

**EFFECTS OF HUMAN CAPITAL, FAMILY BACKGROUND AND SOCIAL
NETWORK ON OCCUPATIONAL MOBILITY
IN CONTEMPORARY URBAN CHINA**

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ABSTRACT

The Chinese market transition has provided new opportunities for individuals to improve social status. In contemporary urban China, do people have equal access to opportunities to obtain occupational status? Following theories of human capital, social network and market transition, this study uses a dataset of the 2003 China General Social Survey and interviews, to explore different effects of human capital, family background and social network on occupational mobility from a perspective of work sector change.

The first major finding is that the returns for education were highest for those whose first and second occupations were in the state sector. Work experience and party membership were significant only for workers remaining in the state sector and human capital was often considered equal to work ability. In the private sector, occupational status depended on recognition of the ability to work. Secondly, family background was meaningful for workers transferring within both sectors. In the state sector, the effects were mainly through the use of fathers' political power to make occupational promotion whereas in the private sector, it came down to economic support or information transmission. Thirdly, social network was significant in the form of strong ties if workers stayed in the state sector or transferred there from the private sector. It mainly took the form of job information for those staying in or transferring to the private sector. And last, education significantly affected income for all groups but with the highest returns for stayers.

I conclude that for one thing, human capital, family background and social network exert markedly different effects on occupational mobility in four subgroups in contemporary urban China. The use of political power is the main influence of family background and social network, especially for those transferring to the state sector. The institutionalization of occupational promotion based on political power may result in unequal opportunity for job and status mobility and consequently the stagnation of economic and social development.

In order to establish a fair labour market, five policy proposals are made related to promotion of a market-oriented economy, disclosure of information in the labour market, law regulation, reform of distribution of socioeconomic benefits, and political system reform.

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TABLE OF CONTENTS

PERMISSION TO USE	i
ABSTRACT.....	ii
ACKNOWLEDGEMENTS	iii
TABLE OF CONTENTS	iv
LIST OF TABLES	vii
LIST OF FIGURES	viii
1. INTRODUCTION	1
1.1 Occupational Mobility in the Chinese Labour Market	1
1.2 The Significance of Studying Occupational Mobility from the Process of Work Sector Change	4
1.3 The Perspective of Work Sector Change	4
1.4 Outline of The Research	5
2. CHINA’S STATE-OWNED ENTERPRISES REFORMS AND THE EMERGENCE OF A LABOUR MARKET	7
2.1 Reform of State-Owned Enterprises	7
2.1.1 State-Owned Enterprises before Reform	7
2.1.2 Three Stages of State-Owned Enterprises Reform	9
2.2 The Emergence of a Labour Market and Labour Mobility	15
2.2.1 Labour System before the Reform	15
2.2.2 Three Stages of Labour System Reform	16
2.3 Summary	24
3. LITERATURE REVIEW AND THEORETICAL FRAMEWORK	26
3.1 Status Attainment Model.....	26
3.2 Human Capital and Occupational Mobility	28
3.3 Social Network and Occupational Mobility	30
3.4 Market Transition Theory and Social Inequality	33
3.4.1 Assumptions and Central Debate of Market Transition Theory	33
3.4.2 Selective Mobility and Social Inequality in Market Transition	39
3.5 Limitations of Previous Research	43
3.5.1 Theoretical Limitations	44
3.5.2 Methodological Limitations	44
3.6 Theoretical Framework	45
3.7 Summary	47

4. METHODOLOGY	49
4.1 Quantitative Analysis	49
4.1.1 Research Strategy.....	49
4.1.2 Dataset.....	51
4.1.3 Dependent Variables	52
4.1.3.1 Work Sector Change	52
4.1.3.2 Occupational Mobility Direction	53
4.1.3.3 Income.....	54
4.1.4 Independent Variables	55
4.1.4.1 Human Capital	55
4.1.4.2 Political Capital.....	56
4.1.4.3 Social Network.....	56
4.1.4.4 Family Background.....	56
4.1.4.5 Control Variables.....	57
4.1.5 Models.....	57
4.1.5.1 Binary Logistic Regression.....	57
4.1.5.2 Ordinary Least Square Regression.....	59
4.2 Qualitative Analysis	59
4.2.1 Sampling	60
4.2.2 Coding and Analysis Method.....	63
4.3 Summary	64
5. STATISTICAL RESULTS	65
5.1 Statistical Results	66
5.1.1 Descriptive Statistics.....	67
5.1.2 Regression Results of Work Sector Change.....	68
5.1.3 Regression Results on Occupational Mobility.....	71
5.1.4 Regression Analysis on Income	74
5.2 Findings and Discussion	77
5.3 Summary	83
6. AFFECTING PROCESS OF HUMAN CAPITAL, FAMILY BACKGROUND AND SOCIAL NETWORK ON OCCUPATIONAL MOBILITY	86
6.1 The Inclination of Work Sector Change	86
6.2 Effects and Differences of Human Capital on Occupational Mobility.....	90
6.2.1 Human Capital in the Labour Market	90
6.2.2 Different Rewards for Human Capital.....	90
6.3 Effects and Differences of Family Background on Occupational Mobility	96
6.3.1 Ascribed Status: Intergenerational Transmission	96
6.3.2 Competition of Family Background: A Living Logic	97
6.4 Effects of Social Network on Occupational Mobility.....	103
6.4.1 Social Network: Weak Ties and Strong Ties.....	103
6.4.2 Different Performances of a Social Network.....	104
6.5 Summary	109

7. CONCLUSION.....	113
7.1 Summary of Findings.....	114
7.2 Policy Implications	119
7.3 Research Limitations and the Orientations for Future Study.....	123
LIST OF REFERENCES	125
APPENDIX.....	144

LIST OF TABLES

<u>Table</u>	<u>Page</u>
4.1 Typology of Workers in Labour Market in Economic Transition.....	50
4.2 Name of First Occupations and Current Occupations	53
4.3 Summary of Main Characteristics of Interview Samples	62
5.1 Descriptive Statistics (Percentage, Means and Standard Deviations) of Selected Variables in 2003 CGSS.....	66
5.2 Binary Logistic Coefficients Predicting Odds of Work Sector Change.....	68
5.3 Binary Logistic Coefficients Predicting Odds of Upward Occupational Mobility.....	74
5.4 OLS Coefficients of Logged Earnings on Selected Independent Variables in Different Models	77

LIST OF FIGURES

<u>Figure</u>	<u>Page</u>
2.1 Ownership Structure Change in Industrial Economy from 1980 to 2007 in China	14
2.2 Composition of Employees in Different Work Sectors from 1980 to 2007	22
3.1 Theoretical Framework	46
5.1 Percentage of Occupational Mobility Direction	68

1. INTRODUCTION

1.1 Occupational Mobility in the Chinese Labour Market

Since 1978, within just over three decades, China has experienced a process of social and economic reform, which has intended to transform China into a socialist market economy by a primary shift from a planned economy. This transition is accompanied by a complex process that results in the changing mechanisms of social mobility, social stratification and social inequality. These changes, although initiated in rural China, are mainly visible in urban China, and consequently affect Chinese urban residents comprehensively. For one thing, their modes of employment and social mobility have been completely changed; for another, in the process of this transition, social inequality, such as income disparity and gap of occupational status, have been raised. For example, before 1978, individuals had few opportunities to choose their occupations and pursue social positions since the state used coercive administrative power to allocate occupations to individuals and set up their status in combination with the work-unit system. However, after 1978, with the introduction of market mechanisms and the expansion of the private sector proportion of the national economy, to some extent, people gained the initiative to attain occupations and social status in their own lives.

With the emergence of the private sector and participation in the World Trade Organization (WTO), the national economy has been substantially promoted. From 1978 to 2007, Gross Domestic Product (GDP) and per capita GDP grew by 68.5

times and 49.7 times respectively (National Bureau of Statistics of China, 2008). And by some measurements and analyses, China is now the second largest economy in the world, with some analysts estimating, it could be the largest within a decade or two (Morrison, 2008). Meanwhile, the Chinese economy was influenced by the world economic crisis that resulted from the side effect of economic globalization. Many private firms collapsed and employees lost their jobs. Moreover, because of increasing consumption and the price of housing, a stable, secure, and well-paid occupation is particularly important. As a result, the choice of working in the state sector or in the private sector was brought back into public focus. Among the people who experienced occupational change in their careers, some stayed in the state sector, some transferred to the private sector from the state sector, some continued to work in the private sector and some moved to the state sector from the private sector. A multi-dimension of occupational mobility based on work sector change is the result of rational thinking and calculation instead of simple nostalgia for old economic institutions. Thus, in the transition economy of contemporary urban China, we need to study occupational mobility from the viewpoint of work sector change.

Many scholars have provided different perspectives concerning the factors that influence occupational attainment and occupational mobility. For example, Duncan and Blau (1967) propose that individuals' occupational attainment could be influenced by both their "ascribed status" (family background) and "achieved status" (human capital). This line of thinking can be useful in the formation of a perspective on the urban status-structure. Unlike Duncan and Blau, some other researchers

believe that social capital and social networks can play key roles in obtaining occupations and thus are important in forming a perspective of social networks-structure (Granovetter, 1973; Lin & Bian, 1990; Bian, 1997;). Furthermore, some scholars studied occupational mobility from the view of market transition (Zhou, Tuma & Moen, 1997; Cao, 2001). Overall, these studies explore the occupational mobility based on individual level and structural level. However, the intermediate process of how individuals attain their occupations has not been given much attention. Social inequality in the actual processes under institutional changes remains an important area of study (Zhou, 2000). The theoretical debate and explanations concerning social inequality would be meaningful once the concrete processes of individuals' mobility among different groups have been distinguished and understood (Wu, 2006).

Therefore this study, using data from the 2003 China GSS, explores different factors that affect occupational mobility within different subgroups from the view of work sector change in the labour market of urban China.

As mentioned above, the main focus of the study is to explore the different factors that influence occupational mobility based on the process of individuals' work sector change. Specifically, how did individuals who experienced job change enter certain work sectors? What are the effects of selected independent variables on the occupational mobility of subgroups divided based on the different paths of work sector change? Based on the analysis of occupational mobility in terms of the process of work sector change, what is the reality of workplace ecology within

China's labour market? Based on the research towards the occupational mobility, what deeper understanding can we draw for the mechanisms of social stratification in China?

1.2 The Significance of Studying Occupational Mobility from the Process of Work Sector Change

Statuses are always unequal among social units such as individuals, families or enterprises, which are embedded and institutionalized within a larger social system. In the modern world people's occupational status occupies a dominant place in their lives, and it is the basis of a social stratification system in contemporary industrial society. So, it is important to study occupational status because it provides an important dimension to explore in the process of examining the distribution of wealth, power and prestige and the organization of social stratification.

It is also meaningful to explore the different effects of selected variables on occupational mobility after the introduction of the market transition, in order to incisively investigate the change of occupational status dynamics before and after reform.

1.3 The Perspective of Work Sector Change

Most previous studies have mainly focused on the effects of family background, human capital or social network on occupational mobility. In addition, some other studies have concentrated on the structural effects of the market economy

from the institutionalism perspective without paying close attention to the dynamic process of micro level analysis. It is important to understand that occupational mobility is not uniform for all people affected by several categories of variables with same effects, but is also influenced by different variables with different effects within subgroups, which are produced by taking into account the sorting process based on individuals' labour histories (Wu & Xie, 2003). Therefore, this research emphasizes the meaning of the process of work sector change for individuals and analyzes the different effects of selected variables on occupational mobility within respective subgroups.

1.4 Outline of The Research

Seven chapters will be included in this thesis.

Chapter 1 is the introduction of the study, including the research questions, research significance and the research perspective that will be applied.

Chapter 2 introduces and reviews the research background and gives a brief portrait of the history and process of China's state-owned enterprises reform and the emergence of the labour market.

Chapter 3 reviews the literature on occupational mobility and the theory of market transition, and develops a theoretical framework. The major theoretical limitation of the existing literature on occupational attainment and occupational mobility is that these studies have mainly focused on the structural effects of the emergence of a market economy from the institutional perspective without paying

close attention to the dynamic process of micro level analysis. This study will focus on both institutional change and individual outcome by introducing work sector change based on labour mobility as an intermediate process.

Chapter 4 is concerning methodology. Mixed methods are applied in this research. In the quantitative part, I distinguish the heterogeneity of the effects of selected independent variables on occupational mobility among subgroups of respondents, using Wu and Xie's (2003) typology of workers. In the qualitative part, I use interviews as a supplement to the statistical analysis. The interview guide and a short description of samples are also included.

Chapter 5 presents the statistical results based on the theoretical framework. The results consist of three parts. In the first part, the possibility of transference between work sectors is tested. In the second part, the occupational mobility direction is tested. In the third part, as the monetary result, the income is discussed.

Chapter 6 probes into the detailed affecting process of human capital, family background and social network on occupational mobility based on the qualitative materials. I illustrate, via the exploration of the detailed process of occupational mobility, some possible reasons why the differences of selected variables exist in different work sector change.

Finally, in chapter 7, my conclusion summarizes the main findings, policy implication, research limitations and orientations for future study.

2. CHINA'S STATE-OWNED ENTERPRISES REFORMS AND THE EMERGENCE OF A LABOUR MARKET

The process of economic reform from the existing planned economy to a socialist market-oriented economy began in the late 1970s. This transformation has brought about remarkable economic development and gained a reputation as an economic miracle all over the world. Whether these considerable economic developments were dependent on the internal demands of the people, the willingness of government to pursue consolidation of the regime or the impetus of external pressure for the development of a world economy, they could not have been accomplished without revision of two basic institutional mechanisms: property ownership and the emergence of a labour market. Similarly, these two institutional changes have also influenced the lives of many individuals in realms of job searching and occupational mobility.

2.1 Reform of State-Owned Enterprises

2.1.1 State-Owned Enterprises before Reform

When the Chinese Communist Party (CCP) came to power in 1949, the new government asked the former Soviet Union for technical and financial help to design and establish state-owned enterprises, which are known as the economic basis of the communist regime. In the planned economy era, the State-Owned Enterprises (SOEs) were taken as the production units where raw materials were transformed into tradable

commodities (Wang, 2001). In this system, the resources, products and distribution of products were controlled by the governmental agencies.

Besides their production function, what was unique about the SOEs was that they offered daily living services and insurance for their employees. Almost all urban residents in China were allocated lifelong employment within an assigned work place, called a “work unit” (*dan wei*) (Wu, 2002). In addition to guarantee permanent employment, the comprehensive social welfare packages, including housing, medical care, child care, education, etc were provided according to the work units (Wang, 2001). To some extent, the work unit offered its employees services “from the cradle to the grave”. Under the Chinese official perspective, “the work unit is defined as an independent accounting unit with three characteristics: (1) administratively, it is an independent organization; (2) fiscally, it has an independent budget and produces its own accounting tables of earnings and deficits; (3) financially, it has independent accounts in banks and has legal rights to sign contracts with government or business entities” (Wu, 2002, p.1073). The work units, based on their social roles and primary functions, can be categorized as three types: “(1) government or party agencies (*dang zheng ji guan*); (2) profit-making enterprises (*qi ye dan wei*), and (3) nonprofit institutions (*shi ye dan wei*)” (Wu, 2002, p.1073). Governmental or party agencies filled the key roles of central administration, state management and design of state development strategies. Profit-making enterprises all belonged to the different ranks of government. Nonprofit institutions were always the agencies to provide social services. Since there was no free market in the pre-reform era, there were no free

enterprises either. Thus, these three categories of work units were classified into the state sector.

2.1.2 Three Stages of State-Owned Enterprises Reform

The lifelong employment and egalitarian remuneration system based on the SOEs structure were seen as the key to China before reform since they provided an economic and organizational structure for the political regime and a shelter for the common people (Ngok, 2008). As the number of employed workers increased much too quickly and the essential defects of the central planning system gradually became apparent, the overstaffing, lack of work incentives, low productivity and low level of managerial efficiency emerged as the critical problems within the SOEs (Ngok, 2008). In order to resolve these problems and set up an efficient and modern economic system, the Chinese government initiated reform of the SOEs at the end of 1970s as the first step in the building of a market-oriented economy. Those reforms can be divided into three stages.

The first phase of reform can be traced to the period from 1978 until 1985. Early economic reform was initiated from rural areas and spread rapidly, although the collectivized people commune was not abolished until 1982 (Zhou, 2003). Rural economic reform subsequently ignited economic reform in the urban areas. “The main focus of the government’s initial efforts to improve the managerial efficiency of the SOEs was to experiment by providing increased autonomy and financial incentives for managers” (Meng, 2000, p.99). By gradual introduction of the “economic

responsibility system” (*jing ji ze ren zhi*) to the SOEs in 1981 (Meng, 2000), the intentions of the reform aimed to give the SOEs more autonomy over the distribution of profits and production quota (Zhou, 2003). In 1984, the State Council implemented a policy to expand SOEs’ autonomy in ten areas (*kuo quan shi tiao*) (Qian, 2000). Enterprises were allowed to produce over-quota products and to sell their above-plan output to other firms at market prices. In addition, this system also permitted the SOEs to keep a certain share of their profits via division with state (Wang, 2001). These profits could be used to expand reproduction, increase investment, or distribute welfare and bonuses to employees (Zhou, 2003). Though the reform of the SOEs resulted in a progress of productivity and efficiency, the autonomy was still restricted and profit retention was estimated and given by the state on the basis of annual operating results of the enterprises (Qian, 2000). For the existence of the “soft budget constraint”¹ (Kornai, 1980), “even when a SOE make losses, the managers can sometimes obtain loans from the state-owned banks for the distribution of wages and bonuses” (Meng, 2000, p.100). Furthermore, with a gradual reduction of SOEs, private enterprises began to rise, especially in the small-sized sector. Although Chinese government allowed the small-scale sector to be developed and new forms of private firms enter urban economy, property rights protection for the private economy was marginalized in this period (Naughton, 2007). Thus, the private firms confronted enormous difficulties and obstacles in seeking to enlarge their portion of the state’s economy (Naughton, 2007). Therefore, even with progress in the state sector reform

¹ “The term “soft budget constraint” was coined by Janos Kornai (1979, 1980) in his seminal studies of the socialist economy in his native Hungary. A soft budget constraint is said to exist whenever a loss-making company continues to receive financing” (Naughton, 2007, p. 309).

of SOEs, the private enterprises, which represented the engine of the private sector, did not achieve significant development.

In order to overcome the issues of limited autonomy of the SOEs and set up a more market-oriented economy, the second phase of SOEs reform began in 1986 and continued till 1992. The use of the production contract was the key characteristic and achievement of this period of reform. The policy of separation of enterprises from administrative control (*zheng qi fen kai*) aimed to turn SOEs into completely independent production and management organizations, and required that the SOEs must be responsible for their own production, profits and losses according to sign contracts and leases (Zhou, 2003). In order to solve the issue of financial incentives, the “contract responsibility system” (*cheng bao zhi*) was introduced and institutionalized by the government in January 1987 (Qian, 2000). In this system, once contracts were signed, they would be valid at least for 3 years to prevent annual division of profits with the state (Qian, 2000). Compared with the first stage of SOEs reform, the managers were given a larger share of control rights over business operation (Qian, 2000). Even if the firms were still owned by the state, the managers were qualified to run the firm and make development strategies (Wang, 2001). The SOEs were permitted to retain the surplus profits and approved to make their own employment plans including recruitment and dismissal of personnel, so long as they fulfilled their contracted quotas (Zhou, 2003). By the end of 1987, the contract responsibility system had been implemented by up to 80% of large and medium-sized SOEs and almost all SOEs had applied this policy by 1993 (Qian, 2000). In addition

to these deeper reforms of SOEs, the most remarkable accomplishment in the second phase was the rapid emergence and expansion of non-state enterprises in both urban and rural areas (Qian, 2000). These private firms were operated under hard budget constraints and motivated by new internal regulations offering better incentives (Qian, 2000). “They also indirectly benefited from various reforms aimed at the state sector” (Qian, 2000, p.158), such as the legitimacy of previous black market produced by the “dual-track system”² (*shuang gui zhi*) reform significantly helped the growth of private firms (Qian, 2000). Since the Chinese government realized the value and significance of private firms to the whole country’s economy, incentives such as greater legitimacy and legal protection were provided to inspire the expansion of the private sector.

