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## THE INDIAN MIDDLE CLASS

### EMERGING CULTURES OF POLITICS AND ECONOMICS

*Surinder S. Jodhka / Aseem Prakash*

Middle-class has been an important historical and sociological category in modern India. The idea of India as a modern and democratic nation state was imagined and articulated by the emergent middle classes during the later phase of the British colonial rule over the subcontinent. The middle-class leadership of the Indian nationalist movement also provided foundational values to the newly independent country after the colonial rule had ended. Over the last two decades, the Indian middle class has been celebrated for its economic achievements in the new global economy. It has also been expanding in size, providing critical market base to the process of economic growth and stability to democratic politics.

### THE MACROECONOMIC CONTEXT

With a population of nearly 1.2 billion, India is the largest democracy in the world today. Notwithstanding its location in the so-called Third World, a part of the developing South, India has emerged as one of the most vibrant and fast growing economies over the last two decades, with a steady annual growth rate of 7 to 9 per cent. Even when the Western economies experienced recession in the recent past, the Indian economy continued to grow at a healthy rate of above five per cent. It is not surprising that India today is increasingly clubbed with countries like China, Brazil or South Africa, the emerging economic powers of the world.

Contemporary India is also a land of contradictions. Notwithstanding its rapidly growing economy and robust democratic politics, it continues to be home to a very large number of poor people, in absolute terms perhaps larger

than in any other single country. Though the process of economic growth has enabled India to reduce poverty, both in absolute as well as in relative terms, social inequalities have continued to grow.

In the midst of all this, India has also seen a gradual expansion in the number of those who could be described as middle classes or middle-income groups. The process of economic growth, experts argue, is fundamentally changing the social structure of India, from a society characterized by “a sharp contrast between a small elite and a large impoverished mass, to being one with substantial intermediate classes”.<sup>1</sup> Though there was no sudden moment of this change, the middle classes in India have been growing in size over the last century, more particularly after its independence from the colonial rule. However, the Indian middle class story witnessed a qualitative shift during the early 1990s with the introduction of economic reforms and an increasing integration of the Indian economy into the global markets.

These economic reforms, coupled with the process of globalization, changed the orientation of the Indian economy quite fundamentally. From a land known for its village-republics and agrarian communities, India began to be constructed around its cities and its vibrant and mobile middle classes. The educated and skilled members of this class are comparable to the best in the world today in terms of their individual achievements and capabilities to perform in the “new” economy. Even if they make for a small proportion of the total population, in absolute numbers the Indian middle classes would exceed the total population of many countries of the developed West. They provide for a viable market-base and cultural universe for global capital to operate and flourish in India.

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The estimates of the size of this class vary significantly. Depending on the method of calculation, their numbers range between 10 and 30 per cent of the Indian population. However, notwithstanding these variations in methodology,

1 | E. Sridharan, “The Growth and Sectoral Composition of India’s Middle Class: Its Impact on the Politics of Economic Liberalization”, *India Review*, Vol. 3 & 4, 2004, 405.

no one denies the fact that the Indian middle class has been growing, in both size and influence, over the years and that by now their absolute number is quite significant. For example, according to a sample survey carried out by the National Council of Applied Economic Research in the year 2007-2008, India had 126 million households (not persons) in the middle-income category, who earn anything between 3,830 and 22,970 U.S. dollars annually.<sup>2</sup> According to another estimate by the Asian Development Bank in the year 2005, India had 214 million persons with a per-day consumption expenditure of two to four U.S. dollars, another 43.5 million with a per-day consumption expenditure of four to 10 U.S. dollars and 4.7 million in the 10 to 20 U.S. dollars per-day consumption expenditure category.<sup>3</sup> Presenting it in relative terms, another recent estimate by Kannan and Raveendran puts the number of middle income Indians at around 19 per cent of the total Indian population.<sup>4</sup> However, they also point to significant regional variations in the spread of the middle-income population.

The Indian growth story has also been mostly urban-centric. The urban sector contributes to more than two-thirds of the productive activity. Simultaneously, India has also witnessed a decline of agriculture. Currently it contributes only around 15 per cent to the GDP. Though the move from agrarian and rural employment to the urban and industrial service sector employment has been rather slow in India, the numbers of middle class Indians continues to grow.

