Guanxi Network Based Social Stratification and Social Mobility in China: A New Approach to Social Stratification and Mobility Study

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https://doi.org/10.15017/26020
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Introduction

Guanxi is a Chinese concept widely used as a kind of social norm guiding individuals’ actions. It is in the core of Confucian ethics that dominates in the Chinese-speaking world overall, particularly in the PRC. It is a key concept in understanding social and economic behaviors in Chinese cultural context, and as such has attracted fruitful attention and debate in academic circles. Many research studies also have been carried out on social stratification and social mobility. But few of them have discussed the relationship between guanxi, social stratification and social mobility.

The present essay begins with a literature review on established knowledge on guanxi studies and the development of theories and analysis of network. Then we will consider guanxi as a research and analytical tool which can provide a new approach to social stratification and social mobility research enterprises. This will be followed by how and why guanxi works in Chinese society. Finally, some unresolved and new challenges in guanxi studies will be discussed.

1. THE LITERATURE REVIEW ON GUANXI

1.1 The definitions of guanxi. Some scholars try to interpret guanxi as connections, particular ties, social relationships, etc. But they do not emphasize the culture embedded in Chinese social behaviors.

Chinese scholars regard guanxi as a sentimental tie which derives from the Chinese clan system and person-to-person relationships. They focus on the traditional Confucian culture rooted in the clan system where obligations and duties are required. Liang (1949), Fei (1992) and Hwang (1987) stand on different ground, they discuss the concept from cultural, structural and social psychological viewpoints respectively. From a cultural perspective, Liang (1949) asserts that there are three characteristics of guanxi: ethical-based, boundless and cross-class. While Fei, as a structural-functional theorist, depicts features of Chinese society with his theory of differential order (chaxu gejü). Figure 1 is based on Fei’s diagram of the order of Chinese society.

![Figure 1. The Differential Mode of Association](image)

According to Fei’s vivid description, everyone is situated at the center of his or her own ego-centric network. Each person applies different attitudes and actions towards others by defining the positions within his or her ego-centric network. The closer the position, the better guanxi exists between them. He describes the order as, “ripples formed from a stone thrown into a lake, each circle spreading out from the center becomes more distant and at the same time more insignificant” (Fei 1992:65).

On the basis of exchange theory, and by integrating the concepts like renqing (favor), mianzi (face), guanxi and bao (repay), Hwang (1987) treats guanxi as interpersonal connections that facilitate favors and exchanges on a dyadic basis.

Recently guanxi scholars have examined the meaning and the relative importance of guanxi in empirical, rather than theoretical, terms. “Guanxi is an informal, unofficial relationship utilized to get
things done, from simple tasks to major life choices” (Gold 1985:661). It can also refer to “interpersonal relationships that are commodified, political, or friendly, that are between men and women or cross gendered, and that are based on love, hate, business transactions, mutual hobbies, or kinship” (Kipnis 1996:287). *Guanxi* is most commonly defined as reciprocal obligation and indebtedness (Gold, Doug, and Wank 2002:7; Yang 1994:6). Distinctively, based on in-depth interviews conducted among Chinese officials and industrial managers, Guthrie sees *guanxi* as “an institutionally defined system- i.e. a system that depends on the institutional structure rather than on culture - that is changing in stride with the institutional changes of the reform era” (Guthrie 1998:255).

### 1.2 The relationship between *guanxi* and Chinese society culture

Influenced by a long tradition of Confucian culture which is an official orthodoxy as well as an ethical system, keeping a harmonious interpersonal relationship is socialized and internalized as a part of China’s national character.

“That the Chinese are preoccupied with *kuan-hsi* building has indeed a built-in cultural imperative behind it” (King 1985:68). During the long feudal era, Confucianism remained the guiding ideology, of which the most obvious feature is ethic centrality.