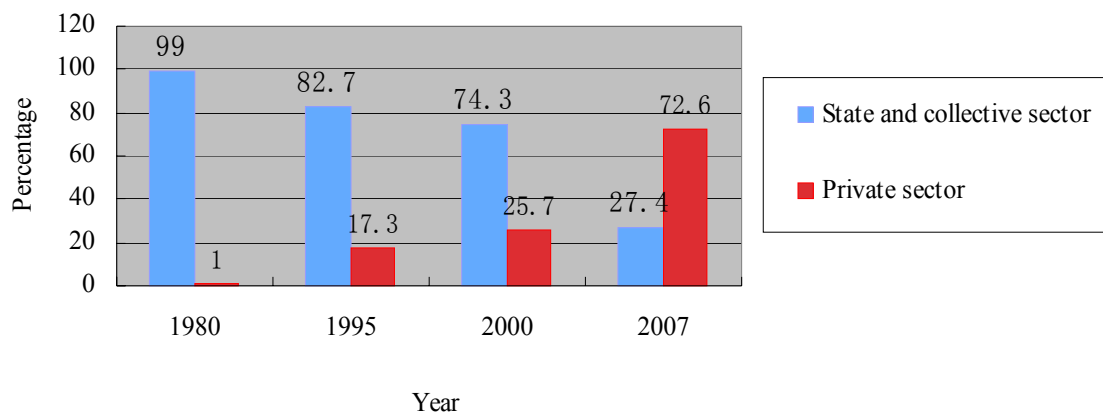
Since 1993, the reform of SOEs was taken into the third stage, which was focused on establishing the “modern enterprise system” (*xian dai qi ye zhi du*) (Zhou, 2003). In 1993, the Third Plenary Session of the 14th Party Central Committee (CCP, 1993) proposed that the establishment of modern enterprise system was inevitable for market economy, and this was essential for the SOEs reform (Zhou, 2003). A representative modern enterprise was defined as having four characteristics, which are “clear property rights, clarified rights and responsibilities, separation from the government and scientific management” (Wang, 2001, p.2). Following the policy of establishing a MES, and based upon the development of the whole economy, by 2000, modern enterprise system had been introduced and adopted in most SOEs (Zhou,

² “The Chinese term “*shuang gui zhi*” refers to the coexistence of a traditional plan and a market channel for the allocation of a given good. The dual-track system implied a two-tier pricing system for most goods: a single commodity had both a (typically low) state-set planned price and a (typically higher) market price” (Naughton, 2007, p.92).

2003). Privatization of ownership provided a turning point for reforms of SOEs, although the state sector initiated the internal reforms. When it comes to economic reform and ownership change in socialist and post-socialist countries, it is controversial to achieve privatization of SOEs through shock therapy or gradual reform concerning the transition strategies when considering the effectiveness of the results (Nakagane, 2000). According to conventional view and experiences of previous socialist countries of Eastern Europe, its property rights should be completely privatized across the country if a planned economy is to be transformed into a market one (Nakagane, 2000). After applying a gradual path instead of supporting and implementing a shock therapy strategy, the Chinese SOEs have experienced a process of partial privatization since the middle of 1990. The landmark propelling this transition was the introduction and implementation of the Company Law in 1994. The Company Law legitimized the coexistence of different ownership forms and provided a framework and possibility for the SOEs to be corporatized (Naughton, 2007), “that is, converting traditional SOEs into the legal form of the corporation, more appropriated to a market economy” (Naughton, 2007, p.301). If the SOEs were converted into corporations, they could diversify their ownership by selling off fixed assets and a certain proportion or all of the shares (Naughton, 2007). Meanwhile, the corporate system appeared to accelerate the privatization process and made possible for the emergence and growth of joint ventures. On the whole, “In a sense, adoption of the Company Law signified the intent of policy-makers to create a common legal framework in which any ownership form could operate, potentially creating a level playing field for competition” (Naughton, 2007, p.301). The

promulgation of the Company Law promoted a new round of institutional change that was beneficial for the development of private firms in the market economy (Lin & Zhu, 2001). In 1997, a policy called “grasping the large, and releasing the small” (*zhua da fang xiao*)³ was approved at the 15th Communist Party Congress (*shi wu da*). It was aimed at changing the composition of industry and propelling the process of privatization of SOEs and the expansion of the private sector (Naughton, 2007). Consequently, the integration of building a modern enterprise system with the corporatization legitimized by the Company Law enabled the privatization, either in forms of selling off shares to the public and private investors or managerial buyouts (*MBO*). Purchasing small-scale SOEs was a universal phenomenon in China with its focus on the transformation of the structure of ownership. Moreover, in March 1999, the acknowledgement and protection of private ownership was added to the Chinese Constitution, which standards for the recognition of full market system by official government (Qian, 2000). The private businesses were given a status equivalent to the economy in the state sector.

Figure 2.1 Ownership Structure Change in Industrial Economy from 1980 to 2007 in China (NBSC, 2008)



3 “In *grasping the large*, the reformers mainly focused on the largest, most profitable and centrally controlled firms, in *releasing the small*, the local governments were given much more authority and autonomy to reconfigure the firms” (Naughton, 2007, p.301).

From Figure 2.1, we can see that in the industrial economy, the ownership structure of the state and collective sector relative to the private sector had changed dramatically since 1980. In 1980, almost all firms in the industrial economy were in the state and collective sector. But by 2007, only 27.4% of companies were in the state and collective sector while the proportion of the private sector increased to 72.6%. In a sense, the reform of SOEs had significantly changed the ownership structure in the Chinese economy. Therefore, in these nearly 30 years of reforms, the reduction of SOEs and the growth of private businesses had tremendously expanded the scale of the private sector, which propelled the construction of a market economy and promoted the emergence of a labour market and occupational mobility.

2.2 The Emergence of a Labour Market and Labour Mobility

2.2.1 Labour System before the Reform

After the People's Republic China was found by China Communist Party in 1949, the government implemented new labour laws and policies adapt to its socialist ideology and this new economy saw the abolishment of labour rules established by the collapsed Nationalist government (Ngok, 2008). Pursuing a central planned economy under socialist principles, in which assets and property owned by the people meant that workers were employed by themselves (Meng, 2000). Labour was not taken as a commodity with value and wages were not evaluated and paid based on the workload and price of labour (Meng, 2000). Moreover, because of the principle that workers were the owners of the country, they could be allocated a job with permanent

employment and various social benefits through work units under the guarantee of the “Ordinance of Labour Insurance” (*lao dong bao xian tiao li*) implemented in 1951 (Meng, 2000; Ngok, 2008). As a result, there was no labour market or labour mobility in the pre-reform era. The central control over labour arrangements was ubiquitous. “Job seekers would be assigned employment through educational institutions (high schools, technical schools, or universities) or through local communal offices (*jie dao ban shi chu*) where people would register their residency” (Meng, 2000, p.4). Although individuals could be given jobs, they were not permitted to hunt, change or quit jobs at their will (Meng, 2000). Furthermore, the employers such as the SOEs, government agencies and public service departments were not qualified to dismiss their employees without reporting to labor management department unless workers broke the law (Meng, 2000).

2.2.2 Three Stages of Labour System Reform

Although people were provided lifelong employment and an egalitarian distribution of created wealth, the labour planning in pre-reform China is problematic. Compared with a labour market system that emphasizes motivating efficiency by arranging workers in appropriate jobs and developing their potential (Meng, 2000), the older system induced three problems for the development of the national economy. The first was the shirking and inefficiency derived from the inadmissibility of selection between employers and employees, “resulting in mismatches between workers and jobs” (Meng, 2000, p.10). The second was

overstaffing since the government assigned jobs without considering the actual amount of workers that firms demanded, in accordance with the national institution of full employment (Meng, 2000). The third defect of the pre-reform labor system was the low frequency of labor mobility being resulted by impossibility of making bilateral chooses between employers and employees (Meng, 2000). The reforms in 1978 declared the beginning of the transformation of China from a central planned economy to a market oriented one. The labour system, as one important institution in the development of the economy, was taken into account. The aim of reform of the labour system was to restructure a new one compatible with a market economy. This labour system reform was a process of integration of three reforming dimensions which were institutional transformation, policy change and law legislation. In general, the process of labour system reform can be divided into three stages.

The first step to alter central control over labour arrangements originated from the intention to solve the problem of unemployment from the end of the 1970s to 1985 (Ngok, 2008). By 1979, 5.67 million urban residents registered unemployed, which was equivalent to 5.4% of China's urban labor force (NBSC, 1997). The huge amount of unemployment was caused by the rapid population growth, poor economic performance and the return of millions of the "sent-down" (*xia fang*) youth in Cultural Revolution from villages to cities (Naughton, 2007; Ngok, 2008). Facing this problem, the Chinese government increased financial investment, built more facilities and requested enterprises to arrange jobs for this surplus urban labour force that severely exceeded industry's needs (Ngok, 2008). The phenomenon of

“five persons doing the job of three” emerged, and the institution of occupational inheritance (*ding ti*) under which the children of retired workers could succeed parents’ occupations was implemented to relieve the problem of unemployment (Ngok, 2008). However, instead of solving the problem they were aimed at, these measures continuously generated overstaffing, labour force of poor quality, and low productivity (Feng, 1982). Thus, the Chinese authority determined to loosen the administrative constraint on labour assignment and permit urban residents to seek occupational opportunities by themselves (Ngok, 2008). In addition to this strategic decision for labour system reform from the central government, “at the National Conference on Labour and Employment in 1980, a new labour policy framework named “three in one” (*san jie he*) was introduced” (Ngok, 2008, p.47). People could get jobs based on the recommendation of governmental agencies, spontaneous intermediary organizations, and self-employment (Editorial Department of CHRY, 1988). The introduction of this policy not only let people have more chances to obtain jobs, but also diversified the ownership characteristics of jobs, and furthermore, propelled the creation of a labour market. Under the framework of this policy, more and more urban people began to run self-employed businesses, such as private entrepreneurs and private business (*ge ti hu*) (Ngok, 2008). However, based on several surveys conducted in the mid 1980s, it showed that in the primitive period of economic reform, the owners of private entrepreneurs and self-employed business mainly came from the groups of migrant peasants, unemployed people, released criminals, dismissed workers and retirees who did not have enough pension to make

a living by employment in the state sector (Davis, 1999; Li, 1993). From the demographic of the people in private business, we can see that they were largely from vulnerable groups without economic or political advantages. This could be the result of two factors, one of which was the incomplete legitimacy of the market economy, while the other was the insufficient development of a labour market with less attractive benefits.

The second stage of the labour system reform was initiated in 1986 and ended in 1991. In this period, the implementation of labour contracts as a part of SOEs reforms was epoch-making and promoted the emergence of both a labour market and occupational mobility. The relationship between workers and work units was tight and persuasive. In spite of providing lifelong employment with a social welfare package, which was regarded as the “iron rice bowl” (Knight & Yueh, 2004), by the mid 1980s, plenty of SOEs were in debt and survived by state subsidies (Ngok, 2008). Apart from the heavy financial burden and management crisis, the new emerging private companies in the private sector, such as town and village owned enterprises and foreign investment firms began to challenge SOEs’ dominant position in the national economy (Ngok, 2008). In order to improve the competitiveness of SOEs, the strict employment institution and non-incentive wage system were reformed by the government (Ngok, 2008). Relative to the egalitarian distribution of earnings and living resources in the pre-reform era, wages, bonuses, and awards were detached from the income. Wages were strongly related to the worker’s performance (*gong zuo biao xian*) while bonuses and awards were

distributed for the sake of promoting efficiency (Ngok, 2008). This breakthrough was institutionalized by the adoption of the labour contract and permanent employment without searching for jobs and dismissal were fundamentally changed (Ngok, 2008). In 1986, “the State Council issued four sets of provisional regulations on labor and employment reforms, which set out to encourage multiple systems of employment, to allow open recruitment of workers, to introduce labor contracts for all new workers entering SOEs, to permit dismissal of recalcitrant workers, and to bring in a system of unemployment insurance” (Ngok, 2008, p.47). New workers recruited after 1986 would be requested to sign the labour contract and renew it only when both sides were agreed and satisfied (Naughton, 2007; Ngok, 2008). And young contract employees were inclined to resign or be dismissed once the contracts expired instead of being permanently employed (Naughton, 2007). These policies and measures had an overlapping and complex set of aims: development of the labour market; promoting competition of SOEs in the emerging labour market; reform of the distribution of income among workers; and facilitating worker mobility allowing employees to move between various occupations and work sectors.

The third phase of labour market reform was from 1992 to the present. The general background is the market economy was fully legitimized in 1992 when the supreme leader, Deng Xiaoping, made his famous southern tour to reverse the reform stagnation resulted by conservative political forces (Wu, 2010). Unlike the economic elite of the private sector that had emerged from less privileged groups in 1980s, in

this stage, people in advantageous positions in the state sector, such as professionals, cadres and white collar workers began to abandon those careers in order to pursue new opportunities in the private sector (Wu, 2010). This phenomenon was called “jumping into the sea” (*xia hai*) to depict the workers’ mobility from the privileged occupations in the state sector to the occupations with more economic benefits and autonomy in the private sector (Wu & Xie, 2003; Wu, 2006). However, not all workers could necessarily benefit from the process of economic reform. Market reform generated opportunities for people who wanted to seize them, but it meant job losses and downward mobility for those who could not control their own fate. In 1993, the government started a new round of reform to transform the SOEs to modern enterprises. These reforms aimed to enhance competition and relieve the burden of overstaffing by abolishing the social welfare previously provided by the SOEs. Consequently, the redundant labour was pushed out from the SOEs and was called lay off workers (*xia gang gong ren*) (Wu & Xie, 2003). From 1996 to 1999, more than 25 million surplus workers in the SOEs were dismissed (Appleton, Knight, Song & Xia, 2002). These people, classified as either voluntary or involuntary layoffs, were given chances to move from one occupation to another and from the state sector to the private sector. With the market reform continuously going on, a reverse mobility from the state sector to the private sector emerged. For instance, some people attempted to become political officials via Civil Service examinations or staff in the public service. Others tried to become employees of the existing SOEs in the state sector in order to attain specific social benefits, such as medical care,

offspring schooling and housing, which are called “three big mountains” (*san zuo da shan*) because they reduce the life quality of Chinese people who don’t have them. Despite having experienced tremendous economic and labour system reforms, China’s transition to a market economy followed a different path from the former Soviet Union and several countries in Eastern Europe where a complete transformation from socialism to capitalism happened via shock therapy. Under a framework of partial reform based on a gradual transition, the coexistence of market power and redistributive power is still obvious in China. Furthermore, compared to the market economy, the structural restrictions inherent in a redistributive institution will never offer the same opportunities for acquiring quality occupations in the state sector. Thus, in order to overcome the relative identity disadvantages, some people would utilize the family background or social network to enter the state sector while others remained by themselves. In this way, the process of reverse mobility from the private sector to the state sector created two groups, one benefiting from the use of the social network and the other disadvantaged without them.

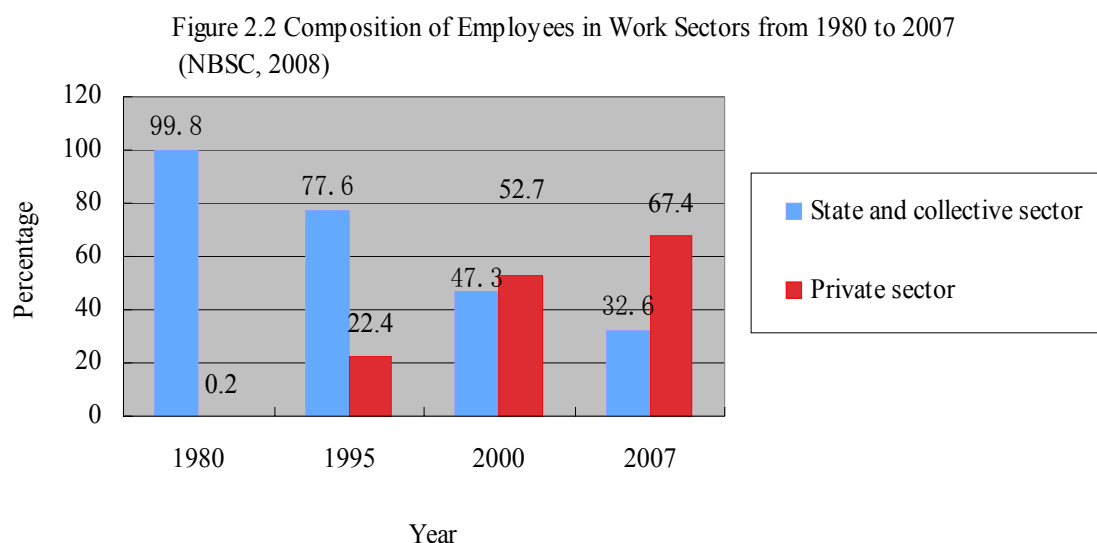


Figure 2.2 shows the proportion of employees in the state and collective sectors had been declining since 1980. In 1980, almost all workers were in the state and collective sectors under the control of central and local governments while in 2007 more than two thirds of the work force in China was categorized in the private sector.

In conclusion, along with the SOEs reforms and the development of a market economy in recent thirty years, the labour market has emerged and facilitated the job change and occupational mobility that were prohibited in planned economy. In terms of the influences and effects of the progress of the labour market on individuals in contemporary China, four conclusions can be made: First, lifelong employment in the old style SOEs was replaced by contractual employment in the diverse ownership economy, indicating the termination of the “iron rice bowl” (*da guo fan*) and the beginning of workplace competition. In this sense, the labour force has been viewed as a commodity that can be exchanged between employers and workers (Ngok, 2008). Thus, labour mobility has been allowed and legislated as a self-selected activity based on workers’ interests and motivations. Second, instead of governmental control, job allocation is determined by the labour market (Ngok, 2008). People could search for jobs through various means such as employment agencies, enterprise recruitment and self-employment (Ngok, 2008), and similarly, the change and mobility of occupations relied on their own will without external intervention. Third, due to the detachment of social welfare from the work units and the reforming of the work units system in the SOEs, people were much more likely

to pursue career opportunities in order to obtain more welfare and benefits (Ngok, 2008). At last, remuneration was related to an employer's work ability and performance (Ngok, 2008). Though the state had regulated corresponding minimum wages in different cities or regions, the extra income, including bonuses and awards were evaluated by a worker's contribution to the enterprise (Ngok, 2008). Therefore, the incentive mechanism not only enabled labour to be more market-oriented, but also encouraged workers' mobility among different occupations and work sectors based on the estimation of their own abilities, motivations and other resources. In general, whether from the institutional level or operational level, the emergence of the labour market was the product of economic reform and propelled the development of the market economy, and vice versa. When it comes to the self-determination of individuals, the most significant meaning lies in the creation of a relatively equal stratification system in which people could determine their own social status through their job choices and occupational mobility based on the integration of each individual's motivation, ability and resources.

