

When “Parents Privilege Competition” Will Not Be an Exclusive Resource?

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Abstract

We describe a common social phenomenon in this article. It is that when children grow up, in addition to their talents and efforts in comparison with their peers, the parental background between children is also an important stake in their competition. Parents' social status and superior power will result in more social resources and opportunities for children. We call this phenomenon “parents privilege competition”. The root cause of this phenomenon is the serious hardening of the stratum and the poor social mobility in vertical society, which makes it difficult for children to have an equal competitive environment. After analyzing the phenomenon, this article discusses the causes of this phenomenon and the solutions.

Keywords

Parents Privilege Competition, Vertical Social Mobility, Intergenerational Income Elasticity

1. Introduction

It is another year in the graduation; do you have successfully found a job in one million job seekers? If you don't, you'll have to work harder because you may not only have to compete with your peers, you have to compete with their parents and their business foundation, network relationship. Yes, this is the phenomenon that we are currently flooding in society at the moment—“parents privilege competition”. We have to face these competitions from you were young: If your parents don't have a good job, a prominent background, you may not even have the qualifications for joining kindergartens never say to pay sponsorship fees; when you find a job you may be replaced even you are the best because of others' “backdoor”. Admission opportunities are easily squeezed out, especially for state-owned enterprises and civil servants. In life, even you see a doctor, buy

a car or a car license, priority relations are always the top rank to enjoy it. If you complain about this social injustice, you can only say, who makes your dad not Li Gang? At this point, we have discovered that the privileged and elite classes that we have always wanted to eliminate have not only been eliminated or narrowed down, but have become increasingly divided. If “parents privilege competition” is understandable, then why can’t we practice that too? or whether our children can rely on our generation and have this opportunity? Thinking further, this is actually a problem of vertical social mobility. Vertical social mobility refers to changes in the social status of social members, including personal vertical mobility and intergenerational mobility.

2. Literature Review

In recent years, China’s economy has experienced rapid growth and has become the world’s second largest economy. However, the social system and development environment are lagging behind. The results of economic growth have not been fully enjoyed by all citizens. We think social status liquidity will affect poverty governance [1]. One of the notable social realities is the opportunity. Inequalities have made the gap between rich and poor more and more disparate [2]. We found that the intergenerational income elasticities of the 1988 and 1995 samples were 0.384 and 0.424 respectively. The grouping of parents’ income shows that the impact of parental income on children’s income in the low-income group is decreasing, but the influence of parents in high-income groups on children is greatly enhanced [3]; However other estimated Chinese’s intergenerational income elasticities in 2000, 2004, 2006 and 2009. It was 0.66, 0.49, 0.35 and 0.46 respectively. Although the intergenerational income elasticity has a downward trend, compared with other countries, the stratum in China is still more solidified, and the influence of family factors on the children’s income still larger [4]. Scholars have begun to pay attention to the problems of stratum solidarity and intergenerational income elasticity, and found that income inequality is mainly caused by unequal opportunities, and education is one of the most important influencing factors. Yang Xinming *et al.* used the data of urban household surveys in Tianjin in 2008 to empirically analyze the intergenerational income elasticity and explore the transmission mechanism of parental influence on the development of their children. The results show that education is the most important factor affecting vertical social mobility. In addition, the influence of parents on their children’s job selection and ability inheritance is also an influencing factor [5]; Di Yuna used a hierarchical linear model to investigate the intergenerational income elasticity of our country in 2011 at all ages. The characteristics of the crowd were found to be U-shaped. The residents born in the 1990s faced low levels of intergenerational mobility. To break down the stratum solidification, it was necessary to proceed from the equality of educational opportunities. Therefore, in the reform of education policies, it is imperative to protect the equality of educational opportunities and employment opportunities among students and thus promote intergenerational income mobility

