



The emergence of China's middle class: Social mobility in a rapidly urbanizing economy



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ARTICLE INFO

Article history:

Available online 26 October 2014

Keywords:

Middle class
Social mobility
Urbanization
China

ABSTRACT

The emerging middle class in Asian countries has attracted increasing scholarly interest because of its potential contribution to the global economy. The existing literature has revealed the unique characteristics of the Asian middle class compared to that of Western countries, and differences have been largely attributed to the compressed industrialization and rapid urbanization experienced in Asian countries. However a close examination on China's middle class at the individual level has yet to be seen. Using micro-data from two series of household surveys, this article first presents a comprehensive profile of China's emerging middle class. A binary logistic regression model was calibrated to investigate how an individual's middle class status was attained and impacted by his/her ascribed and achieved factors. The findings show that China's middle class possesses different consumption and occupation patterns from its counterpart in the West, and is not as reliant on government policies in attaining its status as has been documented in previous research. We argue that the rapid urbanization is generating agglomeration economies and improving social mobility, creating massive opportunities for people in lower social classes in China. Ascribed factors, for example parental achievements and *hukou* status, are thus gradually diminishing in importance for determining upward social mobility in China.

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Introduction

The term “middle class” usually refers to a large group of people in the middle of a societal hierarchy, that forms “the backbone of both the market economy and democracy in advanced societies” (Birdsall, Graham, & Pettinato, 2000). Because of the critical role that the middle class has played in the economic development of Europe and North America, the emerging middle class in Asian countries, especially China and India, has attracted increasing attention from various institutes and scholars (Kharas, 2010; Woetzel et al., 2009; Yuan, Wan, & Khor, 2011). A report by the OECD describes the rise of the “Global Middle Class”, a process whereby the formation of the Asian middle class would lead to one of the greatest transformations in the world economy—“a crossing from West to East of the middle class” (Kharas, 2010). However, these studies have focused more on the Asian middle class's

expansion and its role at an abstract level rather than specific characteristics and the underlying dynamics of its emergence (Yuan, Wan, & Khor, 2012).

The Asian middle class, whose characteristics are distinct from western middle class, is also referred to as New Middle Class, and its rise has been accompanied by compressed industrialization and rapid urbanization (Hattori, Funatsu, & Torii, 2003). The vastly different circumstances imply that the Asian middle class should be placed in its specific regional and temporal context, in which rapid urbanization is a structural driving force. Previous studies have concluded urbanization as an indispensable part of modernization, which has been accompanied by improved social mobility and reorganization of social classes (Bian, 2002; Cao & Liu, 2010; Goldthorpe, Llewellyn, & Payne, 1980). Empirical studies have also attempted to interpret the characteristics of the middle class in some Asian countries, including Korea, Philippines, and Malaysia, shedding light on the link between urbanization, industrialization and the emergence of the middle class (Hattori et al., 2003; Arita, 2003). However, a systematic investigation of China's emerging middle class remains absent, probably owing to the dearth of data linking characteristics of its middle class at the macro-level with specific characteristics of individuals at the micro-level.

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Using two series of household survey data, this study aims to fill the gap. The article adds to the present scholarship as a case study in rapidly urbanizing Asian countries, and more broadly, it contributes to existing theories of social mobility. In the remainder of this article, Section 2 provides a literature review on the making of the Asian middle class and social mobility, and existing research on China's middle class. Section 3 elaborates the research design, including data collection and analysis methods. Empirical results are reported and discussed in Section 4. Section 5 concludes.

Literature review

Social mobility and the making of Asian middle class

While Marxists have attributed the emergence of the middle class to the inter-class conflicts of interest between the bourgeoisie and the proletariat in a radically polarized society, many scholars have aligned to formulate the modernization theory of social mobility, which focuses on the relation between an increase in a society's income level and the concurrent improvements in other aspects of society, such as levels of educational achievement and political democratization (Glassman, 1997; Lipset & Bendix, 1959). Despite different opinions on the political implication of the Asian middle class, most scholars believe that, contrary to the Marxist theory of class polarization, the development of market economies in every industrial society (including modern China) has given birth to a growing middle class (Li, 2006).

