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*Emergence of a new middle class and the contribution of Mumbai's IT-eS industry to its formation*

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## SERVICES-DRIVEN GROWTH AND INDIA'S CHANGING SOCIO-ECONOMIC FABRIC

Emergence of a New Middle Class and the  
Contribution of Mumbai's IT-eS Industry  
to its Formation



Sandhya Krishnan



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# SERVICES-DRIVEN GROWTH AND INDIA'S CHANGING SOCIO-ECONOMIC FABRIC

Emergence of a New Middle Class and the  
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ACADEMISCH PROEFSCHRIFT

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aan de Universiteit van Amsterdam  
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## List of Abbreviations and Symbols

ADB	Asian Development Bank
AfDB	African Development Bank
BPM	Business Process Management
BPO	Business Process Outsourcing
CES	Consumer Expenditure Survey
CPI	Consumer Price Inflation
CPI-AL	CPI- Agricultural Labourers
CPI-IW	CPI- Industrial Workers
CSDS	Centre for the Study of Developing Societies
FSU	First Stage Unit
GDP	Gross Domestic Product
HR	Human Resource
ISIC	International Standard Industrial Classification
IT	Information Technology
IT-eS	Information Technology- enabled Services
KPO	Knowledge Process Outsourcing
MMR	Mumbai Metropolitan Region
MPCE	Monthly Per Capita Consumption Expenditure
MRP	Mixed Reference Period
NASSCOM	National Association of Software and Services Companies
NCAER	National Council for Applied Economic Research
NCR	National Capital Region
NIC	National Industrial Classification
NSS	National Sample Survey
OBC	Other Backward Classes
PPP	Purchasing Power Parity
SC	Scheduled Caste
ST	Scheduled Tribe
STPI	Software and Technology Parks of India
URP	Uniform Reference Period
USU	Uniform Stage Unit
₹	Indian Rupee
\$	US Dollar

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# Chapter 1| Introduction

## 1.1 Introduction

*It is well past 20:00 hours on a Friday, but there are at least 40 young men and women, seated in this spacious office, dressed in Indian or western semi-formal attire, with their identity cards hanging around their necks. Two or three of them are sharing a cubicle, busy clicking the mouse and staring at their computer screens. Some of them are seated facing a wall lined with clocks, each displaying the current local time of a different city- New York, London, Mumbai, Singapore and Sydney. I am told that the young employees are working for the London market. Further to the right of these cubicles, are closed-door cabins, belonging to managers of these young workers. As I walk a few steps ahead, to the left, I encounter another set of cubicles, with over a dozen other young men and women doing tasks similar to that of the first group. Further straight, I am pleasantly surprised to see another group of youngsters play a match of table-tennis. Further left from the table-tennis court, is a busy cafeteria, with well-dressed attendants, serving Indian, Chinese and continental food. There appears to be an equal demand for all types of cuisines on offer. I manage to discreetly click a few pictures of different pockets of the office. But in a few minutes I am warned by an irate security guard against using my camera inside the office premises. I abide and walk towards the exit.*

My chance visit to this back-office of an international bank located in the south of Mumbai occurred because of my friend who worked in the same organisation, in an earlier shift catering to the Singapore market. On that day, she had to get back to her office to collect her mobile-phone that she happened to leave behind there. I grabbed the opportunity to accompany her to see the working inside one of the many back-offices of international banks that have mushroomed in various cities of India, radically changing the outlook of these cities and reshaping the international image of the country. These back-offices are part of the larger

## Chapter 1

offshore-service industry, which is seen as the most iconic manifestation of the economic transformation that India is undergoing from the late 1980s onwards. Initially the industry was dominated by Information Technology (IT) services, but over the years the type and scale of services offshored to India have expanded to include IT-enabled services (IT-eS), also known as Business Process Outsourcing (BPO) and Knowledge Process Outsourcing (KPO). The industry has transformed work places and the work culture of young, urban Indians, providing them with employment opportunities that were previously unknown. Working in international time-zones, interacting with clients located abroad, adapting to their professional practices are some of the characteristic features of workers of the offshore-service industry. The industry in turn offers its employees an international work ambience and a fairly high remuneration. Consequently, these workers tend to internalise the international professional and lifestyle practices, allegedly, leading to enduring changes in their own consumption habits and lifestyles (J. Murphy, 2011). In this light, many studies attribute the offshore-service industry to have contributed to the formation of a “new middle class” (Fernandes, 2006; Fuller & Narasimhan, 2007; J. Murphy, 2011; Upadhyaya, 2009). This thesis contributes to this body of research on the offshore-service industry in India and its role in the formation of a new middle class.

Although the most symbolic one, offshore-service industry workers are only a part of the larger new middle class in India (see Fernandes, 2006; Upadhyaya, 2008, 2009). To gain a more comprehensive understanding of the emergence of the new middle class and the contribution of the offshore-service industry to the formation of the class, this thesis first studies the general expansion of the middle class and the emergence of a new middle class in India. This is followed by an examination of how the processes in the offshore-service industry specifically contribute to a new middle class formation. Within the offshore-service industry, the thesis takes the case of IT-eS workers located in the city of Mumbai. Mumbai is the financial

capital of the country and globally ranks third as the most attractive service offshoring destination (Tholons, 2014).

The following sub-sections explain the motivation for this research and describe the study set-up. Section 1.2 brings out the relevance of this research in the context of globalisation, development and class formation. This is followed with a description of the emergence and significance of the offshore-service industry in India. Sections 1.4 and 1.5 respectively present the main research questions and chapter layout of this thesis.

### **1.1.1 Motivation for research**

Since the beginning of the twenty-first century, middle classes in the US and other western countries have shrunk in size and fallen backward in income and wealth (Birdsall, 2016; Pew Research Center, 2012). Simultaneously, economic and political power is shifting towards emerging market economies in Asia, Africa and South America, which are witnessing an unprecedented expansion in the size of their middle classes and an increase in their level of income and consumption (ADB, 2010; AfDB, 2011; Birdsall, 2016; Cavusgil & Buckley, 2016; Kharas, 2010; Wilson & Dragusanu, 2008). According to Birdsall (2016), the birth of these new middle classes qualifies as a triumph of capitalism and globalisation. Milanovic (2016) shows that the years between 1988 and 2008 have been the most globalised for the world and that this period has most benefitted people in the middle of the income distribution living mainly in developing Asia, particularly in India and China. After the 2008 recession, while consumer demand from the western middle classes has been stagnating, middle classes in countries such as India and China are playing a key role in rebalancing the world economy. Consumer demand from the latter continues to be robust, driven mainly by their middle classes (ADB, 2010; Wilson & Dragusanu, 2008). Moreover, these middle classes are not only expanding quantitatively, but are also qualitatively

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converging towards the western middle classes in terms of their consumption practices and lifestyles (Fernandes, 2006; Guarín & Knorringa, 2014; Pinches, 1999). This thesis draws its motivation from such studies on the formation of a new middle class in the Global South, especially in India, enabled by contemporary forces of service-driven globalisation.

The Indian economy opened up to global market forces with the adoption of its new economic policy of liberalisation and globalisation in the year 1991. The forces of globalisation in India have manifested most prominently in the form of the offshore-service industry, wherein service tasks from developed countries have been transferred to countries such as India, where there is sufficient availability of skilled manpower at a relatively low cost. It hence becomes pertinent to study how the offshore-service industry has contributed to the expansion of the middle class and to the formation of a new middle class in India. This research is relevant to understand the socio-economic impact of service-sector driven globalisation via new social class formations in countries that are benefitting from it. More generally, this research adds to a deeper understanding of the developmental impact of the rise of the offshore-service sector in the Global South by examining the creation and access to new employment opportunities brought about by globalisation along with its socio-economic impact on its direct beneficiaries and on the society at large (see for example, Lambregts, Beerepoot & Kloosterman, 2016; Raychaudhuri & De, 2012).

Research on the precise contribution of the offshore-service industry to a new middle class formation in India is quite sparse. Fernandes (2006), in her extensive study on the new middle class in India shows how the processes of liberalisation and globalisation have led to the formation of a consumption-oriented new middle class. Given the global orientation of the offshore-service industry (as illustrated in p.1), it is possible that workers in the industry have greater exposure to

international lifestyles and consumption practices than the rest of the society, making them the frontrunners in terms of changing patterns of consumption and lifestyles. The nature of the new middle class created by the offshore-service industry in particular, and that by liberalisation and globalisation in general, may hence vary significantly, which studies such as that by Fernandes (2006) do not capture. Research on the offshore-service industry often begins with the assertion that the industry has contributed to a new middle class formation, without questioning why these workers may be identified as the new middle class (see for example, Fuller & Narasimhan, 2007; Upadhya, 2008). Furthermore, these studies reflect little upon the processes within the industry that enable the workers to become new middle class. Also, studies on the offshore-service industry generally concentrate only on IT workers (Fuller & Narasimhan, 2007; Upadhya, 2008). The IT-eS segment of the offshore-service industry is relatively new, which has not been dealt with in detail so far.

Another critical limitation in existing literature is the lack of clarity on what is new about the new middle class. At least three different conceptualisations of the new middle class can be identified based on extant studies (see Chapter 2 for a further elaboration of the debates surrounding the concept of the new middle class).

(1) Research in the international sphere define the new middle class as that unprecedented phenomenon that has occurred in developing economies over the last two or three decades, wherein the poor have substantially shrunk in numbers and the size of the middle class has consequently expanded (ADB, 2010; Birdsall, 2016; Wietzke & Sumner, 2014). According to these studies, the global middle class now has new members from developing economies, who are rapidly replacing the middle classes from the advanced economies.

## Chapter 1

(2) Related to the first view of the new middle class, the second view, in the specific context of the Indian society, defines the new middle class as one that signifies the disintegration of the Indian caste system, wherein many people from historically socially disadvantaged backgrounds have reaped the benefits of economic growth and entered the middle class (Jaffrelot & van der Veer, 2008; Sheth, 1999).

(3) Finally, the new middle class is also looked upon as a class that has benefitted from global capitalism and consequently become more affluent, adopted new forms of lifestyles and consumption practices and become a transnational class (Fernandes, 2006; Pinches, 1999; Upadhya, 2009). In the Indian context, this strand of literature claims that the new middle class is essentially urban and upper-caste oriented, in stark contrast to the previous understanding of the Indian new middle class.

These diverse conceptualisations of the new middle class also indicate there is little clarity over issues such as whether the new middle class is a segment within the larger middle class; whether it consists of members who were not a part of the erstwhile middle class or whether it primarily consists of segments of the pre-existing middle class who have taken up new consumption practices and lifestyles because of their exposure to western culture, thanks to globalisation. In other words, there is significant ambiguity on the characteristics that make the new middle class “new”.

### **1.1.2 Study set-up**

This thesis addresses these gaps in the existing literature by first interrogating what is really known about the twenty-first century Indian middle class. To achieve this end, the first part of the thesis (chapters 4 and 5), based on the National Sample Survey (NSS), a national level dataset on household consumer expenditure, studies the expansion of the middle class in India between 1999-00



and 2011-12. Drawing from the different existing conceptualisations of the new middle class discussed above, these chapters explore how the middle class in India has quantitatively expanded and how its consumption patterns and social composition have changed during the period under analysis. The second part of the thesis (chapters 6 and 7), drawing on primary field data collected between 2012 and 2014 in Mumbai, examines the contribution of the offshore-service industry to a new middle class formation. Chapter 6 investigates how the industry enables erstwhile non-middle class members and other disadvantaged social groups to access its (economically attractive) employment opportunities and enter the middle class, thus contributing to an expansion in the size of the middle class and in diversifying its social composition. Chapter 7 studies the processes through which the industry brings about changes in the consumption practices and lifestyles of its employees. As observed earlier, most of the existing studies on the offshore-service industry in India focus on the IT segment, while this study takes the case of the IT-eS industry in Mumbai. The latter segment demands a separate focus, because unlike IT, employment in the IT-eS industry does not necessarily require a professional educational qualification. This makes employment opportunities in the industry and consequent membership to the middle class potentially open to a wider segment of the society. Where ever relevant, the study makes comparisons with existing empirical evidence on IT workers.

## **1.2 Research significance**

This research primarily contributes to the field of international development studies in the context of service sector globalisation and the formation of a new middle class. It analyses developmental outcomes of service sector globalisation in a country that is its biggest beneficiary (Dossani & Kenney, 2007, 2009; Friedman, 2006). Within the broader debate on service sector driven growth (see Ghani & O'Connell, 2014; Kloosterman, Beerepoot & Lambregts, 2016), this study

concentrates on how the offshore-service industry contributes to development in India in a socio-economic sense via the creation of a new middle class.

### ***Implications of middle class expansion for development***

As mentioned in the preceding section, there is considerable empirical evidence that globalisation has contributed to the expansion of the middle classes in developing countries, particularly in India and China. A large middle class has important implications for economic, political and social development of a society. Birdsall (2010, 2016) asserts that a large middle class is indispensable to sustained economic and political growth. Similarly, Easterly (2001) finds a significant and positive relationship between a large middle class and higher growth, more education, better health, better infrastructure, more political stability and more social modernisation. Banerjee & Duflo (2008) view the middle class as the primary source of vital inputs for the entrepreneurial class. According to Doepke & Zilibotti (2008), their emphasis on human capital accumulation and savings makes the middle class central to the process of capitalist accumulation. Besides these, the middle class is increasingly considered vital for driving consumer demand (Birdsall, 2010). Kharas (2010) argues that elasticity of income of the middle class being greater than one makes them demand a range of consumer goods and services at that level of income. K. M. Murphy, Shleifer & Vishny (1989) show that unlike the very rich who demand imported luxuries, the middle class, as consumers of mass production of domestic goods promote industrialisation and growth in their own country. As already mentioned, in the present times, when consumer demand from the western middle classes is stagnant, growth of middle classes in countries like India has become important also for driving global consumption (ADB, 2010; Kharas, 2010; Wilson & Dragusanu, 2008). In the Indian context, where class is generally equated with caste and the middle class is associated with upper-caste (Beteille, 2007), an expansion of middle class size will potentially entail upward mobility of the lower castes, as the latter become a part of the burgeoning middle class.

If the offshore-service industry entails an expansion of the existing middle class by providing employment opportunities to the low income groups and by enabling them to enter the middle class, it would have important implications for economic and social development. Besides, evidence in favour of higher consumption among offshore-service workers will further strengthen the role of the middle class in driving consumption. However, existing evidence on the offshore-service industry in India shows that while the industry contributes to a new middle class formation, its inherent nature of high-skill work accentuates existing class inequalities rather than diminishing them (D'Costa, 2011; Dreze & Sen, 2013; Raychaudhuri & De, 2012). This contradicts studies such as those by Milanovic (2016) and Birdsall (2016), which find a positive association between globalisation and middle class expansion. Such ambiguities demonstrate the necessity for further research on this subject.

By first looking at the general expansion of the middle class and emergence of the new middle class in India in the age of globalisation, this research establishes how globalisation has contributed to a new middle class in India. Second, the investigation on who has access to employment opportunities in the offshore-service industry brings to light whether the industry benefits only a small section of the existing middle class, or enables erstwhile non-middle class members to move up the class ladder and enter the middle class. These results will have important implications on whether globalisation and a service-sector led development trajectory promote equality or widen existing class inequalities (see for example, Lambregts et al., 2016; Raychaudhuri & De, 2012). Finally, by studying the qualitative changes in the lifestyles and consumption practices of the workers, the research shows how globalisation has enabled the emergence of a new middle class that converges with the global middle class not only in terms of

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incomes, but also in the cultural realm (see for example, Guarín & Knorringa, 2014; Pinches, 1999).

### *Class theories*

Another contribution of this thesis lies in the area of class studies. Class theories have evolved over time to reflect the increasing complexities of society. While Marx theorised society in terms of two classes based on their relationship to the means of production, contemporary theories such as that by Bourdieu (1986) have incorporated more dimensions such as consumption and symbolic capital into class. Empirical studies now not only recognise the existence of a middle class, but different segments are differentiated within the middle class itself (Banerjee & Duflo, 2008; Sridharan, 2004). Based on Bourdieu's class analysis, a recent study by Savage et al. (2013) identified the existence of seven different classes in Great Britain. This research, by studying the emergence of a new middle class in India adds to a more refined understanding of the formation of new social classes as different types of professions emerge in the backdrop of globalisation (Fernandes, 2006; Savage et al., 2013).

### *Significance for policy makers and private firms*

The emergence of a new middle class and expansion in consumer demand has important implications for both policy makers and private manufacturers. A greater demand for education, better health and infrastructure facilities that arise from a larger middle class implies that policy makers must ensure adequate supply of such public goods. Countries where middle classes are burgeoning are of special interest to multi-national firms and domestic manufacturers, as they have new and larger markets to sell their produce (Ablett, Bajjal, Beinhocker & Bose, 2007; Farrell, Gersch & Stephenson, 2006; Fernandes, 2000). Moreover, as consumption practices change and there arises demand for newer products, firms ought to innovate to meet the changes in demand.

***Thesis in a larger context***

This thesis is part of a larger project titled ‘*Understanding the current wave in globalisation: the segmented outcomes of offshore-service sector development in India and the Philippines*’, funded by the Netherlands Organisation for Scientific Research (grant number W01.65.329.00). The project is divided into four PhD research subjects, each of which deal with a related, yet different issue of the impacts of the offshore-service industry in Mumbai and Manila. Project 1, using a Global Production Network approach studies the emergence, evolution and developmental impact of the offshore-service sector in the Philippines, with a limited comparative analysis with the Indian case (Kleibert, 2015). Project 2 studies the segmented labour market outcomes of the industry in the Philippines, focusing on long term career prospects of the workers (Marasigan, 2016). The current research is the third project, which studies the contribution of the industry to a new middle class formation in India. Project 4 deals with indirect employment opportunities created by the industry in India, focusing on economic and social upgrading of local firms and workers in Mumbai (Kumar, 2016). Together these four projects facilitate the understanding of various developmental outcomes of contemporary processes of globalisation, that is, the offshore-service industry, in the recipient countries of India and the Philippines (see Lambregts et al., 2016).

### **1.3 The offshore-service industry in India: Emergence and evolution**

The offshore-service industry represents the latest form of globalisation, where services are traded across countries. Baldwin (2006, 2016) describes the process of globalisation as two consecutive unbundling(s). The first unbundling occurred when countries exchanged finished goods or intermediate inputs with each other. Here, most goods were produced in a single location, as it was both uneconomic

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and difficult to fragment the production process across different locations. But revolutionary progress in communication and information technologies around the 1980s and 1990s enabled a historic break-up of the production process and gave rise to the second unbundling of globalisation. After the second unbundling, the many tasks required to provide knowledge-intensive services are performed in several, disparate locations. Thus, international trade today not only means the exchange of complete goods, but also trade in services. This is referred to as ‘offshore outsourcing of services’, implying transfer of service tasks to a supplier located overseas (Grossman & Rossi-Hansberg, 2006).

The expanding feasibility of offshoring formerly non-tradable services has been referred to as the “Third Industrial Revolution” (Blinder, 2006), or the “next wave of globalisation” (Dossani & Kenney, 2007). Outsourcing (the transfer of service tasks to another supplier) by itself is not a new phenomenon. But what has attracted recent debates in the field is *offshore* outsourcing of services, where service jobs involving high labour costs in a particular country have been outsourced to a supplier located in another low-cost country. In this research, the terms offshoring, outsourcing and offshore outsourcing are used interchangeably, all of them implying outsourcing of service activities to an offshore location.

India boasts of a large English-speaking population on account of a British colonial past. The country also has a large number of college graduates and IT workers who are employable at a relatively low cost. Since the offshore-service industry mainly draws its pool of workers from an English-speaking and low-cost labour force, India has become one of the most attractive destinations in this sector. Moreover, western firms that relocate their services production to India can offer higher wages than Indian firms to attract the most talented workers, but still operate profitably because of considerable labour arbitrage. Together with favourable demographic characteristics and cost advantage, advancement of

technology coupled with market oriented reforms has also encouraged the establishment of the offshore-service industry in the country. The Computer Policy introduced in 1984, which explicitly prioritised software exports, represented the first measure to stimulate the IT industry in India (Rastogi & Pradhan, 2011). Further, in 1991, the Indian government established the Software Technology Parks of India (STPI), which enabled companies to set up their offices and share a common satellite link. Also, companies operating within the STPIs benefitted from a number of tax breaks (Rastogi & Pradhan, 2011).

In the early 1990s however, the software industry was small and was not really offshore. Its revenues came almost entirely from body-shopping, where instead of relocating services to India, workers themselves were relocated abroad to work on-site. But when a few American companies contracted with some leading Indian services companies of that time for offshore services, it boosted the offshore outsourcing of IT services (ETIG, 2004). In fact, the emergence of the IT industry and offshoring of software services to India acted as a fillip to the arrival of the IT-eS industry. While it took about 15 to 20 years for the Indian IT industry to become a global player, the IT-eS industry achieved a similar recognition in less than five years (Agarwal et al., 2005; ETIG, 2004). In the initial stages, most of the services offered by the IT-eS industry were call-centre operations. Today, the services offered are rather broad. It covers customer care, financial services, human resources, administration and content development, legal process outsourcing, research and knowledge services. Most of these services cater to the banking and finance industry, although these are gradually expanding to include power, telecommunications and many such sectors.

Besides the type of offshore services offered in India, the type of firms involved in the industry has also undergone massive changes over time. Initially, companies from the US, for example, set up their operational units in India, which served



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their own companies abroad. These are called captive units. This was followed by third party firms, that is, Indian firms which provided outsourcing services to their clients abroad. Later, the captive units started offering their services to external clients as well. More recently, Indian multi-national companies have set up their firms in other countries, such as the Philippines, from where they offer their outsourcing services (Kleibert, 2015).

To distinguish between the low and high-end services within the IT-eS industry, the former are called BPO services, while the latter are named KPO services. Lately, to reflect the entire gamut of the IT-enabled services offered, the sector is also referred to as Business Process Management (BPM). This research uses the term IT-eS to refer to the entire gamut of low, middle and high-end knowledge services offered by the offshore-service industry.

India continues to be the undisputed leader in the global service offshoring business; capturing 56 per cent of the world's service outsourcing market and 38 per cent of the global IT-eS business (NASSCOM, 2015, 2016b). The sector has also contributed immensely to India's economic growth. According to NASSCOM (2016b), the share of the IT and IT-eS industries to India's GDP increased from about 1 per cent in 1980-90 to 9.3 per cent in 2010-15. Export earnings from the sector, at \$108 billion in 2015-16, comprised 45 per cent of India's total export revenue. Of this, 22 per cent came from the IT-eS segment. The industry is also an important employment generator. It is the largest private sector employer in the country, with approximately 3.7 million directly employed workers in 2010-15. Besides its role in the economic development of the country, the offshore-service sector is also claimed to have altered the social fabric of the Indian society, in effect, contributing towards the emergence of a new middle class (Fernandes, 2006; Upadhyaya, 2009).

## 1.4 Research questions

Drawing from evidences and gaps in existing literature on the offshore-service industry and the formation of a new middle class in India, we arrive at the following central research question of this thesis:

How did the middle class in India quantitatively and qualitatively change in the past two decades and how has emergence of the IT-eS industry in Mumbai contributed to a new middle class formation during this period?

The central research question is further divided into the following more specific research questions and sub-questions.

### *Research question I:*

How has the middle class in India quantitatively and qualitatively changed in the recent years between 1999-00 and 2011-12?

- Sub-question i: How has the Indian middle class expanded quantitatively between 1999-00 and 2011-12 and in which regions of India has this expansion taken place?
- Sub-question ii: What are the consumption patterns of the middle class, how do they differ from those of the other classes and how have they changed between 1999-00 and 2011-12?
- Sub-question iii: What is the social composition of the middle class with respect to its occupation, education, religion and caste and how has this changed over the period under analysis?

### *Research question II:*

How has emergence of the IT-eS industry in Mumbai contributed to a new middle class formation?

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- Sub-question iv: How accessible are the employment opportunities in the IT-eS industry in Mumbai to different social groups, especially to those from non-middle class and disadvantaged social backgrounds?
- Sub-question v: What are the income levels, consumption practices and lifestyles of IT-eS employees and how does employment in the industry influence them?

Research question I studies the qualitative and quantitative changes in the middle class in India, which will help us arrive at an understanding of the emergence of the new middle class in the larger national context. Research question II investigates the specific contribution of the IT-eS industry to a new middle class formation. These questions together enable in gaining a comprehensive understanding of the recent emergence of the new middle class in India and the contribution of service sector globalisation to such a class formation.

### **1.5 Chapter scheme**

The complexity of the concept of class makes it important to first arrive at a clear framework of class, which can aid in the empirical analysis of the new middle class. Chapter 2 of this thesis discusses the class framework proposed by Bourdieu (1986) that will be used in this study and the operationalisation of the concept of the new middle class based on this class framework. Chapter 3 lays down the research methods used in this study. Chapters from 4 to 7, form the main empirical chapters of this thesis, which answer the research questions presented above. Chapters 4 and 5 together answer research question I, while chapters 6 and 7 answer question II (see Table 1.1 for an overview of the main chapters). Chapter 8 concludes this study by summarising the findings, explaining their implications and proposing ideas for further research.

**Table 1.1 Overview of the Main Chapters**

<b>Chapter</b>	<b>Research questions answered</b>	<b>Data-base</b>	<b>Academic discussion</b>
4: Expansion of the middle class in India and its changing consumption patterns	Sub-questions (i) and (ii)	National Sample Survey (NSS) data on household consumer expenditure, 1999-00, 2004-05 and 2011-12	<i>Recent expansion of the Indian middle class</i> ADB (2010); Banerjee & Duflo (2008); Milanovic (2016); Ravallion (2010)
5: Structure of the middle class: An analysis of its education, employment and ethnic composition	Sub-question (iii)	National Sample Survey (NSS) data on household consumer expenditure, 1999-00, 2004-05 and 2011-12	<i>Structural composition of the Indian middle class</i> Banerjee & Duflo (2008); Fernandes (2006); Sheth (1999)
6: Access to employment opportunities in Mumbai's IT-eS industry and its implications for the formation of a new middle class	Sub-question (iv)	Primary field data collected from 2012 to 2014 via interviews and survey of IT-eS employees in Mumbai	<i>Segmented access to the offshore-service industry in India</i> D'Costa (2011); Fuller & Narasimhan, (2007); Upadhyya (2007)
7: How the IT-eS industry contributes to the formation of a consumerist new middle class in Mumbai	Sub-question (v)	Primary field data collected from 2012 to 2014 via interviews and survey of IT-eS employees in Mumbai	<i>The rise of a consumerist new middle class in India</i> Fernandes (2006); Lakha (1999); J. Murphy (2011)





## **Chapter 2 | Theoretical Conceptualisation: Applying Bourdieu's Forms of Capital to Understand New Middle Class Formation in India**

### **2.1 Introduction**

All societies are stratified on the basis of income and consumption levels, occupational distribution, labour processes, ethnic origin and such other differences. Class is a useful analytical tool that encompasses these different dimensions along which societies are stratified to provide a holistic understanding of how societies function and how socio-economic and cultural transformations take place. Kelly (2007: 3) observes that “the concept of class has made something of a comeback in recent years in both academic and popular debates”. It is hence not surprising that many scholars study contemporary socio-economic transformations taking place in the world from the lens of class (see for example, Savage et al., 2013). This thesis thus adopts the conceptual tool of class to explore the socio-economic changes in contemporary India brought about by the emergence of the offshore-service industry. The concept of class and its application to study societal transformations is however not straight-forward. In general, the concept of class has evolved with time to reflect the increasing complexities of societies, but different class typologies analyse the society from different perspectives.

In the Marxist tradition, class relations are seen as a form of relations of production, where rights and powers of people over productive resources are unequally distributed. In the Weberian class analysis, just like Marxist, the rights and powers that individuals have over productive assets define the material basis of class relations. But in Weberian analysis, the rights and powers shape an individual's life chances, rather than structure exploitation, which was the key

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ingredient of Marxist analysis (Wright, 2005). Contemporary approaches to class such as that of Goldthorpe, consider class positions as resulting from differences in occupational situations (Goldthorpe, 1980).

One of the leading approaches to class analysis is a framework proposed by the French sociologist Pierre Bourdieu (see for example, Bourdieu, 1986; Weininger, 2005). Bourdieu incorporates more dimensions to class analysis than earlier theorists, better reflecting contemporary manifestations of class identity, especially forms of consumption, that have become increasingly significant in recent analyses of the middle class (see for instance, Birdsall, 2010, 2016; Chun, Hasan & Ulubasoglu, 2011; Kharas, 2010). Bourdieu's notion of class structure encompasses the entirety of the occupational division of labour. Bourdieu is not confronted by the problem upon which many Marxian theories have foundered; that of determining how to cope with all those occupations which cannot be characterised in terms of owners or workers. His model encompasses middle class occupations as well as all those occupations that lie in the fringes of the occupational distribution such as artists and other professionals (Weininger, 2005). Another important feature of Bourdieu's analysis is that unlike Weber, he does not distinguish between social class and status groups. According to Bourdieu, status groups are a manifestation of the existence of different social classes. These classes are differentiated not only in economic terms, but also in symbolic terms, such as differences in lifestyles. Lifestyle practices establish symbolic boundaries between individuals occupying different locations in the class structure. It is this symbolic-based segregation of classes that is especially useful in analysing the emergence of the new middle class in India. This study is hence anchored on the theoretical framework of class proposed by Bourdieu.

The following section gives an overview of Bourdieu's class framework. Section 2.3 describes the essential characteristics of the middle class in India from the

time of its formation in the nineteenth century until the liberalisation period. This is followed by a discussion of the features of the new middle class in India based on extant literature. Section 2.5, drawing on the discussion from the earlier sections, operationalises the concept of the new middle class, anchored on Bourdieu's class framework. The last section presents the concluding remarks.