2.3 Summary

In this chapter, I have reviewed the background for the research, which includes the reform of SOEs and the emergence and development of a labour market. As one of the classic issues of social stratification and social inequality, occupational mobility has existed in the labour market, which is a macro-institutional environment. As a dynamic process, the factors affecting occupational mobility are different, and

these factors represent different social meanings within diverse institutional contexts. Therefore, it is important to understand the characteristics of occupational mobility in the Chinese labour market by introducing the reforms of the SOEs and the labour market. The next chapter will review the relevant literature and develop a theoretical framework.

3. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Concerning occupational attainment and mobility, how do researchers in both foreign countries and China study it and what conclusions or theories have been developed? What can we learn from the existing research in both theoretical and methodological dimensions? In this chapter, the literature about occupational attainment and mobility will be reviewed. And after that, a comprehensive theoretical framework will be developed based on the proposals and insights from the literature and the research questions in this study.

3.1 Status Attainment Model

The concept of “status attainment”, most fully developed by Blau and Duncan (1967), focuses on status transmission, or how ascribed positions (family background) relate to individuals’ subsequent occupations. This model is an effort to re-explore classic themes of social mobility research within a more empirical and practical analytic structure (Haller & Portes, 1973). In this research, the authors mainly focused upon two questions. The first, represented by Haller and Portes, (1973), concerns the extent to which inherited status from family influences the occupations of individuals, while the second is about the extent to which earlier status affect later status in occupational hierarchies.

Duncan and Blau summarize their findings with three theoretical statements. According to Bian, Li, Li & Hao (2006, p.101), first, occupational mobility is one

important perspective from which to study social mobility and social stratification; second, the mechanism by which individuals inherit status from family or kindred relationships is called “ascribed status”, while the other, by which individuals attain status by their own hard work, is called “achieved status”; third, status attainment is subject to the scale of industrialized development; the higher the degree of industrialization and occupational division, the more necessary are education and skill training, and social mobility is inevitable; in a more industrial society, the effects upon status attainment by ascribed factors, such as family background are weaker; conversely, in a more traditional society, status attainment is more likely to be influenced by “ascribed status”.

Concerning the effects of family background on occupational attainment and occupational mobility in China, several studies have been conducted since the mid-1970s. Via analyzing a dataset collected in the mid-1970s, Parish and Whyte found that parental status have exerted less influences on their children’s occupational attainment since 1966 (Parish, 1984; Whyte & Parish, 1984). Other studies have also convinced that parental status does not directly affect occupational status of one’s first and current occupations (Xie & Lin, 1986; Lin & Bian, 1990). In short, based on these findings, the basic argument is that parental social status does not exert direct effects on children’s occupational status (Lin & Bian, 1990).

Some studies also have shown the relationship between family background and socioeconomic status of individuals in other countries. According to study intergenerational occupational mobility in former-Soviet Russia and post-Soviet

Russia, researchers found that family origin influenced occupational mobility in Russia's Soviet period, and the association between family origin and occupational destinations are even tightened (Gerber & Hout, 2004). Based on a study in Finland, Osterbacka (2001) found that the children with lower socioeconomic status parents had weaker intergenerational status transmission, while children with higher socioeconomic status parents were found to have stronger intergenerational status transmission. And also, it is proposed that family background contributed economic inequality in an Indian study (Singh, 2010).

3.2 Human Capital and Occupational Mobility

The concept of human capital first appeared in the work of economists. Becker (1964) proposes that the investment that can be used to increase resources and affect future income and consumption is called human capital. He posits that education is the most important and basic investment form that contains both social and personal effect. Personal effects can be indicated as indicators of favourable socioeconomic status, such as a good occupation, high income and reputation. Rosen (1977) argues that as one of the forms of human capital investment, education can promote productivity; the degrees of education reflect the level of productive knowledge and ability, as well as the personal potential of studying and mastering knowledge and skill. Educational level is positively related to income level and occupational mobility. The human capital theory predicts that the more invested in education and work experience, the more returned from a labour market (Beck, Horan, & Tolbert, 1978). For example, according to more investments in education

and work experience, the rational worker can maximize the economic returns in the labour market (Becker, 1964). Similarly, the rational employer would like to employ most productive workers with better education and more work experiences in order to maximize profits at the lowest cost (Oh & Shin, 2003). Furthermore, human capital consists of two forms which are observable or unobservable (Borjas, 1994; Chiswick, 1978, 1979). Education and work experience can be classified as observable human capital, while ability, talent, idea and motivation can be taken as unobservable ones (Chou & Chow, 2008).

When it comes to the influence of human capital on occupational attainment and mobility in China, scholars have provided some theoretical perspectives and empirical findings. The emphasis on education changes the mobility mechanism of a socialist country and is viewed as a factor for intellectuals to hold on power (Konrad & Szelenyi, 1979). Market reform provides an opportunity for the transformation to meritocracy (Shirk, 1984; Lee, 1991). In a 1986 Tianjin survey, Walder (1995) found that individuals with better education were inclined to become the professional elite with higher social status. College education could not help entry into administrative occupations until the end of 1970s (Walder, 2000). In Zang's (2001) study, college education empowers a cadre be more easily promoted in both, the China Communist Party and governmental agencies. Another comparative analysis shows different patterns of the effects of education on occupational mobility within the state sector. Human capital's influences on occupational mobility are the same in profit-seeking enterprises and nonprofit firms in less competitive Shanghai, while

human capital is a more influential for occupational mobility in profit-seeking firms than in nonprofit organizations in the more marketized Guangzhou (Cao, 2001).

According to the human capital perspective, the more education and relevant work experience individuals gain, the more occupational opportunities they will have. Thus, people will have different outcomes in the process of occupational mobility.

3.3 Social Network and Occupational Mobility

Besides human capital, social network is another vital resource can be used for individuals to attain occupations and other economic rewards. Even the concept of social capital was initially proposed by Loury (1977), but the earliest empirical study of social capital was analyzed by Pierre Bourdieu, who describes the concept as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition” (Bourdieu, 1986, p.249). According to his perspective, social capital can be understood as an instrument to obtain benefits based on their capacity to take part in organizations or collectives (Portes, 1998). “Social networks are not a natural given and must be constructed through investment strategies oriented to the institutionalization of group relations” (Portes, 1998, p.3).

Unlike Bourdieu, Coleman (1990) “defines social capital as a composite concept constituted by elements typical of the relational system of individuals and of the institutional system” (Barbieri, 2003, p.683). From Coleman’s perspective, social capital has two distinct characteristics. For one thing, social capital is similar with

social structure; for another, social capital can make actions easier within the structure (Coleman, 1988). Moreover, Coleman (1988) also discusses the function of social capital as a source of family-based support. From this perspective, one study concludes that children's achievements can be influenced by the forms of family capital derived from parental intellectual level and other resources (Parcel & Menaghan, 1994). Social capital is effective for individuals to promote their ability to build relationships with others in order to improve economic situation (Portes, 1995). It is required to be a member within a group to be provided with this resource (Bourdieu, 1986; Portes, 1998), but it is unequal to obtain same resources for social network users (Bourdieu, 1986; Putnam, 2000).

Granovetter (1973) defines weak ties as relationship to ordinary people or casual friends, while strong ties are described as the connection with close family members or intimate friends (Portes, 1998). Granovetter (1995) argues that although weak ties exert less impacts in terms of personal relationship, they can provide more valuable information for accessing employment chances due to their diversity among different circles of communication (Erickson, 2001) .

Lin (1999) develops a theory of social resources to discuss occupational attainment. "The theory begins with an image of the macro-social structure consisting of positions ranked according to certain normatively valued resources such as wealth, status, and power" (Lin, 1999, p.470). He forms a social capital model of status attainment from the social network resources perspective to study the dynamics between family background, human capital as well as extensity and

strength of social relationship and occupational attainment (Lin, 1999). He proposes that instrumental actions as occupational attainment can be facilitated by weak ties connected with distant contacts with higher socioeconomic status (Lin, 1999).

When it comes to the realm of employment, social capital has been related with income, employment opportunities and occupational promotion in the labour market (Donato, Durand, & Massey, 1992; Mier & Giloth, 1986; Valenzuela & Gonzales, 2000). In a study in Finland, Ahmad (2011) found ethnic social networks play important role among immigrants for their employment status, especially for the ones who were strangers for the host country. Weak-related ties are significant for job seekers using informal channels (Demchenko, 2011). A study in Australia indicates that strong ties are negatively associated with occupational attainment whereas job seekers via weak ties have higher occupational status (Huang, 2011). Occupational mobility is easier to happen if workers apply non-redundant contacts (Davern & Hachen, 2006). Lawyers will benefit more if they have more high-status network partners (Kim, 2009). From a study to Russian labour market, it is more possible to obtain a job in using weak ties instead of strong ties; the influences of weak ties are based on the non-redundant information they provide, while strong ties affect occupational mobility via well-connected ways (Yakubovich, 2005).

As far as the effect of social networks on occupational attainment and occupational mobility is concerned in China, “guanxi”, which has a meaning similar to social network, was introduced by some researchers. It was easier for Guanxi networks users to obtain job opportunities than the ones who were in

disadvantageous positions in the social networks (Bian, 1997). In two Tianjin surveys, it is shown that only 40% of people used *guanxi* networks for getting a job in the 1960s, while *guanxi* users rose to 55% in the 1980s and 75% in the 1990s when labor market was formed (Bian, 1994; Bian & Zhang, 2001). When it comes to inter-firm mobility, it is found that among the workers who had changed jobs before 1988, 50 percent of them were sponsored by *guanxi* networks, while by 1999 almost 80 percent of employed workers had changed jobs, and most of them used *guanxi* networks (Bian, 2002). One study presents that layoff workers in the textile industry could attain jobs in non-textile factories via inter-industry ties (Johnson, 2001). Another study presents that layoff workers with broader social networks could be reemployed more quickly and given matching jobs with their ability and work experience (Zhao, 2001, p.68). It is also found in transition economy in China, the effects of social network on occupational mobility is mainly derived from personal relationship (Bian, Shu & Logan, 2001). Individuals lacking human capital and political capital were more likely to use social network to achieve occupational mobility (Zhang, 2006).

3.4 Market Transition Theory and Social Inequality

3.4.1 Assumptions and Central Debate of Market Transition Theory

Some researchers propose that in socialist countries, before transforming into post-socialist or capitalist economies by means of gradualist selection or shock therapy, that the social inequalities were created and restructured by redistributive

power. This stratification mechanism is pretty different from the experiences of market economies in which the socioeconomic inequalities created by the market institutions based on relatively equal competition (Polanyi, 1957; Szelenyi, 1978). Since the end of the 1970s, the Chinese government has adopted a set of economic and institutional reforms aimed to achieve economic development and reduce administrative intervention stemmed from the state control. The reforms, such as decollectivization of agriculture, SOEs reforms for enhancement of autonomy, remuneration of income and emergence of a labour market and labour mobility have promoted the development of a market economy (Walder, 1989).

As far as social stratification is concerned in the reform era of China along with the economic growth and economic transformation, Nee (1989, 1991, 1996) proposes a market transition theory, based on a Fujian rural survey project. The main debate of market transition theory lies in whether market coordination or redistributive control play the key role in determining social inequality in transition economies (Wu & Xie, 2003; Wu, 2006). Nee argues that the main driving force of the change of mechanisms of social stratification is the introduction of the market economy (Cao & Nee, 2000). This theory includes three interrelated arguments that focus on the processes of market power, market incentives and market opportunities (Nee, 1989, pp. 666-667). "It predicts that these processes will lead to (1) a decline of the advantage of redistributive power and other forms of political capital relative to nonstate economic actors who possess power; (2) higher returns to human capital than under a centrally planned economy; and (3) new opportunities centered on market

incentives, for example, entrepreneurship” (Cao & Nee, 2000, pp.1175-1176). Several studies prove these proposals. For instance, after testing three causal mechanisms related to human capital, Nee and Cao (2005) advocates that returns for human capital and private-sector entrepreneurship have been increased. China’s market liberalization has improved firm performance based on the decentralization of political control (Park, Li & Tse, 2006).

Despite Nee’s explanation for the change of mechanisms of social stratification in transition countries such as China, based on some contradictory empirical findings, many scholars have stressed the specific characteristics and inertial effects of existing institutions on social stratification relative to market transition theory’s emphasis on the influences of market economy (Raymo & Xie, 2000). Due to different social backgrounds, research strategies and survey datasets, these studies formed three expressions that emphasize the persistence of political power, power conversion and the co-evolution of politics and markets (Wu, 2006, p.391). The main argument of this perspective is that people with political power still have advantageous positions in the transition period from planned economy to market one (Raymo & Xie, 2000). For instance, Bian and Logan (1996) found that in the reforming era, strategic positions with redistributive power still continued to be important for yielding an economic advantage. In the less marketized region where property rights remained in the state sector, the local government actively engaged in supervising market-oriented economic growth and excluded private firms from competing with enterprises under public ownership (Nee & Cao, 1999). After using a

panel data, Zhou (2000) found increasing returns to education emerged in firms in the market sector as well as persistence in returns to party membership or cadre position in the organizational ladder. In a study about the income of the urban elderly in post-reform China, Raymon and Xie (2000) found that retirees with cadre status before retirement appeared to be more rewarded with wages and nonwage incomes than regular retirees. In a study about international migration from China to the United States, based on an ethnosurvey approach, Liang, Miao, Zhuang and Ye (2008) found that individuals with relatives who were village cadres were more able to undertake international migration and pay lower fees compared to their counterparts without cadre relatives since village cadres could access valuable information about migration opportunities and provide other resources that smugglers and trip carriers might need. After comparing Central and Eastern Europe (CEE) and China, researchers conclude that political capital still keeps its influential role during economic transition in urban China (Verhoeve, Jansen & Dessens, 2005). In a comparative study between China and Vietnam, it is shown that income of people with political power was still advantaged with the development of private economy in China, while it had declined in Vietnam (Walder & Nguyen, 2008). In addition to income rewards, some other researchers found that cadres with political power still have advantages in housing ownership (Li & Zheng, 2007).

According to some studies of Eastern European countries, some scholars found that former communist party members and cadres kept and even strengthened their advantageous positions because they were able to convert past political power to

economic benefits so as to preserve their social status (Hankiss, 1990; Staniszkis, 1991; Rona-Tas, 1994, 2001; Stark, 1996; Gerber, 1998, 2000, 2002).

The mechanisms resulting in social inequality in the market transition debate are also discussed. However, agreement about the effects of human capital and political capital was scarce since most empirical evidence in past studies was ambiguous. Some studies demonstrate growing returns to education (Walder, 1990; Bian & Logan, 1996), particularly for young personnel (Parish & Tang, 1997), and in the state sector (Bian & Logan, 1996; Nee & Cao, 1999; Parish & Tang, 1997) while some scholars present a negative association between economic development and returns to education and work experience (Xie & Hannum, 1996). Undoubtedly, these studies agree that the returns for human capital in transition China are extremely low compared to international standards (Raymo & Xie, 2000). When it comes to the returns for political capital, the results are also inconsistent. For example, Walder reports that the returns for political capital were falling while Bian and Logan (1996) Xie and Hannum (1996) found party membership was not a significant factor to make contributions on economic reforms.

As far as the studies about occupation from the perspective of market transition are concerned, there is some research that focuses on occupational mobility, occupational promotion and occupational shift patterns (Walder, 1995; Zhou et al., 1997; Walder, Li & Treiman, 2000; Bian et al., 2001; Cao, 2001; Zang, 2001; Zhao & Zhou, 2004). These studies were regarding the effects of human capital (e.g. education) and political capital (e.g. communist party membership) on

occupational and career mobility. Based on a dual-path model of selective political screening and incorporation and Tianjin survey data in 1986, Walder (1995) found two paths to become an elite. Individuals with both educational and political credentials were inclined to obtain administrative status while the educational capital alone let individuals attain professional positions with high occupational prestige (Walder, 1995). It shows that party membership has never been helpful to achievement of professional occupations (Walder et al, 2000). Individuals who became the party member while young were more likely to be recommended for further education and promoted to leadership positions (Li & Walder, 2001). Via a dataset of Chinese officials, Zang (2001, 2006) found that college education was important for attainment of status in both party and governmental organizations, whereas those with CCP seniority were more likely to be selected into the party ladder. Bian et al. (2001) propose that education emerged as a key aspect for being a communist party member and party membership was positively related to promotion to administrative occupations in reform-era China. Some other scholars developed a model that focused on job shifts from 1949 to 1994 and found that the growing opportunities in workplaces in the private sector just propelled minimum mobility outside of the state sector, especially for those with high human capital since job-shift patterns in transition economy continued to be influenced by state policies and by administrative institution (Zhou et al., 1997). Zhao and Zhou (2004) found that mobility from professional to administrative positions was rare while movement from administrative to professional positions was considerably more common and

occupational mobility and promotion in the administrative category was more responsive to political dynamics than in the professional category.

Concerning the beneficiaries in the reform era of China, both perspectives of market transition theory debate observe the relative importance of mechanisms of social stratification from individualistic dimensions, such as human capital and political capital, in generating social inequality. From the viewpoint of market transition theory, individuals with more human capital would be rewarded more, while following the power persistence or power conversion thesis, people with political capital would be in the leading position to catch opportunities for obtaining economic benefits.

3.4.2 Selective Mobility and Social Inequality in Market Transition

Though market transition theory has created a paradigm to interpret the social inequality from an institutionalism perspective, overly simplistic inference regarding to the change of mechanisms of stratification based on social inequality is problematic. “The intellectual leap from the observed pattern of inequality to the underlying causal mechanism, however, has to rely on many overly simplistic and untested assumptions” (Wu, 2006, p.391). We should explore the social inequality in the detailed processes of institutional changes (Zhou, 2000). The theoretical debate and explanations of the market transition would be more meaningful once the concrete processes of individuals’ social mobility among different groups have been distinguished and understood (Wu, 2006).

In order to overcome the simple causal inference from the observed economic inequality, some studies have concentrated on specifically institutional contexts or intermediate processes where socioeconomic inequality is created (Gerber, 2002; Walder, 2002, 2003; Wu & Xie, 2003; Zhou, 2000). Following this perspective, the structural changes and individual mobility have been given much more attention in the process of formation of inequalities. For example, in Russia, the structural changes in market transition played a key role in generating opportunities in labour market and propelled individuals' labour market transitions (Gerber, 2002) and created inequalities in many facets that contradicted the predictions of market transition (Gerber & Hout, 1998). Besides the influences of structural changes on social inequalities in labour market, some studies have focused much more on understanding the processes of generation of social stratification that were derived from the macro-level structural changes in transition economies (Wu, 2010). The studies on social stratification in post-socialist countries and the labour market in developed countries were tied together by this analytical approach (DiPrete, 1993; DiPrete & Nonnemaker, 1997). However, it is unilateral to focus on the analysis of macro-level structural changes since we cannot presume that the individuals' behaviours were completely affected by the impact of structural factors (Wu, 2010). Thus, it is difficult to conclude that individuals' activities are only determined by structural changes without accounting for the individual-level process (Blalock, 1991; Blau, 1977; Hannan, 1991). As Blau (1977, p.5) argues, "Processes of social mobility are an essential element in most forms of structural change".

