

An Analysis of Social Mobility in Contemporary Shanghai

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Author:

Yueyang Jiang

Supervisor:

Professor. Lauri Paltemaa

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Author(s): Yueyang Jiang

Title: Mr

Supervisor(s): Lauri Paltemaa

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1. Introduction

China is the largest Pacific country with a population of 1.4 billion. Although China's economy has developed rapidly in the last decades and has become the second-largest in the world, the GDP per capita of China reached over 10,000 USD in 2019 before COVID-19 pandemic period and China is still facing the middle-income trap (World Bank, 2022). Economic development also brings social inequality. Shanghai is one of the most modern cities in China. It is the centre of China's economy and had the largest city population of 24.18 million in 2018 among China cities (Shanghai Bureau of Statistics, 2018). As one of the most iconic cities in China, Shanghai has the advantage of policymaking as an experimental city. Because China's political system allows a few cities to have the right to make and implement local policies for experiments, Shanghai is one of them. Therefore, Shanghai usually adapts the right to formulate various policies, and a properly implemented policy has the advantage of being extended to the whole country if their local policies worked efficiently. Shanghai has a large migrant population from all over the country, providing research value on social mobility. Since 1984, the central government has classified Shanghai as a coastal open city for reform and opening up. This move has ushered in rapid economic development in Shanghai, which was originally dominated by conservatives within the party. Shanghai's GDP grew from 75.645 billion yuan in 1990 to 455.115 billion yuan in 2000, increased by 5 times in merely a decade. The average annual GDP growth rate was 20.8%, compared to national growth of 8% simultaneously. Shanghai received 2600 financial institutions' investments and business operations during the same time (Shi and Hamnett, 2002).

At the same time, Shanghai's policies tend to be forward-looking and tend to have the value of being extended to implementation for the whole country. Since the reform and opening up, Shanghai's political influence on China is actually second only to Beijing. One of the reasons is that senior government officials in Shanghai are often promoted to the central government after making achievements. From the perspective of political power structure, the promotion of core officials in Shanghai will also adjust crony factions into the core power structure. This means that Shanghai's experimental governance guidelines and policies will rise to the national level and become national governance guidelines through the vote of the NPC (National People's Congress, 中华人民共和国全国人民代表大会) deputies. Historically,

since the "Tiananmen Square Incident" in 1989, reformists and conservatives had disagreements on whether to continue reform. But after Deng Xiaoping's southern tour, he strengthened his confidence in reform, and since then, reformists have begun to dominate (Vogel,2011).

Take Shanghai as an example. At that period, Jiang Zemin was the mayor of Shanghai, and held a press conference when he took office, announcing that Shanghai's urban development will be based on infrastructure construction, attracting foreign investment and expanding exports, and strengthening technology and training. During his tenure thereafter, he actively sought cooperation from overseas investors, raised US\$3.2 billion and used US\$1.4 billion of it for subway, bridge and infrastructure construction (Kuhn, 2004). This policy was continued after he became the chairman of the country, that is, to seek foreign investment and to achieve rapid urbanisation through vigorous infrastructure projects.

Of course, his political philosophy also includes the handling of mass movements, the most widely known is his peaceful handling of the "86 Student Movement". This successful experience made him deeply appreciated by the central government, and in 1987 he was successfully elected as a member of the Political Bureau of the Central Committee of the Communist Party of China, which also meant that he entered the core management of China. And at that time, he also took over from his superiors and became the secretary of the Shanghai Municipal Party Committee, and Zhu Rongji succeeded him as the mayor of Shanghai. The two men's experience in governing Shanghai also led to the election of Jiang Zemin as President of China in 1993 and the election of Zhu Rongji as Vice Premier. Five years later, Jiang Zemin was re-elected and Zhu Rongji took office as premier. After they entered the core management, Shanghainese cronies were all promoted, including Wu Bangguo (Vice Premier of the State Council, 2003-2008), Zeng Qinghong (Vice President of the People's Republic of China,2003–2008), Huang Ju(first-ranked vice premier of China, 2003-2007), Xu Kuangdi (Vice-Chairman of the Chinese People's Political Consultative Conference, 2003-2008), Meng Jianzhu(Secretary of the Central Political and Legal Affairs Commission, 2012-2017), and finally Xi Jinping (the Chairman, 2013-). The faction led by Jiang Zemin were called "Jiang faction" or "Shanghai Gang" at that time, because most of them were factions established by Jiang Zemin during his tenure in Shanghai. Even after the 16th National Congress of the Communist Party of China in 2002, after Hu Jintao and Wen

Jiabao from the Youth League replaced Jiang Zemin and Zhu Rongji as the chairmen and prime ministers, the "Shanghai Gang" still had huge political influence in the central government. In the Political Bureau of the CPC Central Committee elected by the 16th National Congress of the Communist Party of China (2002) and the 17th National Congress of the Communist Party of China (2007), the "Shanghai Gang" occupied many positions on the Standing Committee of the Political Bureau of the Central Committee of the Communist Party of China, which means that the representatives of Hu Jintao and Wen Jiabao (Chiang, 2015; Huang, 2005). In fact, the party leadership still continues the policy direction of the "Shanghai Gang".

After the 18th National Congress of the Communist Party of China in 2012, Xi Jinping became the general secretary of the Communist Party of China Central Committee and became the president of China the following year, officially starting his current three-term ruling period. In the process of his gradual promotion, his cronies gradually entered the core management of Shanghai and governed the city. During his first two terms of office, he gradually eradicated the Princelings (太子党)¹ and Tuanpai (团派)² factions in the central power level, laying the foundation for his long-term governance. At the 20th National Congress of the Communist Party of China in 2022, the "Xi faction" led by Xi Jinping occupied all 24 members of the Political Bureau of the CPC Central Committee (New York Times, 2022).

In 2022 to 202, Li Qiang, who was in charge of Shanghai during the epidemic, became the Premier of the State Council. Even though the city closure policy during the Shanghai epidemic in 2022 made Li Qiang the most criticised municipal party secretary in 49 years, strong nepotism allowed Li Qiang to be promoted to the core power level in China (New York Times, 2022). Therefore, I think it is necessary to study Shanghai policy in the past 20 years, because most of this group of core power officials in Shanghai have entered the core power level of the CCP and are preparing to implement their governance policies and experiences

¹ Princelings (太子党) are descendants of prominent and influential senior Communist Party officials in the People's Republic of China. They usually become the business elite in the early days, and usually they hope to gain more political power (Li, 2009).

² Tuanpai (团派) are described as those government officials who originated from the Communist Youth League (共青团). Members of the Tuanpai usually have a relatively high level of education, relatively humble backgrounds, and lack of experience in grassroots governance. They are mainly produced by the Central Communist Youth League. (Li, 2009; Lu, 2015; Chiang, 2015).

nationwide in the future . Based on China's political system, policies for at least the next five years should follow the governance experience of Xi Jinping and Li Qiang. Considering Li Qiang's long-term experience as Xi Jinping's secretary, it is very likely that he will continue to be re-elected as prime minister five years later. And if there is no accident, the Xi faction will also rule China for a long time. Therefore, the impact of Shanghai's policies on social mobility may also become a national policy in the future, which in turn will have an impact on national social mobility. Although not all policies and guidelines will be applied nationwide due to regional differences and economic differences between cities, the general direction of government should continue the governance experience of the "Xi faction" which absorbed the old "Shanghai Gang".

Taking Shanghai's social mobility as the research goal, this study hopes to provide a reference value for China's future social mobility policy by analysing Shanghai's past social mobility data and related policies . It uses annually updated statistics from the Shanghai Bureau of Statistics with relatively high transparency when compared to other China's cities. Thus, Shanghai normally is regarded as China's reformist outpost. In this research, social mobility will contain a few key concepts: social class, *Hukou* household registration system, income gap, occupation and education. These concepts will be explored in each chapter. In each chapter, the transformation of social mobility will be shown with historical data from the Shanghai Bureau of Statistics and the China Bureau of Statistics.

Social mobility refers to a change in an individual's socioeconomic status, which is linked to equality of opportunity, classified as intergenerational mobility and same-generation mobility((Moro-Egido, Navarro & Sánchez, 2022; Becker & Birkelbach, 2018). Social mobility and equality of opportunity can be measured from earnings, income, or social class, but can also be understood to encompass other well-being dimensions such as health and education. Firstly, intergenerational mobility means the social mobility of individuals compared to their parents. This mobility is considered from whether people have the same equality of opportunities regardless of their parents' socioeconomic background, their gender, age, sexual orientation, race, ethnicity, birthplace, or other circumstances beyond their control. On the other hand, same-generation mobility means social mobility in individuals' lifetimes (ibid.). The individual social status shift is more related to individuals' personal efforts and

careers. However, intergenerational and same-generation social mobility both affect an individual's Subjective well-being and create stress for the individual.

2. Background

2.1 Research Questions

In this thesis, I will first introduce the unique household registration system in China, also known as *hukou*. This system has been affecting the work and life of Chinese people since the Maoist era. There have been four stages in Shanghai based on the *hukou* system in history, and I will introduce these four stages in chapter one. After that, I will analyse Shanghai's local *hukou* policy in the past 20 years and Shanghai's new migrant population, hoping to find out whether Shanghai has been open and accepting enough migrants since 2000. Because *hukou* is a threshold of social class, it will affect whether migrants have the ability to enjoy the same medical and education rights as the locals in Shanghai. Hukou is a threshold in social mobility.

In Chapter Two, I will focus on the ISEI (International Socio-Economic Index) model, the case study of which will first be used to explain how to analyse social mobility in China by Li, and I will use this ISEI model to analyse social mobility in Shanghai over the past 20 years. The main focus of this model is the occupational situation. Therefore, Chapter Two will focus on analysing social mobility based on occupation. However, I think Li's IESI model only deals with changes in occupational social mobility, but it is not comprehensive. One reason is that workers may have shifted to better industries that are more respected by society in terms of occupation, that is, industries with higher ISEI, but their income level may not have increased much, or may even be regressed, considering inflation, taxes and expense raised. In this case, I do not think that the social class of this worker has been greatly improved. Therefore, I hope to continue to explore the factors of income and expense change. I will compare the average income changes of various industries to study whether the real income level has also increased while the professional level has increased. If the growth of income levels of most jobs has not followed the rise in inflation and living costs, then I can only think that social mobility in Shanghai has only improved in the employment environment, and real social mobility has not improved or even declined.

Another factor is the change in the educational environment, because the education level of parents in the past was generally low, but the education level of the young labour force has generally improved a lot in the past ten years. Chapter three will focus on education and analysis whether education level affects education and income. This change means that if the income level of young people is not as good as that of their parents when they are the same age, there is bound to be a sense of wealth gap. This can make the younger generation wonder if their degree is worthwhile, which in turn affects their well-being. If they invest so much more in education than their parents, and their final income level is not as good as that of their parents, it will deal a huge blow to young people. Here we may refer to the NEETS (as known as "Not in Education, Employment, or Training", which refers to a person who is unemployed and not receiving an education or vocational training.) and youth suicide rates after Japan's bubble economy (Cox & Koo, 2008), this may be what will also happen to Chinese people in the future. From 1978 to 2004, suicide rate was highly correlated with unemployment rates in Japan, with a number of suicides per year averaged 25,199 (Inoue, Tanii, Kaiya, Abe, Nishimura, Masaki, Okazaki, Nata & Fukunaga, 2007). To this end, I need to use real income levels and education levels to represent real social mobility, besides unemployment rate.

Thus, my research questions are:

1. Can non-Shanghai residents quickly obtain Shanghai *hukou* and enjoy the same medical and education rights as locals?
2. What changes have occurred in the occupational situation of Shanghai residents in recent decades?
3. After calculating inflation, taxes and expense, do Shanghai residents have more disposable personal income during the recent two decades?
4. Based on the answer to these three questions above, how has the social mobility of Shanghai residents in Shanghai changed over recent two decades?

2.1 Methodology

In this thesis, a historical study will support the background and basic understanding of Shanghai and China's *hukou* transformation in the first chapter. In chapter two, I will adapt the

ISEI social mobility model in China to Shanghai. The ISEI method is developed from the Standard International Occupational Prestige Scale model (SIOPS). Occupational prestige refers to the subjective evaluation of people's overall approval and recognition of various occupations, measuring the social importance, value or contribution of each occupation in people's minds, and the respect and praise people give to corresponding practitioners. Usually, the occupational prestige indicator is formed through a list of occupations, and the respondents are asked to rate the popularity or approval of each occupation on the list. In 1977, sociologist Donald Treiman (1977) provided an international occupational prestige index suitable for different countries after comparing occupational prestige data from 60 countries, namely the International Standard Classification of Occupations (ISCO). Prestige scores are concentrated between 20-80 points. The higher the prestige the higher the occupation score. Through this method, we can turn abstract social classes into intuitive scores.

In addition, quantitative analysis will be the main method for the analysis section in each chapter. I have collected most of the statistic from Shanghai Bureau of Statistics and National Bureau of Statistics. Because the methods of statistical data may be slightly different, the data of the two Bureau of Statistics may differ from the statistical results of other institutions such as the World Bank. But this article is unified with the statistical methods of the National Bureau of Statistics and the Shanghai Bureau of Statistics. Any statistical methods and terms changes will be explained separately in the text in addition.

2.3 Social class background in China

Firstly, the middle class should be defined in my research. Bian (2002) has argued that China has a different social class compared to the West due to historical reasons. For example, in the State-owned enterprise factory, blue-collar workers were middle class back in Mao's period because they had life-long employment and high-level welfare (ibid.). In capitalism, a middle class normally participates in politics, with a stable income and social network, is educated, and shares similar mainstream values. Normally, in the Mao period, and continuing so for the following decades, the middle class in China was an unclear definition since they did not have a stable income and there was no common social evaluation for the middle class. Thus, I'll

introduce Li's model to classify and measure the social class with IESI score in China and utilise his model on Shanghai. In my thesis, income level will be the main measurement for social class in China.

However, for historical reasons, *hukou* and *danwei* often have an important influence on Chinese social classes. Rural and urban *hukou*, and *hukou* in different cities, restrict income and social welfare to varying degrees, resulting in social inequality and mobility. The specific historical background and influence of *hukou* will be expanded in the first chapter. According to Li's research (2019), middle-class share similar mainstream values and live a stable life, who can relieve the social conflicts between the working class and upper class. The middle class normally appeared during a country's economic transfer from secondary industry to tertiary industry, like most of OECD countries' transformations in the last century. In this transit, more white-collar workers appeared with increasing of service workplaces.

Currently, approximately 220 million Chinese people are still struggling in absolute poverty, who have less than 1.9 USD / a day income (ibid.). Only approximately 5% of Chinese people have income above 5,000 CYN (equal to 764 USD) monthly (ibid.). Chinese income social stratification is an "upside-down T". Around 90% of Chinese residents' GDP per capita are below the average. As Li has pointed out, the "upside-down T" structure will be one of the largest obstacles for China's sustainable development in the future (ibid.). Most of Chinese work force are working class because they are mainly farmers and intensive industrial producers. For instance, typical white collar workers like primary school teachers, general office staff, or sales personnel only share 2.3% of total population in China in 2000 (ibid.). Li's model will be introduced in Chapter two, and this is also the model I use to analyse the income structure and mobility of Shanghai's society. Shanghai is likely lead the trends in social development in China, therefore it is illuminating to see what has happened there.

The "upside-down T" structure means that the Chinese economy does not provide enough jobs in emerging industries for the working-age labour force unlike most OECD countries. In contrast, in the United States and OECD countries, the middle class usually dominates society. Over the past 150 years, industrialisation and urbanisation have led to a dramatic decline in U.S. agricultural employment. At the same time, a large amount of labour has been transferred to service and other industries, which usually require higher technical

requirements and educational backgrounds. They will also have higher income and social status than traditional agricultural employment groups. Desjardins (2019) summaries 150 years of U.S. employment history, which represents the most developed countries' social structure transformation. Agriculture share of U.S employment almost reached 60% in 1850, but it declined to 3% in 2015 (ibid). Manufacturing used to be 26% of U.S. employment in 1960, while it is below 10% in recent years (ibid.). In 2000, most of the employment in China was still concentrated in the bottom peasant class, very similar to the United States 150 years ago (ibid.).

2.4 Why is Shanghai important to this research?

Since the reform and opening up, Shanghai's political influence on China is actually second only to Beijing. One of the reasons is that senior government officials in Shanghai are often promoted to the central government accomplishments in Shanghai. From the perspective of political power structure, the promotion of core officials in Shanghai will also adjust crony factions into the central power structures. This means that Shanghai's experimental governance guidelines and policies will rise to the national level and become national governance guidelines through the vote of the NPC deputies.

Therefore, in my opinion, Shanghai's policies usually have precedent reference significance. Administratively, it is a municipality directly under the Central Government and an organic city under the jurisdiction of the Central People's Government. Economically, it is in line with international standards, and it can better reflect the social mobility of the Chinese economy after China's accession to the WTO and the beginning of globalisation.

2.5 Why is social mobility important?

The importance of social mobility can be argued for from two aspects: individual subjective well-being and change in society structure. Individual social mobility often affects an individual's subjective well-being. As noted, social mobility refers to a change in an individual's socioeconomic status, which is linked to equality of opportunity, classified as intergenerational mobility and same-generation mobility. Social mobility and equality of opportunity can be measured from earnings, income, or social class, but can also be understood to encompass other well-being dimensions such as health and education. Firstly, intergenerational mobility means the social mobility of individuals compared to their parents.

This mobility is considered whether people have the same equality of opportunities regardless of their parents' socioeconomic background, gender, age, sexual orientation, race, ethnicity, birthplace, or other circumstances beyond their control (Moro-Egido, Navarro & Sánchez, (2022). On the other hand, same-generation mobility means social mobility in individuals' lifetimes. The individual social status shift is more related to individuals' personal efforts and careers. However, intergenerational and same-generation social mobility both affect an individual's Subjective well-being (SWB) and create stress for the individual.

Sorokin's (1959) monograph on social and cultural mobility is considered the first sociological contribution to make explicit hypotheses about the potential impact of social mobility on SWB. Sorokin postulates that individuals who move between occupations (which can refer to both horizontal and vertical movement) are exposed to "breathing different social atmospheres and experiencing different standards, habits, morals, thoughts, customs, and beliefs" (Sorokin, 1959, 509). Although some positive consequences are also noted, individuals have to adapt to the respective standards of the new social status, which may create a cognitive load: leading to increased mental stress in the mobile social population (...) any change in occupation or socioeconomic status All need him [i.e. flow; author] new efforts and new work" (Sorokin, 1959, 510).

In short, this so-called separation hypothesis (Ellis & Lane, 1967; Houle, 2011) predicts that both upward and downward social mobility creates stress for individuals. From experience with normative and value differences between an individual's origin and destination class, both upward and downward social mobility impairs an individual's subjective well-being. Although Sorokin (1959) mentions occupational mobility in adults (see also Houle, 2011), this underlying mechanism is particularly evident for intergenerational mobility, as people are most familiar with their category of origin (Hadjar and Samuel, 2011).

When the middle class becomes the main body of society, the society will be stable. In contemporary developed countries, the middle class constitutes the majority of the population, thus structurally making social stability possible in these countries. Nevertheless, OECD countries are also facing the problem of shrinking middle class. For example, in 1971, the proportion of the middle class in the United States was 61%, and this proportion will shrink to 50% in 2021 (Pew Research Center, 2022). Correspondingly, the proportion of rich and poor

families has increased, and the gap between rich and poor has gradually increased. Since the 1970s, although American average income has increased significantly, the income growth of middle-class family has been far less than that of high-income family. The income of poor family grew even slower (ibid.). The gap between the rich and the poor brought the shrinking middle class problem, which is gradually undermining social fairness and stability. Social mobility is more limited for people from poor families. In European OECD countries, children from the worst family backgrounds grow up to earn 20% less than those from better family backgrounds (OECD, 2022). In OECD countries, it takes almost five generations for a child from a low-income family to reach the average income level of the country now. Low social mobility reflects underlying inequalities of opportunity and wealth gaps, which often undermine economic and social prosperity. Currently, 65% of OECD citizens of working age worry that they cannot secure their financial situation comparing their parents. Approximately, same proportion worry that their children will be less secure. (OECD, 2022).

OECD is facing the problem of shrinking middle class, while China is facing the problem of insufficient middle class. This is a key issue concerning social stability in China: a social structure in which the middle class is too small and the lower class is too large (Li, 2005). On the one hand, the level of urbanisation in China lags behind the level of industrialisation seriously. As early as 2005, the proportion of manufacture industry and services industry in GDP had reached about 88%, but the level of urbanisation was only 44% in the same year. In terms of employment structure, manufactory industry and service industry accounted for 22.8% and 31.4% labour out of total labours respectively in 2005, which means that nearly half of the population was still engaged in agriculture-related industries (Li & Zhang, 2006). The middle class is usually generated from the service industry, and the service industry employment accounted for only 31.4% (ibid.). Because of the huge gap between rural and urban in China, the self-identification of middle class are different. In 2005, Among migrant workers from rural, nearly 42% considered themselves to be in the "middle class" (ibid.). On the contrary, the urban hukou blue collar manual working class preferred not to identify themselves as the middle class of society.

Although the self-identity of the middle class is the result of a combination of different and complex factors, the biggest influencing factor in China is still income (Li & Zhang, 2006). Better social mobility means fair opportunities in society and better match of income,

education and occupation. Thus, social mobility is an indicator to measure whether China established a better social equality and a better wealth re-distribution system during high speed economic development.