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2 | Rajesh Shukla and Roopa Purusothaman, "The Next Urban Frontier: Twenty Cities to Watch", National Council of Applied Economic Research (NCAER) and Future Capital Research (FCH), New Delhi, 2008.

3 | Asian Development Bank (ADB), "Asia's Emerging Middle Class: Past, Present, And Future", in: *Key Indicators for Asia and the Pacific*, Manila, 2010.

4 | K.P. Kannan and G. Raveendran, "India's Common People: The Regional Profile", *Economic and Political Weekly*, Vol. XLVI, No. 38, September 17-24, 2011, 60-73.

## THE MIDDLE-CLASS CONCEPT AND ITS EVOLVEMENT IN INDIA

The middle class in India grew at the intersection of colonialism, democratic state and (capitalist) economic development. The first moment of middle class development can be located in the colonial period. The impetus for this came from the British colonial rule. Over the two centuries of their rule, they introduced modern industrial economy, secular education and a new administrative framework. The British opened schools and colleges in different parts of India, particularly in the colonial cities of Calcutta, Bombay and Madras. By 1911, there were 186 colleges in different parts of India with 36,284 students. This number went up to 231 and 59,595 respectively by 1921, and by 1939, there were 385 colleges teaching 144,904 students.<sup>5</sup>

Over the years, a new class emerged in India. Apart from those employed in the administrative jobs of the British government, they included professionals such as lawyers, doctors, teachers and journalists. They came from relatively privileged backgrounds, mostly upper-caste, and "from families which were financially comfortable, but not rich enough to not have to earn a living. This was one factor which distinguished them from the richest strata of Indian society, such as the large hereditary landlords or the remnants of an indigenous aristocracy. It also clearly put them well above the vast majority of India's poor".<sup>6</sup>

The incipient middle class that had acquired modern education in India and abroad was influenced by the new ideas of liberalism and democracy, which had become popular in the West after the French Revolution. They initiated "social reform movements" in their own communities and mobilized Indians for freedom from the colonial rule. However, though this class was "modern", it also participated in identity movements and played an active role in strengthening boundaries across religions and communities.

**Influenced by the new ideas of liberalism and democracy the incipient middle class initiated "social reform movements" in their own communities.**

5 | B.B. Mishra, *The Indian Middle Class*, Delhi, Oxford University Press, 1961, 304.

6 | Sanjay Joshi, *The Middle Class in Colonial India*, New Delhi, Oxford University Press, 2011, 91.

The second moment of the middle class began with the coming of independence from the colonial rule in 1947. Given that the democratic political leadership consisted mostly of members of the middle-class, and that the state began to play an active economic role in ushering-in socio-economic transformation, the middle-class once again became an important category that lay between the state and society. The democratic Indian state not only retained the older bureaucracy, but also expanded it by many-folds with a steady growth of the developmental state.<sup>7</sup>

During a period of fifteen years, from 1956 to 1970, the public sector (central, state, local and quasi government bodies) added 5.1 million workers. In the next decade, the growth was even more impressive. Within the framework of mixed economy, the private sector also played a small but crucial role in the economy. In the organised private sector, 1.7 million workers were added between 1960 and 1970. Compared to the public sector, the growth in employment during the next decade was sluggish, and only half a million workers were added.<sup>8</sup>

**The middle class derived its power from the relative autonomy that the state enjoyed during this period and often hijacked the state apparatus and policies for its own benefits.**

Thus, the nature of the middle class during the decades following independence was typically that of a salaried and professional class, without any direct creative involvement in trade, commerce and industry, "short on money but long on institutional perks".<sup>9</sup> It derived its power primarily from the relative autonomy that the state enjoyed during this period. Through its control over the bureaucratic system, the middle-class often hijacked the state apparatus and policies for its own benefits. The higher bureaucracy also derived its power from the model of economic development India adopted after independence, where, following the soviet model of socialist economics,

7 | Developmental state implies state-led macro-economic planning for socio-economic development of the country.

8 | Government of India (GOI), *Economic Survey*, Ministry of Finance Government of India, 1971; cf. Reserve Bank of India (RBI), *Handbook of Statistics on Indian Economy*, Mumbai, 2000.

