The Distinctive Features of China’s Middle Classes

Alice Ekman

June 2014
The Institut français des relations internationales (Ifri) is a research center and a forum for debate on major international political and economic issues.

Headed by Thierry de Montbrial since its founding in 1979, Ifri is a non-governmental and a non-profit organization.

As an independent think tank, Ifri sets its own research agenda, publishing its findings regularly for a global audience.

Using an interdisciplinary approach, Ifri brings together political and economic decision-makers, researchers and internationally renowned experts to animate its debate and research activities.

With offices in Paris and Brussels, Ifri stands out as one of the rare French think tanks to have positioned itself at the very heart of European debate.

The opinions expressed in this text are the responsibility of the author alone.

© All rights reserved, Ifri, 2014

WEBSITE: www.ifri.org
Ifri Center for Asian Studies

Asia is at the core of major global economic, political and security challenges. The Centre for Asian Studies provides documented expertise and a platform of discussion on Asian issues through the publication of research papers, partnerships with international think-tanks and the organization of seminars and conferences.

The research fellows publish their work in the Center’s two electronic publications: La lettre du Centre Asie and Asie.Visions, as well as in a range of other academic publications. Through their interventions in the media and participation in seminars and conferences, they contribute to the national and international intellectual debate on Asian issues.

Asie.Visions

Asie.Visions is an electronic publication dedicated to Asia. With contributions by French and international experts, Asie.Visions deals with economic, strategic, and political issues. The collection aims to contribute to the global debate and to a better understanding of the regional issues at stake. It is published in French and/or in English and upholds Ifri’s standards of quality (editing and anonymous peer-review).

Our latest publications:


Key Points

The features of Chinese middle classes are numerous and evolving rapidly in a context of economic transition, but the main characteristics can be summarized as follows:

- **Chinese middle classes are still small in number and proportion** – they represent a minority of the national population and remain mainly located in first-tier cities of the eastern part of the country.

- **It is a “new” middle class**, built during the last 20-30 years after the launch of Deng Xiaoping’s era of reform and opening up, with individuals that experienced very different living standards, often much poorer, at previous times of their lives.

- **In this context**, members of the Chinese middle classes often seek to show their new class status through their living standards and consumption practices. International exposure is for instance a socially recognized sign of middle class belonging. They also often enjoy their new status, relation to time and opportunities for leisure, vacations and entertainment products with enthusiasm.

- **At the same time**, Chinese middle class households often share a strong feeling of instability. In a context of economic transition and absence of rule of law, they anticipate further expenses of the household and extended family. They save a particularly high share of their disposable income in anticipation of hardship, given the underdeveloped welfare system and the rising cost of healthcare, education and housing.

- **Chinese middle classes maintain a relatively high degree of connection with the Communist Party and state institutions. Civil servants and employees of state affiliated institutions form a significant part of it, and entrepreneurs often developed their business through prior Party connection or newly-built ones.**

- **Strong geographical as well as generation gaps exist within the middle class populations.** With the emergence of a second and third generation of middle class households, it is likely that practices specific to the “new” middle class members will erode, and generation gaps will be reduced. Still, the Chinese middle class remains very heterogeneous at the moment.

- **The central government considers that an accelerated urbanization process will support the development of the middle class and ultimately help rebalance the current economic model towards domestic consumption, reducing dependence on exports and state investments.** Provided the fast-pace urbanization
process continues and the economic and social reforms announced following the 3rd plenum of the 18th Central Committee of CCP in November 2013 are implemented, an increase is likely to be observed in the number of people who are entering the middle classes. But this will necessarily be a long term process given the diversity and complexity of reforms to be implemented in order to fully integrate the migrant population within cities. The heterogeneous distribution of wealth between rural (or migrant) and urban households is likely to remain in the short and medium run.
## Contents

**Key Points**.................................................................................................................... 2

**Introduction** .................................................................................................................. 5

**Beyond Revenue Classification: Defining “middle classes” in the Chinese Context** ............ 6
  - Official and unofficial definitions in a historical perspective .......................... 6
  - Limits of revenue classification in the Chinese context .............................. 8

**A New Middle Class with Distinctive Features** ......................................................... 13
  - A New Middle class .......................................................................................... 13
  - International exposure ...................................................................................... 17
  - Feelings of instability ......................................................................................... 20

**Towards a Consolidation of the Middle Class Population under the New Leadership?** ......... 26

**Bibliography** ................................................................................................................. 33

**Annex** .......................................................................................................................... 36
Introduction

This study seeks to lay the foundations for a better understanding of the Chinese middle classes. It goes beyond the traditional classification by revenue and identifies the distinctive features of China's middle classes by taking into account relevant historical events, current sociopolitical and economic contexts, and key expectations of the population. Regarding this final aspect, the specific expectations of the Chinese middle-classes are emphasized from an anthropological perspective, incorporating the viewpoints of Chinese households.

This study is based on the assumption that, although there may exist a set of features common to all middle classes around the world, national, and even sub-national specificities exist and need to be included in the analysis, at least in the case of contemporary China. Focusing on the Chinese middle class population in a broad perspective, the study looks at a wide range of definitions and perspectives and also considers the case of those entering into this population group.

Sources range from interviews conducted in 2012 and 2013 with Chinese households, with China-based companies (representatives of international retailers whose products specifically target this section of the population), to the relevant literature in the fields of economics and sociology (Chinese and non-Chinese authors), on middle classes in general terms as well as on Chinese middle class more specifically. The conclusion leads to a synthesis of the distinctive features of China's middle classes. This study does not aim at analyzing the economic and political implications of the distinctive features (such analysis will be developed in a second study to be conducted in 2014 and published in 2015).

Alice Ekman is an Associate Research Fellow at the Ifri Center for Asian Studies and an Associate Professor at Sciences Po, Paris.

Beyond revenue classification: Defining “middle classes” in the Chinese context

Official and unofficial definitions in a historical perspective

Terminology
Since the creation of the People’s Republic of China (1949), the term “class” was at the core of the Chinese Communist Party’s propaganda and the population was divided under a framework of class struggle imposed throughout the Mao Zedong era. This did not allow any “middle” class labeling or any other nuances beyond the “proletariat/capitalist” divide. The political context, but also the economic situation of the country at the time, prevented the emergence of a middle class both in semantic and in concrete terms. The concept of “middle class” only appeared after the launch of the era of reform and opening up under Deng Xiaoping (1978) – which famously declared that “to get rich is no sin”, allowing the population to seek financial prosperity under Communist Party rule and most of all after the new “politics of inclusion” of Party membership launched by Jiang Zemin in 2001. The latter policy finally put an official end to the class struggle approach and the downgrading of entrepreneurs and members of the private sector.

Since then, the government still prefers to talk about the building of a “prosperous society” rather than of “individual” or household prosperity, and focuses on macroeconomic and social indicators (rate of urbanization, Engel coefficient, Gini coefficient, average level of education, etc.) which will eventually indicate that a majority of the population can be considered as at least part of the lower-middle class. Still today, official communication prefers to refer to the middle class as the middle-income class or the middle stratum, with an emphasis on rising and expanding the size of the population that enjoys “average earnings” (中等收入- zhongdeng shouru), a

---

2 Jiang Zemin then opened Party membership to individuals formerly labeled “capitalists” such as entrepreneurs, for the first time since the CCP was founded in 1921. On this particular topic, see Bruce Dickson, “Dilemmas of Party Adaptation: The CCP’s Strategies for Survival,” in Peter Hays Gries and Stanley Rosen, eds., Chinese Politics: State, Society, and the Market, Routledge, 2010.
notion widely used since it was authorized by the Party Congress in 2002.³

However, among Chinese media, academia and the general public, the term “middle class” (中产阶级 - zhongchanjieji)⁴ is now commonly used and is tolerated by the Party. In China as in many other countries, the middle class is often associated with the “white collar” population (白领阶层 - bailing jieceng), which more specifically relates in China to educated salary-earners of the generation born in the 1980s, in contrast with the previous generation, who often did not have the opportunity to attend university for economic or political reasons (in particular the generation born in the 1950s, who went through the cultural revolution – see part I).

