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Stumbling on the Rocky Road: Understanding China's Middle Class[+]

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Abstract

The evolution of Chinese class structure since economic reform has followed a pattern similar to what is found in modernized industrial societies. This is evident in the advancement of occupational structure and particularly the expansion of middle class strata in the past three decades. The emerging middle class has also attracted the attention of both policy-makers and the academia, and China is expected to become a middle class society in the foreseeable future. In this paper, I study China's middle class by looking at its composition and growth, consumption behaviour, and life satisfaction and social-political attitude based on the data drawn from the national probability surveys and official figures.

Keywords: *China, class structure, middle class, consumption, life satisfaction, sociopolitical attitude*

1. China's Rising Middle Class

China's rising middle class has attracted the attention of both policy-makers and the academia. In a mature industrial society, middle class is the mainstream. It is not only the major source of consuming power, but also the stabilizer of the society, providing an ideal buffer zone between the upper class and the lower class.

China is still far from being a middle class society. In the Mao era, class structure remained as simple as the "alliance" of workers, peasants, and intellectuals. Since the 1978 economic reform, the middle class has emerged and gained in number, complexity, cultural influence and sociopolitical prominence amidst rapid industrialization and urbanization. This growth momentum is likely to continue in the 21st century. Indeed scholars from the Chinese Academy of Social Sciences (CASS) have claimed that the 21st century will be the "golden age" for the growth of China's middle class.

Table 1 Changing Class Structure in China, 1949-2006 (column %)

Class Structure	1949	1952	1978	1988	1991	1999	2001	2006
Leading cadres and government officials	0.5	0.5	1.0	1.7	2.0	2.1	2.1	2.3
Managerial personnel	0.4	0.1	0.2	0.5	0.8	1.5	1.6	1.3
Private entrepreneurs†	0.4	0.2	0.0	0.0	0.0	0.6	1.0	2.6
Professionals	2.6	0.9	3.5	4.8	5.0	5.1	4.6	6.3
Clerical workers		0.5	1.3	1.7	2.3	4.8	7.2	7.0
Self-employed (*getihu* 个体户)	*3.7*	*4.1*	*0.0*	*3.1*	*2.2*	*4.2*	*7.1*	*9.5*
Sales and service worker	0.5	3.1	2.2	6.4	9.3	12.0	11.2	10.1
Manual worker	2.9	6.4	19.8	22.4	22.2	22.6	17.5	14.7
Agricultural labour	88.1	84.2	67.4	55.8	53.0	44.0	42.9	50.4
Semi-/Unemployed	1.3	–	4.6	3.6	3.3	3.1	4.8	5.9
Total population (N unit: billion)	**0.54**	**0.57**	**0.96**	**1.11**	**1.16**	**1.26**	**1.28**	**1.31**

Note: † The notion of "private enterprise" and "private entrepreneur" is still ambiguous in the Chinese context. Here, the definition of government commonly used by Chinese and Western scholars is utilized: private enterprise (*siying qiye* 私营企业) in a broader sense refers to an individually owned, family based or shareholding firm with eight or more employees. However joint ventures and wholly foreign-owned firms are also included. In fact, the focus is on Chinese domestic, private entrepreneurs (also known as *minying qiyejia* 民营企业家). Conversely, individual entrepreneurs who employ fewer than eight employees are classified as self-employed (*getihu* 个体户), although the real situation is much more complex than what a scale portrays.

Source: Figures collected from *Report on Social Class Study in Contemporary China* (2002), and *Social Structure of Contemporary China* (2010), both edited by Lu Xueyi, Institute of Sociology, CASS.

Table 1 shows the changing class structure in China. From 1949 to 2006, agricultural labour decreased from 88.1 per cent of the population (0.54 billion) to 50.4 per cent (1.31 billion) while occupational groups expanded between 2.6 times (self-employed) and 22.4 times (sales and service workers).

In China, the pace of social change is so rapid that scholars are now differentiating between "new" middle class and the "old" middle class like those in Western societies during the industrializing period. The "old" middle class mainly refers to the self-employed, small merchants and manufacturers grown out of China's early market liberalization in the 1980s. Into the 1990s, the "new" middle class of mainly salaried professionals and technical and administrative employees who work in large corporations ushered in its initial expansion and soon overshadowed the "old" ones in terms of status and prestige.

Unlike its Western counterpart, the Chinese burgeoning capitalist class – mostly owners of small- or medium-sized enterprises, constituting 2.6 per cent of the total population in 2006 – is usually regarded as part of the new rising Chinese middle class. Therefore, China's middle class composes of not only the majority of white-collar workers and well-educated professionals, but also those at the top of the social hierarchy in terms of wealth. Except for the new middle class who exhibits the most democratic mentality compared with the other two groups, China's middle class as a whole has yet to hold a distinctive sociopolitical ethos, be it directed at self or others. Their acknowledgement of the state authority is similar to that accorded by the rest of the society. As long as the majority of the middle class are able to maintain their current lifestyle despite the social policy reform, the force of democratization is unlikely to become strong.

2. Composition of China's Middle Class

China's middle class is heterogeneous.[1] CASS scholars divide it into three echelons based on occupation, education, and income: "New middle class", "Old middle class" and "Marginal middle class" (Table 2). According to the CASS study, new middle class includes party and government officials, enterprise managers, private entrepreneurs, professionals, and senior-level clerical workers; old middle class is self-employed personnel, and marginal middle class is people working as lower entry level routine non-manual workers and/or employees in the sales and service sector. It is also not surprising to see more people from the new middle class obtaining quality education and higher income compared with the other two groups.