9 | William Mazzarella, *Middle Class*, 1, [http://anthropology.uchicago.edu/pdfs/mazz\\_middleclass.pdf](http://anthropology.uchicago.edu/pdfs/mazz_middleclass.pdf) (accessed September 10, 2011).

the Indian state was directly involved, albeit along with the private sector, in different sectors of the economy.

Quite like its ancestor, the colonial middle class, this new emerging class also had its contradictory dispositions. Its identity, its politics as well as its relationship with the state and economy was influenced by the particularistic characteristics derived from the ethnic and social locations of its members, such as caste, linguistic region, or religion. The internal diversity of the Indian middle class grew further during this phase. With the institutionalization of electoral democracy, economic development (industrial and rural) and, perhaps most importantly, affirmative action (reservations) policies for the Scheduled Castes and Scheduled Tribes in the state-run educational institutions, jobs and legislative bodies, broadened the social base of the middle class. These emerging segments of the middle class provided leadership and voice to the historically marginalised categories of Indian people.

The third moment of the Indian middle class begins in the 1980s, with the decline of the Nehruvian state, social and political churning, the rise of the new social movements around questions of rights and identities, the rapidly changing global political economy and the economic reforms accelerating the speed of economic growth. This period also witnesses a paradigm shift in the discourses on the Indian middle class. The “new” middle-class begins to be increasingly defined and discussed in terms of its consumption behaviour, constituting the social base of market-led capitalist economy.

However, the lens of consumption as the defining feature of the middle-class tends to reduce it to a flat income-group category. The category of middle-class is broader than the income-group category. Thus, the middle-class also needs to be understood analytically, in terms of its role in relation to the state, market and the civil society; the role it continues to play in articulating socio-economic and political interests of diverse communities. While this conceptual elaboration restricts the numerical strength of the middle class, it expands the analytical frame to understand the interaction of the middle class with the state,

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market and civil society. Accordingly, we will first look at the middle-income groups and their relationship, position and roles in the labour markets.

### **THE ECONOMICS OF THE INDIAN MIDDLE-CLASS: INCOME-CATEGORIES AND ECONOMIC ROLES**

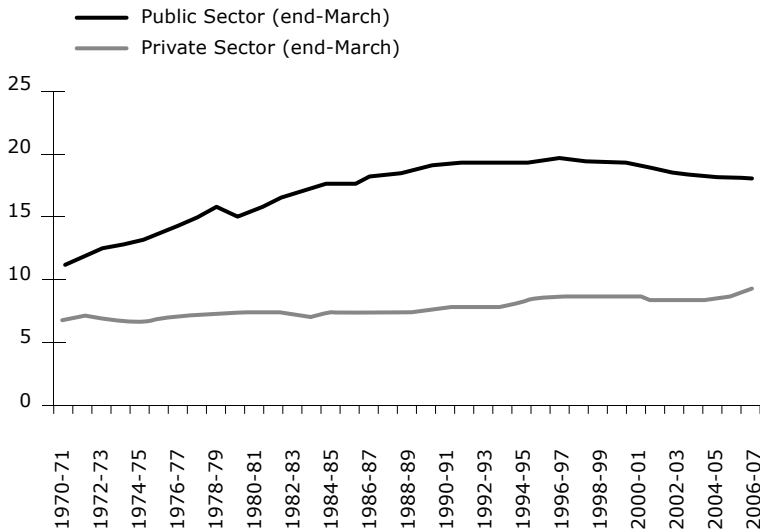
The expansion of middle-income groups in India is a result of the public and organized private sector employment. Chart 1 shows employment in the organized sector of the Indian economy. This is the sector where the middle class had maximum presence during its second moment. The employment in the public sector grew from 11.2 million in 1971 to 18 million in 2007. However, we could disaggregate state's policy to create public employment into two phases. During the periods 1970-71 to 1979-80 and 1980-81 to 1990-91, around 4.38 million and 3.58 million workers respectively were added to the public sector. The "thinning down of the state" did not happen until 1996-97.