## 2.2 Bourdieu's forms of capital

Bourdieu's class framework is based on the conceptual tools of capital, habitus and field. The concept of capital can be understood as the set of usable resources and powers (Weininger, 2005), the possession of which determines the position of an individual in the class structure. Habitus refers to the deeply ingrained habits, skills or dispositions that individuals unconsciously acquire due to their life experiences. According to Bourdieu our taste for cultural objects such as work of art are shaped by the habitus. Finally, field refers to the distinct arenas of social practice such as education, religion, law, and so on, which have their own set of rules, knowledge and forms of capital. In this thesis, however, we limit the analysis of class to the concept of capital, as this alone will suffice to study the formation of a new middle class in India (see Savage et al., 2013 who also employ only the concept of capital in their study of social classes in Great Britain). Bourdieu elaborates on his idea of capital in multiple studies, with variations introduced in each of them. This study understands and uses the concept of capital as proposed in his work *The Forms of Capital* (Bourdieu, 1986).

Capital, according to Bourdieu (1986) can be understood as power, which when appropriated by an agent or groups of agents, enables them to appropriate social energy in the form of material labour. Capital has the potential to produce profits, but more importantly to reproduce itself in identical and expanded forms. However, by nature, capital takes time to accumulate, tends to persist in its being, not allowing everything to be equally possible or impossible, or related to chance.



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In other words, capital is unequally distributed. The structure of the distribution of different types of capital at a given moment in time represents the structure of the social world or the class structure.

Bourdieu (1986) identifies three fundamental forms of capital- economic capital, cultural capital and social capital.

- *Economic capital* is at the root of all other forms of capital. It can be directly converted into money and may be institutionalised in the form of property rights. The concept of economic capital of Bourdieu emanates from the Marxist idea of relationship to the means of production and is also related to the economic idea of class. But beyond this, there is little overlap between Bourdieu and Marxist ideas of class, or the economic definition of class.
- Bourdieu (1986) argues that while economic capital is the fundamental form of capital, class relations cannot be reduced to an analysis of only economic relations, but simultaneously entails an analysis of symbolic relations. Such symbolic relations can be analysed using the concept of *cultural capital*. The notion of cultural capital “refers to a culturally specific competence... which is efficacious as a resource or power in a particular social setting” (Weininger, 2005: 87). Cultural capital is often a manifestation of economic capital, but may not necessarily be directly convertible into money. “In highly differentiated societies two social agencies are primarily responsible for inculcating cultural capital: the family and the school” (Weininger, 2005: 87).

Cultural capital takes three forms- embodied capital, objectified capital and institutionalised capital. *Embodied capital* is linked to the body and refers to the time invested in acquiring bodily attributes such as building a physique, or unconsciously acquired, but visible attributes such as an accent and comportment. *Objectified capital* relates to the possession of

material objects such as works of art (presupposing economic capital), and also knowing how to use them. Academic qualification is an example of *institutionalised capital*, that is, capital, which has a legal guarantee. As these cultural capitals hold a symbolic value, they are also referred to as symbolic capital.

- Finally, *social capital* refers to the size of network or connections of an individual, which can be effectively mobilised.

Bourdieu (1986) asserts that the real logic of the functioning of different forms of capital lies in their power of conversion from one form to another. The different types of capital are derived from economic capital, but only at the cost of transformation. Some forms of capital can be instantaneously converted from economic capital, while others may require a great amount of investment of time or effort. For example, economic capital may give immediate access to some goods and services, while access to others may be dependent on building long term social contacts or investing in some form of cultural capital. The different types of capital can also be distinguished on the basis of their reproducibility or the degree of ease with which they are transmitted.

In order to apply this class framework in the case of India's new middle class, it is essential to understand the inter-play of different forms of capital that gave rise to the formation of the middle class in India as well as the specific social context under which the Indian middle class operates. The following section hence briefly traces the history of the emergence of the middle class in India, focusing on the different forms of capital the class possessed.

### **2.3 The middle class in India**

The concept of the middle class has always been complex to define. In the Indian case the existence of other social stratifications such as caste that often intersect

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with class make it even more convoluted. Joshi (2010a) observes that most scholars who use this category treat the middle class as an already understood social group. Common is the idea that the category refers to people who belong to the upper strata of the society, without being at the very top. While financially comfortable, they are people who need to work to earn a living (Joshi, 2010a). In general, the middle class in India has been understood in terms of its occupation, wherein artisans, craftsmen, merchants as well as the professional class of lawyers, teachers, and doctors have been categorised as belonging to the middle class (Doepke & Zilibotti, 2008; Haynes, McGowan, Roy & Yanagisawa, 2010; Joshi, 2010b). Because of the difficulty in arriving at an objective definition of the Indian middle class, this section, by tracing the growth of the middle class from the time of its emergence in the nineteenth century until the liberalisation period of the 1990s, provides a few objective pointers that can be associated with the Indian middle class. It specifically discusses the forms of capital generally associated with the Indian middle class.

The middle class in India was not a very visible social group before the nineteenth century. It was only during the British rule in the nineteenth century that a middle class started to emerge in India in a noticeable form (Joshi, 2010b). According to Joshi (2010a: xix), important social, economic and political changes accompanying the British rule in India presented new opportunities to a segment of educated Indians to articulate their set of beliefs, values and modes of politics. This initiation of a new cultural politics distinguished this group from other social groups both above and below, leading to the making of the middle class in colonial India. Educated Indians “invested in presses, worked as journalists, created civic and political associations and published and debated their ideas either in the press or in the forums of their associations” (Joshi, 2010a: xvii). Fernandes (2006: 6) argues that such culturalist arguments tend to underestimate the significance of socio-economic dimensions of the colonial middle class. She

asserts that although the power of the middle class may have rested in its ability to act as a cultural entrepreneur, the socio-economic conditions limited the number and sort of people who could aspire to be part of the middle class.

The formation of the Indian middle class was primarily based on the foundation of economic and cultural capitals. British administrative requirements in India led to the introduction of the English language and western education. But access to education in the English language was limited to a select few who had some basic socio-economic resources at their disposal. These typically consisted of those who had earlier served in the courts of indigenous rulers and large landlords (Joshi, 2010a). This British intention is reflected in the famous quote by Macaulay (Macaulay, 1835: 8):

*“It is impossible for us... to educate the body of the people. We must at present do our best to form a class who may be interpreters between us and the millions whom we govern; a class of persons, Indian in blood and colour, but English in tastes, in opinions, in morals and in intellect.”*

The few people endowed with some pre-existing economic capital and the cultural capital of education in the English language thus came to form the middle class in colonial India. The possession of these capitals in turn enabled the middle class to occupy important positions under the British administrative set-up. The colonial middle class was engaged in professional, literary, service-based occupations, unlike an industrial middle class which was characteristic of the West. British industrial policy in India blunted a full-fledged expansion of the manufacturing sector in the country. New firms floated by parent British companies were vertically integrated under the management of the parent firm, resulting in a limited number of managers controlling the bulk of the country's economic power (Fernandes, 2006: 4). This pattern of industrial development led the colonial middle class to rely on service related occupations based on its educational

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resources and thereby get access to employment and economic power. The upper tier, which constituted a small segment of the middle class, got employment opportunities in the civil services and private-sector employment. The larger lower tier was employed as clerks and teachers. Employment in the few existing service-based occupations ensured that the middle class in British India occupied the upper-strata of the income distribution, without being at the very top (Hatekar, Kumar & Mathur, 2009; Joshi, 2010b). As Bourdieu (1986) asserts, the real logic of the functioning of different forms of capital lies in their power to convert from one form to another. The cultural capitals of the middle class were further transformed into economic capital as English language skills carried a wage premium.

Besides education, English language skills and service-based occupations, another salient feature of the Indian middle class was its upper-caste character<sup>1</sup> (Fernandes, 2006: 9). Since the middle class comprised of those who already had some access to basic socio-economic resources, they mainly came from upper-caste Hindu and high-born Muslim families (Joshi, 2010a). Existing caste inequalities in pre-British India were thus reshaped and reinforced in the making of the middle class in colonial India. Furthermore, as colonial educational policy was concentrated in the cities of Bombay (now Mumbai) and Calcutta (now Kolkata); the colonial middle class was strikingly urban in nature. In the case of Bombay, Dobbin (1972) cites the growth of the intelligentsia employed in a range of professional occupations in law and government service because of the spread of educational institutions in the city.

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<sup>1</sup> It may however be noted that in general although the Indian middle class was identified by its upper-caste character, there were considerable regional variations in middle class characteristics across India. For discussions on regional variations in the Indian middle class, see Joshi (2010b).

In sum, the salient features of the early colonial middle class in India were its education in the English language, employment in professional services, relatively high levels of income and an urban and upper caste orientation. The middle class was not only endowed with specific economic and cultural capitals, but the existing Indian social structure of the caste system also influenced its composition. These features of the Indian middle class remained more or less stable in independent India of the twentieth century. There was no significant expansion in the size of the middle class at least until the early 1990s.

The policy of liberalisation, which gradually started in the late 1980s and formally adopted in the year 1991, marked a stark shift in independent India's economic policy towards market orientation. This shift in policy stance steered a higher rate of economic growth for the country. It is claimed that economic growth has been accompanied with an expansion in the size of the middle class, as benefits of growth have spread to wider sections of the Indian society, enabling many new households to enter the middle class (ADB, 2010; Sridharan, 2004). Besides the expansion in middle class size, it is also argued that globalisation and liberalisation have enabled at least part of the middle class to adopt new forms of lifestyles and consumption practices, which were hitherto not identified with the Indian middle class. In other words, sections of the middle class have come to possess certain symbolic capital that differentiate them from not only the other classes but also from the earlier middle class (Fernandes, 2006). The idea of this 'new' middle class, as briefly discussed in the last chapter, is however not that straight forward. The following section presents the debates surrounding the concept of the new middle class.

## **2.4 Enigma around the new middle class**

The concept of the new middle class is quite a mysterious one (see Table 2.1, p. 31 for an overview of the various conceptualisations of the new middle class). The

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usage of the term dates back to at least as early as 1909. Anton Pannekoek, in his analysis of the German new middle class, described the class as the then emerging professional class of professors, authors, physicians, lawyers and such other intellectuals who were replacing the old middle class of small capitalists as the medium income earners of Germany (Pannekoek, 1909). The new middle class was different from the old not only in terms of its occupation, but also by the fact that unlike the old middle class, it did not own the means of production, but sold its labour power to the capitalists.

In India, the concept of the new middle class is a rather recent one, popularised, arguably, by the work of Fernandes (2006). Fernandes (2006) describes the new middle class as a group that is fundamentally tied to the success of economic reforms of liberalisation and globalisation in India; that is based on a culture of consumption, unlike the old middle class which was averse to ostentatious display of wealth. This class is economically more prosperous than the 'old' middle class and generally they match the income and consumption levels of the affluent in the West (Joshi, 2010a). It is for this reason that the class is sometimes also referred to as the 'new rich' (Fuller & Narasimhan, 2007; Pinches, 1999). Fernandes (2006) also argues that the newness of the new middle class does not entail a shift in the social basis or composition of the middle class, implying that they come from pre-existing middle class families (dominated by the urban upper-castes). Service outsourcing workers are claimed to be part of the larger group of such a new middle class.

Fernandes' (2006) analysis of the new middle class is bolstered by J. Murphy (2011) and Upadhyaya (2007, 2008, 2009) in their study on offshore-service industry workers. Upadhyaya (2009) views the Indian new middle class as more affluent, transnational and consumerist than the 'old' middle class. It is the segment that is globalised, highly educated, professional and upwardly mobile. Members of the

new middle class are harbingers of cultural change on account of their increased exposure to western culture brought about by stints of travel abroad and frequent interaction with foreigners (Upadhyaya, 2008). In line with Fernandes (2006), Upadhyaya (2007) also finds the new middle class to be dominated by urban, upper-caste professionals, coming from the existing middle class. J. Murphy (2011), in exploring the lifestyles of call-centre workers claims that the new middle class in India can be characterised as part of an emergent global middle class, sharing common lifestyles and values with its western counterpart. The new middle class according to these studies is based on the new economy jobs in India brought about by liberalisation and globalisation, is identified via its globalised (or westernised) consumption practices and is essentially a segment of the pre-existing middle class, that is, urban upper-castes.

While the above analysis of the new middle class in India is the dominant view, other insights on the new middle class are in stark contrast to this understanding. Some studies find no change in the attitudes towards consumption between the middle class of the British era and the middle class of liberalised India (Haynes et al., 2010; Kidambi, 2010; Nadeem, 2009), whereas others view newness in the new middle class in terms of their changing social composition (Jaffrelot & van der Veer, 2008; Sheth, 1999). According to Haynes et al. (2010), consumption was an integral part of the Indian middle class even in the colonial times and that newness in the new middle class does not entail any change in its attitude towards consumption. Kidambi (2010) also finds evidence of consumerist tendencies in the middle class in Bombay (now Mumbai) during the British era. According to him, white collar workers of the colonial period emphasised the distinctive material needs that distinguished them from the manual working classes. They argued that as members of a respectable class, they had no choice but to engage in forms of consumption that were intrinsic to their social position. Similarly, Nadeem (2009) argues that the western-oriented workers of the outsourcing sector and the



## Chapter 2

English-speaking Indian middle class of the British era are not very different in emulating western lifestyles or habits. He observes that since the outsourcing sector inculcates values like individualism and freedom amongst its workers, as against the traditional Indian family value system, those outside the sector view the workers as westernised. In yet another understanding of the new middle class, Lakha (1999) argues that new middle class identity is both global and at the same time rooted in India. The peculiar tension between the global and the local is what distinguishes the new middle class from other classes as well as from other segments of a more broadly defined middle class.

Further, while Fernandes (2006) and Upadhya (2007) find the Indian new middle class to be little different in its social composition as compared to the pre-existing middle class, Jaffrelot & van der Veer (2008) and Sheth (1999) view the class as socially more inclusive than the earlier middle class. According to Sheth (1999), the newness in the new middle class is based on the diversified social origins of its members, especially in terms of their castes. Similarly, Jaffrelot & van der Veer (2008) define the new middle class as a socially inclusive group that is traceable to the disintegration of the Indian caste system.

A yet another contrasting view (generally observed in international studies) equates the new middle class to the burgeoning middle classes in developing economies (see Birdsall, 2016). Wietzke & Sumner (2014) describe the new middle class in developing economies as comprising of both the vulnerable lower-middle class (spending slightly above \$2 per capita per day) as well as the more affluent global middle class (spending above \$10 per capita per day). According to them, both these groups are increasing in numbers in the developing countries and together they constitute the new middle class. In his research on inequality and globalisation, Milanovic (2016) observes that the emerging global middle class in developing countries are still relatively poor and less educated than the

middle classes in the West. They should hence not be assigned the same status as the middle classes in the West. This contradicts the often held view of the new middle class in India, which equates its identity to newly gained material affluence and westernisation (J. Murphy, 2011; Upadhy, 2008).

**Table 2.1 Different Conceptualisations of the New Middle Class**

Idea	Studies
<b>Early conceptualisation</b>	
1. Emerging class of professional workers	(Pannekoek, 1909)
<b>Contemporary conceptualisations (in liberalised India, tied to global capitalism)</b>	
2. A new consumption culture- westernised, transnational; but no change in social basis	(Fernandes, 2006; J. Murphy, 2011; Upadhy, 2008, 2009)
3. No significant change in consumption practices, no complete westernisation of consumption, rather a blend of Indian and western cultures	(Lakha, 1999; Nadeem, 2009)
4. New social basis, that is, come from disadvantaged castes, who were traditionally not part of the middle class	(Jaffrelot & van der Veer, 2008; Sheth, 1999)
<b>Contemporary conceptualisations (in a global, developing country context)</b>	
5. Signifies the burgeoning middle classes in developing economies, aided by fall in poverty rates due to impressive economic growth in these countries in the last two or three decades	(ADB, 2010; Birdsall, 2016; Wilson & Dragusanu, 2008)
6. Includes both the lower-middle class (income >\$2) and the new rich (income > \$10) in developing economies	(Wietzke & Sumner, 2014)

*Source: Compiled by the author.*

## **2.5 Operationalising the concept of the new middle class**

The diverse ways of understanding the new middle class point that newness in the new middle class lies in the acquisition of a higher level of economic capital (income and consumption expenditures) or in the possession of new forms of cultural capital (different lifestyles and consumption habits) or entails a new social structure (in terms of new caste groups entering the middle class). This thesis explores all these forms of newness in the middle class to investigate what really is new about the new middle class in India and how the IT-eS industry contributes to the formation of such a new middle class. Table 2.2 summarises how these different types of newness in the sense of acquisition of different forms of capital will be analysed in each of the empirical chapters.

Chapter 4, drawing on the contemporary global conceptualisation of new middle class by Birdsall (2016), Wietzke & Sumner (2014) and others cited in Table 2.1, studies how the size of the middle class has expanded as new households have entered the class by acquiring a higher level of economic capital in the form of income and consumption expenditure. Based on literature associating middle-class growth to greater demand for consumer goods (see for example, Banerjee & Duflo, 2008; K. M. Murphy et al., 1989), the chapter also examines how the increase in economic capital translates into a higher level of objectified cultural capital as households spend more and own expensive material objects with an increase in their consumption expenditure. Chapter 5 studies changes in the distribution of institutionalised cultural capital, that is, level of education among the middle class as a result of a change in their level of economic capital. This relates to the role of the middle class in human capital accumulation (see Birdsall, 2016; Doepke & Zilibotti, 2008; Easterly, 2001). Drawing on the arguments put forth by Jaffrelot & van der Veer (2008) and Sheth (1999), who associate newness in the middle class with changes in its caste composition, the chapter also studies how occupational and ethnic distributions of the middle class have changed with

changes in the level of economic capital. Chapter 6 assesses the accessibility of employment opportunities in the IT-eS industry to non-middle class employees. In other words, it studies the significance of the possession of economic and cultural capitals intrinsic to the established middle class for accessing employment opportunities of the IT-eS industry. Finally, Chapter 7, by examining changes in the lifestyles and consumption practices of IT-eS employees reveals how the pre-existing forms of capital of IT-eS employees are transformed into new forms of economic and cultural capitals to produce a new middle class identity.

It may be noted that this study is largely restricted to the analysis of economic and cultural capitals and how their possession and transformation into new forms of capital gives rise to a new middle class formation. The role of the third form of capital asserted by Bourdieu, that is, social capital, in new middle class formation has largely been omitted from this thesis. We recognise that social capital in the form of social networks might be an important determinant for accessing employment opportunities in the IT-eS industry and eventually for growing up the career ladder. However, because of its relatively limited relevance in the formation of a new middle class identity, this form of capital is not examined in detail in this thesis. Nonetheless, Chapter 6 will briefly reflect on the role of social capital in accessing employment opportunities in the IT-eS industry, at least in a few exceptional cases.

**Table 2.2 Operationalisation of the Concept of New Middle Class Based on Bourdieu's Forms of Capital**

Research question addressed (see Section 1.4)	Form of capital analysed	Indicator	Dimension of newness analysed
<b>Chapter 4</b>			
Sub-question (i)	Economic capital	Consumption expenditure	New entrants into the Indian middle class
Sub-question (ii)	Objectified cultural capital	Changes in spending patterns, ownership and consumption of new types of goods and services	Changes in spending patterns and ownership of assets of the Indian middle class
<b>Chapter 5</b>			
Sub-question (iii)	Institutionalised cultural capital	Education, occupation, ethnic composition*	Changes in social composition of the Indian middle class with respect to education, occupation, caste and religion
<b>Chapter 6</b>			
Sub-question (iv)	Cultural capital	Level of education, English language skills, occupation, place of origin* and ethnic origin*	Contribution of the IT-eS industry to new middle class formation via accessibility of its employment opportunities to employees from non-middle class families

*Table 2.2 Continued...*

Research question addressed (see Section 1.4)	Form of capital analysed	Indicator	Dimension of newness analysed
<b>Chapter 7</b>			
Sub-question (v)	Economic and cultural capital	Income, consumption expenditure, lifestyles and consumption practices of IT-eS employees	Contribution of the IT-eS industry to new middle class formation via changes in income and lifestyles of employees after entering the industry
<p><i>Note: * indicates that these variables do not directly fit into Bourdieu's forms of capital, but are analysed because of their relevance in new middle class formation in the Indian social context.</i></p> <p><i>Source: Compiled by the author.</i></p>			

## 2.6 Concluding remarks

This chapter provided an overview of Bourdieu's popular work, *Forms of Capital* (Bourdieu, 1986), which will function as the primary theoretical anchor for the study of the new middle class in this thesis. Along with this, the chapter also discussed the emergence of the middle class in India from the nineteenth century until the twenty-first century. This helps us better understand the social and political processes that have shaped the early Indian middle class, which continue to bear an influence on the class even today. Bourdieu's concept of forms of capital will be applied in this study taking into account the unique social characteristics of the Indian middle class. While this chapter provided the overall theoretical framework for this thesis, the individual empirical chapters have their own theoretical sections, pertaining to the subject discussed in that chapter. Before discussing the empirical results, the following chapter presents the research methods employed in this study.





## Chapter 3| Research Methods

### 3.1 Introduction

As explained so far, this thesis investigates a broad phenomenon of the expansion of the middle class in India, followed by an in-depth examination of the contribution of the IT-eS industry to a new middle class formation in Mumbai. Obviously, a single research method or data-set will not suffice to study both broad and in-depth phenomena. This research hence draws on primary data collected via semi-structured interviews and a survey of IT-eS employees in Mumbai, as well as a large-scale national survey called the National Sample Survey (NSS), conducted by the Ministry of Statistics and Programme Implementation, Government of India. The NSS data is purely quantitative, while the data on IT-eS employees is both quantitative and qualitative in nature.

The choice of a mixed-research, multi-strand method is guided by the nature of research questions at hand and the availability of data to answer them. As Yin (2009) points out, the choice of research method depends in large part on the research question. The study of the recent expansion of the middle class in India demands a national level data-set, collected over a relatively long period of time, which is impossible to gather by an individual researcher in a short time span of a few years. The NSS surveys are household level primary surveys that are regularly conducted across India since a long period of time. Hence, we make use of these surveys to understand the broad patterns of expansion of the middle class in India. While data from the NSS give a macro picture of the growth of the middle class in India, they do not provide a nuanced understanding of the contribution of the IT-eS industry to a new middle class formation. To study the latter, it is essential to focus specifically on the industry and its employees. NASSCOM, the industry body of service offshore companies in India is perhaps



the most authoritative source of information on the IT and IT-eS industries in India. NASSCOM regularly publishes the latest statistics on the industry such as revenue generated, growth rates and employment creation (see NASSCOM, 2015). These statistics however provide only an overview of the size of the industry and its expansion. For a complete understanding of the emergence of the IT-eS industry and its contribution to a new middle class formation, it was decided to undertake a primary field study in the form of interviews and a survey, which respectively provide a comprehensive analysis and a broad understanding of the research questions at hand. Mumbai was chosen as the field location to study the IT-eS industry because of a wide presence of the industry in the city, along with other considerations, elaborated in Section 3.6.

The following section describes the NSS surveys, including its sample design and the methodology used for extracting the data and arriving at the results. Section 3.3 discusses the primary data gathered on IT-eS employees. Sections 3.4 and 3.5, respectively describe the data gathered via semi-structured interviews and a survey. This is followed by a brief description of the research site to study the IT-eS industry. The final section deals with research ethics and limitations of the methods.

### **3.2 The NSS Household Consumer Expenditure Survey**

The NSS was set up by the Government of India in the year 1950 to collect household level socio-economic data across the country. The household Consumer Expenditure Survey (CES) is one of the large-scale, periodically conducted surveys of the NSS. This survey is being carried out regularly from 1973-74 onwards, on a large sample of households across India, on a quinquennial basis. Annual surveys are also carried out, although less regularly, on a smaller sample of households. The CES is one of the most important and widely used sources of data to study various socio-economic aspects of Indian households (Deaton, 1997).

Hence, to study the expansion of the Indian middle class and its consumption and spending behaviour, the CES becomes a natural choice.

The analysis in this thesis is based on three quinquennial rounds of the CES (also called the ‘thick’ samples) conducted in 1999-00 (55<sup>th</sup> round), 2004-05 (61<sup>st</sup> round) and 2011-12 (68<sup>th</sup> round). 2011-12 is the latest period for which the quinquennial survey on household consumer expenditure has been conducted, making it the end point of our analysis. We skip the 66<sup>th</sup> quinquennial round of the survey, conducted in 2009-10, as 2009 was declared a national drought year<sup>2</sup>, making data from this round unusable. In fact, the 68<sup>th</sup> round of the CES was undertaken to replace the 66<sup>th</sup> round data. The 55<sup>th</sup> round of the survey is chosen as the starting period because firstly, the new middle class as well as the IT-eS industry in India are claimed to have taken-off from around this period. Secondly, surveys older than the 55<sup>th</sup> round give rise to problems of comparability as the 55<sup>th</sup> round witnessed some major changes to the questionnaire design of the CES.

Sen (2000) however, points out at problems of comparability of the 55<sup>th</sup> round of the CES with both older and later rounds, arising out of a flawed questionnaire design. Unlike the older quinquennial rounds of the CES that used a uniform recall period of 30 days for all items of consumption, the 55<sup>th</sup> round questionnaire used a mixed recall period of both 7 days and 30 days for food items, administered to the same sample of households. This has perhaps led to underestimation and overestimation of the level of consumption expenditure in the 55<sup>th</sup> round. It is claimed that households that were first asked about their 7-day consumption level, reported their 30-day consumption level by merely multiplying their 7-day consumption by four. In contrast, those households who reported their 30-day

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<sup>2</sup> The Indian Meteorological Department defines a drought year as that year when the rainfall during the four monsoon months of June to September falls deficient by 10 per cent of its long term average. Because Indian agriculture is predominantly rainfall dependent, a drought severely affects the average level of consumption in the country.

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level consumption first, reported their 7-day consumption level by dividing the former by 4. Because of this issue, studies based on the CES often refrain from analysing the 55<sup>th</sup> round data (see for example, Basole & Basu, 2015; Motiram & Naraparaju, 2015). However, as observed by Deaton & Dreze (2002), for intermediate consumer goods such as fuel, medical care and miscellaneous goods and services, the 55<sup>th</sup> round continued to use a uniform recall period of 30 days, and for durable and semi-durable goods such as clothing and bedding the recall period was 365 days, similar to that of the later rounds. Thus, the extent of incorrect estimation of the level of consumption expenditure in the 55<sup>th</sup> round may not be as high as that claimed by Sen (2000). In the light of this reasoning, we choose to include the 55<sup>th</sup> round of the CES in our analysis, with the qualification that it might marginally over-estimate or under-estimate the level of consumption expenditure across households.

### 3.2.1 NSS sample design

Each of the NSS surveys used in this study draws on a sample size of over 100,000 households. The surveys cover the whole of India, except a few remote areas, which are inaccessible for field investigators. The period of survey is of one year duration, starting on 1<sup>st</sup> July of the survey year and ending on 30<sup>th</sup> June.

The CES adopts a stratified multi-stage sampling design. Districts in each state of India are first divided into two basic strata of rural and urban areas. These are further sub-stratified into groups of villages or towns, such that each sub-stratum has more or less equal number of population. From each sub-stratum, the required number of sample villages or towns is chosen, each of which is called a First Stage Unit (FSU). The total number of FSUs is allotted to each state in proportion to the population of the state. If the population of an FSU is below 1200, then a sample of households is listed in the FSU, called the Ultimate Stage Unit (USU). The composition of sample households in an USU is decided according to the

level of consumption expenditure in that rural or urban stratum, such that households with different levels of consumption expenditure are appropriately represented in the sample. The data on the level of consumption expenditure of the rural and urban strata is gathered from the previous round of the CES. If the population of an FSU is 1200 or more, then the FSU is further divided into hamlets (in rural areas) or sub-blocks (in urban areas), the number of hamlets or sub-blocks in an FSU depending on the population size of the FSU. The USUs are then chosen from each hamlet or sub-block. The final households surveyed are assigned a weight in proportion to their representation in the total population. All aggregates based on the NSS surveys are thus weighted aggregates for the population or for a sub-population as a whole.

### **3.2.2 Reading and analysing NSS data in R**

After the survey is carried out, its key results are published on the website of the Ministry of Statistics and Programme Implementation, Government of India (see <http://www.mospi.nic.in/download-reports>). However, for a comprehensive analysis of the survey results, users are expected to purchase the unit-level survey data, that is, the raw data, and carry out the calculations. This study has analysed the unit-level data of the CES for the three rounds mentioned above. Because of the large volume of the unit-level data, extracting and analysing the data is a challenge. The absence of easily accessible material on the process of reading and analysing the data makes NSS data analysis complex. This sub-section hence outlines the procedure for reading and analysing the unit-level NSS data, with a view to make the task easier for future NSS data users. Because all computations for this study were carried out in the open-source statistical software R, we lay down the procedure for reading and analysing NSS data using R. A basic working knowledge of R is a pre-requisite to understand the commands listed here. A similar procedure of data extraction and analysis can be followed for all NSS survey data as well as by other software users. The unit-level data of different

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rounds of NSS surveys are distributed in two formats- old and new. The latter is more user-friendly and is relatively easy to read on different computational software. However, the procedure to read and analyse NSS data presented here is based on the old format. We believe that if users can handle the data provided in the old format, then reading the new format requires no additional proficiency.

Because of the extremely large size of the data, they are grouped into different levels, with data on each level provided in a separate .TXT file. The layout sheet that accompanies the data files gives the list of variables contained in each level. The CES data for the 68<sup>th</sup> round, for instance, is presented in 11 different levels. Level one, for example, contains data on the common characteristics that identify the household, level four gives data on social and demographic characteristics of the household and each of its members, whereas levels five to nine provide extensive information on the value and quantity of consumption expenditure of households on different goods and services.

