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The Social Composition of China's Private Entrepreneurs: Class and Cohort Differences*

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基于中国私营企业调查历年数据，试图回答“私营企业主的社会构成”这一经典命题。经过近40年的发展，私营企业主的总体构成已发生重大变化，市场背景、受过高等教育、非政治党派的构成在上升。通过将私营企业主的职业流动进一步划分成“下海”、“改制”、“跨界”、“跳板”、“草根”等类型，发现大、中、小三种类型的企业主在创业前的职业流动存在显著差异，尤其是大企业主更有可能来自体制内下海或改制，而中小企业主以体制外成长为主。多元回归和系数集束化分析表明，教育程度与政治身份在阶层地位和同期群方面对企业主职业流动产生不同的影响。

关键词：私营企业主　职业流动　阶层　同期群

On the basis of survey data on Chinese private enterprises over the years, we try to respond to the classic subject of “the social composition of private entrepreneurs (*siyingqiyezhu* 私营企业主).” In nearly forty years of development, the overall composition of private entrepreneurs has undergone major changes. The group contains a growing proportion of people who have a market background and higher education and are non-political CPCs. On further classifying the occupational mobility of private entrepreneurs into categories such as “*xiahai* 下海” (jump into business), “*gaizhi* 改制”

* Data referred to in this article come from the China Private Enterprise Survey (CPES), a project supported by the United Front Work Department of the Central Committee of the Communist Party of China (CPC), the All-China Federation of Industry and Commerce, the State Administration for Market Regulation and the Private Sector Research Association's Enterprise Research Team of the Chinese Academy of Social Sciences Research Center for Private Entrepreneurs, which is responsible for the day-to-day management of the CPES database distribution platform, is the database's officially authorized distribution channel. We thank the above bodies for their assistance. The first draft of this paper was read at the Politics-Business Relationship Workshop (Guangzhou, November 2015), the Population and Family in Transitional Society and Stratification Workshop (Jinhua, June 2016) and the Social Stratification and Mobilization Summer Forum (Lanzhou, July 2016). Our thanks are due to Liu Xin, Cao Yang, Wu Yuxiao, Chen Zongshi, Lin Zonghong, Luo Zhongyong, Zhu Bin and other teachers, friends and anonymous reviewers for their criticisms and suggestions. The authors take sole responsibility for their views.

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(restructuring), "*kuajie* 跨界" (crossover), "*tiaoban* 跳板" (springboard) and "*caogen* 草根" (grassroots), we find there are significant differences in the occupational mobility of entrepreneurs in large, medium, and small enterprises in terms of what they did before they founded their businesses. In particular, entrepreneurs in large enterprises are more likely to have "jumped into business" from inside the government system or after restructuring, while most small and medium entrepreneurs develop outside the system. Multiple regression and coefficient clustering analysis shows that education level and political status have varying effects on the occupational mobility of entrepreneurs in terms of class and cohort.

Keywords: private entrepreneur, occupational mobility, class, cohort

I. The Problematic: Differences in the Social Background of Private Entrepreneurs

The social composition of private entrepreneurs is an important starting point for understanding changes in Chinese social structure. Many of our ideas on the subject remain at the empirical level of research conducted 20 years ago. In recent years, as private entrepreneurs enter an era of generational replacement, the first generation, the founders, have fallen back to the "second line," while the new generation has come up to the "front desk," making the question of succession highly visible. An endogenous force is changing the social composition of private entrepreneurs. At the same time, the concept of "mass entrepreneurship and innovation" has become a new driving force spurring economic and social development and raising the level of the business environment.

According to the latest data from the State Administration for Industry and Commerce, as of the end of 2016, there were 23,091,900 private enterprises nationwide, an increase of 49.3 percent from the end of 2014 (when there were 5,463,700) and 34 times more than at the end of 1995 (655,000). A constant stream of fresh blood has poured into the ranks of private entrepreneurs. By the end of 2016, the number of private enterprise investors nationwide was 42 million, an increase of 41.7 percent from the end of 2014 (29,631,000), and over 30 times more than at the end of 1995 (1,340,000).

Regrettably, academic research on the social composition of private entrepreneurs has now fallen silent after peaking in the 1990s and early 21st century. Some researchers are no longer satisfied with studying entrepreneurs' occupational mobility,[1] while others feel that the issue may no longer yield fresh findings.[2] However, in our view, the theoretical significance of this topic is evergreen. Class and social formation have become a classic issue for sociological meta-theory (especially Marxist class analysis).[3] What indeed is the composition of market

1 Li Lulu and Zhu Bin, "China's Economic Reform and the Evolution of the Competitive Pattern of Private Entrepreneurs."

2 Victor Nee, "China in Transition," pp. 3-8.

3 Karl Marx, "The Eighteenth Brumaire of Louis Bonaparte," pp. 461-579.

players and how heterogeneous or homogeneous are they? Not only is this an important empirical issue, it is also directly related to theoretical conclusions about the nature of the entire social structure.

In addition to the dynamic historical dimension, we must also explore static stratification. Within the private entrepreneur group, there is a huge difference in economic position (wealth), political status (power) and social assessment (prestige) and even in subjective status identification.[4] "Private entrepreneur," a concept with strong Chinese characteristics, refers to a group or status. Even among private entrepreneurs, intragroup differences may be as great as the differences between them and other groups. If some large entrepreneurs can be seen as members of the elite class, then many small and medium private entrepreneurs can more aptly be regarded as part of the middle class or as small traders and manufacturers. Accordingly, the second research question to spark our interest: in terms of social origins, do Chinese large, medium and small entrepreneurs come from the same source, or do they have multiple origins? In terms of background, do they constitute a single type or belong to three different types?

The combination of stratification and cohort constitutes our third issue. What are the differences in the social origin of large, medium and small entrepreneurs who set up their businesses in different periods? In other words, what are the differences in the internal composition of the large, medium and small entrepreneurs we see today as compared with those of some decades ago? If there are differences, do they allow us to deduce the existence of a certain trend and thence predict future changes in the make-up of China's private entrepreneurs?

