To address contingent relationships and temporal changes throughout individuals' life courses, researchers have been able to apply event history analysis, owing to the availability of retrospective life history data. The relative timing of joining the Communist party and changing jobs allows researchers to test more precisely to what extent party membership predicts career advancement, or whether promotion tends to lead to joining the party (Walder et al. 2000). The relationship between joining the party and receiving a college education can be analyzed using a similar approach (Li & Walder 2001). Event history analysis can also be used to study

how the contingencies have varied across different historical periods, such as the rate of *hukou* conversion among those of rural origins (Wu & Treiman 2004), cadres' entry into self-employment over time in rural and urban China (Wu 2006), or job shifts in different reform periods (Li 2013, Zhou et. al 1997).

Stratification research in the 1990s increasingly adopted multi-level analytic designs and methods (Treiman & Ganzeboom 2000), and Chinese stratification researchers have been keeping apace. Given the fact that uneven regional development has been one of the most prominent features of China's economy and society, scholars often employ large-scale national data matched with regional statistics and apply multi-level models to study how inequality patterns vary with local contexts (Hauser & Xie 2005; He & Wu 2017, Xie & Hannum 1996).

Endogeneity is always a concern in social science research (Morgan & Winship 2014). Models for panel data are employed to take important but latent individual attributes into account in examining changes in income determinants of theoretical importance in urban China (Zhou 2000a). As multiple waves of household survey data from projects like the CFPS have accumulated, models for panel data analysis are used more often to address the inequality dynamics in China (e.g., Xie et al. 2015). On the other hand, because panel data are not always available, other statistical methods promising to assess causal effects with observational data have gained in popularity. For instance, propensity score matching analysis allows researchers to summarize all the differences between the treatment and control groups with propensity scores estimated from binary logit models (Guo & Fraser 2009). It has been applied to study inequality between workers in the public and private sectors (Wu 2010a, Xie & Wu 2005), among different types of work units (Wu 2013), between migrants and local workers (Zhang & Wu 2017), and between those who have converted their *hukou* from rural to urban through different mechanisms (Wu & Zheng 2018). Although researchers have been increasingly aware of the causality issue, sociologists' applications of other advanced statistical models to address the issue, such as the instrumental variable approach, difference-in-differences, and Heckman selection models, have yet to appear in the field of Chinese social stratification.

## **New Themes in Inequality and Stratification Research**

Class, gender, and race/ethnicity are three important dimensions in the sociological study of inequality. With the availability of high-quality data and advanced statistical methods, scholars of Chinese social stratification have started exploring new, broader themes on inequality in different dimensions other than human capital and political power (class, gender and ethnicity) and of different outcomes other than income (education, wealth and housing) in the context of China's institutional transitions.<sup>5</sup>

### **1. Bringing Class Back in**

Since the mid-1990s the substantial growth of private ownership has led to societal polarization between the rich and the poor. This change has revived scholarly interest in social class, often using the term “social stratum” (Goodman 2014). China's new middle classes, growing out of the private sector and prospering in capitalist competition, not only are more aware of their civil and property rights but also have more cultural and economic resources to protect them, making their political attitudes and social values a focus of investigation (Cai 2005; Goodman 2014, Wu & Cheng 2013). At the same time, a new working class comprising mostly rural migrants in the private sector provides an important perspective for studying labor disputes and collective action in China (Chan & Selden 2016, Pun 2005).

The first question is, how can we define social classes in the Chinese context? In comparative research on social stratification, a convenient choice is the EGP class scheme, which classifies all occupations using only six categories: professional/managers, routine non-manuals, small owners, foremen and skilled manual workers, semi-skilled and unskilled workers, and farmers (Erikson et al. 1979). However, Wu and Treiman (2007) have demonstrated that the scaling metrics of the EGP class scheme estimated from Chinese empirical data do not follow the same gradient order as that observed in Western countries, and they argued that the classification ignores China's *hukou* system and the rural-urban divide. Based on occupational differentiation and the possession of organizational resources, economic resources, and cultural resources, researchers at the Chinese Academy of Social Science (CASS) have proposed that Chinese people can be classified into 10 social

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<sup>5</sup> There has been growing empirical research on inequality in other outcomes in China, such as health and subjective wellbeing. Since these themes are related to broader literature in other fields, they are omitted in this review due to space limits.

strata, including state administrators, managers, private enterprise owners, professionals, routine non-manual workers, self-employed, service workers, manufacturing workers, farmers, and the jobless/unemployed/semi-employed (Lu 2002).