The growth of middle class is evident. From 1949 to 2006, the middle class increased from 7.9 to 39.1 per cent, with 12.5 per cent of new middle

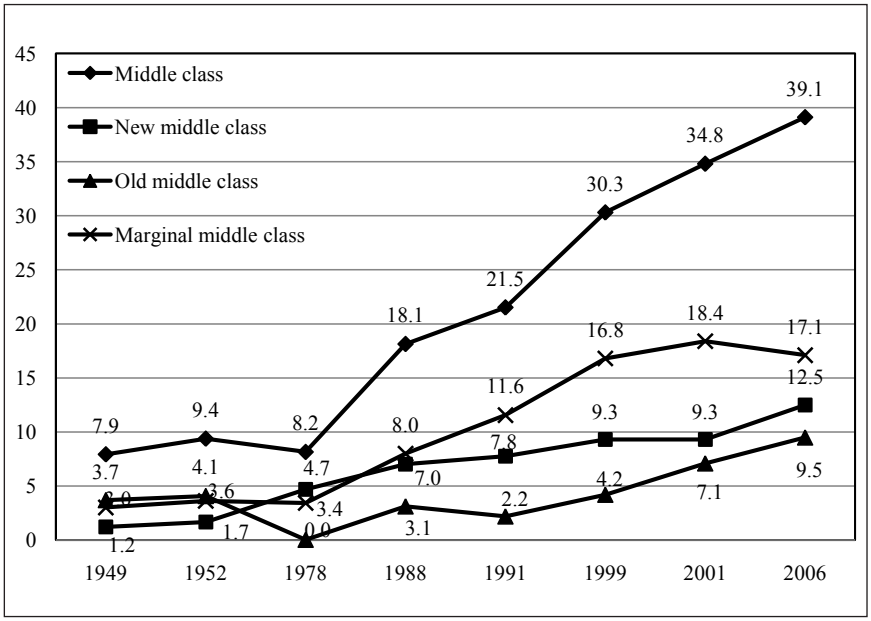
Table 2 Components of China's Middle Class by Occupation, 2006

	By Occupation	Nationwide %
New middle class	Leading cadres and government officials	12.5
	Managerial personnel	
	Private entrepreneurs	
	Professionals	
	Clerical workers (senior level)	
Old middle class	Self-employed	9.5
Marginal middle class	Clerical workers (middle/lower level)	
	Sales and service workers	17.1

Note: Levels of clerical worker cannot be distinguished in the China General Social Survey, 2006 (CGSS2006). Since the financial situation of the majority of clerical workers is similar to the marginal middle class, they were combined here. Therefore, the actual proportion of new middle class should be a bit higher and correspondingly, the marginal middle class should be a few percentages lower.

class, 9.5 per cent of old middle class and 17.1 per cent of marginal middle class.[2] Since 1978, the proportion of middle class has steadily increased by 1 per cent each year for over 30 years (see Figure 1). Based on data taken from China General Social Survey (CGSS) conducted by Renmin University and Hong Kong University of Science and Technology in 2006, the new middle class and old middle class, together constituted about 22.0 per cent of the total population, is predicted to reach 23 per cent in 2010. However, the definition of middle class varies widely between different studies. As a result, estimate of the share of Chinese middle class within academia ranges from 4.1 per cent to 23 per cent for the country as a whole, and from 11.9 per cent to 48.5 per cent in urban areas (see Table 3). McKinsey presents a more optimistic prediction on the growth of the middle class[3]: in 2015, upper middle class households, which have a disposable income of ¥40,001 to ¥100,000, will increase to 21.2 per cent of urban households, and the lower middle households, which have a disposable income of ¥25,001 to ¥40,000, will reach half the number of the urban households. And in 10 years' time, the proportion of upper middle class households will exceed the lower middle class household and occupy around 60 per cent of urban households in China.

Figure 1 Expansion of China's Middle Class, 1949-2006 (%)



Source: National Bureau of Statistics and China General Social Survey (by CASS) 2006.

Similarly, GMI (Global Market Institute) of Goldman Sachs (see Table 3) also anticipates that in 5 years' time until 2015, with rapid income growth, 60 per cent of China's population will move up to middle class, a big jump from 37 per cent in 2009. And in the subsequent decade from 2015 to 2025, three-quarters of China's population should reach middle class income levels. According to the report on "The rise of Asia's middle class" recently released by Asian development bank, the size of China's middle class based on purchasing power parity (PPP) per person per day (US$2-20) has accounted for 62.68 per cent of the total population in 2005 (Asian Development Bank, 2010: 8), and estimated to exceed 80 per cent in the year of 2030 (*ibid*.: 17). There are no universal criteria shared among the policy-makers, academia, and investors to capture the middle class due to its heterogeneous nature. However, we can see from the research results summarized in Table 3 that various resources have projected China's middle class to rise and grow into a major component in urban China in years to come. They are believed to be a major force shaping China's economic and political future. In fact, their consuming power has already been widely recognized.

Table 3 Estimation of the Size of the Middle Class in China, 1997-2030

		Measurements	Nationwide %	Urban %	Based on
Academic estimation†					
1997	Zhang Jianming, Hong Dayong (1998)	Socioeconomic index (based on education, income, and occupation)	–	48.5 (Beijing)	Survey in Beijing
2001	Zhou Xiaohong (2005)	Income, occupation, education, social attitudes	–	11.9 (Big cities)	Survey in 5 cities
2001	Li Chunling (2005)	Occupation, Income, Consumption, and Self-identification	4.1	12.0 (Big cities)	Nation-wide survey
2004	Liu Yi (2005)	Income, occupation and consumption	–	23.7 (Pearl-river delta)	Survey in Pearl River Delta
2005	Li Qiang (2005)	Occupation	15	–	Subjective prediction
2006	Li Peilin; Zhang Ji (2008)	Occupation, income, and education	12.1	25.4	Nationwide survey
2010	CASS (2010)	Occupation, income, and education	23	–	Nationwide survey
Estimation by financial sector††					
2005	McKinsey Quarterly (2006 special edition)	Income	–	9.4 (upper); 12.6 (lower)	Data from national bureau of statistics
2005	Asian Development Bank (2010)	PPP	62.68		China Household Income Project 1995 and 2007
2009	GMI Goldman Sachs (2009)	Income based on PPP (US$6,000-30,000)	37	–	World Bank
2015		Income based on PPP (US$6,000-30,000)	60	–	

Table 3 (continued)