II. Literature Review

The mobility trajectory of private entrepreneurs before they set up their businesses not only reflects China's changing macroeconomic and social environment, but also outlines the dynamic micro-strategies of individual players. In the course of the transition from a planned to a market economy, many entrepreneurs had abundant experience of occupational mobility before founding their enterprises. From 1997 to 2004, the proportion of private entrepreneurs who had no previous experience of occupational mobility exceeded 10 percent, but the figure fluctuated below 10 percent from 2006 to 2014. The year 2004 was a watershed in terms of the proportion of entrepreneurs who had experienced occupational mobility on one occasion; in the next five surveys, more than 50 percent of entrepreneurs fell into this category. The proportion of those who had been occupationally mobile three times or more had similar

4 Li Lulu, *Private Entrepreneurs in Social Transition: Research on Social Origins and Enterprise Development*; Fan Xiaoguang, "Private Entrepreneurs' Occupational Mobility and Class Identification in China (2004-2014)," pp. 99-119.

characteristics.[5]

Private entrepreneurs experience frequent social mobility, and their origins tend to be complex. Research findings show that in the early period, quite a high proportion of them may have come from the lower ranks of society or marginalized groups,[6] but by the mid-1990s, their origins had diversified. Against this background, a heated debate erupted in the academic community over whether "The majority of private entrepreneurs come from state-owned companies." Some believe that the probability of cadres entering the private economy (mainly to become township entrepreneurs or self-employed) is lessening,[7] but more are of the view that former cadres have better chances of becoming entrepreneurs and that the mainstream of entrepreneurs now consists of cadres and others with managerial and technical experience. Since 2000, this trend has grown stronger. The growth of the private entrepreneur group is, to a large extent, a process of reproduction of elites and quasi-elites.[8] However, some scholars have pointed out that the formation of this group cannot simply be summed as elite reproduction; rather, it involves the coexistence of elite recycling and elite reproduction.[9] Compared with market-type entrepreneurs, people who were privileged insiders had a competitive advantage in relative terms in the early stages of economic reform, but their advantages diminished as reform progressed. The main reason for this was that economic expansion allowed market-type entrepreneurs to seize market opportunities and achieve higher returns.[10] Even today, many large entrepreneurs had an ordinary family background or were working for wages when they started their businesses.[11] This adds to the difficulty of answering such questions as "Who becomes an entrepreneur?" and "Who becomes a big entrepreneur?"

The literature review shows that many of the relevant studies treat entrepreneurs as a homogeneous group or simply divide them into the two categories of "self-employed" and "entrepreneur." Only a few examine private entrepreneurs from different strata within the one analytical framework. Moreover, descriptions and statistics for occupational mobility trajectories are based on cross-sectional data, and multivariate statistical analysis of

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5 Fan Xiaoguang, "Private Entrepreneurs' Occupational Mobility and Class Identification in China (2004-2014)," pp. 99-119.

6 Carolyn L. Hsu, "Cadres, Getihu, and Good Businesspeople: Making Sense of Entrepreneurs in Early Post-Socialist China," pp. 1-38.

7 Victor Nee, "Social Inequalities in Reforming State Socialism: Between Redistribution and Markets in China," pp. 267-282; Xiaoguang Wu, "Communist Cadres and Market Opportunities: Entry into Self-employment in China, 1978-1996," pp. 389-411.

8 B. Dickson, *Red Capitalists in China: The Party, Private Entrepreneurs, and Prospects for Political Change*.

9 Li Lulu, "Private Entrepreneurs' Personal Backgrounds and Enterprise 'Success.'"

10 Li Lulu and Zhu Bin, "China's Economic Reform and the Evolution of the Competitive Pattern of Private Entrepreneurs."

11 Lü Peng, "'Horatio Alger Myth' in Neoclassical Sociology: The Social Origins of the First Generation of China's Richest Private Entrepreneurs."

comparisons across periods is relatively rare. Finally, there is a lack of in-depth analysis of the factors behind the formation of mobility trajectories. The above shortfalls constitute the theoretical problems this paper endeavors to solve.

III. Research Design

1. Data

We use data from the seventh Chinese Private Enterprise Survey (CPES) (1997-2014) to analyze the occupational status of private entrepreneurs before they set up their businesses. The CPES is carried out nationwide every second year. Its actual conduct relies on Industrial and Commercial Associations and Industrial and Commercial Bureaus at the provincial (autonomous region/municipality) level. The Chinese Academy of Social Sciences Research Center for Private Entrepreneurs is responsible for the day-to-day management of the data. After data cleaning, a data set with a sample size of 19189 was obtained. The number of subsamples for 1997, 2000, 2002, 2008, 2010, 2012 and 2014 was 1419, 2234, 2195, 2674, 3256, 3489 and 3922 respectively.[12]

2. Operation and measurement

The occupational mobility of entrepreneurs prior to setting up their enterprises is a dependent variable. In the survey design for the years under study,[13] first, Party and government departments and institutions and state-owned and collective enterprises are regarded as being within the system, while foreign-invested companies, Hong Kong, Macao and Taiwan enterprises and other private enterprises are regarded as being outside the system. Second, in accordance with redistribution during the transition period and with market segmentation, occupational mobility is divided into five "ideal types": 1) "*xiahai*" (jumping into the sea of business—hereafter, "jumping into business"); 2) "*gaizhi*" (restructuring); 3) "*tiaoban*" (springboard); 4) "*kuajie*" (crossover) and 5) "*caogen*" (grassroots). "Jumping into business" refers to entrepreneurs who only ever worked in Party and government departments and institutions before setting up their enterprises. "Restructuring" refers mainly to entrepreneurs who used to work in state-owned and collective enterprises and people who moved from Party and government bodies to state-owned and collective enterprises and commenced an entrepreneurial career from those positions.[14] The "springboard" type covers

12 Since there are some differences between the occupational mobility surveys for 2004, 2006 and 2016 and the research design of this paper, these years were not analyzed.