[6]. Cai Weixian uses CHNS micro-research database to verify that China's human capital investment and social status influence can explain intergenerational income. About 30% of the elasticity, education equity is the main factor affecting social equity. As China continues to pay attention to and improve the fairness of opportunities, China's intergenerational mobility will continue to increase, and individual differences and income gap will gradually decrease [7]. The empirical analysis from Wang Xuelong *et al.* shows that elitism education will bring about educational inequality and reduce social mobility by amplifying the family background. This kind of education leads to a greater impact on the low-income class. Education, health, social networks, and cultural capital are the main sources of intergenerational income movement, with education having the greatest impact. In order to improve social mobility, the government needs to strengthen the fairness of education and ensure the fairness of the school selection process [8]. In addition to education, Chen Lin and others used the econometric analysis to find that human capital and social capital can also explain intergenerational income in China, and that family assets such as housing assets and financial assets have greater intergenerational income elasticity. Strong explanatory power and rate of return [9]; Chen Xi *et al.* divided the research sample into eastern and inland areas and used the political components of family ancestors as instrumental variables. It was found that social relations, father education and political identity, and urban household registration would promote labor. Those who enter the high-income industry, and these influencing factors have a greater impact on the laborers in the eastern region [10]; Liu Panpan uses the data from the Chinese Health and Nutrition Examination Survey (CHNS) in 1989 and 2011 to explore the factors and opportunities for income inequality. Analysis of the mechanism of inequality changes shows that there is a significant difference in intergenerational income elasticity in different urban and rural areas. The intergenerational income mobility in rural areas is significantly lower than that in urban areas. The younger generation's intergenerational income mobility is weaker than the older generation's intergenerational income mobility [11]; He Qinying *et al.* found that the intergenerational income dependence from the 1997-2011 sample of CHNS increased first, then decreased and then increased. "N" type trend, based on sub-populations testing Logit model indicates that human capital and social capital can affect the intergenerational income elasticity [12].

3. Empirical Analysis

3.1. Phenomenon Description

"The Great Gatsby" describes the United States as a country of equality of opportunity and equality of belief. Everyone can work hard to realize their dreams. Compared with China, we do not seem to have equal opportunities even. Studies show that the children who have high-income fathers in Denmark earn only 5% more than children of low-income fathers, while the gap in China is 60% (the wage differential between the two fathers is two times); there is an institution in

the UK that investigates social mobility. They once pointed out that if some of the top jobs in the UK are managed by the “rich second generation”. The government will then exert pressure on the employment agencies to make the employment opportunities more transparent. Another example is the report of the “Chinese Contemporary Social Mobility” report by the Chinese Academy of Social Sciences. The opportunity for cadres’ children to become cadres is more than twice that of non-cadres’ children [13]; in terms of educational resources, there are fewer and fewer students from rural areas in colleges and universities, and officials’ children can use privilege to obtain special college opportunities or extra points added. Even though knowledge can change fate, however, it is unfair for many of us to accept a huge difference of the starting point of education.

It is only a small number of people can afford to the “parents privilege fight”. Your father counted on the help of your grandfather, and you relied on your father’s help. Some idioms say that: all three generations were in civil aviation, and a whole family of electricity, farmer’s children are farmers. This may be measured by the “vertical social mobility” or the “intergenerational income elasticity” in economics. Intergenerational income elasticity refers to the extent to which the father’s economic income affects the economic income or economic status of the offspring.

3.2. Cause Analysis

The following analyzes the reasons for this phenomenon in China from the perspective of economics.

First, for a long-term China’s rule of law system is imperfect and lacks of fair competition environment and rules, unfair opportunities have brought about unfair results and unfair income. In 2015, the World Justice Project released the “World Justice Engineering Rule of Law Index” of 102 countries in the world. China’s score of 0.48 is lower than the average of 0.5683, ranking 71st, and ranking 26 among 31 high and middle income countries [14]. The index specifically measures the rule of law in a country from eight perspectives: constraints on government power, non-corruption, open government, basic rights, order and security, regulatory enforcement, civil justice, and criminal justice. China ranked among the lowest in terms of scores on the first, third and fourth items which ranked 87, 87, and 99 respectively. This shows that there is still a large degree of opacity in the administrative work of public officials in China. Public power is used privately, and the possibility of the use of power to constantly strengthen its own interests is still great. We can also get a glimpse from the 2015 National Governance Index (NGI) released by East China University of Political Science and Law. NGI has three pillars: base, value, and sustainability. Its corresponding secondary indicators are facilities, order, and a certain level of service; openness, fairness, and just; efficiency, environmental protection, and innovation. In this ranking, 111 countries were selected, and China ranked 19th. Analysis of China’s these three first-level indicators we found that China ranked 47 in the value index. Responding to the previous result, our country has not

performed well in the transparency of government governance, fair treatment of some groups and the legitimate rights and interests of some individual citizens [15].