“The Confucian tradition of defining individuals in terms of face, obligation, loyalty and favors has bound the Chinese in a web of social relationships on a personal level” (Bian 1995). Hwang has stated, “S]ocial interaction should begin with an assessment of the role relationship between oneself and others along two social dimensions: intimacy/distance and superiority/ inferiority.” According to the Confucian perspective, it is righteous to decide who has the power of decision making by the principle of respecting the superior; it is also righteous for the resource allocator to distribute resources by the principle of favoring the intimate.” (Hwang 1999:166-167). This latter principle, favoring the intimate, is the very reason people spare no efforts to meet the desires and needs of their kin and relatives with whom they have a deeper and better *guanxi*.

Before the introduction of a market economy in China, there was a shortage economy (Kornai 1989). During that time, it was difficult for individuals to get goods and services, so people tried to ask for help from their intimates. Because China has a long tradition of strong family ties, and especially those based on kin- “there were frequent shortage of goods and services in individuals’ daily life, so people had to rely heavily on *guanxi* to acquire a good or service or achieve a goal (Riley 1994).

*Guanxi*, then, has a long history in China, so that is not surprising to see its use continue into the modern era. In contemporary China, social conditions have had a major impact on the centrality of *guanxi*. Between 1949 and 1965, China was a relatively equal society so people used less *guanxi* to get things done. During the ten-year Cultural Revolution (1966-1976), however, individuals faced potential political risks daily, the weak economy could not meet the needs of people’s daily life, and the amount of consumption was constrained by the socialist state bureaucracies. As a result of this, people relied on their various *guanxi* networks to get necessities or to ask for political protection. Typically, the kin-based networks are the main route of entrance into the economy for families. In the absence of kinship ties, birthplace or other substitute relationships that approximates kinship are employed (Fei 1992:32).

### 1.3 The characteristics of *guanxi*.

Bian (1997:369) claims there are mainly three characteristics of *guanxi*. First, familiarity or intimacy. *Guanxi* is not only a relationship but a channel through which material and sentimental resources are exchanged between the

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Table 1. Findings in rural and urban areas
two parties in a strong dyadic relationship. Second, trustworthiness. The importance of the trustworthiness lies in that guanxi, as an informal connection, is not formally or legally institutionalized. Third is reciprocal obligation, which is not limited to family and kinship but extend to non-kin ties. Up to now, one of guanxi's characteristics—instrumental or sentimental—has been a controversial issue.

Vogel's 1965 article marked a switch of scholarly interest from this normative perspective to a view which stresses on the practice of guanxi as a means of pursuing interests. Jacobs (1979) and Walder (1986) also regard guanxi as particularistic ties. Gold (1985:666) asserts that there is a popular perception that even friendship is mingled with instrumental considerations—“making friends out of self-interest, disbanding when the benefit is exhausted (yili xiangqiao, lijin jiaosan).”

Here, two seminal pieces of fieldwork done by Kipnis and Yan in rural settings deserve attention. Kipnis (1997:23), in his in-depth ethnographic research conducted in Fengjia village, Shandong Province, contends that “in guanxi, feelings and instrumentality are a totality”. Compared with the portraits of urban gift giving and guanxi mentioned earlier, practices in Fengjia seem less instrumental. He gives an exemplification of the kind of less instrumentalized, less commodified renqing gift exchange which takes place in rural society, and analyses how specific gift-giving actions communicate information within and about particular relationships. Rather than giving a specific definition of guanxi per se, Kipnis tries to find the actual setting where guanxi works well.

Yan (1996a) clarifies the distinction between the primary and extended form of guanxi, which he believes may help us to understand the differences between the two perspectives that emerge from previous studies of guanxi and renqing. The first has regarded guanxi as an element in a uniquely Chinese normative social order, and the second treats guanxi as a practical means for advancing specific personal interests. When dealing with the primary form (familial, kinship and communal relationships) of guanxi, it is natural that one tends to focus on the normative role of guanxi and renqing in social life; similarly, when one studies mainly the extended form (relationships with people from the outside world) of guanxi, the means-end feature of such an instrumental web of personal connections becomes the dominant theme. In other words, the distinction between the primary and extended forms of guanxi, while recognizing the different practices between villagers and urbanites, takes into consideration all possible links between rural and urban, between old and new and between past and present. Villagers refer to their networks as guanxi; yet they perceive their guanxi networks as the very foundation of the society in which they live, rather than merely as instrumental webs of particularistic ties (Yan 1996b). By so doing, it provides us with a better understanding of the current guanxi/renqing complex in both urban and rural areas.

