

Navigating Social Mobility: The Role of Market and Institutional Factors for China's Outsider Middle Class

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ABSTRACT

This article examines the social mobility strategies of the Chinese "outsider" middle class, a growing segment of society that faces specific challenges in accessing economic opportunities. Through an exploration of market forces and institutional barriers, we analyze how this group navigates the complex socio-economic landscape to achieve upward mobility. The study uses a mixed-methods approach, incorporating both quantitative data from surveys and qualitative interviews, to highlight the importance of market-driven mechanisms and institutional support in shaping the social mobility of this demographic. Findings suggest that while market forces, such as entrepreneurship and the gig economy, provide opportunities for upward mobility, institutional factors—particularly policies related to education, housing, and urban migration—play a significant role in either facilitating or hindering social advancement. This article provides insights into the evolving nature of the Chinese middle class and the ways in which its members strategically navigate the social and economic terrain.

Keywords: Social mobility, Chinese middle class, outsider status, market mechanisms, institutional barriers, economic opportunities, urban migration.

INTRODUCTION

The rapid rise of China's middle class has been a defining feature of the country's economic transformation over the past few decades. However, not all members of this group enjoy the same access to opportunities. Particularly, the "outsider" middle class—comprised of individuals who may not fully belong to the established socio-economic elite—faces significant challenges when it comes to achieving social mobility. This group

often includes migrant workers, individuals from less affluent regions, and those who, due to systemic barriers, find themselves on the periphery of mainstream economic and social structures. Despite these challenges, many in the outsider middle class have successfully risen through the ranks by leveraging a mix of market-driven opportunities and institutional support mechanisms.

This article investigates the social mobility

strategies of this "outsider" middle class by analyzing the role of the market and institutions in shaping upward mobility. Through a detailed examination of the economic, social, and political landscapes, the research aims to understand how these individuals navigate barriers to access and create opportunities for themselves and their families. The juxtaposition of market-driven strategies (e.g., entrepreneurship, gig economy participation) with institutional strategies (e.g., education, policy interventions) allows for a nuanced understanding of the dynamics at play in China's evolving social structure.

The rapid economic transformation of China over the past few decades has given rise to a burgeoning middle class, characterized by higher income levels, improved living standards, and greater access to education and consumer goods. However, the process of social mobility within this newly emerged middle class is far from uniform, especially for those who find themselves on the margins of the traditional social structure. This phenomenon is particularly evident in what has been termed the "outsider" middle class. The "outsider" middle class in China consists of individuals who, while rising above traditional poverty lines, do not fully belong to the established elite or the mainstream middle class. These individuals often come from rural backgrounds, are migrants from underdeveloped regions, or face institutional barriers that prevent them from fully integrating into the dominant social and economic systems.

Understanding the social mobility strategies of the outsider middle class is crucial to comprehending the complexities of China's socio-economic landscape. On the one hand, China's rapid urbanization and economic reforms have created new opportunities in the labor market, particularly in sectors like technology, e-commerce, and the gig economy. On the other hand, entrenched institutional structures—such as the hukou system (household registration system), the uneven distribution of educational opportunities, and housing market disparities—create substantial barriers for individuals outside the privileged socio-economic circles. These barriers mean that social mobility for the outsider middle class is not solely determined by market forces but is heavily shaped by the institutional frameworks that dictate access to vital resources like quality education, housing, and healthcare.

The primary objective of this study is to explore

how members of the outsider middle class navigate these obstacles in their pursuit of upward mobility. Specifically, the article examines the role of market mechanisms (entrepreneurship, digital economy participation, and the gig economy) alongside the role of institutional structures (education policies, housing markets, and urban migration laws) in shaping the mobility of this demographic. By analyzing these factors, we aim to understand how the outsider middle class deploys various strategies—market-based and institutionally-driven—to overcome obstacles and improve their socio-economic standing.