		Measurements	Nationwide %	Urban %	Based on
2015	McKinsey Quarterly (2006 special edition)	Income	–	21.2 (upper); 49.7 (lower)	Data from national bureau of statistics
2025		Income	–	59.4 (upper); 19.8 (lower)	
2030	Asian Development Bank (2010)	Baseline income distribution (per person per day $2 and above) for consensus real GDP growth trends	80+		Historical income distribution data and real GDP from independent sources

Notes: † [In Chinese]: Hong Dayong and Jianming Zhang (1998), "The Middle Class in Urban China", *Journal of Renmin University of China*, No. 5, pp. 62-67; Zhou Xiaohong (ed.) (2005), *Survey of the Chinese Middle Class*, Beijing: Social Sciences Academic Press (China); Li Chunling (2008a), "The Growth and Present Situation of the Chinese Middle Classes", *Jiangsu Social Sciences*, No. 5; Liu Yi (2006), "Index Definition and Empirical Study on Middle Class – Case of Pearl-River Delta", *Open Times*, No. 4; Li Qiang (2005), "Theories and Present Situation of Middle Class", *Society*, 1; Li Peilin and Ji Zhang (2008), "Size, Identity and Attitudes of Chinese Middle Class", *Society*, 28; Lu Xueyi (ed.) (2010), *Social Structure of Contemporary China*, Social Sciences Academic Press.

†† The McKinsey Quarterly (2006), *The Value of China's Emerging Middle Class*, special edition; Global Markets Institute (GMI) of Goldman Sachs (2009), *The Power of the Purse: Gender Equality and Middle-class Spending*; The McKinsey Quarterly (2006), *The Value of China's Emerging Middle Class*, special edition; Asian Development Bank (2010), *Key Indicators for Asia and the Pacific 2010 Special Chapter: The Rise of Asia's Middle Class*.

3. China's Middle Class Consumers

China's middle class has grown to become a major component in urban China. The size of the middle class indicates how sustainable the economic growth has been. Modern political economists consider a large middle class, equipped with better education and understanding of democracy and politics, as well as their capability of self-justification, to be a beneficial and stabilizing influence on society. And the relatively open mobility within the entire middle class provides a perfect buffer-zone for the confrontation of the top and bottom, which further maintains political stability.

3.1. Basic Household Expenditures

The emerging middle class represents China's fast economic growth and accumulation of social wealth. The lifestyle and consumption patterns practiced and promoted by middle class households are most influential and most likely to be adopted by the whole society. Despite its heterogeneity, China's middle class displays certain similarities in household consumption.

For example, from 2000 to 2007, the average annual income of Beijing residents and nationwide urbanites both achieved double-digit growth rates, with the former constantly doubling the latter (see Table 4). Among Beijing residents, average annual income of middle class individuals steadily decreased from 2.2 times of the overall average in 2000 to around 1.6 times

Table 4 Average Annual Income (unit: RMB ¥1,000)

	Beijing						National Urbanites	
	MC Individual		MC Household		Beijing Residents			
	Avg.	Growth Rate	Avg.	Growth Rate	Avg.	Growth Rate	Avg.	Growth Rate
2000	36.4	–	60.4	–	16.4	–	9.3	–
2001	37.5	3.0	67.7	11.7	19.2	17.1	10.8	16.1
2002	40.5	8.0	71.6	6.2	21.9	14.1	12.4	14.2
2003	44.5	10.0	77.4	8.0	25.3	15.5	14.0	12.9
2004	49.2	10.5	82.1	6.2	29.7	17.4	15.9	14.0
2005	52.6	6.8	89.4	8.8	34.2	15.2	18.2	14.3
2006	60.8	15.7	102.0	14.1	39.7	16.1	20.9	14.6
2007	74.9	23.2	144.2	41.5	45.8	15.4	24.7	18.5

Note: 1) MC= Middle Class; 2) Data Sources: Lu Xueyi (ed.) (2010), *Social Structure of Contemporary China*, pp. 404-405 (Beijing middle class); *China Statistical Yearbook*: 2001-2008 (average salary of Beijing residents and urbanites).

in 2007. Accordingly, average annual income of middle class in big cities like Beijing has always been about three times of the urbanites in general. It is evident that the potential of consumption largely lies among urban residents, particularly the middle class of the big cities.

Table 5 shows the breakdown of living expenditure of urban household by three major income clusters: the highest 10 per cent, middle 20 per cent, and lowest 10 per cent.[4] Throughout the past decade, with reasonable variations in weight of each consumption item in annual living expenditure, the consumption structure of urban household and its changing patterns appear to be similar across the income clusters.

From 1998 to 2008, after allowing for considerable deductions ranging from 5.8 per cent to 7.2 per cent, basic food and clothing consumption still constituted over half of total household living expenditure of middle (down from 58 to 51 per cent) and lowest (down from 63 to 57 per cent) income urban households. For the highest income cluster, basic food and clothing consumption constituted 39 per cent (down from 46 per cent in 1998) of the total living expenditure in 2008. In the same year, consumptions with the most increase among the highest income household cluster were education (19 per cent) and housing (15 per cent).

On the contrary, consumption on education and cultural recreation services exhibits a minor decrease of 0.9 per cent for middle-income household (from 11 per cent to 10 per cent) and 2 per cent for lowest-income household (from 10 per cent to 8 per cent). In general, educational and cultural consumption barely constitutes 10 per cent of total living expenditure of middle income and poor families, while it constitutes nearly 19 per cent of rich families. Unlike richer households, the poorer households tend to invest more on improving the living conditions than on buying new flats. Expenditure on household facilities and services tripled among the poorest households. Meanwhile, the corresponding proportion for middle and highest income clusters fluctuates around 10 per cent of total living expenditure.

In terms of healthcare, around 7 per cent of total living expenditure of the highest income household is for medicine and medical service, while the proportion stays around 4 per cent for middle and lowest-income households. Middle class lifestyle and consumption patterns in urban and developing regions from north-east to south-east China, however, may vary due to the income disparities and local cost of living.

