



# Micro-level experiences of macro-level change: A cohort perspective on China's shift away from state-sector employment

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## ABSTRACT

An expanding and more lucrative private sector characterizes China's economic transition over the last four decades. But have these labor market opportunities been equally distributed, or does historical timing of labor force entries matter? Drawing on a life-course, cohort perspective and nationally representative occupational histories (2003 and 2008 Chinese General Social Surveys), we examine the odds of a private-sector first job and of shifts from state- to private-sector jobs for two reform cohorts entering the labor market between 1978 and 2008. We find cohort variations in the impact of structural location (education and party affiliation) in predicting sector of first job and sector shifts. The least educated (high school dropouts) from the Late Reform cohort are most impacted by the expanding private sector, in terms of their first job (in private/hybrid firms and self-employment). Party membership takes on a different meaning over time, promoting Early Reform cohort members' private-sector entry, but being a deterrent for Late Reform cohort members. A key potential consequence of Chinese economic reform based on our cohort comparisons: increasing transfer of those with less educational and political credentials from the state to the private sector, either through first-job availability or through (forced) self-employment following layoffs. The China case demonstrates the value of a cohort and life-course perspective grounded in careful institutional and historical analysis for capturing the impact of historical timing in shifting opportunity structures shaping individuals' work lives and for understanding social change.

## 1. Introduction

Chinese society has experienced profound, extensive, and rapid social changes over the last four decades, transitioning from a planned redistributive (state) economy to a still-controlled but more open market economy. Nothing illustrates this fundamental transformation better than changes in the labor market, as the traditional allocation of workers to state-sector employment has gradually been supplanted by increasing proportions of workers in the private sector.<sup>1</sup> But how have these macro-level institutional changes played out in the lives of individuals, and how has this changed across cohorts? For instance, individuals join the private sector by two paths: shifting from a state sector to a private sector job, or joining the private sector in the first place.

This paper draws on a life-course, cohort perspective (Elder, Johnson, & Crosnoe, 2003; Heinz & Marshall 2003; Mayer & Schoepflin 1989; Ryder, 1965) together with occupational histories collected in the

2003 and the 2008 Chinese General Social Survey to study micro-level experiences of individuals from two cohorts and with different resources moving into their first jobs and any subsequent shifts from the state to the private sector. These constitute two mechanisms contributing to the changing nature of the Chinese labor market and, we argue, are shaped by the different meanings across cohorts of two key resources: a college education and membership in the communist party.

We extend previous job mobility and economic transition literature by incorporating generational cohort membership (Heinz & Marshall, 2003)—persons who share some critical experience at approximately the same time period (in this case, entering the labor force before or after the intensifying stage of economic reform [1992 to present]). Cohort is a theoretically important concept to shed light on the dynamics underlying the intricate relationships between macro-level social change and micro-level job mobility. The utility and conceptual validity of cohort analysis in studies of Chinese society is further strengthened in light of contemporary China's tumultuous history

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<sup>1</sup> Chinese organizations are divided into: (1) government agencies, (2) public institutions, (3) state-owned enterprises (SOEs), (4) collective enterprises, (5) private firms, and (6) hybrid firms; there is also another employment option: (7) self-employment. We distinguish state sector (the first three groups), collective sector, and private sector (the last three groups).

(Zhou, 2004). Indeed, our analysis demonstrates that cohorts operate as engines of social change (Ryder, 1965) in the process of China's economic transition, and key structural positions emphasized in previous job mobility scholarship (Gerber, 2002; Li, 2013; Meng, 2012; Wu, 2006; Xie & Wu, 2008; Zhou, Tuma, & Moen, 1997)—education and party membership—have intrinsic cohort components shaping the odds of both initial entry or subsequent mobility to the private sector.

This study thus makes several important contributions to the understanding of the micro-processes of large-scale social change, a key focus of life-course scholars (Elder, 1974; Mayer, 1988). First, we extend previous literature on job mobility by emphasizing cohort membership and life-course stage. Our case illustrates that the extent to which exposure to historical events shapes life pathways depends on the timing of that exposure in individual biographies. Second, the extant literature on post-socialist stratification has generally neglected sector transitions (Gerber, 2002), focusing instead on income or exits due to unemployment. A few notable exceptions exist (such as Li, 2013; Wu, 2006; Zhou et al., 1997; Zhou & Moen, 2001), but they either were based on surveys conducted in the 1990s, when economic reform in urban China was not yet full-fledged, or did not use a generational cohort perspective. For example, Zhou et al. (1997: 339) concluded that “despite growing opportunities in workplaces outside the state sector since the early 1980s, only limited changes have occurred in job-shift patterns and the underlying mechanisms of stratification.” A set of new economic phenomena has emerged since then; we therefore fill a major research gap by examining and updating the implications of the large-scale economic change in China for individuals' work lives across cohorts, capturing two fundamental life-course transitions—moving into one's first job and subsequently moving into an entirely different sector of work. Third, our analysis offers a more nuanced understanding of China's labor market transition, as well as the ways macro-forces touch individual lives. We highlight the role of the state as an active force in (re)shaping the life course across cohorts (Heinz & Marshall, 2003; Mayer & Schoepflin, 1989; Weymann, 2003; Wu, 2006; Zhou, 2004), thereby producing discontinuity in barriers, structures, and opportunities in labor markets for those first entering and then moving through the labor market.