Yan (The Gift Economy) and Kipnis (Producing Guanxi) offer extensive analyses of China’s “gift economy.” However, these analyses are conducted in rural China, which is likely to vary significantly from the situation in urban China. Through more than ten year’s extensive ethnographic research in urban China, Yang asserts that “friendship, kinship, class-mates, and so forth are not coextensive with guanxi, but serve as bases or potential sites for guanxi practice” (Yang 1994:111). He describes the practice named guansixue which involves “the exchange of gifts, favors, and banquets; the cultivation of personal relationships and networks of mutual dependence; and the manufacturing of obligation and indebtedness” (Yang 1994:6). What informs these practices and their native descriptions, argues Yang, “is the conception of the primacy and binding power of personal relationships and their importance in meeting the needs and desires of everyday life” (Yang 1994:6). Therefore she also believes that guanxi is instrument-oriented. As Guthrie (1998) indicates in his methodological considerations about the study of guanxi, when a job seeker attempts to la guanxi (seeking guanxi) to get a job, he might perceive that guanxi is instrumental in attaining the job.

Guanxi is a dynamic process, from the establishing of seeking guanxi, enhancing guanxi, restoring guanxi and making use of guanxi. On a dyadic base, guanxi between two individuals is changing across the time, sometimes they are on good terms, whereas sometimes their guanxi turns bad.

Also, guanxi is something that cannot be
transferable. One can utilize a friend’s guanxi to facilitate instrumental actions, but this kind of guanxi remains an asset of the friend’s.

Another question is whether guanxi is an essential part of Chinese culture (Pye 1968; King 1985; Fei 1992; Yang 1994; Bian 1994), or whether it is a result of specific institutional and historical conditions which exists in other societies (Walder 1986; Oi 1989; Guthrie 1998; Wank 1995).

1.4 The classifications of guanxi. A variety of ways to classify guanxi exist, for example, one can speak of mother-in-law/daughter-in-law (poxi) guanxi, comrade-to-comrade (tongzhi) guanxi, classmate (tongxue) guanxi, and scores of other varieties (Kipnis 1996:287).

Hwang (1987) classified guanxi into three categories by a theoretical model of face and favor in Chinese society: the expressive tie, the instrumental tie, and the mixed tie.

In conclusion, after reviewing the established knowledge on three dimensions of guanxi definition, characteristics and classifications, I will give my own opinions on these central issues.

First and foremost, I criticize most existing studies because of their pure theoretical discussions or empirical analysis in guanxi studies since these two ways do not contribute to enriching knowledge of guanxi. Theories which can be empirically tested are more scientific. I think guanxi studies should be conducted in more integrated way, that is, the combination of an empirical analysis and a theoretical discussion. I argue that the definition of guanxi per se should be on the macro and micro levels. At the micro level, guanxi refers to a dyadic based relationship where one can exert influence on others and get information from others so as to access to one’s desired resources. On a macro level, guanxi could be inter-organizational and even international. Because social groups are connected through guanxi between affiliated members of each organization.