3. The History and challenge of *Hukou*: the household registration system

3.1 What is *hukou*?

The term *hukou* (户口) means household registration in Mainland China and the concept plays a significant role in the contemporary Chinese social structure. Household and population registration in China began in the Western Zhou period (c.1100-771 B.C) and has continued for over two thousand years. The PRC has continued household registration as well to the current day. Under the *hukou* registration, Chinese people are limited to moving into or moving out of their natural-born administrative area. If a Chinese citizen wants to move into a new administrative area, he or she has to be verified and approved by the new administrative area (Zhao, 2001.). The original purpose of this policy is to limit and control channel workforce movements during planned economy since the PRC had a very large rural population and only a limited number of urban jobs (Cheng, Tiejun & Mark Selden, 1994). The household registration policy includes residential units and two types of registration statutes. In this policy, residential units include domestic households which means a traditional family structure, while collective households mean situations in which non-related persons live together, such as commonly found in companies and universities. As for the two registration statutes, inhabitants are classified either as urban inhabitants or rural inhabitants. Urban inhabitants are those people who live in a city or town. Rural *hukou* are those born in rural areas, although they can move into the urban area without urban *hukou*. There were some specific policies that allow rural inhabitants to live and work in urban areas, while they can only have less rights and less social securities, compared to native urban *hukou*. Some of these policies will be explained in later section.

Urban inhabitants have much better social security such as free health support, free education for their children, and higher pensions (Zhao, 2001.). Meanwhile, the lack of social security limited the development of rural areas. Urban governments prefer local urban inhabitants as well. Rural inhabitants have a chance to become urban inhabitants permanently by urban

companies' employment. In short, *hukou* is not only about a proof of residence, but also a winning of losing ticket in a competition of resources like education and social warfare.

In this chapter, I will introduce the evolution of *hukou* registration throughout history. Since the founding of the PRC, the changes in China's household registration management system can be roughly divided into three stages: "the first stage, before 1958, was the period of free migration; the second stage, from 1958 to 1978, was the period of strict control; the third stage, 1978–, half-open period" (Xinhua, 2014).

3.2 Free migration: resettle refugees

The early PRC promised the freedom of population movement. Some rural people could do seasonal long-term labour in urban areas. These workplaces were usually introduced through friends and familiars from the same village or town. One reason was that all parts of China needed to resume production from earlier wars, so labour movements was essential. At the same time, a large number of war refugees were expected to be resettled around big cities such as Beijing and Shanghai, and these urban residents had to move to the surrounding rural areas. For instance, Shanghai urged 350,000 people to return to Anhui and Jiangsu in less than a year after the war (Cheng, Tiejun & Mark Selden, 1994). These refugees and unemployed people could not be well-settled in Shanghai, so Shanghai reported that the industry and labours were essential to move to rural areas (ibid.).

At a time when the country was implementing a planned economy, the transfer of population also meant that resources such as industry and schools were able to be transferred from large cities to rural areas to balance the development between regions. From an ideological aspect, these people did the same voluntarily, responding to the call of the state and not being the enemy of the working class. On the other hand, in China, which was dominated by agricultural industry at the time, people who voluntarily relocated were rewarded with a piece of farm-land (ibid.). Obviously, farm-land in these villages was extremely important to improve income. Significantly, there were no policies or political barriers preventing them from returning to the urban areas. But when the planned economy began, food, housing and social welfare became urgent problems for the urban population. Firstly, urban population

control meant less stress for urban rebuilding and less social resource requirements. Secondly, the rural labour force had to provide enough agricultural products to support the urban population. As a result, the movement of the population began to be restricted, and the cities implemented the "*danwei*" system.

3.2.1 Before the Economic Revolution: work units and control of workforce movements

Before China's economic revolution, China was a typical socialist economy and concerned about social stability instead of social mobility. The citizens' life pattern was arranged by work units (*danwei*, 单位). Though it was called a work unit, it was not only a workplace and employers for citizens. Work units also contained the arrangement of employees' social welfare housing, movement and often their behaviour and thoughts (Bjorklund, 1986). Work unit system is part of the interim progress of China's social structure's transformation and urbanisation. Work unit created a foundation of urban framework for social harmony and political stability firstly and re-organised the economic activities in the Mao era. In addition, the labour from rural areas were limited to move into urban workplaces since the work units controlled a wide range of the urban citizens' lifestyle, including their *hukou*, marriage, divorce, family size, household registration, work registration and child-bearing (Bjorklund, 1986).

Social mobility during this period was low, because the new migrations and labours from rural area could rarely get accepted into urban work units. In the 30 years from 1950 to 1980, the proportion of the world's urban population increased from 28.4% to 41.3%, of which developing countries increased from 16.2% to 30.5%, but mainland China only increased from 11.2% to 19.4%. (Wu, 2002). During the 30 years from 1950 to 1980, the population of the nation's cities and towns due to migration and changes in the division of towns was estimated to be more than 63 million, an average annual increase of 2.1 million, only accounting for the total number of new urban populations in the same period (ibid.). Among them, the urban population growth in the 1950s was mainly due to migration; while the urban population growth in the 1960s and 1970s was mainly due to the natural growth of urban population, which had little to do with urbanisation. China was probably the only developing country able to prevent urbanisation this efficiently. According to the six censuses of mainland China in 1953, 1964, 1982, 1990, 2000 and 2010, the urbanisation rate was 12.84%,

17.58%, 20.43%, 25.84%, 35.39% and 49.68%. As of 2011, it has exceeded 50% for the first time, reaching 51.27%. In 2014, China's urbanisation rate reached 54.77%. According to data from the National Bureau of Statistics in 2017, 57.35% in 2016 (National Bureau of Statistics, 2019). In contrast, it took nearly 90 years for the urbanisation of the United States to rise from 15.41% in the 1850s to 56.52 in the 1940s (Worldbank, 2021).

The urban citizens livelihood was strongly combined to work units. The State-Owned Enterprises (SOE) were dominating the Chinese economy. Most of the urban citizens worked in SOE. Careers in SOE were regarded as secure, and known as the iron rice bowl (tiefanwan, 铁饭碗). Governmental workplaces used to be supremely secure, thus they were called the gold rice bowl (jinfanwan, 金饭碗). Handicraftsman were required to register with the urban government and were merely a small percentage. Urban labourers were usually to distribute their workplaces and housings by work units. Again, during this period, household child-bearing and education were also a part of work units' arrangement. For example, a child in urban *danwei* often went to a near-by school, and parents often worked in a near-by SOE factory. Work units had different scale. They could either be a small group of dozens of citizens or thousands of people. Due to work units played a role of community, work units often had public space like nurseries, shopping centres, schools, hospitals, and sports fields in well-developed work units (Bjorklund, 1986). The less developed work units often had a general store, basic clothing store, bathhouse, and a dinning-hall (ibid.). Though there was no typical middle-class concept in China during this period, a good work unit normally meant a secured income, welfare and careers. The advantage of work unit system was obvious in that population, family information and labour careers were under unified control. In short, under the socialist planned economy, workforce movement was controlled by government via the work unit system in urban areas.

Notably, due to the strict restrictions on population movement, the possibility of rural labour entering large and medium cities was very small. Therefore, the number and scale of developing towns become an alternative way of urbanisation in rural area before 1978, that is, farmers and labourers could establish and develop towns instead of entering cities. In fact, because of the expensive land resources in big cities and other problems, small urbanisation in towns is also a feature of urbanisation in many developed countries as well. However, under the traditional economic development strategy, due to the limited agricultural surplus and the

shrinking rural commodity production and market trade, the population growth of the urban areas was very slow. According to statistics, the population of town inhabitants nationwide was 33.72 million in 1953 (Bjorklund, 1986). In 1978, it was 53.16 million (ibid.). An increase of 57.65%, was lower than the natural growth rate of the nation's urban population. At the same time, the number of towns did not increase but declined. In 1954, there were 5,400 institutional towns in the country (ibid.). But in 1978, the number of towns nationwide fell to 2,850 (ibid.). It can be seen that before 1978, the town did not build a foundation for rural urbanisation. In other words, slow urbanisation process increased the barriers for rural inhabitants to obtain urban *hukou* and thus the possibilities for social mobility of rural hukou holders were very low.

The typical socialist work unit system was targeted at maintaining social stability and limited the workforce movements in China. The most of resources were dominated by political elites. As a result, low social mobility meant low Gini coefficient in China. The income differences in urban areas were very low, but a bit larger between cities and rural areas. In 1980, the Gini coefficient in urban China was 0.16, while the nationwide Gini coefficient was around 0.3 (Ho, 1985; Kornai, 1986). The reason behind this extremely low Gini coefficient was the planned economy and control of workforce movements via work units (Li, 2019.). During this period, the political obstacles were the main challenge for workforce moving to another city for either living or work. Though work unit system gradually disappeared during the reform period, it is still an influential system for China's urbanisation. Inheriting them from work units, neighbourhood committee offices took over responsibility for political and population issues in every district and community. As a part of work unit tasks, *hukou* and resource re-distribution via neighbourhood committee offices were inherited until today.

3.2.2 Half-open period after 1978

Economic reforms starting in the late 1970s uncovered a new era for the Chinese economy and its political structure. The social resources were gradually shifting from political elites to business elites, though the political elites still held their power to involve into business elites as well. A good example is military business. In 1985, Deng Xiaoping advocated saving military expenditures for reform and opening up, so military expenditures were tight, which gradually became a prominent problem faced by the central government and governments at

all levels at that time. Therefore, in this context, the army began to allow businesses.

According to statistics, by the first half of 1993, there were tens of thousands of production and operation entities in the military, employing more than 800,000 people (Ling, 2012).

Corruption arose when the military was in business. The military's commercial interests expanded rapidly and grew into a huge network, involving thousands of loosely connected corporate companies, from hotels, nightclubs, and golf courses to airlines, pharmaceutical companies, stockbrokers, and more (ibid.). The problem of the military engaging in business was improved during Jiang Zemin's administration. He ordered the army to get rid of its businesses.

The other is the corruption in early stage, which became revolving door problem from millennium. It originally refers to the transition of professional roles between senior government officials (in a broad sense) and business executives. One end of the "revolving door" is the business executives in the private sector, mainly referring to high-level corporate personnel or business interest group lobbyists who join the government with opportunities such as general elections and may make decisions that are beneficial to their former or future employers; At one end are high-ranking political officials who hold public power (Cai, 2010). After they leave office, they go to the private sector to work or act as lobbyists, and use their knowledge experience, special channels or network influence while in office to seek huge benefits for themselves or their employers. This has led to a large amount of social wealth flowing into the hands of de facto high-level government officials, such as former Premier Wen Jiabao. Many of his relatives and dependents have acquired enormous wealth because of him, including his wife and mother. The audit shows that he has controlled assets worth at least \$2.7 billion (New York Times, 2012). His mother is just an ordinary teacher, but at the age of ninety she owns a huge Chinese financial services company, which has at least a value of \$120 million (ibid.). Wen Yunsong, the son of Wen Jiabao, heads a state-owned company which is one of the Asia's largest satellite communications operator (New York Times, 2012).

Another example is Former President Hu Jintao's son Hu Haifeng (胡海峰), once managed a State-Owned enterprise in a monopoly on security scanners used in China's airports, shipping ports and subway stations (New York Times, 2012). And in 2006, Feng Shaodong, the son-in-law of Wu Bangguo, the party's second-ranking official, helped Merrill Lynch win a

deal to arrange the \$22 billion public listing of the giant State-Owned bank I.C.B.C., in what became the world's largest initial public stock offering (New York Times, 2012).

Evidence is mounting that the relatives of other current and former senior officials have also amassed vast wealth, often playing central roles in businesses closely entwined with the state, including those involved in finance, energy, domestic security, telecommunications and entertainment. Notably, most of the income earned by families of senior leaders may be entirely legal. But it is all but impossible to distinguish between legitimate and ill-gotten gains because there is no public disclosure of the wealth of officials and their relatives. The business dealings of the political elite are heavily censored in the State-controlled news media as well. From social mobility perspective the phenomenon means that political elite is also economic elite and channels to this strata are narrow in contemporary China. In particular, political elites control the bureaucracy, and easily let their relatives and families monopolise the business world through legal means. This is usually reflected in the fact that many senior shareholders or managers of state-owned enterprises are family members of political elites. And this also means that ordinary people are more difficult to become political and business elites, because earlier political and business elites had the ability to monopolise wealth.

Though Economic reforms have brought a lot of problems like corruption, there is no doubt that economic growth as the new priority replaced the aims of social stability after 1978. Secondly, a large number of SOEs were reformed and a branch of new private economic sectors rose up in the late 1990s and early 2000s. Thirdly, as SOE economic domination and age of equal secure jobs ended, workforce movements became unlocked and rural workforce began to obtain opportunities to move into urban areas for job hunting. Meanwhile, during this period, the income gap between rural and urban areas rocketed up. Social mobility therefore increased due to the reforms.

In the early stage of the economic reforms, neoliberal economic restructuring took place globally, including China. Neoliberals' capital from the US invested heavily around the world and local industries were outsourced to Latin America and Asia. Many Latin American countries economies were devastated. World capital needed to find new countries to invest in. Promoters of the free market, such as the World Bank and the International Monetary Fund (IMF) spread the view that China was on the fast track of economic growth because the

country has adhered to neoliberal policy prescriptions such as privatisation, deregulation, and decentralisation of fiscal resources and decision-making, and delegating power from the central to local governments (Ren, 2013). The view was that free markets would reform China. China had a vision of new economic model where rural areas had a free market-driven economy, while in urban areas a SOE driven economy would prevail. Under this vision, the central government implemented policies to simulate large-scale capital investments flowing into urban areas from 1980s. Towns moved from agriculture to specialising in a single product during the period. For example, "Qiaotou" became a famous town for cloth button manufacturing from the 1980s on and supplied buttons worldwide. From late 1980s to early 1990s, special economic zones, "open cities" and "development zones" were established to attract overseas investment, where favourable policies on land leasing, taxations and labour regulations were given to foreign investors (ibid.).

3.2.3 Shanghai's hukou experiments

As for urban *hukou* policies, there was a specific policy called "blue-printed *hukou*" implemented in the 90s but quickly replaced by point-based household registration in the late 2000s. Taking policy experiments in Shanghai as an example, other cities adopted similar policies quickly. In 1993, the number of births in Shanghai's registered population was less than the number of deaths, and the population entered a stage of negative growth. However, meanwhile, the social and economic development in Shanghai has accelerated significantly. Under this circumstance, the needs for migrant workers from other provinces and cities to settle in Shanghai has gradually increased.

Since 1994, Shanghai has hoped to be able to control the *hukou* more flexibly. On the one hand, the Shanghai government hopes to import capital, labour and migrants. But on the other hand, they realise that the current medical and education system in Shanghai were not sufficient to the overly large population. At the beginning of this stage, in order to promote investment and accelerate the development of the local real estate industry, Shanghai implemented the blueprint permanent resident registration policy (*lanyinhukou zhidu*, 蓝印户口制度). It was a temporary policy in specific time and only implemented for a few years. The blue-printed *hukou* registration was a household registration between the official household registration and the temporary residence registration. It was called the blue-printed household registration because of the blue-print affixed by the police. Initially, it was intended

to reduce the vacant backlog of commercial housing in Shanghai, and stimulate the local real estate market (Hu, 2013). The people who applied for the blue-printed *hukou* were roughly divided into four categories: one was acquired by purchasing a house; the other was the import of talents; the third was those who have families in Shanghai; the fourth was investors who come to Shanghai.

After 2000, the blue-printed *hukou* was gradually suspended in various places and gradually faded out and a new household policy called the Points-based *hukou* registration system (*jifenluohu zhidu*, 积分落户制度) replaced it. The main concept was the same that both of them were the temporary residence permits like a green card or visa. Since the most of population inflow in Shanghai was aiming at studying (Hu, 2013). The second portion of population inflow reason was seeking kinship. Some people moved back to Shanghai since they have been forced to move to rural areas during the Mao era and their relatives were in Shanghai. And some of them moved into Shanghai because of marriage (ibid.). Besides all functions of blue-print *hukou*, the points-based *hukou* registration system allows temporary residence permit to permanent residence, although the requirements are usually very high. Additionally, from 2019, except the tier 1 cities in China³, all cities are required to cancel the limitation of temporary residence permit conditions as long as the residents want to convert the *hukou* status. However, the requirements of converting to permanent *hukou* in Tier 1 cities was still high and often changes. In this way, Shanghai and other tier 1 cities governments can control the inflow of the *hukou* population.

The *hukou* system is a kind of social security guarantee the urban residents, and it is still a high wall restricting population movement. This can be traced back to the detention and repatriation system established at the beginning of the founding of the People's Republic of China. The detention and repatriation system is a system implemented by the People's Republic of China from 1961 to 2003. It is not based on laws and regulations, but a compulsory administrative measure based on the relevant regulations of the State Council of the People's Republic of China. Civil affairs agencies and public security agencies implement restrictions on personal freedom, Repatriation and other measures. After 2003, the original

³ Tier-1 cities in China (Chinese: 一线城市): Beijing, Shanghai, Guangzhou, and Shenzhen (colloquially known as "Bei-Shang-Guang-Shen", 北上广深).

shelter and repatriation stations were all renamed rescue stations, prefixed with the name of the city or county (Gao, 2009).

On November 11, 1961, the central government approved and forwarded the "Report on Stopping the Free Movement of Population" issued by the Ministry of Public Security, and decided that the civil affairs department would be responsible for taking in those people who had not issued a letter of introduction and sent them back to their original places. It is regarded as the official start of the detention and repatriation system, with the purpose of stopping the free movement of the population and maintaining the household registration system (Gao, 2009).

In 1982, the State Council issued the "Measures for the Accommodation and Repatriation of Vagabonds and Beggars in Cities (城市流浪乞讨人员收容遣送办法)" with the main purpose of providing relief, education and resettlement for the homeless in the city (Gao, 2009). It was originally used to accommodate and relieve the unemployed and disaster victims who flooded into the city with social welfare. It is a measure of social relief and maintenance of the image of the city. In the early 1990s, with the promulgation of the State Council's "Opinions on the Reform of Custody and Repatriation Work (关于收容遣送工作改革问题的意见)", the target of detention was expanded to include "three non-ID persons (三无人员)" (no legal documents, no fixed residence, no stable income), who has no ID cards, temporary residence permits and migrant workers, not certified migrants (People.cn, 2013). Under these rules, non-local citizens who live for more than 3 days in a city are required to apply for a temporary residence permit, otherwise they will be considered as illegal residents and will be detained and repatriated. This makes it more difficult for non-urban hukou residents to migrate and work in cities, because they usually come to cities with nothing when they seek job opportunities. According to the ordinance, the police have the power to arrest those who violate the regulations and deport them to their origins or detain them in shelters. In the process of implementation, the police often only target vulnerable groups such as unemployed migrant workers, homeless people, and beggars. Before some large-scale activities in related cities, the police often take concentrated arrests and repatriation actions for the sake of security and the image of the city (Gao, 2009). In other words, it is difficult for residents with non-local hukou to go to cities to have basic security when they are looking for a job, or even

after they get a job opportunity. They may be deported back to their hometowns or even lose their lives in custody.

Take the most infamous case of Sun Zhigang in 2003 as an example. Sun Zhigang, a graduate of Hubei University, came to Guangdong to work. Since he had just arrived in Guangzhou, he had not yet applied for a temporary residence permit. On the night of March 17, he was sent to the Huangcun Street Police Station by the police who checked his temporary residence permit on the road. Here, he made a phone call to a friend and asked him to send his identification documents to the police station. However, when the other party arrived at the police station with the bail money and Sun Zhigang's ID card, he was still refused bail unreasonably because Sun Zhigang had contradicted the police. Sun Zhigang was then transferred to a detention shelter. The shelter form inexplicably stated that sun was a member of the Sanwu and met the conditions for detention. However, the fact is that Sun himself had a normal residence, a legal job, and a legal ID card, so he did not meet the conditions for detention. On March 20, Sun Zhigang was found dead in a hospital receiving inmates. Although the official initially insisted that Sun Zhigang died of a normal illness, a reporter from Southern Metropolis Daily found out that he was beaten to death while in a shelter. Many media reported this incident in detail and exposed many cases of the same nature, which sparked a big discussion on the detention and repatriation system in society, and triggered reflection and criticism on the detention and repatriation system. In June 2003, the State Council promulgated the "Administrative Measures for the Rescue and Repatriation of Vagabonds and Beggars in Cities", and subsequently abolished the "Measures for the Accommodation and Repatriation of Vagabonds and Beggars in Cities" and other city regulations related to the detention and repatriation (Southern Metropolis Daily, 2003; the State Council of PRC, 2020).

Therefore, taking 2003 as a node, I think that after that, cities began to slowly relax the control of the flow of people, which is a huge improvement for social mobility. First of all, non-urban residents and those who enter the city have obtained a certain degree of basic security, and the restrictions on laws and regulations in the past have been reduced. Secondly, the lifting of this restriction also allowed more people to flow into big cities, which impacted the original social structure. Especially during the period of rapid economic development in China, Shanghai gradually introduced a large amount of foreign capital and capital from all

over the country. Especially the financial and real estate industries. This shift has provided a structural change in the job market. That is what I will discuss more in the next chapter. Shanghai also used to have the fastest growth in employment income in the financial industry, and the biggest change in the employment-population is blue-collar workers including the construction industry. .