13 The design of the occupational mobility instrument in the 1997-2002 survey was slightly different from that of the 2008-2014 survey; we have standardized it.

14 In theory, this type also includes entrepreneurs who initially moved from state-owned and collective enterprises to Party and government organs and institutions and then resigned to start a business. However, such business-to-office job movements are more likely to involve "being promoted" and less likely to involve subsequently starting a business. The proportion in the data is extremely low.

entrepreneurs who worked in a foreign-invested "three capital" enterprise or other private enterprises. The "crossover" type refers to entrepreneurs who have worked both inside and outsidethe system, while the "grassroots" type includes people who had only ever worked as village cadres;[15] the self-employed; laid-off workers; people who sought casual work and other jobs away from home; students returned from abroad; and other forms of occupational mobility. The situation of this last category is more complicated: the "grassroots" label basically refers to "bottom-up market forces."[16]

We divide private entrepreneurs into three kinds according to the size of their enterprises: large, medium and small. From the firm-level location of the entrepreneur's company, we selected for measurement those proxy indicators that had the closest relationship to the firm's asset scale.[17] Specifically, we first divided entrepreneurs into large entrepreneurs and small and medium entrepreneurs on the basis of the standard classification of enterprises above a designated size in the analytical report on the Large-scale Survey on Private Enterprises in China of the All-China Federation of Industry and Commerce (2000-2014). Up to 2000, the threshold was a turnover of 120 million yuan for the year in question; it was 300 million yuan between 2004 and 2011, and rose to 500 million yuan from 2012. We defined owners of firms above the designated size as large entrepreneurs and thus obtained the two groups of large entrepreneurs and small and medium entrepreneurs. For small and medium-sized enterprises, we used the National Bureau of Statistics standards to define as small entrepreneurs the owners of industrial enterprises with a turnover not exceeding 30 million together with owners of other enterprises with a turnover not exceeding 10 million, with the remainder being medium entrepreneurs.

In order to effectively compare the differences among these groups, we constructed three entrepreneur cohorts according to when they set up their enterprises, comprising 1978-1995; 1996-2005; and 2006-2014, with a view to revealing differences in the composition of private entrepreneurs in different cohorts. Our data analysis (Fig. 1) supports the reasonableness of this division.

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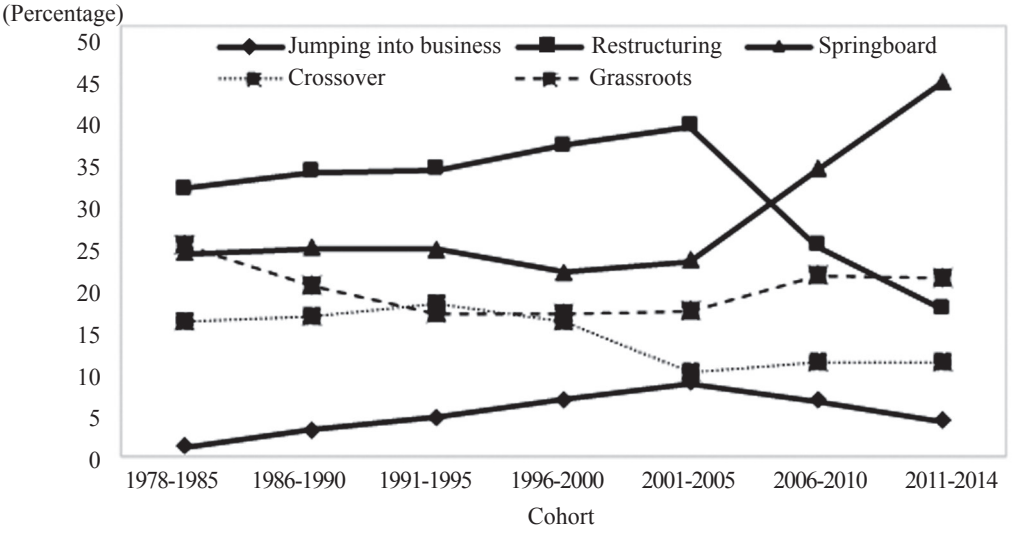
15 Those who had only ever worked as village cadres have not been categorized under either "jumping into business" or the "restructuring" of collective enterprises. Although village cadres belong to the grassroots level of political power, the stories of their involvement in the private economy are very different from those of national-level cadres. Village cadres who had simultaneous occupational experience in a (rural) collective enterprise are classified under "restructuring"; otherwise, they are counted as a separate type.

16 Victor Nee and Sonja Opper, *Capitalism from Below: Markets and Institutional Change in China*.

17 The actual question in the survey asks for the entrepreneur's "annual salary," but this is an extremely complex issue (many entrepreneurs consider that they do not draw an annual salary). It is thus not appropriate for measuring the scale of their assets. The survey also asks about entrepreneurs' total income throughout the year, but this indicator too is a far cry from the scale of their personal assets.

Figure 1 Changing Trends in Occupational Mobility by Cohort



In addition to the above core variables, we included the following variables: gender, age, education, CPC membership, region, and industry. "Region" is divided into the eastern, central and western regions; "industry" is divided into real and non-real, with the latter referring to firms whose main business is confined to finance, insurance and real estate. Table 1 gives descriptive statistics for the above variables.

Table 1 Descriptive Statistics for Variables

	Small entrepreneurs	Medium entrepreneurs	Large entrepreneurs
Occupational mobility (%)			
Jumping into business	5.77	8.21	9.21
Restructuring	32.79	38.59	40.07
Crossover	27.42	23.36	23.09
Springboard	14.26	14.14	14.21
Grassroots	19.76	15.70	13.43
Entrepreneurial cohort (%)			
1978-1995	27.35	23.46	28.52
1996-2005	50.07	61.41	61.82
2006-2014	22.58	15.13	9.66
Education level (%)			
Junior high school or less	19.47	13.80	11.10
Senior high school	34.24	24.28	17.31

Three-year college education	30.76	36.51	32.19
Bachelor's degree or above	15.54	25.40	39.40
Political status (%)			
CPC member	28.31	38.62	50.28
Other party member	4.95	7.74	8.77
One of the masses	66.74	53.64	40.95
Real economy (%)	4.20	7.77	7.33
Male (%)	85.14	88.05	94.23
Region (%)			
Eastern region	52.23	60.29	62.49
Central region	24.71	19.00	18.98
Western region	23.06	20.71	18.53
age[1]	44.73	46.27	48.26
	(8.62)	(7.85)	(7.73)
N	13, 536	4, 752	901

Note: [1] is the mean value with the standard deviation in parentheses.