Taking a neo-Marxian perspective (Wright 1997), Lin and Wu (2009) developed a Chinese class schema based on unique socialist institutions, such as *hukou*, *danwei*, and the status distinction between cadres and workers (Bian 2002), as well as on the emerging private ownership. These classes were each associated with ownership of different forms of productive assets, namely, labor power, organization, authority, skills and capital. Compared to either the EGP class scheme or the CASS classification, they showed that this classification captures major socioeconomic cleavages in China. The impact of ongoing institutional transitions on the structure of inequality is manifested in the transformation of the class structure and changing returns to the different productive assets that define the classes. Empirical analysis has shown that China's economic reform weakened labor power as maintained through the *hukou* system and also undermined the role of organizational assets tied to *danwei*. The roles of authority, skills and economic capital in generating inequalities, nevertheless, have been enhanced.

## 2. The Dynamics of Gender Stratification

Despite the fact that Chinese women have been catching up with men in educational attainment (Laverly et al., 1990; Wu & Zhang 2010), they seem to have fared worse in the course of marketization since the mid-1990s (Gustafsson & Li 2000, Song et al. 2017). Early studies have shown that gender earnings inequality remained unchanged in urban China from 1988 to 1995 (Shu & Bian 2003), but female labor force participation dropped from 89.4 percent in 1990 to 63.5 percent in 2005 (Wu & Zhou 2015), and women's earnings relative to men's declined at the same time, from 86.3 percent in 1988 to 76.2 percent on average in 2004 (Zhang et al. 2008), and to 70.6 percent in 2007 (Song et al. 2017). This is largely attributable to the impact of marketization, even though economic development has improved women's opportunities in the labor market (He & Wu 2018a). Overall, marketization appears to be the dominant force shaping gender earnings inequality (see Cohen & Wang 2009).

How does marketization push women to more disadvantaged positions in labor markets? One argument points to the rise in employers' discrimination against women,

which was strictly prohibited under state socialism, and “equal pay for equal work” was supposedly achieved within urban work units (Honig & Hershatter 1988). During the reform, especially since the mid-1990s, the emphasis on profits, productivity and efficiency over social justice has prompted firms, including state-owned enterprises, to exercise statistical discrimination against women in recruitment and job assignments (He & Wu 2018a). The second argument highlights the role of changing occupational gender segregation, meaning that men tend to fill jobs with better pay and women tend to be left with the lower-paying ones (Li & Xie 2015, Shu 2005). Marketization leads to a higher level of occupational gender segregation and also increases its impact on gender earnings inequality in urban China (He & Wu 2017).

Both direct discrimination and occupational segregation occur in the labor market (the public sphere), but there has been an equally profound transformation of gender relations within the family. The interaction between the two spheres provided a useful perspective from which to gain a deep understanding of Chinese women’s deteriorating situation in the labor market (Ji et al. 2017). After the sweeping marketization, *danwei* were stripped of various social responsibilities, such as childcare and social services, which were shifted back to private families for solutions either through the market or through women’s unpaid work at home. This change facilitated the separation between the public and private spheres, creating more conflicts between work and family than before, especially for married women (Ji et al. 2017, Zuo & Bian 2001). Even employment and wage discrimination against women may be related to their roles within the family, as they are perceived to be less committed to work and more likely to quit for family reasons (Cao & Hu 2007). Women, especially those with young children, are likely to have to spend more time on household chores (Zhang et al. 2008) and also more likely to opt out of paid labor (Maurer-Fazio et al. 2011, Wu & Zhou 2015). Having children also has a negative effect on a woman’s career advancement, and such an effect tends to be intensified in the late reform stage (He & Wu 2018b).

### 3. Ethnic Inequality amid China’s Economic Transition

The ethnic dimension of inequality had long been neglected in the booming literature on social stratification in China until several massive riots occurred in Tibet in 2008 and in Xinjiang in 2009 and afterwards. These riots are believed to have been rooted in the poor social and economic relations of the Han Chinese with these ethnic

minorities, who have been left behind (Gustafsson & Li 2003, Wu & Song 2014). However, a systematic examination of dyadic socioeconomic relationships of minorities with Hans in a specific regional context shows a less clear picture, because there is great heterogeneity among the major ethnic minorities, with some better integrated with the Han population than others (Wu & He 2016).