The first step is to extract the relevant data from each of the files. The raw data, which are not separated by columns, are to be split appropriately into different columns using information on the width of each column provided in the layout sheet. The commands given in Box 3.1 read the data for a particular level (level 3 of the 68<sup>th</sup> round in this case), split them into different columns, assign a title to each column and create a unique household-id for each household. A similar set of commands can be executed to read each of the other levels.

**Box 3.1: Extracting NSS Data in R**

```
data3<-read.fwf ("d:\\R6801T1L03.TXT",widths= c(3,5,2,3,1,1,..., 3,3,10))
colnames(data3)<- c("RCC","LOTFSU","Round","ScNo","Sample","Sector",...,
"NSS","NSC","MLT")
attach(data3)
hhid3<- paste (StateRegion,District,LOTFSU,HamletSbBlock,SSS,HHSNo)
hhid3<- gsub (" ", "",hhid3)
#the above command removes the space between each variable in the column that
the paste command creates
```

Once all the relevant data files or levels are read, the next step is to combine together the requisite data stored in separate files. For instance, data from levels two and three can be clubbed together, by the unique id assigned to households, as shown in Box 3.2.

**Box 3.2: Merging of Different Levels of NSS Data in R**

```
data23<- merge (data2, data3, by.x="hhid2", by.y="hhid3", all=TRUE)
```

Once all the relevant variables are put together, the final task is to compute the aggregates, making use of the household weights. Here, to verify the computation procedure, we first calculate the values for variables that are already published in the NSS reports. If these numbers match, we can be sure of our procedure of reading the data and calculating the aggregates and proceed with other estimations. For example, we may verify the average monthly per capita consumption expenditure (MPCE) (by mixed reference period<sup>3</sup>) in 2011-12 for

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<sup>3</sup> Mixed reference period (MRP) refers to a 30-day recall period for food items and 365-day recall period for items such as clothing and durable goods. In contrast, a uniform reference period (URP) refers to a uniform recall period of 30 days for all items of consumption. Throughout this thesis, we report consumption expenditures based on the

rural and urban areas by executing the commands in R given in Box 3.3 (after executing the commands shown in Box 3.1 and Box 3.2).

**Box 3.3 Computing Average Monthly Per Capita Consumption Expenditure in R**

```
#the following command computes the household weights
mlt<- ifelse(NSS3==NSC3,(MLT3/(100*100)),(MLT3/(200*100)))
#the household weights are then multiplied by the household size, in order to arrive
at per capita weights, to calculate consumption expenditure at per capita levels
finalmlt<- mlt*HHSIZE
#the following command combines the data on calculated weights with the data on
level 2 and 3
fdata<- cbind(data23, mlt, finalmlt)
#the data for rural and urban areas are then extracted separately, in the following
commands
rural<- subset(fdata,Sector3==1)
urban<- subset(fdata,Sector3==2)
#finally we compute the per capita average consumption expenditure for rural and
urban India
mpcerural<- sum(rural$(MPCEMrp/100)*rural$finalmlt)/sum(rural$finalmlt)
mpceurban<- sum(urban$(MPCEMrp/100)*urban$finalmlt)/sum(urban$finalmlt)
```

Once the values for a few aggregates are verified in this manner with those given in the official reports, we can proceed with computing other aggregates which are not published in the reports. The results arrived at in Chapters 4 and 5 of this thesis are the outcome of such a procedure of reading, computing and verifying

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MRP method as it is considered to be a better measure of consumption expenditure than the URP.

the data for the 55<sup>th</sup>, 61<sup>st</sup> and 68<sup>th</sup> rounds of the consumer expenditure surveys of the NSS.

### **3.3 Data on IT-eS employees**

The NSS surveys on consumption expenditure provide a broad overview of the size and expansion of the middle class in India between 1999-00 and 2011-12. For a comprehensive understanding of the contribution of the IT-eS industry to new middle class formation, this study draws on data collected via semi-structured interviews, which is qualitative in nature and a survey, which is quantitative. The purpose of such a multi-methods and multi-strand approach is both triangulation and complementarity. While triangulation corroborates the findings from both methods, complementarity elaborates the results from one method with results from the other (Bryman, 2003, 2007).

The primary unit of analysis of both the interviews and the survey are the employees working in the IT-eS industry. This includes only the core group of employees of the firms, excluding support staff such as security guards and housekeepers, as well as top-level managers. The support staffs are the indirect beneficiaries of the industry who fall into a socio-economic category different from that of the core employees (see Kumar, 2016 for a detailed analysis on the indirect beneficiaries of the IT-eS industry in India). Similarly, managerial level executives come from a higher social class, who cannot be analysed together with the core group of IT-eS employees. However, a few managerial level employees were included in the interview sample in order to validate the findings arrived at from the core group of workers. Further, the analysis pertains only to IT-eS workers working for the international market. While the domestic IT-eS industry in India is steadily expanding, its dynamics are different from that of its international counterpart. This is reflected in the different eligibility criteria for employment in the two sectors (for example, language requirements), making the



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pool of employees working in the two segments different from each other in terms of their skill sets and educational levels.

The following sections describe the two methods of semi-structured interviews and survey in detail.

### **3.4 Semi-structured interviews**

The fieldwork for this research began with semi-structured interviews of employees and top-level managers of the IT-eS industry in Mumbai. Interviews were chosen as one of the research methods for their value in offering in-depth information about the phenomenon being observed (Yin, 2009). Before conducting the actual interviews for this research, the author accompanied another researcher (a colleague in the same research project) for her interviews of top-level managers of the IT and IT-eS industries in Mumbai. Although the author was merely an observer in this process, it helped her gain preliminary understanding of the working of the IT-eS industry in Mumbai and to initiate a few contacts in the industry.

The actual interviews for this research began in October 2012 and culminated in November 2014. In between this period, this author also visited the University of Amsterdam for research training, attending course-work and presenting the initial findings of the research in academic seminars. There was no specific fieldwork period assigned for the interviews as gaining access to interviewees was one of the biggest challenges faced during the research process. Because international IT-eS firms deal with highly confidential data of clients located abroad, they are wary of sharing any kind of information with strangers, even if they are for purely academic purposes. This researcher even encountered a few potential interviewees who refused to divulge any information about their work as they were legally bound to not share any work-related information with

outsiders. Access to potential respondents was further difficult as most of them work during the night and spend the day taking rest, having very little time to talk to researchers. Similar challenges in gaining access to the IT and IT-eS industries in India have been documented by Kleibert (2015), Kumar (2016) and Vira & James (2012). Because of this difficulty in gaining access to potential respondents, the fieldwork period was stretched across two years, with interviews being conducted whenever the researcher got lucky in finding a respondent willing to participate in the research. The researcher being located in the same city as that of the research site helped in stretching the fieldwork period. 28 in-depth semi-structured interviews were conducted by the researcher during this period of two years.

The difficult access to respondents played a role in the sample design for the research. Because of the industry's inaccessibility, potential interviewees were contacted via the author's personal networks, instead of a random sampling method. However, to avoid any sample bias arising out of the author's own class background, the networks were specifically asked to suggest interviewees coming from diverse social backgrounds, working in different companies, in different job profiles and with diversified industry experience. Appointments for the interviews were taken over the telephone, after which the interview took place at a location of convenience to the respondent. Of the 28 interviewees, 24 were reached via the author's personal networks and contacts of four interviewees were obtained from the earlier respondents. Most of the respondents were current employees of the IT-eS industry, but former employees as well as high-level managers also formed a part of the sample (see Table 3.1 for a summary of the sample). The job-profile of the interview respondents was varied, ranging from data-entry operators and call-centre executives to HR managers (see Table 3.2). Each interview lasted for an average of about an hour (see Appendix A3.1 for a detailed list of interviews conducted). All interviews were transcribed and the insights from them are

analysed in Chapters 6 and 7. These chapters also explain the nature of questions included in the interviews.

### 3.5 Primary survey

**Table 3.1 Sample Summary**

	Interviews			Survey
	Employees	Industry experts	Total (Employees + experts)	Employees
Sample size	22	06	28	330
Male	17	06	23	225
Female	05	00	05	105
Current employees	17	06	23	256
Former employees	05	00	05	74
Average age (years)	28	-	-	25
Average experience in the industry (years)	5.7	-	-	2.5

*Source: Compiled by the author based on the field data collected.*

A primary survey of 330 current and former IT-eS employees complemented the semi-structured interviews (see Table 3.1 for a sample summary). The purpose of the survey was to triangulate the findings from the interviews as well as to complement them by gaining broad inferences about the research. Responses from the initial interviews were used as the basis to structure the survey questionnaire, which was further built taking the research questions into consideration (see Appendix A3.2 for the survey questionnaire). Again, given the wariness of

respondents about leakage of confidential data to outsiders, a random sampling method could not be adopted to conduct the survey. The initial survey questionnaires were filled through snowball sampling, wherein acquaintances working in the industry were requested to forward the questionnaire to their colleagues. To avoid any biases occurring due to participant overlap, specific care was taken that the same respondents do not participate in both the interviews and the survey. Most respondents filled and submitted the questionnaire online, while a few filled out hard copies in the presence of the researcher. In this manner, 28 responses were collected by the author between July 2013 and November 2014.

**Table 3.2 Respondents' Job Profile**

	Interviews	Survey
Front-office executive	07	219
Back-office executive	04	28
Team leader	01	25
Team manager	03	16
Research/ Financial analyst	04	08
Technical support	00	07
Human resource manager	03	03
Miscellaneous	06	17
NA	00	07
<b>Total</b>	28	330

*Source: Compiled by the author based on the field data collected.*

After trying for a few months to get the questionnaires answered, it was realised that it is practically infeasible to collect a large number of responses by the researcher herself in the stipulated time frame because of the difficulties in getting access to respondents. A large part of the task of administering the survey was hence outsourced to a Mumbai-based market research company. Such companies

## Chapter 3

have the necessary connections with firms to access the requisite information. They also have the manpower to conduct large scale surveys in a short period of time. The company collected 302 responses between August 2013 and September 2013. The data collected by the company was validated by contacting a random sample of 53 survey respondents of the company via telephone and verifying their responses. Further, this data was also compared with the smaller sample collected by the author (see Vira & James, 2012, who also adopt a similar method to study IT and IT-eS industry workers in India).

Similar to the interviews, the sample of employees in the survey was drawn from diverse activities in the IT-eS sector, ranging from data-entry operations and call-centres to advanced financial analytics (see Table 3.2). The majority of respondents worked in lower-end segments of the IT-eS industry as front-office or back-office executives. The former consists of jobs involving direct interaction with clients such as call-centre operations or handling online customer queries via chat or email. The latter consists of data-entry jobs or basic data analysis, involving no direct interaction with clients. The typical education level of these respondents was a higher secondary school or a graduate degree. Those in the higher-end segment of the industry, who worked as financial analysts or workforce strategists typically held a Masters' degree in commerce, economics, finance or management or a professional qualification such as a chartered accountant. The data from the survey was entered into MS-Excel and analysed in R. The survey questions and results are presented in Chapters 6 and 7.

### **3.6 Research site location-Mumbai**

As already elucidated, India is globally the most attractive location for offshoring of services. IT and IT-eS firms in India are mainly concentrated in the metro cities of Bengaluru (formerly Bangalore), Chennai (formerly Madras), New Delhi and its surrounding areas of Noida and Gurugram (together called the National

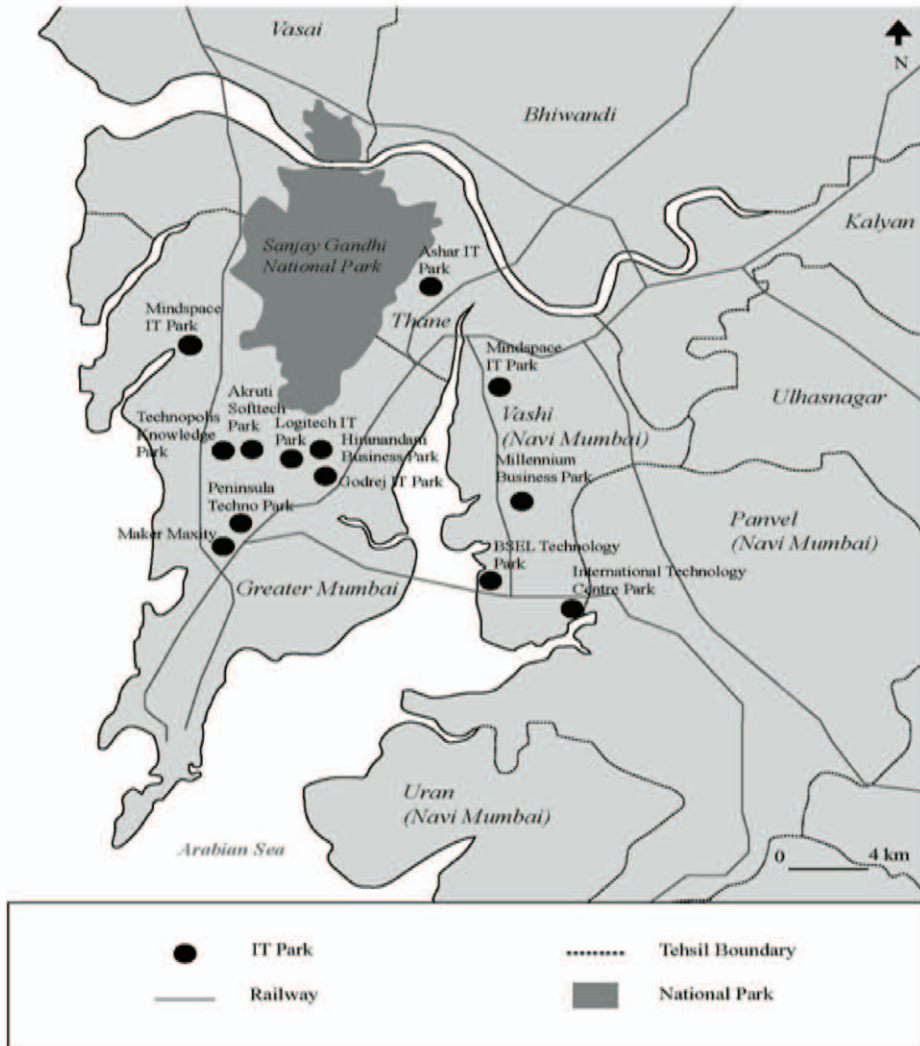
Capital region), and Mumbai (formerly Bombay). Lately, smaller cities like Pune are also becoming attractive locations for the setting up of offshore-service companies. However, given the vast distances between the cities and the difficulties in gaining access to the firms and its employees, the field work for this study was concentrated only in the city of Mumbai.

Mumbai was chosen as the research site for a variety of reasons. First, the city has traditionally been the commercial capital of India. It was initially developed as a port city, after which it became the textile manufacturing hub of the country. Gradually, with the decline of the textile mills, the city has been developed as the financial centre of the country, attracting many multi-national finance and allied services firms (D'Monte, 2002). Furthermore, in the British colonial era, Mumbai was one of the few cities to be developed as an educational hub, especially in higher-level English education (see Dobbin, 1972). Consequently, the city has become an attractive destination for higher educational opportunities and continues to produce many well-qualified college graduates and professionals. The presence of many established service sector firms along with sufficient availability of a talented labour pool has made the city an attractive destination for service offshore firms, particularly in the IT-eS segment of the industry, which is mostly finance-based. Mumbai is globally ranked third and nationally second in the rankings of service outsourcing destinations (Tholons, 2014). Second, Mumbai has attracted many researchers on all kinds of urban and economic issues, but very few studies on the IT and IT-eS industries in India have concentrated on Mumbai, despite its importance as a global destination for offshoring services. Most of the extant studies focus on the southern cities of Bengaluru and Chennai, or the capital city of New Delhi (see Fuller & Narasimhan, 2007; Upadhya, 2007; Vira & James, 2012). Third, Mumbai was practically the most feasible location to undertake the study because of the familiarity of the author with the city.

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Mumbai is located along the west coast of India. It is the capital city of the state of Maharashtra. The island city in the south and the adjoining suburban areas to the north together constitute Greater Mumbai, that is, the Mumbai city-proper. It has a total area of 603.4 km<sup>2</sup> and a population size of 12.4 million in 2011, making it the most populous city in India. Additionally, parts of the adjoining districts of Thane, Raigad and Palghar, which includes the satellite city of Navi Mumbai (New Mumbai), constitute the Mumbai Metropolitan Region (MMR). With a population size of 22.8 million in 2011, the MMR is the second largest urban agglomeration in the country and the ninth largest globally. It has an area of 4,355 km<sup>2</sup>. The research for this study was conducted in various parts of the MMR, as most IT-eS firms are situated in the western and central suburban region of Mumbai city and in parts of Thane and Navi Mumbai, rather than in the island city in the south (see Figure 3.1 for an indicative map of IT and IT-eS firms located in Mumbai). The location of firms across the city was a practical constraint for the research as it meant travelling across the length and breadth of the city for conducting the research. It may be noted that there are no comparisons made across firms or IT parks located in different regions of the city as these parks are not segregated in different locations based on their specialisation or such other dimension. The location of IT-eS firms away from the main city and in different pockets of the MMR is purely on account of spatial constraints within the city and cost considerations.

**Figure 3.1 IT and IT-eS Firms in Mumbai Metropolitan Region (MMR)**



Source: Reprinted with permission from Kumar (2016: 39).





Image 1: Aerial View of Mumbai Photo courtesy: Neeraj Hatekar





Image 2: View from inside an IT-eS firm located in Mumbai Photo: Sandhya Krishnan

### **3.7 Research ethics and limitations of the study**

While conducting this study, efforts have been made to follow the ethical practices that ideally govern any research procedure. Analysis of the NSS data was undertaken meticulously. Wherever possible, the calculated figures were cross-checked with those in the published reports of the NSS. Other computations, not available in the official reports, were verified with the help of research assistants, who performed the same calculations as this author. All interview and survey respondents were thoroughly informed about the purpose of the research. Interviews were recorded only after seeking prior permission from the respondents. Wherever such permissions were not granted, the researcher resorted to note-taking. Because most respondents were wary of their identities being revealed, the names of all participants and the companies they are associated with have been kept confidential throughout this study.

While this research has been undertaken earnestly, it is not without its limitations. Results from the NSS surveys should be interpreted keeping in mind their shortcomings. First, the survey is based on self-reporting of the participants and there is no way to verify the answers of the respondents. Second, all data are collected at the household level, wherein per capita figures are arrived at by dividing the household level data by the household size. To this extent, the NSS data do not reveal the differences in consumption expenditure between members of a sample household. Third, similar to other large scale surveys, the information at the tails of the survey distribution may not be very accurate. Finally, data from the NSS are in divergence with other large scale data sets on consumption expenditure such as the National Accounts Statistics, wherein the latter source generally has a greater mean. However, given the exhaustive information on consumption expenditure available in the NSS surveys, we chose to use this data source, despite its imperfections.

In the primary data on IT-eS employees, the empirical analysis is constrained to the city of Mumbai. The city of Mumbai is unique in multiple ways. Mumbai attracts the largest number of migrants in India because of the availability of jobs in the city. However, real estate prices in the city are very high even by global standards, making the city quite expensive to live in. Hence, employees from pre-existing middle class families that have secure jobs elsewhere in India, have little incentive to migrate to the city. These peculiarities of Mumbai should be taken note of before extending the results from this study to other metropolitan cities of India that have also attracted the IT-eS industry. Furthermore, these results have limited applicability to the smaller Indian cities that are emerging as offshoring hubs. Given the different dynamics of small cities as compared to the large ones, the impact of the industry on the former may be quite different from that on the latter. Also, although the phenomenon of the emergence of the service-outsourcing industry and the consequent emergence of a new middle class is not unique to India, this study cannot be generalised to other locations where similar transformations are at work. Every society is unique in its own ways; in India, for instance, studies on class ought to incorporate the dimension of caste (Beteille, 2007; Sheth, 1999), making it incomparable with other societies where similar social systems do not exist. At the most, this research can help compare similar developments taking place in other parts of the world.

Finally, data from the NSS surveys, such as that on consumption expenditure of households may not be strictly comparable to that gathered from the primary field survey. Though the city of Mumbai is part of the NSS sample, city-level data cannot be analysed separately as the sample size at the city-level is quite small in the NSS surveys to draw any reliable conclusions. In contrast, data from the primary survey is restricted to the city of Mumbai. Hence, to minimise problems of comparability, we compare the urban level data from the NSS surveys with that of the primary level data, wherever required. However, given the uniqueness of each city in India, this comparison has its own problems. The results in this study should be interpreted keeping in mind these limitations of the data.





## Chapter 4| Expansion of the Middle Class in India and its Changing Consumption Patterns<sup>4</sup>

### 4.1 Introduction

Economic capital lies at the root of all forms of capital (Bourdieu, 1986). Accumulation of cultural capital presupposes the possession of a certain minimum amount of economic capital. Possession of economic capital is hence one of the most fundamental dimensions in the analysis of class. This is also reflected in the many studies on the new middle class that have focused on the rise in income and consumption expenditures of the middle classes in developing countries (Birdsall, 2010, 2016; Cavusgil & Buckley, 2016; Kharas, 2010; Wietzke & Sumner, 2014). This chapter contributes to this strand of literature that examines middle-class growth in developing countries on the basis of their increase in income and consumption levels. The chapter estimates the size and growth of the middle class in India in the recent years between 1999-00 and 2011-12 and subsequent changes in its spending patterns and ownership of consumer goods. Based on the expansion of the middle class and its consumption practices, the chapter provides some initial insights on the emergence of the new middle class in India.

As already briefly discussed in Chapter 1, the middle class plays an important role in economic development via consumption. Banerjee & Duflo (2008) emphasise the role of the middle class as consumers who are willing to pay a little extra for quality. K. M. Murphy et al. (1989) describe the middle class as consumers of mass produced goods, who play an important role in industrialisation and growth. In the context of globalisation, Kharas (2010) asserts that the consumption role of the middle class has become more pronounced with the expansion of world trade

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<sup>4</sup> An earlier version of parts of this chapter and the following chapter, titled *Rise of the New Middle Class in India and its Changing Structure*, co-authored with Neeraj Hatekar, was published in 2017 in the *Economic and Political Weekly*, 52(22), 40-48.

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as globally more people now have access to a wider variety of consumer goods. The current global economic scenario has made the consumption role of the middle class in emerging economies even more significant. In the light of the global economic crisis as consumer demand from the western middle classes continues to remain bleak, middle classes in developing economies like India have become all the more important not only for driving domestic growth, but also in the recovery of global consumer demand (ADB, 2010; Kharas, 2010; Wilson & Dragusanu, 2008).

The analysis in this chapter on spending patterns of the middle class and the type of consumer goods it owns adds to such existing literature on the consumption-based developmental role of the middle class. It also enables us to comprehend the changes in consumption behaviour across classes in both qualitative (type of goods owned or consumed) and quantitative terms (change in share of expenditure on different goods). Besides, such a national level analysis puts the changes in lifestyles and consumption practices brought about by the emergence of the IT-eS industry in a larger perspective (see chapter 7). Existing studies on the expansion of the middle class in India are quite dated (see for example, Ravallion, 2010; Sridharan, 2004), focusing on the period starting from India's liberalisation in 1990 until the crisis period of 2008-09. If we are to expect middle classes in countries like India to rebalance global consumption growth, it is vital to measure its growth after the world economic crisis set in. This chapter provides updated estimates of middle-class growth in India, until the year 2011-12.

As described in the last chapter, this chapter draws on NSS data on Household Consumer Expenditure in India. The following section provides an overview of the growth in consumption expenditure in India between 1999-00 and 2011-12. The subsequent section surveys existing income/consumption-based definitions



of the middle class and their estimates, thereby arriving at the definition that will be used in this thesis. Middle class size in India and its growth from 1999-00 to 2011-12 are estimated in Section 4.4. Section 4.5 traces middle class expansion across different states in India, while section 4.6 studies the spending patterns across classes. This is followed with an analysis on the distribution of select groups of assets across classes. The final section concludes.

## 4.2 Expanding consumption expenditure in India

The middle class in India has been at the centre of attention for its rising consumption capacity (Ablett et al., 2007; ADB, 2010; Ravallion, 2010; Shukla, 2010), but little is known about growth in aggregate consumption expenditure of the entire population. Before we investigate the expanding size of the middle class, it is hence worthwhile to glance at the growth of consumption expenditure in general in India in the recent years between 1999-00 and 2011-12.

Figure 4.1 shows, that between 1999-00 and 2004-05 (henceforth  $t_1$ ) real per capita consumption expenditure in India hardly showed any growth. Contrary to claims made in several reports about India's rising consumption expenditure in the early 2000s (see ADB, 2010; Wilson and Dragusanu, 2008), growth in real consumption expenditure actually declined in  $t_1$  across all deciles, except the top two (see also Table 4.1). A rural-urban segregation of data (Figures 4.2 and 4.3) shows, that rural India performed much worse than its urban counterpart. Except for the richest 10 per cent of the population, rural India witnessed a negative growth in its consumption expenditure in  $t_1$ . In urban India in contrast, except for the poorest 10 per cent of the population, all expenditure groups recorded a growth in their consumption expenditure, although only marginally. During the years 2004-05 and 2011-12 (henceforth  $t_2$ ) consumption expenditure in India witnessed a remarkable growth across all expenditure deciles in both rural and urban areas, although the latter recorded a relatively higher rate of growth. This



shows that India's consumption growth actually accelerated during times when the world economy in general was witnessing a slowdown in growth. This vindicates the assertions made in several studies that consumer demand from countries such as India will help rebalance global economic growth (ADB, 2010; Kharas, 2010; Wilson & Dragusanu, 2008).

**Table 4.1 Compound Annual Growth Rate of Real Daily Per Capita Consumption Expenditure across Deciles (%)**

Decile	1999-00 to 2004-05 ( $t_1$ )			2004-05 to 2011-12 ( $t_2$ )		
	India	Rural	Urban	India	Rural	Urban
1	-0.81	-0.84	-0.15	4.42	4.28	4.23
2	-0.83	-0.88	0.05	4.61	4.46	4.50
3	-0.85	-0.97	0.23	4.70	4.59	4.62
4	-0.77	-0.96	0.48	4.80	4.60	4.76
5	-0.72	-0.89	0.68	4.96	4.66	4.79
6	-0.57	-0.91	0.89	5.12	4.79	4.73
7	-0.38	-0.80	1.20	5.28	4.91	4.63
8	-0.15	-0.72	1.33	5.34	5.04	4.68
9	0.54	-0.59	1.80	5.32	5.05	4.63
10	1.91	1.13	1.97	5.60	4.88	5.66

*Source: Author's calculations based on NSS Household Consumer Expenditure Surveys, 1999-00, 2004-05 and 2011-12.*

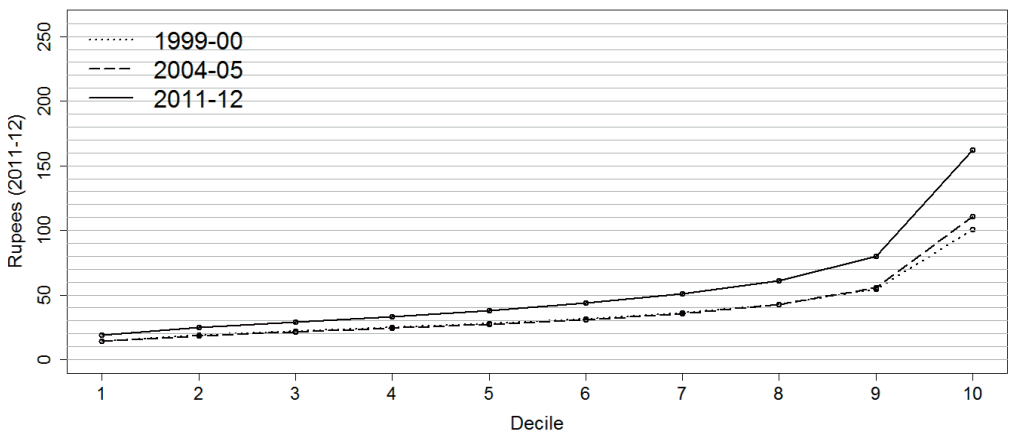
*Note: Consumption expenditure is based on the Mixed Reference Period method.*

*Inflation rates are computed using the GDP deflator.*

Although consumption expenditure growth in India has improved in  $t_2$  as compared to  $t_1$ , the data point towards an unequal distribution of returns to growth. In  $t_1$ , real consumption expenditure growth declined among the large majority of Indians, but the relatively poorer sections of the population recorded a larger rate of decline in consumption growth than the relatively rich. Especially in urban India, the rate of growth in consumption expenditure systematically

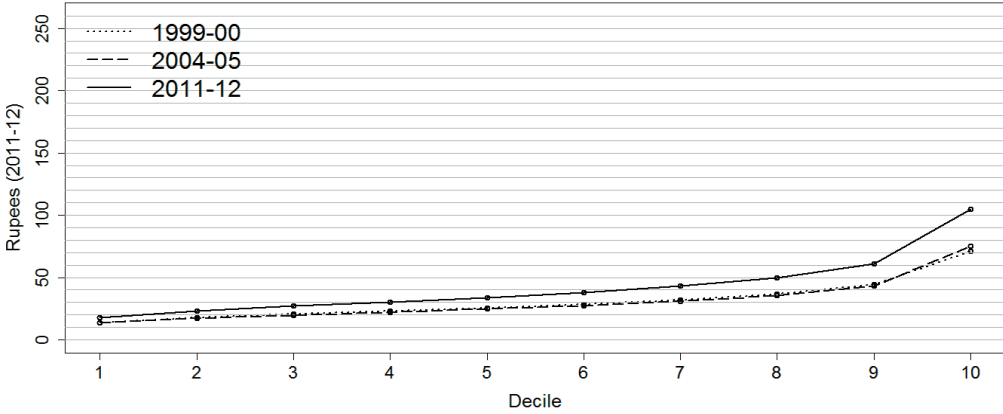
increased along the consumption curve. Similarly, in  $t_2$ , even as the rate of growth in consumption expenditure was positive across all expenditure deciles, in general, the relatively rich witnessed a higher rate of expenditure growth as compared to the poor. Also, the higher growth rate among the relatively rich in  $t_2$  has occurred in spite of a higher base. Thus, even though all expenditure groups were better-off in  $t_2$  than in  $t_1$ , the distribution of consumption expenditure growth in both periods was rather unequal, the proceeds of growth most benefitting the top-most deciles of the population.