“Moderate prosperity”
Another term that relates to the middle and lower-middle class in China is the official expression “moderate prosperity” or “moderately prosperous society” (小康社会 – xiaokang shehui), first used by Deng Xiaoping in the 1980s, and referred to more frequently in the Jiang Zemin era from 2002. Today the new leadership led by Xi Jinping continues to use this term extensively, and links it to a new concept, the “China Dream” (中国梦 – zhongguo meng), which mainly alludes to the potential for Chinese households to increase their income and improve their overall living conditions in the coming years, and progressively reaching “moderate prosperity” by 2020 (part of the population) and 2050 (the entire population), according to official deadlines set by the new leadership in 2013 (see part II and III). This concept has probably been designed with the aim to be appealing to a large part of the population and restore some form of hope among poorer households, in a context of strong development imbalances within the country and popular doubts about the ability of the Party to reduce them.

⁴ Which literally means the “middle property class”, with an emphasis on the amount of assets owned, but not on occupational characteristics. For an analysis of translation and misinterpretation of the term “middle class” from English to Chinese, see Zhou Xiaohong, “Chinese Middle Class, Reality of Illusion?” in Jaffrelot Christophe, van der Veer, Peter (eds.), Patterns of middle class consumption in India and China, Sage, 2008.
Limits of revenue classification in the Chinese context

Revenue classification
Currently, there is no universally accepted definition for the Chinese middle class, although the term middle class is widely used both within and most of all outside of China. There necessarily exist elements of arbitrariness about defining the middle class. Assessing the size of the middle class in China depends on the definition chosen for this population group. Some researchers use profession and education as most essential criteria in determining middle-class status, while other scholars also use consumption level in their studies. But the majority of studies on the Chinese middle classes are based on a definition by income level.

According to the General Social Survey carried out by the Chinese Academy of Social Sciences in 2012, the income range of the middle class is 11,800 to 17,700 US dollars per year, which means the middle class makes up around 23% of China's total population, far lower than the percentage observed in developed countries. However, it is necessary to adopt a definition that goes beyond income level, in particular in the case of China. There are two main reasons for this: Chinese citizens are often hesitant to disclose their full incomes, and there exist huge disparities in revenue and living costs between China's regions.

Strong geographical imbalances
Indeed, strong and diverse income inequalities across China make an analysis of the Chinese middle class more complicated than in many other countries. It can lead to an overestimation of the size of the middle class in tier-1 cities, which are largely populated by migrant workers (see below) and an underestimation of the middle class in tier-2 and tier-3 cities, where average incomes are lower, but also living costs (as prices for items such as housing and basic consumer goods like food and clothing can vary greatly).

5 “Hopes high on income distribution reform”, Xinhua, November 7, 2013
7 As also underlined in Fewsmith, Joseph, “The Political Implications of China’s Growing Middle Class”, China Leadership Monitor, No. 21, Summer 2007, p.3
8 Indeed, a household may live well with an annual income around 60,000 RMB in these cities, but may barely live on the same amount in tier-1 cities such as Shanghai. Prices (of staple goods such as food, but also real estate) vary greatly from rural to urban areas, but also between cities. For instance, according to statistics from the China Index Academy – the largest China based real estate institute – China’s average property price in the country’s 100 largest cities in January 2014 is 10,901 yuan (US$1,798) per square meter, but the average in the
Income inequality is particularly high in China, and had increased throughout the era of reform and opening up. Today, China's Gini coefficient is 0.474, according to January 2012 figures of the National Bureau of Statistics. The minimum wage level set by the government in China varies widely from one location to another (between provinces but also between urban and rural areas within a province) and provide an illustration of the significant development gaps existing within the country. For instance, the legal minimum wage in Shanghai (1450 RMB, around 240 USD) is more than twice that in Jiangxi province, according to January 2013 figures released by the Ministry of Human Resources and Social Security. Within Sichuan province itself, the minimum wage in the capital city of Chengdu is significantly higher (1050 RMB) than in poorer, rural areas of the province (800 RMB). The central government aims to increase the minimum income levels by 13% during the 2010-2015 period. It has effectively raised the minimum wage above 1000 RMB in most provinces, but significant gaps still remain between and within provinces.

Significant gaps between provinces are also noticeable when taking growth rates into account. In some provinces, the development has been extremely rapid. Sichuan province for instance enjoyed a double-digit average annual increase in its GDP during the 2000s, and still in recent years. In 2012, the GDP growth rate of the province was 12.6%. Other provinces have a significantly lower growth rate, such as Zhejiang province (8% in 2012).

During the last two decades, income inequalities and geographical imbalances – a legacy of Deng Xiaoping’s initial focus on the East coast for the development of his reform and opening up strategy - widened across the country. Currently, a significant income gap and degree of social inequality does not only exist between urban and rural areas but also within the urban areas themselves. Two different types of urban dwellers coexist, the permanent residents who are in their majority fully integrated within the consumption society, and non-permanent residents who are not or only partially integrated. Indeed, the residence permit system (hukou) remains a significant limitation to the urban integration of migrants (leaving them with limited access to housing, medical coverage, school registration for children and other public services provided by the city) and

---

*top 10 cities (including Beijing and Shanghai) is much higher, at 18,994 yuan per sq m. Source: China Index Academy / China Daily, February, 1st, 2014.*

9 Often used as a measure of income distribution. 0 equals perfect equality.

10 “Hopes high on income distribution reform”, Xinhua, November 7, 2013. According to Western estimates, the Gini coefficient is thought to exceed 0.50.

11 Source: Ministry of Human Resources and Social Security, 2013 - See annex for figures on all provinces.


therefore postpones the accession of this population group to the lower-middle class. As a matter of fact, the consumption practices of the migrant population living within the cities often remains to some extent similar to the ones they adopted in the countryside (i.e. consuming very little), as they cannot afford an urban resident’s lifestyle, given their income level and limited access to social welfare. Many of them consume staple products in the city and save most of their disposable income for the family members remaining in the countryside.\textsuperscript{14}

In this context, it appears essential to analyze the Chinese middle class on an infra-national basis. A geographical heterogeneity is currently underestimated in China, and needs to be taken into account when analyzing the middle classes. It is necessary to assess the demographics of China’s middle classes in light of this context, taking into account both the significant income gap but also living cost gaps from one city to another. Some academic and consulting companies therefore propose a different definition of middle class depending on the size of the city concerned.\textsuperscript{15}

In broader terms, strong geographical imbalances in China mean that significant gaps exist in profiles, practices and expectations between individuals at similar income levels. For this reason, it is more relevant to talk about middle classes in plural terms than about a single, homogenous, Chinese middle class. In addition, given these strong geographical imbalances, a revenue-based definition of the “middle” is only partly relevant in the Chinese context. It is necessary to take into account a broader definition of the population group, which takes into account other parameters such as the level of coverage of the social security system, of the international exposure of households, or of the degree of connection to the Communist Party of China (see part II).

**Chinese middle-classes: a minority of the population**

Whatever the definition and methodology taken into account, an increase is undoubtedly observed in the number of people who are entering the middle classes over the last two decades with the first positive results of the era of reform and opening up. However, contrary to the general impressions given by largely populated and apparently well-developed megalopolis such as Shanghai, the middle classes in China still represent a minority of the total national

\textsuperscript{14} And in some cases, they also save with the long term plan to start a small family business in the city or back to the village in mind.\textsuperscript{15} For instance, ZenithOptimedia, a market-research and communication consultancy, in its “Discover China’s Emerging Middle Class” survey (17,700 respondents in 150 cities), believes that the Chinese middle class includes those with an annual household income of at least 72,000 RMB ($11,815) in tier-one and tier-two cities, and 48,000 RMB in tier-three and -four cities. "Middle class sitting in the driver’s seat for consumption", Xinhua/China Daily, November 14th, 2013.
Although the current size of the middle class in China varies from one estimate to another, it is acknowledged that it does not designate the majority of the members of the society, contrary to most post-industrial Western countries. According to a definition of the middle classes set by some researcher from the OECD Development Center (households with daily expenditure of between US$ 10 and US$ 100 in PPP terms), China's middle classes appear large in absolute terms, totaling 157 million people (only the US has a larger middle class). But this still represents a small part of the total Chinese population (less than 12%), and the poorest population of the country is just as numerous. According to official figures from 2011, 128 million Chinese citizens fall below the poverty line, established by the government at a total annual income below 2300 RMB (around 380 US$). This figure gives indication on the poorest population of the country, but the poor population in broader term is much larger. In any case, the 48% of the population which are rural dwellers (official figures, 2013) can hardly be considered as part of the middle class, considering the low average GDP per capita and overall living standards in these areas. Moreover, within urban areas, only a share of the population of large and medium size city can be considered as part of the middle classes, given the large proportion of migrant workers – they represent between 1/4th and 1/3rd of the overall population of tier-1 cities. In China, the migrant worker population accounts for around 220 million persons, or about 16% of the total national population.