Back in the early 1950s, a series of policies designed to promote ethnic equality were promulgated, including the system of regional ethnic autonomy and a set of preferential policies favoring minorities. While there is clear evidence that minorities have benefited from preferential treatment (Hannum & Xie 1998, Tang et al. 2016), the system of regional ethnic autonomy has not reduced the ethnic minorities' socioeconomic disadvantages as expected, even in their own autonomous jurisdictions. On the other hand, the regional ethnic autonomy enhanced minorities' ethnic identities (Wu & He 2018).

How have ethnic minorities fared economically in the course of marketization? Ethnic disparities in transition to junior high school seem to have increased in the early reform period and may have important implications for minorities' labor market performance (Hannum 2002). Taking Xinjiang as an example again, controlling the effect of education and other characteristics, Uyghurs there are more likely to work in government or institutions than either Han locals or migrants, and are also more likely to be self-employed. The Han-Uyghur earnings gap is negligible within government institutions, but is largest among the self-employed, followed by employees in private enterprises and then employees in public enterprises. Han migrants in economic sectors enjoyed particular earnings advantages, and their *hukou* status had no impact on earnings except in government/public institutions (Wu & Song 2014). If sectoral differences are viewed as representing a decrease in state protection and an increase in the influence of market forces, the Uyghur minority fared worse in the course of China's marketization, whereas rural migrants gained more economic opportunities.

#### 4. Educational Inequality and Social Mobility

Four decades of economic reform in China have witnessed the dramatic expansion of educational opportunities. In 1980, the Chinese government set a target of universal primary education by the end of the 1980s and of 9-year compulsory education in the 1990s (Treiman 2013, Tsui 1997). With increased investment in education, those goals were largely achieved. The school enrollment rate for children between ages 6

and 15 had already reached 98 percent by the mid-1990s. The rate of transition to junior high school, after an initial decline in the mid-1980s, also reached 90 percent by 1995, and 99.5 percent in 2008. In contrast, the expansion of senior high school education beyond the compulsory level has been quite slow until the mid-2000s (Wu & Zhang 2010, Table 1).

A key question of interest to scholars on comparative social stratification is whether or not school expansion has provided more opportunities for children from disadvantaged backgrounds. The well-known thesis of maximally maintained inequality (MMI) (Raftery & Hout 1993) posits that educational expansion in many countries has not led to better chances for disadvantaged groups in transition to a higher school level, and thus no change in the association between family backgrounds and the given level of school transitions (Shavit & Blossfeld 1993). China's experience lends support to the MMI thesis. The expanded educational opportunities have been accompanied by rapid marketization and rising inequality in the 1990s (Hannum 2005). Connelly and Zheng's analysis (2007) reveals a growing rural-urban gap in attending senior high school or vocational school because the improvements in urban areas outpaced those in rural areas. Wu's (2010) multivariate analysis shows that the rural-urban (*hukou*) gap in the likelihood of transition to senior high school level enlarged between 1990 and 2000, and the effect of one's father's socioeconomic status has increased, even after taking regional variations in economic development into account. These findings suggest that the effect of family background on education has been strengthened, rather than remaining constant or decreasing conditionally, in the course of educational expansion. Educational affordability has become one of the greatest public concerns and had important implications for how family socioeconomic resources affect children's educational opportunities (Wu 2010b).

Beyond compulsory education, there has been an unprecedented expansion of higher education in China since 1999. Unlike the experience of Western countries, in China the expansion was driven by a sudden policy shift before secondary education was fully developed (Wang 2014; Wu & Zhang 2010). The expanding opportunities in higher education since the late 1990s have increasingly been taken up by women and students from urban areas, particularly those from large cities (Wu & Zhang 2010, Tam & Jiang 2015). Children of managers and professionals are more likely to get into college now than formerly (Yeung 2013). Among those who attend college,

family background continues to play an important role in sorting students into different tiers of schools (Wu 2017) and different study fields (Hu & Wu 2018). Attending a key-point high school can help students achieve higher scores in the college entrance examinations and thus gain access to a better-quality university (Ye 2015). Special admissions policies that were designed to recruit students with talents other than test scores essentially benefit those from advantaged family backgrounds (Liu et al. 2014, Wu et al. 2018). Evidence also shows that attending elite colleges pays off in the labor market, by 10.7 percent on average, and even higher for students with better-educated fathers (Li et al. 2012:78).