Notably, city expansion with forced demolitions of rural villages normally offered an extra approach for rural inhabitants to get urban *hukous*, at least for those who lived close to the city. After forced demolitions of a village, local government had to resettle all villagers into urban housings and offer urban *hukou* as a remedy. Based on the household registration discussion, Zhao (2001) took Changping County's three villages in Beijing as a case study. She explored the transformation from the 1980s in three villages, that used to be an underdeveloped rural area. Located approximately 30 kilometres from the centre of Beijing, the rural inhabitants *hukou* decreased quickly to 70 percent because of expanding of Beijing (ibid.).

3.3 The challenge of the *hukou* system: increasing inequality

Free markets and foreign investments have accelerated the rise of the Gini coefficient in China. From the mid-1980s, the income gap within rural areas has continued to rise. According to Gini coefficient estimated by the National Bureau of Statistics, the Gini coefficient of the net income of rural households increased from 0.23 in 1985 to 0.31 in 1990, to 0.34 in 1995, and. 0.35 in 2000 (National Bureau of Statistics Rural Social and Economic Survey Team, 2001, p. 29).

The increasing of the income gap between urban residents began as well from initial stage of urban economic reform. Ahmad and Wang (1991) used survey data of urban inhabitants in 10 provinces and estimated that the Gini coefficient of the income gap in 1987 was about 0.26, which was a significant increase from 1981. According to data from the National Bureau of Statistics, by the end of the 1980s, the inequality in the income distribution of urban residents was much higher than that at the beginning of the reform, and the Gini coefficient had risen by nearly 50% (Ren & Cheng, 1996). Even if calculated in family subvention and income in kind into the actual income of households, the inequality of income has not changed

significantly. For instance, the Gini coefficient of urban inhabitants' monetary income in 1988 by the National Bureau of Statistics was 0.23 (Zhao & Kahn, 1994). Later, the income gap between urban inhabitants rapidly went up. In 1995, the Gini coefficient of personal disposable income was 0.33, which went up of by 10 percentage points over 1988 (ibid.). Although there was no Gini coefficient to compare the income gap in the late 1990s, it is not difficult to find that the income gap is wider from World Bank Gini index of China.

There is a large income gap between urban inhabitants and rural inhabitants. Began from 1980, the personal income and consumption gap between urban and rural areas expanded for nearly a decade and then was gradually reduced from 2003 on (National Bureau of Statistics of China, 2021). The personal consumption ability gap reached its highest level in 2000, and the gap ratio was close to 3.6 between urban and rural (ibid.). From 1990 to 1995, the urban-rural consumption and income gap declined for several years. The fundamental reason was that the government increased the purchase price of agricultural products. In 1994 and 1995, the average prices agricultural products were increased by 40% and 20%, and the average price of grain increased by 47% and 29% (Lee, 2003). In the last decade, the income and consumption gap shrank from 3.5 to 2.1 (National Bureau of Statistics of China, 2021). According to the concept of household disposable income, although the proportion of rural inhabitants in the national population is much higher than that of urban inhabitants, the total income allocated to them accounted for 57.1% of the total national income in 1988, and this proportion decreased by 1995 when it was 49.1%, while the proportion of rural population dropped only by 3.2% during this period (Kahn and Li, 1999).

The reform and restructuring of Chinese enterprises have had an impact on income distribution in three aspects. First, the change in the distribution system within enterprises has caused an increase in the income gap between employees. In the 1980s, companies introduced bonus-based incentive mechanisms, and the number of bonuses increased substantially, and the distribution of bonuses became more uneven. This has played a vital role in the widening of the income gap between employees. In the analysis of the data in 1988, it can be found that the non-wage income of employees from the work unit accounted for a quarter of the total family income (Lee, 2003). This non-wage income accounts for the 28% of urban-rural income gap, which means urban residents have 28% more income from social security and other benefits (ibid.). Second, the reform of SOE accelerated the process of corporate

bankruptcy, suspension of production, and laying-off and diversion of employees, which led to a decline in the income of some employees. As a result, the income gap within cities and towns has naturally increased. In the estimation results of the employee income function in 1995, the average income of those who had been laid off or unemployed during that year was 37.9% lower than that of other urban employees, and the income of employees in loss-making enterprises was 21.3% lower than that of employees in profit-making enterprises (ibid.).

Further analysis by Meng (2001) shows that the explanation of laid-off and unemployment for urban workers' wage differentials was 1.4% in 1995, which rose to 9.1% in 1999. The explanation of corporate losses for urban employees' wage differentials rose from 2.4% in 1995 to 6% in 1999 (ibid.). More importantly, lay-offs and being unemployed caused some urban families to fall into poverty. Third, the restructuring process of SOE that began in the late 1990s had an expanding impact on the wage gap between urban employees and even the individual income gap within cities and towns. After the enterprise was decentralized, even if the employees' held shares within the company, due to the unequal distribution of shares, the distribution of dividends aggravated the income distribution gap between employees within the enterprise (Lee, 2003). Unlike in the rural areas, the income of urban residents mainly comes from their wages. From 1988 to 1995, the actual average wage of urban employees increased by 18%, the coefficient of variation of wages among employees also increased by 18%, and the Gini coefficient increased by 30% (ibid.).

3.4 *Hukou* migration rate in Shanghai

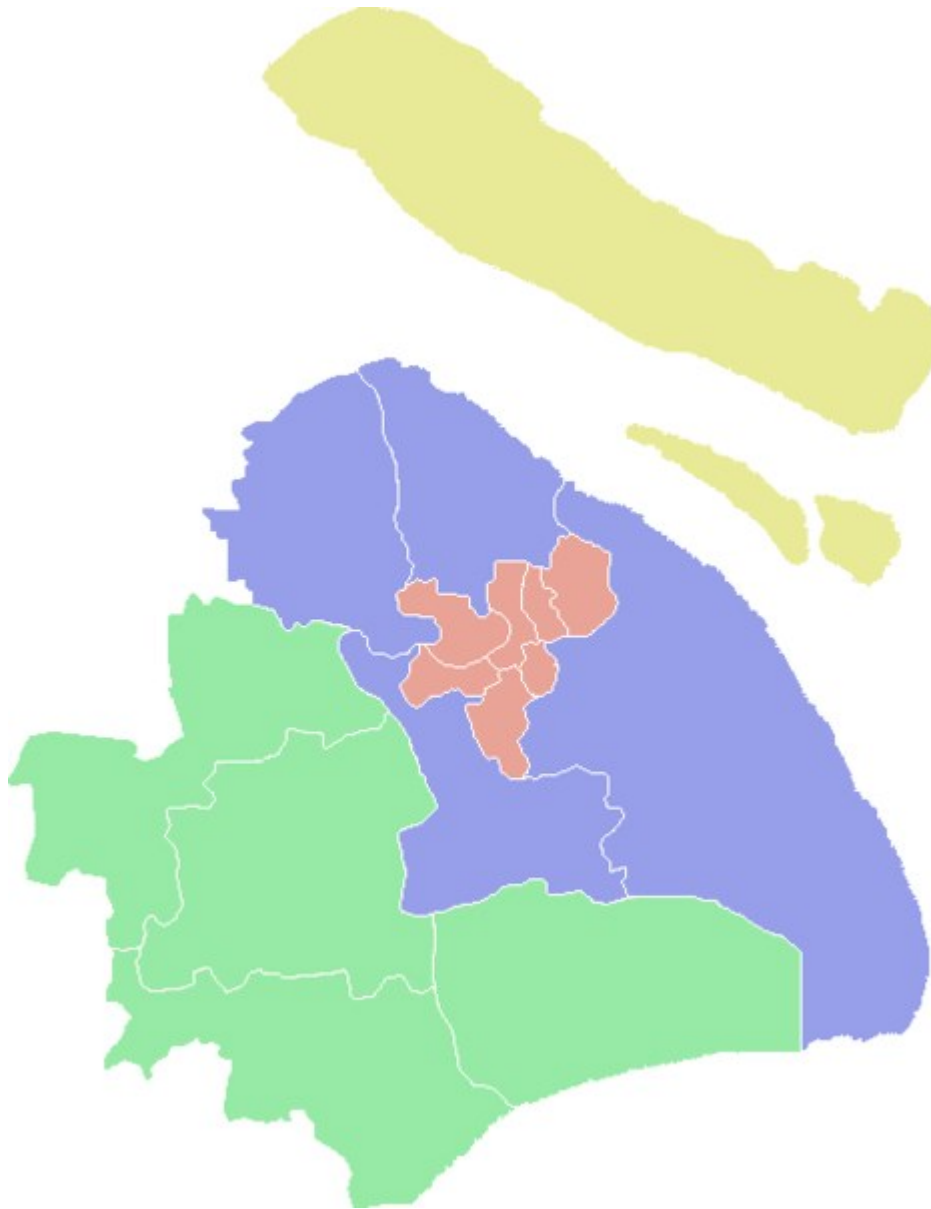
I think that the contribution of Shanghai immigrants to Shanghai is mainly reflected in the labour market, because most of the labour force and employment opportunities in the early days were given to Shanghai locals, but since 2010, more than half of Shanghai's permanent population are migrant workers (Shanghai Statistics Bureau, 2022). Firstly, the *hukou* migration rate in Shanghai consists of two parts: out-migration residence and in-migration residence. Secondly, Shanghai's resident *hukou* consists of urban and rural *hukou*. According to the previous chapter, there is an income gap between urban and rural *hukou*. Thus, the research questions that I will explore in this section is:

1. Is the *hukou* migration rate in Shanghai becoming higher in recent 10 years, comparing to 2000s?

2. What are the difficulties for migrants to obtain Shanghai *hukou*?

Overall, assuming that Shanghai has a higher *hukou* migration rate and that the income gap between urban and rural *hukou* narrows, then we can conclude that Shanghai's social mobility is on the rise, as far as *hukou* is concerned. Because more people can flock to Shanghai to become Shanghai residents, and by having an urban *hukou* they can benefit from the quick development of social welfare. At the same time, if the income gap between urban *hukou* and rural *hukou* is reduced, social distribution is becoming more equitable, which guarantees social mobility. Because low social mobility means unfair social distribution and a lack of promotion channels between classes. Conversely, if the rate of in-migration to urban *hukou* is low- and the-income gap between urban and rural *hukou* increases, then the inequity in social distribution will increase, which means that the promotion channels between classes are not fair and transparent, or at least are getting so.

First, let's take a look at the data on the *hukou* migration rate in Shanghai. According to the Seventh National Population Census (2021), in terms of sub-regions, the population of the central urban area was 6,683,712, accounting for 26.9%. The population of Pudong New Area is 5,681,512, accounting for 22.8%. The population of the suburbs is 12,505,671, accounting for 50.3%. Regionally, compared with the sixth national census in 2010. The proportion of urban population decreased by 3.4 percentage, and the proportion of Pudong New Area population increased by 0.9 percentage, and the proportion of the suburban population increased by 2.5 percentage (ibid.). For better understanding the political districts division, a map of the major divisions of the municipality of Shanghai is attached below (map 1).



Map.1 map of the major divisions of the municipality of Shanghai

Districts in red comprise the historic downtown Puxi, where has long been regarded as central city, including Huangpu, Xuhui, Changning, Jing'an, Putuo, Hongkou, and Yangpu. Those in purple refer to the inner suburbs, and those in green refer to the outer suburbs, including Minhang, Baoshan, Jiading, Jinshan, Songjiang, Qingpu, and Fengxian. The rural county of Chongming in gold. Notably, in national population census and most of census data in this research, inner suburbs, outer suburbs and rural county Chongming area summed up together as suburban areas.

In addition, I collected more detailed statistics from Shanghai yearbooks and previous national population census for further analysis. I made a table and a few charts below for clearer comparison and statistical analysis. From the table1 and charts below, we can see that the number of residents with Shanghai *hukou* increased by about 1 million in the 20 years from 2000 to 2020, but the Shanghai resident population in total increased by about 8.47 million (Shanghai Bureau of Statistics, 2021). In other words, the growth of Shanghai residents during the 20 years mainly came from the migrant population, non-Shanghai *hukou*. During the same period, we can see that the growth of non-shanghai *hukou* residents increased by 186.45% from 2000 to 2010, but from 2000 to 2010, shanghai *hukou* residents only increased by 5.8% (ibid.). At the same time, we can also see that the proportion of non-Shanghai *hukou* residents in the total proportion of Shanghai residents is constantly increasing. New immigrants who went to Shanghai from 2000 to 2010 are more likely to obtain Shanghai *hukou* than new immigrants after 2010. This means that most of the people entering Shanghai are just migrants working in Shanghai, and they have not obtained the corresponding Shanghai *hukou* after 2010. In the occupation part, I will analyse the population entering Shanghai in more detail, which class they will finally find a job in, and analyse the occupational distribution in Shanghai. In the education section, the education statistical analysis of Shanghai residents will be given as well.

China National population Census	1	2	3
	Fifth National Census in 2000	Sixth National Census in 2010	Seventh National Census in 2020
Resident population in total (unit: 10k people)	1,640.77	2,301.92	2,487.09
Shanghai hukou resident (unit: 10k people)	1327.28	1404.22	1439.12
non- Shanghai hukou resident (unit: 10k people)	313.49	898	1,047.00
non- Shanghai hukou resident percentage	19.11%	39.01%	42.10%
Shanghai hukou resident percentage	80.89%	61.00%	57.86%
increase resident compared to last census		40.30%	8.04%
increase non- resident compared to last census		186.45%	16.59%
increase Shanghai hukou resident compared to last census		5.80%	2.49%

Table 1. Shanghai residents *hukou* transformation

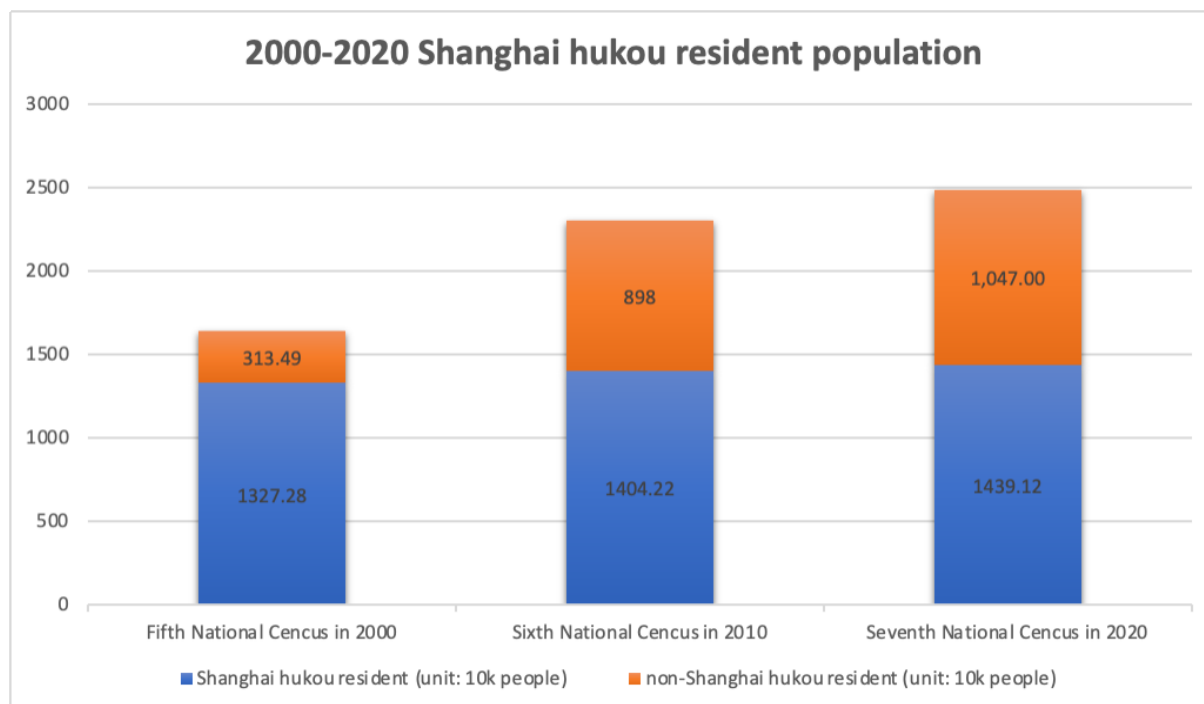


Chart 1.1 2000-2020 Shanghai *hukou* resident population (Sources: Shanghai Statistical Year Books, 2000-2020)

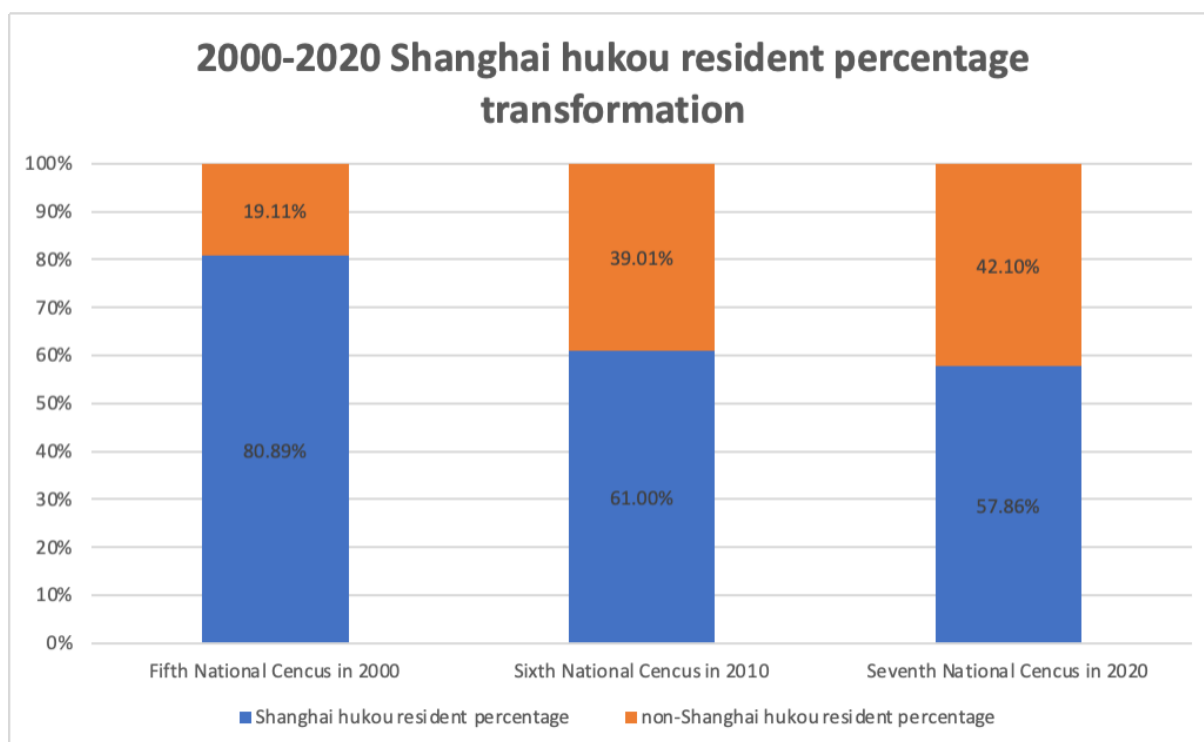


Chart 1.2 2000-2020 Shanghai *hukou* resident transformation (Sources: Shanghai Statistical Year Books, 2000-2020)

As far as the migration rate of *hukou* is concerned, Shanghai clearly does not give migrants enough promotion channels to obtain Shanghai *hukou*. So, what's the reason behind this?

One of the main reasons is that Shanghai needs to restrict the inflow of population, for which purpose Shanghai has given extremely harsh settlement conditions to obtain Shanghai *hukou*. But on the other hand, Shanghai has been facing aging society since the 1990s. The earliest signal was the first negative growth in Shanghai's natural population growth rate in 1994, which meant that Shanghai began to show signs of aging society. Consistent with China's *hukou* system, the local population migration in Shanghai has roughly gone through four stages discussed above: the first stage (1950-1957), with high volume of transient population migration and relatively loose migration restrictions. The second stage (1958-1976), with strict migration control policy, the emigration population far more than the immigrant population. The third stage from 1977-1993, during this period, the policy of settlement of foreign talents and emigrants returning to Shanghai were gradually loosened. In the fourth stage (after 1994), when the natural change of the Shanghai registered population continued to, the net migration of the registered population increased significantly (Hu, 2013).

In 1993, the number of births in Shanghai's registered population was less than the number of deaths, and the population entered a stage of negative growth. However, meanwhile, the social and economic development in Shanghai has accelerated significantly. Under this circumstance, the needs for migrant workers from other provinces and cities to settle in Shanghai has gradually increased. As discussed above, since 1994, at the early period of the fourth stage, in order to promote investment and accelerate the development of the local real estate industry, Shanghai has implemented the blue-printed *hukou* registration policy for permanent residents. Blue-printed household registration policy was a temporary policy in specific time and only implemented for a few years. Initially, it was intended to reduce the vacant backlog of commercial housing in Shanghai, and stimulate the local real estate market. After 2000, the blue-printed *hukou* was gradually suspended in various places and gradually faded from the stage of history and a new household policy called the Points-based *hukou* registration system replaced blue-printed *hukou* policy. The points-based *hukou* registration system allows temporary residence permit to permanent residence permit. In addition, temporary residences with high points are allowed to have rights to education, rights to social welfare as well, while they are not allowed to purchase or invest in housing property. The

reason for housing property will be explained later. Simultaneously, the requirements of converting to permanent Shanghai *hukou* were high and often changed in their details. In this way, Shanghai government can control the inflow of Shanghai *hukou* population, and some non-Shanghai *hukou* residence can partly share the same rights.