**Figure 4.1 Daily Average Per Capita Consumption Expenditure across Expenditure Deciles, India**



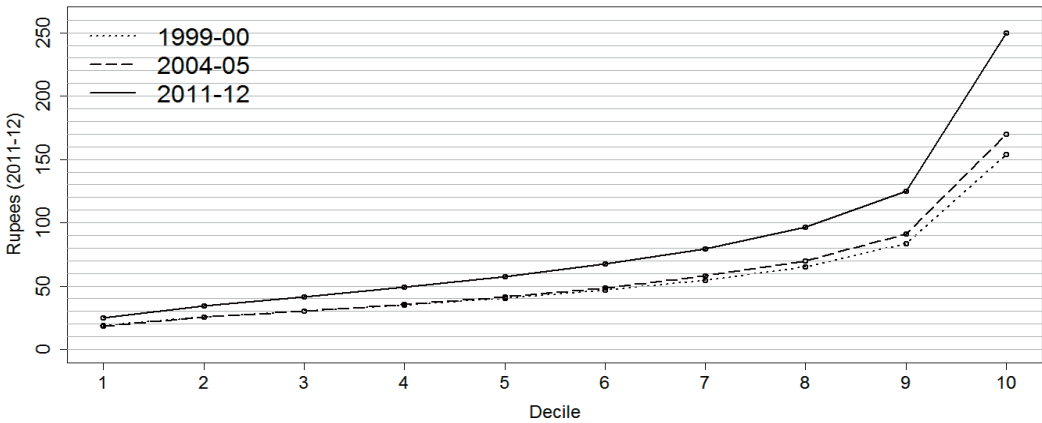
*Source: Author's calculations based on NSS Household Consumer Expenditure Surveys, 1999-00, 20004-05 and 2011-12*

**Figure 4.2 Daily Average Per Capita Expenditure across Expenditure Deciles, Rural India**



Source: Same as Figure 4.1

**Figure 4.3 Daily Average Per Capita Consumption Expenditure across Expenditure Deciles, Urban India**



Source: Same as Figure 4.1

The question of interest for this study is how the middle class in particular performed during this period. Let us consider period  $t_2$ , when consumption expenditure growth was positive across the entire population. In urban India, if we leave out the top-most decile of the population, we find that the highest increase in consumption expenditure growth happened somewhere in the middle of the distribution, between the 40<sup>th</sup> and 60<sup>th</sup> percentiles of the population. Similarly, in rural India, leaving out the richest 10 per cent of the population, the 50<sup>th</sup> to 80<sup>th</sup> percentiles of the population witnessed the highest increase in consumption expenditure. Based on Easterly's (2001) definition, who classifies the middle class as those between the 20<sup>th</sup> and 80<sup>th</sup> percentile of the population, our data indicates that if we ignore the richest 10 per cent of the population, the highest growth rates in consumption expenditure in India in  $t_2$  was recorded by the middle class. However, relative definitions such as that of Easterly (2001) are of little help in estimating the size of middle class expansion over time. Absolute definitions will be useful for inter-temporal analyses of middle-class growth. The following section surveys some of the existing absolute-type definitions of the middle class, arriving at the one that will be used in this study.

### **4.3 Economic definitions of the middle class and their estimates- A critical review**

#### **4.3.1 Survey of middle class definitions**

There are several income-based or consumption-based definitions of the middle class. These can broadly be classified into relative and absolute types. In the relative type, Birdsall, Graham & Pettinato (2000) define middle strata households as those with per capita income in the range of 75 and 125 per cent of the median household per capita income. Easterly (2001) defines the middle class as those lying between the 20<sup>th</sup> and 80<sup>th</sup> percentile of their country's consumption distribution. Relative definitions are essentially useful for conducting cross-

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sectional analyses of the middle class. For inter-temporal studies on the middle class like the present one, absolute definitions need to be employed. But even within the absolute type, there are a host of different definitions of the middle class. This section critically reviews a select few, subsequently choosing one definition that will be applied in this thesis.

One type of absolute definition is proposed by Kharas (2010), who defines the middle class as those with daily per capita incomes between \$10 and \$100 in purchasing power parity (PPP) terms. The lower bound is chosen with reference to the average poverty line in Portugal and Italy, while the upper bound is chosen as twice the median income of Luxembourg, the richest advanced country. Meyer & Birdsall (2012), in their study on the middle class in India use the same lower threshold of \$10 per capita per day, measured in 2005 PPP, but their upper bound is defined at \$50. They argue that the lower bound of \$10 is the global minimum to be categorised as the middle class. The upper bound is set at \$50 because most Latin American households earning beyond this limit consider themselves rich, not middle class (see Birdsall, 2012). Kochhar (2015), in his study on the global middle class defines the class as those with a daily income or consumption between \$10 and \$20, measured in 2011 PPP. Similar to Meyer & Birdsall (2012), Kochhar (2015) associates the lower threshold of \$10 (which is five times the global poverty line) with economic security, which insulates people from falling back into poverty. Wilson & Dragusanu (2008) define the global middle class as those with an annual income between \$6000 and \$30000 (2007 PPP) or between \$15 and \$80 on a daily basis. A popular definition of the middle class in the Indian context is provided by the National Council of Applied Economic Research (NCAER). It defines middle class households as those earning an annual income between ₹200,000 and ₹1 million in 2001-02 prices (Shukla 2010: 100). Assuming an average household size of five, this approximately equals \$11 and \$55, respectively, per capita per day, in 2005 PPP terms, close to the bounds defined

by Meyer & Birdsall (2012). In essence, these definitions imply that the middle class are those who are well above poverty not only in their own countries, but also by the standards of developed countries.

In contrast to the above definitions, which mostly cater to measuring the global middle class, some studies have come up with definitions of the middle class particularly in the context of developing countries. They include within the middle class all those individuals who are fairly above the poverty line by developing country standards, having a sufficient amount of discretionary income to spend. Using household surveys of 13 developing countries including India, Banerjee & Duflo (2008) define the middle class as those who spend between \$2 and \$10 per capita, per day, valued at 1993 PPP. Within the middle class, they further consider two groups of households- the lower-middle class, whose daily per capita expenditures are between \$2 and \$4 and the upper-middle class, whose expenditures lie between \$6 and \$10. Banerjee & Duflo (2008) acknowledge that the lower limit of \$2 is well below the poverty line of developed countries. However, for most of the countries considered in their sample, this range composed of those lying between the 20<sup>th</sup> and 80<sup>th</sup> percentile of the income distribution of these countries, in line with Easterly's (2001) relative definition of the middle class. Furthermore, for rural India, the \$2 line lies above the 80<sup>th</sup> percentile of the consumption distribution, so that the \$2 to \$4 category is richer than Easterly's middle class. Similarly, Ravallion (2010) identifies the developing world's middle class as those who are not poor by the standards of developing countries but are poor by the standards of rich countries. He defines the lower bound of middle class as the median of poverty lines of 70 developing countries, which is \$2 per capita, per day, measured in 2005 PPP. The upper bound is defined as the poverty line of the US in 2005, which is \$13. ADB (2010) identifies the middle class in developing Asia using the same lower bound of \$2 (2005 PPP), but a higher upper bound of \$20 per person per day, which is roughly equivalent

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to the poverty line of Italy. The middle class is further divided into three groups, depending on their ability to save and consume. The lower-middle class, that is, individuals spending between \$2 and \$4, are only slightly above the global poverty line and very vulnerable of slipping back into poverty. The middle-middle class, at \$4 - \$10 is living above subsistence and able to save and consume discretionary goods. Finally, upper-middle class, consuming between \$10 and \$20 per day are above the poverty lines of Brazil and Italy, respectively.

Different from these income and consumption-based approaches, Krishna & Bajpai (2015) define the middle class in India on the basis of ownership of transportation assets. They define the lower-middle class as those whose best available means of transportation is a motor-cycle or a motor-scooter. The upper-middle class consists of those who possess a car, whereas the rich are those who possess both an air-conditioner and a car. The authors are of the view that in contemporary India, assets are the key status symbols of middle class identity.

### **4.3.2 Estimates of middle class size in India**

Obviously, these varied definitions give different estimates of the size of the middle class in India. Research based on a developing country definition of the middle class, that is, those spending roughly above \$2 per day, find that around 2005, India's middle class accounted for about a quarter of its population. For instance, Ravallion (2010) finds India's middle class to have expanded from 17.3 per cent of the population (146.8 million people) in 1991 to 24.1 per cent (263.7 million people) in 2005. Similarly, the ADB (2010) classifies 274.13 million Indians, accounting for 25.05 per cent of the country's population in 2005, as middle class. According to Sridharan (2004), India's middle class has expanded from 14.2 per cent of households in 1989-90 to 25.8 per cent in 1998-99. Banerjee & Duflo (2008) find 12 per cent of rural India and 38 per cent of urban India in

the middle class. Most of them however are in the lower-middle class, spending less than \$4 per day.

Studies that use a global definition of the middle class, that is, which define the middle class as those with incomes more than \$10 per capita per day, find India's middle class size to be much smaller, ranging between 5 and 10 per cent of its population. Meyer & Birdsall (2012), estimate India's middle class size at 69.2 million people, or 5.9 per cent of the total population. Out of this, 27.8 million people live in rural areas and 41.3 million in urban areas. Thus, according to the estimates of Meyer & Birdsall (2012), most of India's middle class is concentrated in the urban areas. Kochhar (2015) finds little growth in India's middle class between 2001 and 2011. According to him, the share of population that could be considered middle class increased from 1 per cent to just 3 per cent in this period. In fact, instead of a burgeoning middle class, he finds that India's ranks of low-income earners have swelled in this period.

A few other studies, based on a global definition of the middle class similarly find India's middle class size to be relatively small. However, these studies expect the class to expand further in the future, such that it will drive global consumption. Kharas (2010), for example, estimates India's middle class size to be in the range of 5 to 10 per cent of its population in 2009. But between 2015 and 2025, half of India is expected to be in the middle class category and in the next 30 years the class is expected to dramatically expand to 90 per cent of its population. Similarly, Wilson & Dragusanu (2008) estimate India's middle class size at just 5 per cent of the population in 2007, but expect the country to become the driver of global middle class creation in the next decade, with the vast majority of Indians entering the middle class by 2040. Ablett et al. (2007), in their study on the rise of the Indian middle class, predict that as a result of drastic poverty reduction India's middle class size will swell by over 10 times from 50 million people in



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2006 to 583 million people in 2025. Although most of this increase will happen in the urban areas, rural areas too will benefit from the new wealth and consumption creation.

In stark contrast to the above studies that expect India's middle class to grow further in the future, Krishna & Bajpai (2015) find the proportion of the middle class to have increased from 11 per cent in 1992-93 to 22 per cent in 2005-06, but declined thereafter to 17 per cent in 2007-08. Much of the stagnation in middle-class growth appears to have taken place in rural India.

Such varied estimates of the size and trends in middle-class growth in India suggest that it is necessary to carefully re-calibrate the growth in India's middle class, particularly after the crisis period of 2008-09.

### **4.3.3 Arriving at a suitable middle class definition**

Given these various definitions and estimates of the middle class, the critical question is which of them best describes the middle class in India. Though Krishna & Bajpai (2015) use a rather novel definition, which well relates to the contemporary middle class in India, it is not without problems. First, the authors themselves point out that assets are relatively more stationary than income or consumption, implying that ownership of assets does not accurately reflect the fast-paced change in income and consumption taking place in India lately. Second, ownership of type of transportation assets depends on local infrastructure, particularly, transport facilities, which are quite diverse in different regions of India. Thirdly, as economies grow, the value of different assets change, making this definition redundant for long term analyses. A transportation-asset based classification is hence not the best way to define the middle class.

The income or expenditure bounds of the middle class put forth by Kharas (2010), Kochhar (2015), Meyer & Birdsall (2012), NCAER and Wilson & Dragusanu (2008) are better suited in a developed country context. As Banerjee & Duflo (2008) and Birdsall (2016) show, the minimum threshold of \$10 that these definitions use, is quite high in a developing country context. The definitions proposed by ADB (2010), Banerjee & Duflo (2008) and Ravallion (2010) are set at a lower bound of \$2. A minimum expenditure of \$2 is reasonable to be identified as middle class in a developing country as it ensures a base amount of consumption that can contribute economically to growth (Chun et al., 2011). However, ADB (2010) and Ravallion (2010) measure expenditures in 2005 PPP. Compared to the World Bank poverty line of \$1.9 a day (2011 PPP), it places the middle class only marginally above the poor. As against this, Banerjee & Duflo (2008) measure expenditure at a higher real value of 1993 PPP which is sufficiently greater than both the global poverty line and the national poverty line for India<sup>5</sup>. As Banerjee & Duflo (2008) themselves observe, the range of \$2 to \$4 enables us to compare the differences in expenditures of the poor and the bottom of the middle class and whether they change as we move higher in the expenditure distribution. The upper-bound of \$10 is ideal to ensure that no non-middle class person is left out of the category as well as no affluent member is included in the middle class. We therefore find the definition offered by Banerjee & Duflo (2008) the most fitting to be applied in the Indian context among all existing economic definitions of the middle class.

#### 4.4 Estimating middle class size

To calculate the size of the middle class in India using the NSS data for the years 1999-00, 2004-05 and 2011-12, we first convert the consumption expenditure

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<sup>5</sup> The national poverty line suggested by the Tendulkar committee (Planning Commission, 2013) is daily per capita expenditure of ₹27.2 (2011-12 prices) or \$1.8 (2011 PPP) for rural India and ₹33.3 (2011-12 prices) or \$2.2 (2011 PPP) for urban India.

ranges proposed by Banerjee & Duflo (2008) in 1993 PPP dollars (private consumption) to Indian Rupees. Thereafter, we adjust them for inflation rates in India for the years under consideration. To calculate inflation rates, we use the GDP deflator instead of the Consumer Price Index (CPI). We do so because the new CPI series for India (CPI-rural and CPI-urban) is available only from 2011-12 onwards. Older CPI indices do not correctly reflect prices faced by the aggregate national population as they are restricted to Agricultural Labourers (CPI-AL) or to Industrial Workers (CPI-IW) alone. Nonetheless, we compared middle class expenditure ranges for rural and urban areas using both GDP deflator and CPI-AL (for rural areas) and CPI-IW (for urban areas) adjusted prices. Since there are no significant differences in the expenditure ranges, we settled for the GDP deflator. The Rupee-denominated expenditure ranges for the different classes thus obtained are presented in Table 4.2.

**Table 4.2 Daily Per Capita Consumption Expenditure Range for Different Classes in India Using the Banerjee-Duflo Definition (figures in ₹)**

	1999-00	2004-05	2011-12
Poor (<\$2)	<20.3	<24.7	<39.5
Middle class (\$2-\$10)	20.3-101.7	24.7-123.4	39.5-197.3
Lower-middle class (\$2-\$4)	20.3 - 40.7	24.7 - 49.4	39.5 - 78.9
Middle-middle class (\$4-\$6)	40.7-61.0	49.4-74.0	78.9-118.4
Upper-middle class (\$6-\$10)	61.0 - 101.7	74.0 - 123.4	118.4 - 197.3
Affluent (>\$10)	>101.7	>123.4	>197.3

*Source: Author's calculations based on World Data Bank (PPP rates- private consumption) and Handbook of Statistics on Indian Economy, Reserve Bank of India (GDP deflator).*

Converting the middle class expenditure ranges of Table 4.2 to percentile terms by applying them to the data in Figure 4.1, we find that the middle class in 1999-00 and 2004-05 were above the 80<sup>th</sup> percentile of the population distribution of

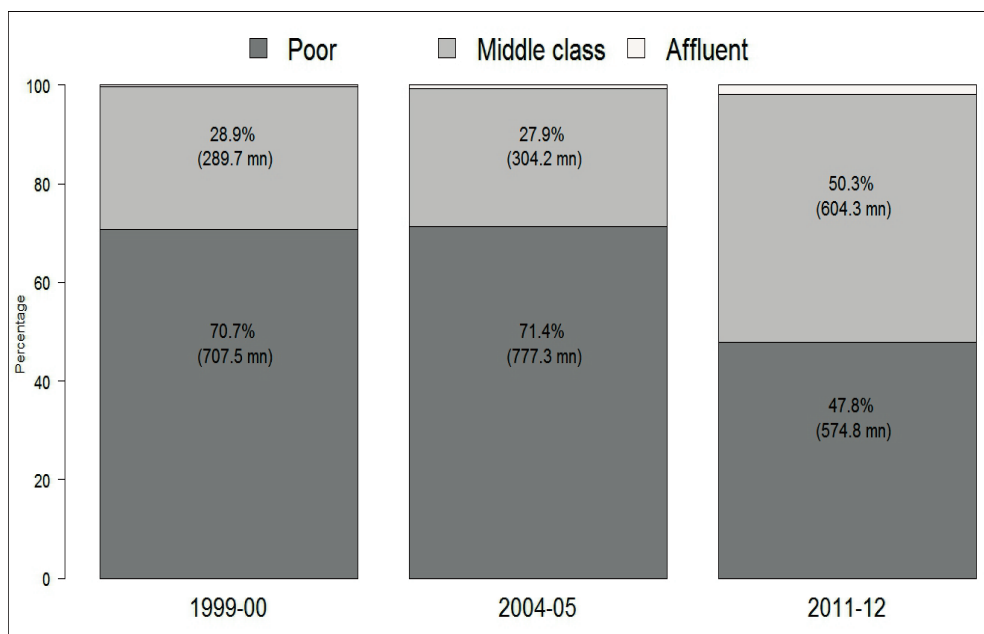
consumption expenditure. In other words, the middle class in  $t_1$  were well above Easterly's (2001) relative definition of the middle class, which ranged between 20<sup>th</sup> and 80<sup>th</sup> percentiles of the consumption distribution. In 2011-12, the middle class in India lay among the top 50 percent of the population, which partly includes the middle class as per Easterly's (2001) definition.

Figures from 4.4 to 4.7 show the actual size of different classes in India, across rural and urban areas. In  $t_1$  there was no significant change in the size of the middle class in India. In fact, the share of the middle class in the total population shrunk marginally, while that of the poor increased. Within the middle class (Figure 4.5), the middle-middle and upper-middle classes expanded, but this was offset by a larger decline in the share of the lower-middle class. These findings are consistent with results presented in Section 4.2 above on the growth in consumption expenditure in India across different expenditure deciles. Since the majority of the Indian population, especially the relatively poorer sections of the population witnessed a negative growth rate in their consumption expenditure in  $t_1$ , it is not surprising that the size of the middle class remained stagnant during this period.

In contrast to  $t_1$ , in  $t_2$ , we witness an astonishing change in class composition in India. The share of the poor declined from over 70 per cent to less than 50 per cent of the population (Figure 4.4). The middle class, which accounted for less than 30 per cent of the population earlier, rose to over 50 per cent. In absolute size, the middle class almost doubled, from 304 million in 2004-05 to 604 million in 2011-12. The middle-middle and upper-middle classes also expanded, from a mere 5 per cent of the population in 2004-05 to 13 per cent in 2011-12 (see also Appendix A4.1). Interestingly, the bulk of the expansion in the middle class in this period was led by the lower-middle class, which constituted three-fourths of the total middle class population. These results are also in line with that of

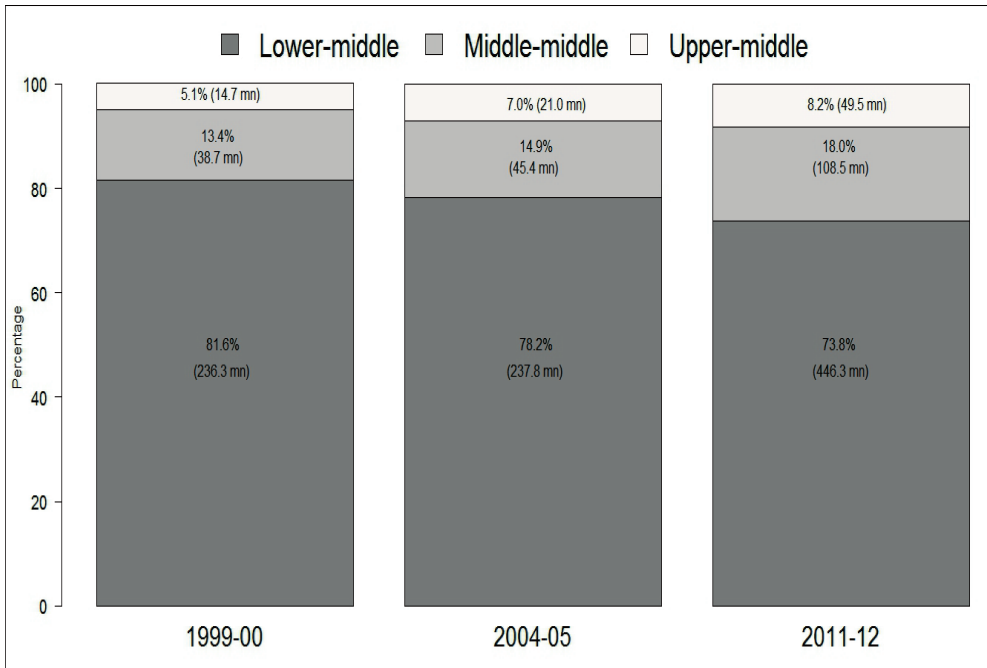
Section 4.2, where all expenditure deciles recorded a considerable growth in their real consumption expenditures in  $t_2$ , but those in the middle of the distribution showed among the highest rate of growth in consumption.

**Figure 4.4 Size of Different Classes in India**



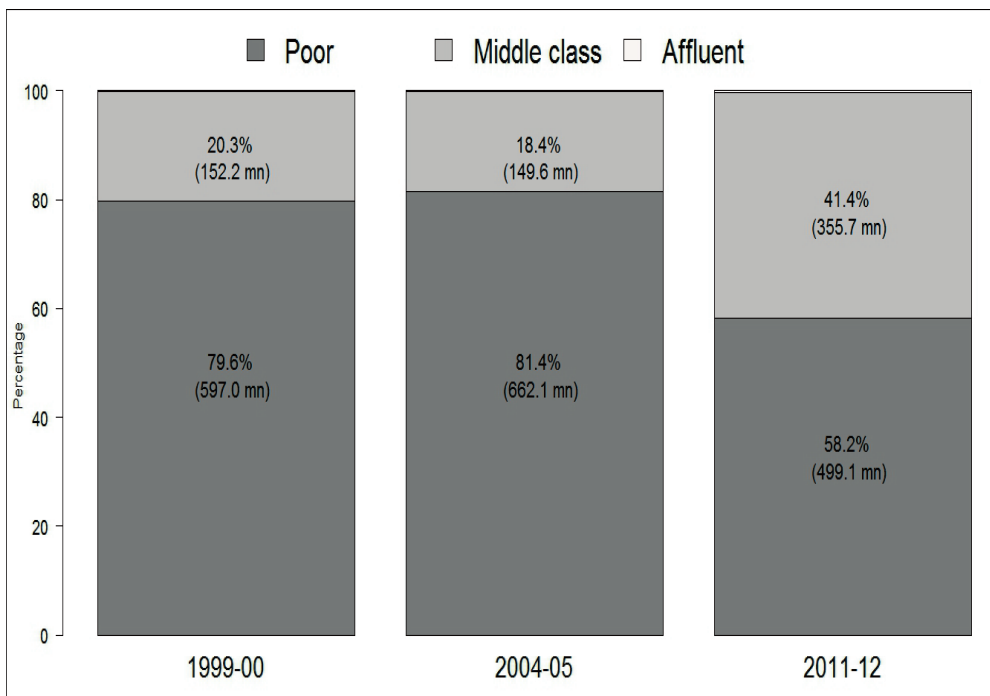
Source: Author's calculations based on NSS Household Consumer Expenditure surveys, 1999-00, 2004-05 and 2011-12.

**Figure 4.5 Size of Different Classes within the Middle Class, India**

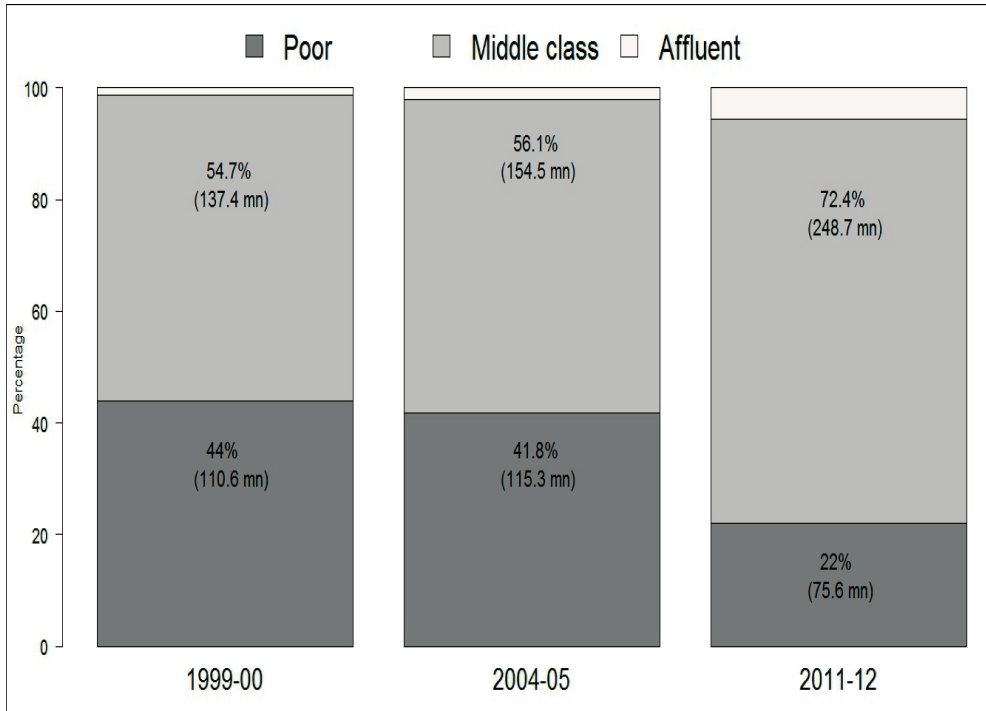


Source: Same as Figure 4.4

**Figure 4.6 Size of Different Classes in Rural India**



Source: Same as Figure 4.4

**Figure 4.7 Size of Different Classes in Urban India**

Source: Same as Figure 4.4

Segregation of the data into rural and urban areas (Figures 4.6 and 4.7) indicates that rural India showed a similar trend, where in  $t_1$  the poor swelled in numbers, proportion of the lower-middle class declined, while the rest of the classes expanded marginally. Urban India, in contrast, witnessed a marginal decline in the share of the poor (in line with the results in Section 4.2, where urban India recorded a positive growth in consumption expenditure for 90 per cent of the population), although in absolute numbers, it increased by about five million. The urban middle class expanded slightly, in the middle-middle and upper-middle categories. By contrast, in  $t_2$ , both rural and urban areas witnessed an increase in the share of the middle class and reduction of the poor. In fact, rural India



surpassed its urban counterpart in terms of total middle class population by 107 million more people.

The findings suggest that the seven years between 2004-05 and 2011-12 have been quite significant for India, in both rural and urban areas. The middle class has swelled in an unprecedented fashion, albeit mainly in the \$2 to \$4 category. Several people have come out of poverty to join the lower-middle class ranks. These findings are consistent with that of ADB (2010), Banerjee & Duflo (2008) and Kochhar (2015) who also show that the largest increase in class size has been recorded among the lower-middle ranks of the Indian population. However, these studies also assert that the middle class in India is essentially an urban phenomenon, which contradicts the results presented here. The findings here are also in contrast to that of Krishna & Bajpai (2015), who find Indian middle-class growth to have decelerated in the last few years, especially in the rural areas.

### 4.4.1 Robustness of estimates

It could be argued that the deviation in the present results from existing studies is merely a matter of differences in the definition of the middle class. To verify the robustness of these results, we carry out an exercise to check how the estimates vary with changes in definition of the middle class. We compare the definition that we use with three other absolute definitions of the middle class, namely, ADB (2010), Meyer & Birdsall (2012) and Krishna & Bajpai (2015). The first definition defines the middle class as those who are just above the poverty line; the second compares them to the global middle class, while the third uses transportation assets as the defining characteristic of the middle class<sup>67</sup>.

