

# CURRENT HISTORY

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*“[S]tudies have revealed a high level of intergenerational transfer of class and social status, privileged and otherwise.”*

## Social Mobility in China: Class and Stratification in the Reform Era

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**I**n December 1978, the Chinese Communist Party (CCP) formally announced its decision to leave the safe shores of economic policies based on state socialism and embark on a less certain program of “Reform and Openness.” Commitments were made to introduce market forces into the determination of economic policy and activities; to reduce the role of government in direct economic management; to prioritize technological advancement; and to embrace international cooperation. As a result, the economy has grown from under 2 percent of the world economy to just over 18 percent. China is now the second-largest aggregate economy in the world, though its annual gross domestic product per capita remains middling at about \$10,000.

Most people around the world have felt the impact of this momentous change in the global political economy, even if it is only at the level of being able to buy cheaper consumer goods. For China itself, the past forty years of economic growth have been accompanied and driven by—and to some extent have resulted from—dramatic changes in the political discourse on class and the configurations of social stratification.

As China has grown out of state socialism, the limits to those changes are much as one might expect from reform rather than a radical break with the past. Class has essentially had to be ignored or redefined for political reasons. The dominant class has widened from its base in political power to ac-

commodate and embrace wealth and social status. The middle classes have grown in size and aspiration, keeping pace with the growing complexity of both the economy and government services.

Meanwhile, the three groups that constitute the subordinate classes (still the vast majority of the population) have changed in even more fundamental ways. The old privileged urban working class is essentially no more; the peasantry in dramatically large numbers has moved into activities other than farming; and many former land-based peasants have become a new, predominantly but not exclusively urban working class through internal migration.

It is often assumed that economic growth creates opportunities for social mobility. As the case of China demonstrates, this may sometimes be more of an assumption than a reality. The opportunities for upward social mobility may be counterbalanced or even in some cases negated by impediments to individual advancement.

### THE LANGUAGE OF CLASS

The politics of class and class conflict were an essential part of the China presided over by Mao Zedong and the leadership of the CCP, especially during the 1960s and 1970s. After the People’s Republic of China (PRC) was founded in 1949, all citizens were categorized according to their class in Marxist-Leninist terms, with the deliberate intent of privileging the previously underprivileged and vice versa. Class identification was largely based on socioeconomic categories but included political determinants and could be mediated by political acts. For example, all those who had fought with the CCP in the Civil War—including landlords and

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members of the bourgeoisie—were labeled as “revolutionary proletarians” regardless of their previous socioeconomic circumstances, and hence were able to receive privileges in the new society such as access to better jobs and welfare.

For the leadership of the CCP, class lost its luster as an agent of change as a result of the Cultural Revolution (1966–76). Mao had used his analysis of classes in society to launch an attack against what he described as “the bourgeoisie within the party” who “had taken the capitalist road.” Much of the leadership of the party and state were ousted and punished for having opposed Mao. At local levels, a similar climate of fear was created in which anyone, regardless of their socioeconomic circumstances, could be singled out for attack for stepping out of line—or even for being thought to have done so.

It was little wonder that as the CCP debated the next stages in the country’s development, there was a determined reaction against the politics of class and class conflict. The 1982 Constitution—which, with a few small amendments, largely laid the political framework for the subsequent takeoff of economic growth—severely downplayed the role of class. Class in a Marxist-Leninist sense remained, but only in the most general sense of everyone—whether workers or peasants—belonging to the working classes with the CCP at the vanguard, thus guaranteeing the legitimacy of the state.

However, that is not to say that as the Chinese economy grew and became more socioeconomically complex, understandings of class in more general terms of the interaction of wealth, status, and power played no role in development. On the contrary, the growth of the economy rapidly led to segregated markets for most things, including everyday staples, housing, and education, determined by socialized understandings of class. Not only do suppliers target specific classes, but people themselves largely behave in terms of their self-perception of their class. Expectations for the behavior of “people like us” serve as a powerful motivation.