3. Statistical strategy

Given that occupational mobility is a multi-category variable, we adopt the multi-nomial logit regression model. In the coefficient comparison of the cross-sample regression model, we compare not only level of significance but also the effect of the core independent variables on the dependent variable using the sheaf coefficient method.[18]

IV. Analytical Findings

1. The basic characteristics of the occupational mobility of private entrepreneurs

(1) Diachronic trends in occupational mobility

Fig. 1 reveals the distribution of private entrepreneurs among the five types of occupational mobility in different cohorts between 1978 and 2014.[19] In terms of the distribution of entrepreneurship over the years, the proportion of those who "jumped into business" from officialdom is generally the lowest, being basically less than 10 percent. From 1996 to 2005, this group had a relatively stable share with a slight increase, but thereafter it started to decline. This trend reflects the rise and fall of the "fashion for resigning to start a business"

18 D.R. Heise, "Employing Nominal Variables, Induced Variables, and Block Variables in Path Analysis," pp. 147-173.

19 In order to present the overall trend of change more clearly, the entrepreneurs who started businesses from 1978 to 2014 have been divided into seven cohorts. This is slightly different from the operational methodology for cohorts in the analysis of mechanisms in the following part.

from the 1990s to the beginning of the 21st century.

"Crossover" mobility, both inside and outside the system (movement is mostly from the former to the latter), is to some extent similar to the category above. The proportion of crossover mobility rose slightly between 1978 and 1990, but generally continued a trend that started in 1981of being around 20 percent, with only slight variations. This trend persisted until 1995, when it began to decline. Between 2000 and 2014, the share of crossover mobility basically remained at 10-15 percent. Apart from changing times, another reason for its decline may have been the rapid rise in other forms of occupational mobility trajectories.

Changes in the curve for entrepreneurs who experienced restructuring provides a clearer reflection of the changing times. Firstly, we find that, despite occasional fluctuations in a few years (1985-86 and 1998-99), "restructuring"[20] was a major source of private entrepreneurs in China until 2005. That is, Chinese entrepreneurs came mainly from the ranks of those who had worked in state-owned and collective enterprises—not necessarily in managerial positions. Secondly, there has been a marked decline in the share of restructuring as a source of entrepreneurs starting in 2005. This may have been partly due to changes in the structure of occupational mobility. As well, one cannot rule out the impact of the reform of state-owned enterprises after 2005.

The proportion of entrepreneurs who had worked in other areas of the private sector (had "springboard" experience) was the second largest source of private entrepreneurs until 2005. They represent groups that had never been "inside" the system. Since 2000, there has been a significant and sustained increase in their share. By 2005, it had exceeded the share of "restructuring" and made up almost half the total, becoming the main source of private entrepreneurs.

From 2006, the "grassroots" type also achieved sustained and steady growth. The share of this type fluctuated greatly throughout the 1980s and at the beginning of the 1990s, sometimes being high and sometimes low. Between 1991 and 2005, it hovered between 17 and 18 percent and has been above 20 percent since then. This represents a faithful picture of China's transition to a market economy, which has led to a decline in the share of entrepreneurs from state-owned and collective enterprises and an increase in the share of those from a market background.[21]

(2) Education and occupational mobility

Fig. 2 shows that the share of entrepreneurs with a bachelor's degree or higherkeeps

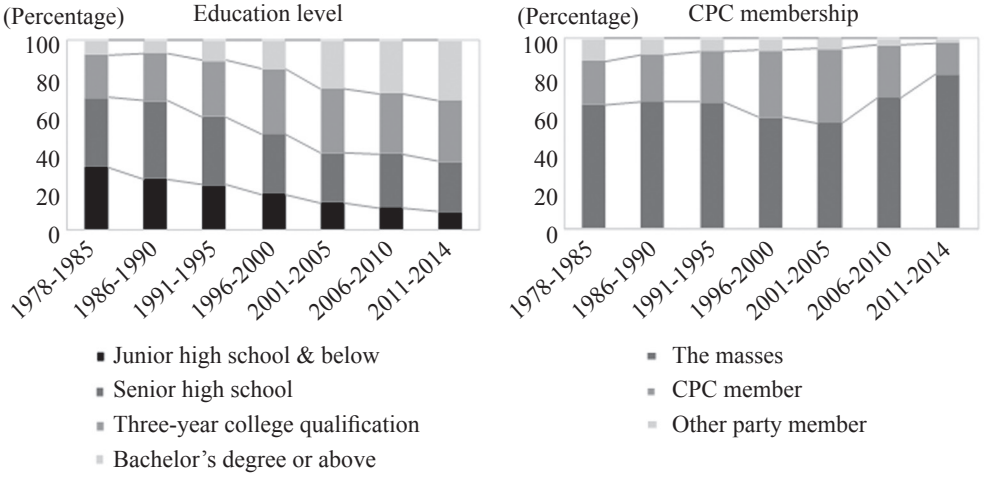
20 Certainly, state-owned and collective enterprises went to private entrepreneurs varies in intricate and complex situations, including bankruptcy, combination, and merging, and "restructuring" in this article is not equal to "Management Buy-Outs."