**The recent contraction of the public sector does not mean that the economic and developmental activities of the state have gone down.**

It was only during the period 1996-1997 and 2006-2007 that the public employment came down (1.56 million workers were shed during this period). More importantly, the recent contraction of the public sector does not mean that the economic and developmental activities of the state have gone down. On the contrary, the development and non-developmental expenditure of the central and state governments increased from 6,182 and 5,493 million U.S. dollars in 1981-82 to 198,776 and 202,067 million U.S. dollars in 2009-10, respectively.<sup>10</sup>

Fig. 1

**Employment in public and organised private sectors  
(in millions)**



Source: Reserve Bank of India, *Handbook of Statistics on Indian Economy*, 2010, Mumbai

However, the data also show a thinning down of the state. The number of fresh recruits has been declined and informalisation within the formal sector seems to be growing.<sup>11</sup> For instance, an increasing number of developmental functions (electricity, sanitation, security, water supply etc.) are being contracted out to private agencies with an inbuilt design of monitoring through users group. The state is no longer the primary site of production and reproduction of the Indian middle class.

Perhaps more importantly, the thinning down of the state did not translate into a significant expansion of employment in the organised private sector. Private-sector employment in the organised sector grew merely from 6.74 million (1970-71) to 9.24 million (2006-07). In other words, it expanded at a very modest rate of nearly one per cent per annum. However, during 1997-98 to 2005-06, it shrank and shed around 0.3 million workers.<sup>12</sup>

11 | GOI, *The Challenge of Employment: An Informal Sector Perspective*, Vol. 1, National Commission for Enterprises in Unorganised Sector, New Delhi, 2009, 10-15.

12 | RBI, n. 8.



In caste terms, the data suggests that the middle-income groups seem to be coming predominantly from Hindu upper-castes. However, over the years there is a slow but sure increase in the number of households belonging to other social groups as well.

### **ECONOMIC ROLE OF THE MIDDLE-INCOME GROUPS**

The middle-income groups are located in all sectors of the economy – primary, secondary, tertiary, quaternary (intellectual activities) and the quinary (highest levels of decision making in a society or economy). Within these segments, they are overwhelmingly located in the private, unorganised sector, albeit significant proportions are also located in the formal public and private sector. The formal sector employment, both public and private (discussed above) is merely estimated to be seven per cent of the total employment available in the economy.<sup>13</sup> By any reasonable estimate, the middle and higher income group will not constitute more than three to four per cent of the total formal employment.<sup>14</sup> Around 23 per cent of the total unorganised sector employment is comprised of the middle-income group.<sup>15</sup> The latest Economic Survey of the Union Government emphatically notes that the predominant source of economic growth in the last two decades has been primarily spearheaded by the service sector, followed by industry and agriculture.<sup>16</sup>

Table 1

#### **Share of Sectors in Employment**

Sectors	Share			Change in shares		
	1993/94	2004/05	2007/08	2005/05 over 1993/94	2007/08 over 2004/05	2007/08 over 1993/94
<b>Primary</b>	64.5	57.0	55.9	-7.5	-1.1	-8.6
<b>Secondary</b>	14.3	18.2	18.7	3.9	0.5	4.4
<b>Tertiary</b>	21.2	24.8	25.4	3.6	0.6	4.2

Source: GOI 2011, n. 17

13 | GOI 2009, n. 11 .

14 | Ibid.

15 | Ibid.

16 | GOI, *Annual Economic Survey*, Ministry of Finance, New Delhi, 2011, 237-238.

In terms of employment as seen in Table 1, the service sector (tertiary sector) and industry (secondary sector) continue to absorb a significant number of workers. Between 1993-1994 and 2007-08, the primary sector's share in employment loss is significant. The consequent rise in the share of employment of the other two sectors was almost equally divided between the secondary and tertiary sectors.<sup>17</sup> However, the primary sector (agriculture) continues to retain around 55 per cent of the work-force while its contribution to the total GDP is less than 20 per cent.

In terms of sectors of employment, middle-income groups are largely located in the service sector. Within the service sector, the middle-income groups are likely to find employment in

- trade,
- tourism, including hotels and restaurants,
- shipping and port services,
- storage,
- telecommunications-related services,
- real estate,
- information technology (IT) and IT enabled services,
- accounting and auditing services,
- research and development,
- infrastructural services (roads, railways, civil aviation),
- financial services and
- social services (health and education).