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<sup>6</sup> Meyer & Birdsall's (2012) definition is income-based, while NSS surveys provide data on consumption. Hence, to arrive at an income distribution from the consumption distribution we make use of the quintile-wise income-expenditure ratio of households for 2004-05 given in Shukla (2010). We calculate corresponding income levels for each consumption quintile, separately for rural and urban areas and then combine them to

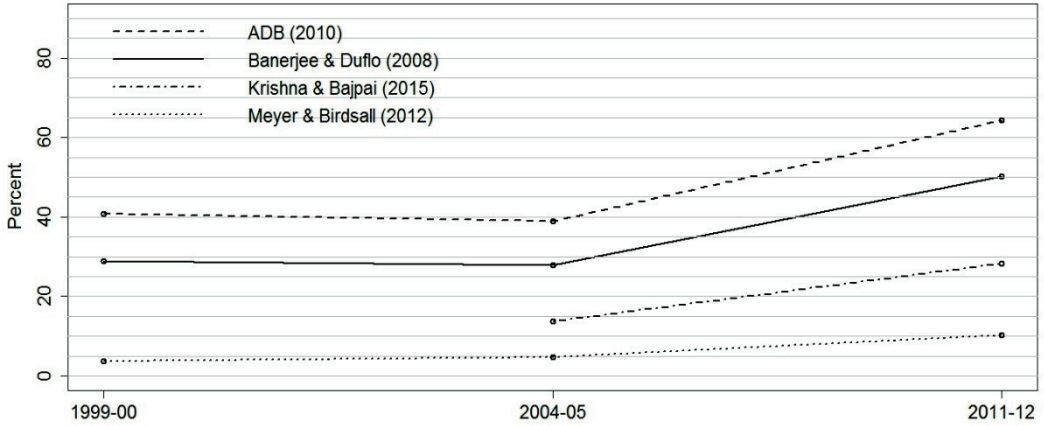
We find that depending on the definition used, the size of the middle class varies drastically (Figures 4.8 - 4.10). In rural India, by the definition of Meyer & Birdsall (2012), the middle class was as small as 5 per cent in 2011-12, compared to 41 per cent by the definition of Banerjee & Duflo (2008). Similarly, the size of the urban middle class varies between 20 and 80 per cent, depending on the definition used. However, irrespective of the definition used, the growth in the share of the middle class was almost flat in  $t_1$ , but rose remarkably in  $t_2$ . Moreover, even by the ownership of assets-based definition of Krishna & Bajpai (2015), we find the middle class to have expanded in both rural and urban areas, much in contrast to the findings of the authors themselves. This shows that the estimates of the size of the middle class presented are in general robust to changes in definition of the class.

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arrive at the aggregate income distribution. Since the income-expenditure ratios are available only for 2004-05, we assume the ratio to be constant over all three years under analysis.

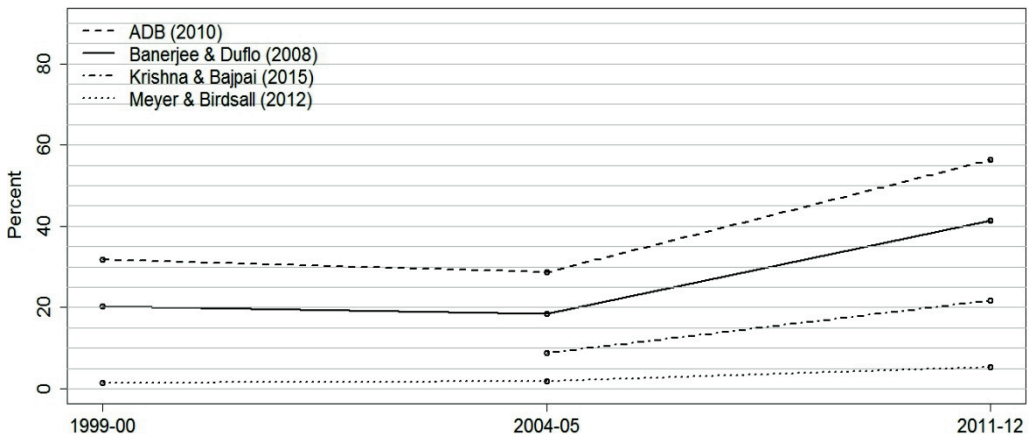
<sup>7</sup> To estimate middle class size by the Krishna & Bajpai (2015) definition, we draw on NSS data on ownership of transportation assets. Because NSS survey for 1999-00 does not supply this data, we arrive at middle class estimates based on Krishna & Bajpai's definition only for 2004-05 and 2011-12.

**Figure 4.8 Middle Class Size by Different Definitions, India**

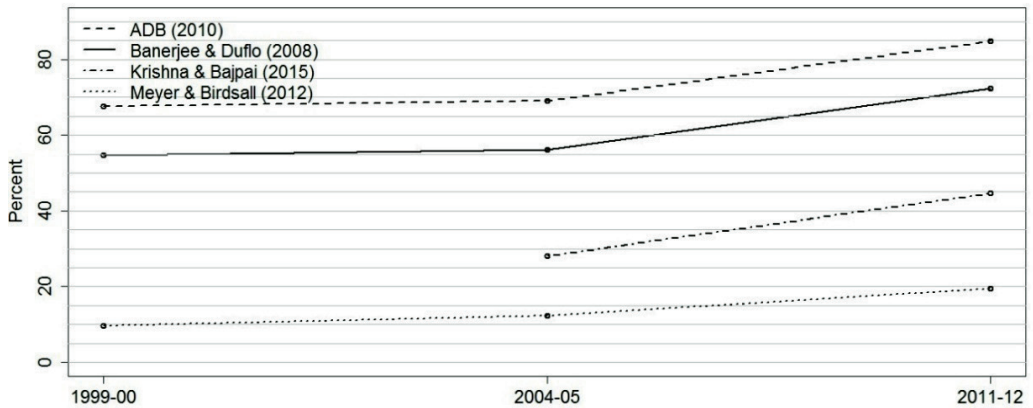


Source: Author's calculations based on NSS Consumer Expenditure surveys, 1999-00, 2004-05 and 2011-12.

**Figure 4.9 Middle Class Size by Different Definitions, Rural India**



Source: Same as Figure 4.8.

**Figure 4.10 Middle Class Size by Different Definitions, Urban India**

Source: Same as Figure 4.8.

#### 4.5 Regional distribution of the middle class

The findings so far reveal that expansion in the middle class is not confined to urban India, but rural areas too have witnessed a sharp reduction in poverty and movement of a substantial number of people into the middle class. But how have the different states of India performed in terms of middle-class growth? Are middle class members located in few of the bigger states or do all states have a fairly equal share of middle class members? India being a federal democracy, the constitutional powers are divided between the centre and the states. In fact, liberalisation has reduced the degree of control exercised by the centre, leaving much greater scope for state-level initiatives. This has translated into greater divergences in the performance of different states in the post-liberalisation period (Ahluwalia, 2000). The divergence across different states calls for a state-level analysis of middle-class growth, which is conspicuously missing in existing studies on the middle class in India. This section conducts a state-wise study of the middle class distribution in India to fill this gap in extant literature. The

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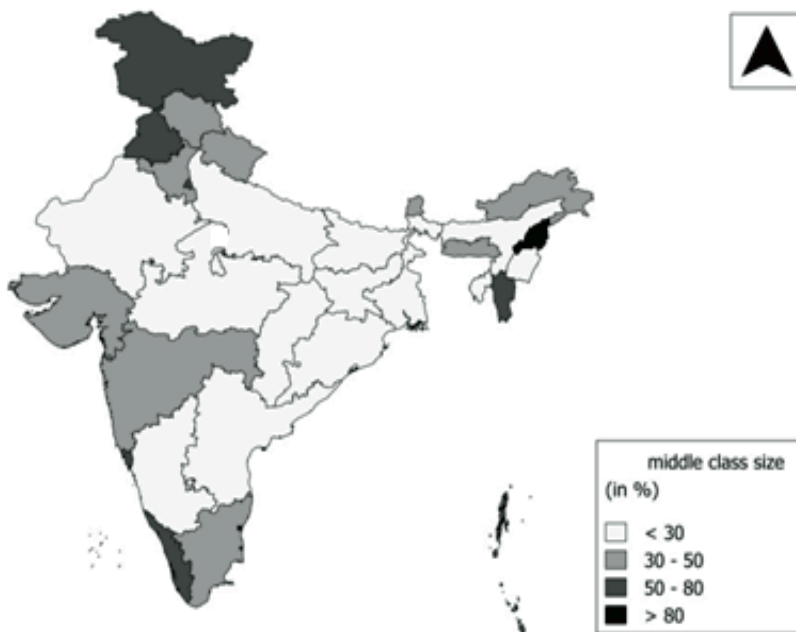
analysis is however limited to  $t_2$  as the reconstitution of a few states in the year 2000 makes comparison between  $t_1$  and  $t_2$  unfeasible for the reconstituted states. Nevertheless, Appendix A4.2 gives state-wise middle class size for all three years.

Figure 4.11 shows that in 2004-05, the proportion of middle class population in many of the states in India was below the national average, that is, less than 30 per cent of the respective state populations. Only two southern states of Tamil Nadu and Kerala, two western states of Maharashtra and Gujarat and some of the states in the north, such as Jammu and Kashmir, Haryana and Punjab were among the large states with a middle class population share above national average. These results indicate considerable divergence in growth between different states, in line with the study of Ahluwalia (2000).

In 2011-12, the fraction of middle class population increased in the majority of the states (Figure 4.12). Importantly, distribution of middle class population share also became more balanced across states, reflecting growth convergence between states in the recent years. Some states, such as Andhra Pradesh, Karnataka and Rajasthan in particular fared exceptionally well. Proportion of middle class in Andhra Pradesh increased from 29.6 per cent to 71.3 per cent in  $t_2$ , while that of Rajasthan grew from 26.3 per cent to 65.5 per cent. Similarly, the middle class population share in Karnataka improved from 25.8 per cent to 55.7 per cent. These results are consistent with studies on the performance of Indian states, which show that the states of Andhra Pradesh and Karnataka have done the most to initiate reforms in the recent years (Joseph, 2003). While these states performed exceptionally well, states in the east of India showed hardly any growth in the share of middle class population. In the states of Bihar, Chhattisgarh, Jharkhand and Odisha, though the proportion of middle class population showed an improvement, it continued to stay at less than 30 per cent throughout  $t_2$ . Other state-level analyses in India also reveal that the historic

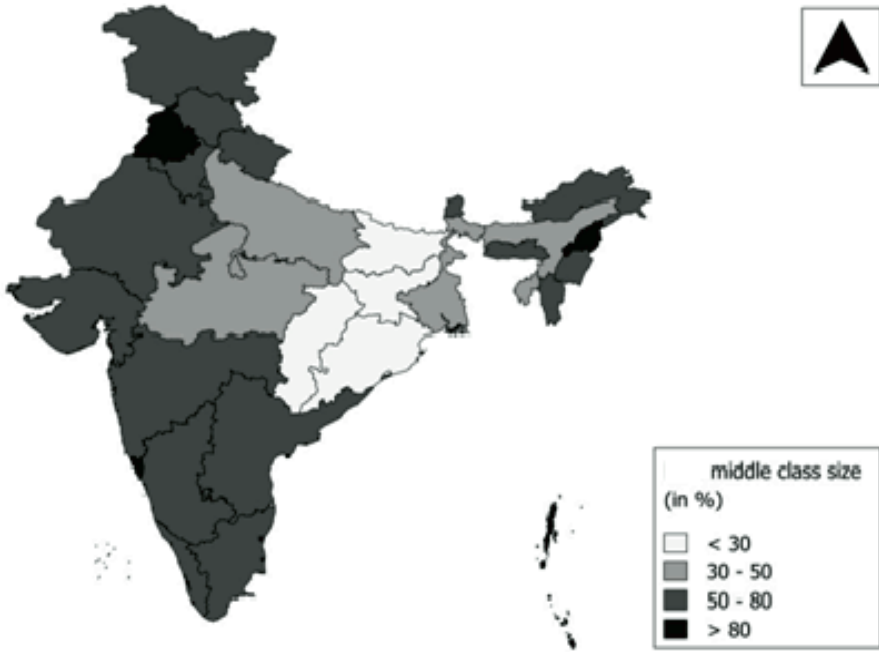
divergence across more-developed and less-developed states continues till date, although governments of less-developed states such as Bihar are attempting to offset their negative legacy of relative backwardness by delivering services much better than would be expected of states at low levels of development (Mundle, Chowdhury & Satadru, 2016). States in the north-east of India also showed an improvement in the size of the middle class in  $t_2$ . But given the small sample sizes of these states in the NSS surveys, we refrain from drawing any far-reaching conclusions about the middle class sizes in these states.

**Figure 4.11 State-Wise Share of Middle Class in Total State Population, India, 2004-05**



*Source: Author's calculations based on NSS Household Consumer Expenditure survey, 2004-05.*

**Figure 4.12 State-Wise Share of Middle Class in Total State Population, India, 2011-12**



*Source: Author's calculations based on NSS Household Consumer Expenditure survey, 2011-12.*

The analysis so far reveals that the middle class in India expanded in an unprecedented fashion in both rural and urban areas as well as across different states in  $t_2$ . The stark difference in the growth in consumption expenditure between the period  $t_1$  and  $t_2$  could partly be attributed to the data problems associated with the 55<sup>th</sup> round of the NSS survey, which were discussed in Chapter 3. Data inconsistency is however likely to play only a minor role. The remarkable growth in India's consumption expenditure in  $t_2$  is more likely to be explained by the country's economic growth during this period. India's per capita compound annual GDP grew at 7 per cent in  $t_2$ , compared to 4 per cent in  $t_1$ . Nevertheless, additional investigation is required to understand the specific

factors behind the phenomenal growth of India's economy and particularly the middle class, during the period  $t_2$ . Further analysis on why some states performed better than the others is also called for. Extant literature suggests that in the Indian case investment in social infrastructure, particularly in education, plays a more important role than investment in physical infrastructure in the relative performance of different states (Karnik & Lalvani, 2012). The precise role of such different factors like investment in social and physical infrastructure, governance and institutions across different states has to be further looked into, which however is beyond the scope of this research.

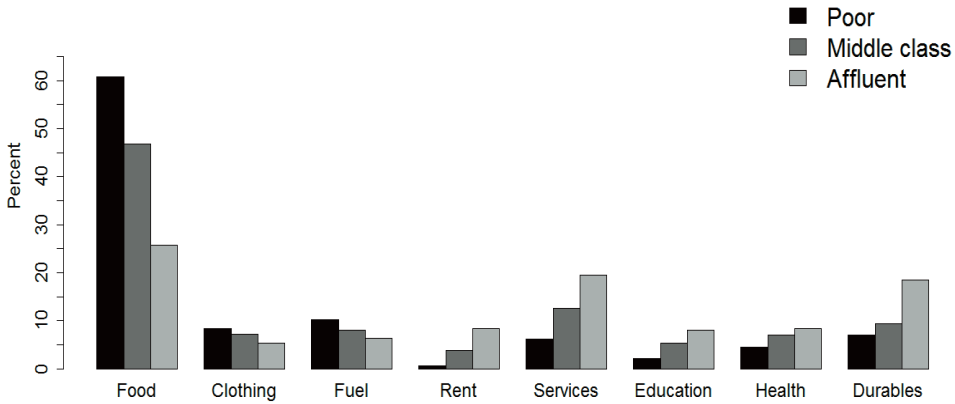
#### **4.6 Changing spending patterns**

The study so far shows that the middle class in India has recorded an unprecedented growth in its size in  $t_2$ . In other words, many households have successfully acquired a higher level of economic capital that has enabled them to be classified as the middle class. This and the following sections together investigate how this increase in economic capital has translated into greater accumulation of objectified cultural capital. This section examines how spending patterns of households have changed with changes in their level of total consumption expenditure.

Figure 4.13 shows that there are significant differences in spending patterns between classes. The middle class spends about two-thirds of its monthly expenditure on basic necessities of food, clothing, fuel and rent. The affluent spend less than half of their monthly expenditure on basic necessities, while the poor spend close to 80 per cent. The relatively lower share of expenditure spent on food by the middle class and the affluent as compared to the poor frees up resources to be spent on discretionary items such as consumer services, durable goods, health and education.



**Figure 4.13 Average Expenditure Share on Various Item Groups, India (1999-00 to 2011-12)**



*Source: Author's calculations based on NSS Household Consumer Expenditure Surveys, 1999-00, 2004-05 and 2011-12.*

### ***Expenditure on necessities***

In accordance with the Engel's law, the proportion of food expenditure to total expenditure diminishes as we move up the consumption expenditure ladder. While on an average the poor spent about 60 per cent of their monthly expenditure on food between 1999-00 and 2011-12, the middle class spent around 45 per cent and the affluent, about 25 per cent. There are considerable differences in expenditure patterns also within the middle class. The lower-middle class spent about half of its total expenditure on food, whereas the upper-middle class spent only about one-third. More importantly, a marginal increase in consumption expenditure from less than \$2 to between \$2 and \$4 substantially lowers the expenditure share on food. Within the food group, expenditure share on staples such as cereals and pulses plummets with an increase in consumption expenditure (Appendix A4.3a). In contrast, the fraction of expenditure on more expensive

sources of calories such as milk, fruits and meat increases as one moves from the category of the poor to the lower-middle class, but steadily declines thereafter. Proportion of expenditure allotted to luxurious foods such as beverages, refreshments and intoxicants increases with the level of consumption expenditure. Thus, as incomes increase and households enter the middle class, they spend a smaller proportion of their total consumption expenditure on basic food items, but increase their share of expenditure on relatively expensive and luxurious food items.

Similar to food, the share of expenditure on clothing, bedding and footwear (labelled 'Clothing' in Figure 4.13) as well as fuel decreases as households move up the class order. Proportion of spending on rent in contrast, increases considerably with a rise in average expenditure.

### ***Expenditure on discretionary goods***

There are significant differences also in spending patterns of discretionary goods between classes. The fraction of expenditure on education is almost three times higher for the middle class and twice for the lower-middle class as compared to the poor. The affluent spend a slightly higher share of their expenditure on education than the upper-middle class. Similarly, expenditure share on health also increases as we move up the class ladder. Share of expenditure on institutional medical care rises as we move up the class structure, whereas that of non-institutional health care falls. Thus, as expenditures rise, people tend to fall ill less often, but spend more on quality health services. The significantly higher spending on education and health by the middle class reflects the class' inclination towards human capital accumulation, which can foster development in the future (see also Banerjee & Duflo, 2008; Doepke & Zilibotti, 2008; Easterly, 2001).

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Consumer services such as domestic help, laundry, telephone charges, conveyance and entertainment constitute a large share of discretionary expenditure, which increases significantly as households move up the class order. Fraction of expenditure on durable goods too increases as household expenditure rises. Within durable goods, the share of expenditure on bulky durable items such as furniture, household appliances and personal vehicles increases remarkably as one moves up the class hierarchy, whereas that on small and semi-durable items such as toilet articles, small electronic goods like bulbs and tube-lights falls with a rise in consumption expenditure. As Figure 4.13 shows, consumer services and durable goods together make up over 20 per cent of the share of the middle class' total consumption expenditure, indicating the importance of the middle class as a driver of consumer goods and services (see also Banerjee & Duflo, 2008; K. M. Murphy et al., 1989).

While there are considerable differences in spending patterns across classes, their inter-temporal change is ambiguous. The share of expenditure on food and clothing, bedding and footwear declined across all classes in  $t_1$ . But in  $t_2$ , when average consumption expenditure increased at a faster rate than in  $t_1$ , proportion of expenditure on these items remained rather unchanged or even increased, among the middle class and the affluent (Appendix A4.3a - A4.3c). The fraction of expenditure on fuel, in contrast, increased in  $t_1$ , but declined in  $t_2$ . Further, while the share of rent and taxes in total consumption expenditure increased in the first period, its trend in  $t_2$  varied across different classes. One reason for the noticeable difference in distribution of expenditures across commodities over time could be due to the data problems with the 55<sup>th</sup> round of the survey, already mentioned earlier. However, if data deviations are not stark, as we suppose, these differing trends in expenditure shares over time can perhaps be explained by the change in relative prices of these commodities. The increase in the proportion of expenditure on food and clothing in  $t_2$  is possibly due to the relatively large rise in

prices of these goods in that period as compared to other commodities, such as fuel. The rise in the share of rent paid by the upper-middle and the affluent classes is perhaps linked to the housing boom in urban India, which largely caters to the upper ranks of the society (see Nijman, 2006). But given the increase in real per capita consumption expenditures in  $t_2$ , we can be assured that in absolute value, the expenditure on consumer durables, education and health has increased with an expansion in the size of the middle class.

Even though the middle class in India spends a higher proportion of its expenditure on non-food items as compared to the poor, the share is quite meagre when compared to middle classes in the West. For instance, in 2012, even the bottom 20 per cent of the US population spent as low as 16.1 per cent of its income on food<sup>8</sup>, compared to 44.5 per cent and 23.5 per cent in case of the Indian middle class and the affluent, respectively. There are thus enormous differences in spending habits of the Indian middle class and that of the middle classes in the West. These differences in spending habits can partly be attributed to the fact that the Indian middle class is much poorer as compared to the American middle class. Besides, greater productivity in Western agriculture as compared to Indian agriculture will have implications on food prices, resulting in the Indian middle class spending a lot more on food than its American counterpart.

Since there is enough evidence that proportionate consumption of durable goods increases as households enter the middle class, it is useful to explore the type of durable goods that middle class households consume. In the context of investigating the nature of newness in the new middle class, the question that is especially of interest is how the composition in the ownership of durable goods has undergone a change in the recent years. Is the existing Indian middle class increasingly consuming more of luxurious or modern commodities, which makes

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<sup>8</sup> Consumer Expenditure Survey, US Bureau of Labor Statistics, 2014.

it a new middle class? In other words, how is new middle class identity expressed via the acquisition of objectified cultural capital? The following section examines these questions.

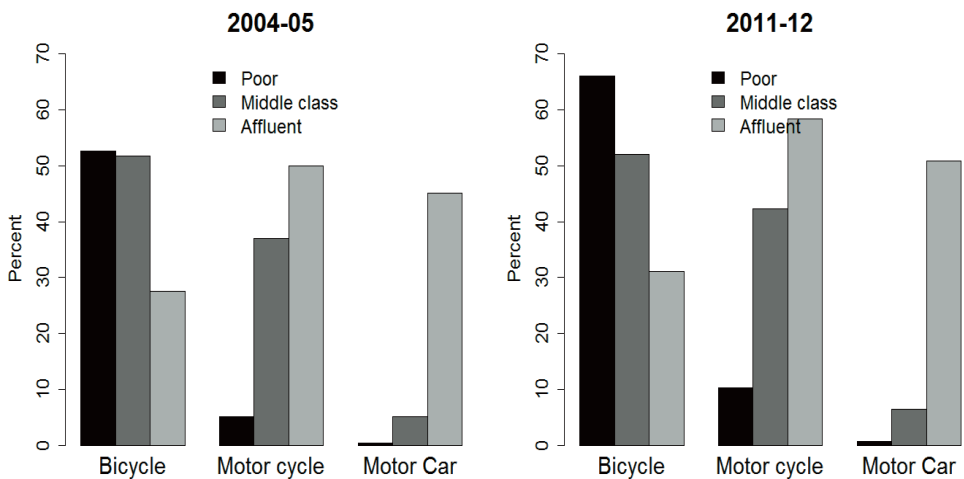
#### **4.7 Asset ownership of the middle class**

Expansion in the sale of consumer durables such as refrigerators, mobile phones and so on is symbolic of a burgeoning middle class (ADB, 2010). K. M. Murphy et al. (1989) assert that the middle classes are the natural consumers of manufactured goods. While the poor lack the spending power to create demand for consumer goods, the rich will demand more of handmade and imported luxuries than domestic manufactures. Thus, the distinguishing factor between the middle class, and the affluent and poor is the former's ownership of consumer goods produced on a large scale. We consider three groups of durable items—personal vehicles, household appliances and modern, technology-driven goods. Ownership of some of these goods, especially the modern consumer goods such as mobile phones, personal computer, cars and air-conditioners is associated with a 'new' middle class status (Fernandes, 2006). These groups of assets are not only status markers, but also affect one's capability to access and succeed in the contemporary age of service sector globalisation and digitisation. Because NSS data on ownership of assets is available only for 2004-05 and 2011-12, the analysis here is restricted to these two years.

Figure 4.14 shows that there are considerable differences in the ownership of type of personal vehicles between different classes. As we move up the class hierarchy, ownership of bicycles becomes less common while that of cars and motor-cycles becomes more common. The differentiating factor between the poor and the middle class lies in the ownership of motor-cycles, whereas car ownership differentiates the affluent from the middle class. It is worth noting that the popular association between increase in car sales and growth of the middle class is

misplaced as only a negligible proportion of the middle class owns cars. Even within the middle class, there is a stark difference in the structure of ownership of vehicles, with the lower-middle class primarily owning bicycles and motor-cycles and the upper-middle class owning motor-cycles and cars (see Appendix A4.4a). Across rural and urban areas as well as over time, this class-wise distribution of ownership of personal vehicles shows little change (see Appendix A4.4b and A4.4c). These findings also show if we are to understand the ‘new’ middle class as owners of the more expensive consumer goods such as cars, then the class turns out to be a small segment, most of which actually are not middle class, but the affluent.

**Figure 4.14 Ownership of Personal Vehicles, India**



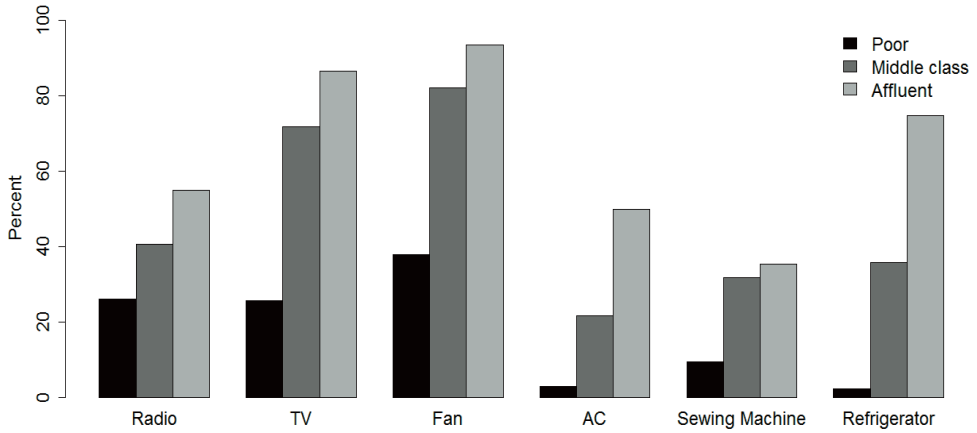
*Source: Author's calculations based on NSS Household Consumer Expenditure Surveys, 2004-05 and 2011-12.*

Ownership of all household appliances increases as we move up the class order (Figures 4.15–4.16), but the incidence of ownership varies between commodities. Televisions and fans are largely owned by the middle class and the affluent

## Chapter 4

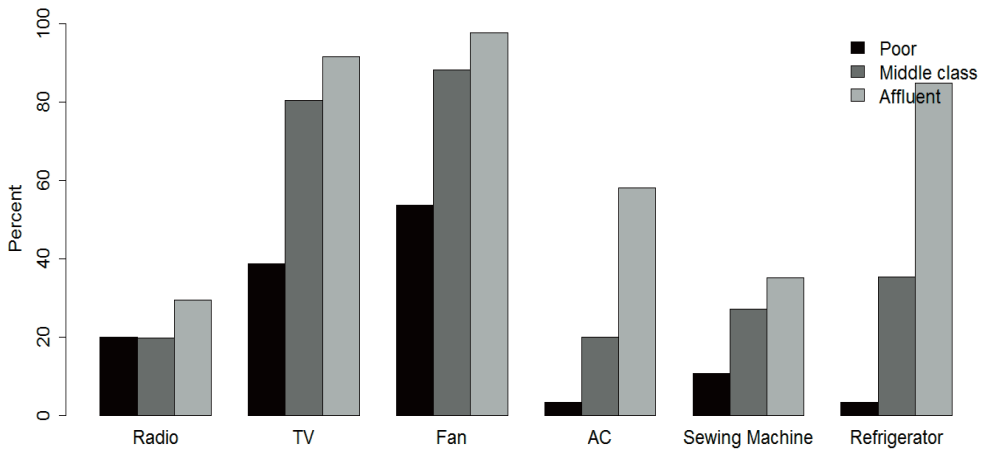
whereas air-conditioners (labelled AC in Figures 4.15-4.16) and refrigerators are primarily owned by the upper-middle class and the affluent (Appendix A4.3a). Radios and sewing machines, in contrast, are owned by all classes. The low rate of ownership of electronic appliances among the poor is not only because of their monetary incapacity to purchase them, but perhaps also because of their lack of access to electricity. The lower-middle class, in contrast, probably has access to electricity, which enables it to own at least the relatively inexpensive electronic goods such as fans and televisions. Nevertheless, there is a noticeable improvement in the ownership of these relatively inexpensive goods among the poor over time, which probably reflects their improved access to electricity. Ownership of radios and sewing machines in turn has declined across all classes, showing their dwindling relevance over time. Similar to personal vehicles, the distribution of ownership of household appliances also point that the class segments owning the most expensive consumer durables such as air-conditioners and refrigerators mainly come from the upper-middle and affluent groups, which constitute a very small segment of the Indian population. Also, only the affluent recorded an increase in the rate of ownership of these two commodities over time, the fraction of poor and the middle class owning these goods dwindling in 2011-12 as compared to 2004-05.