Second, the government-run enterprises in the economic field have excessively squeezed the living space of private enterprises. In recent years, some government-run enterprises have forcibly acquired private enterprises. For example, Foshan Lighting was acquired by Guangdong Electronic Information Group under the Guangdong SASAC in 2015, Hebei Iron and Steel Group acquires Shijiazhuang Iron and Steel Company in 2010. State-owned enterprises that had previously withdrawn from non-competitive sectors have re-entered industries such as the real estate industry. And reclosed areas that are open to private enterprises such as aviation, steel, and coal. On the other hand, private enterprises are difficult to borrow from banks and have high loan interest rates. Many private enterprises are bankrupt because of the break of the capital chain. The following **Figure 1** shows the growth rate of investment in fixed assets of state-owned enterprises and self-employed companies in China from 2007 to 2016. It can be seen that the changes in the two are basically the same, but the individual business growth rate is almost lower than that of state-owned enterprises. The amount of investment in fixed assets, in addition to the profits accruing from its own operations, is more dependent on the expansion of loans to financial institutions. This figure can indirectly reflect the difficulties faced by self-employed households in China in lending to financial institutions, resulting in slower growth in fixed assets.

Third, poor social mobility, difficult to transfer between generations. Here we quote the “Great Gatsby Curve” to illustrate. The following **Figure 2** shows the “Great Gatsby Curve” of 2012. The horizontal axis is the measure of social inequality—the Gini coefficient, and the vertical axis is the measurement of intergenerational mobility the intergenerational income elasticity. High social

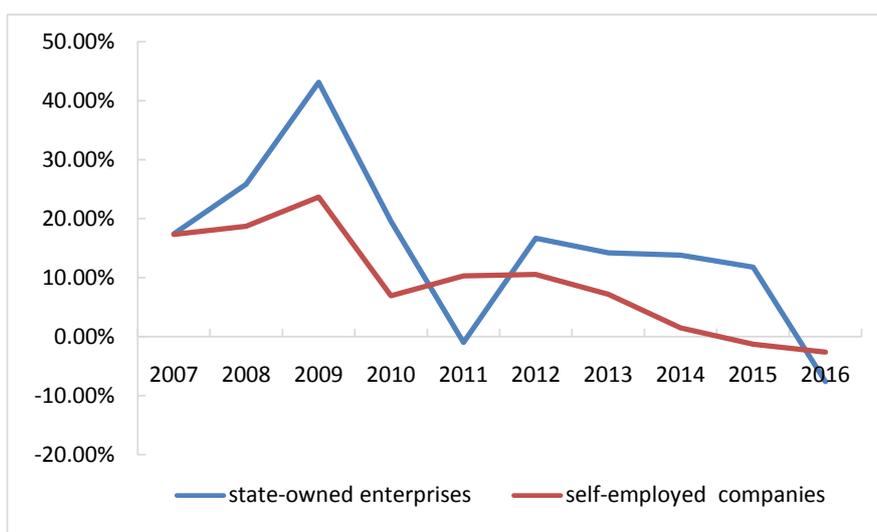


Figure 1. The growth rate of investment in fixed assets from 2007-2016. Data is from China Statistical Yearbook.

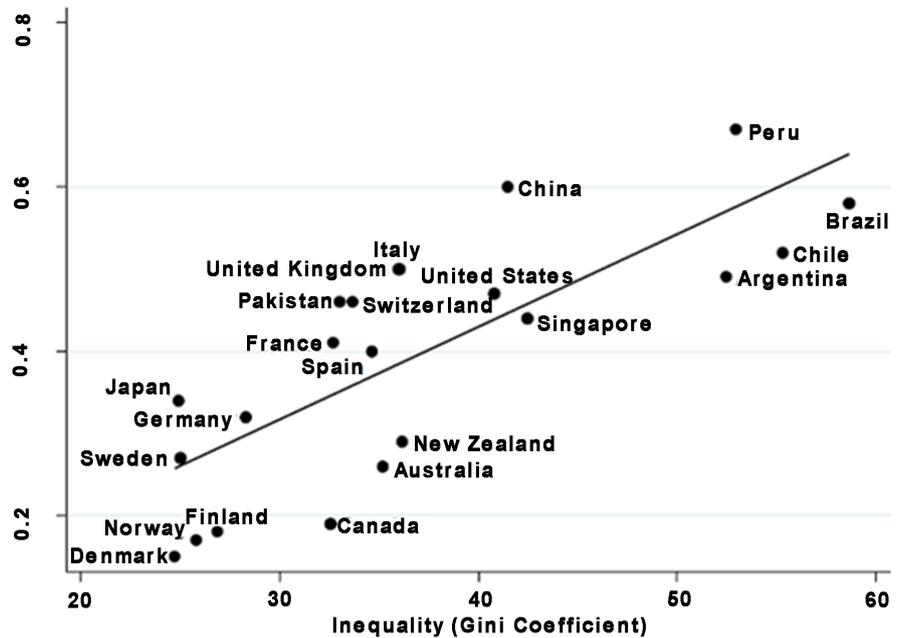


Figure 2. The “Great Gatsby Curve” of 2012. Curve was presented the study of Canadian economist Miles Corak.