Along with this research approach, Wu and Xie (2003) offer a micro-level perspective on the link between macro-level socioeconomic transitions and individual economic outcomes by introducing individuals' labour market histories as an intermediate process. They argue that workers were active social actors instead of being passively influenced by the market and "respond to it by actively situating themselves in the labour markets" (Wu, 2010, p. 383). With a typology of workers based on their work histories, four types of workers were categorized: (1) employees who were in the state sector at first and continued to stay there (stayers); (2) employees who worked initially in the state sector but mobilized to the market sector later (later entrants); (3) employees who began in the market sector but changed to the state sector (market losers); (4) employees who were in the market sector and have stayed there (early birds) (Wu, 2003, 2006, 2010). They tested earnings returns to education for early birds and later entrants in the market sector compared to the stayers in the state sector. The breakthrough of their study relies on a primitive exploration of the heterogeneity between the subgroups within the market sector (Wu, 2010). They found that people who entered the private sector late obtained better earnings returns to education, whereas early private participants had earnings and returns for education similar to employees who stayed in the state sector (Wu & Xie, 2003). They interpreted these sectoral differentials based on the selective mechanisms resulting from the sorting process of workers in labour markets. These findings were still in the realm of the market transition debate but deepened the understanding of the concrete mechanisms and conditions of social stratification and

social inequality caused by the market economy. As Walder (1996, pp.1060-1061) puts it, "Market per se are not the issue. What matters are the variable institutions and conditions that define markets, and our theory and research must put them at center stage". Though Wu and Xie (2003) propose that there were two institutional processes (*xia hai*, *xiag gang*) that generated the diverse assortment mechanisms causing the later entrants to experience a different income benefit, they could not prove it. Directly measured empirical evidence of respondents' motivations for mobilizing from the state sector to the private sector was not available to support their speculation about whether or not selection processes based on individuals' motivations would yield different economic inequalities within the private sector.

Following this logic, in a study of the self-employment of political officials in urban and rural China, Wu (2006) found that urban political officials were more inclined to be self-employment and they could earn higher incomes if they became self-employed at a later stage in the reform era. The study concludes that individuals' labour mobility history should be considered as an important intermediate process when investigating the economic benefits among different social groups in transition economies (Wu, 2006).

In order to solve the problem of sorting process based on the individuals' motivations, by using a variable which represents voluntary and involuntary transitions, Wu (2010) selected a heterogeneous body of workers in the market sector and tested the relation between their mobility process and subsequent consequences and found that higher income were belonged to the subgroup who voluntarily moved

from the state sector to the private sector (later entrants). And it was also shown that the influences of a late entry into the private sector is negatively related with the tendency to make this change, which means for the workers who did good performance in the state sector, they were less likely to move into the private sector (Wu, 2010).

Based on the studies above, we can see that the introduction of the labour mobility process from an individual's perspective, measured based on a sorting process is important for the study of social stratification and social inequality, especially in comparisons among different groups. In addition to structural changes, individuals' selective mobility should be taken into account as an intermediate process between the institutional conditions on macro-level and socioeconomic outcomes on micro-level (Wu, 2006). In this sense, with the consideration of how individuals are sorted into a group, scholars can make detailed and careful comparisons and better cope with the problem of heterogeneity among subgroups so as to precisely explain social stratification and social inequality in transition economies.

3.5 Limitations of Previous Research

Despite the academic and theoretical conclusions by these studies on the issue of occupational mobility in the transitional economies of China, two limitations can be summarized based on the assessments of theoretical and methodological dimensions.

3.5.1 Theoretical Limitations

The first theoretical limitation of the existing literature on occupational attainment and mobility is that these studies have mainly focused on the structural effects of the emergence of a market economy from the institutionalism perspective without paying close attention to the dynamic process of micro-level analysis.

Secondly, with few exceptions (Wu & Xie, 2003; Wu, 2006, 2010), little attention has been focused on the existence of heterogeneity among the subgroups concerning the effects of selected variables on occupational mobility. Indeed, some main findings may be concluded via statistical modeling in using a total sample. However, in different social contexts or groups, the selected factors may exert different influences on respective samples. The distinctive analytical results must not only be meaningful on the statistical level, but also reflect the variety of specific characteristics in diverse groups. This is in line with the basic principles of social grouping in social research.

3.5.2 Methodological Limitations

Apart from the theoretical defects of the previous literature, two major methodological shortcomings can be summarized. For one thing, based on consideration of the heterogeneity of the whole population, the measurements of occupational mobility in the total samples is too simple to present the real situation of different groups with similar characteristics. For instance, after dividing whole populations into several classifications based on the way their mobility occurred,

some people reflect that their human capital was more influential for their occupational mobility while others hold the opinion that family background or social network was more important in their careers. Therefore, much of the conclusion and inference has to do with the simple operation of target samples without paying attention to the potential properties of different sub-groups.

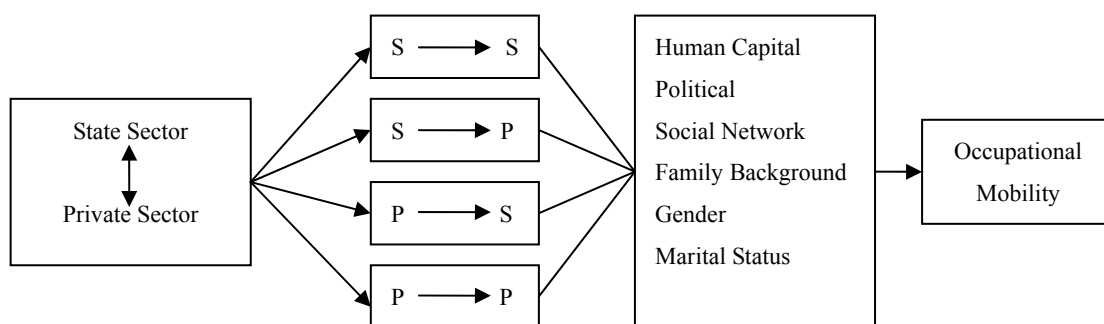
For another, in most previous research, sometimes several hundreds of occupations would be sorted into just 4 or 5 categories in order facilitate convenient operation of the dataset. However, much of the information in the dataset would be missed because of this classification. Rough categorization of occupations is not precise enough to estimate the occupational mobility in urban China. People are assorted into different occupational groups when they are asked to evaluate their occupational attainment. Taking professionals as one example, doctors, teachers and lawyers are all professionals. However, each of these three occupations has different scores based on socioeconomic status. Furthermore, as the nominal level of measurement, rough categorization of occupations cannot display the dynamic process of an individual's occupational mobility, namely, from the first occupation to the current one. Therefore, much of the controversial result has to do with the overly simple categorization of occupations.

3.6 Theoretical Framework

As discussed in chapter one, this study aims to provide a diverse and detailed understanding of the effects of selected variables on people's occupational mobility

in contemporary urban China. This insight will be based on an analytical examination of work sector change in order to observe whether the effects of those variables are different, and to explore respective characteristics of each subgroup so as to distinguish and summarize those groups in terms of their heterogeneity.

Figure 3.1 Theoretical Framework



In formulating a theoretical perspective for exploring occupational mobility in contemporary urban China, previous theoretical proposals have offered useful viewpoints and prototype.

Figure 3.1 presents the theoretical framework for this research. One of the most obvious features in China's reform and opening up is the introduction of a market economy. The emergence of the market served not only to break the domination of state-owned enterprises and thus to ensure the diversity of the national economy, but also made it possible for individuals to get the opportunity to change their social status in the process of occupational mobility. The private sector and the state sector offer diverse spaces for individuals to seek their occupational status. Meanwhile, it is more meaningful that occupational change and mobility can be studied in the middle-level view, which better reflects the change of the country's

social structure. As shown in Figure 3.1, the transference between the work sectors of the first occupations and the work sectors of the current occupations falls into four categories. Here, besides exploring the effects of selected independent variables on all cases, we will test the different influences of independent variables on the occupational mobility of four subgroups that are classified in terms of work sector change. The classification measurement not only aims to attain more detailed statistical analysis, but more importantly to figure out the heterogeneous properties of subgroups in order to understand the inherent characteristics in those groups. As one of the basic principles of social research, the concept of social grouping is critical to grasp the nature of a social phenomenon (Xie, 2006). I therefore carefully employ it to investigate some features of the labour market in contemporary urban China from the perspective of occupational mobility.

3.7 Summary

In this chapter, I firstly review the three perspectives with respect to occupational mobility, including family background, human capital and social network. And then, I review the studies concerning the issues of social inequality and occupational mobility in the view of market transition theory. Two main limitations are summarized from the literature: For one thing, theoretically, previous studies mainly focus on the influences of institutional effects at a macro level, and for another, on different sub-groups. In order to solve these limitations, by using Wu and Xie's (2003) typology of workers, all cases could be categorized into four

sub-groups based on the perspective of individual labour market history. This strategy is useful to compare the different effects of selected variables on occupational mobility of those sub-groups. The theoretical framework is developed based on these literature approaches and my focus.

The next chapter will present the methodology that will be applied in this study.

4. METHODOLOGY

The mixed analysis, including quantitative and qualitative components has been applied. The quantitative study presents statistical results that can be used to infer the parameter values while the qualitative examination can provide more details and deeper information as a supplement to the quantitative analysis.

4.1 Quantitative Analysis

4.1.1 Research Strategy

As discussed in former chapters, the main focus of this study is to concentrate on the diverse effects of selected variables on occupational mobility in different subgroups. Therefore, the classification method is presented below.

Previous discussion in the literature and background indicates the need for a better understanding of social actors with different experiences in the labour markets in transition China. In order to attain this goal, I followed a model developed by Wu and Xie (2003) for categorizing the typology of workers based on their work histories. First, I divided all workers with current occupations in urban labour markets into two groups, those in the state sector and those in the private sector. Then, I applied the same method to dichotomize all workers with first occupations into two groups in terms of sector location. Combining information pertaining to a worker's sector status at two stages of his or her work history, I produced a two-by-two table that cross-classifies four types of workers, as shown in Table 4.1.

Table 4.1 Typology of Workers in Labour Market in Economic Transition

First Occupation Sector	Current Occupation Sector	
	State Sector	Private sector
State Sector	Type 1 (Stayers)	Type 2 (Later entrants)
Private sector	Type 3 (Reverse entrants)	Type 4 (Early birds)

In Wu and Xie's (2003) study, their empirical analyses were based on the 1996 survey of "Life Histories and Social Change in Contemporary China." Within this dataset, 1987 was selected as the benchmark year since the market reform had not expanded in urban China until after 1986. Consequently, they used 1987 as the year of a respondent's initial work sector and 1996 as the year of the respondent's current work sector. Therefore, four types of workers were created based on this typology design. First, workers who were in the state market initially and stayed in the same sector are called "stayers". Second, those who worked in the state sector at first but later transferred to the private sector are named as "later entrants". Third, workers who were in the private sector initially but moved to the state sector then are called "market losers". The last type described those who began in the private sector and stayed there and they are named as "early birds". Although a standard beginning time of entering the labour market is absent in 2003 China General Social Survey, considering workers' individual labour market histories based on their occupational careers, in this paper, we apply this typology and names of three of these four categories of workers. Thus, stayers represent workers who attained the first and current occupations in the state sector. Later entrants include those who got the first occupations in the state sector but obtained their current occupations in the private

sector. Early birds consist of those whose first and current occupations were in the private sector. However, those who got their first occupations in the private sector and obtained their current occupations in the state sector in this study are named as “reverse entrants” instead of “market losers”. In the early stage of economic transition in China, due to the lack of competitiveness in the market economy, some workers expected to retreat to the state sector in order to be sheltered by the state economy. In contemporary China, with the deeper development of the market economy, those who want to move from the private sector to the state sector often aim at expanding economic benefits or obtaining social prestige and superior identity based on breaking through the structural barriers generated by socialist institutions. Therefore, it is not appropriate to name them as “market losers” and omit them as Wu and Xie (2003) did in their study.

4.1.2 Dataset

This analysis is based on a dataset from the 2003 Chinese General Social Survey (CGSS) conducted by researchers from China Renming University and Hong Kong University of Science & Technology in 2003. I choose this dataset for two reasons. For one thing, it is very difficult to obtain a general social survey dataset in China, even in present days. Up to now, this is the only one general social survey dataset open to public for academic research. For another, variables presenting work sector change and occupational mobility are included, such as the work sectors and specific names of first and current occupations. “The Chinese Social Survey is an

annual survey of a nationally representative sample of the adult population aged 18 or above in both urban and rural China (except for Tibet)” (Wu, 2009, p.1039). The 2003 survey is the first stage of the whole CGSS project which is only about urban area. 559 county or county-level districts are selected from 125 principal sampling units and 5895 completed interviews aged 18 or above are included in the sample (NSRCRUC, 2007).

Since this research examines the respondents who were registered as urban citizens during the survey period, and I restrict the sample to the respondents who experience the occupational change in their careers. As a result of this selection, the working sample was reduced to 2127 cases.

4.1.3 Dependent Variables

Three dependent variables are included in the study: work sector change, occupational mobility direction and income.

4.1.3.1 Work Sector Change

Before the analyses of occupational mobility, we provide two models for transference of work sector change. The first one is about the probability for a state sector employee to stay versus join the private sector. The second one is about the probability for a market employee to stay versus join the state sector. These two variables are all binary indicators.

4.1.3.2 Occupational Mobility Direction

Regardless the path by which employees completed work sector change, individuals also experienced occupational change from the old one to the current one. Since this paper focuses on occupational mobility in the Chinese transitional economy, therefore a variable that can reflect the direction of occupational mobility should be created. Thus variables containing information about the first and current occupations are needed. In the 2003 CGSS, there was a question of “Please list all your occupations based on the beginning and ending time” as shown in table 4.2.

Table 4.2 Name of First Occupations and Current Occupations

Questionnaire Item	What was your first occupation? (Write the specific name of the occupation)	What is your current occupation or the last occupation before retirement? (Write the specific name of the occupation)
The specific name of the occupation	_____	_____

There were more than three hundreds occupations. Instead of dividing them into a categorical variable with several groups, this research, based on the “international socioeconomic index (ISEI)” (Ganzeboom, Graff & Treiman, 1992) gave each occupation a score and this resulted in the scores of occupations ranging from 20 to 90. Due to the particular political and economic institutions of China, this measurement of occupational scores may be questioned. However, based on analyses of 85 prestige studies from 60 countries, Treiman proposes that “the correlation between the scores obtained in each study with the standard scale constructed from

them ranged from .68 to .97; the average correlation was .91” (Hout & Diprete, 2006, p.2). Thus, even with consideration of different social contexts and occupational classifications, the “international socioeconomic index” which was developed based on Treiman’s study, can be taken as useful shorthand for an occupational study in modern China.

After evaluating all occupations in the dataset, an occupational mobility score was calculated as a function of the first and current occupations (or last occupation before retirement) of respondents.

The occupational mobility score is defined as score of current occupation (or last occupation before retirement) minus the score of first occupation).

After occupational mobility score was determined, the result could be categorized into one of three groups: negative, zero and positive. The negative and zero were coded with 0, which means that the occupation did not experience upward mobility. The positive values were coded with 1, which means that the occupational mobility was upward.

4.1.3.3 Income

Income, as one major economic result of occupational mobility, has also been studied in the form of total income in 2002 applying to the entire sample as a group and four subgroups of workers.

4.1.4 Independent Variables

From previous literature, the controversy about the underlying causes of social inequality in the labour market has basically centred on two dimensions: human capital, including education and work experience, and political capital, which is reflected by communist party membership. Furthermore, social network and family background are introduced in this study.

4.1.4.1 Human Capital

In terms of common understanding and operation, human capital has been measured by two indicators: educational attainment and work experience. In the dataset of the 2003 CGSS, the measurement of educational attainment provides a category apart from simply the years of schooling for those who accelerated or failed a grade. For purposes of classification and in order to fit the statistical model to independent variables, educational level was measured by the actual years of schooling accomplished by 2003. Specifically, illiteracy or self-training was recoded as 0 years of education; those who have completed primary education were viewed as having 6 years of schooling and have been recoded as 6; accordingly, those who reported finishing junior high school were recoded as 9; those with senior high school were recoded as 12; those who finished college education were recoded as 15; bachelor degree holders were recoded as 16, and those with a masters degree or above were recoded as 19. Work experience is a variable using actual years of work, were computed by subtracting the year of starting work from 2003. Because many

studies have shown that the relationship between work experience and income is curvilinear, I also include a square form of work experience.

4.1.4.2 Political Capital

When it comes to the political identity in China, a person can be a member of the China Communist Party, the Communist Youth League or one of the nine democratic parties (Bian, 1996). Even though people have various choices to be a member in a certain political party or organization at their political beliefs, the membership of CCP means the recognition of political loyalty to the CCP. Therefore, individuals should be accepted as the members of CCP if they want to pursue higher status in the governmental or party ladders in their careers. Thus, political capital is interpreted by the dichotomous variable of whether or not an individual is a member of the CCP (yes=1, no=0).

4.1.4.3 Social Network

There is a categorical variable indicating two ways of getting current occupations. Those who got the job based on their own ability were recoded as social network non-users (no=0). Those who attained the job based on others' help were recoded as social network users (yes=1).

4.1.4.4 Family Background

Family background was measured by fathers' occupational scores based on

the ISEI scale.

4.1.4.5 Control Variables

Gender and marital status, as two dichotomous variables (Male=1, Female=0; Married=1, Unmarried=0), have been selected as two control variables in this study.

4.1.5 Models

The quantitative analysis, based on the research strategy and these three models, has been divided into five parts. The first, based on the logistic regression predicting odds of being later entrants or reverse entrants compared to their respective reference group, focuses on the mobility of workers among four types of work sectors. The second part attempts to explore the effects of independent variables on the outcome of occupational mobility of all cases. In the third part, the paths of work sector change were taken into account by dividing all cases into four parts. The last two parts concentrate on the income since it is a material outcome of occupational mobility. Specifically, as the analysis in the second part, the forth part attempts to explore the effects of independent variables on income of all cases. In the final section, income is studied in each of four worker types respectively.

4.1.5.1 Binary Logistic Regression

This paper uses binary logistic regression, since the first two dependent variables (paths of work sector change and occupational mobility direction) in the

two models are dichotomous with two outcome values, namely 0 or 1.

$$\begin{aligned} \text{Logit}(Y) = \text{Ln}\left(\frac{P_i}{1-P_i}\right) = \alpha_1 + \sum_{k=1}^n \beta_{1k} \text{Education} + \beta_{12} \text{WorkExperience} + \beta_{13} \text{Party} \\ + \beta_{14} \text{FamilyBackground} + \beta_{15} \text{SocialNetwork} + \beta_{16} \text{Gender} + \beta_{17} \text{Merital} + \mu \quad (0 < P_i < 1) \end{aligned}$$

..... (Formula 4.1)

In formula 4.1, for the paths of work sector change, whereas P_i is the odds ratio of a certain path of work sector change relative to its reference group. Specifically, there are two comparisons. In the first one, P_i is the probability for an employee to stay in the state sector and $1-P_i$ is the probability for an employee of being later entrants. In the second comparison, P_i is the probability for an employee to enter the state sector and $1-P_i$ is the probability for an employee to stay in the market. α_i means the constant value and β_{ik} represents the coefficients for indicators of independent variables and control variables.

$$\begin{aligned} \text{Logit}(Y) = \text{Ln}\left(\frac{P_i}{1-P_i}\right) = \alpha_1 + \sum_{k=1}^n \beta_{1k} \text{Education} + \beta_{12} \text{WorkExperience} + \beta_{13} \text{Party} \\ + \beta_{14} \text{FamilyBackground} + \beta_{15} \text{SocialNetwork} + \beta_{16} \text{Gender} + \beta_{17} \text{Merital} + \mu \quad (0 < P_i < 1) \end{aligned}$$

.....(Formula 4.2)

In formula 4.2, for the occupational mobility direction, where P_i is the probability of upward occupational mobility (Mobility score > 0) and $1-P_i$ is the probability of downward mobility or remaining the same. α_i means the constant value and β_{ik} represents the coefficients for indicators of independent variables and control variables.