To nuance the general impression that a large Chinese middle class has been emerging, some analysts stress that in China the GDP per capita in 2013 (in purchasing power parity) was still only US$9,300, in comparison with US$50,700 for the US and US$37,500 for the UK. But beyond income characteristics, sociological characteristics of middle classes also need to be taken into account. If a more comprehensive definition of middle classes is taken into account, considering in addition to income level, that being part of the

---

16 This point has been underlined by Chen, Minglu, and David Goodman (Eds.), Middle Class China: Identity and Behaviour, Cheltenham, Edward Elgar Publishing, 2013.
17 Kharas, Homi, “The Emerging Middle Class in Developing Countries”, OECD Development Center, Working Paper, No. 285, January 2010, p. 2
20 Goodman, David, “Why China’s Middle Class Supports the Communist Party”, Huffington Post, 22/10/2013
middle class is having a “modern, urban lifestyle and a white collar occupation”, then the Chinese middle class is even smaller.21

In broader terms, if we consider that “the middle class usually enjoys stable housing, healthcare and educational opportunities for their children, reasonable retirement and job security, and discretionary income that can be spent on vacation and leisure pursuits”22, then not many Chinese households can be counted as part of the middle class, given the unstable economic and social situation most of them are facing (see part “Instability feelings”). For these reasons, a widespread debate on whether there exists a middle class in China has developed among Chinese sociologists in the 2000s.23 They argue that at present, it is not yet realistic to state that China has entered a middle-class era, in comparison with post-industrial middle-class societies of most Western countries, where this population group accounts for a vast majority of the national population (around 80% for the US, according to a certain income based definition)24. This sharply contrasts with the common belief that there currently exists a large, emerging Chinese middle class. In 2013, China is far from being a middle-class society. A middle class population is certainly emerging, and at a rapid pace, but continues at the moment to represent only a minority of the total national population.

21 According to this definition, Fewsmith assessed in 2007 that the middle class was “certainly not over 50 million, or about 6% of China’s population.” Fewsmith, Joseph, The Political Implications of China’s Growing Middle Class, China Leadership Monitor, No. 21, Summer 2007, p.4-5.
24 “The American middle class consists of households with an income between $40,000 and $200,000, which accounts for 80 percent of the country’s population, while the German middle class includes households with an income between $30,000 and $800,000, or about 55 percent of the population,” compares Zhang Lifeng, a researcher working on the middle class at the Institute for Urban and Environment Studies of the Chinese Academy of Social Science. Beijing Review, “Defining the Middle Class”, by Wang Hairong, No. 36, September 8, 2011. http://www.bjreview.com.cn/nation/txt/2011-09/05/content_388324.htm
A new middle class with distinctive features

A New middle class

Chinese middle-classes: a vast majority of newcomers

To identify the features of the Chinese middle classes, it is necessary to bear in mind that this population category is relatively new in the history of contemporary China. Some form of middle class group emerged in the Republic of China era in the first half of the 20th century, particularly in Shanghai, but it developed in a tense and unstable domestic and international context (Japanese invasions, domestic political and social tensions, etc.). After the communist revolution in 1949, this group was in its majority deprived of its status and assets. During the first decades of the People's Republic of China, from 1949 to 1978, no middle class population could emerge given the strict collectivist framework implemented nationwide. It was only after the launch of Deng Xiaoping's era of reform and opening in 1978 that a middle class could take shape. The emergence of a population of white collar workers in the private sector as well as entrepreneurs was - and still is - progressive, starting at a limited scale in the mid-1980s on the East coast with the first effects of the economic reforms put in place, and amplifying in the 1990s and 2000s.

Given this time-frame, the vast majority of Chinese households that may today be seen as having a middle class status/lifestyle are newcomers, with no more than 30 years of experience this status (15-20 years in a majority of cases). Only the single-child generation born after the 1980s (balinghou) may have experienced this status and related lifestyle during their entire life. All previous generations have experienced a different socioeconomic context, - often much poorer, harder, and more controlled - which to

25 Zhou Xiaohong note that “although the middle class did not undergo the same rough treatment as was imposed on landlord and bureaucratic-capitalist classes, the great majority of the class who used to be members of the national bourgeoisie and the petty bourgeoisie were almost extinct after a series of political movements (...) and economic reforms (...).” Zhou Xiaohong, “Chinese Middle Class, Reality of Illusion?” in Jaffrelot, Christophe, van der Veer, Peter (eds.), Patterns of middle class consumption in India and China, Sage, 2008

26 Strict egalitarian salary system, daily consumptions allotment system, housing distribution system, often attached to the work unit, etc. among the numerous de-stratification measures that prevented a middle class to emerge at the time.
some extent continues to weigh on their current perceptions and practices. For the middle class generations born in the 1940s and before, the contrast is particularly sharp between their successive lifetime experiences: they experienced the hardship of the Mao era, including the Great Leap Forward and the 1949-1951 famine, the cultural revolution (1966-1976), and the transitional era of Deng Xiaoping, starting in 1978 and developing in the 1980s, still in an unstable economic context. It is noteworthy to remember that the vast majority of these generations did not have access to higher education for economic and political reasons (most university and higher education institutions closed during the cultural revolution, with large populations of students sent to the countryside), nor to foreign countries – this partly explains some of the current behaviors of the middle class (desire to visit as many foreign countries as possible – see below, desire to see their only child reaching a high level of education, even if it requires long-term financial sacrifice for the parents,27 etc.).

These new Chinese middle classes, which still keep some habits of a former precarious way of life, contrast with “old” middle classes of many Western countries, where households have been occupying this socioeconomic position for generations and consolidation of this population group has been a long-term process.28 In this context, many middle-class households in developed countries fear losing their traditional status.29 This is less so the case in the Chinese context, where households rather have the impression of having been ‘upgraded’ to a social status that is not theirs and fear returning to the status they previously experienced (poverty or lower-middle class).30

In addition, the dense history of contemporary China and the fast-paced development of its economy during the last three decades mean that a much stronger generational gap exists among Chinese middle classes than in the majority of other countries, developed or emerging alike. The recent historical and economic context indeed

---

27 Also explainable, to some extent, by the strong traditional emphasis on education in Confucian societies.
28 Zhou Xiaohong reminds that «(…) in the Western world, there was a gap of over one century between the emergence of the old middle class and that of the new one. The former was mainly a result of industrialization to post-industrial society. But, in China, the two kinds of middle class were forged almost simultaneously after 1978”, “Chinese Middle Class, Reality of Illusion?”, p 6
29 In France, some talk about «la peur du déclassement», such as the economist Eric Maurin, La peur du déclassement. Une sociologie des récessions, Seuil, 2009.
30 “Those who became wealthy in the early years of reform often came from distinctly non-elite backgrounds – workers, farmers, low-level enterprise managers, and even people released from labor camps – people who were socially marginal and therefore had less to lose from risk taking. Over the past decade or so, the wealthy come from much more elite social and political backgrounds.” underlines Joseph Fewsmith in The Political Implications of China’s Growing Middle Class, China Leadership Monitor, No. 21, Summer 2007, pp.1-2.
led to a strong generational gap among the Chinese society, including within the middle class population itself, with different approaches to the consumer society among individuals independently of the income level, but depending rather on the date and age they entered it. The prevalence of large generational gaps is obvious when analyzing many of the different consumer practices among generations. For instance, an increased use of credit cards and bank loans is noticed among the younger Chinese population, and a progressive acceptance of debt within Chinese society, practices that remain much more difficult to accept for older generations.31

The newcomer viewpoint
The newcomer background of the Chinese middle class explains several specific approaches and practices of the households concerned. For many new middle class households, the challenge is to give visible proof of their new status. It often starts with car ownership (in particular in small and medium size cities, where households are still purchasing their first car), and progressively leads to the purchase, on an exceptional basis, of luxury watches, mobile phones, bags, alcohol, modern technology products (smartphones, tablets, etc.) and other goods that are well-visible and recognizable by all as expensive.32 Housing is also a significant marker. Most Chinese households hope to be able to afford a large-size flat in modern-style building. More than the location itself, it is the standard of the building that matters. Middle-class households often seek a flat in a newly-built, high-rise building located in a gated community. The latter criterion is not specific to the middle class – most apartments in urban areas in China are gated – but the residential communities of high-standard represent homogeneous clusters of middle-class households. Middle-class gated communities are often located in the near suburbs of the major cities, as are communities for upper-class households (communities of “Western style” villa communities, for instance).