What are the implications of these findings for intergenerational social mobility and the evolution of China's social structure? While there are many complaints about declining social mobility and the rigidification of social classes, few studies have specifically examined the trend in intergenerational social mobility, especially the role played by education. Zhou and Xie (2017) have empirically demonstrated a decline in social mobility among non-agricultural occupations from 1996 to 2012, although there has been substantial mobility from farm origins to non-farm destinations associated with recent economic development and industrialization. While these findings to some extent support the claim that inter-generational transmission of status has been enhanced in the course of marketization, as observed in post-soviet Russia (Gerber & Hout 2004), how education has affected the strength of the links between origin and destination remains to be investigated.

## 5. Wealth and Housing Inequality

The unequal distribution of wealth has increasingly been recognized as an important dimension of inequality in the 21<sup>st</sup> century, with various social and political ramifications (Piketty 2014). Decades of rapid economic development in China have led to the accumulation of much private wealth, especially since the 2000s. While data collected in 1988 showed relatively little wealth inequality in rural China, it has been increasing over time along with the economy's dramatic marketization and privatization (Davis & Wang 2009, Li & Zhao 2008, Zhao & Ding 2008). According to Xie and Jin (2015: 203), the average adjusted wealth of Chinese households in 2012 was 422,000 RMB *yuan*, up 18.4 percent since 2010. Moreover, household wealth inequality in China is much more severe than income inequality. The Gini coefficient for wealth is estimated at 0.73, in contrast to 0.474 for income, although

the latter may be underestimated (most researchers now acknowledge that China's true Gini coefficient was between 0.51 and 0.53 in 2010, see Xie & Zhou 2014). The wealth owned by a household in the 90<sup>th</sup> percentile was about 33 times higher than the wealth owned by a household in the 10<sup>th</sup> percentile. The corresponding figure for income inequality was 13.1 times. Housing assets account for 73.9 percent of household wealth nationwide and 78.7 percent in urban China (Xie & Jin 2015: 212).

As a scarce and public resource, housing once played a key role in urban China's social stratification under state socialism. Since wages were low and distributed relatively equally, access to public housing at a nominal cost was an important non-monetary benefit, and the size and quality of the allocated apartments were largely contingent upon the *danwei* and individuals in elite occupations (Logan et al. 2009, Walder 1992). Alongside the rapid privatization of public enterprises was housing commercialization, mainly implemented from 1998 to 2003 (Sato 2006). Occupying tenants were allowed to purchase and perhaps resell the housing allocated to them by their *danwei*, commercial banks started providing mortgage loans, and people began looking for new and better homes (Wang et al. 2005).

The rate of home ownership rose rapidly (Li & Wang 2012; Zhu et al. 2014), and a new mechanism for wealth generation was emerging. While access to privatization programs was relatively equal for urban residents working in the state sector, cadres and professionals had substantially greater wealth than others in the form of home equity shortly after privatization, primarily because of their prior tenure of newer and better-quality apartments (Song & Xie 2014; Walder & He 2014). Rural migrants without local *hukou* were excluded from the urban welfare system and thus were persistently disadvantaged in access to housing (Logan et al. 2009). The resulting gaps in private wealth from the housing privatization were small by the standards of established market economies as of 2002 (Walder & He 2014). The booming real estate market and skyrocketing prices since 2003, especially in certain large cities, however, will have further enhanced incumbents' advantages and led to widening wealth gaps, especially between housing owners and non-owners. Recent research based on the CFPS data showed that political capital has a larger effect on the accumulation of housing assets, while market factors are more influential on the accumulation of non-housing assets (Jin & Xie 2017).

Despite housing being a heated topic of public discussion, rigorous empirical analyses of the pattern of and trends in housing inequality have been very scanty.