Secondly, as for the characteristics of guanxi, in my view, guanxi is a combination of both sentiment involved and instrument-oriented relationships. As a sentiment involved relationship, it can offer one a sense of belonging rather than social isolation, and as an instrumental tie, one can pursue desired resources through one’s guanxi network. I think it may be problematic to regard guanxi only as a product of special social institutions, because this de-culturalism cannot explain the comparative study employed by Bian and Ang (1997). They compare Singapore, where an advanced labor market exists, and China, where no-labor market existed in 1988. Most of the respondents from Singapore (75%) used guanxi in the job hopping process. I disagree with the dichotomy that either guanxi is a kind of cultural practice rooted in China, or it is a product of specific institutional structure and historical conditions. I propose we should approach guanxi in a more integrated way: it is a conceptualization which is both rooted in traditional Chinese culture, and a phenomenon which is influenced by social institutions (see also Gold et al.:17). Every society has social connections, in this sense, guanxi is no exception, but what is unique about guanxi in the Chinese context is that it has been so pervasive and dominant in the entire society, throughout much of its historical, political and economic contexts (Lin, 2001).

Thirdly, I argue the former classifications of guanxi failed to capture the effects of guanxi in the process and the outcome of occupational attainment and mobility.

2. THE USE OF GUANXI IN CHINESE SOCIETY

The following section shifts the focus from guanxi per se to the functions and effects of guanxi. The starting assumption is that guanxi, helps cause inequality of opportunity structures, and thus it could be a variable which can partly explain the accelerating social stratification in contemporary China. It begins with a discussion of the importance of guanxi in China. Next it examines the effects of guanxi, both positive and negative. The third section discusses how and why guanxi works. I conclude with a theoretical discussion on the relationship between guanxi and social stratification and mobility.

2.1 The debate on the importance of guanxi in China.

Some scholars (Bian 1994, 1997, 1999; Bian and Ang 1997; Potter 2002; Keister 1998) insist that guanxi still exerts a persistent and important influence, and such influence may be on the rise because of the institutional
holes created by the abandonment of the old state mechanisms, as well as the immaturity of new market and legal mechanisms. Potter regards guanxi as acting in "a complementarity rather than conflict" relationship with the legal system in China (Potter 2002:194).

On the contrary, Guthrie (1998) argues this may not be true with respect to the urban industrial economy. He finds the state has systematically constructed a rational legal system to govern the decisions and practices of economic actors, and the rules of exchange have become more clearly defined and routinized, so there should be a declining significance and a diminishing role of guanxi. Similarly, Hanser, in his field study on the job searching process of young urbanites, supports Guthrie’s position, arguing that guanxi does not play a major role in the job searches, especially for young people who had never worked before and did not yet have networks of work-related ties (Hanser 2002:137-161).

I believe, however, that Guthrie’s analysis is problematic, in that the data he used only describes China’s urban industrial economy, and therefore it is improper to make inference to the whole sphere of Chinese society. Although Guthrie maintain the view that guanxi is a product of the institutional structure of society, this position does not discount the possibility that guanxi plays a significant role in some parts of the economy. Next, I will shift my attention from whether the significance of guanxi is increasing or declining to the different effects of guanxi: positive and negative.

2.2 How guanxi works. Building guanxi. People need to expand his or her guanxi network more broadly in order to achieve his or her various expectations. Now we will shed light on how to establish or seek guanxi with others. Of course one may establish guanxi with the other directly. But normally, an intermediary or a third-party to whom both parties are strongly connected is necessary to break the ice between two parties (Bian 1997; Yang 1994). In a word, all the related actions to establishing guanxi and improving guanxi with the certain person are based on cost-benefit calculations.

The reason for an introduction of a third-party is that both sides will know they are sharing a common friend and then will trust each other and become strongly connected to the extent to which each of them trust the third-party. One might merely seek an intermediary’s recommendations that another is competent, honest, knowledgeable, or trustworthy. Established scholarship has determined that “the advantaged position is that of the person who can ‘pull strings’- that is, extract favors from the more fortunate partner” (Pye 1992:207-208). In the way, one will weave his/her own guanxi network gradually according to his/her various purposes.