Hu summaries the three reasons for migration move into Shanghai, based on the population inflow from 2007 to 2011 (Hu, 2013). The first reason is education. School-based migration accounted for the largest proportion of migration types, approximate 40% of migration move to Shanghai for education. The migrant's population enrolled in colleges and secondary schools from other provinces and cities and transferred to Shanghai *hukou* finally. In the five years from 2007 to 2012, the number of new students studying in Shanghai was between 50,000 and 70,000 every year, accounting for about 40% of the inflow population. The majority (about 80% in the past 5 years) of the migrant population studying in school will move out of Shanghai with their registered permanent residence after graduating from school (ibid.).

According to Hu (2013), relative migration accounts for a second high proportion of the total migration. Besides the migrants for schooling, we can divide migration into two main categories: independent migrants (独立落户) and relatives' migrants (亲属落户). The so-called independent migration refers to non-local personnel handling their own household registration. Independent migration category included employment category, talents and investors. Employment means those who work in Shanghai, but they are required to work in specific high-tech industries or finance areas with high income to apply *hukou*. Talent's category includes high education level resident, who usually study in top QS ranking universities or domestic top universities. Investment migration usually purchased real estate and moved in Shanghai. These three types of independent immigrants are designed to accept high-tech talents and high-income investors to become residents of Shanghai. In terms of the type of migrant population from 2007 to 2011, in addition to the type of school-going and other inconvenient classification, the proportion of independent migration is significantly lower. According to statistics from the Municipal Population Office, employment, talent, investment, and relocation only accounted for the total 37% of the reasons for the migration, while the family-based migration category is significantly higher (ibid.).

3.5 Summary

At the begin of the PRC, *hukou* didn't play a significant role due to the urban rebuilding and resettling of refugees. However, a gap between urban and rural areas was established quickly when the "*danwei* system" restricted the population flows and workforce movements between urban and rural areas. The word "*danwei*" is still used for SOE and government workplace today. It is not difficult to see the influence of this system. Subsequently, controls between urban and rural *hukou* were loosened again, as the economy started to develop. Cities need a lot of rural labourers, and the rural population also needs higher income from work. Many special intermediate policies also operated at this stage, like the blue-print *hukou* and point-based household registration. However, the imbalanced development between urban and rural areas has caused the increasing inequality between rural and urban *hukou* holders.

Meanwhile, Shanghai does not provide enough *hukou* liquidity for migrants who move to Shanghai for work. Most of new *hukou* residents are students. After they finished their studies they left Shanghai, and did not stay in Shanghai to work. Their income and social class were decoupled from the local employment situation in Shanghai. On the other hand, the second category of migrants is mainly family-based immigrants. Shanghai does not open household registration applications for a large number of low-income labour and labour with low education. Eventually, this makes a large number of Shanghai migrants leave Shanghai even if they can work in Shanghai, and the local population in Shanghai is ageing. From the analysis of the *hukou* migration rate, it can be seen that the social mobility of migrants in Shanghai is relatively poor, and Shanghai is more willing to accept high-tech talents and investors with a lot of wealth. Although Shanghai has cancelled the *danwei* system of the planned economy era, and the mobility of the population has improved a lot. In the past 20 years, Shanghai has implemented many restrictions on *hukou*, resulting in a large number of new people who have not obtained Shanghai *hukou*. In today's increasingly ageing population, Shanghai's total fertility rate is only 0.5 in 2021, which will worsen the population structure of Shanghai in the future. Will future migrants still be willing to stay and work in Shanghai without getting Shanghai *hukou*? This is a question worth pondering.

4. Social mobility model (ISEI)

In this chapter, I will introduce Li's model of ISEI to analyse how he uses this model to establish social mobility. This model will also be used by me in my research. I will collect data on employment in Shanghai in the past. And the statistical data is made into icons to analyse the current employment and income of Shanghainese.

4.1 ISEI: A model of social mobility in China

In this thesis, the migrant's social mobility is analysed using four criteria: income gap of occupation, income gap of *hukou*, access to social welfare, and access to education.

Before the economic reform and opening, individual's political status was often of higher importance in social mobility than other factors. In the era of a planned economy, the work unit system and *hukou* system limited residents' employment channels. The workplace is dominated by life-long state-owned enterprises, and the life-long system determined that the economic status of residents often could not be changed. Political status was particularly important at this stage. Political status was not only the embodiment of residents' political power but also related to ideology. Due to official propaganda, in socialist ideology, pre-reform China's evaluation of political identity could affect a person's class status. For example, the common working class, poor and lower-middle peasants, revolutionary cadres, and revolutionary soldiers usually had higher social and political evaluations. Landlords, rich peasants, capitalists, counter-revolutionaries, and rightists were often excluded because of the socialist ideology (Li, 2019). At the same time, some people could have a higher political status and a lower economic status, such as the working class and the poor peasants. The evaluation of this political status was close to the prestige of social stratification, and the evaluation from others in the group was not highly correlated with its economic status.

However, after China's economic reform and opening, the importance of economic status replaced the original importance of political status, and the market economy gradually replaced the planned economy. The result of this shift is that the political class of Chinese residents is no longer a measure of a resident's identity. Although the consideration of political status remains in the current Chinese society, this assessment standard mainly occurs in the workplace of government agencies. In this workplace, government agencies often tend

to hire Chinese Communist Party members rather than non-party members. Today, when the private economy dominates, economic status can better reflect a person's social class. Today, like in most market capitalist countries, China's economic status and income are often related to occupation. In this research, occupation and economic status will be the main consideration for social classes and social mobility.

Therefore, China's social class is mainly considered in this study from occupation and wealth level, referring to the international socio-economic index (ISEI). The method can be traced back to Canadian scholar Blishen (1958, pp. 519-531) and American scholars Duncan (Duncan, 1961, pp. 109-161). ISEI is weighted according to the objective average education level and average income level of each occupational group, and sometimes also considers the age of the employee and even the wealth of the employee's father, socioeconomic characteristics, and other factors. The "Socioeconomic Status Index" is an order and score that integrates people's various socioeconomic factors. It is an objective status rather than a subjective status, although the index has a strong correlation with the index of subjective occupational prestige measurement. Treiman, together with Ganzeboom and Graaf, proposed the "international standard occupational socioeconomic status index", which is the ISEI value used in this research (Ganzeboom, Graaf & Treiman, 1992). In establishing the index, Treiman used 31 sets of data from 16 countries. These countries include the least developed to the most developed countries, adopting the international standardized occupational classification system, and at the same time standardizing the indicators of education and income internationally, which is not only internationally representative but also solves the problem of national differences. Most occupations have an ISEI score between 20 and 80, with higher socioeconomic status occupations having a higher ISEI. According to the "international standard occupational socioeconomic status index", Li simplified ISEI into seven categories as below (2019).

Table1-1 International Socioeconomic Occupational Status Index (ISEI) for occupational categories

Occupational categories	ISEI Score
Professional, technical, and related personnel	67
Managers, business managers	67
Business worker	49
Sales	51
Service Industry Personnel	38
Agriculture, animal husbandry, forestry workers	25
Production workers, transport workers and manual labour workers	34

Li computed ISEI statistics based on the fifth Chinese census and got the following table1-3. The left column of the table is the ISEI score, the middle column is the number of people corresponding to each ISEI score in the sample survey, and the right side is the percentage of the ISEI score in the total sample. Based on this, Li produced one social structure chart (2019, pp. 196-201).

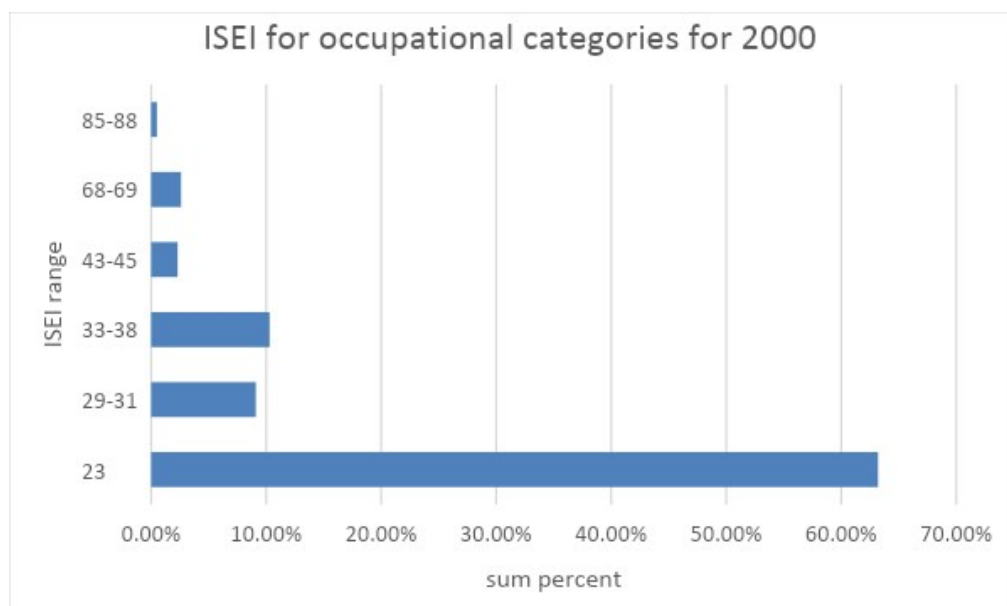


Chart 1-3 ISEI of the fifth Chinese census (age group 16-64, 2000) (Li, 2019)

Li (2019) explained that IESI 23 group account for 63.2% of all employed persons, and the occupational groups that make up this score are farmers, including those engaged in the cultivation of crops such as fields and scaffolding, agricultural and side-line product processing personnel, planters' industry employees, animal husbandry production personnel, livestock, and poultry breeding employees, as well as garbage collectors for a living, cleaners, and others (ibid.). Among them, farmers who are engaged in field labour, that is, farmers in the traditional Chinese sense, account for 9.12% of this group, accounting for 58% of all employed persons, and 5.2% of other manual labourers except peasants, which together constitute a huge bottom of the T-shaped society group (ibid.). This group reflects a very harsh reality in China: the lowest ISEI group is disproportionately large.

ISEI group of 29-31 are slightly more numerous in the column-shaped group, accounting for 9.1%, consisting of mostly construction workers, earthwork construction workers, concrete configuration workers, scaffold workers, geological survey workers, coal mine metallurgical mineral mining workers, construction material processing workers, metalworking workers, shipping handlers, rickshaw workers, takeaway delivery workers, transport workers, lumberjacks, slaughterhouse and meatpacking workers, fur processing workers, shoe-making workers, handicraft workers and others (ibid.). Most of these people are migrant workers and township enterprise workers transformed from peasants, and their actual social status and actual living standards are relatively close to those of peasants.

Groups of ISEI 33-38, with a slightly larger number, accounting for 10.3% of the total employment, are mainly composed of road, road, railway, water transport personnel and other transport service personnel, general business personnel in the commercial service industry, service personnel in the catering industry, service personnel in mechanical and electrical products, electronic product equipment personnel and assembly personnel, mechanical power equipment assembly personnel, mechanical equipment repair personnel, electronic components and equipment manufacturing and assembly personnel, instrumentation repair personnel, handicraft manufacturers, musical instrument manufacturers, life and production power equipment installation and operation repair personnel semi-technical workers in the chemical industry, semi-technical workers in the processing industry, and so on (ibid.). This

class is located between the middle class and the blue-collar class and can be called the upper blue-collar class or the lower-class white-collar class.

The proportion of the following groups is even smaller. In comparison, the following groups are worth mentioning Groups ISEI of 43-45, accounting for 2.3% of all employed persons, mainly primary school teachers, kindergarten teachers, nurses, general administrative services personnel, general office staff, general corporate staff, business service personnel, sales, exhibition personnel, purchase and sales personnel, and others (ibid.). It is a typical white-collar group.

Groups of ISEI 68-69, accounting for 2.6% of all employees, are mainly managers and principals of various enterprises engaged in production, sales and service, technology professionals, planning and design personnel, engineering and technical personnel in electronics, electricity, radio, film, television and transportation areas, middle school teachers and various technical secondary, intermediate and secondary vocational education personnel, professional and technical personnel in administrative management, and others (ibid.).

In the group with the highest score, the proportion of 85-88 points is slightly higher, but it only accounts for 0.5% of all employees, mainly consisting of managers, directors, doctors, professors, senior professional and technical personnel in banks, finance and securities companies, heads of party and mass organisations of state's department, lawyers, judges and other high-level judicial personnel (ibid.).

After aggregating the data for these occupations, I recreated a table1-3 for better understanding.

Table1-3 International Socioeconomic Occupational Status Index (ISEI) for occupational categories for 2000

Occupational categories	ISEI range	Percentage
Agriculture, animal husbandry, forestry workers(农民).	23	63.2%
Migrant workers and township enterprise workers transformed from peasants(农民工), such as construction workers.	29-31	9.1%
Between white-collar and blue-collar: Semi-technical workers(技术工), such as electronic components and equipment manufacturing assembly personnel.	33-38	10.3%
White-collar, such as primary school teacher, general office staff, sales.	43-45	2.3%
Upper white-collar: Professional and technical personnel in administrative management, technology professionals, high school teacher.	68-69	2.6%
Upper class: Managers, directors, doctors, lawyers, professors, head of finance and state organisations.	85-88	0.5%

In contrast, in the United States and OECD countries, the middle class usually dominates society. Over the past 150 years, industrialisation and urbanisation have led to a dramatic decline in U.S. agricultural employment. At the same time, a large amount of labour is transferred to service and other industries, which usually require higher technical requirements and educational backgrounds. They will also have higher income and social status than traditional agricultural employment groups. Desjardins (2019) summaries 150 years of U.S. employment history, which represents the most developed countries' social

structure transformation. The agriculture shares of U.S employment almost reached 60% in 1850, but it declined to 3% in 2015 (ibid). Manufacturing used to be 26% of U.S. employment in 1960, while it is below 10% in recent years (ibid.). We can see from the table that in 2000, most of the employment in China was still concentrated in the bottom peasant class, very similar to the United States 150 years ago. In an ideal ratio analogous to the United States, the peasant class needs to be greatly reduced to less than 10%, and these former farmers need to move to skilled workers and white-collar workers in large numbers. This means that China needs to generate a large number of industrial and service workplaces for the current peasant class. In studies on social stratification, the T-shaped structure is relatively rare. Compared with the pyramid-shaped structure, there are no boundaries and transitions between the classes represented which means the T-shape is more prominent. Economically, Chinese wealth social stratification is also an "upside-down T" that which approximately 90% of Chinese people are below the average GDP per capita today (Li, 2019).

In another word, the middle class was almost absent in China's social structure from the occupation representation aspect. The term "middle class" can mean many things. Being part of the middle class is based not only on the wealth of a particular social group but also on a sense of self-identity and sharing the values that the middle class typically represents. In the context of the general discussion on the importance of the middle class, it is worth mentioning that societies with the highest proportion of the middle class also tend to have the lowest proportion of the poor. In the Netherlands, for instance, the poor makeup only 6.0% of the population, while in Denmark and the Czech Republic their share is even lower, at 5.7% (OECD,2019). In comparison, Poland's poverty rate is 8.6%. In South Africa, almost a quarter of the population can be classified as poor (ibid.). However, there is almost no buffer or transition between the lower class and other classes in China in 2000.

The reason for the T-shaped structure can be various, but the *hukou* system is a vital reason. China's "T-shaped" social structure has not started in recent years but has lasted for a long time. Li believes that before the economic reform and opening up, it was a T-shaped structure, but at that time, the "political stratification" structure dominated the society and "economic stratification" was underrepresented (Li, 2005). Groups with lower economic and social status, such as the poor and lower-middle peasants, were with high political status, and the T-shaped structure was temporarily covered up.

Over the past 25 years of reform, China's economy and economic structure have developed tremendously. However, the urban-rural household registration policy remains in the *hukou* system over the past 40 years. Li (2005) believes that the serious lag of China's "urbanisation" under the restriction of household registration is the fundamental reason for the growing gap between urban and rural areas. It is known that the development of modernisation and industrialisation has always been parallel to the development of urbanisation. Preston and Horiuchi investigated the relationship between industrialisation and urbanisation in the vast majority of countries in the world (excluding China) from 1950 to 1970. Based on collecting a large amount of data, he found that the ratio was about 1:2 (Preston & Horiuchi, 1988), that is, for every 1% increase in the proportion of the industrial labour force in the total labour force, the proportion of the urban population in the total population will increase by 2%. With this as a reference, it is clear to know that a serious problem of lagging urbanisation has existed since China's economic reform.

Take the data of mainland China from 1978 to 2000 as an example. In 1978, the proportion of industrial labourers in China was 26.2%, and the proportion of the urban population was 17.92% (Li, 2005). By 2000, the estimated ratio of industrial (non-agricultural) labourers to all labourers was between 50-60% (ibid.). In this way, the proportion of Chinese industrial labourers to all labourers in 2000 increased by 28.2% compared with 1978. For the 1:2 ratio found by Preston and Horiuchi, the corresponding urban population should increase by 56.4%. However, the proportion of the urban population in China in 2000 was 36.22%, which was only 18.3% higher than that in 1978. In other words, the rate of urban development in China was only half of measured by international general laws.

Rural inhabitants are at a disadvantage under the *hukou* registration. Even if they work in cities, they can only be in the secondary labour market—that is, due to the restriction of household registration, migrant workers are generally employed in low-income, poor welfare, and unstable labour, which is a very low level of income compared with the urban population. Working and remittances cannot help narrow the gap between urban and rural areas, but instead, widen the gap.

Therefore, if no significant adjustments are made to the *hukou* policy for urban-rural divisions and if free competition between urban and rural areas is allowed, the lag in development in rural areas will only become much more serious. The income gap and consumption gap between urban and rural residents in China rose to the highest point in the history of the People's Republic of China in the late 1990s and early 2000s. Both per capita income and per capita consumption were about four times higher for urban residents than for rural residents. According to the analysis of the National Bureau of Statistics (2004), if the various benefits and subsidies enjoyed by urban residents are added, the income of urban residents was about six times that of rural residents. It is the urban-rural division system that makes it difficult to change the T-shaped social structure.

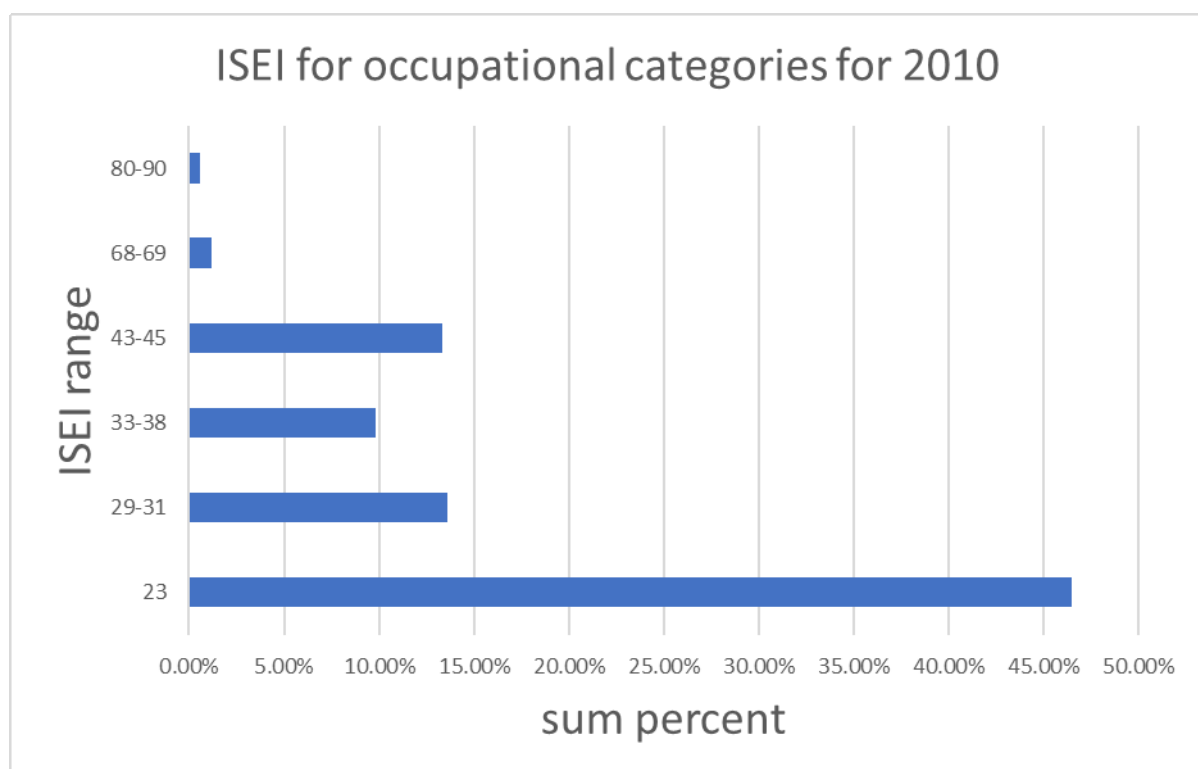


Chart 1-4 ISEI of the fifth Chinese census (age group 16-64, 2010)

Ten years later, in 2015, Li analysed the statistic according to the 6th Chinese National Census in 2010 and recreate an ISEI chart to represent the transformation of social mobility (Li, 2015). I have collected new data and recreated the table as below:

Table1-4 International Socioeconomic Occupational Status Index (ISEI) for occupational categories for 2010

Occupational categories	ISEI range	Percentage (compared to 2000)
Agriculture, animal husbandry, forestry workers(农民).	23	46.49% (-16.71%)
Migrant workers and township enterprise workers transformed from peasants(农民工), such as construction workers.	29-31	13.58% (+3.78%)
Between white-collar and blue-collar: Semi-technical workers(技术工), such as electronic components and equipment manufacturing assembly personnel.	33-38	9.8% (-1.4%)
White-collar, such as primary school teacher, general office staff, sales.	43-45	13.34% (+10.44%)
Upper white-collar: Professional and technical personnel in administrative management, technology professionals, high school teacher.	68-69	1.2% (-1.4%)
Upper class: Managers, directors, doctors, lawyers, professors, head of finance and state organisations.	80-90	0.57% (+0.07%)

There were two main changes between 2000 and 2010 in social stratification. Firstly, farmers, agricultural employees, and the agricultural household registration population, measured by the ISEI 23-point group, decreased from 63.2% to 46.49%. It decreased by 16.71% in 2010. There are three reasons for the sharp decrease in the number of Chinese farmers. The first one is the conversion of farmers to non-agricultural enterprises, which is caused by the expansion

of urban development into rural areas. The rural land was expropriated and converted into urban construction land and these rural peasants obtained urban *hukou*. The second is that peasants migrated out to work, and this part was mainly young and middle-aged labour. The third is in-situ urbanisation. Among Chinese peasants who stayed in the countryside and did not leave, many were no longer engaged in agricultural production. These peasants had neither changed their household registration status nor worked in cities, so they did not have urban *hukou*. However, they no longer engaged in agricultural labour. Because these villages and their surrounding non-agricultural industries were very developed, most farmers were engaged in industrial, commercial and service industries. These villages became already indistinguishable from towns. In addition, there are many approaches for transferring to urban household registration, such as going to university to enter the city. Meanwhile, a few wealthy farmers were able to buy houses in cities and towns and move to cities for better education for their children or better medical care for the elderly. According to data from Tsinghua University, 21.6% of the population with agricultural household registration in China have purchased housing in cities and towns (Li, 2015).