3.2. Housing Consumption

Housing consumption is particularly appealing in China because the financial sector offers few other investment options, and the population cannot fully rely on state pensions and other social security benefits. Housing consumption

Table 5 Lowest-, Middle- and Highest-income Household Annual Living Expenditures Breakdown in 1998, 2003, and 2008

Consumption Items	Lowest 10 per cent			Middle 20 per cent			Highest 10 per cent		
	1998	2003	2008	1998	2003	2008	1998	2003	2008
Food	54.3	47.7	48.1	46.2	39.2	40.4	35.1	29.8	29.2
Clothing	8.4	7.8	8.8	11.6	10.6	11.0	11.1	8.8	9.8
Education, Cultural and Recreation Services	10.4	12.8	7.6	11.3	13.9	10.4	12.7	15.2	18.5
Housing	10.9	12.1	9.4	9.1	10.1	11.3	9.6	12.4	14.7
Household Facilities and Services	4.0	3.6	12.3	7.0	5.9	10.3	13.7	8.1	9.9
Medicine and Medical Services	4.8	6.9	4.2	4.7	7.1	6.0	4.8	7.4	7.1
Transport, Post and Communication Services	4.0	6.8	7.1	5.9	10.2	7.2	7.0	14.3	5.9
Miscellaneous Commodities and Services	3.1	2.4	2.5	4.0	3.1	3.4	6.1	4.0	4.9

Source: *China Statistical Yearbook*, 1999-2009.

Table 6 Commodity Housing Consumption, 2000-2009

	Turnover (100 billion ¥)	Growth Rate (%)	Saleable Size (10 million m^2)	Growth Rate (%)	Average Price (¥/m^2)
2000	14.5	23.1	44.7	14.7	2226.1
2001	4.6	29.4	20.8	22.3	2291.3
2002	5.7	23.7	25.0	20.2	2378.8
2003	7.7	34.1	32.2	29.1	2713.9
2004	10.4	30.0	38.2	13.7	3242.0
2005	18.1	26.9	55.8	15.3	3382.9
2006	20.5	18.5	60.6	12.2	3885.4
2007	29.6	42.1	76.2	23.2	3919.0
2008	24.1	–19.5	62.0	–19.5	3882.4
2009	44.0	75.5	93.7	42.1	4694.7

Source: Figures for 2000-2007: Lu Xueyi (ed.) (2010), *Social Structure of Contemporary China*, p. 406. Figures for 2008-2009: national statistical bureau report *<http://news.xinhuanet.com/house/2010-01/19/content_12835380.htm>*

for middle-income families is a way of saving as well as investment for the future. From 2000 to 2009, both the saleable size and the average price/m^2 in real estate market had doubled, and the annual turnover of the commercial housing market tripled from ¥1,448 billion to ¥4,399 billion (See Table 6). However, the growth rates of housing price in big cities such as Beijing and Shanghai have far outpaced the national average rate.[5]

For example, DPI (Disposable Personal Income) reached ¥26,738 in Beijing and ¥28,838 in Shanghai, both 8.1 per cent up from 2008. However, in November 2009, the average price of new homes in urban Shanghai and Beijing stood at ¥31,209 and ¥22,798/m^2, which imply growth rate of 68.0 per cent and 66.0 per cent as compared to the same month in 2008 respectively. Over the past year, Shanghai and Beijing topped housing price and growth rate in China.[6] Over 4/5 of new middle class and 2/3 of marginal middle class owned a property in 2005 and on average over 40 per cent of them purchased the commodity house (see Table 7). Though the housing market has become overheated since 2006, in 2007, there were still over 1/5 of new middle class in Beijing who were reported to own more than one property. Similarly, according to an online survey on Tianjin real estate market, 12 per cent of residents own more than one property.[7]

General proportion of the housing loan usually accounts for about 20 per cent to 30 per cent of household income. Therefore, the housing price-

Table 7 Ownership of Private Housing

Year	Housing Type	Nationwide	Urban		
			New MC	Marginal MC	Working Class
2000	**Total per cent:**	**86.3**	**80.6**	**68.3**	**70.2**
	Self-built	72.7	11.5	19.9	28.2
Source:	*Commodity*	5.6	24.0	18.2	14.0
	Public	8.0	45.0	30.2	28.0
2005	**Total per cent:**	**88.0**	**80.6**	**64.5**	**59.8**
	Self-built	71.6	14.8	19.1	28.6
Source:	*Commodity*	7.5	36.7	24.5	15.1
	Public	8.9	29.1	20.9	16.1
2007	1 property	–	60.8	51.1	–
Beijing	1+ property	–	21.9	6.5	–
2008	1 property	–		42.0	
Tianjin	1+ property	–		12.0	

Source: Li Chunling (2008a), "Growth and Present Situation of the Chinese Middle Class", *Jiangsu Social Sciences*, No. 5. For private entrepreneurs in Beijing, ownership of one property reaches 100 per cent and that for second property 60 per cent. Figures for the old middle class are missing.

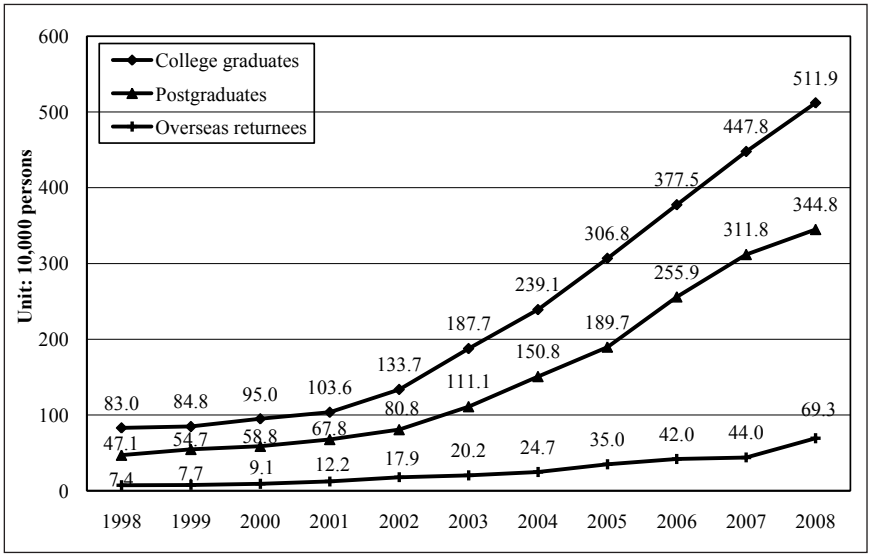
income ratio normally falls within the range of 3-6.[8] However, in 2008, the average Chinese housing price-income ratio was 15 and that for Beijing had reached 23.[9] According to an online survey conducted by *Sina.com.cn* in 2009, over 50 per cent of respondents in Beijing had to rely on their parents' savings for housing purchase. Still, most people cherish the traditional concept of possessing their own homes. Therefore, a strong market demand will continue to push up housing prices, even though the central government took measures such as advising commercial banks to tighten lending for second homes, withdrawing resale tax incentive introduced the year before, imposing minimum 50 per cent as down payment upon the land purchase of the developers to cool the market. In this case, even if a tax on the value of property holdings may reduce estate speculators, the strong demand for housing will continue to maintain and the housing prices are likely to remain on an upward trend. Taking Beijing and Shanghai as extreme examples, housing consumption has inevitably become a major financial burden for the Chinese middle class, particularly for the younger generation (Li, 2010).