Enhancing and restoring guanxi. Of critical importance is the work to enhance established guanxi. This will be implemented by gifts giving, favor exchanges, invitations to banquets, frequently communication, and so on. Guanxi is always a dynamic process of social connections, when two parties get along very well with each other, the intermediary does not need to be there. However, guanxi can also be destroyed, bringing negative or even destructive consequences to the parties involved. Guanxi dissolution is an integrated part of guanxi culture. The duality of guanxi suggests that the working of guanxi may have its boundaries, with which reciprocity is maintained to produce mutual benefit but outside of which opportunism may be introduced to turn closely connected persons into enemies (Li 2004). Here, a peacemaker (an intermediary or other who enjoys high prestige and command universal respect) is expected to encourage both parties to make concessions. This fits with Chinese culture’s emphasis on a harmonious society and the appropriate arrangement of interpersonal relationships (Abbott 1970).

Making use of Guanxi. Utilization is the ultimate goal of guanxi in China, especially in the extended group where guanxi is more instrument-oriented. Effective use of guanxi can provide face (mianzi)—that is, prestige and status (Gold et al. 2002:29). Some scholars call it the guanxi-mediated favor exchange (Lin Yi-Min 2002:57). For example, Lin notes, “Public recognition of favors rendered by a giver is the payoff for the giver. For the giver, being recognized in the social networks for one’s ability to render favors increases one’s standing or reputation in the community…” While for the favor seeker, obtaining a successful favor indicates his/her capability in vertical and upward access to valued resources in the society, and, thus, the strength
of his/her guanxi” (Lin 2001:157). So both parties benefit from the offering and seeking favor process.

2.3 Why guanxi works. Firstly and most importantly, one trusts others because they regard each other as someone reliable and as their relationship as a long-term rather than a short-term one.

The reason Chinese obey the reciprocal obligation consciously may be explained by two internal and external aspects, first is the successful socialization of the individual, by which every Chinese internalizes the concept that reciprocal obligation is one of the basic social norms and principles. Second is external pressure. One relevant example is Coleman’s Diamond Merchants study. Coleman said, “The wholesale diamond market in New York City, for example, is Jewish, with a high degree of intermarriage, living in the same community in Brooklyn, and going to the same synagogues . . . these close ties, through family, community, and religious affiliation, provide the insurance that is necessary to facilitate the transactions in the market. If any member of this community defected through substituting other stones or through stealing stones in his temporary possession, he would lose family, religious, and community ties” (Coleman 1988:S99). Coleman regards this kind of trust as a specific form of social capital.

The influences of Confucian culture. Liang asserts that “Chinese society is neither ko-je n pen wei (individual based) nor she-hui pen-wei (society-based), but kuan-his pen-wei (guanxi-based).” Thus, Chinese pay great attention towards keeping good relations with people surrounding them. The Chinese society focuses on the particular nature of the relations between individuals who interact with each other rather than particular individuals per se (King 1985:63).

The imperfection of a market system with insufficient laws and regulations. In the Mao-era, personal networks pervaded these practices and had been strengthened by the lawlessness of the Culture Revolution decade (Gold et al. 2002:9). In post-Mao era, the transforming Chinese economy is faced with with the lack of formal and rigorous systems to regulate individual’s actions after abandoning the old ones. When there is little chance for people to go through the “front door”, then surely it strengthens “back door” practices. Guanxi “provides a powerful re-source for reducing the transaction costs and potential risks of capitalist investment in a society like China where the social and legal infrastructure for capitalist production is still inadequate and subject to unpredictable risks of arbitrary bureaucratic intervention” (Smart 1993:4). Also the imperfection of the market system (e.g., asymmetrical information) leaves much space for the use of guanxi to gather valued information and to exert influence.

2.4 The effects of guanxi

To sum up, guanxi plays significant roles in organizational levels: doing business among different companies (Keister 1998), the clientelism between companies and the state (Wank 1996) or even the diplomatic relations between countries (Pye 1992; Solomon 1999); also it is of great importance in giving people a sense of identity and belonging, and it also can be used for individuals’ purposes like getting daily life necessities (Yang 1994; Gold 1985; Bian 1994), reducing external uncertainties and risks (Smart 1993; Bian 1997), or realizing job searching or hopping (Bian and Ang, 1997; Bian 1997).