Secondly, white-collar, who were measured by ISEI in the 43-45-point group, increased by 10.44%. The data shows that the majority of this group (58.2%) had rural household registration, that is, they came from peasant families (National Bureau of Statistics of China, 2010). Farmers or migrant workers had accumulated small capital through hard work, engaged in small business operations, or were self-employed as business operators. Therefore, this group had created a new channel for the rise of farmers' status. The education level of this group was not very high. According to the National Bureau, it was mainly junior high school and high school graduates, and those with high school education and below accounted for 83.1% of all operators (ibid.). Therefore, the main channel for this group to enter the middle class was not the education channel. This group had the most openness and accepted all levels of society.

Interestingly, social mobility is not only the problem China is facing but some other OECD countries face it too. The middle class is also shrinking in most OECD countries today. The younger generations find it more difficult to move up into the middle class, which is defined as income between 75% and 200% of median income (OECD, 2018). Compared to nearly 70% of baby boomers in middle-class families when they are aged 20s, today only 60% of

millennials belong to this group (ibid.). Thirty years ago, the combined income of all middle-income households was four times higher than that of high-income households, however, it is less than three times today (OECD, 2019). The current socio-economic system is unequal and the economic growth does not benefit the middle class. In addition, the living cost for the middle class is rising. What is worse, the cost of core services and goods like housing rises faster than income. As the labour market outlook becomes increasingly uncertain, the traditional middle-class opportunities for the younger generation will no longer be efficient. One-sixth of middle-class workers' jobs are at risk of automation (ibid.). The middle class is uncertain about their future and worried about their children's future. Although the younger generation is more educated than their parents, they are unlikely to reach the living standards like their parents.

As we can see from this research so far, social mobility in China did happen even though *hukou* was the largest obstacle before 2000. Social inequality reached its peak in the late 1990s and early 2000s. However, while numbers of peasants' class did move up, China was still a T-shaped society. The U.S. and other OECD countries took centuries to urbanise and industrialise but China may not have time for long decades of transformation. It is facing problems like the middle-income trap⁴. The next research section will discuss more social mobility in Shanghai specifically.

4.2 Shanghai ISEI structure

The level of urbanisation in Shanghai can be regarded as the one of the highest in China, so the number of employees in the primary industry in Shanghai will be much lower than that in Li's China model. But at the same time, we can foresee that the number of blue-collar workers and the class between blue-collar and white-collar workers in Shanghai will increase accordingly. In this section, I planned to go through the data from 2000 to 2020 in a span of ten years. However, in the end, I have extracted the yearbook data of every eight-year from 2003, 2011 and 2019 in final. First reason is that Shanghai Bureau of Statistics first yearbook was distributed in 2004, which included the statistics of the previous year. Secondly, due to the impact of the COVID-19 global pandemic from 2020, I decided to take the employment

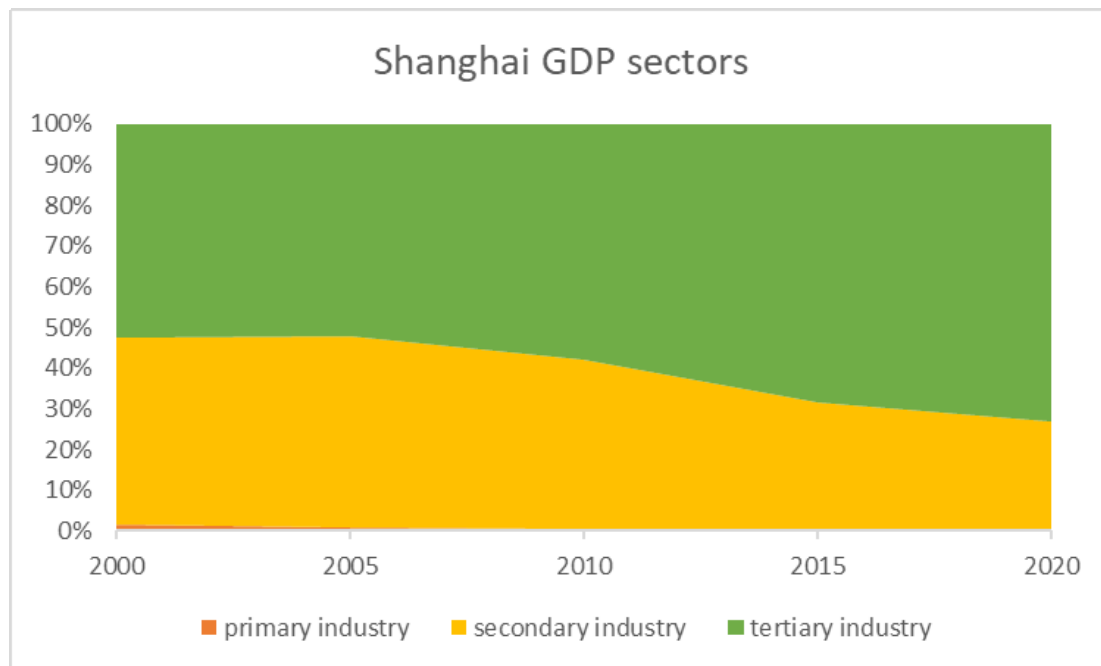
⁴ Middle-income trap is an economic development situation in which a country that attains a certain income (due to given advantages) gets stuck at that level (OECD, 2011).

statistics from the year before the pandemic, which is 2019. Because the impact of the global COVID-19 is short-lived, 2020-2022 does not fully represent the long-term trend of occupational situation in Shanghai. Taking into account the changes in Shanghai's total population, the percentage change in employed labour is more reasonable.

All data are taken from same sub-categories under the same category to ensure consistency of statistical methods. However, because of the difference in statistical categories, I divided the employment situation into six categories according to the average salary. Like Li's model, the specific subcategories will also be explained. Because of the urbanisation reasons in Shanghai, the number of peasants is smaller but their income level is not lower than that of ordinary blue-collar workers. Part of the reason is that the vegetables and fruits they grow can get a higher premium due to the protection of local policies in Shanghai, and they also have a higher market share in the local vegetable and fruit market. And in Shanghai, as China's financial centre, the proportion of employees in the financial industry will be higher than the national data. I will mainly refer to the average salary as the standard for measuring occupational scores. In other words, industries with higher average wages tend to have higher occupational scores. According to the National Bureau of Statistics (2022), the average wage refers to the average wage level of each wage worker in a certain period of time. Since the current wage statistics take urban legal person units as the statistical object, the average wage generally refers to the average wage earned by employees and employers of urban units in a certain period of time. The conversion formula is:

$$\text{average salary of the industry} = \frac{\text{total salary of the industry}}{\text{number of employees and employers in the industry}}$$

First of all, in macro economy, from 2000 to 2020, the proportion of the primary industry and the secondary industry in Shanghai has decreased year by year. One of the main reasons is that the proportion of manufacturing has decreased year by year since 2005. We can see there was a capitalisation processing trend in Shanghai in the past 20 years and it's critical for social mobility. One reason was that when the previous work unit system and State-owned Enterprises in Shanghai collapsed, foreign capital and private enterprise replaced the previous labour market instead. Finance, international trade and real estate became the largest economic sectors provider in Shanghai.



(Source: Shanghai Statistical Yearbook, Shanghai Bureau of Statistics, 2004-2020)

The first category of ISEI consists of agricultural producers, animal husbandry, forestry workers with an average score of 23. This category had approximately 737,200 people in 2003, or 9.07% of the job market, but in 2011 only approximately 372,800 people (3.38%) remained (Shanghai Bureau of Statistics, 2022). However, until 2019, the proportion of employees in this part has not changed significantly. The reason behind this is also easy to understand, because the proportion of agriculture itself is not high. The urbanisation process from 2003 turned some farmers into low-level blue-collar workers. After 2011, urbanisation began to slow down. Due to policy protection, the number of farmers has not decreased significantly after that.

The second category is Migrant workers and township enterprise workers transformed from peasants; average scored 29-31. Subcategories include manufacturing, construction, hoteling and catering, resident service and other services. The reason is that their average annual salary is between 10,000 and 20,000 Chinese Yuan in 2003 and involves a lot of manual labour (ibid.). Their average salary was growing at about the similar rate. The ratio of workers in this segment did not change significantly from 2003 to 2011, accounting for about 50% of Shanghai's overall labour market. This also verifies the gradual transition of Chinese social

class from peasants to blue-collar workers in Li's model. Shanghai made such a transition earlier than China on average. From 2011 to 2019, the proportion of lower-level workers in Shanghai decreased to 32%, which means that more workers at the bottom have successfully moved up the class (ibid.).

The third category is workers between white-collar and blue-collar, such as Semi-technical workers, with an average score of 33-38. Subcategories include transportation, warehousing and postal industries, leasing and business service industries, retail and wholesale. There the annual salary is also about 10,000 to 30,000 yuan in 2003, but the physical labour intensity of retail and wholesale itself is lower than that of blue-collar workers, so the social score is also higher. This part of the group was only 22.3% in 2003, but in 2011 it increased by about 5%. From 2011 to 2019, it surged to 36.1%. What has changed the most over the past 16 years is the workforce in this group. The analysis given in Li's model is that this part of the practitioners is a symbol of social mobility. Because many people in this group of employees no longer rely on pure manual work, participating in more service industries instead. Farmers or migrant workers have accumulated small capital through hard work, engaged in small business operations, or were self-employed as business operators. Therefore, this group has created a new channel for the rise of farmers' status.

It is worth noting that from 2003 to 2011, the total number of the three types of labour force accounted for approximately 80% of all employed persons in Shanghai. And approximately 50% of the employees belong to the second category of blue-collar workers. It can be seen that the economic structure did not undergo major changes from 2003 to 2011. And the labour market at the upper level between blue-collar and white-collar workers did not provide enough jobs for blue-collar workers and farmers to move up. From 2011 to 2019, the blue-collar and white-collar class ushered in a wave of growth. Part of the reason for this is the rise of the mobile Internet, which has allowed more people to move to jobs provided by e-commerce and on-line platform economy. For taxis, takeaways, express delivery, and e-commerce. Employees in this new platform of economy are more free than traditional blue-collar workers, since often their income is calculated revenue based on orders completed, not as fixed salary. But it is undeniable that the total number of employed persons from these three categories is decreasing, and the growth rate of income will be analysed later, because even if the level of the class remains the same, the income growth rate of different classes is

different. Is the income growth rate of the upper class much higher than that of the lower class? Is income gap between different class is actually increasing during last decades? This part will continue to be analysed later.

The fourth category is the white-collar workers, with an average score of 43-45. The sub-categories include education, real estate etc. Their annual salary was also about 27,000 yuan in 2003 (ibid.). Although the income level was similar to workers between white-collar and blue-collar, this group of people usually enjoys more respect because they are more educated. They are also considered typical middle class. It is worth noting that the real income of real estate practitioners is not only salary income. If we consider the commission income they get, their real income is higher than their actual salary income in fact. In this category from 2011 and 2019, I will add another subcategory Culture, Sports and Entertainment. Because of the slow growth of income, the income level of this sub-category has dropped to the white-collar level since 2011. This part of the group was only 6.94% in 2003 and 6.93% in 2011 (ibid.). However, in 2019, the proportion increased, reaching 8.31% (ibid.). In the past years, there has not been much change in the group of this class, and the proportion has always been relatively small.

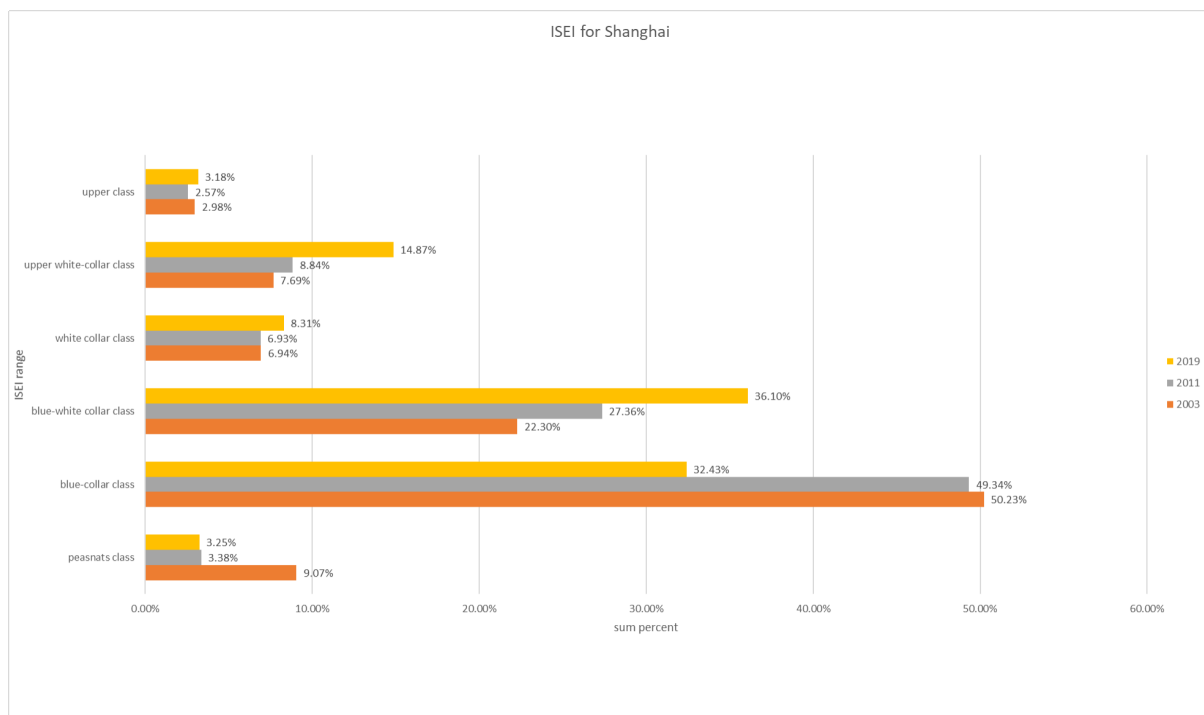
The fifth category is the upper white-collar, with an average score of 68-69. The sub-categories of this category include health, social security and welfare, culture, sports and entertainment (only in 2003), public administration and social organisations, scientific research, technical service and geological prospecting. This part of the employed population usually belongs to high-tech industries, or works for government agencies. Their income level is roughly around 30,000 yuan a year in 2003. Here I want to make a special explanation about the subcategories of culture, sports and entertainment. In 2003 the average income level of this type of employment group ranked third among all research groups, after finance and IT industries. However, income growth rate has been very slow in this sub-category, much lower than any other sub-categories in the upper white-collar class. Additionally special explanation, from 2011 and 2019 I will add another sub-category information transmission, computer service and software industries to this category. Because the income growth is much lower than finance in upper class though the income of IT industry used to be the highest in 2003. Since 2011, the income level of this sub-category has dropped to the level of upper-class white-collar workers. In the data of 2011 and 2019, according to the income level, I classified

them as upper white-collar. However, the growth rate of income in IT industry is not low. If compared with Shenzhen in the same period, which is also a Tier-1 city, the average income growth rate of Shenzhen's IT industry is higher than that of Shanghai, and the income level of the IT industry in Shenzhen is also higher than that of finance industry. This special phenomenon will continue to be explained later, but it is undeniable that in terms of income level, the upper class in Shanghai has only the financial industry since 2011. From the perspective of employment, the proportion of this class is gradually increasing. In 2003, it was only 7.69%, in 2011 it increased to 8.84%, and in 2017 it reached 14.87% (ibid.).

The last category is the upper class. The primary consideration for this class in this research is income, but usually their interpersonal circles are special as well. In terms of income level, in 2003, Finance and IT Industries were the only two industries whose income level exceeded 40,000 yuan, and IT employed population even reached an astonishing 58,000 yuan, 1.4 times of finance employed population. But this income gap was far surpassed by finance in 2011. In 2011, the financial industry reached about 167,000 yuan, while the annual salary of the IT industry was only 46.74% of that of finance. The average income of the IT industry in 2011 was only 78,000 yuan, which was even lower than that of Health, Social Security and Welfare, Public Administration and Social Organisations, and Education in the same year. Until 2019, although the income level of the IT industry has increased, it is still 60.71% of the financial industry in the same year. This huge gap made me transfer the IT industry from 2011 to the upper white-collar class, because the IT industry income level similar to its income level. From the perspective of social status, IT is indeed not as respected as in the early millennium. Recent decade, practitioners in the IT industry have been called "coding peasants (码农)". Behind this title implies the decline of the social evaluation of IT practitioners, from high-tech innovators to coding peasants. The number of people in the upper class has not changed significantly in 16 years and has remained at around 3% (ibid.). In 2003 it was 2.98%, in 2011 it was 2.58% and in 2019 it was 3.18%. Because of the statistical principle, all the counted objects are only the owners of local hukou in Shanghai, that is, Shanghainese in a narrow sense. The total population of these three sets of statistical data corresponds to the number of Shanghai hukou residents mentioned above. This shows that the proportion of the number of people in this class is relatively stable, because of the limitations of the industry, there is not enough approaches for people from other classes to enter the upper class. But at the same time, the salary growth of this class is also amazing. The average salary in finance

has gone from just over 40,000 yuan in 2003 to over 230,000 yuan in 2017, far exceeding all other industries in the same period.

From the perspective of the proportion of labourers, we have obtained a clear ISEI class map of all classes in Shanghai as below. Additionally, I put the statistics tables from 2003 to 2019 for each class at the end of this chapter.



ISEI for Shanghai (Source: Shanghai Statistical Yearbook, Shanghai Bureau of Statistics, 2004-2020)

4.3 Summary

From the analysis from this chapter, I draw two conclusions. First, most of Shanghai's labour market is still concentrated in the bottom blue-collar and blue-white collar, although the proportion of these two classes has dropped from 72.53% to 68.53% in 16 years. There are still 70% of employed population at bottom of society in terms of salary, similar to Li's model in China. Unfortunately, the middle class, mainly white-collar workers, has not become the main body of society. Second, from 2003 to 2019, social mobility in Shanghai has increased

indeed. Especially from 2011 to 2019, a higher proportion of the bottom blue-collar workers in Shanghai flowed into the blue-white collar class, which is a signal of increasing social mobility. In addition, more people from the bottom three types of labour flow into the white-collar and upper white-collar class, especially the upper white-collar class.

In the past 20 years, more people have moved from low-income farmers and blue-collar workers to higher-skilled workers or service industries. However, the lower-class population still account for more than 70% of Shanghai's labour market, while the white-collar population account for less than 30%. Simultaneously, the income level of the middle and lower classes has grown slowly. Though the average income has doubled or tripled in the past two decades, the average income of white-collar workers and income groups above has increased by three to four times. Incredibly for government-related workers and financial practitioners, their average income has increased by more than four times in 20 years. In conclusion, we can see that the social mobility at the bottom is getting stronger, but on the other hand, we can see that the income gap between the rich and the poor is also increasing. The relative poverty keeps increasing during last 20 years.

From 2003 to 2011, the labour force in Shanghai mainly shifted from peasants class to blue-collar class and blue-white collar class, especially blue-white collar Class increased by 5.06%. It shows that farmers in Shanghai began to work in factories, and due to industrial upgrading, the demand for skilled workers increased. In 2010s, the prosperity of the Internet industry has led to a new round of industrial upgrading. More people leave the blue-collar class of pure manual labour and transform into food deliveries, couriers, or Uber car drivers(滴滴司机). These are different from Industries for traditional workers. Therefore, whether the employment situation of this part of the labour force can continue to rise in the future depends on whether Shanghai's industries can continue to upgrade, such as upgrading to China's science and technology centre or R&D centre, increasing the proportion of mental workers and white-collar workers, and providing enough employment post. If it is difficult for the industry to continue to upgrade, then I personally think that from the perspective of the labour market, classes will tend to solidify in the future and social mobility will decrease.