21 We are not saying that the "restructuring" type of entrepreneur necessarily represents a transition from being inside the system to being outside it. A great many collective enterprises are actually set up or contracted privately; the classic example is the "red-hat" township and village enterprises. Although nominally collective, they are actually prototype private enterprises. Due to data limitations, it has not been possible to further identify such enterprises.

increasing. Among those who started their businesses in the early 1980s, this group accounted for only a single digit; by the end of the 1990s and early 2000s, they constituted about 20 percent; and in the last five years, they have always constituted more than 30 percent. The proportion of those with three-year college (*dazhuan*) qualifications has also been steadily increasing. It can be said that over time, the educational make-up of private entrepreneurs has taken on a new look.

It is worth noting that the proportion of those with educational qualifications below junior middle school has continued to decline and that the proportion of those with educational qualifications at senior high school level has been relatively stable; both have fluctuated between 30 percent and 35 percent since the mid-1990s. Our analysis shows that most of them are small entrepreneurs. Nearly a third of Chinese entrepreneurs still have senior high school as their highest level of education.

Figure 2 Changing Trend of Political Status and CPC Membership by Cohort (%)



What is the difference in education level among private entrepreneurs at different levels? As can be seen from Table 1, there is a significant difference in the proportion of large, medium and small entrepreneurs with bachelor's degrees or above. For large entrepreneurs, the figure is 39.40 percent; for medium entrepreneurs, 25.40 percent; and for small entrepreneurs, it is 15.54 percent. If combined with three-year college qualifications, the figures are 71.59 percent, 61.91 percent and 46.30 percent respectively. Overall, large entrepreneurs are the most highly educated.[22]

With regard to educational differences in the occupational trajectory of entrepreneurs from different social classes, the proportion with higher education is highest among those who

22 Due to data limitations, it is impossible to establish whether respondents' educational qualifications were obtained before or after they started their businesses.

"jumpd into business" regardless of whether their enterprises are large or small, and there is no marked difference between them. We did not carry out statistical calculations on the occupational rank of the sample, but peer research[23] indicates that the vast majority of highly educated people who worked in Party and government departments have cadre status. In other words, national-level cadres are the main force among entrepreneurs who have "jumped into business." In sharp contrast, among entrepreneurs who came in through "restructuring," those with bachelor's degrees, who had very probably been enterprise managers, had an advantage (41 percent) only among large entrepreneurs. The proportion with senior high school as their highest level of education is highest (32.55 percent) among small entrepreneurs, who were likely to have been ordinary technicians or even manual workers in restructured enterprises before they started their businesses. Among small entrepreneurs, 15 percent have a bachelor's degree. The situation with "springboard," "crossover" and "grassroots" entrepreneurs is similar to that of people who came in through "restructuring." The proportion of large entrepreneurs with higher education is significantly higher than that of small and medium entrepreneurs.

Further comparisons show that regardless of the trajectory of occupational mobility, a later business start up date significantly raised the proportion of university graduates. This indicates that the overall level of education of private entrepreneurs is increasing, with the only exception being the grassroots type. Although the share of different education levels fluctuates in different cohorts, the difference is not marked. The senior high school or three-year college pattern has been maintained for some decades now, showing that most grassroots entrepreneurs (mainly the self-employed and laid-off workers) still have low to medium levels of education.

(3) Party membership and occupational mobility

It is worth exploring trends in the political standing of entrepreneurs who started their own businesses in different years (see Fig. 2). The proportion of CPC members hovered around 25 percent until 1995. After breaking through 30 percent in 1995, it continued to grow, increasing to about 40 percent by 2005. Since then, it has begun to decline. Among entrepreneurs who started their businesses between 2011 and 2014, the proportion of CPC members fell to 16.29 percent. The data for 2014 shows that this proportion is on the rise; subsequent trends will need to be watched.

Although the proportion of other party members fluctuated before 1990, it was quite high in most years at more than 10 percent. Since 1990, however, it has fallen significantly. Our calculations show that this is not entirely because of the rising proportion of CPC members. Starting in 2005, the sum of the shares of CPC and other party members among entrepreneurs began to decline. That is to say, entrepreneurs who started their businesses later are not joining

23 Sun Ming, "Family Background and Cadre Status Acquisition (1950-2003)"; Yu Yang, "From the Nationalization of the Elite to the Elitization of the Nation: A Historical Review of China's Cadre Appointment System."

any party. This may be related to the fact that the increase in the numbers of entrepreneurs added to the private economy each year is out pacing the increase in CPC and other party members.

The descriptive statistics also show that, regardless of the occupational mobility trajectory, the likelihood of an entrepreneur having CPC membership increases with the size of the enterprise. Large entrepreneurs are more likely to be CPC members. Next is "jumping into business" followed by "restructuring" and "crossover." To a greater or lesser extent, these three categories of entrepreneur were insiders. The "springboard" type of entrepreneur has the lowest proportion of CPC members, even lower than the "grassroots" type. This may be related to their having only ever worked outside the system, whereas the "grassroots" category includes village officials who became grassroots entrepreneurs. It should be noted that since key information on the year of joining the CPC was not asked in all survey years, we have to fall back on partial cross-sectional data indicating that most entrepreneurs who grew up outside the system joined the Party after starting a business, whereas a significant proportion of entrepreneurs whose experience lay inside the system joined the Party before starting a business.[24]

The results also show that regardless of the trajectory of their occupational mobility, the proportion of CPC members among entrepreneurs who started their businesses between 1996 and 2005 was significantly higher than that of the previous period (1978-1995). We speculate that this may be related to the fact that private entrepreneurs were allowed to join the Party around the time of the July 1 Speech in 2001. Since then, the absorption of private entrepreneurs into the Party has ushered in a period of institutional encouragement. However, the proportion of CPC members in each group declined in different degrees from 2006 to 2014.