Negatives effects of guanxi. Guanxi can cause nepotism and cronyism. In a market economy, one may find a job based mainly on his/her own human capital, but in a guanxi society one may need guanxi to find a job, whether or not one is qualified for a certain position. Bian (1994) proposes use of guanxi as a strong predictor of changing work units and moving upwardly in a work-unit hierarchy. Thus, opportunities for job mobility were available to people if channeled through their guanxi. But data employed by Bian was gathered in the year 1988. I deem that with the implementation of the market economy, private enterprises whose aim is to make profits are inclined to employ applicants who are qualified for a certain position. For the state-owned enterprises, guanxi is still important in the job hiring process, as they do not have to be responsible for their profits and losses.

Guanxi enhances corruption and bribery through “back door practices (zou hou men).” It hinders the implementation of formal institutions. If person A wants to gain his/her desired resources from B, A has to give material benefits (e.g. money, gifts) to B by himself/ herself or through an intermediary (zhongjianren) in
order to show he/she wants to make a good guanxi with B. By doing so, if B accepts gifts form A, B will be willing to offer a favor to A (giving some useful information and favors). In a word, if you want to go through the back door, you need to first pull strings. During an economic transition and system switching period, guanxi plays a major influence where what Bian calls institutional holes still exists. The serious bribery phenomenon in China can be partially explained by the overflow of guanxi. Cadres and the Party members are the leading actors in these kinds of guanxi practices and power games. Taking cadre corruption for example, Gold (1985: 661-662) argues that it ranges from the pervasive going through the back door to accomplish a minor task, to demanding gifts and bribes, to abuse of office, such as converting public goods like an automobile for private use, or gathering the best benefits such as housing for one’s own family, to actual commission of a crime, such as smuggling. Bian (1994) gave three convincing arguments explaining how cadres use their guanxi when the action is against party rules prohibiting any back-door practices: first is the imperfection of the system, in which opportunities are created for power to serve cadre’s self-interests, including the interests of a cadre’s spouse, children and relatives. Second is maintaining friendship for mutual benefits, both for short-term and especially for long-term rewards. Last is providing help for acquaintances or even strangers in exchange for money, goods or services.

Lastly, I believe guanxi causes stratified opportunity structures in the society. Commonly, if you ask a Chinese why his competitor gets a job rather than him, he is likely to complain that “He has stronger guanxi than me.” Apart from taking human capital and political capital into consideration, guanxi does play a significant role in job finding and job mobility process.

3. GUANXI NETWORK BASED SOCIAL STRATIFICATION AND MOBILITY

“Central to past studies are assessments of institutional changes accompanying the transition from a state socialist command (or redistributive) economy to a market economy and implications of these changes for mechanisms of social stratification” (Zhou, Tuma and Moen 1997). However, few scholars have put enough emphasis on the importance of social networks in social stratification studies. As China is shifting from a state redistributive economy to a market economy, it leaves
a great space where guanxi still functions well. If this transition involves changes in the mode of allocating and distributing resources, it will probably change the stratification order (Nee 1989). My research stresses the significant role of social networks in the processes of status attainment and class formation. My purpose is to demonstrate the importance of social networks in studying stratification mechanisms and process affecting occupational processes.

As Bian (2002) concludes, “Status attainment models and career mobility models attribute person’s opportunities for upward mobility to their positional power and qualifications. A network perspective differs; it considers mobility opportunities as a function of information and influence that are embedded in and mobilized from one’s social networks. This network perspective fits well a relational Chinese culture of guanxi”.

Generally, social mobility could be divided into geographical mobility and occupational mobility. **Guanxi network and occupational mobility**

“Microlevel mobility research argues that job changes depend on the job seeker’s social network and social ties. Job seekers find better jobs by contacting persons with superior knowledge and influence” (Wegener 1991). Thus, guanxi, as Chinese social network, does play a major role in the process of occupational mobility.