3.3. Expansion and Increased Cost of Higher Education

Higher education in China has undergone massive expansion in the past decade since the implementation of the Ministry of Education (MOE)'s policy of expanding high education enrolment in 1999. In 2009, the gross enrolment rate (GER)[10] of higher education nationwide reached 24 per cent, which is estimated to rise to 26 per cent in 2010, and 43 per cent in 2020 (Feng, 2009). In the meantime, due to the planned-birth policy, the number of middle school graduates had slipped from 25 million during the peak years to 18 million in 2008; the figure is expected to have gradually stabilized around 17 to 19 million since then.

With fewer registrants for colleges and MOE's incessant expansion of higher education and international cooperation among educational institutions, the younger generation certainly have better opportunities and alternatives for more adequate education to become competitive candidates for the domestic or even the global labour market. Figure 2 illustrates the aforementioned trend in the past decade. The number of Chinese college graduates increased 5.2 times, from 0.8 to 5.1 million; the number of postgraduates (masters and PhDs) increased 6.3 times from about 0.5 to 3.4 million, while the number of overseas returnees increased 8.4 times from about 0.07 million to 0.7 million.[11]

Figure 2 Number of College Graduates, Postgraduates and Overseas Returnees, 1998-2008



Source: *China Statistical Yearbook 2009*.

In 1997 the original dual-track enrolment policy was withdrawn and students had to pay tuition fees to attend higher education. The cost in higher education has increased 25 to 30 times since then. An estimation of the expenses of higher education in China is shown in Table 7. The approximate medians of the reported cost within each category are presented in Table 8.[12] According to the list, it takes roughly ¥30,000 to ¥100,000 to complete higher education in China, excluding costs in previous education (from kindergarten to high school) or any fees for cram school and extracurricular activities related to the accumulation of children's human capital. Attending a prestigious primary school or high school may cost no less than college expenses.[13]

The quality of higher education has always been an issue. To improve their competitiveness in the domestic labour market, an increasing number of college graduates would choose to pursue postgraduate degrees from overseas institutions even if it is self-funded. The overall expenses before and

Table 8 Estimated Expenses of Higher Education in China, 2009 (unit: RMB ¥)†

		Public			Private	
		Low	Moderate	High	Low	High
Instructional	Tuition	2,500	5,000	10,000	5,000	10,000
	Books and others	250	500	1,000	500	1,500
	Subtotal	*2,750*	*5,500*	*11,000*	*5,500*	*11,500*
Living Cost	Lodging	500	800	1,200	500	1,200
	Food	3,500	6,000	6,000	3,500	6,000
	Transportation	300	600	1,000	300	1,000
	Other	1,000	1,500	2,000	1,000	2,000
	Subtotal	*5,300*	*8,900*	*10,200*	*5,300*	*10,200*
Total		8,050	14,400	21,200	10,800	21,700

Note: † "Low Public" includes major subjects in public institutions that charge low tuition fees, such as teacher training, agriculture, forestry, and navigation; "High Public" includes major subjects that charge high tuition fees in public institutions, such as arts, performing art, music programmes, international accounting, software engineering (in junior and senior years); "Moderate Public" includes most major subjects in public institutions that do not fall under "Low Public" and "High Public" categories.

Source: The compilation of this table is based on a thorough study of tuition and dormitory costs of all higher education institutions listed on the websites of <*http://gkcx.eol.cn/z/sfbz.html*> and <*http://edu.people.com.cn/GB/4590244.html*>.

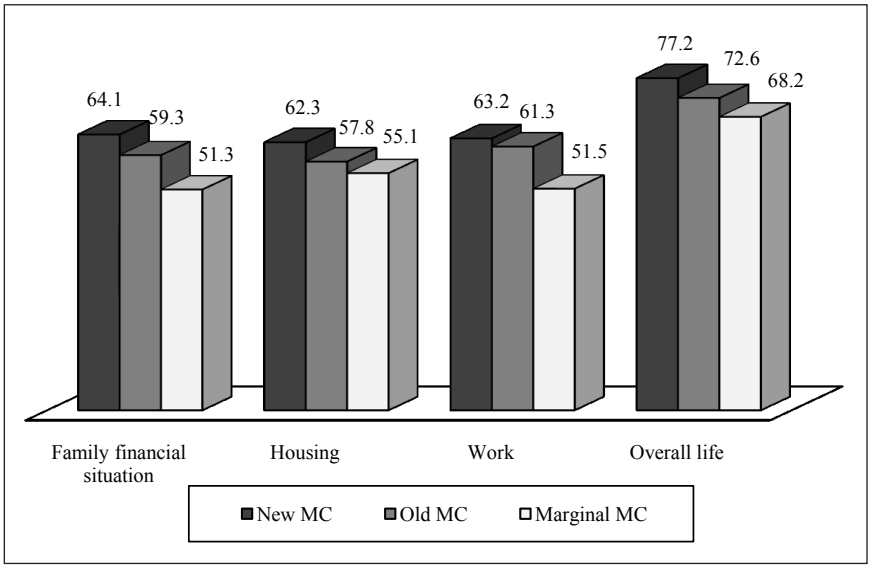
after higher education therefore could be enormous and difficult to capture. Apparently, children's education has always been the priority if not the top of total household expenditure even if it means making an investment in the purchase of a house near key elementary or middle schools, attending cram schools, participating in extra-curriculum activities, etc.