2. The formative mechanisms behind the occupational mobility of private entrepreneurs

Table 2 presents the impact of class status on the occupational mobility of private entrepreneurs,[25] with Models 1, 2 and 3 presenting an analysis of the subsamples of entrepreneurs. Analysis of the total sample shows[26] that relative to those who have junior middle school education or less, those with senior high school or three-year college education have less probability of experiencing "jumping into business" and "springboard" mobility and greater probability of experiencing "restructuring," whereas those with a bachelor's degree and above are more likely to experience the "jumping into business" type of mobility. For CPC members, the probability of "jumping into business" is higher than that of "restructuring,"

24 Zhang Houyi and Lü Peng, "Economic Differentiation and Political Change among Private Entrepreneurs," pp. 322-332.

25 In this paper, the missing values in the occupational mobility trajectory and the sample of those who have not experienced mobility are taken as a category and included in the analytical model. The results are basically consistent with those in Tables 2 and 3.

26 Due to space limitations, we have not reported these results here. They may be obtained from the authors.

and "restructuring" in turn is higher than "springboard" mobility. It is worth noting that compared to small entrepreneurs, the probability of medium-level entrepreneurs having experienced "springboard" mobility is 84.95 percent of the number who experienced "restructuring," but there is no significant difference between big and small entrepreneurs. At the same time, there are no significant differences among entrepreneurs in the probability of "jumping into business" and "crossover" mobility. This shows that there is still inherent heterogeneity in the occupational mobility of different entrepreneurs after other variables have been controlled, which reminds us that it is necessary to analyze the formative mechanisms of the subsamples.

The results of the subsample regression analysis are as follows. First, among small entrepreneurs (Model 1), those with a bachelor's degree or above are more likely to belong to the "jumping into business" type ($p < 0.05$); and other entrepreneurial types (Models 2 and 3) do not exhibit similar characteristics ($p > 0.1$). Among large entrepreneurs, the effect of level of education is not significant. In terms of the political status effect, the status of CPC member has a significant effect on small entrepreneurs' decision to "jump into business." Other subsamples failed to pass statistical tests. Secondly, relative to those with primary school education or below, the probability of small entrepreneurs with a bachelor's degree or above experiencing "springboard" mobility are significantly lower, but this is not significant among big entrepreneurs. For small entrepreneurs, CPC membership lessens the probability of experiencing "springboard" mobility, an effect that is stronger for large enterprises. The effect of belonging to a democratic party is similar. Thirdly, having a three-year college degree or above has a significant positive effect on "crossover" mobility among small entrepreneurs, but not among large and medium entrepreneurs ($p > 0.1$). Finally, the positive effect of level of education on "grassroots" mobility is significant among small and medium entrepreneurs, but there is no similar finding for big entrepreneurs.

Table 2 Comparison of Factors Influencing Occupational Mobility by Class Status

Model 1	Jumping into business vs restructuring	Springboard vs restructuring	Crossover vs restructuring	Grassroots vs restructuring
Senior high school	-0.462***	-0.311***	-0.046	-0.467***
	(0.128)	(0.070)	(0.085)	(0.069)
Three-year college	-0.229+	-0.256***	0.242**	-0.818***
	(0.123)	(0.072)	(0.088)	(0.074)
Bachelor's degree or above	0.337*	-0.287**	0.465***	-1.282***
	(0.132)	(0.088)	(0.111)	(0.099)
CPC member	0.616***	-0.458***	0.094	-0.459***
	(0.084)	(0.056)	(0.063)	(0.059)
Other party member	0.365*	-0.136	-0.126	-0.460***
	(0.167)	(0.107)	(0.130)	(0.129)
Log-likelihood	-18,361	-18,361	-18,361	-18,361

N	13,536	13,536	13,536	13,536
Model 2	Jumping into business vs restructuring	Springboard vs restructuring	Crossover vs restructuring	Grassroots vs restructuring
Senior high school	-0.576**	-0.006	0.014	-0.204
	(0.199)	(0.145)	(0.175)	(0.144)
Three-year college	-0.689***	-0.294*	-0.089	-0.896***
	(0.189)	(0.140)	(0.167)	(0.144)
Bachelor's degree or above	0.109	-0.263+	0.188	-1.452***
	(0.194)	(0.156)	(0.185)	(0.175)
CPC member	0.097	-0.531***	-0.139	-0.654***
	(0.121)	(0.088)	(0.101)	(0.100)
Other party member	-0.375	-0.352*	0.145	-0.592**
	(0.235)	(0.153)	(0.166)	(0.191)
Log likelihood	-6,514	-6,514	-6,514	-6,514
N	4,752	4,752	4,752	4,752
Model 3	Jumping into business vs restructuring	Springboard vs restructuring	Crossover vs restructuring	Grassroots vs restructuring
Senior high school	-0.608	-0.330	0.220	-0.076
	(0.523)	(0.384)	(0.479)	(0.417)
Three-year college	-0.278	0.095	0.492	0.123
	(0.521)	(0.374)	(0.468)	(0.421)
Bachelor's degree or above	-0.267	-0.482	0.251	-0.259
	(0.526)	(0.394)	(0.493)	(0.443)
CPC member	0.301	-1.041***	-0.221	-0.609**
	(0.296)	(0.207)	(0.240)	(0.236)
Other party member	0.091	-0.643+	-0.275	-0.476
	(0.487)	(0.335)	(0.403)	(0.404)
Log-likelihood	-1,207	-1,207	-1,207	-1,207
N	901	901	901	901

Notes: *** p<0.001, ** p<0.01, * p<0.05, + p<0.1; The above models control for the variables of gender, age, age square, region, industry, survey year and entrepreneurial cohort.

The overall impact of entrepreneurial cohort on the occupational mobility of private entrepreneurs is reported in Table 3. Models 4, 5 and 6 provide the subsample analysis of the three cohorts of 1978-1995, 1996-2005 and 2006-2014 respectively. Overall, the more highly educated entrepreneurs are, the more likely they are to experience "jumping into business" or "restructuring" forms of mobility. Similarly, CPC membership has a positive effect on mobility from the state-owned sector. There is no significant difference in terms of "jumping into business" and "restructuring" between the 1996-2005 cohort and the 2006-2014 cohort compared with entrepreneurs who started their businesses from 1978 to 1995. However, entrepreneurs were more likely to belong to the "restructuring" type of mobility for the period 1996-2005, and to the "springboard" type for the period 2006-2014.