These consumer practices and expectations are not only true for households of the middle class, but also for households entering into the category. Indeed, strong gaps exist between living conditions and exterior appearances, in particular among the second generation of migrants living in the cities for instance, who are not yet part of the middle class but trying to show signs that they are entering it. In general terms, there exist among the Chinese population extremely

32 To some extent, this is an illustration of what the American economist and sociologist Thorstein Veblen (1857-1929) described as “conspicuous consumption”, performed for the sole purpose of making an invidious distinction based on pecuniary strength, and with demonstration of wealth constituting the basis for social status.
strong popular expectations for entering the middle class. Ownership and practices associated with the middle classes (car ownership, international tourism, for instance) are seen as a dream by the rural population, and a lifetime goal for households exiting poverty.

**Happy few**

For the minority of the population who have already entered the middle classes, there exists a self-perception of being part of the ‘happy few’. This perception is widespread among the older generations in particular, and often leading to a certain enthusiasm that is comparable to some extent to the one noticed during the “trente glorieuses” era in post-war France, when households enjoyed their first paid vacations and a new type of relation to time, with some spare time for leisure and entertainment and the possibility to make long-term plans for the first time, in contrast with their previous, daily life routine, characterized by heavy workloads and financial constraints.

Such practices and approaches are not specific to the Chinese middle class, as they are shared by most populations entering the consumption society. They are nevertheless particularly new in China, especially for the generations born in the 1950s and before, which were used to a collective organization of time and to putting aside all individual expressions and choices during the Mao era. For these generations, entering the middle class led to the discovery of individual preferences, through consumption in particular.

From a broader perspective, in comparison with practices of the African middle classes, the Chinese middle classes appears “consolidated”, in the same sense that middle class households do not need to accumulate several jobs and sources of revenue to enjoy a comfortable living standard – among African middle classes, mixed sources of revenue and accumulation of jobs are common practices. In this sense, the Chinese middle classes appear closer in their professional habits to the Western middle classes than to middle classes of many developing or emerging countries. However, what they do share with populations of the latter groups is the evident feeling of being “winners” within the national population – as they still constitute a minority of population, the one which first benefited from the economic growth of the country. On the contrary, it is not

---


34 In this context, the official “China Dream” nationwide communication campaign launched by the new leadership, with an emphasis on reaching “moderate prosperity”, has probably been designed to target this population group.

uncommon to notice among middle class populations of Western countries a feeling of “losing” in comparison with the upper-middle class households of the population. Such “winning” feelings are particularly strong in China’s medium and small size cities, where the middle class accounts for a minority of the local population, and the living standard gap with the rest of the population is particularly high. Logically, these approaches are not noticeable to such an extent among the second and third generations of middle-class households (see part III).

**International exposure**

Another specificity of the Chinese middle classes is the shared desire to gain international exposure. The first step of this internationalization exposure is the consumption of foreign brands and goods. Another is the experience of international travels, and a more significant one, but nonetheless widespread desire is emigration to a developed country for higher education, professional or investment purposes.

Some of these practices can be partly explained by historical reasons: for decades, before the era of reform and opening up, the Chinese population had almost no freedom to leave the country and travel abroad — except few exceptions (party cadres on missions, diplomats, etc.) — nor the opportunity to consume foreign goods at home (except on very limited occasions and locations — such as the Friendship Store in Beijing). Other practices, such as investments abroad, can be explained by the constrained banking system/financial environment and a certain feeling of economic and political instability at home (see part “Feelings of Instability”).

Consumption of foreign brands and goods remains a significant external sign of integration to the lower-middle class population. Although this practice is widespread in major cities of the East coast such as Shanghai or Guangzhou, it remains more occasional in the majority of Chinese cities. For instance, the mere consumption of a Starbucks coffee or a McDonald’s meal is a basic consumption act in Shanghai and other first-tier cities, affordable to a significant part of the city population, but it has a far different social meaning in the smaller, less developed, lower-tier cities where a large part of the population cannot afford it. In provinces located in the eastern and central part of the countries (for instance capital cities of provinces such as Ningxia or Gansu),

---

36 McDonald’s opened its mainland first store in Shenzhen, Guangdong Province, in 1990. It has currently about 1,700 outlets in Mainland China and plans to reach 2,000 by 2014. According to data from McDonald’s, dinner foods account for half of foreign food operators’ sales in China and this market is growing at a double-digit pace. Xinhua, « McDonald’s hopes to wow Chinese with rice », June 6, 2013
international retail shops targeting the middle classes tend to be absent, even in the capital cities, because the target still represents a very small minority of the local population.\textsuperscript{37} For instance, the sportswear retail shop Decathlon, targeting the lower-middle class in China, and which has 63 shops in greater China in 2013,\textsuperscript{38} is absent from several Northern and Western provinces. Similarly, the 1,017 Starbucks coffeeshops are located in 60 Chinese cities (as of November 2013),\textsuperscript{39} the vast majority of them in the eastern and southern part of the country.

International travel, in particular to far-off destinations (Europe or the US), are also widely considered as signs of middle-class status in China.\textsuperscript{40} For many Chinese households, Western developed countries’ societies represent a source of curiosity and to some extent a model for their own lifestyle.\textsuperscript{41} International tourism has been rapidly increasing among the Chinese middle-class population in recent years. Until recently, travelling abroad was the privilege of a minority of upper-middle class households, from first-tier cities. But recent official reports such as the China Outbound Tourism Development 2013 report, by the China Tourism Academy\textsuperscript{42} show that more people from smaller, second- and third-tier cities are now traveling abroad. This new international tourist population is often starting by package tours to neighboring Asian countries (Thailand, Taiwan, South Korea Singapore are among the top destinations), which are cheaper than tours in European countries and other countries further away. In 2012, the amount of outbound visits from China exceeded 83.18 million, a year-on-year increase of 18.41\% (according to the same 2013 report),\textsuperscript{43} and reached 97 million in 2013.\textsuperscript{44}

\begin{itemize}
\item \textsuperscript{37} Observations, China, 2012-2013.
\item \textsuperscript{38} According to Decathlon China corporate website, December 15, 2013.
\item \textsuperscript{39} According to Bloomberg BusinessWeek, “Starbucks Gets Ready to Go From Tall to Venti in China”, November 01, 2013.
\item \textsuperscript{40} Overseas travel furnishes social status and it often the topic of discussion at social gathering, as reminds Jacqueline Efick, in "Class Formation and Consumption among Middle-Class Professionals in Shenzhen", GIGA/Journal of Current Chinese Affairs 1/2011, 187-211, and as noticed during observations in China and discussions with middle-class households, 2012-2013.
\item \textsuperscript{41} “Li Chunling, a specialist in middle-class studies at the Chinese Academy of Social Sciences, says that the dream of China’s wealthier middle-class members is to live like their American counterparts (and to see them in action: hence a surging enthusiasm for travel abroad).” Quoted in The Economist, “Xi Jinping’s vision: Chasing the Chinese dream”, May 4\textsuperscript{th} 2013
\item \textsuperscript{42} “More Chinese travel overseas », People’s Daily –China Daily, Zheng Xin and Wang Zhuqiong, April 25, 2013. For instance, according to the report, « from January to September 2012, the number of Chinese tourists from second-tier cities who visited Singapore rose 28 percent year-on-year, while the number from first-tier cities increased 18 percent.”
\item \textsuperscript{44} “At 97m and growing, China has most outbound tourists”, China Daily, January 9\textsuperscript{th}, 2014
\end{itemize}
In addition, the vast majority of Chinese middle class households are sending or planning to send their only child to study in a foreign country. According to government figures, more than 200,000 Chinese students were accepted to a higher learning institution in the US between 2011 and 2012. This trend is accounted for by the general desire of international exposure, and more specifically by the prestige in China of foreign educational institutions, the high competition of the domestic educational system and the highly competitive labor market for young graduates. According to government statistics, around 8.5% or 530,000 of the students who graduated from college in 2012 remained unemployed at the end of 2013. In this context, foreign education is seen by all households who can afford it as a needed advantage to ease the student’s access to the competitive domestic labor market after graduation.