Researches have shown that a large number of job changers in both Tianjin (50%) and Singapore (75%) use guanxi to change jobs (Bian and Ang 1997). “Well-connected parents and social ties can enhance the opportunities for individuals to obtain better education, training, and skill and knowledge credentials” (Lin 1999: 484). Therefore, the parents help their children in many dimensions. Guanxi could also be used to reducing the risks of downward mobility. During the years of depressed economy many companies begin to implement policies of personnel reduction. Employees who do not want to be laid off try to use their guanxi network to exert influence on the decision-maker.

**Guanxi network and geographical mobility.**

Since the loosening of rural-urban labor mobility control policy in 1984, more and more Chinese farmers began to work in cities. They are called “peasant workers” (both a farmer and a worker), they are both institutionally distinctive and diverse in their job searches, and they often do not have official permanent resident status in the cities of China (Borjas 1987; Rozelle et al. 1997; Lovett et al. 1999; Zhao 2000; Zhao 2003). When they begin to search for a job in an urban area, they always rely on their hometown fellows network. We may call this phenomenon “guanxi-driven geographical mobility”. Even with the help of their hometown fellows, they are “confined to a secondary labor market of heavy-duty, poorly paid and temporary jobs, living in conditions of direst hardship” (BianBean et al 2005:1447).

Drawing from our discussion on guanxi network based geographical mobility, we can conclude that people at the lower social strata tend to rely heavily on guanxi networks to get jobs. The reason is lower class people are lacking in human capital, they have no choice but to rely on social networks. Guanxi could provide emotional and material support when people are in difficult times. Guanxi networks work as a safety-net for them to cope with uncertainties and risks.

I roughly theorize that those with higher social status have better guanxi, and those with lower social status have less. The better guanxi one has, the more opportunities one owns. Guanxi facilitates their instrumental actions by offering more opportunities and diverse information and influence in the process of status attainment. This stratified opportunities structure is caused by the different possession of guanxi.

**Research Questions**

Classic social stratification theories define social stratification as resources unevenly distributed among different social groups. Guanxi, apparently, as a kind of useful and practical resource, is unevenly distributed among different social positions and individuals.

In order to capture the great social changes since in China since 1978, we may address the guanxi research from the following viewpoints.

1) The strength of ties and jobs attained

Basically, there are two kinds of resources embedded in social networks: information and influence. Granovetter points out network of weak ties of low intimacy and infrequent contacts channels the
non-redundant information (Granovetter 1973, 1974), while the strong ties of mutual trust and reciprocal obligations exert great influence on job-control agents to assign a job for someone (Bian 1997:381). But with the state allocation system already gone, the channels through which guanxi functions need further examination. I believe if one wants to acquire scarce resources in China, he/she may ask for help from more than one key person, so the reason guanxi functions well could be explained by dividing guanxi into strong and weak categories. Information is channeled mainly through weak guanxi, and influences are exerted mainly through strong guanxi. When Chinese need help from people inside and outside their social networks, they prefer to ask for help from many kinds of social contacts (both strong and weak). With the help of both useful information and influence on employers, it is much easier for individuals to find a rewarding job.

2) The quality and extensity of guanxi and its impact on labor market outcomes

Using the heterogeneity as the indicator of the quality of ego’s guanxi network, and the total number of contacts as indicator of the extensity of ego’s guanxi network, we assume that there is positive effect of these two factors on the labor market outcomes. How to measure guanxi will be discussed next.

3) Human capital and Chinese social capital: guanxi

Mainly, there are three kinds of resource allocation mechanisms in contemporary China: state redistribution, market competition, and social networks (Bian and Zhang 2001). Economic activity is embedded in social networks. In the Chinese case, the influence of state redistribution has been weakened, and impact of market and guanxi has been increased. The relative importance of guanxi should vary across different historical periods and different sectors (1949-1979, 1980-1992 and 1993-2002, and after 2002). Scholars should represent the dynamic process and relative importance of different resource allocation mechanisms over different periods.