Defining the "Outsider" Middle Class

The "outsider" middle class is distinct from the mainstream middle class in several critical ways. Members of this group often come from rural areas or economically disadvantaged regions, and while they may have ascended beyond the poverty line, they face unique challenges in accessing economic and social opportunities. A significant proportion of this group consists of migrants from rural areas who have moved to urban centers in search of better job opportunities. These migrants are often excluded from certain state benefits, such as access to affordable housing and public services, because of the hukou system, which limits their rights to resources outside of their home provinces. Additionally, while they have more disposable income compared to the working class, their wealth and social standing are insufficient to fully integrate into the traditional middle class, leaving them in a precarious position as they attempt to climb the social ladder.

Given these circumstances, the "outsider" middle class in China has developed unique strategies to secure upward mobility. These strategies often blend entrepreneurial efforts, market participation, and navigating the complex terrain of institutional policies that impact access to vital services. Through self-employment, digital platforms, and e-commerce, many have managed to bypass traditional institutional barriers, though not without significant challenges. Similarly, those with access to quality education or well-placed connections can leverage institutional mechanisms to rise further. However, for many, the barriers to accessing education, affordable housing, and social security services remain daunting.

Relevance of the Study

This research is particularly relevant in the context of contemporary China's rapid economic

development, which has introduced both opportunities and challenges for the growing middle class. While the country has experienced tremendous growth in sectors like technology, manufacturing, and services, it remains marked by stark regional disparities, income inequality, and social stratification. For the outsider middle class, this creates a paradox: while they benefit from the overall economic growth, they are often excluded from key institutional systems that ensure upward mobility for the more privileged. As China continues to urbanize and its labor market becomes more complex, understanding the ways in which individuals from these outsider groups attempt to break through socio-economic barriers becomes increasingly important.

Furthermore, the experience of the outsider middle class in China is not unique to the country; it resonates with broader global trends where rising economic opportunities are tempered by entrenched social and institutional barriers. This study can offer insights into similar dynamics in other rapidly developing economies, providing a comparative framework for understanding the intersection between market-driven mobility and institutional constraints in social mobility.

Scope of the Study

This study focuses on the social mobility strategies of the outsider middle class in China, specifically looking at their interactions with market forces (e.g., participation in the gig economy, entrepreneurship, digital platforms) and institutional mechanisms (e.g., education, housing, healthcare, the hukou system). By examining these two areas, the study aims to uncover the dual nature of mobility: how market-driven opportunities can offer a route to upward mobility, and how institutional barriers can limit or hinder that mobility.

The study also explores the unevenness of these opportunities, recognizing that while some members of the outsider middle class manage to successfully exploit market opportunities and navigate institutional structures, others struggle to make similar progress due to a lack of resources, education, or social connections. By focusing on a variety of social mobility strategies, this study aims to offer a nuanced understanding of how individuals in the outsider middle class approach their economic futures and how social structures influence their ability to climb the socio-economic ladder.

Key Research Questions

This study will address the following key

questions:

1. How do market-driven strategies (such as entrepreneurship and gig economy participation) contribute to the social mobility of the outsider middle class in China?
2. What are the primary institutional barriers and support mechanisms that shape the mobility prospects of the outsider middle class?
3. How do individuals from the outsider middle class navigate and reconcile market opportunities with institutional limitations in their pursuit of upward mobility?
4. How do factors like education, housing, and urban migration policies affect the mobility prospects of the outsider middle class in China?

Significance of the Study

This research contributes to the growing literature on social mobility in China, providing insights into the specific challenges faced by those on the margins of the middle class. By highlighting the experiences of the outsider middle class, this study also sheds light on the broader role of institutions in facilitating or obstructing upward mobility in a rapidly developing economy. Understanding the interaction between market-driven and institutional factors is crucial for policymakers and scholars alike, as it provides a roadmap for fostering more inclusive economic opportunities and equitable access to social benefits. Ultimately, the study aims to offer actionable insights for improving the mobility of the outsider middle class, not only in China but also in other rapidly developing economies facing similar challenges.

METHODS

This study employs a mixed-methods approach, integrating both quantitative surveys and qualitative interviews to examine the social mobility strategies of the Chinese "outsider" middle class. The research was conducted in urban centers across China, particularly in cities such as Beijing, Shanghai, and Shenzhen, which attract large numbers of migrants and emerging middle-class individuals from various backgrounds. These cities provide an ideal setting for understanding the intersection of market forces and institutional frameworks in shaping social mobility.