Concurrently, the younger generation of the middle classes, better educated and skilled in foreign languages, is also often eager to find a job position within a foreign or joint-venture enterprise, which often provides relatively advantageous salary and benefits packages, and opportunities for international business trips. As a matter of fact, young and middle-age managerial cadres working in such institutions often constitute the higher range of the middle classes of first-tier cities such as Shanghai or Beijing. They mingle with their international colleagues and form part of some form of new “global” middle-class, a subcategory that is still highly limited geographically (first-tier cities) and in total number of people concerned in China. In fact, although there certainly exists a Chinese middle class with international exposure, it is currently hard to identify a “globalized” middle-class in China at the moment, even among the younger middle-class generation. Such a term would be more appropriate in Taiwan, which has a mature middle-class built over several generations, and a young middle class with better foreign language skills and longer international experiences and exposure overall than their mainland counterparts – although the latter may be catching up swiftly (see part III).

---

45 “Studying abroad: a prevailing trend for Chinese students”, August 11th; 2013, CCTV.
46 “Studying abroad: a prevailing trend for Chinese students”, August 11th; 2013, CCTV.
47 According to China’s National Bureau of Statistics, mainland Chinese professionals working in foreign-investment enterprises were no more than 4 million (3,675,600 exactly) in 2003. And this number may have increased sharply, given that in recent years local companies started to offer more attractive salaries and compensation packages, reducing the gap with foreign companies. In this context, some analysts now argue that “Chinese professionals prefer domestic firms” - see for instance this China Daily article: http://www.chinadaily.com.cn/china/2011-06/09/content_12661892.htm , 2009, 9th June.
Feelings of instability

Anticipating hardship
Currently, the vast majority of Chinese households save a significant share of their disposable income\(^{48}\) in anticipation of future health, education, housing, pension and other necessary expenditures, which are still poorly covered by the developing social security system. This saving behavior has to be analyzed by considering that strong intergenerational financial solidarity continues to prevail in China. Indeed, many middle-class households are earning high-enough incomes to support both their primary and secondary needs (leisure activities, tourism abroad, etc.) but continue to consume carefully not only in anticipation of their own future needs but most of all of the needs of other members of their close and extended family. Indeed, they often save in anticipation of university tuition fees and apartment purchases when the child will reach an age to study and then to marry, as well as in anticipation of the need for full daily medical assistance when their parents and parents-in-law will get sick. Adding the needs of all the family members, the lower-middle class is often struggling to pay for cars, medical bills, mortgages, and their child’s education (higher education fees have been rising sharply in recent years, with university annual tuition fees often above 10,000 RMB/year). Once in adulthood, the only child himself often faces the heavy burden of financially supporting its aging parents and its growing child at the same time.

In general terms, the national socioeconomic environment appears unstable for many middle class households, who enjoy an advantageous but potentially fast-changing professional situation, in a context of an underdeveloped welfare system (low unemployment subsidies, pension scheme, medical coverage, etc.). The majority of middle class households cannot rely at all on state support in case of hardship (unemployment, disability, disease, etc.). Therefore, they search for stability by different means (savings, real estate investments\(^{49}\), reliance on the child’s future professional position to improve financial conditions of the family, etc.) in a context of social and economic insecurity. This is particularly true for owners of newly-born private enterprises and self-employed individuals like petty proprietors and small shop owners, who represent a significant part of the lower-middle class if considering a definition based on income level mainly.

\(^{48}\) According to Lloyds TSB, average urban Chinese households save around 47% of their disposable income, this compares with 7% in Britain « Chinese save four times as much as Britons », by James Hall, The Telegraph, February 3rd, 2012.

\(^{49}\) Many middle-class households own more than one house. Interviews and informal discussions with Chinese households, Beijing, Chengdu, Shanghai, 2012-2013. In general terms, residential real estate investment has been increasing at a fast-pace recently. See Table in annex: "Real estate investment, January-August 2013"
The Hu Jintao leadership had launched a first set of measures – such as the creation of a universal social security coverage system, or the building of social housing units – to try to bridge the urban-rural gaps and support household consumption. The Xi Jinping administration is now continuing the implementation process, which is itself facing numerous obstacles (costs, misallocation, corruption, lengthy administrative procedures, restrictions for migrants, etc.). In general terms, these measures remain at the moment largely insufficient to provide a sense of stability or financial security within the Chinese population. Such feeling is of course widespread among the lower-income population but also among the middle class population, which has been used since its emergence to anticipating expenses and hardships in a context a low government support.

Civil servants: the core of the middle classes?\(^50\)

However, one part of the middle class population enjoys a comparatively higher degree of stability: the current and former civil servant population. They often earn significantly lower salaries than professionals working in the private sector (at the same level of education and professional experience), but enjoy, like in many other national civil services, a more stable career path (limited risk of being made redundant, etc.)\(^51\) than in the private sector, which is increasingly competitive in China, in particular during the last decade, with a larger population of highly educated professional entering the labor market. Most of all, current and former civil servants in China enjoy a comparatively advantageous welfare package. They have access to a specific medical coverage\(^52\), a relatively high pension scheme\(^53\) and most of all housing benefits. They have access to subsidized apartments, advantageous mortgage schemes, and many civil servants were able to buy at a low price their formerly public-owned apartment, in a context of rapid housing privatization.

This represents a significant comparative advantage in the current Chinese context, given that purchasing an apartment is the

\(^{50}\) For instance, according to David Goodman, repeated surveys have demonstrated that “about one in five private entrepreneur previously held an official position of leadership in either the government or the Party.” D. Goodman, Why China's Middle Class Supports the Communist Party, Huffington Post, 22/10/2013

\(^{51}\) Most state-employed professionals have been allowed to maintain their lifetime employment tenure during the era of reform and opening up, although it is not the norm anymore in the Chinese labor market, increasingly competitive and result-oriented.

\(^{52}\) Often more advantageous than the one of the majority of the Chinese population, who are badly covered, or even not covered at all, in the countryside and among the migrant population in particular.

\(^{53}\) Many civil servants and employees of government affiliated institutions do not need to contribute to their pensions, which can reach as much as 95% of their salaries in their retirement. (some former employees of government affiliated institutions – for instance of SOEs – are much lower, but still on average higher than pensions of private sectors employees)
top concern of most Chinese households - a purchase that is increasingly difficult given the sharp rise in real estate prices\(^5^4\) in most major cities during the last decade, but that is still considered compulsory in a society in which all newly married couple are supposed to settled in their own (and preferably new) flat. \(^5^5\) These benefits significantly limit the feelings of instability among the civil servant population. A “stability gap” between public and private professionals exists in many countries but it is particularly significant in the case of China, in a context of an underdeveloped welfare system.

Therefore, current and former civil servants appear to constitute the core of the middle class population in China, because they enjoy a more stable position in a largely unstable Chinese national context, but also for the mere reasons that they represent a large share of the managerial classes or the commonly called “white collar” population in absolute terms. This is particularly true if a broad definition of civil servant is taken into account, including public central and local administrations, state-owned enterprises as well as hospitals, schools, social organizations, associations and other institutions affiliated to the Party, which in total represent a significant population group in size.\(^5^6\)

**A middle-class population connected to the Party**

In general terms, the well-off part of the Chinese population is often connected in one way or another to the governing Communist Party. This part of the population is often a member of the Communist Party, even when not part of the civil service.\(^5^7\) They probably account for more than half of the total party members - maybe around 66%, as a

\(^{54}\) For instance, statistics provided by the China Real Estate Index System on August 2013 and based on the monitoring of prices in 100 cities showed that « the average price of the new homes rose 7.9% year-on-year in July, while the year-on-year growth rate in June was 7.4%. » Source: China Daily, “China’s property prices rise again”, August 2, 2013.

\(^{55}\) According to a survey conducted by Peking University’s Institute of Social Sciences in 2013, nearly 90% of Chinese families either fully or partially own their homes, and more than 10% of households have two or more homes. According to the survey, the average size of a home owned by a Chinese family in urban areas is 80 m², and 120m² in rural areas. Source: Xinhua, “9 in 10 families own their home”, July 21, 2013.

\(^{56}\) China had about 10 million civil servants in 2009, according to Brødsgaard, Kjeld Erik and Chen Gang, “China’s Civil Service Reform: An Update”, EAI Background Brief, No. 493, December 2009. But this figure only represents career civil servants managed under the Civil Service Law. A much bigger figure may be found if all personnel working in government affiliated institutions is taken into account. For instance, there are at least, in addition to the number of civil servants, « 30 million doctors, teachers, and researchers at state-affiliated institutions », according to Bloomberg BusinessWeek, October 31, 2013.