4.1.5.2 Ordinary Least Square Regression

When it comes to the analysis of respondents' income, the generalized form of OLS model is used. I implemented a modified human capital model based on Mincer's (1974) classic human capital model, with the addition of gender and an indicator of political capital measured by CCP membership (Walder, 1990; Xie & Hannum, 1996).

In formula 4.3, Y stands for the income change between the first occupation and the current occupation. Logarithmic form of income is applied in order to explore the linear relationship between independent variables and dependent variable and therefore, explain effects of a one-unit change of independent variables on percentage change of income. Where ε denotes the residual unexplained by baseline model, and the β parameters are regression coefficients measuring returns to respective independent variables. Thus, the third equation can be shown as follows:

$$\log(Y) = \beta_0 + \beta_1 Education + \beta_2 WorkExperience + \beta_3 WorkExperience^2 + \beta_4 Party + \beta_5 FamilyBackground + \beta_6 SocialNetwork + \beta_7 Gender + \beta_8 Marital + \varepsilon$$

.....(Formula 4.3)

4.2 Qualitative Analysis

Apart from quantitative analysis in using several statistical models, qualitative method, or specifically, interview has been applied.

Scholars in Chinese universities and institutions collected the dataset used in the statistical study. As an inherent flaw of a second-hand material, it can't totally

match what I needed for this study. Therefore, I applied interviews as a complementary way to augment the research materials.

The purpose of the interviews is to complement the CGSS dataset, which cannot present the potential incentive of social benefit from an individual's life-experience. The interviews concentrated on individuals' norms, values and understanding of different occupations. Furthermore, though some answers to the questionnaire provided information about getting current occupations in seemingly reasonable ways, the real approaches deserve more and deeper exploration in a society affected by the latent rules and manipulated by complex social networks or family backgrounds. The questions focused on the respondents' processes of occupational mobility based on their life-experiences, human capital, family backgrounds and social networks and how the descriptions of occupational hierarchy and treatment in public media exerted influences on individuals' occupational mobility.

4.2.1 Sampling

Interviews were supposed to provide materials to support and augment quantitative analysis so as to allow deeper exploration and lead to some possible explanations concerning the research question. The selected interviewees had to suit the research desire. Therefore, interviewees were selected based on gender, age, education, occupation and work sector. In order to ensure that the information provided by respondents was authentic, I applied the snowball sampling method and

built a sample containing 14 cases using my personal relationships in Beijing and Lanzhou. The reasons I selected samples in these two cities mainly relied on the convenience of collecting materials and working within research funding limits.

The sample of the interviewees was balanced in gender. I divided the age into 4 categories, which can be used to represent the seniority and different labour histories: (1) 30 years old and below; (2) 31-40; (3) 41-50; (4) 51 and above. When it comes to the education of the respondents, three levels included secondary education, bachelor and masters degrees. Two occupational characteristics were considered. First, eight interviewees worked in the state sector and six worked in the private sector. Second, as an important index to select interviewees, occupations were classified into three groups: managerial, professional, and technicians. A description of characteristics of selected interview samples is shown in Table 4.3.

Table 4.3 Summary of Main Characteristics of Interview Samples

Sample Number	Gender	Age	Education	First Sector	Current Sector	Occupation
#1	Male	34	Bachelor	State Sector	State Sector	Managerial
#2	Male	40	Master	Private Sector	State Sector	Professional
#3	Male	35	Bachelor	State Sector	State Sector	Managerial
#4	Female	38	Bachelor	Private Sector	Private Sector	Professional
#5	Female	36	Bachelor	Private Sector	Private Sector	Professional
#6	Female	38	Bachelor	Private Sector	State Sector	Managerial
#7	Female	29	Master	State Sector	State Sector	Technician
#8	Female	27	Master	State Sector	State Sector	Professional
#9	Female	26	Bachelor	Private Sector	State Sector	Professional
#10	Male	29	Master	State Sector	Private Sector	Managerial
#11	Male	43	High School	Private Sector	Private Sector	Managerial
#12	Female	47	Master	Private Sector	State Sector	Technician
#13	Male	52	High School	State Sector	Private Sector	Managerial
#14	Male	36	Master	State Sector	Private Sector	Professional

After finishing the interview guide and selection of samples, the next step was to conduct the interviews. The interviews were operated face to face in private rooms arranged by myself after discussion with the interviewees. Each interviewee was informed about the aim and meaning of the research and promised their responses would be kept private. Therefore, I ensured that they could confidentially

provide as much as information about their occupational mobility process as possible.

4.2.2 Coding and Analysis Method

Fourteen electronic recordings were created. I transcribed all digitally recorded voice responses based on the research questions and focuses. In qualitative research, the method of data management is important for the reliability of the results. Huberman and Miles (1998) propose that variables and causal links between variables could be integrated into interview questions, which will contain the information the researchers need. Therefore, I developed a series of variables when I designed the interview guide. Coding is the linkage between the data and the idea that allows the analyst to think about the connections between them (Morse & Richards, 2002). The coding for this research was done with hand manipulation of the printed text. Following transcription, I set up several themes derived from the research questions, theories and key variables and marked all places where these information emerge and added them in the interview part. After selecting the materials I need, I choose narrative analysis as the analytical approach for qualitative data. Since narrative analysis focuses on the relationship and coherence of a series events of tellers' life, it is possible to construct the meaning and explore deeper reasons for the information given by stories teller (David & Sutton, 2004). As for this study, my focus is how selected variables affect occupational mobility in the process of work sector change instead of concentrating on the results. The relative

events related variables are important for extraction of information. Therefore, narrative analysis is applied.

4.3 Summary

This chapter is a description of the methodology of the research, including research strategy, research methods, variables and statistical models. Mixed methods were applied by the study. Quantitative analysis is based on the dataset of CGSS 2003, and variables and models were selected in combination with the research aim and theoretical framework. In the qualitative part, interviews were selected to collect information from interviewees in order to complement and further explain the statistical results. I completed the design of the interview guide, conducted the interviews and transcribed all voice data. Furthermore, the descriptions of interviewees' selection and demographic characteristics are also included.

In the next chapter, the statistical results will be presented.

5. STATISTICAL RESULTS

In this chapter, the statistical results are presented based on the three models after integrating the work sector change as an analytical path. Overall, the results contain three parts. The first part is able to predict the odds of being later entrants or reverse entrants compared to their respective reference group. The second part presents the results of selected independent variables on occupational mobility of all cases and four sup-groups. The third part is about the effects of independent variables on income of all cases and four sup-groups. From the second and the third parts, we can compare the different effects of independent variables on occupational mobility and income based on the view of work sector change.

5.1 Statistical Results

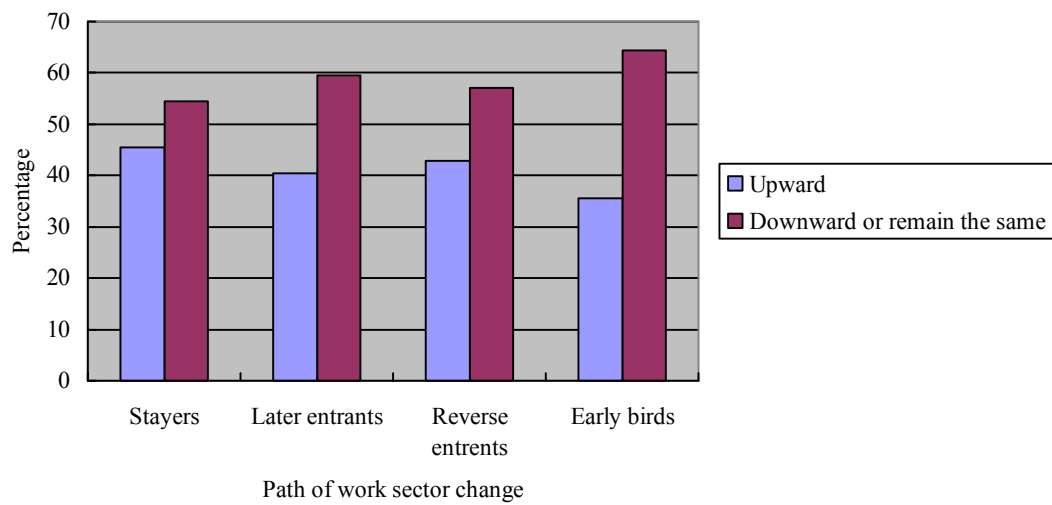
Table 5.1 Descriptive Statistics (Percentage, Means and Standard deviations) of Selected Variables in 2003 CGSS

	Overall	State-State	State-Private	Private-State	Private-Private
Variables	Percentage or Means (SD)	Percentage or Means (SD)	Percentage or Means (SD)	Percentage or Means (SD)	Percentage or Means (SD)
ISEI	48.9 (17.1)	51.39 (17.6)	41.5 (12.9)	41.1 (14.1)	40.9 (11.6)
Occupational mobility					
Upward	44.0	45.5	40.5	42.9	35.6
Downward or Remain	56.0	54.5	59.5	57.1	64.4
Yuan	10778.0 (14476.7)	10566.3 (10760.7)	12558.4 (24868.2)	8783.5 (7859.3)	10368.9 (23171.3)
Income					
Logged	9.073 (0.825)	9.082 (0.783)	9.035 (1.047)	8.992 (0.731)	9.082 (0.878)
Gender					
Male	53.1	52.9	58.7	49.3	54.8
Female	46.9	47.1	41.3	50.7	45.2
Marital status					
Married	94.4	97.4	91	71.8	79.7
Unmarried	5.6	2.6	9	28.2	20.3
Worker types (%)					
State-State (Stayers)	76.8	--	--	--	--
State-Private (Later entrants)	14.2	--	--	--	--
Private-State (Reverse entrants)	3.2	--	--	--	--
Private-Private (Early birds)	5.8	--	--	--	--
Education	11.2 (3.3)	11.3 (3.4)	11.0 (2.8)	10.8 (3.1)	10.7 (3.1)
Work experience	25.3 (12.3)	27.7 (11.6)	19.6 (9.7)	10.8 (3.1)	12.3 (1.1)
Party membership					
Yes	25.3	30.9	7.1	11.8	2.5
No	74.7	69.1	92.9	88.2	97.5
Father's ISEI	42.6 (1.9E1)	42.3 (19.0)	44.8 (19.2)	43.0 (21.5)	39.7 (17.5)
Social network use					
Yes	76.1	85.8	42.7	76.4	31.8
No	23.9	14.2	57.3	23.6	68.2
Number of cases	2127	1634	300	69	124

5.1.1 Descriptive Statistics

Table 5.1 presents the descriptive statistics for the variables used in this study, by current work sectors and paths of work sector change. Of the 2127 cases selected from the labour force, 1703 were in the state sector (1634+69) and 424 were in the private sector in 2003. 95.4 percent of workers in the state sector started their first occupations in the state sector and stayed there, while only 4.6 percent of them transferred from the private sector. Among those in the private sector, 29.2 percent of workers entered early and stayed, while 70.8 of them moved to the private sector from the state sector after their first occupations. Comparing fathers' ISEI scores, occupational mobility, income and education across the four types of workers, there are some interesting findings. For example, ISEI scores of stayers are the highest while ISEI scores of early birds are the lowest. As shown in Figure 5.1, when it comes to the proportion of upward occupational mobility among these four groups, we can see that 45.5% of stayers, 42.9% of reverse entrants, 40.5% of later entrants and 35.9% of early birds experienced upward mobility respectively. Except for stayers, the proportion of upward occupational mobility for the other three categories is lower than the mean value of all cases. In terms of income, later entrants were awarded the most while reverse entrants got the least. Stayers have the highest average educational attainment while early birds were educated the least.

Figure 5.1 Percentage of Occupational Mobility Direction



5.1.2 Regression Results of Work Sector Change

Table 5.2 Binary Logistic Coefficients Predicting Odds of Work Sector Change

Independent variables	Model 1		Model 2	
	$\frac{P_{s-s}}{P_{s-p}}$		$\frac{P_{p-s}}{P_{p-p}}$	
	B	Odds	B	Odds
Gender (Male=1)	0.580***	1.787	-0.083	0.921
Marital status (Married=1)	-0.115	0.891	-0.039	0.962
Education	-0.087***	0.917	0.107*	1.113
Party membership (Membership=1)	-1.457***	0.233	1.426**	4.162
Work experience	-0.074***	0.929	0.045**	1.046
Father's ISEI	0.009**	1.073	0.006	1.006
Social network (Use=1)	0.026**	1.027	0.218	1.243
Constant	1.020***	2.774	-2.423**	0.089
-2 Log likelihood	1416		225	
Df	8		8	
N	1934		193	

*p<0.10, **p<0.05, ***p<0.001

Table 5.2 presents the results about the odds ratio of being certain worker types in 2003. First, Model 1 shows the effects of human capital, family background and social network on the possibility of becoming stayers compared to later entrants for those who attained their current occupations in the state sector. Based on the results displayed in the table, we can see that the likelihood of males of being later entrants is more than one and a half times as likely as that of female workers (1.787/1). Then, education is found to be negatively associated with respondents' odds to be later entrants, which means that those with one more year of schooling had a 9.05% ($1/0.917-1$) greater probability to stay in the state sector compared with those with lower education, controlling for all other independent variables. Another indicator of human capital, namely, work experience, is also negatively related to the possibility of being later entrants. With one additional year of work experience, workers had a 7.64% ($1/0.929-1$) greater probability to stay in the state sector compared with employees with less work experiences. As for the political capital, holding a China Communist Party membership also negatively correlates with people's probability of transferring to the private sector from the state sector, and those with CCP membership were 4.29 times as likely to stay in the state sector as those without this political identity ($1/0.233$). When it comes to the effect of family background, namely, father's ISEI on respondents' ratio to be certain worker types relative to respective reference groups, we can see that the influence is positive, which means that those with one more unit of father's occupational score had a 7.30% ($1.073-1$) greater probability to stay in the state sector compared with those

whose fathers' occupational status were lower. Furthermore, social network is found to be positive associated with respondents' odds to be stayers, which means that the chances of workers' being stayers was more than 0.027 (1.027-1) times as likely for those who moved to the private sector. As another indicator of control variable, marital status is not significant in Model 1.

In model 2, the same variables are applied to estimate the probability of transfer to the state sector from the private sector, relative to those who stayed in the private sector. When it comes to the effects of control variables on dependent variable, we can see that both gender and marital status are not significant in the analysis. As far as the other five independent variables are concerned, three of them are significant indicators. First, education is positively associated with transferring to the state sector from the private sector, indicating that one more year of schooling increases the odds of being reverse entrants by 11.3%, controlling for other independent variables (1.113-1) relative to those who stayed in the private sector. Then, as far as political capital is concerned, it shows that those with CCP membership were 4.162 times more likely to retreat to the state sector compared to early birds in the private sector. Furthermore, work experience is positively related to the possibility to be reverse entrants. As each year of work experience accumulated, workers had a 4.6% (1.046-1) greater probability to transfer from the private sector to the state sector relative to their early bird counterparts in the private sector.

5.1.3 Regression Results on Occupational Mobility

Table 5.3 presents the results from the binary logistic regression analysis on occupational mobility direction. In the overall model, the independent variables are: gender, marital status, education, party membership, work experience, father's ISEI and social network. From this model, we can see that gender positively correlates to occupational mobility, which means that men enjoyed significantly greater upward occupational mobility (1.239/1) than women did. Education exerts positive effects on occupational mobility, where each year of schooling increased the possibility of upward mobility by 0.006 times relative to those with less education. Work experience, as the other indicator of human capital in this study, is found to be positively related to occupational mobility, which means that those with each additional year of work experience had 1.00% (1.010-1) greater probability of upward occupational mobility relative to those with less work experience. As for political capital, where to hold a China Communist Party membership is also positively associated with respondents' occupational mobility, those with party membership enjoyed as much as 1.498 (1.498/1) times upward occupational mobility than those who were not members of the CCP. In terms of influence of father's ISEI, I find that it is positively correlated to occupational mobility, indicating that each increase in the score of father's occupational status, meant the probability of experiencing upward occupational mobility increased 0.6% (1.006-1) relative to those whose fathers' had lower occupational status. As far as the social network is concerned, it shows that those that used a social network were 1.018

(1.018/1) times more likely to be upwardly mobile when compared to those who did not apply a social network in the process of attaining their current occupations.

Apart from the overall model, after taking into account work sector change based on viewing individuals as dynamic actors, four models were created to account for factors relating to subgroups of worker types. Model 1 analyzes the effects of independent variables on occupational mobility of respondents who stayed in the state sector. First, when it comes to the effects of control variables on dependent variables, we can see that gender is positively related to the occupational mobility, indicating that men enjoyed significantly greater upward occupational mobility (1.300/1) than women. Education is positively related to the independent variable, showing that those with one more year of schooling had 8.40% (1.084-1) greater probability of upward mobility relative to those with lower education. As far as the political capital is concerned, it shows that those with CCP membership were 1.491 (1.491/1) times more likely to experience upward mobility compared with who did not have this identity. Work experience is also positive and significant, as for each additional year of experience workers had 0.5% (1.005-1) greater possibility for upward mobility relative to workers with less experience. As for the family background, we can see that father's ISEI is positively related to respondents' occupational mobility, which means that with each extra unit of father's occupational score, the probability of upward occupational mobility would increase by 0.006 (1.006-1) times. And last, we can see that the likelihood of upward mobility for those used a social network was more than 0.247 (1.247-1) times as

likely as that of those who did not use one.

Under the differing circumstances of the other three worker types, the effects of independent variables vary. As shown in Model 2, for later entrants, education positively associates with occupational attainment while other independent variables are not significant. Those with one more year of schooling had a 5.6% (1.056-1) greater possibility for upward occupational mobility relative to those with lower education. Model 3 presents that education is positively related to occupational mobility and one more year of schooling would yield an increased likelihood of 0.049 (1.049-1) times relative those less educated. Gender, as a control variable, is also significant, which means that the likelihood of males of being upwardly mobile is almost 4.5 (4.5/1) times that of female workers. As for the subgroup of early birds, Model 4 shows that education is positively associated with occupational mobility and one more year of schooling would increase the chance of upward mobility by 0.078 (1.078-1) times relative to workers less educated. Moreover, father's ISEI is positively related to the possibility of upward mobility. As father's occupational score increased by one unit, workers had 3.8% (1.038-1) greater probability to be upwardly mobile relative to those whose fathers had lower occupational status.

