



# **A Short Introduction to the Middle Class in India**

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# **Introduction**

Conceptual Frames

# Hard to capture

- Two broad conceptions
  - Empirical construction as social groups and occupations that share a similar standard of living
  - Ideological construction of a virtuous class: thrifty, disciplined, hard-working, educated and the carrier of modern liberal principles, including democracy
- Little consensus of what “class” means, and how we would identify the middle
  - Income
  - Consumption
  - Occupation
  - Class

# Four Points of View

- Income
  - Relative, e.g. 67% to 200% of the median income
  - Absolute, e.g., USD 10 per person per day
- Consumption
  - Durables / Education
- Occupation
  - people whose economic opportunities are derived primarily from “other power-conferring resources such as control over the labor of others or possession of scarce occupational skills”
- Class
  - various mechanisms and strategies through which class boundaries are made, adapted and reproduced

# **Empirical Implementation in India**

Income



# Definitions

- Largely qualitative studies of non-economic characteristics
  - Relatively rich ethnographic description but limited survey based information.
- Information on income is notoriously unreliable
- Usual compromise in economic approaches to use consumption surveys
  - Conducted regularly by the National Sample Survey Office
- Before and After
  - 1993-94 and 2009-10
- Consumption
- Employment
- Relative and Local
  - Pew Center
    - 67% to 200%
  - 75% to 150%
- Absolute and Global
  - Birdsall
    - More than USD 10 per person per day in PPP dollars



# Partitioning Urban India

## Local Indian Middle Class

- Pew Measure
  - 67% to 200% of median income
- Congruence of two other measures
  - 75% to 150% of the median income
  - Middle 40%
  - Applied to urban areas only
- **152 million people**
  - **25% in large cities of more than a million**
- Spread in proportion to population

## Global Indian Middle Class

- Income of more than USD 10 per person per day in PPP dollars
  - No upper limit, like Birdsall's top 5%
  - Income constructed by applying savings rates to consumption estimates
- 12.6% of the urban population
- **48 million people**
  - **49% in large cities of more than a million**
- Maharashtra has 23% (14%) of the global middle, followed by Delhi with 9% (4%)

# How Big Is the Local Middle?

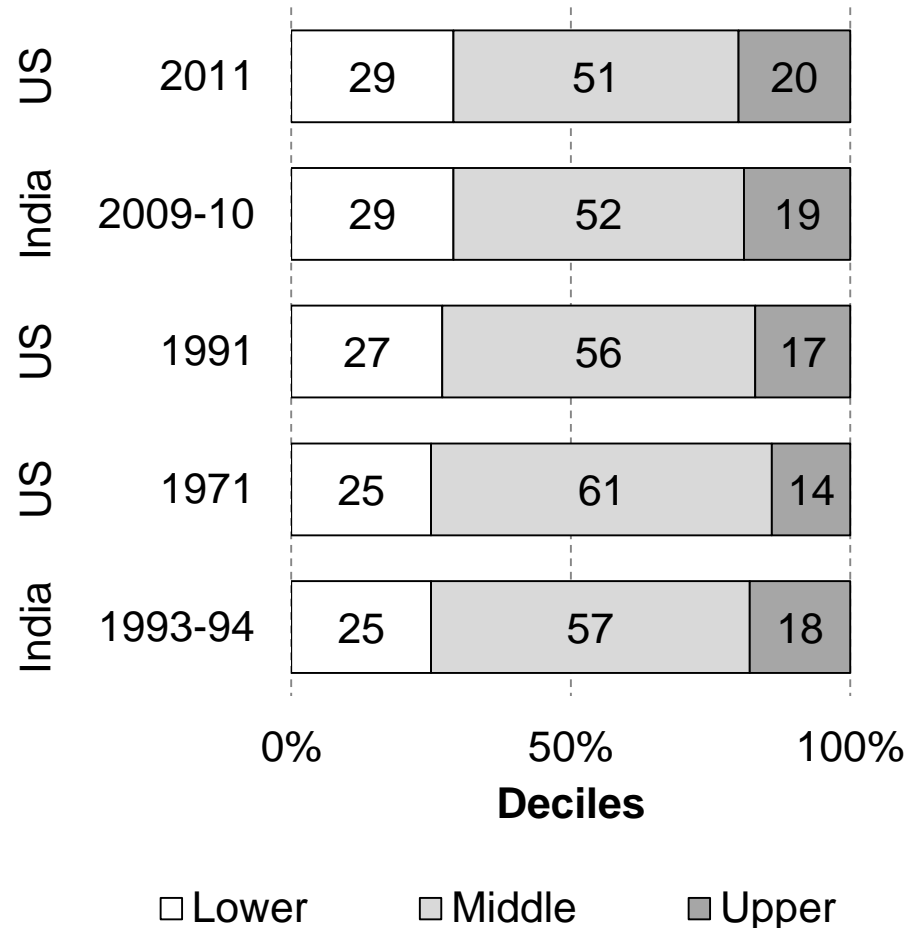
And what is happening to it?

Is the US pattern of the declining middle class being reproduced in India?