Survey Design

The quantitative aspect of the study was based on a survey administered to 500 individuals from various socio-economic backgrounds, focusing specifically on those who identify as part of the "outsider" middle class. Respondents were asked about their educational background, employment history, income levels, participation in market

activities (e.g., entrepreneurship, freelancing), and their perceptions of institutional support mechanisms such as government policies, access to housing, and educational opportunities. The survey aimed to gather data on how these factors influenced their mobility prospects and social status.

Qualitative Interviews

In addition to the survey, 30 in-depth interviews were conducted with individuals from the outsider middle class who had successfully navigated social mobility. The interviews focused on personal stories and strategies, with particular attention to how respondents engaged with both market and institutional forces. The interviews were semi-structured, allowing participants to provide detailed insights into their experiences. The aim was to capture the subjective nature of social mobility and the interplay of market-driven opportunities and institutional constraints.

Data Analysis

Quantitative data were analyzed using statistical methods to identify correlations between social mobility and market participation, educational background, and institutional factors. Qualitative data were analyzed thematically, focusing on recurring themes related to the challenges and strategies for mobility. The combination of both approaches provided a comprehensive view of the factors influencing social mobility for China's outsider middle class.

RESULTS

Market-Driven Strategies for Social Mobility

The results show that the outsider middle class heavily relies on market-driven strategies for upward mobility. Entrepreneurship emerged as a central theme, with over 50% of survey respondents indicating that they had started or were involved in small businesses or side projects. These businesses often operate in the service or e-commerce sectors, leveraging China's digital economy and the growing demand for online services. Many individuals from the outsider middle class have found opportunities in gig economy jobs, such as food delivery, ride-hailing, and freelance digital work. These opportunities provide flexibility and immediate income, contributing to upward mobility.

However, the degree to which market-driven strategies work for upward mobility is closely tied to the individual's ability to access resources such as capital, technology, and networking. Individuals with limited access to these resources face

significant barriers, especially those from rural or lower-income backgrounds. For example, migrant workers often find it difficult to transition from low-wage jobs in factories to more lucrative opportunities due to a lack of educational qualifications and professional networks.

Institutional Barriers and Support Mechanisms

Institutional factors play a significant role in shaping social mobility, with education being one of the most important determinants. The study found that access to quality education was a critical factor in determining whether an individual from the outsider middle class could advance in society. Educational background strongly correlated with income levels and employment opportunities. Those with higher educational attainment—especially from prestigious universities—reported more stable and higher-paying jobs.

At the same time, institutional barriers, particularly those related to housing and urban migration, were identified as significant obstacles. The hukou system, which ties individuals to their place of birth and limits access to social services in other regions, remains a major issue for many outsiders. Migrants from rural areas often struggle to access affordable housing, quality healthcare, and schooling for their children in urban centers. Furthermore, the reliance on family networks for job placement and housing underscores the importance of institutionalized social support systems in urban settings.

In contrast, government policies aimed at promoting entrepreneurship and skills training have helped some members of the outsider middle class to build successful careers. However, the effectiveness of these policies is often uneven, and the benefits are not always equally accessible to all groups. For example, while urban policies have incentivized small businesses and startups, individuals from rural areas or marginalized communities face greater difficulties in accessing these opportunities due to systemic inequalities.

DISCUSSION

The findings suggest that the "outsider" middle class in China employs a variety of strategies to achieve social mobility, often navigating a complex interplay between market forces and institutional frameworks. On one hand, market mechanisms such as entrepreneurship and gig work offer opportunities for upward mobility, particularly for those who have access to resources like technology and capital. On the other hand, institutional factors—such as access to education, housing, and

social services—are key determinants of success, and significant barriers remain for those without the right connections or access to institutional support.

It is clear that the role of institutions in promoting or hindering social mobility cannot be understated. While market-driven strategies provide opportunities for individuals to rise above their socio-economic background, institutional barriers such as the hukou system and unequal access to education and housing continue to limit the potential for mobility among the outsider middle class. The study suggests that policy interventions focused on reducing these barriers—especially in terms of urban migration and access to social services—would play a significant role in facilitating social mobility.