4. Life Satisfaction of China's Middle Class

As the majority of the middle class are business professionals, government officials and intellectuals, most of them ranked career and professional life highly in their social life. They ordinarily expect long term employment and regard working life as one of the top priorities. They are dependent on the current economic system and generally have savings in banks, and lead a comfortable life (Zhou (ed.), 2006: 111-135).

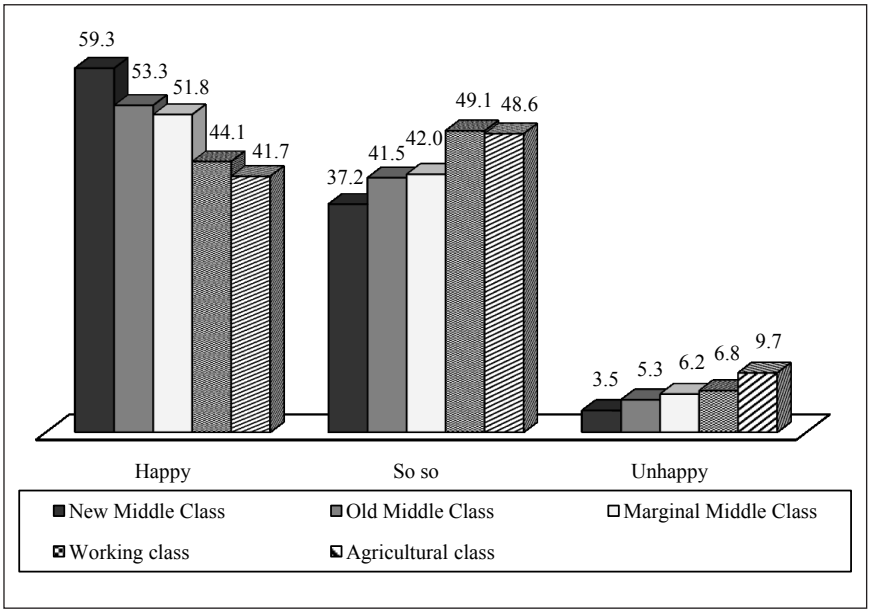
Figure 3 shows that about 77 per cent of new middle class are satisfied with their current life, in comparison with 73 per cent of old middle class and 68 per cent of marginal middle class. Similar patterns are also found in some particular aspects of life such as family financial situation, housing, and their current jobs. More new middle class claim satisfaction with their life than old and marginal middle class.[14]

Figure 3 Proportions of New, Old, and Marginal Middle Class's Satisfaction with Life, 2006 (%)



Source: China General Social Survey (CGSS) 2006.

Figure 4 Happiness of Chinese People, 2006 (%)



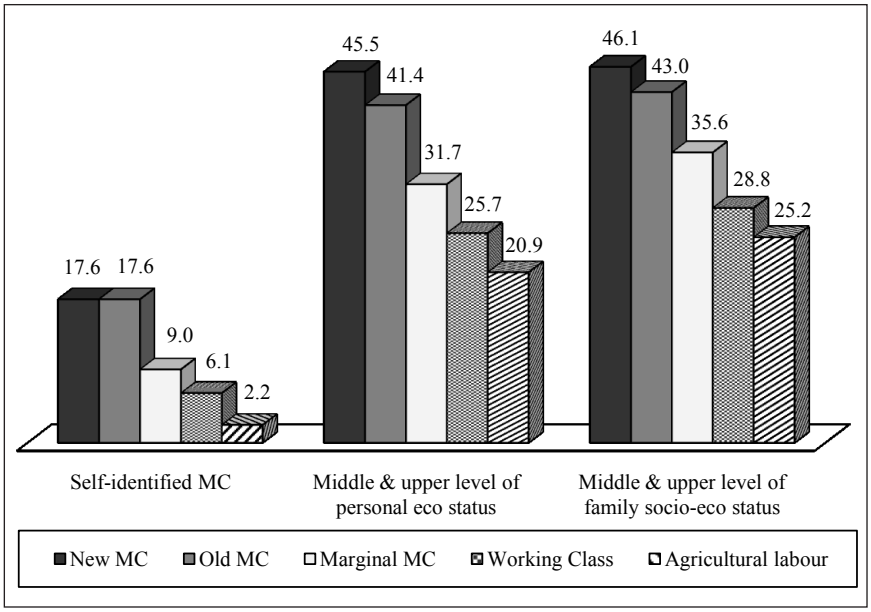
Source: China General Social Survey (CGSS) 2006.

Therefore, in terms of happiness (see Figure 4), on average, over 50 per cent of middle class are happy with their life, compared with around 44 per cent of working class and 42 per cent of agricultural labour. Of the middle class, the new middle class is again found to be the happiest group.

Respondents were fairly humble when they were asked to rank their personal economic status and family socioeconomic status in society, as shown in Figure 5. About 46 per cent of new middle class and 42 per cent of old middle class ranked their personal economic status as well as their family socioeconomic status middle or upper level of Chinese society. Meanwhile, for the less confident marginal middle class, both figures drop to around 30 per cent. However, very few people defined as middle class actually claimed themselves representing middle class. As shown in Figure 5, only 17.6 per cent of new and old middle class identified themselves as middle class, and the proportion drops to 9.0 per cent for marginal middle class.