\(^{57}\) Civil servants are not necessarily members of the CCP, but it is reckoned that 95% of civil servants in leading positions from division (county) level and above are Party members, according to Brødsgaard, Kjeld Erik and Chen Gang, “China’s Civil Service Reform: An Update”, EAI Background Brief, No. 493, December 2009.
recent official communication, which tends to emphasize on the poorer part of the membership, states that "more than 44 percent of new members are frontline workers, such as industrial employees, farmers, herders and migrant staff."58 Latest official figures of Party membership also state that in 2012, out of the total 85 million CCP members, “7.16 million members work in Party and state agencies, and 20.20 million are managerial staff and professional technicians working in enterprises and nonprofit organizations.”59

Entrepreneurs themselves account for a significant part of the Party membership population -about 40% of entrepreneurs are members of the Chinese Communist Party according to some non-official estimates.60 Party membership is often sought for practical advantages, as it may facilitate career advancement for employees of public and semi-public institutions (from ministries to universities or state-owned companies), and provides access to a network of relations to entrepreneurs. A trend today is that “successful” individuals of all sectors – entrepreneurs, but also students, academics, doctors, etc, i.e. middle class individuals for most of them – are joining the Party 61 to advance their career and break a (political) glass ceiling. And as party membership application is not straightforward and remains an opportunity, joining the Party is often seen as sign of success in itself. For entrepreneurs and private sector cadres in particular, the state still plays a key role in the economy and government/Party connections are a prerequisite for accessing information and markets. The Party itself is welcoming them, under the inclusive membership policy it is implementing since the Jiang Zemin era, with the final aim of ensuring the loyalty of all segments62 of an increasingly diverse society.

The high degree of connection between the entrepreneurs and the CCP is also due to the fact that many entrepreneurial initiatives emerged from within the Party ranks, with cadres making the most of

---

58 For an official disclosure in English language of the latest CCP membership figures and breakdown by age, occupation, gender, see “China’s Communist Party membership exceeds 85 millions”, News of the Communist Party of China/Xinhua, July 1st 2013 http://english.cpc.people.com.cn/206972/206974/8305636.html
60 D. Goodman, Why China's Middle Class Supports the Communist Party, Huffington Post, 22/10/2013
61 This is part of what Goodman sees as "a growing imperative for successful business people to join the party". Goodman, David (2008). The New Rich in China: Future rulers, present lives, Routledge
62 The CCP is welcoming entrepreneurs, as much as farmers, students, ethnic minorities, male or female, . . . today the membership policy of the Party has become fully inclusive, putting completely on the side its traditional class struggle approach.
their advantageous positions in the early and mid-stages of the era of reform and opening up. At present time, many entrepreneurs in China are fully integrated in Party activities, and Party cadres themselves often have younger members of their family (child, nephews, etc) involved in some business activities, partly built on family networks across public and private sectors, and at higher level, at the crossroads of political and economic leaderships. Therefore, a key specificity of the current Chinese middle classes is its high degree of connection with civil service/public institutions/the Communist Party.

This linkage tends to go counter the common belief that a growing middle class inevitably leads to democracy. Several Chinese and Western sociologists have underlined not only the lack of political opposition of Chinese middle classes, but also a significant degree of support for the current political system led by the CCP. Criticisms arise from time to time, but analysts often underline that most of them relate to very specific issues, at the local level (opposition to a specific property eviction without fair financial compensation, to a specific construction of a factory that may generate pollution in its surrounding, etc.) and does not call for a change of the current political system. In many cases, these criticisms have often been directly against local governments, seen as corrupted and not implementing fairly or efficiently the decisions of the central government, which is often seen as cleaner than the local administrations. For many Chinese households of the new middle class, priority goals are related to career advancement and overall prosperity of the household; desires for political participation are secondary.

Of course, this specific trend, and the broader topic of the limited political involvement of the middle class, is complex and certainly needs to be analyzed into more details taking into account most recent developments.

63 Goodman’s fieldwork in Shanxi province in the 1990s showed that both private entrepreneurs and managers of SOEs maintained good relation with Party organizations, needed for acquisition of their economic assets and resources. David Goodman, “The New Middle Class”, in Goldman, Merle & MacFarquhar, Roderick (Eds.), The Paradox of China’s Post-Mao Reforms, Harvard University Press, 1999.

64 A belief itself often based on Barrington Moore’s Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World (1966) and its famous assumption “no bourgeoisie, no democracy”

65 The sociologist David Goodman for instance, insists in his 2008-2013 research work, that the new rich categories of the Chinese population are unlike the 19th-century European bourgeoisie in the extent to which they have emerged from and retain close relationships with the current political system. In particular, he emphasized on the close relations between the new entrepreneurs and the state/CCP, recalling that these entrepreneurs are well integrated within the political establishment, which seeks to reinforce their integration since JiangZemin.


66 Interviews with Chinese households, several cities, 2012-2013.

67 Such analysis will be carried in second Ifri study on Chinese middle classes, to be conducted in 2014 and published in 2015.
Indeed, the media landscape is changing at a very fast pace and online social networks facilitate – even with the prevalence of censorship mechanisms – involvement in public debates and occasional complaints of a population that was not necessarily expressing their personal opinions previously (recent development of environmental activism in developed urban areas of the countries, for instance). Most active bloggers and commentators on the Internet are often young and middle-aged educated individuals from urban areas, with a middle class background. In general terms, the middle classes are more active in online debates and discussions than their less well-off counterparts, first of all and logically because they have some free time to do so, on the side of their work commitments.

In this regard, a generation gap is also noticeable regarding political involvements and for these reasons such involvement of the middle classes needs to be analyzed by considering different subcategories of the population group, taking at least into account age-range and degree of connectivity (use of Internet, smartphones, participation on microblogs such as SinaWeibo, etc.), which are often interrelated.  

---

68 According to the “Discover China’s Emerging Middle Class” survey (17,700 respondents in 150 cities) by ZenithOptimedia, a market-research and communication consultancy, “daily use of the Internet among the Chinese middle class is 34% higher than the general public”, Xinhua/China Daily, November 14th, 2013

69 This specific topic will be analyzed into more details in the second study.
Towards a consolidation of the middle class population under the new leadership?

A larger middle class population

The Chinese middle class population is likely to continue to grow during the coming decades. Some official studies estimate that the middle class will reach 600 million persons by 2020 (about 50% of the population). A McKinsey forecast published in 2013 suggests that by 2022, more than 75% of China’s urban consumers will earn 60,000 to 229,000 RMB ($9,000 to $34,000) a year. Other studies see it at much lower levels, depending on the definition chosen and methods used. However, independently of the method used and exact figure reckoned, all the studies forecast a significant increase in the middle class population in the coming years – a logical development considering that the middle class still represent a minority of the total national population (see part I).

The central government believes that the on-going urbanization process is likely to support the growth of the middle classes. Urbanization is seen as an essential process behind the development of a consumption-driven society, facilitating access to consumption sites and the emergence of a common urban lifestyle in major cities. In China, the urbanization rate, which was slightly above

70 According to China Institute for Reform and Development, a government think tank based in Hainan, China's rapid urbanization will increase its number of middle-class people to 600 million. This figure is calculated considering that “as more farmers are leaving their farmland and becoming migrant workers in cities and towns, China is expected to have another 200 million migrant workers living in urban areas”, according to the same think tank. It also reckons that “domestic consumption will replace investment to become China's major engine driving the economy, with residential consumption in rural and urban areas expected to jump to 30 trillion yuan in 2016 from 16 trillion yuan last year.” « 600 million middle-class Chinese by 2020: think tank », Xinhua, November 3rd, 2012
71 Barton, Dominic, Chen, Yougang and Jin, Amy, Mapping China’s Middle Class, McKinsey Quarterly, June 2013 http://www.mckinsey.com/insights/consumer_and_retail/mapping_chinas_middle_class
72 For instance, according to the “Discover China’s Emerging Middle Class” survey (17,700 respondents in 150 cities) by ZenithOptimedia, a market-research and communication consultancy, China's emerging urban middle class totaled 125 million in 2012, and the number is expected to reach 356 million by 2020. « Middle class sitting in the driver’s seat for consumption », Xinhua/China Daily, November 14th, 2013
52% at the end of 2012 according to official figures, may continue to increase at a fast pace, given the spontaneous movements of peasants toward urban areas in search of better-paid job opportunities and the planned government incentives to support the urbanization process, which may eventually stimulate domestic demand. Potential changes in household distribution may support economic growth to a larger extent in the coming years, as domestic consumer demand expands in many sectors (healthcare, education, financial services, leisure, more diverse consumer products in general terms). The domestic consumer markets is seen as dynamic and offering further opportunities for development in the eyes of several major retail companies who are switching their focus from the major East-coast cities towards medium size cities located in central provinces of the country (Sichuan, for instance). The relatively small share of the middle class population of the total Chinese population and the prospect of its growth means that the potential for development remains enormous for companies whose products target the middle classes at large. The Chinese market has already surpassed or is likely to surpass the US and become the biggest market for a vast range of products (cars, phones, clothing, etc.).