Regardless of the CCP’s abandoning the politics of class and class conflict, the growth of entrepreneurs as a new socioeconomic category necessarily presented the party with an ideological challenge. During the 1980s this proved less of a problem: the first wave of entrepreneurial reform was large-

ly small-scale, and initially centered in rural China with the development of town and village enterprises. In those circumstances, entrepreneurialism could to some extent be regarded as collective rather than individual economic action.

By the 1990s, however, as urban entrepreneurialism grew larger in scale and as state-owned enterprises started to divest themselves of activities and establish separate companies, the challenge became greater. The bourgeoisie had, after all, been banned from CCP membership since the 1950s, yet now the new owners of capital were often former government and party officials. Even in cases where they were not, the CCP wanted nonetheless to ensure close relations with the individuals concerned.

The apparent ideological paradox was resolved by Jiang Zemin, then president of the PRC and general secretary of the CCP, shortly before he left office in 2002. Mindful of the socioeconomic changes that had occurred under reform, he said the CCP should now “represent . . . [China’s] advanced social and productive forces, advanced culture, and the interests of the overwhelming majority,” a formula that then became enshrined in official policy. In that context, businesspeople were welcome to apply for party membership, though they might need to be “educated and guided.”

At the same time, Jiang’s reformulations also led to the promotion of the middle class, which has come to dominate the CCP’s drive for socioeconomic transformation. In his valedictory speech in 2002, he proposed that the CCP should “control the growth of the upper stratum of society, expand the middle, and reduce the bottom.” This rapidly gave rise to a state-sponsored discourse of the harmonious middle class, which now lies at the heart of the idea of the “China Dream” developed since 2013 by the current CCP general secretary, Xi Jinping.

The intellectual lead came from theoreticians at the Institute of Sociology of the Chinese Academy of Social Sciences. They made the distinction between the terms “class” as used in the Cultural Revolution and in Marxist-Leninist theory, on the one hand, and “stratum” when describing the new middle class, on the other.

For its part, the CCP has committed itself to the goal of lifting the majority of the population into the middle class, understood as being comfortably

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well off, with families owning private resources and enjoying high cultural capital. This aspiration is designed to encourage everyone, including the poorest sections of society, while at the same time justifying contemporary inequalities.

## THE DOMINANT CLASS

The dominant class—comprising those who control the economy and exercise political power—has clearly changed dramatically over the past four decades. In 1978, there was only a political elite, to which senior economic managers belonged. Now there are also captains of industry and entrepreneurs alongside the political elite at the national, provincial, and local levels. Those who dominate society are no longer those who do so exclusively by virtue of their political positions. Wealth and control of economic resources now also contribute to the configuration of the dominant class. The more interesting question, though, concerns the interaction between wealth and political power.

There are somewhat more than 40 million cadres—officials of party and state—at the county level and above throughout the PRC, and another 40 million or so at local levels. Of these, about half a million are leadership officials. These numbers have not changed greatly over the past four decades, but socially there have been vast changes.

The political elite of 1978 largely comprised the same people who had initially come to power in and after 1949. They had been a relatively young leadership group in 1949, and while the Cultural Revolution removed most of them from office, the events between Mao's death in 1976 and the adoption of the reform and opening strategy in December 1978 saw almost all of the pre-Cultural Revolution leaders who were still alive returned to their positions.

They were largely generalists who had served as soldiers and political activists before 1949, only acquiring technical and specific skills, when they did so, by accident. The senior leaders were veterans of the CCP's Long March in 1934–35 during the Civil War against Chiang Kai-shek's Nationalists, and the majority of cadres had joined the CCP in either the 1937–45 Sino-Japanese War or the 1946–49 Civil War. Thus they were drawn disproportionately from areas of the country where the CCP had been active before 1949.