**Figure 4.15 Ownership of Household Appliances, India, 2004-05**



*Source: Author's calculations based on NSS Household Consumer Expenditure Survey, 2004-05.*

**Figure 4.16 Ownership of Household Appliances, India, 2011-12**



*Source: Author's calculations based on NSS Household Consumer Expenditure Survey, 2011-12.*



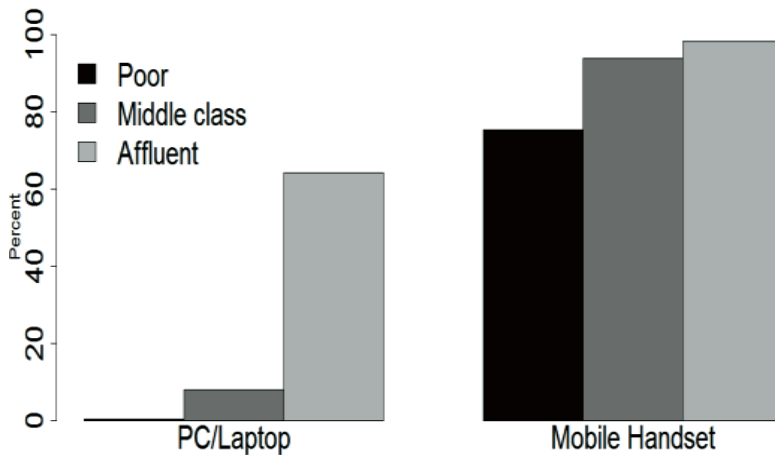
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While some assets such as radios and sewing machines have lost relevance with time, technological developments have introduced new goods in the market. The onset of digitisation in recent years has made goods such as mobile phones and personal computers easily accessible to consumers. The rather recent significance of these goods is reflected in the NSS surveys themselves, wherein they were incorporated only in the survey schedule of 2011-12. The data presented in Figure 4.17 hence pertains to 2011-12 alone. A striking finding of our analysis is the widespread ownership of mobile phones across all classes, in both rural and urban areas (Appendix A4.4a – A4.4c). The popular association of increase in the sale of mobile phones with a burgeoning middle class is thus flawed, as they have penetrated even among the poor. The wide-spread ownership of mobile phones across all classes is perhaps a reflection of the decreasing cost of mobile handsets in India as well as minimal usage charges. Moreover, mobile phones have penetrated across all classes even though there remains a large gap between classes in the case of penetration of fixed telephone lines (only 1 per cent of the poor and 8.4 per cent of the middle class had a fixed telephone line connection in 2011-12, compared to 43 per cent of the affluent). The Indian society appears to have leapfrogged a generation of the communication revolution.

Ownership of personal computers (PC/laptop in Figure 4.17), unlike mobile phones, differs substantially across classes. While less than three per cent of the lower-middle class own personal computers, more than 64 per cent of the affluent own them (Appendix A4.4a - A4.4c). Further, households in urban areas are far more likely to own a personal computer than in rural areas. The sharp difference in the ownership of personal computers between classes and between rural and urban areas is not a reflection of differences in income or expenditure alone. Class-wise differences in ownership of other consumer durables such as televisions, air-conditioners and refrigerators are less conspicuous, although they are as expensive as personal computers. The glaring difference in ownership of personal

computers hints towards a stark digital divide, where large numbers of the population perhaps lack computer literacy. It is vital to look at how this translates into access to new employment opportunities provided by industries in the services offshoring sector, where at least basic computer skills are mandatory.

**Figure 4.17 Ownership of Modern, Technology-Driven Assets, India, 2011-12**



*Source: Author's calculations based on NSS Household Consumer Expenditure Survey, 2011-12.*

## 4.8 Conclusion

This chapter traced the expansion of the middle class in India and its spending patterns in the recent period between 1999-00 and 2011-12, that is, changes in the possession of economic and objectified cultural capitals. A cursory view of consumption expenditure showed that compared to the period from 1999-00 to 2004-05, the years from 2004-05 to 2011-12 recorded an impressive growth in consumption expenditure in India across all expenditure deciles in both urban and rural India. A class-wise analysis further showed that most of this growth in consumption expenditure has been driven by the middle class. After remaining

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stagnant in the initial years, the size of the middle class almost doubled between 2004-05 and 2011-12, totalling over 600 million individuals, or around half of India's population. Although this expansion was driven by the lower-middle class, it was witnessed across both rural and urban areas, as well as in majority of the states of India. The middle class in India today is thus much larger in size and geographically more spread-out than the earlier middle class. The middle class in India can thus be termed new in terms of the large number of households who have joined the class in the recent years, leaving behind poverty. This bolsters the notion of the new middle class proposed by Birdsall (2016), Wietzke & Sumner (2014) and others, presented in Chapter 2. However, the majority of the new entrants to the middle class being only slightly above poverty are potentially vulnerable to fall back to poverty in case of an economic shock (see also ADB, 2010; Ravallion, 2010).

The expansion in the size of the middle class has considerably altered the composition of consumption. With middle class households spending a relatively larger proportion of their total expenditure on discretionary items such as education, health, rent, consumer services and durable goods as compared to the poor, the overall demand for these items has risen. The expansion of the lower-middle class has expanded the market for average priced and frugally innovated consumer goods such as motor-cycles, television sets and mobile handsets. The market for luxurious commodities such as cars and air-conditioners remains relatively small, catering to the upper-middle and affluent segments. Multi-national firms, vying large consumer markets in emerging economies ought to look to invest in frugal innovations that are affordable by the enormously large lower-middle class population (see also Farrell et al., 2006). However, as more households move up the expenditure ladder from the lower-middle to the upper-middle class, we may expect demand for more luxurious goods such as cars and air-conditioners to rise in the future. The analysis vindicates arguments made in

existing studies such as K. M. Murphy et al. (1989), relating a vast middle class to large scale demand for consumer goods and services. While frugally innovated consumer goods are in demand, the results also hint towards a digital divide, wherein goods such as personal computers, requiring a relatively high level of technological literacy (although only as expensive as television sets) are owned by a small fraction of the society comprising of the upper-middle and affluent classes.

The chapter also shows that relative price levels of commodities too play a role in determining demand for different goods and services. Spiralling food inflation in India between 2004-05 and 2011-12, for instance, has decreased the relative share of expenditure on discretionary goods, in spite of a rise in the level of total consumption expenditure. Further, relatively lower food prices in countries like the US enables even the poor there to spend a larger proportion of their expenditure on discretionary goods compared to the middle class in India. The Indian middle class thus spends a far larger proportion of its expenditure on necessities when compared to the middle class in the US.

In terms of Bourdieu's class framework, these results imply that from 2004-05 to 2011-12, a large number of households in India were able to acquire a high level of economic capital, which in turn resulted in their acquisition of a higher level of objectified cultural capital. The ownership of these forms of capital has enabled them to enter the middle class and led to the formation of a new middle class in India. The possession of objectified cultural capital by the new middle class is however not determined by the level of economic capital alone. Relative prices and competitiveness of different industries also play a vital role in influencing the ownership of objectified cultural capital. This chapter also showed that the ownership of certain kinds of objectified capital such as personal computers, demands the acquisition of other forms of cultural capital such as computer literacy, which will take more time to acquire than economic capital.

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The findings of this chapter open up further questions about the nature of the new middle class. As observed in Chapter 2, new middle class identity has also been understood in terms of changes in the structural composition of the middle class, implying a more socially inclusive class (see Jaffrelot & van der Veer, 2008; Sheth, 1999). The subsequent chapter examines this dimension of the Indian middle class. It takes up the following important questions: While there is a clear increase in the size of economic and objectified cultural capital of many individuals, is this also accompanied with changes in their institutional capital and social and labour market positions? Although the present Indian middle class is quantitatively larger than the earlier middle class, how qualitatively different is it from the earlier middle class? What type of occupations are members of the middle class involved in? What is their level of education, and caste and religious affiliation? Finally, what do changes in these qualitative characteristics tell us about the newness in the middle class in India?







## **Chapter 5 | Structure of the Middle Class: An Analysis of its Education, Employment and Ethnic Composition**

### **5.1 Introduction**

The last chapter estimated the size of the middle class in India and studied its role as consumers. Though consumption is undoubtedly one of the important characteristics of the middle class, it alone does not provide a complete picture of the class. Structural composition relating to occupation, education and ethnic origin (caste and religion in the Indian case) are important qualitative characteristics that enable us to further understand the newness in the nature of the middle class. Conventionally, when using sociological definitions of class, the middle class in India was identified on the basis of these qualitative characteristics, while its role as consumers received little attention. Fernandes (2006) and Haynes et al. (2010) describe how the colonial middle class in India was based on English education and employment in the services and literary professions. Because access to education was largely restricted to the upper castes, the majority of the middle class came from upper-caste Hindu or high-caste Muslim families (Fernandes, 2006; Joshi, 2010a). The middle class in independent India too was identified with respect to its occupation and education (Bardhan 1989; Beteille 2007). With the emergence of globalisation and liberalisation, as consumption has taken precedence over these qualitative characteristics, little attention has been paid to changes in the structural composition of the middle class in terms of its education, occupation and ethnic composition. Given that many new households have entered the middle class in  $t_2$ , it becomes pertinent to understand how structurally similar or different they are from the established middle class.

This chapter sheds light on this often ignored qualitative dimension of the middle class. It focuses on changes in the distribution of education, type of occupation



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and caste and religious affiliation of the middle class in the period between 2004-05 and 2011-12, when the middle class expanded in an unprecedented fashion. The nature of changes in the qualitative characteristics of the expanded middle class will further shed light on the newness of the middle class. The chapter also gives some preliminary insight on the role of modern services such as the IT and IT-eS industries in new middle class formation (which will be discussed in detail in the next two chapters).

The qualitative characteristics of occupation and education are representative of cultural capital, whereas ethnic origin plays a vital role in class identity in the Indian social context. These dimensions also reflect the developmental potential of the middle class. An increase in ethnic diversity within the middle class as the class expands indicates that development has been socially more inclusive. Middle classes with steady jobs have the assurance that there will be a fixed income coming in at regular intervals, allowing them to focus on building their careers and those of their children (Banerjee & Duflo, 2008). Similarly, an educated middle class will invest in its offspring's education and subsequently drive growth in an industrialised society (Doepke & Zilibotti, 2008). In fact, these factors not only enable the middle class to foster growth, but they are important to sustain the growth of the middle class itself. As the ADB (2010: xxvii) observes, "ultimately, two factors drive the creation and sustenance of a middle class- stable, secure, well-paid jobs with good benefits and higher education."

Similar to the last chapter, the findings of this chapter are based on data from the 55<sup>th</sup>, 61<sup>st</sup> and 68<sup>th</sup> rounds of the NSS surveys on Household Consumer Expenditure. The analysis in the chapter however is largely restricted to the last two rounds, when the middle class recorded an unprecedented expansion in its size. Also, except in case of occupational distribution, wherein we look at rural and urban data separately, the analysis focuses at the all-India data. While

occupational distribution is expected to significantly vary between rural and urban areas, distributions of education, caste and religious affiliations will differ little between rural and urban areas. Nevertheless, class-wise rural and urban level data on distributions of all variables for the three years are provided in the Appendix to the chapter.

The following section studies the distribution of level of education across classes in India. The sections thereafter investigate the type of occupation of middle class households and the ethnic composition of the class. The final section concludes with a summary of the findings and their implications.

## **5.2 Middle class and education**

One of the prime reasons for which the middle class is considered vital for development is its investment in human capital accumulation, particularly in education (Doepke & Zilibotti, 2008; Easterly, 2001). So far no study on the middle class in liberalised India has provided a comprehensive analysis of its distribution of education. As discussed in Chapter 2, studies on the middle class in colonial India point out that possession of institutionalised cultural capital in the form of education was an important characteristic distinguishing the middle class from the rest of the society. Joshi (2010a) asserts that educational training of the middle class in colonial India enabled it to participate in and shape public debates and contribute to the Indian independence struggle. The middle class in colonial India not only had a relatively higher level of education than classes below it, but more importantly, it was educated in the English language. However, the NSS data does not provide any information on the knowledge of the English language of the respondents. This section hence only looks at the level of education of different classes, exploring whether education continues to be a distinctive factor characterising the new entrants to the middle class. Because individuals of different age groups will have different levels of education, education level of the

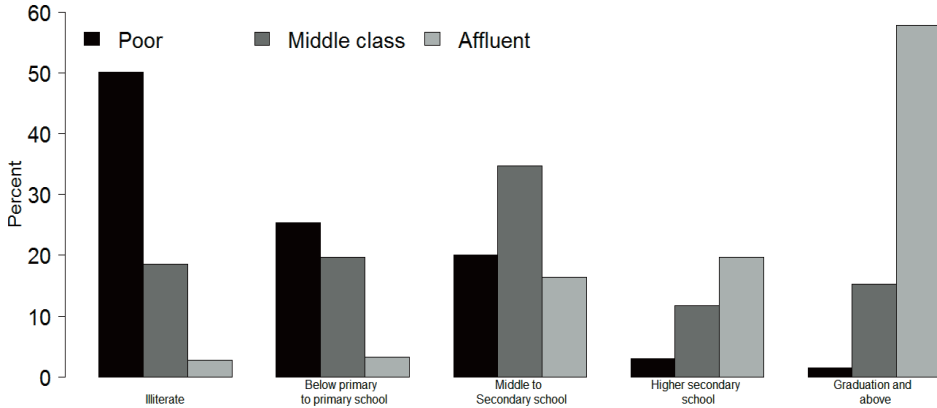
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household head is taken as a proxy for the level of education of the household in general.

Figures 5.1 and 5.2 show that there are considerable differences in literacy levels across classes. Most middle class household heads are likely to have completed at least up to middle or secondary school education, as against poor household heads, who are largely illiterate. Further, illiteracy rates drop drastically as households rise above poverty to enter the middle class. Although middle class household heads are not among the most highly educated, the likelihood of them to have some amount of basic education is much higher as compared to the poor. But there are significant differences in the level of education within the middle class. As Appendix A5.1a shows, the majority of the lower-middle and middle-middle classes have completed up to middle or secondary school education whereas the upper-middle class is more likely to hold a graduate degree.

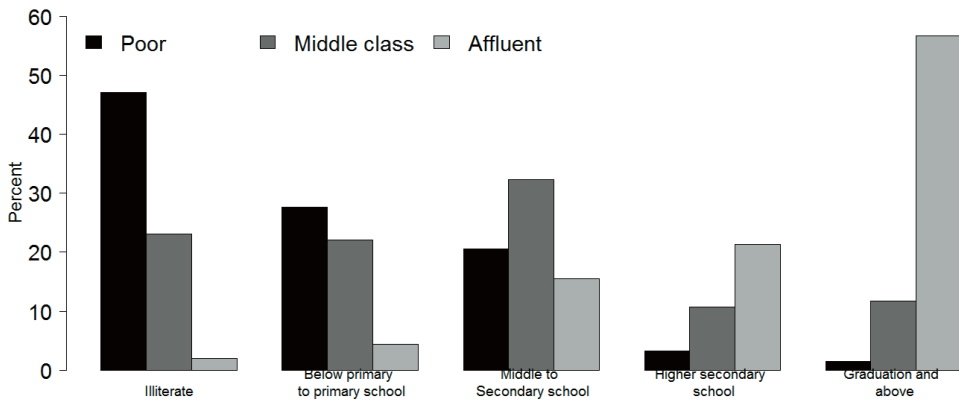
We also see that over time, the level of education has improved across all households in India. However, the expansion in middle class size in  $t_2$  is not accompanied with better levels of education within the middle class. Out of the 75 million additional households that joined the middle class between 2004-05 and 2011-12, 28 per cent or 21 million household heads were illiterate, whereas only 18 million household heads possessed a graduate degree. Many entrants to the middle class in  $t_2$  have thus recorded an increase in their consumption expenditure in spite of low levels of education. Moreover, we find a uniform decline in the proportion of the better educated households and an increase in the proportion of the less educated across all categories within the middle class. Thus, it is not only the poor who may have entered the lower-middle class despite a low level of education, but those have moved up to the middle-middle and upper-middle classes too have been able to do so with relatively low levels of education.

**Figure 5.1 Class-Wise Distribution of Highest Level of Literacy, India, 2004-05**



*Source: Author's calculations based on NSS Consumer Expenditure Survey, 2004-05*

**Figure 5.2 Class-Wise Distribution of Highest Level of Literacy, India, 2011-12**



*Source: Author's calculations based on NSS Consumer Expenditure Survey, 2011-12*

Our results imply that although many households have witnessed an increase in their level of economic capital in  $t_2$ , they have accumulated little institutionalised cultural capital in the form of education. The relatively low levels of education of the recent entrants to the middle class as compared to the established middle class reflect that the former are qualitatively different from the latter in terms of their level of education, making them a 'new' middle class in terms of their levels of education. These results indicate that unlike the traditional colonial and post-independent middle class, which was characterised by high levels of education (Fernandes, 2006; Joshi, 2010a), such a criterion does not appear to be a necessity to enter the middle class in the post-liberalisation era. What factors then, if not higher levels of education, have enabled millions of Indians to witness an increase in their consumption expenditure levels? One explanation is that the benefits of economic growth have trickled down even to households that are not highly educated. The following section studies this possibility further.

### **5.3 Occupational structure**

Type of occupation is an important variable that has traditionally characterised classes. Middle classes the world over have generally been associated with employment in skilled jobs. Landes (1998) identified the great English middle class as comprising of merchants and shopkeepers, manufacturers and bankers, men of law and other professions. In the Indian case, Misra (2010: 42) notes that the conventional middle class has been dominated by members of the educated professions such as government servants, lawyers, college teachers and doctors. Other studies claim that as people enter the middle class, in rural areas they move into technical occupations from agriculture-based ones and in urban areas they shift from manual employment to administrative or managerial occupations (see ADB 2010; Banerjee & Duflo 2008). Besides the shift in the industry of occupation, Banerjee & Duflo (2008) find a steady job to be the single most

important characteristic of middle classes in developing countries. Irrespective of the precise type of job, middle classes are generally regarded to be employed in relatively well-educated professions. But given the rather low level of education of the recent entrants to the middle class, it becomes interesting to examine its occupational structure.

Figures 5.3 and 5.4 present the employment distribution of the middle class in rural and urban India, respectively. The data presented here is in accordance with the National Industrial Classification of India (NIC)<sup>9</sup>, 2008. NSS surveys of 1999-00 and 2004-05 follow the NIC 1998 codes, whereas the 2011-12 survey follows the NIC 2008 codes. The former have been brought in line with the NIC 2008 format using the concordance tables. It is important to note that this data pertains to the primary occupation of the household, and not of the individual. That is, it refers to the industry of occupation from which the household earned its largest share of income during the year of the survey.

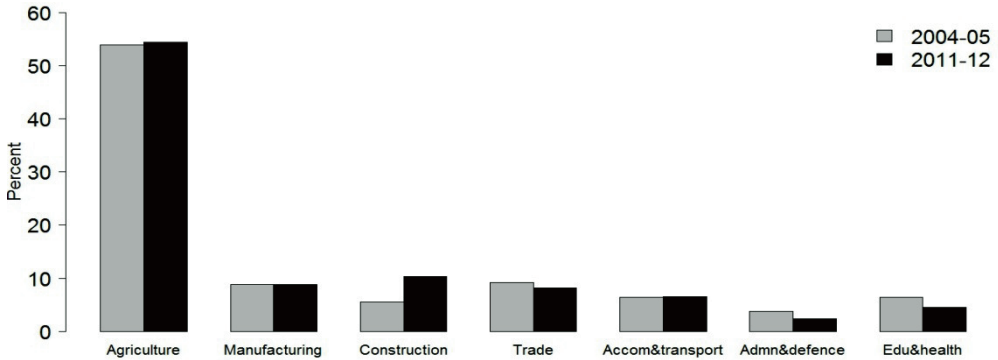
Figures 5.3 and 5.4 show that significant changes have taken place in the occupational distribution of the middle class in  $t_2$ . In rural areas, while agriculture employs the largest share of middle class households, there has been a noticeable increase in the proportion of households involved in the construction sector. Construction has in fact become the second largest employer of the rural middle class after agriculture, replacing manufacturing and trade activities. Urban India too has witnessed a considerable decline in the fraction of middle class households employed in traditional urban middle class occupations of manufacturing, trade

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<sup>9</sup> The National Industrial Classification (NIC) is the statistical system followed in India to classify different industries or economic activities in the country. NIC 2008 is in line with its international counterpart, the International Standard Industrial Classification of All Economic Activities (ISIC), Revision 4, released in 2008 by the United Nations Statistics Division.

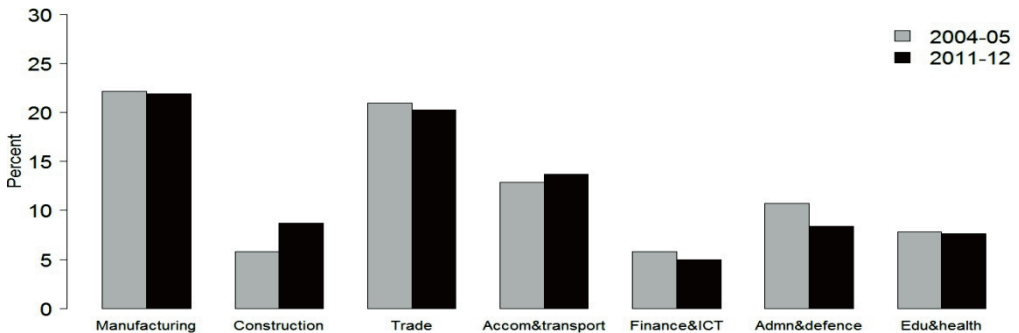
and various other service activities. These have been replaced by jobs in the construction sector.

**Figure 5.3 Employment Distribution of Middle Class Households, Rural India**



Source: Author's calculations based on NSS Household Consumer Expenditure survey, 2004-05 and 2011-12.

**Figure 5.4 Employment Distribution of Middle Class Households, Urban India**



Source: Same as Figure 5.3.

However, there are substantial differences in the occupational distribution within the middle class. As the tables A5.2a and A5.2b in the Appendix show, it is primarily the lower-middle class, in both rural and urban areas that is employed in the construction sector. In fact, the occupational structure of the lower-middle class does not seem very different from that of the poor. Banerjee & Duflo (2008) as well as Hatekar & More (2016) also find that at first blush the occupational patterns of the poor and the lower-middle class seem similar. Hatekar & More (2016) show that the difference between the lower-middle class and the poor lies in the fact that the former have more number of wage earners per family than the latter. Banerjee & Duflo (2008) cite a number of concealed differences in the occupations of the poor and the lower-middle class. For instance, the rural middle class is less directly connected to agriculture than the poor. The NSS consumer expenditure surveys, however, lack the data for such nuanced understanding of differences in occupations across classes. Further research using other data sources that provide more rich information on occupations may help in understanding the intricate differences in occupational patterns between classes.

Within the middle-middle and upper-middle classes, the relatively low-skilled occupations such as manufacturing and trade have become more significant than high-skilled occupations such as public administration. These results also show that new service activities of liberalised India represented by finance, insurance and the IT industries have a rather limited role in the expansion of the middle class. In rural areas, a negligible fraction of the middle class was employed in new service activities in 2004-05, which further declined in 2011-12. In urban areas, though 5.8 per cent of the middle class was employed in these services in 2004-05, it declined to five per cent in 2011-12. Moreover, these new service activities appear to mostly cater to the urban upper-middle class and affluent groups. Even within the upper-middle class, the share of households engaged in these occupations has shrunk in  $t_2$ . These results are in stark contrast to the existing



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assertions that new employment opportunities brought about by liberalisation and globalisation have resulted in the formation of a new middle class in India (Fernandes, 2006).

The most striking finding of our analysis is that the construction sector has turned out to be the most significant driver of middle class expansion in India between 2004-05 and 2011-12. Given that most of the expansion in the middle class has happened at the lower-middle class level, the construction sector appears to have lifted a large number of households out of poverty and enabled them to enter the lower-middle class. Srivastava & Sutradhar (2016), in their recent study on construction workers in India show evidence of higher expenditure on consumption, housing and children's education by households of construction sector workers. A few media reports also point out that casual labourers in both rural and urban areas have witnessed the highest wage increase in India between 2004-05 and 2011-12 (Deshpande & Bhattacharya, 2013; John, 2007). A large part of these casual workers, in rural and urban areas are engaged in the construction sector, thanks to the spurt in real estate activities in the country in recent years. In rural areas many workers have temporarily migrated to cities to take up work in urban construction activities. The boom in construction activities has swelled wages for construction workers and consequently taken many people out of agriculture and moved them into construction activities. This also indicates that although new service activities such as finance and IT may be directly boosting consumption expenditure of only a few households at the top of the pyramid, they are indirectly contributing to a burgeoning middle class at the lower level by creating more demand for real estate and thus construction workers. The construction sector is the biggest beneficiary of the trickle-down effect of the organised service industry. Further enquiry on the trickle-down effect of modern service industries and the subsequent rise of employment in casual work,

especially the construction sector is called for, which, however, is beyond the scope of this thesis.

The results in this section add to a further understanding of the findings of the previous section, where a large number of households despite having low levels of education have successfully managed to enter the middle class. It shows that the majority of the new entrants to the middle class ought to be looked upon as a diverse group, engaged in different kinds of economic activities, unlike the conventional middle class, which was largely engaged in literary-based occupations. The different educational and occupational backgrounds of the new entrants make the middle class 'new'. Given that many households employed in unskilled and casual work have been able to transition from poverty into the lower-middle class, it is likely they also come from diverse ethnic backgrounds, different from those of the traditional Indian middle class. The following section investigates this prospect.

#### **5.4 Ethnic composition of the middle class**

Caste and religion have traditionally been an integral part of the socio-economic fabric of the Indian society. An individual's occupation was determined by his caste, wherein the uppermost castes were into learned professions, while the lowermost castes performed menial jobs. This structure influenced the social composition of the middle class since its formation in the colonial times, making caste and religious identity one of the defining characteristics of class.

Most middle class people in the colonial era were upper-caste Hindus, *ashraf* or high-born Muslims, or such other high status groups (Joshi, 2010a: xvii). However, with time a large part of the support system of caste has collapsed in India (Sheth, 1999). Members of different castes now compete with each other for entry into the middle class, making the vast middle class highly diversified in

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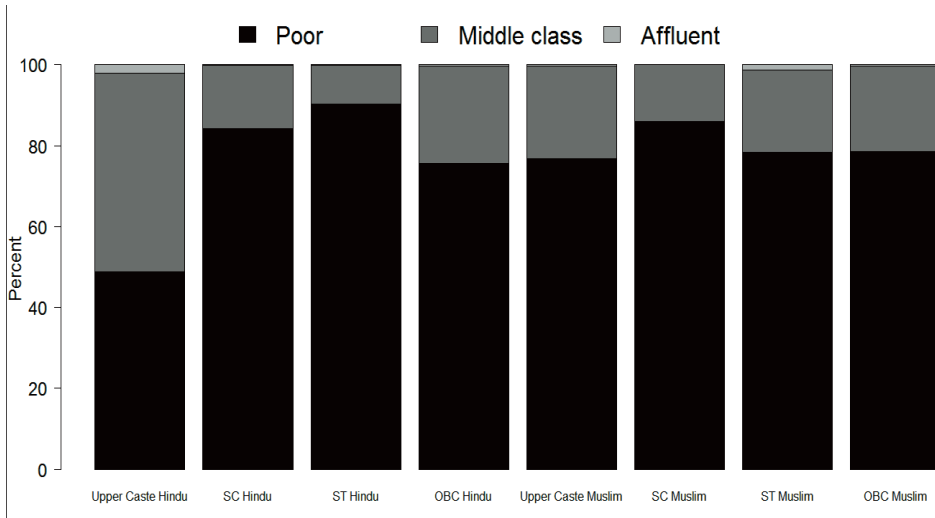
terms of social origins of its members. Sheth (1999) cites a survey conducted by the Centre for the Study of Developing Societies (CSDS) in 1996, which found that about half of the middle class population in India came from different lower castes. Similarly, Hnatkovska, Lahiri & Paul (2013) find evidence in favour of inter-generational mobility of lower-caste groups, where the sharpest mobility is among lower-caste households falling in the middle income range. In contrast to this, other studies find that social background continues to influence middle class membership in India. Krishna & Bajpai (2015) show that upper-caste Hindus dominate the Indian middle class in the liberalised era, while lower-caste groups are over represented in the lowest status group. Similar claims have also been made by Fernandes (2006), Fuller & Narasimhan (2007) and Upadhyaya (2007) in the context of new middle class membership in liberalised India. However, these claims are based on analyses conducted on a small section within the middle class, that is, those working in new service activities, or typically the upper-middle class, as observed in the preceding section. Because most of the growth in the middle class in  $t_2$  has happened in the lower-middle category, it is quite likely that they come from more diverse ethnic backgrounds. This section looks at whether caste and religion continue to be important determinants for entering the Indian middle class.

The numerous castes and caste groups existing in India are officially classified into four broad categories. These are: (i) the forward or upper castes, which include intermediate castes, (ii) the backward castes, comprising small and marginal peasants and artisans, classified as Other Backward Classes (OBCs), (iii) the Dalits or former untouchables, classified as Scheduled Castes (SCs) and (iv) the tribal communities, classified as Scheduled Tribes (STs). Although there are several sub-castes within these broad caste groups, for simplicity, this study uses this official state nomenclature of castes. In addition to castes, there are also several religious groups in India. Again, for simplicity, we consider only Hindus

and Muslims. They respectively form the single largest majority and the largest minority religious groups in the country, together constituting over 90 per cent of India's population.