Table International Socioeconomic Occupational Status Index (ISEI) for occupational categories for Shanghai (2003)			
Occupational categories	ISEI range	Number of employees (unit: 10k)	Percent age
Agriculture, animal husbandry, forestry workers(农民).	23	73.72	9.07%
Migrant workers and township enterprise workers transformed from peasants(农民工), such as construction workers.	29-31	408.39	50.23%
Between white-collar and blue-collar: Semi-technical workers(技术工), such as electronic components and equipment manufacturing assembly personnel.	33-38	181.3	22.30%
White-collar, such as primary school teacher, general office staff, sales.	43-45	56.41	6.94%
Upper white-collar: Professional and technical personnel in administrative management, technology professionals, higher education teacher.	68-69	62.52	7.69%
Upper class: Managers, directors, doctors, lawyers, professors, head of finance and state organisations.	85-88	17.32	2.13%

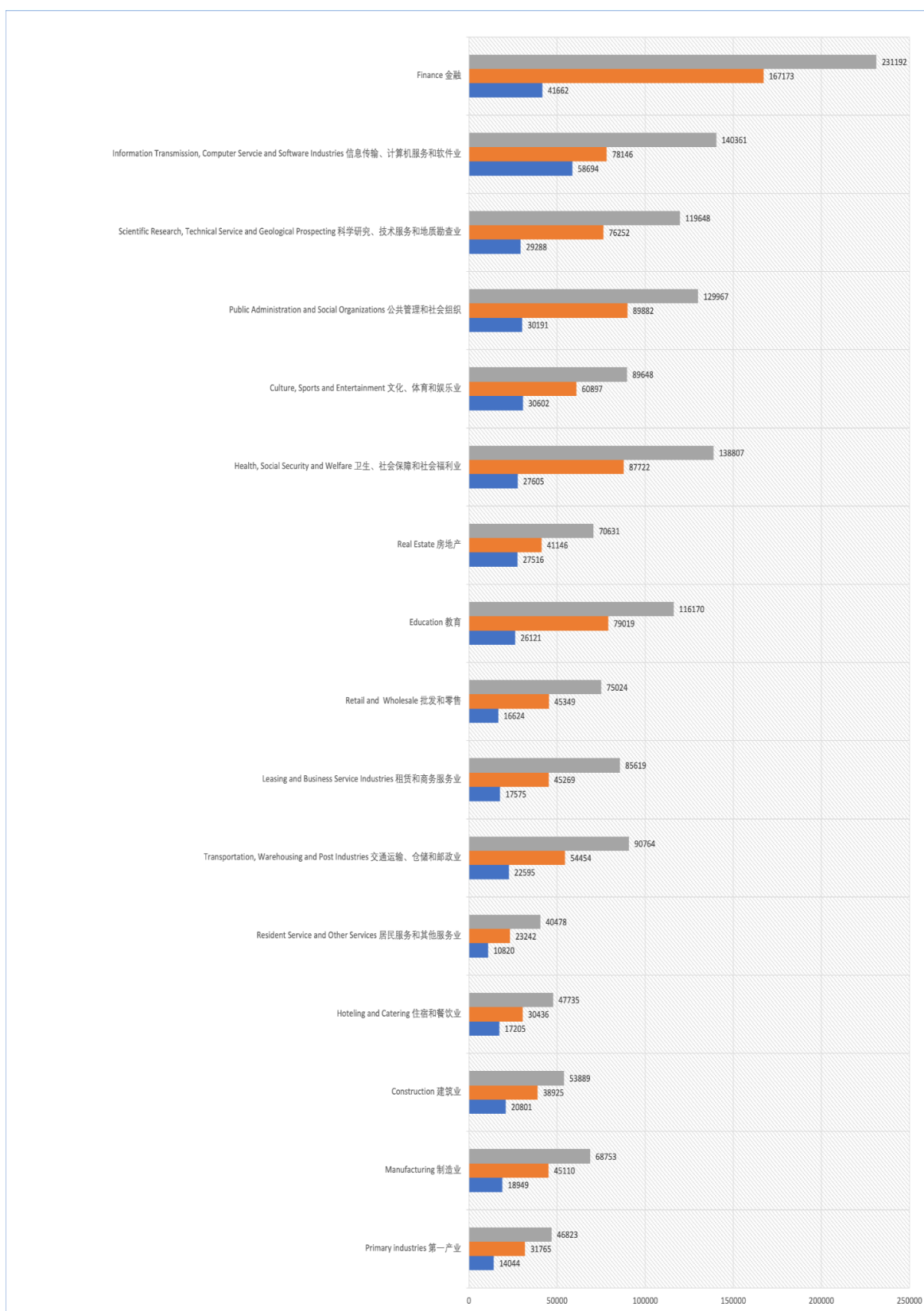
(Source: Shanghai Statistical Yearbook, Shanghai Bureau of Statistics, 2004)

Table International Socioeconomic Occupational Status Index (ISEI) for occupational categories for Shanghai (2011)			
Occupational categories	ISEI range	Number of employees (unit: 10k)	Percent age
Agriculture, animal husbandry, forestry workers(农民).	23	37.28	3.38%
Migrant workers and township enterprise workers transformed from peasants(农民工), such as construction workers.	29-31	544.85	49.34%
Between white-collar and blue-collar: Semi-technical workers(技术工), such as electronic components and equipment manufacturing assembly personnel.	33-38	302.11	27.36%
White-collar, such as primary school teacher, general office staff, sales.	43-45	65.9	5.97%
Upper white-collar: Professional and technical personnel in administrative management, technology professionals, higher education teacher.	68-69	108.26	9.80%
Upper class: Managers, directors, doctors, lawyers, professors, head of finance and state organisations.	85-88	28.41	2.57%

(Source: Shanghai Statistical Yearbook, Shanghai Bureau of Statistics, 2012)

Table International Socioeconomic Occupational Status Index (ISEI) for occupational categories for Shanghai (2019)			
Occupational categories	ISEI range	Number of employees (unit: 10k)	Percent age
Agriculture, animal husbandry, forestry workers(农民).	23	44.75	3.25%
Migrant workers and township enterprise workers transformed from peasants(农民工), such as construction workers.	29-31	446.24	32.43%
Between white-collar and blue-collar: Semi-technical workers(技术工), such as electronic components and equipment manufacturing assembly personnel.	33-38	496.81	36.10%
White-collar, such as primary school teacher, general office staff, sales.	43-45	100.86	7.33%
Upper white-collar: Professional and technical personnel in administrative management, technology professionals, higher education teacher.	68-69	218.18	15.85%
Upper class: Managers, directors, doctors, lawyers, professors, head of finance and state organisations.	85-88	43.72	3.18%

(Source: Shanghai Statistical Yearbook, Shanghai Bureau of Statistics, 2020)



Average salary in different occupations in Shanghai from 2003-2019 (Source: Shanghai Statistical Yearbook, Shanghai Bureau of Statistics, 2004-2020)

5 Education and unemployment

In this chapter, the education and unemployment rate will be explored. Firstly, I would like to introduce the education challenge in China. Secondly, I would like to discuss the unemployment rate in China and Shanghai. Based on the education level, occupation, and unemployment rate to analyse whether higher education brings better social mobility.

5.1 Education Challenge in China

Although education is often considered a pathway to the upper classes, this is not the case in fact. In Becker and Tomes' (1979) equilibrium model of income distribution and intergenerational transmission, children inherit certain endowments from their parents and receive investment in human and non-human capital. The main determinants of offspring income are human capital and endowment. Therefore, the strength of intergenerational elasticity depends on two important factors: the degree of endowment inheritance and the propensity to invest in children. Since the inheritance of endowments is usually assumed to be relatively fixed, the parent's intervention in the offspring's income mainly depends on its investment in the offspring's human capital. Becker and Tomes' (1985) further introduced borrowing constraints into the model of intergenerational transmission. Under the assumption that both the education market and the lending market are optimal and efficient, the impact of borrowing constraints in the model is not significant. In the absence of borrowing constraints, families, whether rich or poor, can make optimal investments in the human capital of their offspring. At this time, intergenerational transmission only depends on the degree of endowment inheritance, and intergenerational mobility is strong. However, if there are borrowing constraints, poor families are unable to make optimal human capital investments due to tight borrowing constraints, children continue to suffer from poverty due to lower-than-optimal human capital levels, and rich families are not affected by borrowing constraints, the overall result is increased intergenerational transmission and reduced social mobility.

As a developing country with chronically low-income levels, many households in China face tight borrowing constraints. An immediate question, then, is whether borrowing constraints prevent Chinese households from investing in human capital for the next generation, thereby reducing social mobility? If borrowing constraints do reduce social mobility, it means that voluntary human capital investment at the household level is below the socially optimal level.

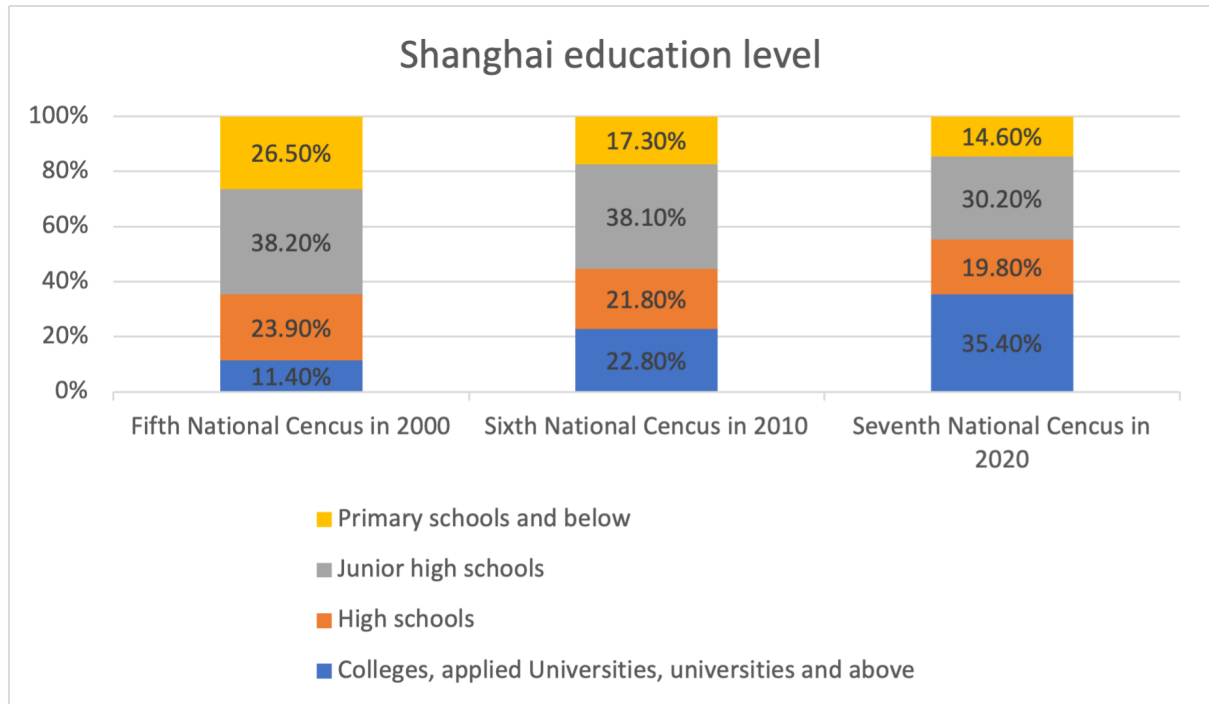
In this case, "Will the government's public education spending improve social mobility?" This is a question that has both important theoretical value and practical policy implications. If public education spending has a significant impact on intergenerational mobility, it will not only have a moderating effect on intra-generational income distribution, but also affect inter-generational transmission, and its long-term policy implications are even more important. Mayer and Lopoo's (2008) study on U.S. state government spending and intergenerational mobility found that higher government spending did improve intergenerational mobility.

Wu, Yan, and Zhang (2020) indicated that unequal education intensified social inequality. They mentioned that unequal Chinese higher education expansion has several features, and inequality between rural students and urban students is one of them. Due to imbalance development between the urban and rural economy, urban students have a much stronger socioeconomic advantage compared to rural students in the *hukou* system. Though the education expansion offers higher possibilities and more education opportunities, the influence of family is increasing as well (ibid.). Yiu and Yun (2017) explained that those urban migrants tended to send their children into low-quality migrant schools or low-quality public schools, rather than average or better public schools. They were vulnerable groups in cities and they received negative reception as well. Public school teachers also discriminated against migrant labour which made their migrant children more difficult to access high-quality education (ibid.). These migrants' children could feel alienated or challenge to fit into urban society since they were mostly in low-quality migrant schools. Their migrant's "identity" became a barrier between themselves and the urban social accepting level. In their later education path, they also tended to vocational schools since they had a very low expectation of education (ibid.).

5.2 Education in Shanghai

Educational level is generally considered to be linked to occupation and salary. In terms of educational level, the average educational level of Shanghai residents has increased in the past two decades, especially for those with higher education. The proportion of this group has soared from 11.4% in the millennium to 35.4%, while the educational level of those with only

high school and lower degrees is decreasing (Shanghai Bureau of Statistics, 2020). Contrary to this, the number of registered residents in Shanghai has not increased significantly, which means that the more educated labour force in Shanghai is accompanied by the floating population, that is, non-local residents of Shanghai, as I explained in previous *hukou* chapter. Most of this part of the labour force will not live in Shanghai stably, but will move out over time.



Shanghai Education Level (Source: Shanghai Bureau of Statistics, 2000-2020)

5.3 Unemployment rate

From the analysis in the previous section, according to the research based on Shanghai's labour market mobility started in 2003, it was a trend that more people have risen from the bottom peasant class and traditional manual worker class to skilled workers which is between blue and white collars. However, it is undeniable that Shanghai's job market is still dominated by low-skilled labourers with physical strength. Therefore, in this chapter, I will analyse the matching rate between the labour market and education level whether Shanghai's labour market has the capability to accept enough highly educated talents, or whether education level actually has little impact on social mobility because of education-labour mismatch.

One of the education-labour mismatch factors is the unemployment rate. If well-educated labours face unemployment, then social mobility does not actually increase or can decrease. Because Shanghai's labour market in the past 20 years or so is still dominated by working-class workers and semi-technical works, which occupied 71.78% of the entire Shanghai labour population. The growth of higher-income occupations was relatively low, which means Shanghai actually did not need so many highly educated white-collar workers yet, because there are no matching jobs in the local labour market. Therefore, highly educated labours face unemployment or are forced to work in working-class blue-collar or blue-white-collar industries, which means that their natural feeling is that their social class are not moving-up. Because compared with their parents, their income level and social status may be at the same level, but education and education expenses make them subconsciously believe that their income level should be higher than that of their parents. However, if their high expectations are not met, they will not be able to have the pleasure of moving up their classes and may have self-doubt about themselves. Therefore, Shanghai's unemployment rate is a measure of social mobility, especially among the young generation. A lower unemployment rate does not necessarily mean higher social mobility; but an excessively high unemployment rate, especially an excessively high youth unemployment rate, means that the labour market does not provide enough opportunities for Shanghainese to advance their social class.

It is worth mentioning that there are two statistical methods for the unemployment rate in China: urban surveyed unemployment rate and urban registered unemployment rate (Xinhua Daily News, 2021). The urban registered unemployment rate has a relatively long history. Since 1994, the urban registered unemployment rate has officially become an employment indicator, which is also a unique unemployment statistical indicator in China (ibid.). The urban registered unemployment rate applies to the percentage of the number of registered unemployed residents in the urban area to the total sum of the number of employed residents of various types in urban areas and the registered unemployed residents in urban areas (ibid.):

$$\text{urban registered unemployment rate} = \frac{\text{number of registed unemplyed residents}}{\text{numbers of employed residents} + \text{registered unemployed residents}}$$

Among them, urban registered unemployed population indicates those who have *non-agricultural hukou* (as known as *urban hukou*, 城镇非农户口), have the capability to work in certain lawful working age (16-year-old to retirement), are unemployed but have willing to be employed, and have registered for job seeking in local employment service agencies. This statistic was controversial in the past. First, due to the existence of the *hukou* system, China's urban registered unemployment rate only focuses on the unemployment rate of urban residents, and residents with *agricultural hukou* (as known as *rural hukou*, 农业户口) are not included in the statistics of this item. In other words, although 63.89% of the Chinese population lived in urban areas, approximately one-third of them are *agricultural hukou* (National Bureau of Statistics of China, 2023). Rural residents are considered to have land in the traditional sense, so there are no unemployment statistics for them. As for the migrant *hukou* population (外籍户口), they are not included in the urban registered unemployment rate (Xinhua Daily News, 2021). Secondly, in this statistical method, labours of voluntary unemployment, labours with no intention to re-employment, and labours who have not worked before and have no work experience after graduation are not counted as unemployed (ibid.). Thirdly, the urban registered unemployment rate does not count people who have not paid social security. For instance, a graduate student could seek a job after graduating for a few months and is unemployed, but this graduate would not count as unemployed because this graduate has not paid social security yet.

The surveyed urban unemployment rate refers to the percentage of the unemployed population in the total labour force (the sum of the employed population and the unemployed populations) obtained through labour surveys or related sampling surveys. The employment department is responsible for the statistics of the registered urban unemployment rate, while the statistical department's sampling survey obtains the surveyed urban unemployment rate. This means that the urban surveyed unemployment rate is less affected by the local bureaucratic system than the urban registered unemployment rate and has more reference value. The urban surveyed unemployment rate is relatively new. Since 2013, the urban surveyed unemployment rate statistics pilot has only been carried out in 34 economically dynamic cities (Xinhua Daily News, 2021).

In 2022, the urban surveyed unemployment rate replace the urban registered unemployment rate at the national and provincial levels (Xinhua Daily News, 2021). However, in the

surveyed unemployment rate, part-time employment and *labour dispatch* (irregular employment) will be counted as employment. *Labour dispatch* refers to the labour dispatch agency signing a labour contract with the dispatched labour, and the dispatched labour provides labour services to the actual employer. The labour contract relationship exists between the labour dispatch agency and the dispatched labour. However, the fact of labour payment occurred between the dispatched labour and the actual employer. In short, because of the labour dispatch agency, labourers are barely protected by labour law. In 2008, the "Labour Contract Law" and related laws and regulations enacted during the same period made a greater inclination for labourers, and at the same time formed a large irregular labour market (Xinhua Daily News, 2022). In the *labour dispatch* relationship, the actual employer and the worker are not in a legal labour relationship, thus circumventing these labour relationship-based regulations. Specifically, there are three reasons for companies to use *labour dispatch*: one is flexible employment (to facilitate dismissal at any time), the other is to save labour costs (dispatched employees are treated as second-class employees). However, because the data span of my research is relatively large, the unemployment rate before 13 years is only the urban registered unemployment rate. Therefore, when it comes to comparisons between 2003, 2011 and 2019, I will uniformly use the urban registered unemployment rate, although the statistical error is relatively large. But I will uniformly use the survey unemployment rate for the changing unemployment trend in recent years to obtain higher data reliability. However, notably, whether it is the registered unemployment rate or the surveyed unemployment rate, the real unemployment rate will be higher than the given nominal unemployment rate.

The labour dispatch system usually appears in the factory or catering service industry to recruit short-term contract workers, but the government, social infrastructure such as schools, hospitals, and state-owned enterprises (usually also "units" in a broad sense) often use this system to cut costs. In the previous chapter one, unit and household registration often appeared together due to historical reasons, but after the economic reforms, due to the increased mobility of personnel, the *hukou* and *danwei* systems began to be disconnected, which means that the government and state-owned enterprises could hire non-local *hukou* employees. Because the policy needs to streamline the government to reduce expenditures and let state-owned enterprises be responsible for their own profits and losses, both the government and state-owned enterprises have adopted the labour dispatch system to reduce

employment costs. Therefore, the government and state-owned enterprises divide the workers into two parts: the first part is the formal unit workers, who enjoy comprehensive social insurance and medical insurance, even if they are not local *hukou*. The other part is employees of informal units, who sign labour dispatch contracts, and the government and state-owned enterprises do not pay them additional social insurance and medical insurance when they are hired. When these informal employees are dismissed, they will not be protected by the labour law and cannot receive severance pay. This behaviour is equivalent to creating a huge irregular labour market. Under it, many people work for the government and state-owned enterprises but are not protected by social insurance and labour laws.