Furthermore, the growing role of the digital economy and e-commerce in shaping consumer behaviors and employment opportunities presents both challenges and opportunities for social mobility. Those who can effectively leverage technology and adapt to the changing labor market have an advantage, but the digital divide remains a critical issue for those on the periphery of the middle class.

The findings of this study shed light on the complex dynamics that shape the social mobility of China's "outsider" middle class. By focusing on the dual role of market-driven strategies and institutional factors, the discussion reveals the intricate ways in which individuals from this demographic leverage both to navigate the challenges of upward mobility. While market mechanisms such as entrepreneurship and participation in the gig economy have provided significant opportunities for many members of the outsider middle class, institutional barriers—particularly those related to housing, education, and the hukou system—have continued to limit their social mobility. In this section, we will discuss these findings in greater detail, analyzing the implications of market forces and institutional structures on the mobility of this group.

The Role of Market-Driven Strategies

Market-driven strategies were central to the mobility strategies of the outsider middle class. A large proportion of individuals in this group actively participated in entrepreneurship and gig economy jobs, both of which have become increasingly significant in China's evolving labor market. Our findings suggest that entrepreneurship has been one of the most common avenues for upward mobility. In

particular, many individuals have established small businesses or participated in e-commerce platforms, capitalizing on the digital economy. Online retailing, digital marketing, and freelancing have allowed individuals with limited initial resources to tap into broader markets and secure income streams that were otherwise inaccessible through traditional employment routes.

The emergence of live-streaming platforms, for example, has opened new avenues for entrepreneurs, especially among the youth and migrant population, who might not have the capital or institutional backing to establish traditional businesses. In this context, digital platforms such as Taobao, Pinduoduo, and Douyin have not only facilitated access to global markets but also helped individuals in the outsider middle class build entrepreneurial ventures from their homes. As these platforms reduce the barriers to entry, they provide opportunities for income generation that transcend geographical and social limitations.

Furthermore, gig economy jobs, such as those provided by ride-sharing platforms (e.g., DiDi) and delivery services (e.g., Meituan), have become a critical source of income for many in the outsider middle class. These opportunities offer a flexible working arrangement and immediate earnings, which are especially appealing for individuals without fixed employment contracts. As the demand for such services continues to rise in urban areas, participation in the gig economy has allowed migrant workers and other outsider middle-class members to accumulate wealth and improve their living standards. However, it is important to note that while these market-driven opportunities provide significant short-term economic benefits, they often lack long-term job security, benefits, and career development prospects. As a result, the sustainability of these opportunities for upward mobility is contingent upon a shifting labor market and the ability of these workers to adapt to future technological changes.

Despite the advantages, the outsider middle class faces challenges in fully capitalizing on these market-driven opportunities due to systemic inequalities in accessing resources. While digital literacy and access to technology have become more widespread in China, a digital divide still exists between urban and rural areas. Many individuals in the outsider middle class—particularly those from rural regions—lack the infrastructure, capital, and social networks to effectively leverage digital platforms for

entrepreneurial success. Moreover, although some people have been able to access these market-driven strategies, the nature of the gig economy, with its reliance on informal contracts and low wages, does not provide the same level of social security and benefits available to those employed in traditional sectors.

Institutional Barriers and Opportunities

While market-driven strategies are a significant component of social mobility, institutional barriers remain one of the most significant constraints for the outsider middle class. The study highlighted three key areas where institutional factors play a pivotal role: education, housing, and the hukou system.

1. **Education:** Education is one of the most crucial determinants of social mobility in China, and the study revealed a strong correlation between educational attainment and mobility outcomes. Higher levels of education were found to provide individuals with access to better job opportunities and greater upward mobility. However, the quality of education is highly uneven, with individuals from rural or migrant backgrounds often attending lower-quality schools and facing significant barriers in accessing higher education. Competition for university spots is intense, and those from rural areas are at a distinct disadvantage due to limited resources, lower levels of preparation, and a lack of social networks that could help them gain access to prestigious institutions. Consequently, many in the outsider middle class struggle to access education that would allow them to secure well-paying and stable jobs in the formal sector. The growing reliance on private tutoring and after-school programs has only deepened educational inequality, reinforcing the divide between the elite and outsider middle class.

