

**Education Investment or Family Background? A Tale
of Two Mechanisms behind Intergenerational Mobility
in Rural and Urban China**

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Xuechao Qian

Hong Kong University of Science and Technology

This paper studies on intergenerational social mobility in urban and rural China, and the main channels behind it. The rural and urban discrepancies we found in this paper highlight the inequality of upward opportunities for young generations in China.

Social stratification in China has been discussed heatedly for a while. For example, Shi, et al. (2010) indicate that income in rural China are highly mobile and there exists considerable transitorily poor and rich in positional mobility. However, they neglect the comparison between rural and urban China, as well as the mechanism behind the mobility itself, under the background of Urban-rural Dual Registration System (hukou system) established since 1958. This dual social system has generated differentials in privileges to the access of education, health care, housing and jobs among urban residents, which could also become a significant determinant in intergenerational mobility. Therefore, our paper plans to draw an overall picture about intergeneration social mobility in China both in urban and rural areas, and then, step further to figure out key transfer paths from the older generation to younger one. The main channels in our paper are education investment and family background.

Our main findings are: 1) there is relatively higher social mobility in rural China compared with urban families. 2) Education investment is the key path for rural children to climb up the social ladder. 3) Family background is a more important intergenerational transmission channel in urban areas than in rural ones: the more assets the family has and the more social network the family owns, the more likely the child would be better off than peers in urban cities.

In this paper, we use the longitudinal data (1989-2011) from the China Health and Nutrition Survey (CHNS), which is collaboratively conducted by an international team of researchers from Carolina Population Center at the University of North Carolina and the National Institute of Nutrition and Food Safety at the Chinese Center for Disease Control and Prevention. We pick out children between 15 to 22 years old, which are the ages above compulsory education till college, in each wave before 2006. We choose the latest wave if a target child appeared in multiple waves during his or her 15-22 years old to capture more information about non-compulsory education. And then we match them with their parents in that year, as well as the most recent year with the child's individual income information in full sample.

The principal contributions of this paper are as follows: first, we provide a more complete examination on intergenerational social mobility in China, both in urban and rural areas. Second, we find out different channels in such intergenerational transmission: family background in terms of wealth or social network play important roles in increasing the next generation's income in urban rather than rural, while rural children could only rely on investment in higher level education to climb upward in the society. Third, our research sounds the alarm that the biased allocation in education resource would result in inequalities of opportunities. If we could not help more rural children to get access to higher level education, the inequality between rural and urban China would be enlarged rather than shrunk. Forth, younger generation's better future depending on family background in urban China also reflects unequal opportunities in urban cities.