Table 5.3 Binary Logistic Coefficients Predicting Odds of Upward Occupational Mobility

	Overall Model		Model 1		Model 2		Model 3		Model 4	
	B	Odds	B	Odds	B	Odds	B	Odds	B	Odds
Gender (Male=1)	0.215**	1.239	0.262*	1.300	0.076	1.709	1.500*	4.482	0.429	1.535
Marital status (Married=1)	0.413	1.511	1.020**	2.772	0.259	1.295	-1.922	0.146	0.809	2.245
Education	0.062***	1.066	0.084*	1.087	0.054**	1.056	0.048**	1.049	0.075*	1.078
Party membership (Yes=1)	0.404***	1.498	0.400**	1.491	-1.044	0.352	1.792	5.999	1.825	3.010
Work experience	0.008*	1.010	0.005*	1.005	0.101	1.099	0.002	1.002	-0.015	0.985
Father's ISEI	0.006*	1.006	0.006*	1.006	0.012	1.012	-0.019	0.981	0.038*	1.038
Social network (use=1)	0.018*	1.018	0.221*	1.247	-0.045	0.956	-0.881	0.414	0.387	1.473
Constant	0.929**	2.532	1.127**	3.086	-1.552*	0.212	0.896*	2.450	2.041*	7.692
-2Log likelihood	1584.593		1188.926		233.030		41.354		92.081	
Df	7		7		7		7		7	
N	2127		1634		300		69		124	

*p<0.10, **p<0.05, ***p<0.001

5.1.4 Regression Analysis on Income

What we can see from Table 5.2 is that people with more human capital and party membership were more inclined to transfer to the state sector regardless of their initial work sector. Table 5.3 also shows that the returns of occupational mobility to human capital and political capital are higher for stayers and early birds than those of later entrants and reverse entrants. Having identified differences of selected independent variables in returns of occupational mobility among the four worker types, as the indicator and material outcome of occupational attainment, it is important to analyze the determinants of income inequality of all cases and these

four subgroups.

By using the formula (3), Table 5.4 reports the estimates of income of all cases and subgroup cases divided based on worker types. The overall model is further modified from Xie's (1996) modified model of human capital to suit the Chinese situation. As for the control variable, gender is positively significant (0.155) for respondents' income for all workers. As far as human capital is concerned, on the one hand, schooling is significantly associated with improved income for all cases, with each extra year of schooling increasing the average income of respondents by 10.0% ($e^{0.095}-1$) in the overall model. On the other hand, work experience had no effect on income. Party membership, as the indicator of political capital, is positively correlated with income. The coefficient of 0.204 indicates that people with party membership actually earn on average about 22.6% ($e^{0.204}-1$) more than those without this political identity. When it comes to the effects of family background and social network on the average income of respondents, neither is found to be significant.

In the rest of models from Model 1 to Model 4, corresponding coefficients are presented in terms of specific subgroups. Model 1 reports the coefficients of the determinants of income within the subgroup of stayers. First, gender is also positively associated with income. The estimate 0.119 means that men on average earn about 12.6% ($e^{0.119}-1$) more than women of equal education, work experience, and party status. As far as education is concerned, schooling, as an indicator of human capital, is significantly related to income and the rate of returns to education is about 10.2 percent ($e^{0.097}-1$) with each extra year of education. Party membership

is strongly related to income and party members enjoyed a 24.2 percent ($e^{0.211}-1$) advantage. The other three variables, work experience, father's ISEI and social network had no effect on the income of stayers.

Model 2 presents the coefficients of determinants of income in the subgroup of later entrants. Obviously, gender difference in income is estimated to be large, with men earning 60.6 percent ($e^{0.474}-1$) more than women, other things being equal. The effect of education on income is positive and the rate of returns to education is about 8.9% ($e^{0.085}-1$) with each additional year of schooling. The other four variables, including party status are not significant indicators in this analysis.

Model 3 presents the coefficients of determinants on the income of reverse entrants. As shown in model 3, what we can see is that all variables have no effects on income except for education. With one more year of schooling, income could increase by 9.3% ($e^{0.089}-1$).

Model 4 reports the estimates of income for early birds. Based on the displayed results, we can see that though seven determinants are used, only education is positively related to income. The rate of returns for education is about 8.8 % ($e^{0.0804}-1$) for one more year of schooling, after controlling other variables.

Table 5.4 OLS Coefficients of Logged Earnings on Selected Independent Variables in Different Models

	Overall	State-State	State-Private	Private-State	Private-Private
	Model	Model	Model	Model	Model
		1	2	3	4
Gender	0.155***	0.119***	0.474**	-0.130	0.132
(Male=1)	(0.036)	(0.037)	(0.136)	(0.191)	(0.187)
Education	0.095***	0.097***	0.085**	0.089*	0.084**
	(0.006)	(0.006)	(0.025)	(0.033)	(0.034)
CCP membership	0.204***	0.211***	0.199	-0.190	0.408
(Membership=1)	(0.043)	(0.042)	(0.243)	(0.281)	(0.638)
Work experience	-0.002	-0.006	-0.014	0.011	0.043
	(0.009)	(0.011)	(0.028)	(0.034)	(0.026)
Work experience²	0.000	0.000	0.000	0.000	-0.000
	(.000)	(0.000)	(0.001)	(0.001)	(0.001)
Father's ISEI	0.001	0.001	-6.117E-5	0.006	-0.004
	(0.001)	(0.001)	(0.004)	(0.007)	(0.005)
Social network	-0.016	-0.026	0.049	-0.062	0.073
(use=1)	(0.011)	(0.011)	(0.038)	(0.101)	(0.071)
Constant	7.765***	7.725***	8.091***	8.006***	8.007
	(0.174)	(0.193)	(0.585)	(0.661)	(0.481)
R2	0.159	0.211	0.053	0.097	0.097
N	2127	1634	300	69	124

*p<0.10, **p<0.05, ***p<0.001

5.2 Findings and Discussion

In general, when it comes to the mobility between work sectors, workers with political capital and more human capital were much more convergent in the state sector. Specifically, the higher the education and the more work experience the respondents had, the more probable they would be employees in the state sector; for the ones with party membership, the probability of being workers in the state sector was much higher than those in the private sector. As far as the effects of family background and social network are concerned, both of these two variables are only significant for the groups of later entrants and stayers. For those whose fathers had

higher occupational status and who used a social network to obtain the current occupation, they were much more likely to experience upward mobility.

The mobility between work sectors provides us with a detailed categorization of workers instead of viewing them only as a general group without difference. With the typology of workers included, it is possible to explore the heterogeneity of those workers in terms of socioeconomic inequality, or more precisely, occupational mobility and income. These are the central issues in the market transition debate regarding the phenomenon of inequality that has appeared in transitional economies in socialist and post-socialist countries.

As far as the occupational mobility calculated by ISEI scores is concerned, the analysis is divided into two stages. First, considering all workers in the overall model, we can see that human capital, social network and family background exert significantly positive effects on the outcome of upward occupational mobility. To some extent that result of the overall model does not indicate a clear standpoint for the market transition theory. Therefore, in order to see whether there is an explicit distinction of effects of the independent variables on respondents, the total samples were divided into four groups which stand for 4 types of workers. Based on the results in table 4, we can make a comparison of occupational mobility influenced by the same set of variables among four types of workers. Education, on the one hand, is significantly related to occupational mobility in these four groups, which means that in the process of economic transformation from central planned to market oriented economy, education has been taken as the most important variable for achievement of

social status. However, some discrepant findings are significant based on the comparison among the four groups. The most remarkable one is that the returns of higher occupational mobility for education for stayers are higher than those of the other three types of workers. Furthermore, as another form of human capital, work experience is only a significant indicator for stayers. As far as party membership is concerned, we can see that it has an effect only in the group of stayers. When it comes to the influence of family background on occupational mobility in these four groups, the results show that it is a significant variable in the groups of stayers and reverse entrants. In terms of the effect of a social network on occupational mobility, it only has a significant influence in the stayers group.

The findings concerning occupational mobility, on the one hand, do not support the market transition thesis since the returns for human capital were the highest for those who got both their first and current occupations in the state sector. On the other hand, they do support the power persistence thesis because the effect of political capital was still significant for stayers. What we get from the statistical results is contradictory to market transition theory. Moreover, when family background and social network are taken into account, these two variables were mainly significant for stayers. In order to get a clearer and more convincing conclusion, I further analyze the income as the result of occupational attainment.

As far as income is concerned, the analysis is also divided into two parts. First, with the inclusion of all workers in the overall model, we can see that education and political capital exert significantly positive effects on income. In the second stage, the

total samples are divided into four groups, which stand for 4 types of workers. Based on the results in table 5, two major findings can be made. For one thing, education is still associated with employees' economic benefits regardless of the path of work sector change, and the former's contribution to the latter has been steadily increasing in recent years. This tendency can be proved by several relevant studies. For instance, returns for education in 1988 were 3.1% in urban China (Xie & Hannum, 1996), increasing to 3.7% a few years later (Hauser & Xie, 2005), and continued to increase to a range between 4.4% and 5.2% in 1996 (Wu & Xie, 2003). To some extent, returns for education have been gradually increased with the development of market economy of China. However, after comparing the returns for education in the four groups of workers, some differences have become apparent. Employees in the state sector (stayers: 9.7%; reverse entrants: 8.9%) had higher returns for education when compared to those of workers in the private sector (later entrants: 8.5%; early birds: 8.4%), and the stayers had the highest returns for education in all four groups. These results contradict Nee's market transition thesis (1989, 1991) that in the private sector, the economic benefits are more dependent on market qualifications (e.g., education). Another significant point is that political capital is found to be valuable only in the subgroup of stayers. This point implicitly supports the power persistence thesis, which argues that the shift from planned to market economy has no intrinsic alternation for returns to political capital, and workers in the state sector still have economic advantages relative to their market counterparts (Xie & Wu, 2008). However, other variables, including family background and social network, do not exert significant

effects on income in all four subgroups.

Put simply, these findings are consistent with mobility patterns reported by most recent research on China, specifically, the increasing importance of education on recruiting for occupations in the reform period (Walder, 1995; Walder et al., 2000; Cao, 2001; Zhao & Zhou, 2004). In addition to educational credentials, political credentials are still crucial for obtaining occupations with real authority and privilege, which are exclusive to the state sector in China (Walder, 1995). Indeed, as a socialist country, party membership, as the basic standard for evaluating the political capital individuals hold, is always taken as a function to screen the qualified employees for the consolidation of the communist regime. Just as Cao (2001) proposes “To be sure, the Chinese communist party remains a powerful force in structuring mobility processes and political credential may continue to confer better career opportunities within governmental agencies and the nonprofit sector” (Cao, 2001, p. 703).

However, as market institutions develop and the economy becomes increasingly independent of state control, the political intervention, which dominated mobility processes in pre-reform China, seems on the way to lose the power to control the fate of individuals (Cao, 2001). Apart from the discussion of human capital on occupational mobility from the perspective of market transition, I also test the effects of family background and social network and find their influences are mainly significant for the stayers group.

To recapitulate, the results in this study are contradictory with the market transition argument: I did not find higher returns to education in the private sector and

diminishing effects of political capital in the state sector, especially for the individuals who found their first and current occupations in the state sector. Instead, for occupational mobility and total earnings, the returns for education are higher for the subgroup of stayers than those of the other three groups of workers, and the effects of party membership and work experience are significantly correlated with these two socioeconomic results for stayers. Why are the returns for human capital and political capital convergent in the subgroup of stayers? The new findings based on the CGSS 2003 dataset seem to present an empirical puzzle. Although the main objective of this paper aims at reporting empirical results based on a new dataset concerning the classic academic theory regarding social stratification and inequality in contemporary urban China, I also want to offer some interpretations in the following part.

One possible explanation for the contradictory findings is that Nee's theory may not be appropriate to urban China since the data was collected in rural areas. As Rona-Tas (1994, p. 44) proposes, "Nee's support for market transition theory has so far been restricted to data from rural China; Whether conclusions drawn from studies of rural workers can be generated to urban workers remains an open question". A majority of differences exist between the urban and rural areas since these two segments have been ruled by different administrative systems between them (Xie & Hannum, 1996).

Another plausible interpretation is the reforms in the state sector, especially the reforms of SOEs, have brought the importance of human capital back as an influence on economic outcomes of workers. Therefore, even in a mixed economy,

education has become increasingly associated with the attainment of socioeconomic status. After constructing the Modern Enterprise System in most SOEs since 1996, the effects of education have been tightly connected to the economic returns in the state sector. As far as work experience is concerned, the results show that it relates mainly to the occupational attainment for stayers. The possible reasons are that for one thing, seniority is influential in a labour system with bureaucratic rank as in China's state sector, and for another, the continuous effects of seniority can be better retained in the occupational process characterized by attaining both the first and current occupations in the state sector.

5.3 Summary

In this chapter, in using Wu and Xie's (2003) typology of workers based on their job histories, I have concentrated on the linkage between individuals' labour market histories and their labour market outcomes. The empirical results are attributable to the process of work sector change and the resulting heterogeneity over the selected independent variables on the outcome of occupational mobility. After categorizing the workers into four groups, I have shown that the rates of return for education for workers in the private sector are the highest, not as Nee's theory of market transition predicts. Instead, returns for education as well as work experience are higher in the subgroup where the first and current occupations were in the state sector rather than in the other three subgroups. Nee's assumption that the significance of positional advantage declines with the economic reforms is disproved as well since

we find the effect of party membership still exists, though only in the subgroup of stayers. Therefore, the power persistence thesis is supported by the results of this study.

In conclusion, I find that in terms of determination of occupational mobility and income inequality, reform-era urban China cannot simply be taken as a uniform body with uniform social mechanisms in producing social mobility and inequality. In fact, the heterogeneity and group difference should be taken into account to explore the mechanisms of producing social stratification. After all, since the market just offers an institutional context at a macro level where social phenomena exist, what we should concentrate on is the respective development logic that dominates the social phenomena in certain categories. As Wu and Xie (2003, p.440) propose, “Scholars studying inequality in socialist and post-socialist societies should examine concrete institutional parameters within the state sector or the private sector, rather than presuming the state/private sectoral dichotomy and attributing the sectoral differentials to abstract ‘market forces’.”

Even this study’s analysis has indicated some empirical contradictory results regarding market transition theory via the logic of typology based on introducing the selective process of individuals in the labour market, but the uneven distribution of samples may influence the accurate statistical inference and make comparison between subgroups less meaningful. Moreover, the statistical results do not show the detailed process how human capital, family background and social network affected occupational mobility. Therefore, in order to gain a better understanding about the

concrete mechanisms behind social phenomena in the process of economic reforms of China with drastic and tremendous transformation, more discussion will be presented in the following two qualitative chapters.

6. AFFECTING PROCESS OF HUMAN CAPITAL, FAMILY BACKGROUND AND SOCIAL NETWORK ON OCCUPATIONAL MOBILITY

In the fifth chapter, using statistical results, I have investigated the impacts of human capital, family background and social network on occupational mobility. The statistics show that the effects of selected variables on occupational mobility are different to those four sub-groups based on the transfers of work sectors. Although our study is statistically significant, objective figures do not reveal to us the reasons behind them. Therefore, this chapter will explore the detailed process of the influences of variables and the social connotations of objective results based on face-to-face interviews with respondents.

6.1 The Inclination of Work Sector Change

Prior to economic reform, the Chinese work unit system offered all social services and welfare from cradle to grave. After reform, the number of units and employees in the state sector dropped significantly. Conversely, the number of companies and workers in the private sector greatly increased. So, what do people think now about the meaning and differences between state sector and private sector? What is the preference of work sector change of people with different abilities, family background and social network? Two interviews give a brief description:

Interviewee #1 (Age 34, Male) is a staff member in the department of Equity Management Office (*gu quan guan li chu*) in the headquarters of a central governmental-owned enterprise. His original intention, and the process and result of

his choice to change work sector could reflect to some extent the effects of human capital, family background and social network.

I got a bachelor of engineering in computer science at the university and obtained a job in a thermal power plant which is owned by the local government in my province. I was responsible for the central management and control tasks. I kept searching for a better job opportunity; I wanted to change it due to the boring work, low occupational status and low income. In 2008, I got a chance for an interview in Beijing. This new position was not directly related with the production of electricity, but involved the day-to-day running of the equity management for the Board of Directors of the company. Honestly speaking, I was not qualified; I did not have the job requirements regarding the professional knowledge and expertise. But I was very eager to seize the opportunity. And my educational background, work experience, and political identity were in line with the recruitment requirements. I passed the written examination. I happened to know the supervisor in charge of the recruitment was very familiar with my father-in-law's leader. So my father told his leader about my situation and asked what I should prepare for my next step. The leader just replied that he would contact the recruitment supervisor to see whether he might help me get this job. Later, this supervisor was responsible for my interview. He inquired in detail about my education, work experience, and party membership and finally, I got the job and stayed in Beijing.

From the story by interviewee #1, we can see that his transfer from the first work sector to the current work sector was a result of a variety of effective factors.

Although the education level of the respondent met the recruitment requirements, it really only met the screening criteria. He realized he did not meet the requirements of the employer on the level of expertise because of his lack of related professional knowledge and abilities. Therefore, he took advantage of his family background and mediated social network of family background to attain the desired occupation.

The occupational mobility of interviewee #1 occurred within the state sector, while occupational mobility for interviewee #2 (Age 40, Male) was from the private sector to the state sector.

I worked for several years after graduating from the university, and then I was awarded an MBA degree in a school of business in the U.S. After that, I got a job on Wall Street and acted as a junior financial analyst in a world-renowned multinational financial group. After I had worked for 5 years in New York, China joined the WTO. As a Chinese, I was assigned to the China branch of my company in Beijing because of my inherent advantages in language and cultural practices. Although I was a middle-level manager in the company with a high salary, I was tired of the heavy workload and the strong pressure, as well as endless travel. Therefore, I wanted to exchange that job for a new one with easy work, stable income and benefits protection. I previously participated in a central enterprise's IPO (Initial Public Offer) project and made a road trip with a vice president of the company who was in charge of the project. He recognized my abilities and experiences and we built a good relationship between us. They wanted to set up an Investor Relations Department with a deputy director responsible for fundraising. I took part in the open recruitment and finally got this position. While

building a certain relationship with the enterprise in the process of cooperation, however, this work mainly relied on my education, work experience, and the ability to work. I am very satisfied with the current work situation.

Based on these two interviews, we can see that regardless of whether a person's first occupation was in the state sector or the private sector, it seems that workers with more human capital, better family background and a social network prefer to choose to work in the state sector. Occupational status, income, and job stability are all factors that a person considers in the process of occupational mobility. With 30 years of development in China, the economy and social undertakings have reached a high level of development. But at present, the Chinese people survive under high living pressures. High housing prices, high commodity prices, and scarce medical and educational resources have made it necessary for people to have a secure and stable income. Some state sector workers can make an end of the year bonus equivalent to 27 months' wages while the income of ordinary workers is always hovering in the range of three or four thousand Chinese Yuan. Civil servants and staff of the central enterprises still have the opportunity to enjoy state housing while people working in the private sector are excluded from receiving housing assistance. Facing the difficulties in obtaining social status and making livelihood in real life, many people have been forced to realize that the work sector choice is important when deciding to change occupation.

6.2 Effects and Differences of Human Capital on Occupational Mobility

6.2.1 Human Capital in the Labour Market

Economic and sociological theories have tested the importance and function of human capital in its effect upon occupational attainment and monetary rewards (Denison, 1962; Lucas, 1988; Romer, 1986; Schultz, 1961). Some empirical researchers have discovered a positive relationship between education and occupational status (Barro, 1991; Levine & Renelt, 1992), while other studies have found only a weak relationship between schooling and occupational attainment and income (Benhabib & Spiegel, 1994; Islam, 1995; Pritchett, 2001). Chi (2008) finds that tertiary education is more important than primary and secondary education for occupational mobility. Fleisher, Li and Zhao (2010) conclude that people with high school or university education would be rewarded more with occupational status and income than those with elementary or less education.