These sectors are relatively well paying, have flexible employment contracts and work through the market logic of efficiency and productivity. The secondary sector draws its middle-income household largely from manufacturing, mining, electricity, basic goods, intermediate goods and consumer goods. The middle income households in the rural areas are thus constituted by large farmers and small entrepreneurs and salaried government employees. With the help of income classification by international and national bodies, discussed on earlier, middle income earning households will be around 25-28 per cent of the total employment.

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Influence of traditional social structure continues to be present in today's economy. Even the official documents of the Indian government accept this fact. The socio-economically deprived groups such as Scheduled Tribes and Scheduled Castes are generally employed in land-based industries like agriculture, mining and construction.

**Those belonging to upper castes have a higher participation in lucrative service industries like banking, finance, real estate and business services.**

Muslims have been associated with trade apart from manufacturing and transport, storage and communication services. OBCs<sup>18</sup> on the other hand are employed in all the industries with the least variation in their shares across different industry groups from the overall average. Those belonging to upper castes have a higher participation in lucrative service industries like banking, finance, real estate and business services.<sup>19</sup>

### **THE MIDDLE-CLASS AND THE POVERTY QUESTION**

Notwithstanding increase in income inequalities, absolute poverty has gone down in India over the last two decades. However, the estimates of this effect vary depending on the methodology used for measurement of poverty. As per the "old" methodology, the number of poor dropped by nearly 10 per cent during the period of 1993/1994 to 2004/2005. As per the "new" methodology, the overall poverty dropped by almost 15 per cent during the last fifteen years (1993/1994 to 2009/2010) (Table 2). Both methodologies agree on the point that the rate of drop in poverty in rural areas was slightly higher than in the urban areas. However, we must remember that those moving out of poverty are not immediately switching over to a middle class, or even middle-income category. A good proportion of them move to a point just above the poverty line and can again slip back to "below poverty line" status even if there is a single unforeseen expenditure (e.g. medical expenses). A substantial proportion remains close to the poverty line and earns just enough to survive in a precarious and vulnerable situation.<sup>20</sup>

18 | Other Backward Classes (Editor's note).

19 | GOI 2009, n. 11, 65.

20 | For a detailed discussion, cf. Arjun Sengupta, K.P. Kannan and G. Raveendran, "India's Common People", *Economic and Political Weekly*, Vol. 43, No. 11, March 15-21, 2008.

Table 2

**Poverty Estimates**

Year	Estimates by Older Methodology			Estimates by New Methodology		
	Urban	Rural	Total	Urban	Rural	Total
<b>1993/94</b>	32.4	37.3	36.0	31.8	50.1	45.3
<b>2004/05</b>	25.7	28.3	27.5	25.7	41.8	37.2
<b>2009/10</b>	Data is not collected as per the old methodology now.			20.83	36.3	32.1

Source: Economic Survey (1993/95 and 2004/05), Ministry of Rural Development (2009/10). These are preliminary estimates for 2009-10.

### **SOCIAL AND POLITICAL IMPLICATIONS: MIDDLE-CLASS BEYOND INCOME AND CONSUMPTION**

The present day India is shaped by the contradictions emanating from an ideological commitment to market-led development on the one hand, which is inevitably biased against the asset-less and capability-less, and to the institutions of democracy, with the promise of equitable inclusion, on the other. In other words, the tension is between the economics of markets and the politics of democracy. The former indicates economic policies directed towards a market-friendly regime, supported by international and national capital, urban-based middle and upper middle classes and neo-liberal mandarins. The politics of democracy is represented by the ever increasing assertion of the historically deprived social categories in the electoral and social domain due to their perceived as well as real marginalization from the development processes. The Indian middle class is placed quite centrally in this emerging contradictory scenario and it carries the burden of balancing them in the 'new India'. Putting it differently, the socio-economic articulation of the middle class has acquired vast legitimacy. Their attestation of the state policies as well as any protest against the same is taken quite seriously by both the state as well as the larger society.