Even fewer have been studies of the social and political ramifications of housing ownership. Yu and Xie (2015) found that local housing prices significantly modified the effect of education on entry into first marriage in post-reform urban China. Li and Wang (2012) examined the impact of private home ownership on urban citizens' involvement in resident committee elections and local legislative elections, and he found that homeowners were more likely than non-owners to vote in both, though the effect seems to exist only in neighborhoods consisting mainly of commercial housing units as opposed to privatized public housing. Housing could be the basis of urban middle class formation (Tang 2017, Tomba 2016), a major source of socioeconomic disparities in inter-generational transfer and in health and subjective well-being. In other post-socialist countries, it also influences family formation decisions and political orientation and activism (Zavisca & Gerber 2016). Thus, the issue deserves more systematic study in the Chinese context in the future.

### **Summary and Conclusion**

For about three decades since Nee's seminal work on the market transition theory (Nee 1989), research on Chinese inequality and stratification, going far beyond the traditional area studies, has become one of the most active fields of research. The proliferation of studies has benefited tremendously from emphasizing the roles of concrete institutions in shaping patterns of inequality, improving the rigor of data analyses and interpretations, and new themes concerning inequality and stratification, especially since the mid-1990s. Empirically-oriented research on China has provided not only a comprehensive picture of social and structural changes, but also a solid basis for comparative research on social stratification and mobility.

To advance the field further, future research might fruitfully take the following directions into account. First, new theories to account for changing inequality in post socialist China are called for. With ample empirical analyses and findings now having accumulated, new theorization should be on the research agenda. China's privatizations since the mid-1990s and now dramatic reinstatement of the party-state under Xi Jinping have invited social scientists to think more deeply about how politics and economics interplay with other social and demographic trends in shaping the pattern of inequality. Not incidentally, the post-2010 period has witnessed the decline in income inequality measure by Gini coefficients, from 0.491 in 2008 to 0.465 in 2015 (National Bureau of Statistics 2017, also see Xie & Zhou 2014), despite the

question of whether the reversal trend was real. The question of what driving forces are behind the decline continues to invite social scientists to theorize on the role of state policies in creating inequality (Kanbur et al. 2017).

Some important perspectives and concepts (e.g. the life course perspective, occupational segregation) have been imported from Western sociology, but more effort should be devoted to directly comparing evidence from China with that from other societies. The CGSS is a member of the International Social Survey Program and the East Asia Social Survey, which includes questions in common with international and regional comparative studies.<sup>6</sup> International comparisons with China as a focal point could be a promising enterprise. At the same time, subnational analyses at provincial/prefectural levels within China's vast territory and highly regional heterogeneity are equally important for delimiting existing theories and testing new ones.

China's social and economic transformations have no final chapter and are by no means unidimensional. While intermediate institutions are the key to understanding continuity and change in inequality in post-socialist China, they have also been simultaneously undergoing substantial transformations. How institutions shape stratification thus needs to be analyzed anew and interpreted cautiously. For instance, the premium associated with urban *hukou* status may depend on the varying selectivity of obtaining the *hukou* in cities with different policies (Wu & Zheng 2018). These institutions may interact in affecting individuals' career decisions and earnings. The removal of childcare service once available in work units may lead to more tension between family and work for married women and negatively affect their labor force participation, career development, and gender inequality in workplaces (He & Wu 2018b, Ji et al. 2017).

Better understanding how inequality is generated would call for more localized research in specific contexts, in a single city or multiple cities. Given the acceleration of urbanization since the mid-1990s, migrant populations are increasingly heading for a few metropolitan regions, where the most economic opportunities are available (Liang 2016). Urban inequality and its associated consequences may become a pressing problem there. The roles of residential segregation and neighborhoods in

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<sup>6</sup> For more information, visit <http://www.issp.org> and <http://www.eass.org>.

fostering social inequality, intensively studied in Western societies, may deserve more attention in different institutional settings in urban China (Ren 2018).

Inequality and declining social mobility have been pressing issues with profound consequences that the governments of many countries have attempted to tackle in recent years. Future analyses of Chinese inequality and stratification should be more engaged specifically in discussions on the nation's social and economic policies (e.g., Gustafsson et. al 2008, Li et al. 2017, Chapter 6). Researchers on Chinese inequality and mobility should also share their results with a broader audience to better contribute to public policy making and to tackling inequality and poverty in the present day.

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