In the process of market transition in China, how does human capital influence occupational mobility after taking into account work sector change? Several stories will give a detailed description and illustration of this issue.

6.2.2 Different Rewards for Human Capital

Interviewee #3 (Age 35, Male) is a worker who got his first and current occupations in the state sector. His first occupation was as a college teacher in a remote county in a northwestern province. He was not satisfied with that job and decided to change to another one. His story tells us the effects of human capital on

his occupational mobility.

I was from a poor province and pursued my degree in Lanzhou. I got a bachelor of philosophy with four years of hard work. However, when I started to find a job in the labour market, I was really disappointed by the harsh reality of the difficulty of finding work. Through hard work and searching, I was given a teaching position in a college, located in a remote county in this province. That was only a temporary choice since I could not spend my whole life in that place. I decided to participate in the civil service exam. The government pays great attention to grass-roots work experience so I applied for a position in the education sector which requires that kind of experience. I got first place for the written test and interview and successfully got the position. I feel as if this job were made for me because I comply with all the requirements such as education, political identity, and work experience in addition to the examination. Compared with the first profession, the income, welfare and prestige of my current occupation are much better even though both positions fall within the category of central government officials. I do not have a prominent family background and strong social network; the way I got this job was mainly to rely on my work ability. Fortunately I was named as the deputy director of clerks when I went into this unit, which may also be because I had work experience in a related field. Furthermore, political screening did not hinder me for the job since I have been a member of the China Communist Party.

From interviewee #3's narrative, we can see that the reason he could get his current occupation was mostly based on his examination results and work ability

accumulated through his education and work experience. Firstly, he meets the basic screening standards for staff selection set by the employer. Secondly, after being recruited into the work unit, he was assigned to a managerial position instead of an ordinary worker level as others were. The possible reason is that his former work experience was identified as evidence he should be promoted. And furthermore, he was not hampered by his political identity, which is an indicator that tests loyalty to the China Communist Party. Interviewee #3's education, work experience and political identity ensure his success with upward occupational mobility.

Interviewee #13 (Age 52, Male) started his first occupation in the state sector and transferred to the private sector due to a lay off at the end of the 1990s. His story can provide information about the function of human capital on cross-sectoral occupational mobility.

I was a truck driver till I was more than 30 years old in an engineering company under the Railway Bureau of Lanzhou. When Premier Zhu Rongji came to power in 1998, the staff became the victims of the SOEs' reform across the whole country. I was laid off in 1999 and given a living allowance of 230 yuan a month. This is not nearly enough for a middle-aged man with a wife, children and parents to support. I had no other choice but to think of a way to find a job. I could not find a good job with just a high school diploma. I continued to be a truck driver in a sand mining factory. China's real estate industry gradually developed in the end of 1990s so I also caught up with this opportunity to change the rest of my life. I began to understand this industry and inquire about the new mining field.

When I had enough savings, I bought a mining batter and started my own business. Although I no longer had a working relationship with the former work unit, I still kept in touch and cooperated with them and sold my sand to them at a relatively low price. Finally, I built this company and became a boss with wealth and status. Honestly, the reasons for my achievement mostly rely on my previous work experience and my accumulated social contacts.

From this example, we can see that he was forced to pursue a new career because of a state lay off policy. Although he benefited from his former work experience, the modes of action were not the same with interview #3. He started his business as a trucker driver of a sand factory, so, what his human capital brought him was information, experience and understanding related to his work and industry.

Interviewee #6 (Age 38, Female) was in the private sector initially and transferred to the state sector. She also participated in the Nation Civil Service Exam and became a state officer like interviewee #3, but the effectiveness of her human capital was slightly different.

I previously worked in a foreign bank after I graduated from university and was responsible for fund sales as a fund manager. After a year of work, I gradually discovered that I did not fit this business and considered a change of job. And I deeply felt that working in the foreign companies created a lot of pressure, not only a full slate of tiring tasks, but also a lack of safety. I decided to participate in the civil service exam in order to join an institutional staff. Because of my own professional experiences, I chose the

National Audit Office. The interview was held at the beginning of 2008 when the economic crisis swept the globe. Correspondingly, the test questions were also associated with the crisis as was the theme topic of the interview. It went well since I grasped economic theories and accounting knowledge from working at the bank and I passed the interview and became a national servant. Because my new job did not relate with the old one, I only became an entry level staff. The occupational prestige and stability are better than before even though the salary is less.

From this interview, we can see that her occupational mobility involved a work sector change, which satisfied her career aspiration. Actually, even though she achieved upward occupational mobility, this process was as normal as other job searching cases because she was qualified with the basic requirements and passed the recruitment examination. Her former work experiences helped her in the exam and interview, but were not taken as valuable capital in her new position because it was gained in a different work area and sector.

Interviewee #5 (Age 36, Female) got her first and current occupations in the private sector. She quit her first job as a saleswoman and became a real estate planner.

I worked as sales of a furniture brand in a mall with a low salary and hard living; therefore, I switched to this job. But it was really not easy to get this job. In 2005, accompanying the fast development of real estate industry, this enterprise recruited employees across China. I was advised to take part in the interview. The examiner wanted to

reject me based on my lack of working experience when he realized that my previous work was not related to real estate. I cherished this opportunity so much that I asked to prove my ability and future potential in real estate by other means. The interviewer agreed and asked me to make a planning proposal for a new property. I immediately gathered all information at hand and wrote the first real estate planning program in my life integrated with the research report and case studies from the furniture industry I had done. As a result, the examiner thought I was qualified for this job and had development potential to rise in this industry and also gave me this job opportunity. Comparing the two jobs in different industries, the first job taught me how to solve problems and propose appropriate solutions. The new job brought me a better career and income. It got me where I am today, talking to you about my career.

From this story, we can see that interviewee #5 achieved her upward occupational mobility mostly based on her concrete work ability, sensitivity and talent in the new industry. Even she has education that meets the basic requirements, but she would not have been given the job if she could not show what she really could do for the development and the business of the company. In this sense, the criteria to select workers in the private sector are more rational.

Based on the interviews concerning the effects of human capital on occupational mobility, it is clear that the results are different after taking into account any work sector change. For mobility related to the state sector, both education and work experience can be viewed as contributing to the work ability of individuals. They would be nicely rewarded for the human capital they possess.

Those who had continuous work experience within the state sector gained even more occupational status and economic rewards as the result of seniority. However, for the job applicants in the private sector, what the employers' value is the ability of employees to create wealth for the company rather than educational certificates or years of work experience. Why does this phenomenon exist in transition China? It mainly relies on the different owners of property rights. Although Chinese government has implemented SOEs reforms since recent 30 years, work unit, as a legacy of planned economy, continues to play an important role in stratification system in contemporary China (Wu, 2006). Work unit, in most circumstances, is still taken as an economic entity to stratify and legitimize socioeconomic status based on a relative egalitarian distribution institution (Wu, 2006). This institution is derived from annually fixed wages budget which means that wages are distributed mainly on the basis of occupational rank. On the contrary, in the private sector, the value of an enterprise and the mission of capital are to maximize profits. Therefore, what a company needs is the ability and efficiency to create profit rather than the certificate to prove educational level.

6.3 Effects and Differences of Family Background on Occupational Mobility

6.3.1 Ascribed Status: Intergenerational Transmission

From the classic sociological perspective, the influences of family background on individuals' social status concentrate on status transmission in terms of education and occupational attainment. This status inherited from their family is called *ascribed status*. Scholars have found that intergenerational status transmission

is mainly mediated by educational attainment in industrial society, but family background still has an important impact on their children's early occupational status and late occupational attainment (Li, 2007). As an Eastern country dominated by Confucian culture, how does Chinese family background affect individuals' occupational mobility? Are there some particular characteristics and institutions compared to Western developed societies? The following stories will provide a portrait.

6.3.2 Competition of Family Background: A Living Logic

Chinese culture can be described as a kind of collectivization in nature. It is famous for its emphasis on the relationships and support among family members (Xu, Xie, Liu, Xia & Liu, 2007). Studies show that family is still the main source where people can get social support for their living and emotional needs (Xu et al., 2007). Accordingly, people could be helped by their family support concerning their social status attainment.

Interviewee #8 (Age 27, Female) is an international student who earned an M.A degree in a developed country. However, it was hard to find a preferred job in Beijing so she asked her father to help her find a job in a state-owned enterprise.

I got a bachelor and master of financial planning in the Netherlands and England respectively. I decided to work in Beijing after coming back to China. It was really hard to find a job here with so much competition so I had no choice but to ask my parents for help. My

father was a deputy director of the Department of Foreign Trade and could be regarded as a mid-level civil servant with certain powers. I got my first job in a fuel company affiliated to a state-owned enterprise.

She says that as a freshman recently graduated from university, it was not easy to find a preferred occupation even with a high-level education abroad. However, as a powerful national civil servant, her father helped her get a good job. She also said,

In fact, that was only a short-term transition job, because I eventually wanted to enter the head office. As a recent graduate, I did not have enough business experience, so I had to work in grass-roots units for two years. Following that, I transferred to the corporate headquarters of the Investor Relations Department, responsible (tou zi zhe guan xi chu) for listing stock offerings from Hong Kong businesses. Because the headquarters controls the annual budget, my current occupational status and income are much higher than the first job. It is very difficult for the young to land a good position without a family background in the central corporate headquarters. Although it is unfair to rely on family background to gain a career advantage over others, this is the prevailing norm in Chinese society. It is nothing more than a competition about whose background has more influence.

Based on her story, what is the most important feature? In fact, annual recruitment quotas for central enterprises are strictly controlled. The ability to break

through this guarded access threshold is critical to the individual's occupational status. In this sense, the most influential factor for her promotion was the inherent administrative power of her father's occupation. However, it is clear that in addition to her father's occupational status, human capital is also important for her occupational mobility. She was qualified with the educational requirements that work as a screening criterion for a large number of applicants.

Interviewee #10 (Age 29, Male) transferred from the state sector to the private sector. His story gives us different information about the impact of family background:

I studied electronic engineering at university and worked in an Electric Power Research Institute for my first occupation. That job fit my major and the occupational prestige, income and welfare were all good. I am very familiar with electrical distribution equipment because I often travelled around to substations. I found that the electrical infrastructure field offered good opportunities for doing business, so I considered starting my own firm. At the beginning, I faced a problem of insufficient funds but my parents sponsored me to overcome this initial difficulty. Later, when my business was growing stronger the small retail outlet I started with was developed into a wholesale company and I become a general manager with an industrial identity.

From this example, we can see that in the different processes of work sector change, the role family background played was quite different from the former one.

For interviewee #8, her father helped her attain her first occupational by using his political power in hand. Essentially, even without access to the monetary rewards, this is also a rent-seeking behavior. But for interviewee #10, his parents spent their own personal savings and actually acted as capital investors to help him start his own business. This capital expense was made on the basis of family ties and helping their son rather than being simply a rational investment decision.

Interviewee #9 (Age 26, Female) got her first occupation in the private sector and her current one in the state sector. Her family background had similar effects as that of interviewee #10.

I was an administrative assistant in an advertising company in Beijing. As employees who worked in traditional state-owned enterprises and had a certain social status, my grandfather and father suggested helping arrange a comfortable job for me. At first, I hoped I could reach my dream with just my own diligent hard work. But the reality of life after working for a year made me change mind. Daily work involving high stress, low salary and hopeless promotional opportunity made me increasingly unhappy. This job was meaningless but helping me to get professional training. So, I accepted the recommendations of the family. I got a job in a central construction enterprise group with my father's assistance. I am an ordinary staff member here, but the work is relatively easy. I have fixed holidays, yearly vacation, a stable income and good benefits. In the long run, career development and job promotion can be predicted. Relative to the previous occupation, I am more satisfied with the current job, which gives me a sense of security and makes me feel

more at ease and more confident about the future.

From her statement, we see that despite having a strong career ambition at first, in the face of living and work pressure, she had to pursue a new job in the state sector. And she achieved upward occupational mobility, enhanced life quality and psychological stability because of her father's influences and power within the scope of state-owned enterprises.

Interviewee #4 (Age 38, Female) obtained both her first and current occupations in the private sector. Even though we cannot make direct inference between her family background and occupational mobility, to some extent, she benefited from it.

I was a marketing sales staff member for a long time in a hotel supplies company. With the increase in my age and needs of the family, I was required to improve the situation of my occupation to satisfy my desire for stability and income. I just got a good chance at that time. My father is the leader in charge of attracting investment in the provincial government. A famous global hotel supplies chain wanted to establish a branch in the province and successfully signed a cooperation agreement with the local government.. This company needed managerial staffs that were both familiar with the local market and very experienced in the industry. My uncle recommended me to them. I was invited to be assistant director of sales in the newly established branch after they reviewed my resume and took into account the influence of my family in the region. Compared with the previous job, I am now mainly engaged in management work. My

occupational status and income have been improved a lot.

In this case, it seems that her family background did not exert a direct effect on occupational mobility because her father and her employer were situated in two separate sectors. There was no affiliation or relationship between her father's institution and the company although her father could be taken as a messenger and served a recommendation function in the process. However, she mentioned that the company considered her family influence in the region. This is a content-rich and interesting point with valuable sub-textual meaning. It may mean that in order to build a good relationship with the relevant government agency, the new occupation was provided to her as a price for the project and prospective policy advantages. Therefore, apart from the work experience she already possessed, her father's political identity and the interests the company expected to get via her father's power eventually ensured she would get the new job and achieve upward occupational mobility.

Based on these interviews, I have presented the detailed processes of how family background influenced occupational mobility. I have also illustrated some of the complexities and differences involved in this process depending on the particulars of work sector change. We can see that besides human capital, a person's family background also has effects on individuals' upward occupational mobility. The nature of the role of family background is one of what you have rather than who you are. For the better occupational opportunities, especially the ones with higher prestige, more income and benefits, which are taken as scarce resources, the more

administrative power job seekers have backing them, the more probable it is that they can attain upward occupational mobility. As for the effects of family background in the private sector, it is relatively weak. But when there is an intersection between power and market, individuals can also benefit from ascribed status.

6.4 Effects of Social Network on Occupational Mobility

6.4.1 Social Network: Weak Ties and Strong Ties

The market economy is an imperfect economy, mainly in its information asymmetry, which means that people cannot get proper information even though information providers have it. For example, the information communicated between employers and employees is not symmetrical in the labour market.

However, a social network can work as a complementary mechanism for the information asymmetry. Granovetter (1973) found that job searchers could know more information about occupations and proposed a *weak ties* hypothesis, which advocates that weak ties among groups could provide non-redundant information that could be taken as an information bridge. People will have more opportunities to achieve upward occupational mobility because of acquiring more valuable non-redundant information from social network providers (Granovetter, 1973).

However, when it comes to the power of the social network on occupational mobility in China, Bian (1994, 1997) found that the social network would let workers be patronized by the people who control job opportunities instead of

disseminating information. In other words, a social network functions as a human network (*ren qing wang*) rather than an information bridge. He proposed a *strong ties* hypothesis which means that the stronger the relationship, the more possible that patronage will happen.

With the consideration of work sector change, in what form does a social network influence occupational mobility? Several interviews below show us a more specific description.

6.4.2 Different Performances of a Social Network

Interviewee #7 (Age 29, Female) started her occupation in a branch of a central enterprise. After working for several years, she was transferred to the headquarters of the company and achieved upward occupational mobility. With regard to the function of her social network on her current occupation, she narrates as follows:

I joined this company after getting my M.A degree and was assigned to the branch in this province. I was primarily responsible for the secretarial and project bidding in the department of the general manager. The work is quite complicated, but I could indeed learn a lot of things to enhance my work ability. Furthermore, my social network has expanded considerably through meeting with a lot of people during my business trips. Since we had to report work to Beijing headquarters every month, I became gradually more familiar with the leadership of our company. Later, I was asked whether I wanted to work in Beijing for there was a vacant position. I certainly

loved the idea of going there because the occupational status and income of the headquarters are much better than those in the affiliated provincial branches. Then, the head office of Human Resources was told to transfer me to headquarters. After the application was approved, the branch received my mobilization notice. I left the branch to become a staff member in the headquarters. I think the reasons why I could advance my career mainly rest on two points. Firstly, my work ability was recognized. Secondly, my social relationships helped me achieve upward mobility. The former is the foundation, the latter is the key. There are many workers with good work ability in our company. I feel that it is very important to know and build good relationships with people holding power to achieve occupational promotion.

Based on this woman's experience, we can see that her work ability was recognized by the employer, which made it possible to build a close relationship with the leader in the headquarters. When a promotion opportunity emerged, the possibility of getting the better job was magnified because she was helped by the information and influence provided by her social network. Therefore, in her case, strong ties played the more important role for her occupational promotion since both information and influence were transmitted via the power affiliated with her leader's position.

Interviewee #14's (Age 36, Male) first occupation was as manager in the department of logistics in a state-owned company. He quit it and became a logistics deputy manager in his classmate's telecommunications company. He related his

decision and the struggle he went through for the second occupation as follows:

I got a job in the department of logistics in a state-owned enterprise after graduating from college. I spent three years, rising from a general warehouse staff member to be a logistics director. I felt the job was meaningless even though it was not busy. Then my high school classmate found me and asked whether I was willing to help his business. He owned a communications product distribution company, opened several stores, and also had some corporate customers. He hoped I could improve the company's business by using my experience to enhance the distribution logistics t. I accepted his invitation and was appointed as the logistics manager. Now, as you can see, my occupational status and wealth are higher than before as one of the shareholders of the company. Although I came to the company through the social relationship with my classmate, I would be let go if I could not make the company stronger since the market is rational and ruthless. I just grasped the opportunity, which was a better choice for me.

From this man's story, even though he got the second occupation because of relatively strong social ties, the use of influence was different compared with interviewee #7. In order to achieve his career aspiration, he gave up his original, well-paid and easy work and joined in a new private company. Though his classmate offered him the information about the job and the chance to be a manager in the company, the final upward occupational mobility relied on his work ability.

Interviewee #12 (Age 47, Female) transferred from the private sector to the

state sector and her story gives us different information about how a social network affected occupational mobility.

I served as an auditor at Deloitte & Touche Company after graduating from a famous university. When I was 40 years old, I considered planning for my future since I would be fired if I could not become a partner of the company. I knew a vice president of a central enterprise, so I asked him to help see if I could get a job in their units. He replied to me that there was a vacant position but with many applicants. I was required to pay certain remuneration if I wanted to obtain this new occupation. I did not have any other choice but promising to pay him. Finally, he helped me to contact the corporate vice president in charge of human resources and assisted me to get the job.

From this example, we can see that although she knew a deputy director of a central enterprise where her desired occupation was, she had to pay a price for getting that job since the relationship between them was not strong enough to allow him to patronize her for free. As for complementing the social network strength with money, she made the following statement:

Indeed, I paid a relatively high price in order to get this occupation. But this is worth it because the social status of this job is good and I do not have to worry about my future livelihood. I am still very grateful to him even though he obtained a benefit in the process of helping me. Money is useless if you cannot find someone who will

promise to assist you. Anyway, I could not have attained the job without his help.

In the process of her occupational mobility, the social network not only gave information, but also exerted some influence on the final result. Though the relationship was weak, she gained the help from someone with administrative power, which was the most important step for her to get the job.