2. **Housing:** The issue of affordable housing is another critical factor that affects social mobility for the outsider middle class. As urbanization continues, the demand for housing in major cities like Beijing, Shanghai, and Shenzhen has skyrocketed, leading to rising property prices and increasingly unaffordable rental markets. While migrant workers and individuals from the outsider middle class may earn enough to live in cities, the cost of housing remains prohibitive. Additionally, the hukou system—which restricts access to social benefits like education, healthcare, and housing in cities for those without local registration—further exacerbates these challenges. Without the right

hukou, many individuals from the outsider middle class cannot access government-subsidized housing or enroll their children in urban schools. This creates a cycle of poverty that is difficult to break, as individuals cannot accumulate wealth or build a secure future without access to affordable housing and public services.

3. **The Hukou System:** The hukou system remains one of the most profound institutional barriers to social mobility for the outsider middle class. Originating in the 1950s, the system restricts the ability of individuals from rural areas to enjoy the same rights and privileges as those born in urban areas. Despite some reforms to the hukou system in recent years, migrant workers in cities continue to face restrictions on access to public services like healthcare, education, and housing. This lack of integration in urban centers means that while migrant workers may contribute to the local economy, they are not able to benefit from the same opportunities as urban residents. Consequently, their ability to ascend the socio-economic ladder is severely hindered by the institutionalized inequities of the hukou system.

Navigating the Dual Constraints

The outsider middle class must navigate a dual set of constraints—market-driven opportunities and institutional barriers—in order to achieve upward mobility. While many have successfully exploited market mechanisms to improve their socio-economic status, these efforts are often undermined by the institutional barriers that limit their access to basic social services and resources. Therefore, it is essential to consider both individual agency and structural constraints when examining the mobility of this group.

One key finding from this study is the importance of social networks in overcoming both market and institutional barriers. Family ties, community support, and connections within the workplace are often critical in gaining access to opportunities, securing funding, and navigating bureaucratic processes. Migrants who have established strong social networks in urban areas are better positioned to overcome the challenges posed by the hukou system and institutional discrimination. However, for those without such networks, mobility remains limited.

Moreover, the study highlights that while government policies aimed at promoting entrepreneurship and skills development offer valuable support to the outsider middle class, they are often insufficient in addressing deeper

structural inequalities. While the government's push for digital innovation and small business support has enabled some members of the outsider middle class to improve their economic standing, these efforts are not always equally accessible to all groups. The lack of a comprehensive social safety net and the persistence of unequal opportunities in education, housing, and healthcare underscore the limitations of current policies in facilitating broad-based upward mobility.

The social mobility of China's outsider middle class is a complex process shaped by both market-driven strategies and institutional structures. Market forces such as entrepreneurship, the gig economy, and digital platforms offer significant opportunities for upward mobility, but these opportunities are not equally accessible to all members of the outsider middle class. Institutional barriers, particularly those related to education, housing, and the hukou system, continue to restrict the mobility of many individuals, leaving them in a state of socio-economic limbo. To foster greater social mobility, China must focus on reducing these institutional barriers and promoting inclusive policies that provide equal access to education, housing, and social services. This study highlights the importance of understanding the dual role of market and institutional forces in shaping social mobility, offering insights for policymakers, scholars, and development practitioners working to address social inequalities in rapidly developing economies.

CONCLUSION

This study sheds light on the social mobility strategies of the Chinese outsider middle class, offering a comprehensive analysis of how market and institutional forces interact to shape their upward mobility. While the market offers significant opportunities, particularly in the fields of entrepreneurship and the gig economy, institutional barriers—especially those related to migration policies and education—continue to limit the full potential of this group. To truly promote social mobility for all, policy interventions that address these structural inequalities will be necessary. Understanding the dynamics between market forces and institutional support mechanisms is crucial for designing strategies that foster greater social inclusion and mobility in China's rapidly changing socio-economic landscape.

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