In fact, 54 per cent of new middle class claimed themselves as working class, while the proportion increased to 76 per cent among the marginal middle class, with around 11 per cent of both groups claiming to be agricultural labour. At the same time, for the old middle class, about 41 per cent claimed to be of the working class while about 35 per cent claimed to be

Figure 5 Socioeconomic Status Self-ranking of Chinese People, 2006 (%)



Source: China General Social Survey (CGSS) 2006.

agricultural labour. There are two possible explanations to this phenomenon. One is modesty. The respondents could be too humble to label themselves as middle class. The second is this genuine feeling of inadequacy brought about by the heavy burden of housing loans and high costs of living.

Some commentators have warned that if the increase in housing price keeps out-pacing the growth of income or savings, in 5 to 8 years' time, the majority of urban middle class in China will be gradually left out of the housing market. The majority of middle class will slip to a vulnerable position as in the case of Japan.[15] The social structure would then be the shape of "工" instead of an "olive' or "onion".

The identity of China's middle class has yet to be formed, resulting in a discrepancy between objective and subjective middle class groups. Soaring housing prices and costs of living strongly affect people's perception of their own class status and their sociopolitical preferences. It is evident that a number of China's middle class are still struggling to make ends meet. Nonetheless, some segments, particularly the financially more secured new middle class, are becoming more confident. It would benefit the Chinese government if this group continues to grow and becomes a stabilizing force, and provides mainstream values to the rest of the society.

5. Sociopolitical Attitudes of China's Middle Class

With the rapid growth of China's middle class, there has been growing interest in the sociopolitical attitudes of this rising group since the 1980s. Early studies of the emerging middle class described them as the most active pursuers of democracy. In the 1990s, mainstream perception had it that middle class was supportive of government policies and economic reform, as well as politically conservative; they would therefore become a strong stabilizing force of the society (Li and Ji, 2008).

Most recent research shows that China's middle class actually hold a mix of both liberalistic and conservative views due to their divergent backgrounds and life experiences (Li Chunling 2009). They tend to have more positive feelings about democracy and high expectation of social justice, and show more confidence in participating in politics. Most of them hope to benefit from the economic growth and maintain their current lifestyle; they are therefore more prepared to be subservient to an authoritarian state for economic security and sociopolitical stability (see Table 4).

Table 9 shows that middle class as a whole appears to be more open-minded regarding the pursuit of democracy (S1), and shows higher confidence in participating in politics (S4) than working class and agricultural labour class. They are aware of the income gap and agreeable to taxing the rich to help the poor; they also show a higher rate of acceptance on the pursuit of profit to sustain economic growth.

Within the middle class, there are differences in sociopolitical attitudes. The new middle class with more cultural capital shows most democratic consciousness. The old middle class tends to be more mindful of its own financial situation. They hold relatively conservative political views and are more likely to support state authoritarianism and have the least consciousness of social inequality and justice. The marginal middle class is comparatively more vulnerable and therefore more sympathetic toward the lower class, exhibiting stronger sense of social justice and democracy than the old middle class.

In China as in elsewhere, education is positively correlated to liberalism. Younger people have displayed more democratic consciousness and lower confidence in the government. Seen in this light, whether the rising middle class is a stabilizer or a challenger will depend on whether the political system can accommodate their political demands (Li, 2008b).

The rise of the bourgeois is also regarded as a potential driving force for democratization. Some scholars speculate that continued economic growth and the increasing scale and scope of state enterprise privatization might ultimately lead to political changes initiated by private entrepreneurs.

Some scholars however believe that China's private entrepreneurs are too heterogeneous to form a cohesive identity. For the past three decades, the CCP government has been slowly whittling away the institutions that

Table 9 Percentages of Agreements on Sociopolitical Issues: Middle Class (MC) vs. Working Class and Agricultural Labour Class (WC + ALC)

	% of Agreement among MC				% of WC+ALC
	New	Old	Marginal	All MC	
I. Regarding democracy and political participation					
S1: Democracy is not necessary with sustainable economic growth	33	40	37	36	44
S2: The richer have more rights to speak on public issues than the poorer	39	47	41	41	43
S3: Only professionals can exercise the rights of decision-making	50	54	50	51	54
S4: Politics is too complicated to understand	43	54	51	48	59
S5: Rights to appeal regarding inadequate local policies	85	83	84	84	81
II. Regarding current government					
S6: Insufficient policies are key reasons for poverty	72	70	75	73	73
S7: Obedience to government never goes wrong	56	55	58	57	61
S8: Operation of law requires government's support and coordination	79	81	84	81	81
III. Regarding social inequality					
S9: No social development without pursuit of profits	76	72	77	76	69
S10: Enlarging rich-poor gap stimulates positivity at work	59	59	60	59	58
S11: Lack of education is a key reason for poverty	60	63	61	61	65
S12: Tax the rich to help the poor	76	73	79	77	77

Source: China General Social Survey (CGSS) 2006.

defined the planned economy to embrace market mechanisms. This has reinforced property relations between central and local governments, and further engendered cooperative relationships between local officials and businesspeople. Therefore, class formation has not occurred within this group, and it is unlikely for private entrepreneurs to promote democratization in China in the near future. Along with these changes and gradual privatization was the central government's strategy for granting greater autonomy over the local economy to local governments. This transformed the relationship between local officials and private entrepreneurs from critical to an inter-dependent patron-client relationship.

Chinese entrepreneurs have also adopted a series of adaptive strategies and close ties with local government officials, which essentially prevent them from being a force for change.[16] As long as private entrepreneurs share the same interest in promoting economic growth, "many will rely heavily on government patronage for their success in making profits", and "they are among the party's most important bases of support" (Dickson, 2007). Consequently, both sides in this debate commonly agree on the Party's embrace of the private sector and the impact of entrepreneurs as a new social group.

6. Conclusion: The Vulnerable Middle Class

China's middle class is still a diverse group of people with various life experiences and consumption philosophy. Common middle class lifestyle and consumption culture have yet to be formed. The Chinese consumer market is young and developing fast with potential purchase power.

Most middle class families are financially burdened by housing loans and the cost of their children's education. They are in serious doubt of their middle class status and believe they have been wrongly endowed with a "middle class identity" (*bei zhongchan* 被中产). To the younger generations, they are merely a member of the "ant family" (*yi zu* 蚁族)[17], and are more like "mortgage slaves" (*fang nu* 房奴), and "child slaves" (*hai nu* 孩奴).