Interviewee #11 (Age 43, Male) obtained both his first and current occupations in the private sector. The effects of his social network on occupational mobility were displayed like this:

I was a commissioner for equipment procurement in a construction machinery company. With several years of working in this industry, I was very familiar with the prices of equipment that were relevant to our industry. This is quite important for the control of the company's operating costs. I had been a regular staff member for a long time without promotion because of my low level of education. Later, a high-level manager of another company that I knew told me there was a vacant purchasing supervisor position in his company and he promised me I could obtain the job. I successfully passed the written test and performed well in the interview with nice interaction with the examiner concerning professional issues. The final decision of my acceptance was discussed and approved by the board of directors of the company. I also heard that some applicants had been rejected because they had no more than a personal relationship and social network. So I think that working in the private sector should rely on real skills.

His story indicates that in the market realm, if the occupation is not controlled by the administrative power, the reliable way to achieve upward occupational mobility is through work ability, which is measured by the potential to create value for the employer.

Based on the four interviews in terms of work sector change above, we can see that broadly speaking, a social network is meaningful for occupational mobility in China's labour market, but specifically, the ways it functions are distinctive. If the employees got their current occupation in the state sector, the social network could provide either information and/or influence from the political power of personal associates. If the workers obtained the current occupation in the private sector, the role of the social network was mainly based on the information it provided. Achievement of upward occupational mobility was dependent on their work abilities.

6.5 Summary

This chapter analyzes interviews to explore the distinct influence of human capital, family background and social network on occupational mobility in urban China. The nature of these influences and the way they work in the context of both the culture and conditions of economic transition in China add complexity and subtext to the statistical findings.

It has been shown that human capital, especially education has positive effects on workers' upward occupational mobility. However, the value of the

education was highest for the ones who transferred within the state sector. Furthermore, seniority based on the working years is meaningful for the occupational promotion of stayers.

The effects of family background are mainly seen where a father has political powers. Fathers with high occupational status with administrative power find it much easier to help descendants gain upward occupational mobility. When it comes to the influences of social network on occupational mobility, we have found that for the workers who stayed in the state sector or transferred from the private sector to the state sector, it was easier for them to achieve upward occupational mobility regardless of whether the assistance was based on personal support or exchange of interests. For the workers in the private sector, it mainly relied on human capital and work abilities.

According to previous literature and empirical studies, it is clear that both social network and family background can exert their respective effects on the socioeconomic status of workers in China and other countries. But the problem remains: why are the roles of these two factors always linked with political power in China, especially in the state sector? While not definitive, the following discussion is offered as a contribution to the answer.

The aim of China's "opening and reform" policy is to build up a market economy. Actually, based on the current political and economic institutions, it is unnecessarily moving into a true market economy, which can be reflected by the slogan, "the establishment of socialist market economy with Chinese characteristics"

(*zhong guo te se she hui zhu yi*). The government acts as the initiator and promoter in the process of reform and opening up. Prior to economic reform, despite people's lives being completely controlled by the government, the exercise of power was limited in scope, while political power now expands its influential sphere following integration with the market (Sun, 2006). In many circumstances, power can be traded as a commodity in order to seek benefit. Although China's private sector accounts for most of the national economy, a greater degree of unfairness in power brokering has emerged in the state sector or in the private economy associated with the state sector. Beneficiaries can be either a power elite group or nepotism groups connected with political power in a wider range. The owners of political power monopolize the resources, which can be used to improve social status and result in the failure to create an open stratification system. Based on the interviews in this chapter, the effects of family background and social network on occupational mobility are due to connections with political power. As some scholars (Acemoglu & Robinson, 2012) argue, the real difference is not based on the division between a socialist economy and a market economy, but the establishment of a "depriving" economic system versus an "inclusive" economic system; the "depriving" system creates a condition of unfairness with poor access to resources and lets few people obtain benefits via political power in hand and social network, whereas the "inclusive" system creates equality and provides resources, incentives and opportunities for the general public.

The results above show that China's market transition is, in one word,

imperfect. Individual workers do not get equal opportunities to improve their occupational status. The persistence of political power maintains a huge impact on people's socioeconomic status. The effects would be even more apparent in the competition for good occupational resources in the state sector.

In the next chapter, a study summary and conclusion will be given.

7. CONCLUSION

When the Chinese Communist Party came to power, they established a New China modeled on the former Soviet Union's political system, economic system and social system. However, after the planned national economy flourished in the first five-year period, China experienced a 20 year stage of abnormal development. In that period, successive political movements, natural disasters and man-made damage seriously devastated the fragile economic and social foundation. As a result, the entire country was brought to the brink of collapse. Since 1978, China has implemented reform and opening up policies beginning under the leadership of Deng Xiaoping. The original planned economy was replaced by a market-oriented economic system that aims at achieving marketization in the economic field. In addition to the economic development, another important result of the market transition was to abolish the mechanism of social stratification based on an identity system and to provide a wide range of social mobility opportunities for individuals. People can use their own resources, such as human capital, economic capital, family background or social relationships to accomplish a rise in social status.

Despite China's application of a market-oriented reform policy, and its achievement of market transition to some extent, as a socialist country, some of its unique social systems still exert an inertial effect on people's economic life. From the 1980s, the private economy has been largely expanded through the state-owned enterprises lay-off policy. But the work unit system has not disappeared in China.

The differences between the state sector and the private sector are obvious. Every individual's socioeconomic status is also deeply impacted by this segmented system. Four types of work sector change could occur in the process of mobility from a first occupation to the current one. Some workers that were interviewed transferred within the state sector, some of them transferred from the state sector to the private sector, some from the private sector to the state sector while some of them transferred within the private sector. This experience of the individuals in the labour market can be seen as an intermediate process that connects institutional context and individuals' occupational mobility on micro level. The same factors have different effects on occupational mobility in different paths of work sector change. This study's purpose is to explore the effects of human capital, family background and social network on occupational mobility from this perspective, compare the differences among four subgroups, and then discuss the significance of specific institutional context for the change of individuals' socioeconomic status.

7.1 Summary of Findings

This study has used a mixed research method in which research combines quantitative analysis and qualitative analysis. In the quantitative part, several major findings have been found.

Firstly, concerning work sector change, the more human capital, better family background and stronger social network individuals have, the more possible that they will enter or stay in the state sector regardless of the work sector of their first

occupation.

Secondly, as for the occupational mobility results, the influences of human capital, family background and social network were different among the four subgroups. Education has a significant positive effect which means that the higher the educational level, the greater the possibility of upward mobility. However, the returns for education were the highest for the workers who got both the first and current occupations in the state sector. Work experience and party membership were significant only for the ones that stayed in the state sector. It was much easier for the employees who had more work experiences and party membership to attain upward occupational mobility within the state sector. Based on the interviews, I find human capital played a role in different ways. Education and work experience were important as measures of a person's work ability. These factors were often considered to be equal to the employee's work ability if occupational mobility occurred within the state sector, which means that they mainly served as a qualification examination. The benefits of the occupational mobility would be gained as long as the human capital met the eligibility requirements. But in the private sector, education and work experience could not be taken as a measure of work ability except for the screening function. These employees must prove their ability to create value for the employer or the market. Their occupational status will be raised once the ability to work is recognized. Moreover, work experience often made more sense in the form of seniority in the state sector. For the workers who transferred within the state sector or within the private sector, family background was

meaningful, which implies that the higher the father's occupational status, the more likely was occupational mobility. But fathers' occupational status also was influential for respondents' occupational status in the private sector if there was an intersection between the market and political power. Specifically, for the workers whose current occupations were in the state sector, the effects of family background were through the use of fathers' political power to make occupational promotion. This influence was direct, powerful and effective, which means that political power affiliated with fathers' occupation could help employees achieve upward occupational mobility. As for the ones who attained their current occupations in the private sector, family background exerted its effect in the forms of economic support or information transmission. Social network was significant for the ones who obtained the two occupations in the state sector, which means that the workers who used the social network to gain their current occupations were more inclined to achieve upward mobility. Moreover, the effects of social networks were mainly reflected by whether they transmitted information or impacts. Social networks affected occupational mobility in the form of strong ties if workers stayed in the state sector or transferred from the private sector to the state sector. Occupational status in these cases would be promoted with the help of social network providers by using the administrative power they held. Employees could be given job information if they stayed in the private sector or moved from the state sector to the private sector. To obtain the new occupation they mainly relied on work ability.

And last, in terms of income, education was significantly related in all groups,

but with the highest returns in the subgroup of stayers. Party membership was a positively significant factor for the stayers while other variables were not significant.

Regarding these findings, some discussions and conclusion can be developed combined with the findings in the existing literature and the social realities in China.

First of all, market transition is an evolving process with a trend of more and more deviation from the control of political forces; the market economy is now taking competition as the core mechanism due to its self-regulating capacity (Bian & Zhang, 2001). Economic benefits such as occupational status and income mainly rely on personal efforts. The results of this research also support this point. Human capital was positively related to individuals' occupational mobility. But the effects were different in diverse institutions. The returns for human capital were higher if the occupational mobility was completed in the state sector.

Secondly then, although economic transition eventually tends toward marketization, power persistence theory proposes that political power still controls resources either directly or indirectly (Bian & Logan, 1996). Resources are controlled in the hands of the state agent rather than by owners because of the enhancement of the national macro-control capacity, the state monopoly of natural resources and public functions and the consolidation of the work unit system in state-owned enterprises, public institutions, and party and government organizations (Tao & Zhu, 2000). Therefore, in the transition economy, as employers, agents of state enterprises will continue to affect occupational mobility via the capacity of allocation and quota of resources (Bian & Zhang, 2001). The analysis of family

background and social networks has proved this point. Respondents' fathers and social network providers used political power to assist them achieve upward occupational mobility. These influences resulted from the use of political power and mainly occurred in the state sector regardless of whether the workers transferred from the state sector or the private sector. The persistence of political power in the state sector means that it offers more unequal access to socioeconomic opportunities compared to the private sector. In short, in the labour market where the market system and power persistence coexist, human capital, family background and social network will affect the worker's socioeconomic attainment via their capacity of holding on administrative power in profit-oriented or nonprofit organizations. On one hand, workers need to have the necessary level of education and work ability to meet basic job requirements. On the other hand, when competing for quality occupational resources, individuals can grasp the opportunities by using family background and social network to achieve upward occupational mobility. As a rent-seeking behaviour, it may be unfair for the majority of job seekers to gain upward occupational mobility with the help of political power but as a conventional form of institutional inequality, it is not at all rare to see career achievement based on personal connections.

In fact, although people have more and more opportunities to change their occupations, the equal accessibility to opportunities is limited. In transition economy, a certain kind of interest groups have been formed via the integration of power and market which will impede the progress of social and economic reform in order to

maximize their own economic benefits. The institutionalization of this interest pattern may produce a “transition trap” (*zhuan xing xian jing*) (SDRGQU, 2012) which may result in the stagnation of the economic and social development, and therefore, lead to more inequalities.

7.2 Policy Implications

Previous literature have shown in the free market economy, based on a open stratification system, individuals are qualified to get relatively equal opportunities to obtain occupational status from one to another in the labour market. But, this study finds that although individuals can obtain upward occupational mobility based on their hard work in the process of market transition, the opportunities are not equally reachable and this inequality is caused by unequal access to political power. Thus, in order to form a fairer system of social mobility, five policies are proposed.

Firstly, market-oriented reforms should be further promoted. China is in the process of converting from a transition economy to market economy. It is necessary to eliminate the existing institutional barrier such as differences in work sectors for individuals and offer equally available labour opportunities so as to create a fully competitive mechanism in the labour market.

Secondly, equal access to information should be available to all. Workers should equally be informed and aware of employment opportunities. Recruitment should be open, visible and orderly. Secret operation must be eliminated in the labour market.

Thirdly, the employment-related regulations and laws should be improved although the Employment Promotion Law of the People's Republic of China (*zhong hua ren min gong he guo jiu ye cu jin fa*) does make the law clear on fair employment, employment supervision and inspection as well as punishment on illegal behaviors. However in the specific implementation process, abuse of power, trading power for money and other illegal activities are still very common. Therefore, it is necessary to develop a more stringent legal system to regulate the labour market. Furthermore, it is even more important to firmly enforce penalties for violations.

Fourth, reforms on distribution of socioeconomic benefits are needed to allow the general public to be the beneficiaries in **contemporary China**. The initial aims of market-oriented reform were to achieve economic development and increase opportunities for social mobility to improve individuals' socioeconomic status. However, in nowadays, the real situations are for one thing, some social protections based on egalitarianism have been abolished, and for another, the extent of inequality is continuously rising. The Gini coefficient has been increased from 0.16 in 1978 to 0.48 in 2007. The opportunities to promote occupational status are also unequally accessible for people based on the results of this study. Thus, the argument that the market transition will let individuals have equal chances to achieve socioeconomic status promotion is problematic. On the contrary, the combination of political power and market expands the extent of social inequality. Even the Executive Meeting of State Council (*quan guo ren da chang wu hui yi*) approved a policy to develop “General Reform Plan of Income Distribution System” which is for adjusting

excessively high income of monopoly enterprises in the state sector in 2012 (EMSC, 2012), but more measures are required. For instance, the whole society should be entitled to fair distribution of welfare. Dual pension system (*yang lao jin shuang gui zhi*) should be abandoned. Furthermore, people can equally access to good employment opportunities which are essential and important to improve their social status.

Lastly, reform of the political system aimed at fundamental justice should be implemented. Just as I have discussed previously, the essential reason why the contradiction between the development of marketization and rising inequality exists lies in the combination between the monopolistic political power and profit-driven market capital. In order to let most of people be exposed to the equal access of improvement of socioeconomic status, the political system reform aims at limiting excessive intervention over social life by administrative power is indispensable. In the reform and opening up process a well-known principle is that political system reform lags behind economic reform. Deng Xiaoping put forward that the reform of the political system must be adapted to promote the development of economic reform, and to safeguard its achievements (Xu, 2010). The established thinking mode that sees the reform of the political system as incompatible with social stability has hindered the process of political reform (Zhang & Wang, 2010). In order to cope with the issues inherent in the process of reform and especially to solve a series of social inequalities accumulated in the era of Jiang Zemin, the former president Hu Jintao proposed a new political blueprint named “harmonious society” (*he xie she*

hui) (Zang, 2008). In August 2010, Premier Wen Jiabao claimed that China's economic accomplishment and modernization process would be broken up if the supreme leadership did not undertake corresponding political reform (Gilboy & Heginbotham, 2010). At the press conference following the first session of the National People's Congress meeting in 2013, the new premier Li Keqiang said, "The reform is at the most difficult moment because it intends to break through the pattern of interests which are set up by powers. Although it is even more difficult to break the interest circle than to touch citizens' soul (*chu dong li yi bi chu dong ling hun hai nan*), we have to face it regardless the difficulties and the barriers. We do not have other choices because it is about the fate of the country, the well-being of the people and the nation's future" (Li, 2013). China's top leadership has been aware of the monopoly of social resources and opportunities by the excessive concentration of power. This has resulted in a large disparity between the rich and the poor and made Chinese people increasingly dissatisfied. Hence, whether it is for the legitimacy of the Chinese Communist Party or for social stability, the reform of the political system is inevitable. Such political reform can bring about equality of opportunities for all Chinese people fundamentally and foster smooth social mobility. And meanwhile, the positive association between the economy development and rising inequality has been accepted by most of people in China as the price for improving life quality (Xie, 2010). Therefore, political system reform which aims to restrict political power and promote social justice will not result in social instability.

7.3 Research Limitations and the Orientations for Future Study

Four major limitations can be identified for this research:

First, the data was collected in 2003, which is not new enough to reflect the current situation of occupational mobility in China. Market transition in China's economy has been further enhanced and promoted in these ten years. It is necessary to apply a more recent dataset to explore the current circumstance.

Second, the distribution of samples is uneven. The total samples are categorized into four groups in terms of work sector change. The majority of cases are in the group of workers who transferred within the state sector. Uneven sample distribution may exert a negative influence on accurate statistical inference and make the comparisons across subgroups less meaning.

Third, some independent variables that can reflect the powerful status of family background and social network, such as fathers' and social network providers' administrative levels, administrative levels of work sectors may be neglected. But the mixed method has the advantages of presenting general rules of social phenomena and exploring deeper reasons behind them.

And last, the cohort effects over occupational mobility have been lacked. In social sciences, cohort analysis is used to describe the variations of certain characteristics over time among people who can be classified or defined based on similar life experience, such as year of entering labour market, or year of obtaining jobs. Occupational mobility is a dynamic process in which selected independent variables should exert different effects in respective cohort group divided by the time

point of getting current occupations. For example, some people got the current occupations before reform while some others completed occupational mobility in the process of market transition. Therefore, the cohort analysis can reflect the differences of macro socioeconomic background on results of individuals' occupational mobility. It will be more convincing if the cohort factor is concluded in the future study about the occupational mobility in contemporary China.

The future orientations of the study will focus on two aspects. For one thing, I will try to get the newest dataset to study the recent occupational mobility in the Chinese labour market. For another, if I can obtain datasets of other socialist countries with economic transition such as Cuba and Vietnam, I can conduct a comparative study regarding occupational mobility from work sector change.

In the past 64 years, the Chinese people have accomplishments in individual liberation and national independence as well as great achievements in the economic field. Although people's living standards have been improved substantially, social justice is still an obstacle lingering on the road to modernization at present. An ancient Chinese saying is that, "diligence deserves industry, workers deserve positions, labourers deserve salary" (*qin zhe you qi ye, lao zhe you qi de, gong zhe you qi xin*), which means people should be equally rewarded for their hard working. Although this study investigates the theme of occupational mobility in contemporary urban China, it actually focuses on equity issues in Chinese society. Only when that society achieves relative fairness will the country obtain its prospective future.

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APPENDIX

Interview Guide

01. Do you think people benefit from the reform policy? Why or why not?
02. Do you think there is an open labour market in contemporary urban China? Why or why not?
03. Do you think people are more influenced by market mechanisms or state institutions? Why or why not?
04. Do you think individuals equally access opportunities to obtain occupations in the labour market? Why or why not?
05. Do you think work sector is important for people's occupational mobility? Why or why not?
06. Please describe your views on the occupational hierarchy in contemporary China.
07. Please describe the relevant information of your first and current occupations (such as work sector, name of occupation and wages).
08. Do you think your occupational status improved, remained the same or declined in the process of occupational mobility?
09. Why did you change your job?
10. Did work sector influence your occupational mobility? If yes, please explain.
11. Did human capital, such as education, work experience or communist party membership affect your occupational mobility? If yes, please explain the effect and how it influenced your occupational mobility in combination with your work

sector change.

12. What was your father's occupation when you changed your occupation?
13. Was his occupation in the state sector or in the private sector?
14. Did his occupation have certain power?
15. Did your father's occupation influence your occupational mobility? If yes, explain how.
16. Did you use your social network in the process of occupational mobility? If yes, please describe it.
17. How did the social network you used affect your occupational mobility?
18. Did the social network provide relevant information or directly help you attain the current occupation? Please explain how this worked combined with the change of work sector.
19. Of the three categories of factors, human capital, family background and social network, which one do you think has the most influential effect in the process of occupational mobility?
20. Based on the review and description of the process of occupational mobility, do you think the effects of those factors are different in terms of the work sector change? If yes, please describe it? Why do you think there are differences, based on your experience and understanding?
21. In your opinion, what problems does the Chinese labour market have now?
Which one is the most prominent?
22. In order to create a more market-oriented and fair labour market, what aspects

should be improved?