The new development strategy of 1978 required greater specialization and higher levels of knowledge, skills, and qualifications. Rejuvenation and

upskilling of the cadre force was necessary and started immediately. Retirement ages were introduced, as were educational qualifications for future appointments. The result is that the political elite is now much younger than it previously was, considerably better educated, and certainly more representative of the country as a whole.

The economic elite that has emerged over the past four decades consists of different kinds of entrepreneurs: businesspeople, enterprise managers, private owner-operators, and local political cadres. They come from different political, social, and cultural backgrounds, and different generations have participated in the emergence of this reform-era economic elite. A significant divide came in 1992 with the creation of different kinds of enterprise development. Those differences have been exacerbated by the passage of time and the rise of new economic leaders too young to have known the era of state socialism or even the early reform years.

Before 1992, enterprise development started first in rural areas with the emergence of town and village enterprises and was extended to urban China in 1984. It was inherently small-scale. Some of the businesses started at this time, such as machinery workshops and retail cooperatives, emerged from village or urban district activities and were led by local community leaders. Others were individual household businesses started by people who had previously been the dispossessed (those officially designated by the regime as counterrevolutionary or those rusticated in the Cultural Revolution) and were on the outside of more establishment circles. In general, because these people had been denied access to schools and colleges, their educational levels were not always high.

This all started to change in 1992 with the expansion of small and medium-sized private enterprises. In the context of the contemporary Chinese economy, private enterprise is a difficult concept. Some ventures are privately funded from the start and remain completely free of state influence or involvement. At the same time, a substantial number of private enterprises are actually owned (in whole or in part) by bigger state-owned enterprises (SOEs), and many have been created by SOE reallocation of resources. At the other end of the scale, many small-scale private companies have to share equity with local governments in order to expand and grow. Far and away the largest number of companies in China are best seen as hybrid public-private enterprises.

The background and educational levels of the economic elite changed dramatically with the 1992 economic reforms. Before 1992, 37 percent of entrepreneurs were former peasants or factory workers; by 1996, only 7 percent were. In the 1980s, only 40 percent of entrepreneurs had more than a junior high-school education; by 2002, 88 percent did. By the late 1990s, one provincial study found that half of nominally private entrepreneurs had previously worked in the party-state. Ten years later, another study of five coastal provinces found that half had previously worked as a party or government cadre, and 19 percent had previously been a leading cadre. These trends further accelerated after the mid-1990s as a program to restructure the large number of SOEs was put into effect. Company management was devolved, parts of operations were sold off, and workforces were dramatically reduced.

As these observations suggest, the relationship between wealth and power is complex. The CCP has empowered entrepreneurs, both by encouraging its members to become entrepreneurs technically outside the party-state, and by encouraging entrepreneurs to join the CCP if they are not already members. It has also encouraged entrepreneurs, as local notables, to become involved in the work of government through membership in congresses and supervisory bodies.

Moreover, this is not a capitalist system: the entrepreneurs have a degree of economic decision-making power, but their room for autonomy is considerably circumscribed. Close relations with the political elite are necessary for the very successful, and their decisions are always liable to be mediated by the party-state. On the other hand, these close relations are usually not difficult to come by. Many members of the economic elite have come from the political elite, either through their own previous work or through family connections. Studies have shown the well-worn path that has developed over three generations: peasant/worker/something else; cadre; businessperson. One study by the CCP's Organization Department showed that 90 percent of China's millionaires were the children of high-ranking officials.

## THE MIDDLE CLASSES

There can be no gainsaying the party-state's aspirations for the middle class. A handbook is-

sued by the China Police Academy not untypically makes the point: The middle class is "the political force necessary for stability . . . the moral force behind civilized manners . . . the force necessary to eliminate privilege and curb poverty. It is everything." These sentiments are hyperbolically matched in countries outside China (as well as by those in the domestic market) hoping to sell their goods to the more than 700 million middle-class Chinese (the most commonly cited figure, which is probably an overestimate).