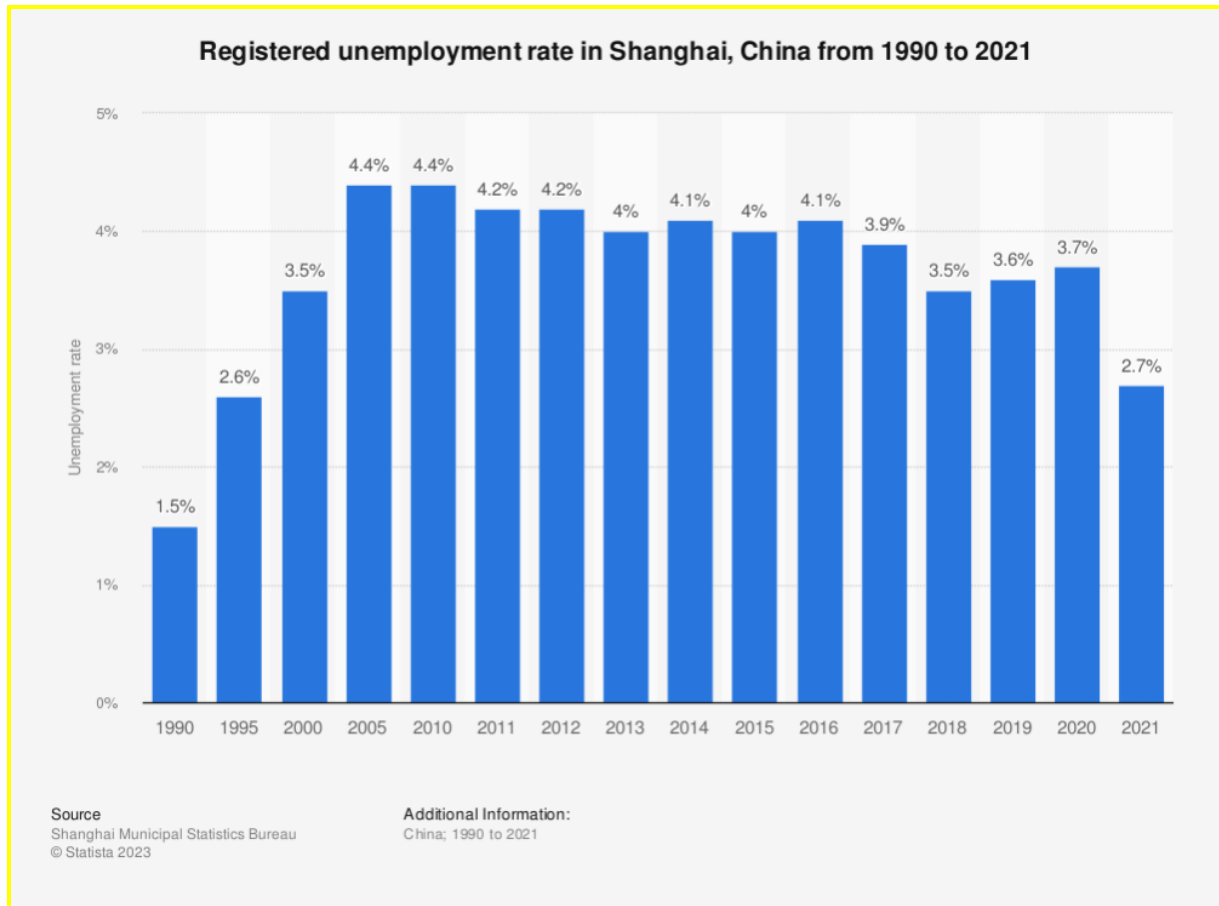
According to the statistics of the National Bureau of Statistics of China (2022), the surveyed unemployment rate of young people aged 16-24 in China has remained above 10% since 2018, and it usually reaches one year peak the graduation season from June to August. The peak in the middle, until September to October it begins to decline. But one trend is that from 2018 to 2023, the unemployment rate of young people aged 16-24 in China has been increasing year by year, until it recently reached a peak of 20% (ibid.). The Shanghai Bureau of Statistics did not announce the surveyed unemployment rate of local young people, but it should not be much lower than the national average. According to the data released by the National Bureau of Statistics (2023), the surveyed urban unemployment rate averaged 5.7%. The surveyed unemployment rates for 16-24 and 25-59-year-olds were 19.3% and 4.5% respectively (ibid.). The average weekly working hours of employees in enterprises nationwide is 47.7 hours (Xinhua News, 2023).

Unfortunately, the Shanghai Statistics Bureau does not disclose the surveyed unemployment rate of Shanghai and the surveyed unemployment rate of young people aged 16-24. The only reported one is the COVID-19-induced closure of Shanghai in 2022, causing the unemployment rate of young people aged 16-24 in Shanghai to soar to 18.2% in the second quarter of 2022, and to rise by more than 20% in the second quarter of 2023 (New York Times, 2022; Office of National Statistics, 2023). According to the difference between the national registered unemployment rate and the surveyed unemployment rate, in the past 20 years, the national registered unemployment rate was below 4% for a long time before covid-19, and it did not exceed 4% until 2020, reaching 4.1% and 4.2%. However, the surveyed unemployment rate remained at about 5% before the epidemic. Pandemic period

from 2020 raised the survey unemployment rate to 5.5%-6% in student graduation season. The annual average difference between surveyed unemployment rate and registered unemployment rate is 1-1.5%. In short, I argue that registered unemployment rate plus 1-1.5% would approximately be surveyed unemployment rate (National Statistics Bureau, 2023).

According to another data, the surveyed unemployment rate of 31 major cities and towns is higher than the national urban surveyed unemployment rate, with an average of 0.3%-0.5% higher per month (National Statistics Bureau, 2023). This reflects that with the easing of the *hukou* system and population mobility, people tend to work in big cities. Therefore, the labour market in big cities has higher mobility of people, that is, more unemployed people or people who change jobs. Therefore, I speculate that the surveyed unemployment rate in Shanghai should be 1%-2% higher than the registered unemployment rate. It is undeniable that the registered unemployment rate in Shanghai was 4.9% in 2003, but it dropped to 3.5% in 2011. After rebounding to about 4% in 2013, it began to fall again in 2017 and remained at 3.6% in 2019 (Shanghai Statistics Bureau, 2004-2020). Therefore, my argument is that the real unemployment rate in the past 20 years should have declined. The surveyed unemployment rate should be between 4.5% and 5.5% in 2019, but the real unemployment rate should be more than 5%. I think the reduction of unemployment rate is caused by the upgrading of the industry.

According to the previous analysis, since 2017, the prosperity of the Internet industry has led to a new round of industrial upgrading. More people leave the blue-collar class of pure manual labour and transform into takeaways, couriers, or online car drivers. These are different from Industries for traditional workers. But it is worth mentioning that due to the protection of employers in these industries by the labour dispatch system, even if they leave the manufacturing and construction industries, they are still difficult to be protected by labour laws in these emerging industries, including no social insurance, medical insurance, etc. However, statistically, the nominal unemployment rate data is undeniably lower than real unemployment rate. Both the registered unemployment rate and the surveyed unemployment rate will not include irregular labour under the labour dispatch system in the unemployment rate, even though they may only work two or three days a week.



5.4 Summary

We can see that Shanghai's social structure is still a upside down "T-shape" structure with a clear gap between the rich and the poor. In the past 10 years, most of the labour force has not only been unable to obtain local hukou, although the income situation has improved, but it is far from the model we expect in developed countries. One of the main reasons is that Shanghai's service industry income levels have not grown significantly in the past. Another reason is that the industries with the fastest growth in Shanghai in the past were the finance, banking and real estate industries. Therefore, a large number of high-income managements appeared in these industries. This phenomenon increased the top income earners and income gap but the middle level did not increase.

In terms of education level and labour market, the upgrading of the labour market cannot keep up with the improvement of education level. In other words, the growth rate of jobs for

white-collar workers and above in the labour market was much lower than that of high-level talents. Although the overall level of education in Shanghai is much higher than in the past, a large number of labourers with a college degree or above flood into Shanghai every year. However, the overall labour market was more welcoming to blue-collar and blue-white collar labour. Even in 2019, these two classes still account for nearly 70%.

In that chapter, I compared Shanghai's education level structure and labour market structure in 2000, and found that the two had a high degree of matching. In 2000, high-level talents with a college education level or above accounted for only 11.4% of Shanghai's population. In the labour market in 2003, white-collar and above positions accounted for 16.76% of the labour market. This meant that there were enough vacancies for high-level talents in white-collar and above labour positions. This also meant that the employment environment at that time had lower requirements for academic qualifications, and better academic qualifications were more competitive. On average, each high-level talent corresponded to 1.47 white-collar positions, and a high degree of education had more options. At that time, only a high school or lower education may have been needed to enter the white-collar industry. Talents with education levels above colleges were relatively scarce.

By 2010, the proportion of people with education level above colleges reached 22.8%. During the same period, white-collar workers and above accounted for 18.34%. At this time, highly educated talents and white-collar positions basically matched. Although the proportion of college students was slightly higher than that of white-collar and above positions, job competition had become fierce. At this time, the degree of matching between academic qualifications and positions was still relatively high, which meant that although high-level talents may not have been able to find the jobs they wanted, it was acceptable for each high-level talent to correspond to 0.8 white-collar positions on average.

By 2020, the proportion of people with an education level above colleges reached 35.4%. The proportion of white-collar and above positions was merely 26.36%, which was equivalent to 0.74 white-collar positions for each high-level talent. The speed of industrial upgrading could not keep up with the growth rate of high-level talents, so that the losers in the competition turned to blue-white collar or lost their jobs.

This meant that a large number of new highly educated population entering Shanghai had not been converted into white-collar or higher-income groups, but to compete for a small number of white-collar and above positions. Especially in recent years, young people aged 16-24 and graduates of this age group lacked work experience and their overall competitiveness may have been weaker. In the 2000s, highly educated migrants were still relatively popular in Shanghai, but in the 2010s, the competitiveness brought by education was gradually weakening. In recent years, most of the young migrants who moved into Shanghai became blue-white collars or were unemployed. Although Shanghai had created some financial industry jobs as a financial centre, the proportion of these jobs in the overall job market was extremely small. I thought there was currently a mismatch between jobs and academic qualifications in Shanghai. In contrast, the fastest-growing part of the labour market was actually the blue-white collar, and the number of people in this class had increased by nearly 2 million. Of course, the growth rate of the upper-white collar was also very fast, thanks to the jobs provided by many technology companies and multinational companies in Shanghai, such as TikTok.

This was reflected in the subjective well-being of young generation. Although their parents did not need a good education to find a good white-collar or blue-collar class job. However, their own education level was much higher than their parents, they could not find a white collar job. One reason was that in the past 2000s, the overall education level was low and the labour market had a high demand for highly educated talents, and education level was more competitive for finding white-collar jobs. The weakening of the competitiveness of academic qualifications began as early as 2010, and the competitiveness of academic qualifications at that time had actually weakened a lot. Until recent years, academic qualifications had been further devalued. Despite the inequity of urban and rural education, young generation with higher education felt that education had not improved their competitiveness in the labour market, and thus felt disappointed in social mobility.

6 Expenditure

In this chapter, the actual expenditure will be calculated using various methods. I think it's important to see whether spending on consumption, inflation, and tax rates combined have declined while nominal income has increased in the past, so we need to compare expenditure-to-income ratios across eras. Because of the different backgrounds of the times, I need to consider the impact of inflation and actual tax rates. If the rate of inflation is greater than the increase in income, then the purchasing power level of Shanghai residents have decline, and so the standard of living. Otherwise, Shanghai residents' purchasing power and living standards have theoretically risen.

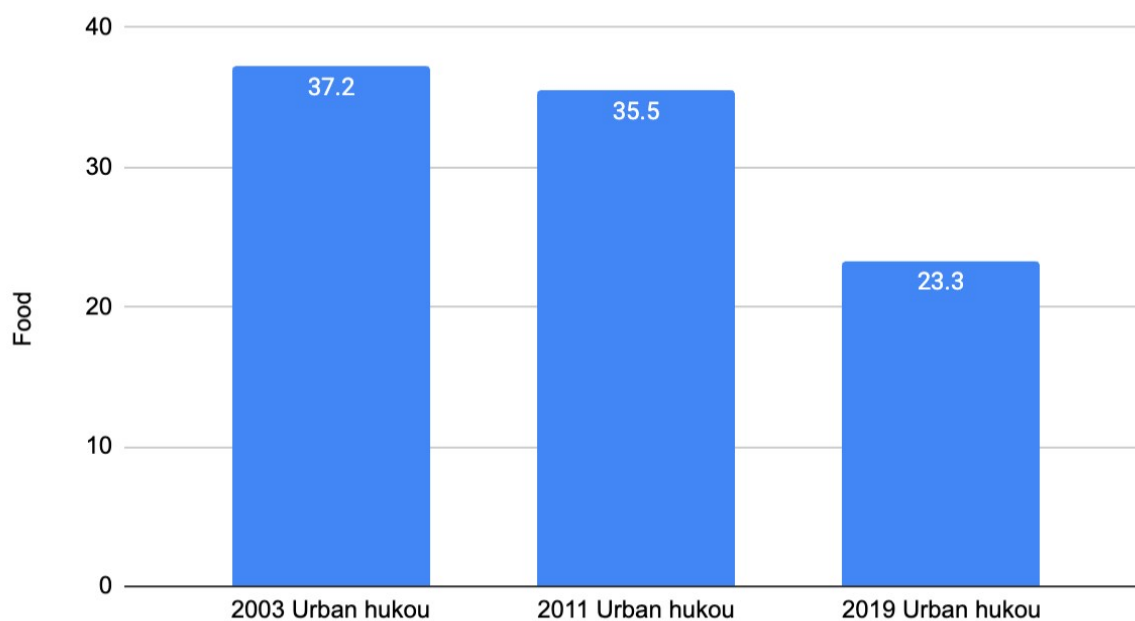
6.1 Inflation and expenditure structure

According to estimates, China's average inflation level in the past 20 years was relatively low, with an annual average CPI of 1.2% from 2000 to 2020 (WorldBank, 2023). In other words, the purchase power of 100 Chinese Yuan in 2000 equals 158.22 Chinese Yuan in 2020.

However, it is undeniable that the structure of Shanghai people's consumption expenditure has undergone tremendous changes. This change is reflected in several aspects. I have drawn three groups of expenditure ratio graphs 6-1 and 6-2 to compare the expenditure changes in 2003, 2011 and 2019. The first is the reduction in the proportion of food expenditure. The Engels coefficient is used to count the level of wealth in a region. On average, the proportion of food expenditure is reduced, that is, the Engels coefficient is reduced, which means that this region no longer needs to worry about the most basic food consumption. This positive change also confirms the rapid economic development of Shanghai in the past 20 years, and has made major changes for the reduction of the poor population. From this, it is not difficult to see that in the past 20 years, the overall income level of Shanghai has increased, because the proportion of people's consumption expenditure on food has dropped significantly.

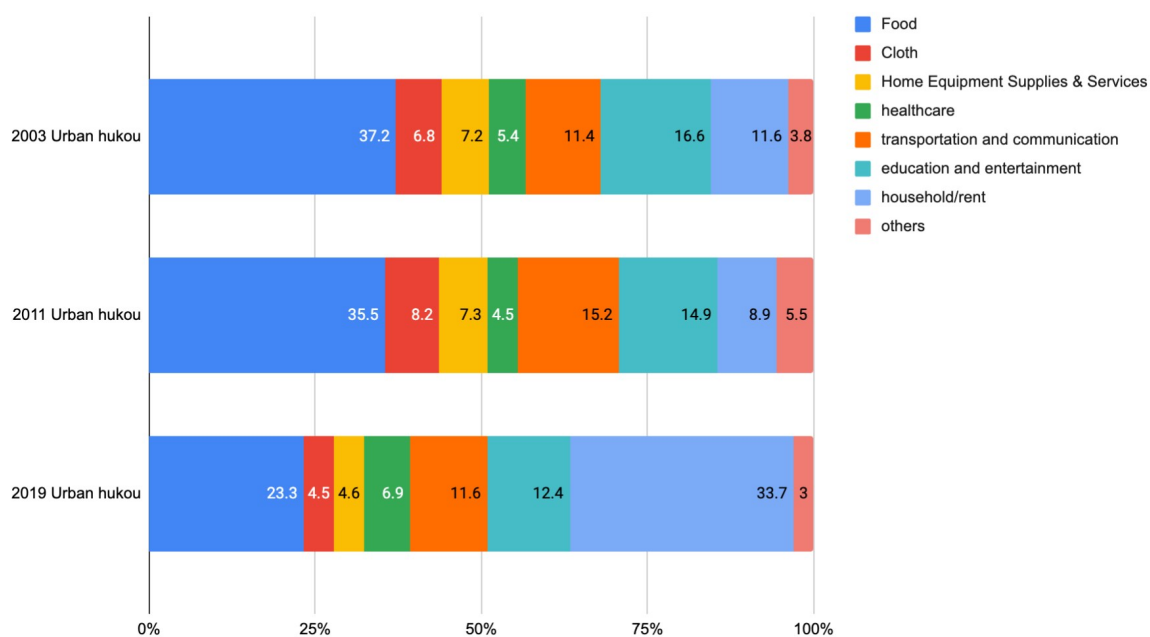
The Shanghai Statistics Bureau did not conduct separate statistics on rural hukou after 2014, so the data on rural hukou can only be up to 2014. However, judging from the data of rural hukou in the same period, from 2001 to 2014, the Engel coefficient of rural hukou residents remained between 37-40%, which is still higher than that of urban residents, which reflects the huge urban-rural gap in Shanghai (Shanghai Statistics Bureau, 2022).

Engel's Coefficient of Shanghai from 2003-2019, Urban hukou



Graph 6-1 Source: ShangHai Statistical Yearbook, Shanghai Bureau of Statistics, 2004-2020

Urban Hukou: 2003, 2011 & 2019 expenditure structure



Graph 6-2 Source: ShangHai Statistical Yearbook, Shanghai Bureau of Statistics, 2004-2020

However, the second major change is the share of housing spending, which has grown enormously from 20 years ago. The huge increase in this growth expenditure also means that Shanghainese have to face the negative impact of the rapid growth of the property market. It is known from the data that the population living in public rental housing in Shanghai currently accounts for only 3%, which is lower than Singapore's 80% and Hong Kong's 20% (Shanghai Statistics Bureau, 2022; Hong Kong Statistics Bureau, 2022). Most people in Shanghai still live in commercial housing, including renting and buying. If the four basic expenditures of food, clothing, housing and transportation are counted, the proportion has actually increased from 73% in 2003 to 80% now, which means that although the overall income level has increased, the expenditure on basic necessities has actually increased even more.

These rigid expenditures have reduced the saving ability and consumption ability of Shanghai people, especially for young people. In the past, Shanghai locals had better social security and even public housing allocation under the danwei system, which greatly reduced their expenditure costs. Shanghainese who bought houses in the early years were less affected by rising rents and house prices. And China's CPI (Consumer Price Indices) statistics do not include the increase in the cost of buying self-housing. So I think these early buyers are driving down average housing spending. The impact of housing expenditure on young people who have travelled to Shanghai in recent years should be higher than 33%. Judging from the number of houses per capita, the people who own the most houses per capita are people with less than primary school education. They should represent local farmers in Shanghai and migrant workers in the early years. Because of the background of the times, they generally have low education. But starting with a master's degree or a doctor's degree, their education did not allow them to obtain more houses or bigger houses.

One of the reasons why such a phenomenon occurs is the land finance phenomenon that is prevalent in China at present. This model can refer to Hong Kong's past development model. Since Hong Kong is a free trade port, no tariffs are charged on goods. Because of the lack of tax revenue, the government's fiscal revenue has gradually been transferred to land sales revenue. In the early years, Hong Kong had carried out ambitious land reforms, hoping to provide more public rental housing to Hong Kong people. The housing market determines

housing prices through the relationship between supply and demand. When the supply exceeds demand, housing prices will increase, and when the supply exceeds demand, housing prices will decrease (Yuen, 2018). Due to the government's plan to build 85,000 public rental housing annually (85,000 Housing Project, 八萬五建屋計劃), the supply has been greatly increased, and the housing price of commercial housing has dropped sharply while the short-term demand remains unchanged (Wang, Liang, Shao, 2020). Housing prices are closely related to land finance, and falling housing prices mean that the profit margins of real estate developers have decreased, and the bids for land auctions have also decreased. The decline in land transfer fees will directly affect the government's fiscal revenue. This change directly caused a large deficit of 20 billion in Hong Kong's government fiscal revenue in 2002 (Wei, Lai & Li, 2016). So, since then, the Hong Kong government has limited the amount of land that can be sold and limited the supply of public rental housing. But this plan has made Hong Kong the place with the highest house price ratio in the world.