In a guanxi society like China, most promotions to managerial positions are channeled by the influence from asocial contact with high-rank cadre. Take the Chinese political system for example, the nominating and promoting of cadres is decided mainly by superiors, thus, having a good guanxi with higher-rank cadres is of critical importance in occupational mobility within state hierarchies. By contrast, human capital may have higher impact on getting professional positions, especially in private sectors, since job-seekers with specialized knowledge are required.

4) Guanxi makes structural holes

Burt (1992:18) uses “The term structural holes for separation between nonredundant contacts. Nonredundant contacts are connected by a structural hole. A structural hole is a relationship of nonredundancy between two contacts . . . As a result of the hole between them, the two contacts provide network benefits that are in some degree additive rather than overlapping.” To explain the benefits of the position, Burt said, “Structural holes are disconnections or non-equivalencies between players in the arena. Structural holes are entrepreneurial opportunities for information access, timing and control” (Burt 1992:1-2).

Society is full of structural holes. Being a broker can gain one access to great benefits, thus everyone wants to occupy such an advantageous position. In western societies, disconnected sides are weakly tied to the broker, while in Chinese society they are strongly tied to the broker. This is because Chinese people do not trust people with whom they are weakly tied. In this sense, strong ties make structural holes. But such benefits cannot be realized under all cultural conditions. “While brokers might thrive in the market and in organizations with market-like cultures, a collectivist environment” should dampen brokers’ advantaged positions (Xiao and Tsui 2007). By collecting data from high-tech firms, they find that “structural holes will be negatively related to an employee’s career performance” (including current monthly salary, bonus and job satisfaction) in organizations located in a collectivistic culture.

CONCLUSION

In this paper, after reviewing the various aspects of guanxi, I criticized the dualist approach to understanding guanxi: either as a social phenomenon influenced by traditional Chinese culture, or as a product of special institutional and historical conditions. Both of these factors should be taken into consideration when contemplating the role of guanxi in China. Based on these discussions, I
examined the debate on the importance of guanxi and how and why guanxi works so well in Chinese society. Finally, I propose the prevailing use of guanxi in contemporary China widens social stratification through its influences on job matching. I expect the study of guanxi will help form a new way to examine social stratification and mobility in Chinese society. Guanxi causes inequality of opportunity structures. The extent to which people rely on guanxi networks is different according to their social-economic status. The importance of guanxi differs in different organizational types, like stated-owned sectors or private sectors. With the great social changes which have taken place since 1978, we may expect to find changes in the structures and characteristics of Chinese networks.

This essay only provides a tentative exploration into social stratification and social mobility research. As a new research method, more work should be done, both theoretically and methodologically. I expect guanxi study will improve social capital research.

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Abstract

Previous studies on stratification in urban China emphasized the importance of formal institutional environment. This article stresses the significant role of informal networks of interpersonal connections: guanxi. Guanxi is a Chinese concept widely used as a kind of social norm guiding individuals' actions. It is in the core of Confucian ethics that dominates in the Chinese-speaking world overall, particularly in the PRC. It is a key concept in understanding social and economic behaviors in Chinese cultural context, and as such has attracted fruitful attention and debate in academic circles. I will discuss the dynamic process and main functions of guanxi. I criticized the dualist approach to understanding guanxi, either as a social phenomenon influenced by traditional Chinese culture, or as a product of special institutional and historical conditions. Both of these factors should be taken into consideration when contemplating the role of guanxi in China. Based on these discussions, I examined the debate on the importance of guanxi and how and why guanxi works so well in Chinese society. I argue that in a guanxi society, the prevailing use of guanxi can reinforce significant structures of inequality in occupational attainment, such as the job hopping and job searching process, thus, causing greater social stratification through eroding social mobility. Finally, I propose some new research questions which await further empirical studies. This essay only provides a tentative exploration into social stratification and social mobility research. As it introduces a new research method, more work should be done, both theoretically and methodologically.

Keywords: Guanxi, Social Stratification, Social Mobility