The meaning of "middle class" in China remains imprecise and the consequences for social stratification even more so. It is far from clear that the term as it is used in China refers to real disposable income; or, more sociologically, to those who possess skills, knowledge, or organizational experience, as opposed to those who hold economic and political capital (the dominant class) or those who have only their labor power or nothing at all (the subordinate classes).

The size and wealth of China's middle classes have been matters of intense debate within the country itself. More conservative voices such as the *Global Times* newspaper have responded to claims that the middle class would soon become the dominant class with comments

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such as: "The so-called middle class in China is no more than a myth invented by media reporters and scholars." Even within the Institute of Sociology, the unit that first led research into the middle class in China, estimates vary from 4 percent of the population to about a quarter.

The National Bureau of Statistics (NBS) has not been much more helpful in attempting quantification, concentrating solely on equating middle class to middle income. A middle class by income might be expected to consist of the middle percentiles of a country's income scale. Instead, the NBS first defined middle class and middle income as starting at the 92nd percentile (2004) and more recently the 85th (2016). In the first case the value was an annual individual income of 60,000 renminbi (about \$9,000); in the second, 80,000 renminbi.

There has, of course, always been a Chinese middle class by virtue of skills, knowledge, and experience. In the 1950s and 1960s it was the professional mainstay of the new regime: doctors, nurses, administrative officials, teachers, research-

ers, scientists, and so on. By 1978, the middle class had probably reached between 5 and 6 percent of the population.

There has been an expansion of the middle class, or at least the middle classes, since 1978. This was inevitable given the expansion of the economy, and even of government activity into new areas of welfare. The growth in the accounting profession alone would create considerably more people with middle-class occupations, as would the vast scale of infrastructure development. Then there is the emergence of professions serving economic activities that barely existed before: for example, commercial and civil law, personal well-being, tourism, foreign trade and investment, and management consultancy.

A conservative but reasonable estimate, given the uncertainties, is that the middle-class proportion of the working population may have doubled, or a little more, to about 12-15 percent. This is far from some of the aspirational estimates circulated within China, or estimates made externally by commentators prone to exaggerate the growth potential of the middle class.

Consideration of some of the determining factors suggests why a more conservative estimate is more credible. China is still not a rich country. Higher education remains limited compared with the levels achieved in countries that are wealthier per capita, such as the United Kingdom or the United States; and without education, access to middle class occupations is clearly limited. Some parts of the unskilled labor force may have moved into other kinds of activity. But on the whole, there has been no great shift into more skilled employment, and opportunities for upward social mobility are extremely constrained.

There are two obvious explanations for the paradoxes implicit in the identification of the Chinese middle class. One is to recognize the aspiration: this is a political project designed to build the China Dream, which may indeed eventually lead to expanded access to a middle-class lifestyle for many people. The other is to recognize that sociologically speaking, the middle class has different components—that there are in fact different middle classes.

As elsewhere, there are the small-scale entrepreneurs and the more successful self-employed, the mainly urban professionals, and a managerial class. In contrast to some other countries, though, there is a close relationship between the contemporary middle classes and the party-state. Many members

of the professional and managerial middle class are either state officials or state-sector employees (notably in education, health, and communications), and many members of the entrepreneurial middle class have close institutional and associational relations with the party-state.

## THE SUBORDINATE CLASSES

As for the 85 percent of the population who make up the subordinate classes, whose class position essentially comes from their manual labor or lack of employment, they can be further subdivided into three categories: workers in the public sector, workers in the nonpublic sector, and the peasantry. All have seen their working conditions changed by the Reform Era.

A key feature of the processes unleashed over the past four decades has been the growth of the informal economy: those sectors of the economy that operate without the protection of labor legislation and without the benefits that regular employees receive. The size of this unregulated and unsupported part of the workforce is one reason the subordinate classes will remain the largest part of the Chinese population and will act as a check on the growth of the middle class. They and their children lack the opportunities to become upwardly mobile in material or occupational terms.