In US, both the top and bottom rose, while in India, mostly the bottom increased

US distribution in 1971 is reflective of a Fordist period, while the Indian distribution in 1993-94 was the outcome of a mixed economy system, relatively intrusively regulated by the State

*Shift from consumption to income may affect results*



Middle class between 67% to 200% of median income



# **Empirical Implementation in India**

Consumption

# Different Demands on the Budget



	Global Indian Middle		Local Indian Middle	
	Large Cities	Other Urban	Large Cities	Other Urban
Food	18%	23%	39%	41%
Clothing	4%	5%	5%	6%
Shelter	36%	23%	21%	18%
Fuel and Light	5%	5%	8%	8%
Health	6%	7%	5%	6%
Education	8%	9%	7%	7%
Transport	7%	7%	5%	5%
Entertainment	3%	3%	3%	3%
Other	17%	22%	11%	13%
Total	100%	100%	100%	100%
Annual Income (PPP S)	22573	20324	5899	5675

- The global middle class in large cities spends about 5X more on shelter and education than the local middle class in large cities, about 4X more on transport but only about 1.7X more on food. Its discretionary spending is also about 4X more.

# Market: Urge to Consume runs deep



	Lower			Local Middle					Global Middle
	1	2	3	4	5	6	7	8	top 12.6%
Refrigerator	2%	7%	11%	22%	33%	36%	45%	54%	66%
Motorcycle	3%	9%	13%	20%	30%	33%	40%	45%	64%
Car	0%	0%	1%	1%	1%	2%	3%	5%	34%
Computer	0%	0%	1%	1%	3%	3%	6%	9%	42%

- Ownership of durables goes deep within the distribution, especially personal transport, reflecting the lack of public transport in Indian cities
- 8 of 10 households in urban India have a cellular phone
- **Note:** Census indicates that computer ownership is underestimated (19% in census vis-à-vis 10% in survey)

# **Empirical Implementation in India**

Occupation

# Occupations separate the global



## Local Middle

- About 56% in services, 24% in manufacturing and 10% in construction
  - **Modern services is 7%**
- Govt. and public sector (11%) and corporate (7%) employment low
- 68% of the employment is in 'informal' (partnership and proprietorship) sector

## Global Middle

- About 75% in services and 17% in manufacturing (down from 23% in 1993-94)
  - **Modern services is 24%, up from 12% in 1993-94**
- Govt. and public sector employment more (28%) , 23% in corporate sector
- 43% in 'informal' sector
  - 70% are owners/employers

# Occupations separate the global



## Local Middle

- 40% is self-employed, another 1% are employers
- **41% salaried**
  - 10% in the public sector,
  - 11% in the corporate and non-profit sector
  - 20% in the 'informal' sector
  - Salaried workers increase as one moves up the local middle but still only half at the top end
- **About 27%** is management, professionals & associate professionals

## Global Middle

- 26% is self-employed, another 6% are employers
- **Remaining 66% salaried**
  - 27% in the public sector,
  - 22% in the corporate sector
  - 12% in the 'informal' sector
- **About 64%** is management, owners, professionals and associate professionals
  - In the informal sector, a larger share is with owners
- Informal sector is important for this class in manufacturing
  - A third of salaried manufacturing jobs and over half of all manufacturing jobs

# **Empirical Implementation in India**

Class

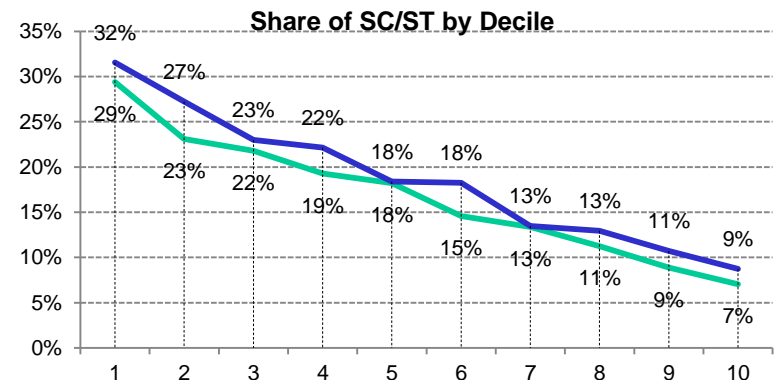
# Does Caste matter?

## SC/ST (formerly discriminated social groups)

- 9% of global middle
- 18% of local middle
  - About the same as their proportion in the workforce
- Higher education needed to be part of the global middle
  - Proportionate conditional on eligibility, but eligibility low
- 54% (compare to 64%) from the management, professionals and associate professionals
- Half of SC/ST in global middle from the public sector
  - Only 16% of Local middle

## Children more educated than parents?

- Near universally true (90%) across deciles and social groups
  - Given that the education of parents in lower deciles is likely to be lower, the share of children more educated than parents is higher for the Indian middle class than for the global middle class and for SC/ST vis-à-vis others





# Speculations



# Key Takeaways

- Global Middle occupies very specific location
  - Urban, employed in modern services and government and business owners
  - High cultural capital
- Global middle born of state intervention
  - Not in terms of employment but in terms of creating an environment
- Higher Education key in access to this class
- Local Middle
  - Reflects the country and hence diverse
    - Region/language
    - Social groups/ caste
  - Diversity of occupations
    - Largely self-employed: traditional services but also manufacturing
    - Wage earners in government and corporate but also in informal sector
  - Not dependent on government either directly or indirectly like the global middle

# Contestations

- Education as key site
  - Role of education in accessing the global middle
  - Role of state in providing education
- Turning against the state?
  - Uncertain support for inclusive public policies
- Spatial segregation
  - Global middle enclavization
  - Exit from public services
- How does middle class engage with democracy?



# Thank You

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