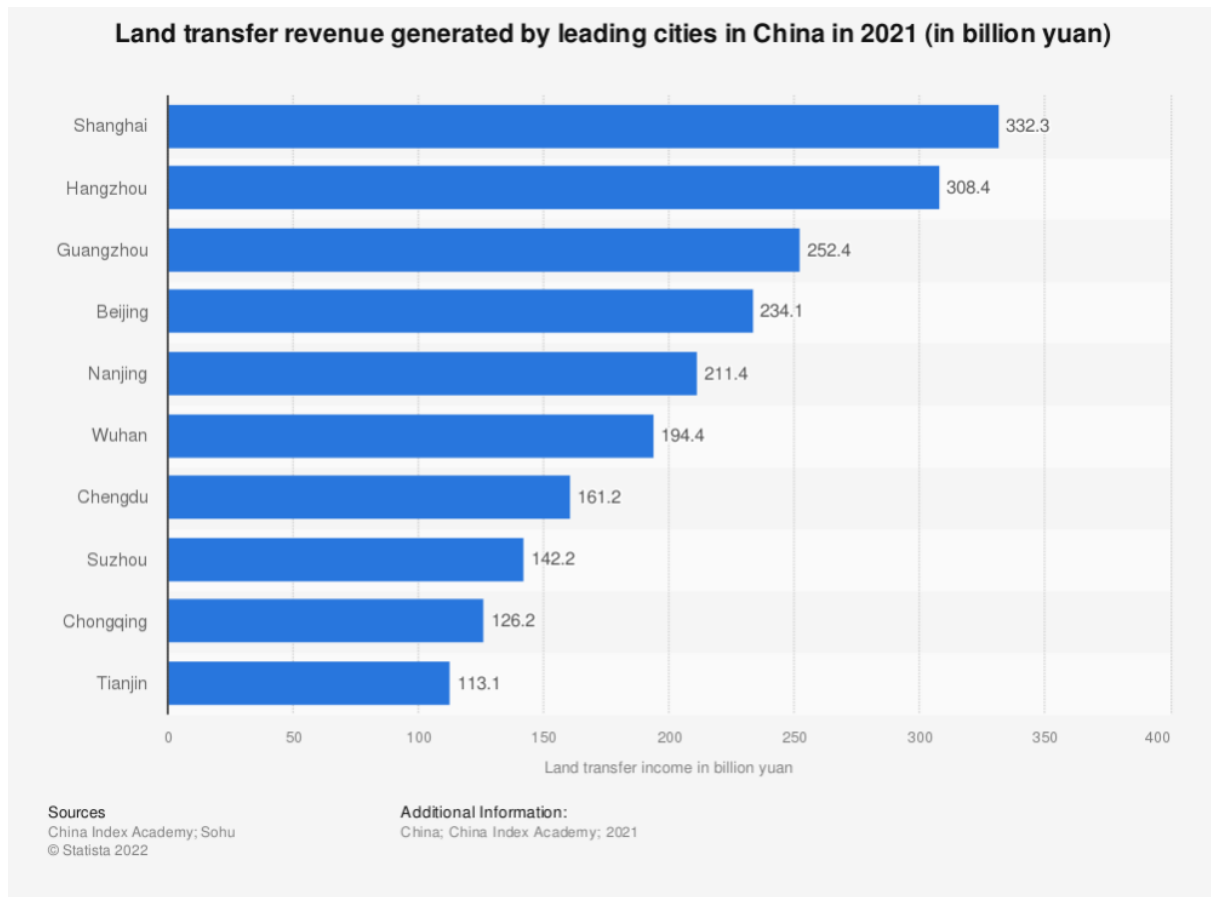
It is worth noting that, according to the changes in Shanghai's consumption expenditure statistics, starting in 2016, the original separate food statistics were cancelled in the ingredients, and the category of food, tobacco and alcohol was added, but food, tobacco and alcohol do not actually belong to one category. Tobacco and alcohol should be independent of food as a consumption category. But for the sake of statistical unification, I put the later food, tobacco and alcohol under the same category as the previous food. In fact, in the 19-year data, the real expenditure on food will be smaller than the nominal data on food, tobacco and alcohol.

6.2 Tax expenditure

In terms of the tax system structure, enterprises have a heavy tax burden, residents have a light tax burden, and the upstream link of the national income cycle has a heavy tax burden while the downstream link has a light tax burden. , the root of China's tax burden lies in the unreasonable structure of China's tax system. Too much taxation is concentrated in the production link of the national income cycle, and it relies too much on the taxation of enterprises.

Therefore, because the main component of China's fiscal revenue is not personal income tax, I need an indicator to measure China's tax rate. This indicator is the macro tax burden rate. The macro tax burden represents how much the government takes from the "economic pie" of the society. It reflects the distribution relationship between the public sector and the private sector, and also shows the strength of the government's socio-economic and fiscal functions. The tax burden of the country as a whole. There are three calibres for measuring the macro tax burden: the small calibre is the ratio of tax income to GDP; the medium calibre is the ratio of fiscal revenue to GDP; the large calibre is the ratio of government total income to GDP. At present, government revenue is composed of "four budgets", which are general public budget, social security fund budget, government fund budget and state-owned capital operation budget. It can be obtained through calculation that the proportion of social security fund budget, government fund budget and state-owned capital operation budget in the total government income has always been maintained at about 40% of the GDP (Lv, Zhan & Li, 2020). It is not enough to only consider the proportion of tax revenue and fiscal revenue in the general public budget. Therefore, the study of China's large-calibre macro tax burden must take into account the other three budgets in addition to the general public budget. However, the government revenue to measure the large-scale macro tax burden is not a simple sum of the "four budgets", mainly due to the handling of social security fund revenue and land transfer revenue (ibid.).

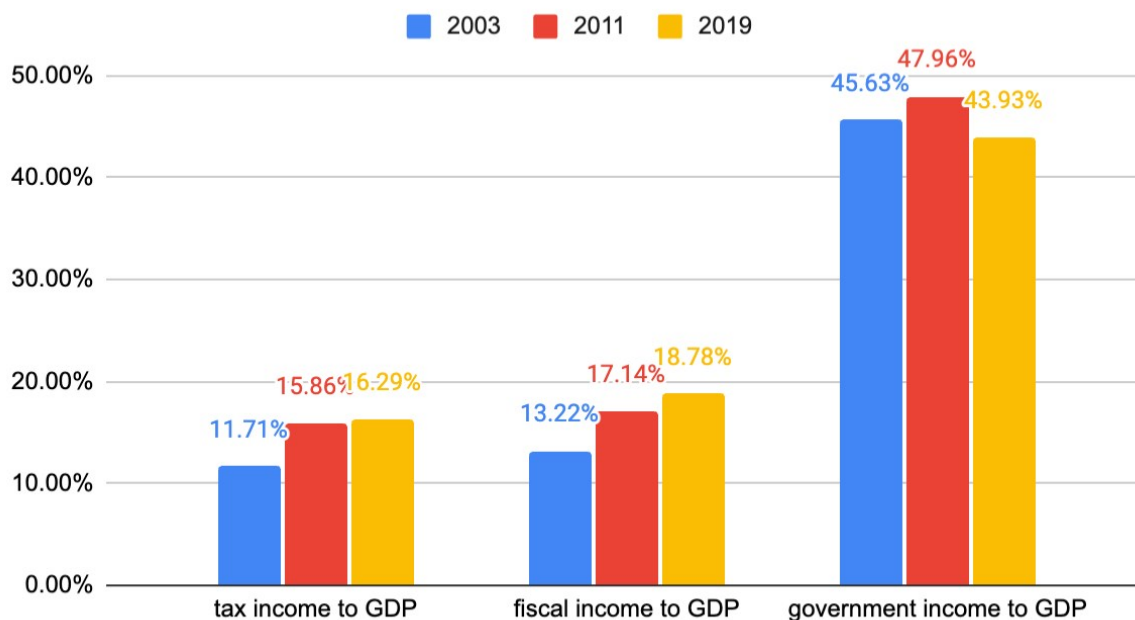
First of all, social security taxes (or funds) are used to raise social security funds, and countries generally have large funds. The fiscal and taxation systems of various countries also deal with social security differently. Most developed countries in the West levy social security tax and include it in the fiscal budget. The particularity of China's social security income lies in that: China has not yet levied social security tax, but adopted the method of collecting social security fees from enterprises and institutions to raise social security funds, and its income has not been counted in the general budget revenue of public finance; A large part of the guaranteed income comes from the transfer of fiscal budget funds, that is, the subsidy part of the general public budget expenditure to the social security fund. Therefore, when measuring the actual scale of government revenue, it is necessary to deduct the financial subsidy income to the social security fund to avoid double counting.



Secondly, with the process of industrialisation and urbanisation, the absolute amount of land transfer income has increased significantly, making land transfer income gradually become an important source of local government revenue. However, from the perspective of the concept of gross domestic product, the value form of land transfer income is expressed as the difference between the value of all goods and services produced in a certain period of time and the value of all non-fixed asset goods and services invested in the same period, which is a contribution to the country's land. Land rent collected by users is essentially capital appreciation. Therefore, when the International Monetary Fund (IMF) calculates the size of the Chinese government's revenue, it does not include land transfer revenue (ibid.). But I think this is unreasonable, because in the end, real estate developers normally transfer the cost of land-transfer fees to residents through real estate sales, like landlords normally transfer the cost of buying and holding real estate to tenants by increasing rents. At the same time, considering that the land transfer revenue of the Shanghai government ranks first among Chinese cities, it reached 332.3 billion yuan in 2021, while the fiscal revenue is merely 777.1 billion Yuan (Shanghai Municipal Bureau of Finance, 2022). Therefore, I used three different

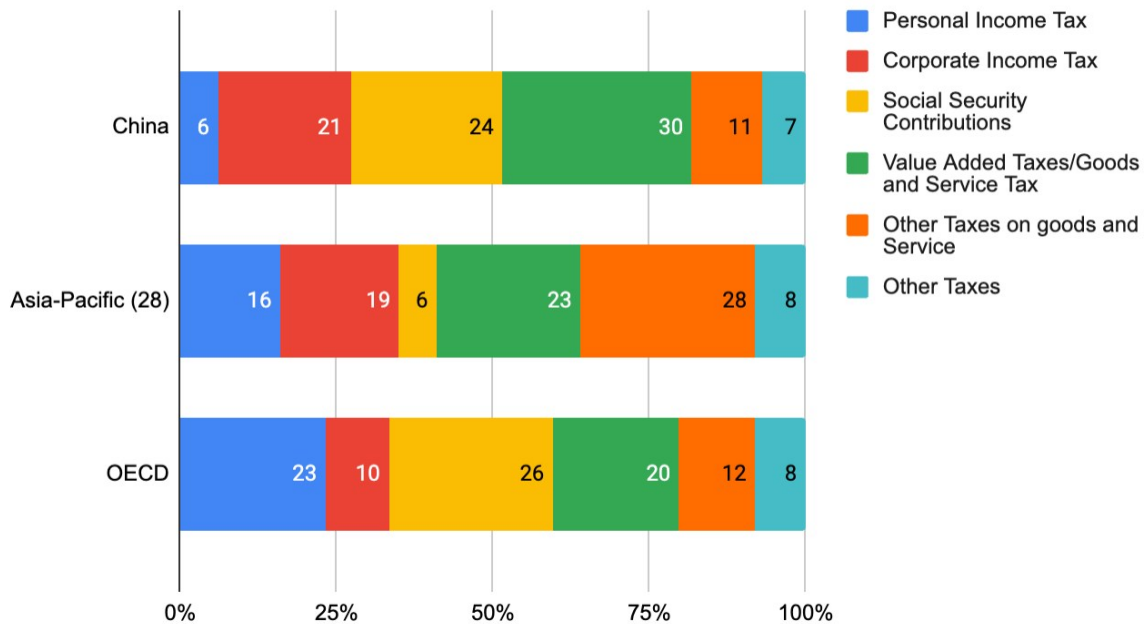
calibre macro tax rates in 2003, 2011 and 2019 to compare whether the tax rate of residents has increased.

Macro Tax Burden Rate of Shanghai, 2003, 2011 and 2019



Source: Shanghai Bureau of Statistics, Shanghai Statistical Yearbook, 2004-2020

China、Asia-Pacific (28) and OECD Tax income structure



China, Asia-Pacific (28) and OECD Taxes income structure (OECD, 2022)

It can be concluded from statistical data that Shanghai's macro tax rate has actually increased in the past 20 years as a whole. This means that the overall tax expenditure of Shanghai residents has increased. Although in the context of the Sino-US trade war that began in 2018, the Chinese government has gradually reduced or exempted tax rates, the overall tax rate has remained on an upward path. However, considering that after the COVID-19 epidemic that began in 2020, it is hoped to increase economic vitality by reducing taxes, so I think that the macro tax rate may begin to decline in the short term in 2020 and may be maintained until 2023. But on the other hand, this means that the proportion of real disposable income of Shanghai people is declining, which is negative for personal wealth accumulation and widens the gap between rich and poor.

The main reason for this is that China's current tax structure is different from that of OECD countries. Only 6% of China's tax revenue comes from personal income tax, while 30% comes from value-added tax. In OECD countries, value-added tax accounts for 20%, and the main income is still based on personal income tax, accounting for 23%. Personal income tax also accounts for 16% of the average for Asia-Pacific tax, and value-added tax accounts for only 23%. Although ordinary people pay less personal income tax, the tax on goods is

actually higher than that in OECD countries. A reasonable secondary distribution should increase the taxation of personal income tax and increase the rationality of the secondary distribution. At the same time, reduce the proportion of corporate taxation and increase the economic vitality and competitiveness of enterprises.

The relationship between the structure of the tax system and the principle of taxation is as follows: Generally speaking, tax collection at the redistribution and accumulation links of national income is more conducive to the fairness of taxation; the closer to the downstream link of national income, the more economic efficiency of taxation increases, The efficiency of collection and management is decreasing (Lv, Zhang & Li, 2020). I think this also explains from another aspect why the housing price in Shanghai has remained above 30% of the expenditure ratio since 2015. Because the government's taxation has begun to rely more on land transfer fees, it has also resulted in a situation where the macroscopic tax rates of medium and small calibres have not changed much, but the tax rate of large calibres has remained above 40%.

7 Conclusion

Through the analysis and statistics of various data, my answers to my four research questions are as follows:

Q1: Can non-Shanghai residents quickly obtain Shanghai hukou and enjoy the same medical and education rights as locals?

A1: No. According to the history of the hukou system in the past, the current hukou system is still in the stage of controlling population flow. Shanghai's control over new hukou was looser in the 2000s, but became more stringent during the 2010s. In contrast, Tier 1 cities including Shanghai are constantly improving the hukou system to help migrants obtain better social security. An example is the abolition of the vagrant shelter regulations in 2003. The growth rate of new accounts has dropped a lot. According to the analysis, I believe that this measure of controlling household registration can be linked to the qualifications for buying houses, which in a positive sense maintains the housing market from excessive growth. But, at the same time, this also has a negative impact on social mobility in Shanghai, as it is more difficult for most migrants to obtain Shanghai hukou.

Q2. What changes have occurred in the occupational situation of Shanghai residents in recent decades?

Shanghai's labour market has made great progress in the past 20 years, with more and more people leaving the pure blue collar class and entering the blue white-collar class. However, it cannot be ignored that although the labour market has ushered in tremendous changes in the past, as many as 70% of the jobs in Shanghai are below the white collar, which does not match its status as a financial centre and an international city. Whether Shanghai can continue its industrial upgrading in the future will determine whether its labour market can provide enough jobs for lower-class workers to enter the middle class. The overall nominal income is also growing positively, which is good news.

Q3. After calculating inflation, taxes and expenses, do Shanghai residents have more disposable personal income during the recent two decades?

Although the income level of Shanghai residents has grown rapidly, their expenditures have also increased very rapidly, especially housing expenditures have replaced food expenditures

as the main expenditure. According to the previous analysis, the proportion of housing expenditure may continue to increase in the future. This is not a good sign, as it increases the gap between rich and poor and reduces social mobility for young people.

Q4. Based on the answer to these three questions above, how has the social mobility of Shanghai residents in Shanghai changed over recent history?

Based on the finding of this thesis, I argue that Shanghai's social mobility has declined in the past 20 years, because the growth of expenditure in basic necessities is faster than the growth of income, and only a few industries have relatively fast wage growth, which provides the possibility of upward social mobility. 70% of workers still stay below the white-collar worker status, which is not a low proportion and has not changed much in two decades. On the whole, the income and expenditure situation of most people may not be optimistic.

How to improve social mobility in Shanghai and China?

First, I argue that tax system and the structure of fiscal spending need to change. Taxing revenue and VAT (Value-added Tax) will lead to excessive taxation and affect the vitality of the economy as a whole. Further, governments are expected to cancel the labour dispatch system, protect the basic rights and interests of workers, and increase the willingness of workers to find employment. In addition, the Shanghai government is now experimenting to establish basic education security and medical security, such as abolishing school district housing, and increasing investment in education and medical security. China's central government may follow the experiment of Shanghai if the test point works. But this is bound to reduce China's spending in other areas, such as military spending and maintaining stability. Under the current situation of Sino-US trade war and world turmoil, reducing military spending seems to be difficult to implement. Especially since current leader Xi Jinping himself has relatively large ambitions for Taiwan's reunification, the future should be relatively difficult to see.

Second, the government should reduce its dependence on land transfer revenue. I think that CCP should reduce the assessment of short-term KPIs and focus on long-term assessments, so that officials are willing to plan for long-term goals, rather than just infrastructure.

Appropriately increase public rental housing in infrastructure projects to improve the rental housing market. Learning from Singapore's HDB (Housing and Development Board), the

growth of low-rent housing will inevitably affect short-term housing prices and land finance, but in the long run it will reduce the transfer of wealth, increase the government's long-term fiscal revenue, give young people more opportunities to build personal wealth, and reduce the gap of rich and poor. I believe that stabilising people's livelihood, increasing people's income and sense of security will drive them to consume and establish wage growth with moderate inflation, driving the growth of social mobility. However, under the current bureaucratic system, officials do not serve long in one place or one city. For personal promotion, it is actually more difficult for them to give up short-term goals and shift to long-term goals. This behaviour requires an appropriate reward mechanism and overall policy orientation. The expansion of public rental housing is more difficult in small cities where fiscal revenue is stretched, but theoretically it will be less difficult in Shanghai because Shanghai's fiscal revenue is more abundant. As the property market is an investment tool for most of the wealthy class, lower housing prices will inevitably put some pressure on the government from the early home buyers. Moreover, the income from land transfer fees currently accounts for 22.9% of the income of the Shanghai General Government, which is at a relatively high level. In terms of Hong Kong government revenue, the total government revenue in fiscal year 2022 is 725.9 billion HKD, of which the land premium is 120 billion HKD (Hong Kong Government, 2022). That is, land premium accounts for 16.76% of total government income. China's current policy direction is also to protect the property market and control the price of commercial housing, but it is mainly reflected in controlling the financial leverage ratio of developers and controlling their borrowing costs. Therefore, the actual income from land transfer fees has not fluctuated greatly for the time being. The main thing is to control the transfer of land and reduce supply to control prices. But I think this situation cannot solve the core contradiction. If we refer to the case of Hong Kong, it will only increase the dependence on land transfer revenue in the future. Young people cannot afford high rents, which will inevitably affect their savings rate and thus social mobility will decrease.

At present, the government under the leadership of Xi pays more attention to international affairs, except for the third point that is being actively implemented, including finding partners in the Middle East and the third world to use Chinese Yuan for international payment. The government under Xi's leadership does not seem to have much interest in the first two points, and the implementation is relatively difficult, which may be difficult to foresee in the short term. Just like the lost thirty years in Japan, when young people are disappointed with

the society, more and more young people choose to stay in the house, becoming otaku (お宅)⁵. There is also a similar culture in China, which is called lying flat (Tangping, 躺平)⁶ and let it rot⁷ (Bailan, 摆烂). Just as Japan and South Korea are facing an ageing crisis, the number of new-borns is decreasing but they are unwilling to open up immigration methods like Europe and the United States, and the pensions that young people pay taxes to support will face a shortage. At the same time, the reliance on land transfer revenue also makes the government not have a particularly good way to increase HDB supply and limit the property market. This has failed in Hong Kong. At present, although Singapore's HDB provides housing for 80% of the population, it still cannot stop the problem of low fertility as well. The cliff-like decline of new-borns has made China's population overtaken by India, becoming the world's second most populous country, and in the next five to fifteen years, the current first batch of baby boomers, that is, the 50-year-old labour force, will retire. After that, there will be enormous financial pressure. At that time, if the government wants to seek policy changes again, it may be more difficult. Because the labour force and fiscal revenue have actually decreased, and this problem has already begun to emerge. The East Asian model has created similar economic miracles in the past, including Japan, the four Asian tigers, and China, but now these former economic miracle states are facing similar problems, including the increasing wealth gap between rich and poor, low birth rate, and reducing social mobility. The feasibility of this model for the economy has been successfully proved in the past, but the negative impact of this model on high-speed growth still needs further observation.

Therefore, my conclusion is that in the past 20 years, the employment environment in Shanghai has indeed improved a lot, allowing more people to increase their income levels and obtain higher ISEI occupations. But behind these superficial increases in social mobility are higher expenditures and higher tax rates, making the expenditure level of young people actually increase compared with the past. Based on the calculation of income and expenditure, I think Shanghai's social mobility did increase before 2011, because more people moved into Shanghai and obtained hukou via labouring blue-collar and white-blue collar. In recent years,

⁵Otaku (お宅): a Japanese word that describes people with consuming interests, particularly in anime, manga, video games, or computers.

⁶Tangping (躺平): a Chinese slang that describes a personal rejection of societal pressures to overwork and over-achieve, such as in the 996 working hour system, which is often regarded as a rat race with ever diminishing returns.

⁷Bailan (摆烂): It refers to when things can no longer develop in a good direction, so they simply stop taking measures to control them and let them continue to develop in a bad direction.

I think social mobility has decreased. One reason is that the significant increase in expenditure levels has actually reduced the disposable income of young people. The Sino-US trade war and the beginning of anti-globalisation have made it impossible for China to maintain a high growth rate as the world's factory in the past. Foreign capital, including Apple, began to gradually transfer production lines to India and the third world, forcing China's upstream and downstream enterprises to follow the transfer of foreign capital. As a result, China's economy started to slow down and unemployment started to rise, especially for young people who found it harder to find a job. With the gap between the rich and the poor and low mobility, young people have lost their expectations for the future, have no employment, and are unwilling to marry and have children. Then China in the future may enter an era of rapid aging just like Japan in the past. Of course, the Chinese government can slow down this process through a series of measures, such as monetary policy, increasing investment in people's livelihood security, establishing security for young people and building their confidence in the future. If it goes well, China may not enter the lost 30 years like Japan.

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