## 2. Macro-level structural change and labor market cohorts in China

China is distinct from Western societies in that it is both a socialist state and a transitional economy. Unlike Western countries where rewards are based on human capital and productivity, a monopoly of resources in the hands of a centralized state characterizes China's institutional arrangements (Szelenyi, 1978). Following the Communist takeover in 1949, the local work unit became the central institution through which the Chinese Communist Party exercised control over society (Bian, 1994; Lin & Bian, 1991; Walder, 1986). This pre-reform Chinese labor market was segmented between an advantageous state sector and disadvantageous collective and private sectors in terms of rewards and status (Bian, 1994; Lin & Bian, 1991; Walder, 1986).

China transitions from a state socialist redistributive economy to a market economy beginning in 1978 and intensifying from 1992 on. The 1980s were dominated by a rapid increase in employment in collective firms such as township and village enterprises, whereas the 1990s witnessed accelerating growth in employment in private companies. Collective enterprises, unlike state-owned enterprises, are usually sponsored by local governments, and are not directly under the administration or financial support of the central government. The share of private enterprises in industrial output, as shown in Fig. 1, increased from virtually none before 1978 to surpassing the state sector in 1997 (34%). Four changes in institutional arrangements characterize China's economic reform.

First, legal rights of the private sector have been gradually acknowledged. In 1982 the private sector became recognized as

“complementary to the state sector.” Still, explicit protection of private ownership of property, businesses and wealth was only incorporated in an amendment to the constitution relatively recently, in 2004. Second, state allocation of the labor force has been replaced by labor contracts and employment has become increasingly precarious. Before economic reform, the Bureau of Labor and Personnel matched workers to work units (Lin & Bian, 1991; Walder, 1986). Once a match was made, there were virtually no moves in or out of organizations (Bian, 2002; Cai, Park, & Zhao, 2008). But in 1986, the State Council terminated lifetime employment and introduced labor contracts for new employees, giving them the freedom but also necessity to negotiate with employers for jobs. During the late 1990s, a large-scale labor retrenchment program was initiated to restructure state-owned enterprises through labor shedding (Cai et al., 2008; Dong & Xu, 2009; Xu, 2011). More than 5 million state employees were estimated to be laid off every year from 1997 to 2001, the peak years of restructuring (Xu, 2011).

Third, wages and benefits have gradually converged between state and private sectors. There was little incentive to shift to private-sector employment before the 1980s, given that state workers enjoyed higher earnings and various benefits (Bian, 2002; Davis, 1999; Huang, 2008; Nee & Oppen, 2012; Walder, 1986). But shifts to the private sector became lucrative beginning in the 1980s when private firms provided ample opportunities to make money and achieve personal aspirations (Bian, 2002; Wu & Xie, 2003). Fourth, returns to education increased over time. Prior to the mid-1980s, wages and benefits followed nationally established salary grades, determined by ranking (usually increasing automatically with age) (Bian, 1994; Walder, 1986). Following economic reform, returns to higher education increased significantly among all subgroups, whether defined by gender, ownership type, or region, suggesting the changes were deep-rooted (Zhang, Zhao, Park, & Song, 2005).

Given the turbulence of the Chinese context, it is impossible to understand the micro-level implications of macro-level political/economic changes as to where individuals land their first job or state-to-private sector shifts without incorporating a life-course, cohort perspective. Accordingly, we construct two generational cohorts—*Early Reform cohort* and the *Late Reform cohort*—based on the historical circumstances at the times individuals entered the labor market. Both cohorts entered the labor market during the economic reform period (1978-present), and have been described as individualistic, materialistic, and entrepreneurial (Rosen, 2000). We use the year 1992 as a dividing line because economic restructuring intensified following Deng Xiaoping's 1992 tour of southern China to mobilize local support for more radical reform. Further, an aggressive state-sector restructuring program was put into practice in 1997, heralding the end of guaranteed employment and benefits for China's state workers. The Late Reform cohort, entering the labor market after 1992, was therefore exposed to an economic environment characterized by ever-shrinking and increasingly precarious state employment.

## 3. Macro-level change and micro-level experiences

### 3.1. A life-course and cohort theorization

How did the large-scale structural changes affect the relationship between individuals' resources and work histories? Inspired by the life-course framework (Elder et al., 2003; Marshall & Mueller, 2003; Mayer & Schoepflin, 1989; Zhou & Moen, 2001), especially its cohort and institutional components, we argue that when the institutionalized incentives, constraints, risks, and opportunities change over historical time—as in the case of China's economic reform—different patterns around sector attainment and sector shifts are expected among persons who enter the labor market at different historical points, even though they may possess similar resources. Cohort membership thus becomes a key mechanism linking macro-level social change with shifts in the micro-level life courses of individuals.

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