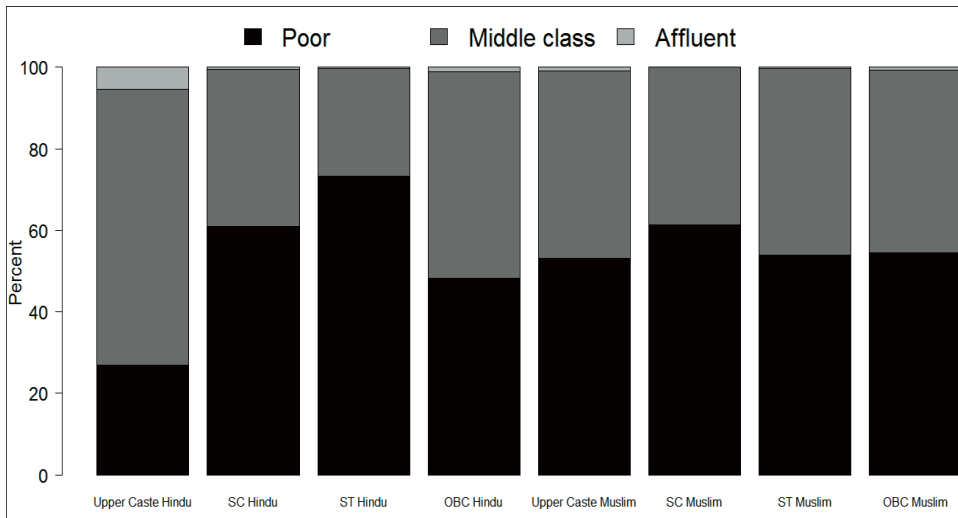
Figures 5.5 and 5.6 present the class distribution across different social groups in India for the years 2004-05 and 2011-12, respectively. The figures show wide disparities in class membership across different social groups. Religious identity has a considerable influence on class status. As the data shows, an upper-caste Hindu is far more likely to be in the middle class as compared to an upper-caste Muslim. Caste differences exist in both religious groups, but are more pronounced among the Hindus than among the Muslims. Upper-caste Hindus are the most economically prosperous social group, with close to 50 per cent of them belonging to the middle class in 2004-05. In contrast, in the same period, less than 10 per cent of ST Hindus (the most underprivileged caste group) belonged to the middle class and over 90 per cent of them lived on less than \$2 a day. However, with the expansion of the middle class, these inter-caste and inter-religious differences have noticeably shrunk. As Figures 5.5 and 5.6 show, all social groups have witnessed an expansion in middle class size in  $t_2$  and a subsequent reduction in the proportion of the poor. While the proportion of middle class members within upper-caste Hindus increased from 49 per cent in 2004-05 to 68 per cent in 2011-12, it has risen from 23 per cent to 46 per cent among upper-caste Muslims and from 9.6 to 26.4 per cent among ST Hindus.

**Figure 5.5 Class Distribution across Caste and Religious Groups, India, 2004-05**



Source: Author's calculations based on NSS Survey on Household Consumer Expenditure, 2004-05.

**Figure 5.6 Class Distribution across Caste and Religious Groups, India, 2011-12**



Source: Author's calculations based on NSS Survey on Household Consumer Expenditure, 2011-12.

More importantly, the share of upper-caste Hindus has shrunk within the middle class, from 38 per cent to 27 per cent in  $t_2$  with a corresponding increase in the proportion of other social groups (see Appendix A5.3a). For instance, the share of OBC Hindus in the middle class has increased from 30 per cent to 37 per cent and that of SC Hindus has risen from 5 per cent to 14 per cent. Further, OBC Hindus have replaced upper-caste Hindus as the largest social group within the middle class. The increase in the fraction of OBCs in the middle class and the corresponding decline in the proportion of upper castes may be partially related to the inclusion of many former upper-caste groups in the OBC category. A few of the middle class upper-caste members may have merely moved to the OBC category, swelling the number of OBC members in the middle class. But despite these changes in the classification of caste groups, it cannot be denied that several lower-caste groups have managed to enter the middle class in  $t_2$ . However, the lower-caste groups primarily belong to the lower-middle category, while upper-caste Hindus continue to constitute the majority segment in the upper-middle and affluent classes.

These results illustrate that ethnic composition of the middle class has diversified with an expansion in the size of the class. Socially disadvantaged groups have successfully entered the middle class. This however does not imply that these groups have also accomplished better access to higher education or employment in skilled jobs. Most of the lower-castes primarily belong to the lower-middle class, which, as seen in the preceding sections is characterised with low levels of education and unskilled work. In contrast, the high-caste Hindus continue to dominate the middle-middle and upper-middle classes, who are characterised with higher levels of education and employment in more skilled occupations. On the positive side, between the years 2004-05 and 2011-12, many lower-caste, less educated households have successfully managed to raise their income and consumption levels. Increase in the demand for unskilled workers has provided

the socially disadvantaged with new opportunities for upward economic mobility. Access to institutionalised cultural capital like education is however a slower process, which even in the current times is challenging for the under-privileged caste and religious groups.

### **5.5 Conclusion**

This chapter investigated the structural composition of the middle class by looking at three qualitative aspects of the class- its education, occupation and ethnic composition. The findings indicate that the social base of the contemporary middle class is much wider than that of the conventional middle class in India, which qualifies this class as the 'new' middle class. Many recent entrants to the middle class are from historically disadvantaged caste backgrounds, characterised with low levels of education and employment in manual jobs, particularly in the construction sector. A boom in the construction industry and a demand for casual labour across India between 2004-05 and 2011-12 have enabled many lower-caste and unskilled workers to climb up the consumption ladder and enter the new middle class, albeit in the lower-middle category.

The results presented in this chapter together with the last chapter throw important insights on the nature of the 'new' middle class in India. The last chapter showed that the size of the middle class in India has expanded unprecedentedly. Along with this, consumption patterns have changed as more households spend a lower share of their expenditure on food and other necessities and a higher share on discretionary goods and services. However, there are other reasons why the contemporary Indian middle class may be identified as "new". The recent entrants to the middle class are structurally quite different from the conventional middle class. Many of them are from disadvantaged caste and religious groups, who earlier were not a prominent part of the Indian middle class. These groups have comparatively low levels of education and are engaged

in unskilled occupations. High economic growth in India between 2004-05 and 2011-12 has enabled these groups to enter the middle class, by being engaged in unskilled, but well-paying jobs. The entry of these groups into the middle class has made the class socially diverse in terms of its structural composition of occupation, level of education and ethnic composition. These changes in the structural composition of the middle class make it appropriate to call it the 'new' middle class.

These empirical results vindicate Bourdieu's (1986) arguments on the formation of capitals, described in Chapter 2. They show that higher economic growth in a society generally aids the accumulation of economic capital for many households. However, cultural capital takes a longer time for accumulation. Thus, even as many households in India have moved out of poverty to enter the middle class, they continue to possess a low level of cultural capital in the form of low literacy levels and employment in unskilled work.

The findings of this chapter add to debates on the developmental role of the middle class. This chapter shows that the developmental role of the 'new' middle class is different from that of the conventional middle class. The 'new' middle class is not necessarily an entrepreneurial class that creates employment and growth for the rest of the society as argued by Banerjee & Duflo (2008). Neither it is a group of educated service professionals who can intellectually contribute to public debates in a democracy (see Birdsall, 2016; Easterly, 2001). Rather, the typical 'new' middle class individual is an emerging consumer who is the backbone of the market economy, albeit still with limited spending power and engaged in manual labour. Nevertheless, as seen in the last chapter, this class has sufficient economic resources to invest in human capital accumulation of their children, which can foster development in the years to come.



## Chapter 5

The emergence of a large, but structurally different middle class also has important social, economic and political consequences. Policy makers should take note that an expansion in the size of the middle class implies a greater demand for public goods such as transport facilities, health and education services. This greater demand should be met with timely adequate supply from the public authorities to avoid creating excessive pressure on existing infrastructure. Further, the emergence of a socially diverse middle class can be accompanied with undesirable social consequences. It could lead to tensions between the recent entrants to the middle class and the pre-existing middle class as the former attempt to compete with the latter in different realms of consumption, education and employment. Caste and religious insecurities and violence could be one such outcome. The government ought to foresee such possibilities and accordingly create mechanisms to avoid outbreak of any social conflicts.

Further research is called for to understand the reasons for the remarkable growth in the construction industry between 2004-05 and 2011-12 and the possibilities therein to generate more employment opportunities. It also remains to be seen whether the boom in the construction sector and the consequent growth in consumption expenditure will sustain in the long run. After 2011-12, India's economic growth has shown some moderation, which will directly impact the consumption levels of households and the rate at which they are moved out of poverty. But these factors can be assessed only once the relevant data on household consumption expenditure are available.

The nature of data used in this study limits our understanding of the expansion of the middle class to some extent. A panel data would enable us to understand class mobility across the same set of households. For example, such data can throw light on which households have moved from poverty to the lower-middle class, which ones have climbed from lower-middle to the middle-middle class, and so on.

Of specific interest for this thesis is to understand whether the IT-eS industry has enabled households to move out of poverty and enter the middle class. The NSS data only show that most households employed in industries such as finance and IT belong to the upper-middle and affluent classes. However, we have no data to find the extent of class mobility that is facilitated by these industries. In other words, the data do not help us in understanding how former non-middle class households, after gaining access to employment opportunities in these industries move up to the upper-middle class level. The following chapter investigates this question, based on primary field data gathered on IT-eS employees in Mumbai.





## **Chapter 6| Access to Employment Opportunities in Mumbai's IT-eS Industry and its Implications for the Formation of a New Middle Class**

### **6.1 Introduction**

The previous chapters showed that the years between 2004-05 and 2011-12 have witnessed the emergence of a new middle class in India, wherein many households, from diverse social backgrounds, engaged in different occupations, have come out of poverty and become part of the middle class. This motivates us to study the role of the offshore-service industry, one of the main economic drivers in the past two decades, in the formation of such a new middle class. Lack of detailed data on the industry in the NSS surveys prevented us from gathering a comprehensive understanding of this subject. This chapter, using primary data on IT-eS employees in Mumbai studies accessibility of employment opportunities in the industry to individuals from diverse social backgrounds. It investigates the extent to which people from erstwhile non-middle class backgrounds are able to access employment opportunities in the IT-eS industry and become a part of the new middle class.

Existing evidence on accessibility of employment opportunities in the offshore-service industry to different social groups is ambiguous. Industry representatives have often projected the inclusive nature of the sector, where a large share of employees are hired from disadvantaged socio-economic backgrounds (see Bagchi, 2006; Rastogi & Pradhan, 2011). Empirical studies by Fuller & Narasimhan (2008) and Upadhya (2007), by contrast, argue that the industry is biased towards the small and privileged section of the pre-existing middle class. According to them the demand for employees with a technical and professional education

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automatically excludes large sections of the Indian population who have no access to such education.

For a number of reasons the subject of accessibility to employment in the offshore-service sector needs to be reinvestigated. First, the seminal research by Fuller & Narasimhan and by Upadhyaya was carried out almost a decade ago. Given the vast expansion of the sector since then (NASSCOM, 2015), it can be expected that the industry now seeks workers beyond the traditional supply of employees from the pre-existing middle class and provides job opportunities to those coming from less-privileged social backgrounds as well. Second, their research focused on Information Technology (IT) workers whereas the IT-eS sector, which includes call-centres and various back-office activities, is regarded to be the more accessible segment of the offshore-service sector (see Lambregts et al., 2016; Vira & James, 2012). Third, the IT-eS sector is the fastest growing segment of the offshore-service sector (Prasad & Shivapriya, 2013). Unlike the IT industry, the IT-eS segment does not require any specialised professional education or technical qualification for employment, which opens up the sector to a broader range of applicants.

On the one hand, accessibility of employment opportunities only to the pre-existing middle class would mean that the industry is adding to existing socio-economic inequalities, making attractive employment opportunities available only to the privileged few. On the other hand, diversity in class backgrounds of IT-eS employees would reflect that the industry contributes towards upward class mobility and to the formation of a new middle class. Further, by providing a better understanding on who has access to the new service sector jobs, this chapter adds to academic discussions on the inclusiveness of India's current service-sector driven growth path (Krishna & Pieterse, 2008; Raychaudhuri & De, 2012; Dreze & Sen, 2013).

As described in chapter 3, this chapter draws on primary data collected via semi-structured interviews and a survey of IT-eS employees in Mumbai. It studies class backgrounds of IT-eS workers, investigating whether they come from the pre-existing middle class or if there is evidence for upward class mobility from non-middle class to the middle class.

The following section presents debates on the inclusiveness of employment opportunities in the Indian offshore-service industry, followed by the conceptual framework of the chapter and its operationalisation. The subsequent two sections present and discuss the empirical findings. The concluding section summarises the results and brings out their implications in the broader context of service-sector globalisation and its contribution to a new middle class formation.

## **6.2 Employment opportunities in the offshore-service industry- A review of existing debates**

Besides its significant contribution to the Indian economy, the service-offshore industry is claimed to be an important social leveller that provides employment opportunities to diverse social groups. NASSCOM, the industry body of software services companies in India, has often highlighted how offshore-service firms create employment opportunities for different sections of the society. A recent report of the industry body stated that nearly 58 per cent of the industry workers are from Tier II or Tier III cities<sup>10</sup> (see NASSCOM, 2016a). Industry leaders too emphasise the sector's role in creating employment opportunities for diverse social groups. Bagchi (2006), the co-founder of a top Indian IT firm, has asserted that the Indian service-offshore industry has a large number of people who come

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<sup>10</sup> The Government of India classifies Indian cities into different tiers based on their population size. Cities with population size greater than 100,000 are classified as Tier I, those with a population between 50,000 and 100,000 are classified as Tier II and those with a population size between 20,000 and 50,000 are classified as Tier III.

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from economically and socially disadvantaged families, but have broken free from their backgrounds and are treated at par by their employers. He cites a survey in his own company, which found that about one-third of employees are from rural, agricultural backgrounds and about 20 per cent are from small business families. Another industry representative, Mohandas Pai, associated with a leading software firm in India, adds that 40 per cent of people joining the offshore-service sector are first generation graduates who belong to socially disadvantaged backgrounds (Rastogi & Pradhan, 2011: 25). Empirical findings of Hnatkovska et al. (2013) support these claims by industry leaders. In their study on occupational mobility, Hnatkovska et al. (2013) find that since the liberalisation programme in 1991, lower castes in India have been able to move up the occupational and economic ladder to pursue better and different jobs from that of their parents.

These positive accounts by sector representatives and the empirical findings are based on the recruitment process in the new private businesses. Hnatkovska et al. (2013) argue that increasing competition on account of structural reforms in the Indian economy has helped reduce discrimination by making it more expensive for businesses to pursue discriminatory labour market practices. Prior to liberalisation, white-collar, service based jobs were mostly available in the public sector, where access was highly determined by recommendations and personal contacts. Private businesses were few in number and mostly family based, where recruitments generally happened within the family. The onset of liberalisation and globalisation has allowed smaller firms to enter the business, thus increasing competition between companies. Private businesses no longer rely on personal connections, but recruit employees from a larger social base, based on their merit, talent and hard work. The relatively low level of eligibility criteria in the IT-eS industry coupled with a comparatively high remuneration for employees makes the sector stand out among the rest of the modern service industries.

In contrast to these optimistic claims, other empirical accounts on the IT industry find that workers in the sector come from a rather narrow social base, typically from pre-existing middle class families. Upadhyia (2007), in her study on the IT industry in Bangalore finds the social profile of the employees to be largely urban, middle class and high or middle caste. Another study by Fuller & Narasimhan (2008) shows that the small traditional elite of Tamil Brahmins is disproportionately represented in South India's IT industry. Similarly, Raychaudhuri & De (2012: 229) in their study on the service-offshore industry in India assert that although the sector has had a positive influence on poverty reduction through an expansion of income, it has widened inequality because of its knowledge and skill intensive nature. In a more general vein, Fernandes (2006) argues that new jobs created via liberalisation and market reforms have benefitted only the pre-existing middle class. Krishna & Pieterse (2008) explain that contemporary globalisation and liberalisation are built on existing cleavages in the society, which fail to benefit the majority in the countryside and the urban poor.

The lack of consensus about access to employment opportunities to different social groups and its implications for a new middle class formation calls for a re-investigation into this debate. Existing studies either look into the general impact of liberalisation and globalisation (for example, Fernandes 2006; Krishna & Pieterse, 2008), or, in case of the offshore-service sector, focus on the IT industry (Fuller & Narasimhan, 2008; Upadhyia, 2007). The IT-eS industry, which is an integral part of the service sector revolution in India, has been sparsely studied in relation to its access to employment opportunities to different social groups. Before we discuss the empirical findings, the following section presents the conceptual framework of this chapter and its operationalisation.



### **6.3 Operationalisation of the concept 'pre-existing middle class'**

At the heart of the debate on access to employment opportunities in the IT-eS sector and its implications for a new middle class formation is whether the industry employs people from diverse socio-economic backgrounds, including those from non-middle class families. To answer this question, it is pertinent to understand what is meant by the pre-existing middle class or the middle class in pre-liberalised India. From the discussion in Chapter 2, we know that the conventional Indian middle class was characterised in terms of its possession of a basic level of economic capital, along with cultural capitals in the form of knowledge of the English language and higher education. Possession of these capitals in turn resulted in the class being engaged in literary, service-based occupations. Social dimensions of caste and religious affiliations and urban origin further intersected with the forms of capital to produce a distinct class identity.

Based on this conceptual framework of the pre-existing middle class, this study identifies IT-eS employees as belonging to pre-existing middle class families if they possess the following characteristics:

- i. Their parents have completed at least up to higher secondary school education
- ii. Their parents possess knowledge of the English language
- iii. Their father is employed in a typical middle class occupation
- iv. The family belongs to the upper-caste group and
- v. The employee has resided in an urban area for the most part of her life

The study does not take into account any indicator of economic capital as reliable data on economic capital of families such as income or wealth owned before the respondent joined the IT-eS industry is hard to collect. Further, as asserted by Bourdieu (1986), the possession of cultural capital pre-supposes a basic level of economic capital, making data on economic capital somewhat redundant in this context.

The conceptualisation of the pre-existing middle class and its operationalisation are reflected in the questions covered in the survey and semi-structured interviews of IT-eS employees and employers, the methods of which have been described in detail in Chapter 3. A large part of the survey pertained to questions on possession of various forms of capital by the respondents and their families, so as to identify their class background. Information on education and occupation of the respondents' parents, their personal and family incomes, place of upbringing (rural/urban) and caste and religious affiliations were gathered. Along with parents' level of education, their knowledge of the English language was also taken into account. Identifying an occupation as middle or non-middle class is of course not easy. Parents' occupation was classified into: agricultural worker, industrial or factory worker, public service, private service, self-employed, homemaker and others. The job designation within the occupational category and the income earned therein were also noted. The job category, designation and income together gave a fair idea of the nature of occupation of the parents. Further, the survey asked respondents the place where they spent the majority of their formative years. Those who had spent the majority of their time in a city or a large town were identified as of urban origin. Caste of a respondent was identified based on the official state nomenclature of castes, described in the previous chapter.

Besides questions on class backgrounds of respondents, the survey covered other topics that helped determine the nature of accessibility of employment opportunities in the IT-eS industry. One of the parts in the survey dealt with questions on the professional and educational profiles of the respondents. Another type of questions pertained to the recruitment practices in the IT-eS industry, focusing on the importance of the various forms of capital for accessing employment opportunities in the industry. It dealt with questions such as how the

respondent found a job in the industry, the skills she was assessed on before recruitment and the factors she perceived important to gain access into the industry.

The semi-structured interviews dealt with similar topics, but allowed the respondents to describe their opinions and experiences in detail. Since direct questions about caste and religion are generally considered intrusive in a personal interview, no information on these variables was gathered in the interviews. While the survey provided an overview of IT-eS workers' profile and the factors determining their employment in the industry, the interviews gave a more nuanced understanding of these subjects.

#### **6.4 Class backgrounds of IT-eS workers**

*“Many employees in the sector are first time white collar workers of their families. Their parents may be auto-rickshaw drivers or maids... This is a road ahead for an entire generation to come up.”* (HR head, October, 2012)

*“If you talk of people being attracted to the industry they come from all backgrounds. But certain skill sets automatically tend to have certain backgrounds. A person with good English-speaking skills is likely to be from the middle class background.”* (HR head, March, 2013)

The above statements by HR heads of two IT-eS firms show that in line with existing literature on accessibility of jobs in the offshore-service sector, industry leaders differ on their opinion on class backgrounds of employees. The survey and interviews with IT-eS employees reveal that the sector is far less open to employees from diverse backgrounds than that argued by some industry leaders. The vast majority of IT-eS employees come from typical middle class backgrounds as, using our set of criteria, will be shown below.

### ***Well-educated parents***

One such middle class feature that characterises IT-eS employees is their parents' high level of education. An IT-eS employee in his early thirties, holding a Masters' degree from a reputed university in Mumbai, is one such respondent whose parents are highly educated. His first job after completing his Masters' was with an analytics firm, offering offshore services. Since then he has rapidly climbed up the career ladder, currently heading the sales team of a leading Indian outsourcing firm. This respondent believes that his upbringing in an educated family played a vital role in enabling him to pursue higher education and have a successful career in the field of statistics. He says:

*"My father has a PhD in mathematics. So I have grown up in this background of mathematics and statistics."* (Sales executive, February, 2013)

Although not all parents of IT-eS employees are as highly educated, evidence shows that the majority of them come from fairly well-educated backgrounds. The survey indicated that 82 per cent fathers of IT-eS employees had attended at least up to high school, of which over 40 per cent were graduates. Among the mothers, 66 per cent had completed high school education, while 13 per cent held a graduate degree. Moreover, fewer than 10 per cent of the mothers and less than one per cent of the fathers were illiterate. Given that adult literacy rate in India in 2011 was only 74 per cent<sup>11</sup> it is evident that IT-eS employees come from relatively highly educated families.

### ***English-language proficiency***

Not only are the parents of IT-eS employees well educated, many of them are also fluent in the English language. The survey found that 40 per cent of IT-eS employees come from families where both parents can speak English, while only

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<sup>11</sup> Census of India, 2011 (<http://www.censusindia.gov.in/2011-prov-results/indiaatglance.html>)

about 20 per cent respondents said that neither of their parents knew English. Compared to just 13 per cent of Indians, aged between 51 and 65 years who can speak in English<sup>12</sup>, English-language proficiency among parents of IT-eS employees is indeed quite high.

### ***Middle-class occupation***

Because of their high level of education and knowledge of the English language, parents of IT-eS employees are employed in regular salaried, or the relatively more skilled jobs. A young IT-eS employee describes his father's profession as follows:

*“My father worked in many places. He was earlier in the docks; then he worked with a lawyer, and later for an automobile company as a store supervisor.”*

(Back-office executive, January, 2013)

The survey showed that 74 per cent of fathers of IT-eS employees were into service-based, skilled professions. Half of these were managerial professionals or accountants, about one-third were engaged in medium to large scale businesses and about 10 per cent were factory-workers. Less than 20 per cent fathers worked in menial jobs such as that of drivers, electricians or small-scale farmers. Majority of the mothers were home makers.

### ***Upper-caste Hindus***

Along with parents' educational and occupational background, we also found the ethnic backgrounds of IT-eS employees to be fairly homogenous. Nearly half of the respondents came from upper-caste Hindu families, while OBC Hindus constituted 15 per cent of the sample. Only 1.5 per cent respondents came from the most under-privileged caste group of SC and ST Hindus. One-fourth of the survey respondents were Muslims, the largest religious group in India after the Hindus, but all of them came from the upper castes. Compared to the caste

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<sup>12</sup> India Human Development Survey, 2004–05 (Desai et al., 2008).

composition at the national level, wherein the OBCs, SCs and STs numerically dominate the upper castes (see Appendix A5.3a – A5.3c), it is apparent that the latter are over-represented in the IT-eS industry.

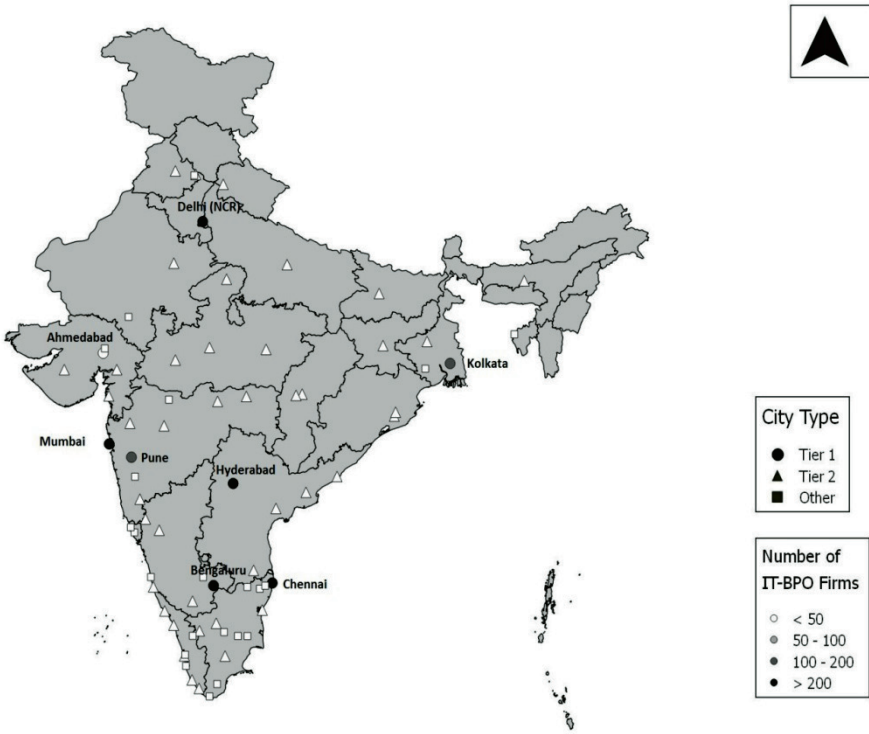
### *Urban upbringing*

Furthermore, there is a stark urban bias in the industry. Nearly all survey respondents (96 per cent) had an urban upbringing. Moreover, 70 per cent of employees were brought up in Mumbai, reflecting little geographical diversity in the industry. It may be argued that because this data is drawn from a sample of employees working in Mumbai alone, we find this urban bias in the industry. However, as Figure 6.1 shows, the five metropolitan cities of Mumbai, Delhi-NCR<sup>13</sup> (National Capital Region), Hyderabad, Bengaluru and Chennai house over 200 IT and IT-eS firms each, together attracting more than 70 per cent of India's offshore-service companies. None of the Tier II cities have more than 50 firms, whereas the smaller towns and rural areas have hardly any presence of the industry. Thus, both in terms of location of the firms and their personnel, the IT-eS industry is highly biased towards the larger cities of India.

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<sup>13</sup> Delhi-NCR includes New Delhi and the surrounding areas of Gurugram and Noida.

**Figure 6.1 Presence of IT and IT-eS Firms across India**



*Source: Author's calculations based on NASSCOM Member Directory, 2016*

### **6.5 What causes the urban middle class bias?**

The results clearly show that the majority of IT-eS employees come from urban middle class families. The important question to investigate is why so few employees from rural or from non-middle class backgrounds are able to access the IT-eS industry, despite industry leaders portraying it as a socially diverse sector. What factors inhibit these employees from accessing employment opportunities in the industry? To answer this question, we first look at the exceptional cases in the sample, that is, those employees, who despite belonging to small towns or non-middle class backgrounds have successfully managed to access employment opportunities in the sector.

One such exception is a former call-centre employee, who is currently a school teacher. Her mother, a school dropout, works as a domestic help in middle class homes. Her father, a tailor, had completed high school level education. Neither of this respondent's parents have knowledge of the English language. She was the first member in her family to complete university education and to be educated in the English language. She believes that despite her modest social background, her successful completion of university education in the English language enabled her to access the IT-eS industry. But it would not have been possible for her to pursue higher education without the hard work put in by her parents. Another respondent from a non-middle class background is also a former call-centre employee, who now works with an Indian real estate firm. Her mother is a vegetable vendor and her father, a musician at weddings, who only occasionally earns an income. Despite a low family income this respondent was able to access the IT-eS industry because of her uncle who completely funded her English language education up to the university level. Both these respondents were brought up in Mumbai, but clearly, their parents lacked the necessary economic and cultural capitals to be classified as middle class.

While these former employees came from a non-middle class background, but from the financial capital of the country, a young back-office executive comes from Ranchi, a relatively small city located in one of the most backward regions of India. Lack of job opportunities around his home compelled him to move to Mumbai, where his brother already had a job. He confesses that having a brother already settled in the city helped him find a job in the big metropolis of Mumbai.

*"When I came to Mumbai, I was intimidated looking at the crowd and wished to go back home. But my brother advised me to stay back and look for a job... In IT-eS firms, since the processes are US or UK based, one cannot escape speaking in English. Hence, coming from a Hindi background, I had a lot of*



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*communication problems. But I managed because of the help from my colleagues.”*

(Back-office executive, November, 2012)

This respondent's experience reflects that it indeed is not easy for people from rural backgrounds or even from small cities to access jobs in the IT-eS industry. The challenges of living in big cities coupled with lack of exposure to the English language in backward areas make it difficult for those from non-urban and non-English-speaking families to access the industry. Moreover, offshore-service firms are reluctant to locate themselves in small towns because of the lack of skilled workforce in such areas (Shastry, 2012). The previous cases show that even those coming from metropolitan cities like Mumbai, but belonging to family backgrounds where parents lack the economic capital to fund their children's education, face difficulties in accessing the industry. These exceptional cases have been fortunate to have the social capital in the form of relatives, who have appropriated the necessary economic and cultural capitals to assist them to access the sector.

Indeed, the nature of work in the IT-eS industry demands specific cultural capitals, which are largely possessed by the pre-existing urban middle class. Firstly, IT-eS firms demand a minimum of higher secondary level education (and increasingly, graduates) even in lower-end services like data entry and call-centre work. 86.2 per cent of the survey respondents of this study held at least a university degree. Secondly, the global nature of work in the IT-eS industry involves interaction with clients located in English-speaking countries, making English language skills one of the most important criteria for employment. While English language skills are obviously crucial for front-end services such as call-centres, they are important even in back-end services where employees are expected to send emails, for example, and interact with colleagues on the office

floor. As Table 6.1 shows, majority of the survey respondents ranked English-speaking skills along with a university education among the most important determinants of access to employment in the IT-eS industry<sup>14</sup>.