However, the growth of the middle class population through the urbanization process is a long-term process. The majority of rural migrants switch from peasant to blue-collar positions (factory or construction workers, delivery men, waiters in restaurants and hotels of major cities, etc.), not directly to white-collar ones. In most cases, only the second or third generations of migrant workers can hope to integrate into the middle class population, if they find some way to bypass the administrative constraints imposed upon them in urban areas (limited access to education, medical coverage, etc.). Indeed, the residence permit – hukou system – remains a significant barrier to accessing the social safety net and services offered by cities and it indirectly postpones the accession of the affected population to the lower-middle class. However, it may be less so in the coming years: several cities and provinces (in Sichuan, for instance) have introduced some degree of flexibility to the hukou system at the local level, and the central government has reasserted the need to implement further hukou reform, starting with small and medium size cities, in its 15 November 2013 statement, following the 3rd plenum of the 18th Central Committee of the PCC. The cities’ absorption of rural labor force remains insufficient but may increase heterogeneously at local levels, depending on the degree of flexibility of the hukou system allowed locally in the short and medium term.

Apart from the hukou reform, many other reforms are necessary in order to support the building of a larger Chinese middle class population group. The Third plenum of the 18th Central Committee of CCP in November 2013 announced numerous general orientations for macroeconomic reforms that may ultimately lead to an increase in the middle class population, including the formation of a construction-land market, the development of the non-public
economy, and in broader terms a relative reduction of the role of the state in the economy. The new leadership also appears determined to further implement the reforms launched by the previous leadership, which aim at reducing the development gaps across the country. However, the implementation of these reforms will be difficult to conduct as many of them are closely intertwined: land reform, hukou system, development of the social security system, fiscal and tax system of provinces, etc. In addition, much of these reforms may be slowed down by intra-Party, local administration or interest group reluctances. There exists a clear political will to build a larger middle class population and measures that are appropriate to pursue this aim, but their implementation can only be a long term process given their significant number and complexity. The official ‘deadlines’ for reaching this aim are set as follows: building a "moderately well-off society" by about 2020, around the 100th anniversary of the Communist Party of China, and a “fully developed nation” by about 2050, around the 100th anniversary of the People's Republic of China (see official communication on «building a society of moderate prosperity by 2020» below, and in annex).

**Governmental communication banner displayed in various Party-affiliated websites (2013):**

"The Third plenary session of the 18th Party Congress opens a new era of in-depth reforms, so to comprehensively build a society of moderate prosperity by 2020". [non-official translation]"
The way reforms should be implemented in concrete terms in order to reach these objectives is still under analysis by the CCP and affiliated academic institutions. So far, available official and semi-official communications (such as analyses of Chinese academics from institutions directly affiliated with central government institutions) underline that very concrete outcomes for households are attached to this aim, such as a car ownership rate above 50% by 202073 or a college education rate exceeding 80% by 2050.74 These ambitious

73 According to this semi-official definition: “(…) But, what is the definition of an all-round well-off society by 2020? According to a study by Wang Xiaoguang, a researcher at the Chinese Academy of Governance, it has the following characteristics: 1) all provinces (municipalities and autonomous regions) will see their average income above the comparable international standard for the middle class by 2020 and 80 percent of all counties will see their income reaching the same level; 2) everyone has a residence to call home, because housing is the top determinant of “xiaokang” [small/moderate prosperity]; 3) the middle class accounts for more than half of the population, or over 680 million people; while automobile ownership is also above 50 percent; and 4) everybody has access to basic public services and a functioning social security net is in place.” Source: China Daily, July 19, 2013/January 16, 2013. “Xi Jinping’s explanation of the Chinese people’s dream”, By Hao Tiechuan (HK Edition);

74 According to this semi-official definition: “(…) Now, how about modernizing the country by 2049? According to He Chuanqi, a researcher
aims are set in a context of domestic economic growth that remains highly dependent on exports and state investments. The new leadership hopes – as did the previous ones under Hu Jintao – to rebalance the economy towards domestic consumption, and in particular household consumption. But at the moment, China’s economy remains strongly imbalanced, with household final consumption accounting for less than 40% of total output. 75 PRC leaders have been working on income distribution reform since 2004, but the majority of the population's expectations have been unfulfilled. Powerful interest groups, such as state-owned enterprises, have become a major target of public complaint, and the social security system remains largely underdeveloped in rural areas.

**Changing profiles and practices**

At present, the Chinese middle classes remain predominantly new (first generation with previous experience of a poorer situation), but a second and third generation of Chinese households are starting to emerge. This recent development has consequences in terms of practices: second and third generations of middle-class households will likely take on lifestyle and consumption practices that are different from those noticed among the new-comers. This trend is already noticeable among the younger generation of major city residents (Shanghai, Beijing, Guangzhou, among others). The next generation of the Chinese middle classes, the post-90s generation, making up 12.5% of the total population as of 2011, 76 is more connected, more global, and to some extent more similar in their practices 77 and

---

75 Household final consumption accounting in 2010 for only 37% of total input, well below the global average (61%) and that of other emerging countries such as Vietnam (66%) or India (54%), according to 2010 figures from the OECD, in Kharas, Homi, The Emerging Middle Class in Developing Countries, OECD Development Center, Working Paper No. 285, January 2010, p. 32
77 In term of consumption practices for instance, this generation developed an ability to select particular brands according to individual taste, a preference for distinct
lifestyle to middle class individuals from consolidated, developed-countries’ middle classes.

In addition, a new value system may emerge among the middle classes of the post-80s and 90s generations. These generations of only-children have grown up in a consumer society environment. They follow a more individualized way of life than the previous generations, and tend to develop a new type of relationship with family members. The traditional, Confucian-based, three-generations household built upon strong financial and social solidarity links have not disappeared (today, many retired parents remain dependent on their child’s financial support, given the small size of their pension) but are slightly evolving towards more individualized patterns (for instance, aging parents staying in their own flat with a nursing auxiliary\(^78\) or put in an elderly care facility instead of living in their child’s flat, particularly in the case of middle classes households, which would be better able to afford care facilities).\(^79\) Moreover, these generations did not grow up during the Mao era, when literature and the arts were exclusively a means of political propaganda, but in a more diverse, open cultural landscape that provides a new ground for middle class development, with a more individualized cultural environment, in parallel with the traditional Party-sponsored cultural products.

The growth of the middle class population is also likely to lead to a change of perception: middle-class households will no longer consider themselves as part of the happy minority of ‘winners’ of the era of reform and opening up, but will constitute average households among others.

At the same time, the shift from elitist to mass education - supported by a large increase in the number of candidates admitted to universities and huge investments in teaching, research and education during the last two decades - is progressively leading to the emergence of a new generation of middle classes with a new type of cultural and psychological profiles, as well as new technological abilities, which are already supporting the development of large companies and start-ups of the hi-tech sector. In today’s China, education is more instrumental in determining income.

\(^78\) Interviews with Chinese households and observations, Beijing, Chengdu, Shanghai, 2012-2013.

\(^79\) In December 2012, the standing committee of the National People’s Congress passed a law called “Protection of the Rights and Interests of Elderly People”, aimed at compelling adult children to visit their aging parents. “That officials felt the need to make filial duty a legal matter is a reflection of the monumental changes taking place throughout Chinese society,” underlines the New York Times, “A Chinese Virtue is now the law”, Edward Wong, July 2, 2013.
Finally, the new generations of the Chinese middle classes may also be to some extent less related to the Party, contrary to the previous generation who often gained access to it through their former cadre position in a government affiliated institution (Party, Administration, SOEs, etc). This is due to the fact that their middle-income position is based on education and professional experience in the private sector rather than political loyalty and experience in the public sector, and is likely to be amplified by the fact that international education and professional experience abroad 80 disconnected them for some time from Party activities and other prerequisites for enlarging their professional network and multiplying their professional opportunities within China.