Specifically, first of all, compared to restructuring, education level does not have a substantial impact on the "jumping into business" experience of entrepreneurs in 1978-1995 (Model 4). However, senior high school or three-year college education had a significant negative effect on the 1996-2005 entrepreneurial cohort (Model 5), while having higher education shows an advantage for "jumping into business" for the 2006-2014 cohort (Model 6). Secondly, education level's inhibition effect on "springboard" mobility is weakened to different degrees in all cohorts, but its inhibition effect on "grassroots" mobility remains stable. Thirdly, CPC membership did not have a significant effect on "jumping into business" mobility for those who started businesses in 1978-1995 ($p > 0.1$), but it had a significant positive effect on the other two cohorts. The status of CPC member shows a stable inhibition effect on "springboard" and "grassroots" mobility. Finally, the status of other party member has a negative effect on the "springboard" or "grassroots" mobility of the 1996-2005 entrepreneur cohort; the 2006-2014 cohort is similar.

Table 3 Comparison of Factors Influencing Occupational Mobility by Cohort

Model 4	Jumping into business vs restructuring	Springboard vs restructuring	Crossover vs restructuring	Grassroots vs restructuring
Senior high school	-0.163	-0.378***	0.010	-0.382***
	(0.234)	(0.106)	(0.117)	(0.107)
Three-year college	0.015	-0.300**	0.234^{+}	-0.656***
	(0.229)	(0.115)	(0.128)	(0.120)
Bachelor's degree or above	0.326	-0.495**	0.084	-0.822***
	(0.259)	(0.167)	(0.201)	(0.175)
CPC member	0.178	-0.308**	0.079	-0.179^{+}
	(0.164)	(0.096)	(0.101)	(0.099)
Other party member	-0.149	0.014	-0.217	-0.213
	(0.277)	(0.147)	(0.173)	(0.166)
Log-likelihood	-6,753	-6,753	-6,753	-6,753
N	5,074	5,074	5,074	5,074
Model 5	Jumping into business vs restructuring	Springboard vs restructuring	Crossover vs restructuring	Grassroots vs restructuring
Senior high school	-0.664***	-0.181*	-0.009	-0.286***
	(0.129)	(0.0869)	(0.108)	(0.086)
Three-year college	-0.569***	-0.238**	0.152	-0.646***
	(0.121)	(0.085)	(0.106)	(0.087)
Bachelor's degree or above	0.128	-0.297**	0.413***	-1.079***
	(0.128)	(0.10)	(0.124)	(0.111)
CPC member	0.460***	-0.488***	-0.044	-0.568***
	(0.085)	(0.061)	(0.071)	(0.066)

Other party member	0.123	-0.227+	0.204	-0.648***
	(0.166)	(0.116)	(0.133)	(0.148)
Log-likelihood	-14,071	-14,071	-14,071	-14,071
N	102,53	10,253	10,253	10,253
Model 6	Jumping into business vs restructuring	Springboard vs restructuring	Crossover vs restructuring	Grassroots vs restructuring
Senior high school	-0.029	-0.178	0.060	-0.786***
	(0.324)	(0.178)	(0.267)	(0.165)
Three-year college	0.279	-0.190	0.264	-1.388***
	(0.307)	(0.175)	(0.260)	(0.169)
Bachelor's degree or above	0.796*	-0.241	0.435	-2.058***
	(0.311)	(0.182)	(0.265)	(0.191)
CPC member	0.516**	-0.675***	0.169	-0.642***
	(0.157)	(0.107)	(0.129)	(0.121)
Other party member	0.308	-0.485*	-0.089	-0.695*
	(0.349)	(0.235)	(0.299)	(0.304)
Log-likelihood	-5,156	-5,156	-5,156	-5,156
N	3,862	3,862	3,862	3,862

Notes: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.1$; All models control for the variables of gender, age, age square, region, industry, survey year and class.

In order to further compare the effects of education level and political status on the occupational mobility trajectory of private entrepreneurs, we introduce a clustering method to the conduct of our estimation. As shown in Table 4, in the comparison between "jumping into business" and "restructuring," the effect of education level on "jumping into business" experience for medium-level entrepreneurs is significantly higher than the effect of political status (0.353 vs 0.120). Among entrepreneurs who started their businesses between 1978 and 1995, the effect of education on "jumping into business" or "restructuring" varied considerably (0.133/0.084 = 1.58), but the difference was slighter for the 1996-2005 and 2006-2014 cohorts (1.52, 1.45). With "springboard" mobility, the effects of political status and education level increased with the entrepreneur's social class, but the education level effect was the only one to grow with on the length of time since the business was founded. In "crossover" mobility, the education level effect grew stronger with on the length of time since the business was founded, and the political status effect was relatively weak. In "grassroots" mobility, the effect of political status was stronger than that of education among big entrepreneurs. In terms of the entrepreneur cohorts, the relative advantage of the education level effect increased for the 1996-2014 cohort.

Table 4 Comparison of Effect Values Affecting Occupational Mobility

	Jumping into business vs restructuring	Springboard vs restructuring	Crossover vs restructuring	Grassroots vs restructuring	Jumping into business vs restructuring	Springboard vs restructuring	Crossover vs restructuring	Grassroots vs restructuring
	Small entrepreneurs				1978-1995			
Education level	0.275***	0.115***	0.187***	0.403***	0.133*	0.168***	0.102*	0.273***
Political status	0.277***	0.204***	0.053*	0.216***	0.084	0.137***	0.071	0.090*
	Medium-level entrepreneurs				1996-2005			
Education level	0.353***	0.135**	0.108*	0.532***	0.332***	0.093**	0.157***	0.357***
Political status	0.120*	0.254***	0.085+	0.321***	0.219***	0.231***	0.053*	0.288***
	Large entrepreneurs				2006-2014			
Education level	0.165	0.258*	0.155	0.163	0.330***	0.070	0.159**	0.657***
Political status	0.145	0.495***	0.114	0.292*	0.228***	0.295***	0.08	0.293***

Notes: *** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$, + $p < 0.1$; no standard error has been reported.