At the macro-level, the emergence of the Asian middle class can be seen in the improved social mobility along with the transition from traditional to modern society. At the same time, most Asian countries have undergone rapid urbanization characterized by large-scale rural-urban migration and compressed industrialization (Long, Zou, & Liu, 2009). Empirical studies of western society have long revealed that rural-urban migration leads to improvement in social mobility (Lipset & Bendix, 1959), and similar evidence has been found for Asian and African countries (Quigley, 2008). From the perspective of occupational mobility, the concentration of administrative agencies and large-scale organizations in cities provides ample opportunities for workers to move from manual labor into administrative positions. Native urbanites from a similar class background may move up into the expanding number of higher positions while rural-urban migrants tend to occupy lower-status positions. Recent literature confirms the importance of cities on economic development and household income improvement, that they are not only the engines of growth for an economy—dense interactive locations where knowledge is exchanged, innovations spurred, and sophisticated skills developed, but also the location of occupational specialization, lower transaction costs and better supply of intermediate inputs, all of which raise local productivity and household income (Black & Henderson, 1999).

Another stream of literature points out that even as income rises, social mobility may be impaired by rising socio-economic inequality. Several structural causes may lead to inequality, such as the exercise of political power by business elites over legislative and regulatory processes (Mills, 1999; Reich, 2012; Stiglitz, 2012), the changes in family composition and the disconnection of young people from school and work (Edelman, 2012), and the nature of capital which has possessed a faster rate of growth than that of economic growth ($r > g$) over the past centuries (Piketty, 2014). Scholars believe that widening inequality has been capable of undermining the purchasing power of the middle class, leading to economic recession (Reich, 2010). Given that China's evolving political and economic institutions create uncertainties and unpredictable patterns of inequality in its transition from planned economy to market-oriented economy, grounded studies are in

need to help generate new theoretical perspectives in understanding the agents and mechanisms underlying the processes of social mobility (Bian, 2002).

To capture the features of the socio-economic development process that have shaped social mobility in developing economies, in this study the emergence of the middle class is conceptualized as the attainment of the status resulting from upward social mobility at the individual level (Hattori et al., 2003). The empirical work on status attainment dates back to the Blau & Duncan, who concluded that both ascribed status (parental education and occupational status) and achieved status (education and prior occupational status) are important factors accounting for an individual's ultimate attained status (Blau & Duncan, 1967). By recasting status as class (Goldthorpe et al., 1980) and adding socio-economic factors (Sewell, Hauser, Alwin, Ellegaard, & Fisher, 1975), scholars have further advanced the Blau & Duncan Model, making it a good basis for analyzing the making of the middle class at the micro-level in both developed and developing economies (Bian, 2002; Van Leeuwen & Maas, 2010). It is of note that China's *Hukou* System may impact status attainment for those without urban *hukou* registrations fundamentally (Chan, 2010). Since one's *hukou* status is primarily determined by parental *hukou* status, it is included in this China case study as a unique ascribed factor.

Identifying the middle class in China

The boundaries of the middle class are inherently fuzzy and theoretically controversial, and can be defined in various ways according to research purpose (Li, 2006), as social stratification is mainly determined by three interconnected components: class (economic position), status (social prestige), and power (Mills, 1999; Weber, 1946). Considering the potential role of China's middle class in driving economic development, we define the middle class as a group of people ranking in the middle in economic position. In the most advanced economies of Europe and North America, occupational category and income/consumption level are the most frequently used criteria to identify middle class (Li, 2010). Compared to its peers in western society, the Asian middle class has been found to be more vulnerable to economic crisis and to possess unique consumption patterns (Banerjee et al., 2009), and similar features are characteristic of the middle class in China (Li, 2010). Particularly, the dramatic reorganization of social structure since 1978 in China has resulted in wide variations in the social prestige, education level and income level within the same occupation category across *danweis* (work units), industries, and cities (Li, 2008).

Therefore we follow the extant research and choose to define China's emerging middle class using economic condition, rather than occupational ranking (Yuan et al., 2011; Kharas, 2010). More specifically, an absolute term of consumption has been adopted to measure the size of the middle class, as opposed to income, or either one in relative terms. There are several reasons for using this particular method. Firstly, although income is a well-accepted indicator, it usually comes with survey data by inevitable flaw that respondents tend to under-report their true income (Banerjee & Duflo, 2008). Second, consumptive expenditure is believed to be a more stable measure of real economic welfare than income, and thus to be easier to compare real economic welfare across time and space (Banerjee & Duflo, 2008; Ravallion, 2009). Third, by following this approach, the findings of this article will be consistent with recent studies for cross validation. Finally, the emphasis on consumption will provide policy implications for the country's goal of raising the share of consumption in GDP. Based on this definition, the study will generate an economic profile of China's middle class across time, including occupational characteristics, spatial

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