China's middle class families, especially households formed by double-income young couples with kid(s), are facing tremendous difficulties in the real estate bubble.[18] With soaring housing prices, most young couples choose to cut other expenditures such as groceries, automobiles, and leisure activities. The lucky ones would turn to their parents for financial support, mainly for the housing loan.

White-collar migrants in tier-1 cities and the "ant family" who could not afford the cost of living in the city would move to tier-2 and tier-3 cities, or their hometown where they could keep their middle-class lifestyle and yet have some savings.

Most families particularly in the big cities where the competition of entering key elementary and middle school is severe would not cut expenditure on education. A considerable number of middle class people would postpone buying a house in exchange for better educational opportunity for their children. Young employees would invest their first couple of years' savings on short-term training programmes or education overseas.

To create a better living circumstance for the young Chinese middle class, the Chinese government would do well to deal with the real estate bubble and rebalance resource allocation for refining the welfare system. The nation needs to overcome pressing challenges to usher in a middle class society.

Notes

+ This paper is based on two *EAI Background Briefs* written by the author: No. 557 "China's Emerging Middle Class and Its Socio-political Attitude", No. 558 "Middle Class Consumers in China", 2nd September 2010.

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1. For more details, please read Yan (2006).
2. Due to the system of occupational coding, levels of clerical workers are not distinguishable in the data; therefore, according to the report by a research fellow of CASS, Dr Li Chunling (2008b), "Conservatism or Liberalism? A Study on Sociopolitical Attitudes of Chinese Middle Class", the proportion of marginal middle class should be around 14 per cent of the total population.
3. They build a proprietary database of information on Chinese income, savings, and consumption patterns using primary data from the National Bureau of Statistics of China and other sources. They focused mainly on urban Chinese consumers. For variables such as GDP growth and inflation, a base case scenario resting on a mutually consistent set of consensus estimates had been formulated. They assumed an absence of major exogenous shocks to the economy and average

growth of 6.5 per cent in per capita GDP from 2005 to 2025, with higher annual growth initially but slowing after 2015.

4. *Total Expenditure of Urban Households* refers to all expenditure of households except expenditure on lending. It includes expenditure on consumption, purchasing or building houses, transfers and social security.
   Urban Households by Income Group: All households in the sample are grouped, by per capita disposable income of the household, into groups of lowest income (10 per cent), low income (10 per cent), lower middle income (20 per cent), middle income (20 per cent), upper middle income (20 per cent), high income (10 per cent) and highest income (10 per cent). The lowest 5 per cent of households are also referred to as poor households.
5. Figures released by local statistical bureaus. (Beijing: <*http://www.bjstats.gov.cn/tjzn/mcjs/200902/t20090203_135797.htm*>; Shanghai: <*http://www.shanghai.gov.cn/shanghai/node2314/node2315/ node4411/userobject21ai391385.html*>)
6. "China Property Market Watch", Issue 1, Newmark Knight Frank, 2010. <*http://www.newmarkkf.com/home/research-center/global-market-reports.aspx?d=1366*>
7. Figures are collected from online survey conducted by China Reality Research Centre, "2009 Tianjin Real Estate Market Report", and released on 26th February 2010. However, of note is that web-based survey data are likely to be biased due to non-random sampling.
8. From "Vanished Middle Class", <*http://www.Chinanewsweek.net*>, 13th January 2010.
9. *Ibid*.
10. GER is a statistical measure used in the education sector and by the UN in its Education Index, which is calculated by expressing the number of students enrolled in primary, secondary and tertiary levels of education, regardless of age, as a percentage of the population of official school age for the three levels.
11. Graduates from regular institutions of higher education, adult graduates and graduates from Internet-based programmes are excluded. Degrees are not specified among overseas returnees.
12. The figures for tuition and boarding costs are more accurate than living expenses, for the latter are from students' self-reports and may vary significantly with the actual financial condition of the students' family.
13. *Legal Evening Paper*, 18th November 2009. <*http://xsc.juren.com/news/200911/182773.html*>
14. The middle class as a whole has also expressed its satisfaction with other aspects of life such as health, family and social relationships, etc., not displayed in Figure 3.
15. Series of discussion by social scientists and commentators can be found on the official news websites and their blogs such as: "China Turning into M-shape Society" (11th June 2010, <*http://theory.southcn.com/c/2010-06/11/content_12773336.htm*>), "Housing Price Might Accelerate the Pace for China to Become a M-shape Society" (29th July 2010, <*http://blog.soufun.com/28801581/10293189/articledetail.htm*>), "Mass Consumption is Irrelevant with the High Housing Price in China's M-shape Society" (5th November 2009, <*http://finance.ifeng.com/opinion/fhzl/20091105/1432318.shtml*>), etc.

16. Based on data taken from a nationwide survey on "2008 Private Entrepreneurs and Enterprises in China", by the end of 2007, over 62 per cent of entrepreneurs were members of All-China Federation of Industry and Commerce, 33.5 per cent were CCP members (compared with approximately 5.6 per cent of CCP members nationwide by the end of 2007), and 10.3 per cent of non-CCP members had submitted application, 30 per cent were Politburo members and 12 per cent were members of People's Congress (of all administrative levels).
17. *Yi zu* 蚁族 ("Ant family") is a term first used in a documentary report of same title in 2009. It describes a special marginal group of "low-income fresh college graduates" residing in low-cost urban suburbia, who have gradually formed a unique "inhabited village". In contrast to the ordinary needy people such as peasants, migrant workers, and laid-off workers, the members of "ant family" are young and well educated. They are usually between 22 to 29 years old and hold a college degree. Most of them are primarily engaged in full-time or part-time job in insurance marketing, electronic equipment sales, advertising sales, catering services, or even unemployed underemployed. Their average monthly income is around ¥2,000, and the vast majority have no work insurance or labour contracts. The appearance and quick expansion of "ant family" reflects the increasing pressure of under-employment and poverty of fresh college graduates in big cities.
18. <*http://www.Chinanewsweek.com.cn*>, 13th January 2010.

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