mobility shows that anyone can squeeze into the high-income class by struggling. It is relatively easy for the poor generation to start from scratch. Even if the father is a high-income earner, this kind of advantage has little impact on the child’s income after adulthood. On the contrary, low liquidity means that economic status is often determined by their parents. At this time, it is particularly important for a parent who has prominent and wealthy power. The following figure shows that the gap between the rich and the poor in our country is large and the intergenerational mobility is poor. It is very difficult for the poor to have the opportunity to develop into the upper class, and it is easy for wealthy people to continue their labor achievements to the next generation.

3.3. Solution Ideas

For this phenomenon, the corresponding solution is proposed:

First, improve China’s legal system and create a relatively fair development environment. For example, to improve the labor law, strengthen employers’ awareness of fairness in job application, ensure that everyone has the same opportunity to show themselves in recruitment and promotion, and do not leave jobs to relative households or family members of internal employees. For example, to improve the methods of reporting, the school must be fair and just in the review of students, and cannot conceal or falsify the results of any one of the students. It cannot accept the students who are recommended by the privileged, nor can they squeeze the number of regular students. Effective rule of law helps reduce corruption, eradicate poverty, improve health care and education, and protect people from harm caused by injustice. Therefore, even if it is expected to be resisted and opposed by interest groups, the state should also support relevant

departments to investment capital and pay determination to devote to the improvement of the legal environment. We must understand that the pains of gradual reforms or leapfrog reforms are more meaningful than the lags in the development and inefficiency by corruption and unfair environment.

Second, follow the laws of the market and let it benefit the people. Every industry must abide by the laws of the market and allow it to develop freely. There must be no hostile acquisition of M&As by state-owned enterprises, and the SMEs must not be squeezed out of the market by using the inherent advantages of the state-owned enterprises with abundant funds, in order to form a monopoly situation. For private enterprises with good momentum of development, the state or local government should give priority to support and guide them to lead the development of other small and medium-sized enterprises and form a flourishing prosperity.

Third, to enhance social mobility, here specifically refers to the flow of population, that is, the Hukou system should be lifted. In fact, the call for reform of the Hukou system has already come out, perhaps because it is obstructed by interest groups, perhaps the reform costs are too great and the consequences of the reform are difficult to control, the government departments have not been able to cure this disease. However, the Hukou system not only restricted the flow of the population, but also restricted the flow of ideas. In the long run, China's creativity would have been even lower. Children in rural households, their level of education, the choice of work, and even their future prospects will be greatly discounted because of the Hukou issue. Residents of large cities such as Beijing and Shanghai will also have a sense of superiority in their accounts, and be comfortable with the status quo. The privilege Hukou also brings them educational resources working resources, etc., makes it easier for upper class people in cities to consolidate their achievements. Looking at the geographical consequences of the restrictions on account registration, the authorities should make up their minds to start drastic reforms or pilot projects.

4. Conclusions

In fact, there are class divisions in all countries, but it should be ensured that every class can move freely. In China, the stratum is too hard to cure and vertical flow is increasingly difficult. We once believed that a fair future can be achieved through fairness and hard work. However, everything is changing. China's wealth is far more concentrated than that of the United States and Japan currently. Opportunity is unequal because of the powerful forces of privilege everywhere. The younger generation struggles to survive and escape from the big cities. According to a research report released by the Chinese Academy of Social Sciences, the middle layer in China only accounts for 23% of the population, which is lower than the proportion of 70% in the developed countries [16]. It can be seen that the middle class in the transitional class in China is still relatively small, and it is more of the middle and lower income people. If the stratum division is not solidified and vertical social mobility is improved, the children of

the rich will have to try their own abilities to continue their prosperous lives. The children of the poor will also have the opportunity to leap into the gantry. In this case, the second generation of rich, second generation of officials may be conscientiously defending the family business, and the bottom-level children will also work hard in the big cities to fight their own future.

Perhaps we only need to be provided a stage for equal opportunities. As for the income problem, let everyone use their market enthusiasm to adjust the differences.

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