How do we then understand the middle class as a social group, beyond income and consumption? While an understanding of income groups is indeed crucial for making sense of patterns of economic growth in any country, the

middle-class is also a conceptual and historical category. It represents certain values and produces hegemonic discourses. As a sociological category, it is bound to reflect the vertical and horizontal diversities of a given society. As India developed, the diversity of its middle classes also grew, with sections from historically marginalised groups joining the ranks. However, their value frames and attitudes towards the state, political processes, and desirable modes of organizing the economy and social institutions vary significantly. The upper caste middle-class talks about efficiency through market competition and privatisation of public agencies, transparency and accountability of the governance apparatus. Interestingly enough, sections of the middle-class from the historically deprived social group also invoke the frame of universality. However, instead of efficiency, merit and competition, the universal values they try to push are of justice, equality, representation and rights through affirmative action. The state is a critical agency for them that ought to protect and promote these universal values and ensure their presence in the political and economic processes of the country. Of course, these values are invoked to protect the interests of their communities, and hence they are often viewed with contempt by dominant sections of the Indian middle-classes. To them, these appear particularistic, and hence, "un-modern" and "anti-progress".

**Notwithstanding a shared common understanding about middle-class values, sections within the dominant parts of the middle class disagree on many ideological issues.**

Horizontal diversities and differences within the Indian middle-class are also important. Notwithstanding a shared common understanding about middle-class values, sections within the dominant parts of the middle class disagree on many ideological issues. Sometimes these differences emanate from diverging socio-economic locations (such as the region, or the sector of economy) and sometimes from the nature of their political socialization (such as "left-wing" and "right-wing").

Quite like on the state, perceptions also differ on the subject of democracy, electoral and value frames for social relations. The upper caste middle-class invokes the notion of electoral democracy as the universal frame, but evidence highlights that such invocation often translates into a self-serving doctrine. This is best reflected in the

gradual withdrawal of the middle class from the electoral process. Along with this, it has been observed that the middle class is increasingly turning towards 'new politics' centred around the organisations in civil society rather than political parties or trade unions. The very nature of this shift disempowers the poor and lower castes, since decision making structures are taken out of the political process where the poor now have significant presence. In terms of the larger question of "democracy as a value", a significant section of the upper middle class tries to insulate itself from poverty and the exclusionary pattern emerging from the market led growth process. This spatial restructuring is best reflected in the numerous gated residential communities<sup>21</sup> and shopping malls, which are structurally designed to exclude the poor and under-privileged.<sup>22</sup>

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## SUMMARY

The middle class in India has played a critical role in providing leadership to various sections of the Indian society. Middle classes were able to displace the traditional leadership, or the traditional leadership had to reinvent itself as middle class to stay in positions of influence.

Though in proportional terms the Indian middle classes make less than a quarter of the total Indian population, its absolute size is larger than the population of many countries of the world, which by itself provides a wide consumer base to a market-based economy. An important feature of the Indian middle-class is its internal diversities of income, occupation, caste, community and region. However, notwithstanding the diversity, Indian middle-class

21 | Debolina Kundu, "Elite Capture in Participatory Urban Governance", *Economic and Political Weekly*, Vol. 46, No. 10, March 5-11, 2011, 23-25; Lalitha Kamath and M. Vijayabaskar, "Limits and Possibilities of Middle Class Associations as Urban Collective Actors", *Economic and Political Weekly*, Vol. 44, No. 26 and 27, June 27-July 10, 2009, 368-376; John Harriss, "Antinomies of Empowerment Observations on Civil Society, Politics and Urban Governance in India", *Economic and Political Weekly*, Vol. 42, No. 26, June 30-July 6, 2007, 2716-2724.

22 | Malcolm Joyce, "Shopping Malls in India New Social Dividing Practices", *Economic and Political Weekly*, Vol. 42, No. 22, June 2-8, 2007, 2005-2062.

also has a “dominant section”, which represents dominant communities of India, i.e. the upper-caste, urban and invariably Hindu. While Indian middle classes are globally mobile, inhabit modern spaces and use the language of modernity, they also actively participate in articulations of identity politics of both the dominant “majorities” and of the “minorities”. Unlike the Western context, the Indian middle class lacks autonomy. It remains dependent on patronage and perpetuates the patronage culture.