Before the Reform Era, and even well into the late 1990s, workers in the public sector were largely protected and provided for, particularly in comparison with the peasantry. They had state-guaranteed jobs and benefits. All that ended with the restructuring of SOEs and the wholesale privatization of urban industry from 1997 to 2002. With SOE reorganization came changes in the public-sector workforce's conditions and large-scale unemployment. The Institute of Sociology in Beijing estimated that in 2002 alone, 20 million public-sector workers were in need of unemployment benefits. Overall, the number of those made redundant by SOE restructuring is estimated at 60 million workers, most of whom were unable to find other work.

Those who remain employed in the public sector constitute about one-fifth of the urban workforce. Almost everyone who lived in urban China used to be in the public sector. Now it employs about 75 million workers.

The marketized nonpublic sector of the urban economy is far bigger (some 250 million people) than the public sector and has markedly different industrial relations. Some 64 percent of the urban

workforce is to be found in this sector, which includes urban residents without positions in the public sector as well as migrant peasant workers. Many work without contracts and do not receive benefits.

Health insurance, education for children, and limited access to some forms of housing are provided only to residents with local household registration, which is another major check on social mobility. There are few places where workers from another jurisdiction and without a local household registration can obtain local benefits; certainly not in the big cities. While the situation of migrants with rural household registration working in cities has received the most attention, the same exclusions apply to urban household registration holders from other cities.

Overall, about one-quarter of the working population is still mainly occupied in agricultural production; another quarter spends some time in agriculture as well as engaging in other economic activity, often in rural industries. A further fifth of the working population has rural household registration while living and working as migrants in towns and cities. It is now estimated that almost every peasant household has someone in nonfarm employment somewhere else.

China's peasants have thus become part agricultural cultivators and part industrial workers through the processes of the Reform Era. There are some 300 million migrant peasant workers, of whom half are still in rural China and the other half in the cities. To some extent, the rural agricultural economy effectively subsidizes the urban working and middle classes. Remittances from the migrant worker to the family back home help supplement the low returns from agriculture, while the family farm serves as a security blanket for migrant workers. It represents their fallback in case of unemployment, sickness, or disability, as well as a retirement plan.

However, peasants do not own their land but have only user rights. Sometimes these rights are reallocated in order to ensure an egalitarian distribution of land within a village. Due to the same egalitarian principle, the plots are often not coterminous, so economies of scale are rare. The result is

a fairly static smallholding peasant economy with few prospects for change. Peasants may marginally improve their standard of living, but without further and major structural change the prospects of many becoming middle class are low indeed.

## CLASS CONTINUITIES

A brief survey of class and social stratification in China since 1978 cannot help but oversimplify the situation. Growth has been relatively rapid, and the country is so large and varied socially, economically, and geographically. Moreover, in the telling it is easy to overfocus on change and to lose sight of the continuities.

The role of the party-state is one crucial continuity, not simply for telling or retelling the story of class, but also because it has been a major source of both wealth and class position.

The role of household registration, first introduced in the 1950s, is another important continuity in determining class and social stratification as well as (largely foreclosing on) the opportunities for mobility.

Finally, there are the continuities that result from social capital. Much has been made of the positive impact of economic growth on upward social mobility. That view has been challenged of late with respect to other countries, and the evidence from China is no different. Various studies have revealed a high level of intergenerational transfer of class and social status, privileged and otherwise. One study in particular, published in 2014 by researchers at Peking University, showed that there was near certainty that a daughter would follow her father's occupation, and a 74-percent chance that a son would do the same.

Social mobility in China through the past four decades remains a story of a glass half empty. Wealth has increased as the economy has grown. However, as is almost inevitable in a period of rapid growth from a low base, inequality has also increased, and at least partly in consequence restrictions on social mobility remain in place. Continued economic growth, greater equality, and increased social mobility are far from impossible but will require determined state action, not least to redistribute wealth and opportunity. ■