V. Summary and Discussion

Our analysis of national sample survey data from 1997 to 2014 enables us to draw overall conclusions on the origins of private entrepreneurs. Over the past forty years, the proportion of entrepreneurs who worked inside the system has declined after a period of growth, while the proportion of entrepreneurs who come from outside the system has risen sharply. Although the proportion of entrepreneurs with senior high school education has remained at around 30 percent, the proportion of those with higher education has increased each year. The proportion of CPC members has trended downwards from a peak to a gentle decline. Meanwhile, more and more people with market backgrounds, high levels of education and no party affiliation have joined the ranks of private entrepreneurs. A difference from the research findings of the mid-1990s is that the "insider coloration" of the private entrepreneur group has begun to decline slowly after a period of growth.

Unlike earlier entrepreneurs, entrepreneurs with a university education background are increasingly entering the market directly, rather than joining the system (the government or state-owned enterprises) before "jumping into business." With the exception of the "grassroots" type of entrepreneur, university degree holders have been an increasing proportion of the total for all types of entrepreneurs. This shows that although the proportion of "grassroots" entrepreneurs with limited education is still relatively high, the overall education level of entrepreneurs is rising. Compared to those who were outside the system, entrepreneurs with inside experience have an advantage in terms of education and CPCship and this advantage

has not evaporated over time. Our analysis of them echanisms behind mobility trajectories shows that relative to "restructuring" experience, education level has the same/stronger effect on small and medium entrepreneurs who experienced "jumping into business," whereas its effect on large entrepreneurs is not significant; however, among the latter the effect of political status on "grassroots" mobility is stronger than that of education level. At the same time, among entrepreneurs who started their businesses between 1978 and 1995, education had only a slight effect on most experiences of occupational mobility (except for the "springboard" type), but its effect increased for the 1996-2005 and 2006-2014 cohorts. The effect of CPC membership on the "springboard" type of mobility grew depending on the length of time since the business was started.

In addition, although entrepreneurs' occupational mobility shows obvious differentiation, the origins of entrepreneurs from different social classes have not yet "solidified," but maintain a diversified pattern. Whatever their type, entrepreneurs had a diversity of occupational experience before starting their businesses, and this diversity has persisted over time. This shows that China's private economy still maintains a certain degree of openness. Different social groups can join the private sector, and people from different social origins can become large and medium entrepreneurs. In other words, economic expansion can still provide a stage for late comers who have seized market opportunities. This finding has been confirmed from different angles in other empirical studies.[27]

Our study reveals the influence of the micro-mechanisms of education and politics on the status of private entrepreneurs, although this does not constitute a causal relationship. Changes in the social composition of private entrepreneurs reflect macro-level institutional change. For example, the proportion of elites from inside the system who enter the private sector is decreasing, which indicates that the temptation to "resign and go into business" is declining for public sector officials as benefits within the system are institutionalized. The proportion of people with higher education who enter the private sector directly after graduation has risen rapidly since 2000, largely because of higher education reform and significant changes to the supply and demand situation in the primary labor market since 1999. These changes have led to more private enterprises, especially small and medium-sized ones, becoming the main market for graduate employment and entrepreneurial activity. In particular, national policies in recent years have increased incentives and support for entrepreneurship. In short, at different times the institutional environment has provided different structural opportunities that allow people from different social backgrounds to become entrepreneurs.

We believe there are two policy implications to be drawn from the above analysis of China's private enterprise survey data. On the one hand, we see the maintenance of entrepreneurs' diverse social origins and the tensions in their intergenerational transmission. One of the main factors affecting their future composition is the continuation of "stock," as shown in the

27 Lü Peng, "'Horatio Alger Myth' in Neoclassical Sociology: The Social Origin of the First Generation of China's Richest Private Entrepreneurs."

extent to which the existing entrepreneurial ranks can reproduce through intergenerational transmission. In some family businesses, the younger generation are reluctant to carry on the business and instead "head overseas." On the whole, however, familial inheritance is the mainstream mode among local entrepreneurs,[28] while a series of measures including supply-side structural reform and "building a new type of political and business relationship" have played a positive role in stabilizing the investment and confidence of local entrepreneurs. The second is the incremental continuance of opening; that is, the extent to which market opening and access can encourage individuals from different backgrounds to plunge into the private economy and develop and expand in the market. On the other hand, the differentiation of entrepreneurs' social origins in terms of enterprise type may have political and social consequences. If this differentiation breaks through certain limits, it may lead to a widening of differences in the behaviors and attitudes of the entrepreneur group. This is especially true of interest claims and expressions.

We also believe that the changes in the composition of private entrepreneurs will have direct and indirect effects on the entire social structure. According to data from the National Bureau of Statistics, private sector workers constituted 3.5 percent of the total number of employed persons in 1990, but this figure had increased to 40.85 percent in 2015—more than a third of the total, and accounting for 78.29 percent of the urban employed population. It is clear that structural changes among employers (private entrepreneurs) and the associated changes in industrial and corporate governance structure and culture will eventually become a new driving force shaping the middle-income group and the working class.

Our national-level analysis outlines a positive picture for future structural changes among the private entrepreneur group. At present, China's economic structure is undergoing an arduous adjustment, but it is precisely this process that has given the entrepreneur group a new impetus. The market has opened doors for a growing number of people, especially young people with human capital. They are more likely to be the "tide players" who seize opportunities in the new round of economic transformation and upgrading, entering the market directly rather than using the system as a springboard. We believe that no time in the last century of China's history has offered such strong opportunities as today for diverse groups to invest in the market. One could say that we have ushered in a new era of transition in which the vitality within the system and the market is being fully exploited.

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28 Lü Peng and Fan Xiaoguang, "The Two-Track Path of Intergenerational Reproduction of Elite Status in China (1978-2010)."

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