In general terms, forecasting the future middle class population that is emerging in second-tier and third-tier cities of the inner part of the country may be eased by analyzing the existing situation in first-tier cities of the eastern part of the country, which are at least 10-15 years ahead of their smaller, inner counterparts in terms of economic development, consumer practices, lifestyle and overall social structure. Major eastern cities' middle classes provide useful indications for future developments in other urban areas of the country. Provided the new leadership manages to launch reforms aimed at reducing the income gaps – which is certainly a significant challenge -, the mid-to-long term development might not only lead to an increase but also to a harmonization of the population gaps at the national level, with income, profile and living standards in medium size cities becoming closer to the ones currently observed in major cities. To some extent, a «normalization» of the Chinese middle classes can be anticipated, with profiles and behaviors becoming more similar to the ones existing in mature middle classes of developed countries. But it is noteworthy that all these potential developments are based on the hypothesis of a reduction of income gaps and social inequalities, which remains a matter of debate in the current context of a slight slowing-down of the country’s economic growth rate.

80 The number of returning overseas students and professionals (sea turtles - haigui) is significant. It has increased drastically over the past few years, partly due to China’s recognition of the need for more skilled workers and favorable policies implemented to reverse the migration. Since China initiated its economic reforms and opened the door to the world in 1978, over 1,905,400 students and scholars have been abroad for various levels of education, and 632,200 of them have become “sea turtles” up to 2010 (Source: Ministry of Education, People’s Republic of China, 2011 / Wei Sun, “The Productivity of return migrants: the case of China’s “Sea Turtles”, IZA Journal of Migration, 2:5, 2013”


BARTON, Dominic, Chen, Yougang and Jin, Amy, ”Mapping China’s Middle Class”, McKinsey Quarterly, June 2013 http://www.mckinsey.com/insights/consumer_and_retail/mapping_chinas_middle_class

BRØDSGAARD, Kjeld Erik and CHEN Gang, China’s Civil Service Reform: An Update, EAI Background Brief, No. 493, December 2009.


ELFICK, Jacqueline, Class Formation and Consumption among Middle-Class Professionals in Shenzhen, GIGA/Journal of Current Chinese Affairs, 1/2011, 187-211.


HEFELE, Peter, DITTRICH, Andreas, China’s Middle Class - A driving Force For democratic Change or guarantor of the status Quo?, KAS International Report, 12/2011.
JAFFRELOT Christophe, van der Veer, Peter (Eds.), Patterns of middle class consumption in India and China, Sage, 2008.


LU Xueyi (Ed.), Dangdai Zhongguo shehui jieceng yanjiu baogao (Research report on contemporary China’s social stata), Shehui kexue wenxian chubanshe, 2002.


Press articles


The Economist, Xi Jinping’s vision: Chasing the Chinese dream, May 4th 2013

New York Times, “A Chinese Virtue is now the law”, Edward Wong, July 2,


The Telegraph, « Chinese save four times as much as Britons », James Hall, February 3rd, 2012


Xinhua, “Hopes high on income distribution reform”, November 7, 2013
## Annex

### Legal minimum wage (RMB/month)

<table>
<thead>
<tr>
<th>No.</th>
<th>Province</th>
<th>Wage (RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Shenzhen</td>
<td>1500</td>
</tr>
<tr>
<td>2</td>
<td>Zhejiang</td>
<td>1080 to 1470</td>
</tr>
<tr>
<td>3</td>
<td>Shanghai</td>
<td>1450</td>
</tr>
<tr>
<td>4</td>
<td>Beijing</td>
<td>1400</td>
</tr>
<tr>
<td>5</td>
<td>Xinjiang</td>
<td>980 to 1340</td>
</tr>
<tr>
<td>6</td>
<td>Hebei</td>
<td>1040 to 1320</td>
</tr>
<tr>
<td>7</td>
<td>Jiangsu</td>
<td>950 to 1320</td>
</tr>
<tr>
<td>8</td>
<td>Tianjin</td>
<td>1310</td>
</tr>
<tr>
<td>9</td>
<td>Guangdong</td>
<td>850 to 1300</td>
</tr>
<tr>
<td>10</td>
<td>Henan</td>
<td>960 to 1240</td>
</tr>
<tr>
<td>11</td>
<td>Shandong</td>
<td>950 to 1240</td>
</tr>
<tr>
<td>12</td>
<td>Tibet</td>
<td>1150 to 1200</td>
</tr>
<tr>
<td>13</td>
<td>Inner Mongolia</td>
<td>900 to 1200</td>
</tr>
<tr>
<td>14</td>
<td>Fujian</td>
<td>830 to 1200</td>
</tr>
<tr>
<td>15</td>
<td>Hunan</td>
<td>870 to 1160</td>
</tr>
<tr>
<td>16</td>
<td>Heilongjiang</td>
<td>850 to 1160</td>
</tr>
<tr>
<td>17</td>
<td>Jilin</td>
<td>950 to 1150</td>
</tr>
<tr>
<td>18</td>
<td>Shanxi</td>
<td>855 to 1125</td>
</tr>
<tr>
<td>19</td>
<td>Ningxia</td>
<td>950 to 1100</td>
</tr>
<tr>
<td>20</td>
<td>Yunnan</td>
<td>830 to 1100</td>
</tr>
<tr>
<td>21</td>
<td>Liaoning</td>
<td>780 to 1100</td>
</tr>
<tr>
<td>22</td>
<td>Hubei</td>
<td>750 to 1100</td>
</tr>
<tr>
<td>23</td>
<td>Qinghai</td>
<td>1050 to 1070</td>
</tr>
<tr>
<td>24</td>
<td>Chongqing</td>
<td>950 to 1050</td>
</tr>
<tr>
<td>25</td>
<td>Hainan</td>
<td>900 to 1050</td>
</tr>
<tr>
<td>26</td>
<td>Sichuan</td>
<td>800 to 1050</td>
</tr>
<tr>
<td>27</td>
<td>Anhui</td>
<td>680 to 1010</td>
</tr>
<tr>
<td>28</td>
<td>Guangxi</td>
<td>690 to 1000</td>
</tr>
<tr>
<td>No.</td>
<td>Province</td>
<td>Wage (RMB)</td>
</tr>
<tr>
<td>-----</td>
<td>----------</td>
<td>------------</td>
</tr>
<tr>
<td>29</td>
<td>Gansu</td>
<td>860 to 980</td>
</tr>
<tr>
<td>30</td>
<td>Guizhou</td>
<td>740 to 930</td>
</tr>
<tr>
<td>31</td>
<td>Jiangxi</td>
<td>610 to 870</td>
</tr>
</tbody>
</table>

Source: Ministry of Human Resources and Social Security, PRC, January 2013.

China’s Provincial GDP Growth Rates in 2012

China’s per capita net income of households (rural and urban), 2008-2012

"In 2012, the annual per capita net income of rural households was 7,917 Yuan, up by 13.5 percent, or a real increase of 10.7 percent over the previous year when the factors of price increase were deducted. The median of per capita net income of rural households was 7,019 Yuan, up by 13.3 percent. The annual per capita disposable income of urban households was 24,565 Yuan, up by 12.6 percent, or a real increase of 9.6 percent. The median of per capita disposable income of urban households was 21,986 Yuan, up by 15.0 percent. The proportion of expenditure on food to the total expenditure of households was 39.3 percent for rural households and 36.2 percent for urban households."

“To comprehensively build a moderately prosperous society, more political courage and wisdom are needed. It is also needed to seize the opportunities to deepen reforms in all key areas, have the determination to surpass all thoughts and institutional mechanisms that are obstacles to scientific development, enhance institutional frameworks towards more supervision and efficiency in order to reach high level of maturity of development and stability in all areas. The task of building a moderately prosperous society according to the set according is very weighty. All the Party comrades need to show determination and efforts.” [non-official translation]

Source: Renminwang (People's Daily affiliated website), November 8th, 2012 (time of the 18th Party Congress),
http://theory.people.com.cn/GB/40557/351494/351498/index2.html (subcategory>
« theory », in « news of the CCP » 中国共产党新闻>>理论)
Official communication campaign involving visits of Xi Jinping to households in poor remote locations, with declarations emphasizing on the building of a “Moderately prosperous society” (below, official photo of Xi’s recent visit to Hunan province, November 2013)

Source: Xinhua, November, 5th, 2013