**Table 6.1 Factors Determining Employment in the IT-eS Industry**

**(N=330)**

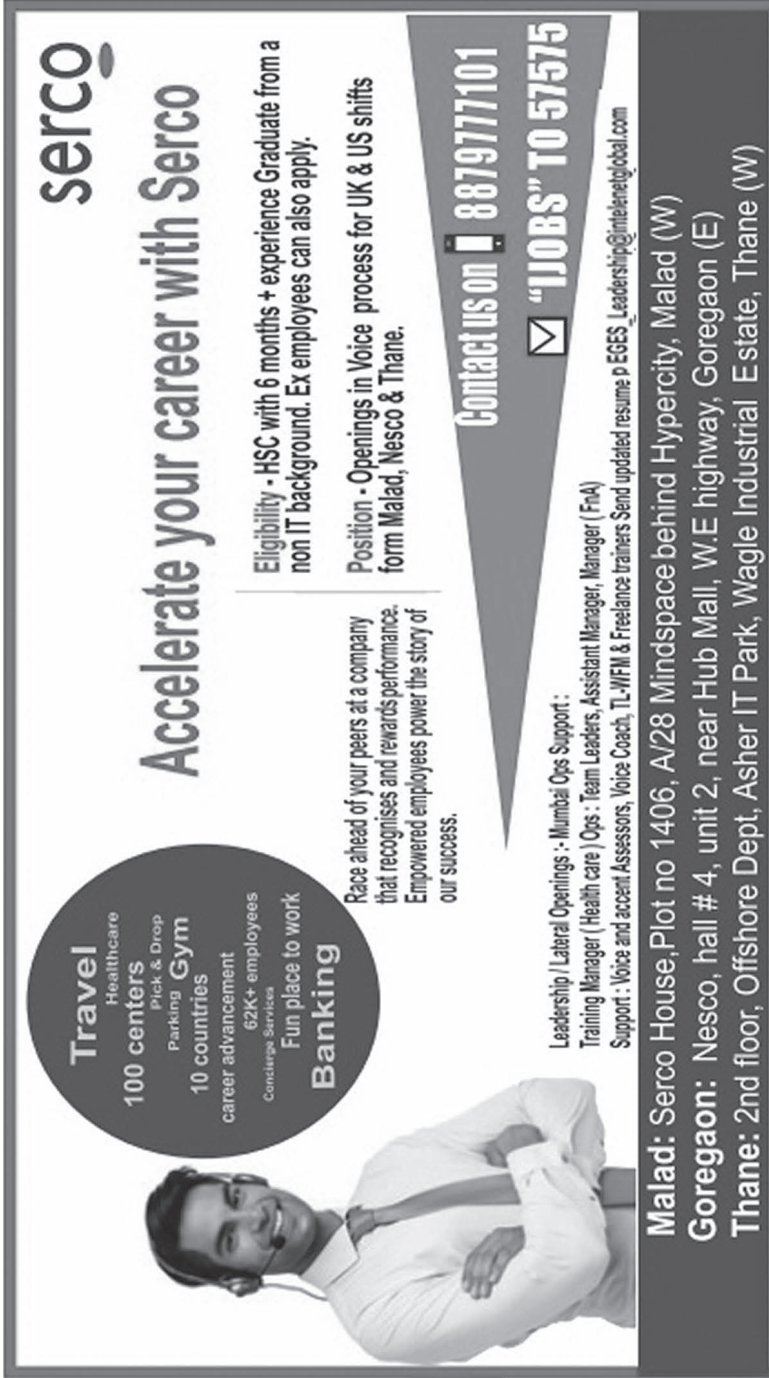
	<b>Rank 1</b>	<b>Rank 2</b>	<b>Rank 3</b>
Educational qualification	124	59	44
Past work experience	31	66	46
English skills (oral)	112	67	49
English skills (written)	22	60	51
Typing skills	24	22	49
Computer software skills	12	12	19
Personality	7	1	3
Family background	1	1	2
References	5	4	6

*Source: Survey data, 2013-14*

The HR head of an IT-eS firm, describing the recruitment process in his company also testifies this.

*"We first screen the candidates based on their education level. Then they are called for an aptitude test consisting of English, Math and logical reasoning.*

<sup>14</sup> Survey respondents were allowed to give the same rank to more than one factor if they deemed them to be equally important in determining their employment prospects in the industry. There was also no minimum number of factors that respondents were asked to rank. The sum total of the rank columns in Table 6.1 may hence not match the total sample size.



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**Malad:** Serco House, Plot no 1406, A/28 Mindspace behind Hypercity, Malad (W)  
**Goregaon:** Nesco, hall # 4, unit 2, near Hub Mall, W.E highway, Goregaon (E)  
**Thane:** 2nd floor, Offshore Dept, Asher IT Park, Wagle Industrial Estate, Thane (W)

Image 3: An advertisement announcing vacancies in a leading IT-eS firm Source : Google



Image 4: A shopping mall in Mumbai, the typical place where most interviews for this study were conducted  
Photo: Sandhya Krishnan

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*Then there is a speech test, wherein they are given a passage to read. The third is the hearing ability test, where they are made to listen to a passage in English and tested on their comprehension of the passage. Finally, there is an interview.”*

(HR head, October, 2012)

A university education and English language skills appear quite basic and in principle accessible to all sections of the society. However, the pre-existing inequality of opportunity to access these forms of cultural capital makes the IT-eS industry accessible to only the pre-existing middle class. As Bourdieu (1986) argues, cultural capital takes time to accumulate, making it initially accessible only to the offspring of families who are already endowed with such capital.

The flawed education system in India makes it further difficult for non-middle class families to access these important capitals. State education at the primary school level is affordable and accessible to all, but lacks even basic infrastructure facilities, let alone good quality education. As English is not the native language of the majority of Indian households, English skills are picked up primarily in schools. But the medium of instruction in majority of the public schools is in Hindi or in the regional language of the state, with English being taught only as a second or third language. Quality elementary education in English is available mainly in urban private schools, but remains expensive, affordable only by the pre-existing middle and upper classes (see Dreze & Sen, 2013 for a detailed account on the problems plaguing the education system in India). In contrast, higher education, where the medium of instruction is generally in English, is heavily subsidised by the state and largely available only in urban areas. Because it is only the urban middle and upper classes that are successfully able to reach up to high school level, they are the ones who effectively move up to university level education. Upadhyaya (2007: 1864) adds that besides education, the offshore-service

sector also requires workers with embodied cultural capital in the form of soft skills who will be capable of being moulded into “global professionals”. Because it is primarily the pre-existing middle class that possesses both the economic means and the social and cultural capital necessary to equip their children to enter professions in the offshore-service sector, the sector excludes other groups from accessing it.

These findings are in line with those of Fuller & Narasimhan (2008), Upadhy (2007) and Vira & James (2012). The study indicates that not much has changed in the nature of social inclusiveness of the service offshore industry over the last decade since these enquires were conducted. Moreover, it is not only the IT industry that is biased towards the middle class, but the relatively more accessible IT-eS industry too caters essentially to the pre-existing middle class. Ironically, while the demand for English-speaking graduates has attracted offshore-service firms to India, it is essentially this demand that also restricts the pool of potential employees who can access the industry.

## **6.6 Conclusion**

This chapter showed that a disproportionately large share of employment opportunities in the IT-eS industry in Mumbai accrues to the pre-existing urban middle class. It establishes that not only in the more knowledge-intensive IT industry as shown by Upadhy (2007) and Fuller & Narasimhan (2008), but also in the lower-end IT-eS segment, employment opportunities are skewed towards the pre-existing middle class. More importantly, this bias in access to employment opportunities continues even after two decades of operations of the IT-eS industry in the country. Access to the industry is generally merit-based, but the nature of work in the industry demands a fair level of English language skills and university education. Because access to these cultural capitals is largely



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restricted to the pre-existing urban middle class, they are the ones who benefit from the employment opportunities offered by the IT-eS industry.

These results suggest that the service-offshore sector offers good opportunities for the pre-existing urban middle class to perpetuate itself. The industry's contribution to a new middle class formation in the form of new entrants to the middle class who come from disadvantaged social backgrounds is quite restricted. This bolsters our results from the national level analysis in the last chapter, which shows that the majority of the new entrants to the middle class during the recent years are engaged in low-skilled occupations. Industries such as finance, IT and communications, which have boomed in the post-liberalisation period, are skill-intensive and mainly cater to the upper-middle and affluent classes.

These findings are an illustration of how neo-liberal market reforms in India have enhanced the significance of cultural capitals to access employment opportunities in the new knowledge-based services. The rise of the service-offshore sector on the one hand, has introduced new and attractive economic opportunities in developing countries like India. On the other hand, it relies on modern technology and continuous upgrading of skills of its workforce. Because the wage premium associated with the skills demanded by the industry is quite high, it tends to widen existing social and economic inequalities in the society as access is skewed to those who already possess the necessary cultural capital.

This study also indicates that the need for education in the English language in particular has expanded in the modern times of service sector globalisation. The spread of education can potentially remove barriers arising out of class stratification and contribute to socio-economic development. India should focus on making quality primary education as well as English language skills accessible to social groups across the country so that they can have access to the existing

subsidised education at the higher level. Recognising the growing importance of the English language, a few government schools across India and a number of states have introduced the language from Class I (Chhapia, 2014). Also, as part of corporate social responsibility a few offshore-services industry companies are investing in training people from socially disadvantaged backgrounds for jobs in the IT and IT-eS industries. However, cultural skills like language ability take time to accumulate and until then, access to jobs like in the IT-eS sector will continue to remain exclusionary. These results have important implications for countries that aim at following a service-sector led development trajectory (see Ghani & O'Connell, 2014; Lambregts et al., 2016). Such a trajectory may not only strengthen existing inequalities in the short run, but as this chapter demonstrates, it also does not open up to socially disadvantaged groups in the medium term.

Given that the IT-eS industry hardly contributes to the formation of a new middle class in India by enabling non-middle class individuals to access the industry and become part of the middle class, the question that follows is, in what way does the industry contribute to a new middle class formation? As discussed in Chapters 1 and 2, the idea of a new middle class formation not only entails non-middle class members experiencing upward class mobility to enter the middle class, but also refers to conspicuous changes in lifestyles and consumption habits of the middle class. The NSS surveys tell us little about qualitative changes in the consumption practices of middle class households. The following chapter explores this important contribution of the IT-eS industry towards new middle class formation. It looks at changes in consumption practices and lifestyles of IT-eS employees, focusing on the contribution of the industry in driving those changes.







## Chapter 7 | How the IT-eS Industry Contributes to the Formation of a Consumerist New Middle Class in Mumbai<sup>15</sup>

### 7.1 Introduction

The last chapter found that the contribution of the IT-eS industry in enabling non-middle class individuals to access its employment opportunities and enter the middle class is quite limited. Nevertheless, the industry might still contribute towards a new class formation by bringing about changes in the lifestyles and consumption practices of its workers. Most of the existing claims on changing consumption practices of IT and IT-eS industry workers are anecdotal, based on media reports or capture the changing advertising images in liberalised India (see for example, Fernandes, 2006). This chapter provides more rigorous empirical evidence on the adoption of new consumption practices and lifestyles by IT-eS workers after they get into the industry. It examines the factors within the industry that drive these changes in consumption practices of its workers. The chapter finally assesses why, based on their income level and consumption habits, the IT-eS workers may be identified as a new social class and how they are a part of the new middle class.

As observed earlier in this thesis, existing literature on the new middle class offers varying evidence on the nature of consumption practices of the class. A few studies argue that the new middle class is characterised with increasing westernisation of lifestyles and conspicuous, credit-driven, consumption (Brosius,

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<sup>15</sup> An earlier version of this chapter, titled, *How the BPO Industry Contributes to the Formation of a Consumerist New Middle Class in Mumbai* was published in 2016 as a single-authored chapter in Lambregts B., Beerepoot, N. & Kloosterman, R. (Eds.), *The Local Impact of Globalization in South and Southeast Asia: Offshore business processes in service industries* (pp. 183-194), London and New York: Routledge.

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2010; Nijman, 2006). Others find the lifestyles to be a blend of western and traditional local preferences (Lakha, 1999; Nadeem, 2009). In spite of the differences in the nature of consumption practices, all of them agree that the new middle class is endowed with forms of cultural capital which are different from that of the pre-existing middle class. Most of these studies however view changes in consumption practices as an effect of the processes of liberalisation and globalisation in general. Research on the contribution of the offshore-service industry on changing lifestyles and consumption habits of its employees is sparse. Nevertheless, studies by J. Murphy (2011), Nadeem (2009) and Upadhya (2008, 2009) show that the industry is instrumental in bringing about changes in lifestyles, values and attitudes of its employees, making them the “vanguard of the global middle class”. While Nadeem (2009) studies both IT and IT-eS workers, Upadhya (2008, 2009) focuses only on IT industry workers and J. Murphy (2011), within the larger segment of the IT-eS workers, studies call-centre employees. None of these studies have examined in detail how employment in the IT-eS industry brings about changes in consumption practices and lifestyles of its employees.

This chapter fills these gaps in extant literature by providing a comprehensive analysis of how the IT-eS industry shapes consumption practices and lifestyles of its employees. The chapter further probes if workers look at the industry as a long-term career option. This will indicate whether the impact of the industry on changes in consumption practices will possibly be an enduring one. The chapter specifically aims to answer the following questions: What are the income levels of IT-eS employees and where are they positioned in the Indian class structure on the basis of their incomes? What are the consumption practices and lifestyles of IT-eS employees like and how does work in the industry influence them? Bringing answers to these questions together, the chapter examines the nature of the new consumerist middle class that is contributed by the IT-eS industry. In

Bourdieu's framework (see chapter 2), this chapter studies the process of transformation of the pre-existing capitals of IT-eS workers into new forms of capital after they get employed in the industry. It will be argued that it is the transformation of capitals that gives rise to the formation of a new class identity.

The rest of the chapter is divided as follows. Section 7.2 surveys the existing literature on changing consumption practices and lifestyles associated with the new middle class in India. The data is described in section 7.3. Section 7.4 presents empirical evidence on the changing consumption practices and lifestyles of IT-eS workers and discusses the role of the industry in bringing about those changes. The issue of prospects of the IT-eS industry as a long term career option for workers is discussed in section 7.5. The final section concludes by assessing the implications of the results on the contribution of the IT-eS industry to a new middle class formation.

## **7.2 The consumerist new middle class**

Many studies have linked the emergence of the new middle class in India to the rise of a new consumer culture. Fernandes (2006), for instance, observes that the processes of liberalisation and globalisation have introduced a plethora of consumer goods in the Indian market, as against pre-liberalised India, which had to be content with a few domestically produced consumer goods. However, Fernandes (2006) adds that the number of people who can actually have access to the wide range of consumer goods available is very small, indicating in turn that the size of the consumerist new middle class is rather small. Birdsall et al. (2000) assert that the spread of information and opening up of markets allowing imports of many consumer goods have introduced absolute standards of consumption crossing national boundaries and are visible, if not attainable for the majority of the citizens in new market economies. Advertising images carried by various

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brands have created a desire among different segments of the Indian society to participate in the new consumer culture (Brosius, 2010).

However, as Guarín and Knorringa (2014) rightly observe, little information exists on actual changes in consumer values and preferences of the new middle class. Most of these changes are seen as operating through communication media, mass advertising and aggressive campaigns of global brands. Nevertheless, a few studies throw some empirical light on the nature of changing consumption practices of the new middle class, mostly linking them to increasing westernisation. Lakha (1999) asserts that the new middle class not only symbolises availability of a wide range of consumer goods, but also reflects the adoption of new forms of consumption habits and lifestyles. He finds that global consumer icons and western style consumerism are on the rise among the middle class in globalised India. Similar arguments are presented by Jaffrelot & van der Veer (2008). They claim that new western consumer goods made their appearance in the Indian market and the pre-existing middle class, the first target of the importers, developed more Americanised tastes and habits.

Nijman (2006) also finds strong evidence of the emergence of a consumption culture in Mumbai, akin to the West. Besides westernisation of consumption habits, he also observes a significant increase of credit-based consumption among the middle and upper-middle classes of Mumbai. According to his study, most of the consumption of the new middle class is financed through debts. Nijman (2006: 772) states, “(new) middle class status is most commonly associated with visible consumption which creates a temptation for aspiring upwardly mobile Indians to spend even they don’t have the money- as long as they can get the credit.” Similarly, Brosius (2010), who studies the sites of new consumption practices of the middle class in India, finds evidence of conspicuous, credit-driven and debt-laden consumption.

While the consumerist middle class may be adapting western-style consumption and spending habits, some studies find that they are not at the exclusion of existing local styles and cultural sensibilities. According to Lakha (1999), local tastes and preferences interact with western-style consumerism to produce a distinct consumption style of the Indian new middle class. For example, while brand names are an important consideration, these may not be western brands. Guarán & Knorringa (2014) are sceptical about the exact change in consumer preferences of the middle class. They argue that while there is no doubt that consumption patterns change with increased wealth, with a shift from basics to discretionary items, there is no evidence of an inevitable westernisation of consumption or convergence towards a global consumer culture. They suggest that there is both convergence and divergence in consumer cultures of middle classes across the world.

While evidence on the nature of changing consumption practices of the middle class in India is far from clear, extant studies also do not reflect upon the processes through which these changes take place. Though the offshore-service industry is regarded as one of the significant contributors to the formation of the consumerist new middle class, very few studies have explored the role of the industry in bringing about these changes. One among these is the study by Upadhya (2008) on IT workers, who finds that the opportunity to live abroad that the industry provides to its employees gives them exposure to western-style consumerism, creating a class of global middle class Indians. In another study on the Indian call-centre industry, J. Murphy (2011: 417) characterises the employees as “part of an emergent global middle class sharing common lifestyles and values with their counterparts in western countries”. These studies, however, do not shed enough light on how work in the IT and IT-eS industry really influences the changing consumption practices of its employees. The rest of the chapter conducts a detailed empirical investigation to fill these existing gaps on research

on the contribution of the IT-eS industry to the formation of a consumerist new middle class in India.

### **7.3 Data**

Analogous to the previous chapter, this chapter is also based on primary data collected via semi-structured interviews and a survey, which have already been described earlier in Chapter 3. The empirical evidence in this chapter draws on the set of questions in the survey and interviews designed to assess the role of the IT-eS industry in influencing the consumption practices and lifestyles of the employees. One set of questions captured changes in income, spending patterns and consumption habits that employees witnessed after joining the industry. Another set of questions evaluated the respondents' plans to continue to work in the industry, thus assessing the possible long term influence of the industry on new middle class formation.

The first set of questions contained both objective and subjective indicators. The objective questions pertained to the respondents' income in the IT-eS industry and their spending, saving and borrowing behaviour. Questions on expenditure and borrowings included the major item groups where respondents spent their income and the reasons for them to incur debts. The subjective questions included self-perceived changes in lifestyles and consumption practices of the respondents. In order to assess the role of the IT-eS industry in bringing about these changes, respondents were asked about the facilities and fringe benefits provided to them as employees of the industry and the general environment within the workplace.

The second set of questions was directed towards getting an idea about the respondents' future plans in the industry, in order to assess the possible medium to long term impact of the industry on new middle class formation. Current employees were asked for how long they intended to continue working in the

industry and the reasons for the same. Former employees were asked to list the reasons for leaving the industry and whether they would like to get into the industry again in the future. The following sections present the empirical findings based on these data collected.

## **7.4 New middle class consumption**

*“Smart phones, watches, Levi’s jeans, branded shoes... The new middle class is about going to places and doing things that possibly the last generation could not and having the spending power to do it as well.”*

(Call-centre executive, December, 2012)

The above description by an interview respondent points at two key features of the consumerist new middle class. First, the new middle class created by the IT-eS industry has a higher purchasing power than the earlier middle class. In other words, the new middle class is endowed with higher economic capital as compared to the pre-existing middle class. Second, this higher purchasing power enables the class to indulge in consumption practices strikingly different from those of the earlier middle class in India. The new middle class consumes a variety of international brands, its new consumption practices akin to the western middle class. The new middle class seems to have gathered new forms of cultural capital that distinguishes it from the earlier middle class. Sections 7.4.1 and 7.4.2 respectively discuss the role of the IT-eS industry in contributing to these key identifying features of the consumerist new middle class- its higher economic capital and new forms of cultural capital.

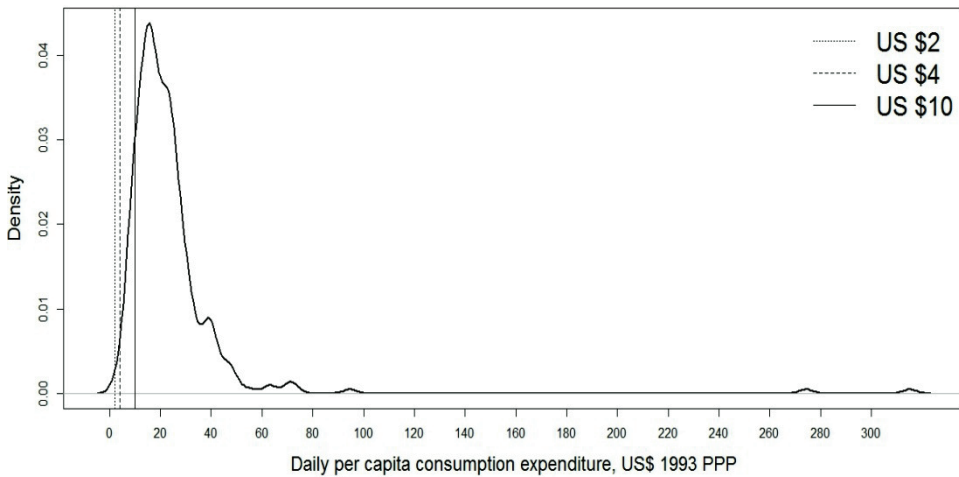
### **7.4.1 Income in the IT-eS Industry**

There is ample evidence that the remuneration paid to offshore service employees is several times higher than that paid to an average Indian employee as well to traditional middle class employees such as government administrators and school teachers (Fuller & Narasimhan, 2007; J. Murphy, 2011). The findings from the



survey and interviews in the last chapter bolster these existing evidences. But where exactly do IT-eS employees stand in the national income/consumption expenditure distribution? Figures 7.1 and 7.2 respectively show the kernel density estimation of daily per capita consumption expenditure and daily per capita income of IT-eS employees in Mumbai. The total area under the curve in each of the figures equals one, the area between any two points on the X-axis denoting the probability that consumption expenditure or income lies within the interval of those two points. The figures are based on data of 307 survey respondents, who shared valid information about their personal income and savings.

**Figure 7.1 Kernel Density Estimation of Consumption Expenditure Distribution of Mumbai’s IT-eS Employees (N=307)**



*Source: Author’s Survey, 2013-14*

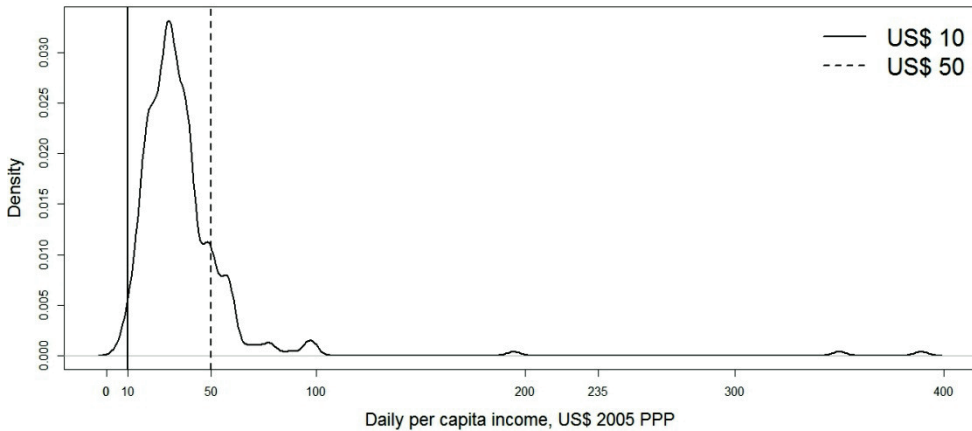
Figure 7.1 shows daily per capita consumption expenditure distribution of IT-eS employees in \$ 1993 PPP terms to facilitate comparison with the middle class definition proposed by Banerjee & Duflo (2008). Consumption expenditure here is calculated as the difference between the employee’s average monthly income and

average monthly savings. Since respondents find it easier to report their personal income and savings relative to their consumption expenditure, the survey traced the former variables rather than the latter. The figure shows that modal consumption expenditure of IT-eS employees is well above the middle class range. Only 11.4 per cent of the employees fall in the middle class consumption expenditure range. Even within the middle class, the majority of the employees are in the upper-middle class, with less than one per cent employees in the lower-middle class. A vast share of 88.6 per cent of IT-eS employees belong to the affluent category.

Because the definition by Banerjee & Duflo (2008) is based on developing country standards, it is worthwhile to also look at the position of IT-eS employees within a global definition of the middle class, such as that of Meyer & Birdsall (2012). This will indicate if IT-eS employees are indeed part of the global middle class. Figure 7.2 shows the kernel density estimation of daily per capita income of IT-eS employees converted to 2005 PPP dollars to facilitate comparison with Meyer & Birdsall's (2012) calculations. The two vertical lines in the figure correspond to income levels of \$10 and \$50 respectively, representing the middle class income range as per the definition of Meyer & Birdsall (2012). The figure shows that barely two per cent of IT-eS employees earn less than the global middle class level of income of \$10 per capita, per day. The majority of IT-eS employees (about 87 per cent) earn in the range of the global middle class level income and about 10 per cent earn above global middle-class level incomes. Using the same definition, Meyer & Birdsall (2012) found that less than 10 per cent of India's population belonged to the middle class in 2009-10. We can hence conclude that the IT-eS industry pays its employees incomes far higher than what an average Indian earns and commensurate with global middle class standards. These results make it clear that IT-eS employees not only belong to a privileged section within the Indian middle class, but many of them are a part of the affluent group of the society. This

calls for reflecting on whether the IT-eS employees should indeed be called the new middle class, or whether they are better described as the “emerging affluent” or the “new rich” (see Standard Chartered, 2015).

**Figure 7.2 Kernel Density Estimation of Income Distribution of Mumbai’s IT-eS Employees (N=307)**



Source: Same as Figure 7.1

Besides occupying the higher end of the income and consumption distribution, IT-eS employees also earn far more than what their parents earned when they were young or what they still continue to earn at close to retirement. Many employees feel that they are financially better-off than their parents because they have been fortunate to have employment opportunities such as that in the IT-eS industry, which pays them very well. A young, former IT-eS employee, when asked whether he thinks he has done better in life than his parents, responded thus:

*“I think I have done better than them but that is because I have had the opportunities that they never had.”* (Former call-centre executive, February, 2013)

Indeed, the primary attraction for employment in the IT-eS industry is the remuneration in the industry. Average income in the IT-eS sector is higher than not only other jobs in the private sector, but also most government jobs. Moreover, the IT-eS industry is open to graduates devoid of any work experience, making it an attractive career option particularly for the youth. Evidence from both the survey (see Table 7.1) and interviews clearly point out that the relatively high remuneration paid in the industry is the primary reason for the vast majority of employees to choose to work in the IT-eS sector. A young graduate working for an American IT-eS firm recalls why she chose to work in the IT-eS industry rather than in an Indian firm.

*“The pay in IT-eS firms was at least three times higher than the Indian companies I had applied to.”* (Back-office executive, November 2012)

**Table 7.1 Why Workers Join the IT-eS Industry**

	<b>(N=255)</b>		
	<b>Rank 1</b>	<b>Rank 2</b>	<b>Rank 3</b>
Attractive remuneration	113	52	26
Scope to continue further studies	34	44	34
Night shifts	42	50	53
Easy to gain entry	33	34	33
Attractive work profile	24	33	31
Respectable job	12	09	21
Secure job	09	10	20
Lack of other job options	12	03	10
Accidental	07	05	00

*Source: Author's survey, 2013-14*

The IT-eS industry provides pre-existing middle class families, who already have access to some basic economic capital, with opportunities to further enhance that capital. This enables them to occupy a relatively high position in the national income/consumption expenditure distribution. In fact, as Figures 7.1 and 7.2 showed, the majority of these employees are not even positioned in the upper-middle class, but are part of the small group of affluent Indians, or the global middle class.

## **7.4.2 Consumption practices in the IT-eS industry**

### **7.4.2.1 Changes in lifestyles and personality**

#### *Embodied capital*

The IT-eS industry not only augments the economic capital of the urban middle class youth, but also transforms their cultural capitals. This research finds that the nature of work in the IT-eS industry makes a noticeable impact on the embodied capital of the employees. Since IT-eS workers interact with clients abroad, they are trained on a variety of soft skills. Call-centre agents are trained on their voice and accent; most employees are educated about the cultural backgrounds of their clients located abroad, while some are trained on behavioural etiquettes. The survey showed that 56 per cent respondents receive some kind of on-the-job training in the industry. Out of these, 64 per cent employees receive training in voice and accent, 45 per cent are trained on computer skills, 32 per cent get soft skills training and 47 per cent workers receive process specific training. The on-the-job training has a considerable impact on the personalities of the workers. 77 per cent respondents claimed that they found an improvement in their communication and people skills while 66 per cent employees were more aware of multiple cultures after working in the industry. Nevertheless, working in the industry also has a negative influence on a small fraction of the employees. About 10 per cent respondents said that they picked up smoking or drinking habits after entering the industry. A small number of workers stated that they

already had these habits before entering the industry, but most respondents claimed that they stayed away from smoking or drinking.

The most striking impact on embodied capital is on the personality and attitude of the workers. The grooming and training that workers receive on the job leave a positive and enduring impact on their personalities, which are reflected even outside their work. One respondent shares her experience:

*“We are taught not to offend our customers. If for nine hours a day we are talking to customers then it tends to reflect on our daily language. I noticed a lot of shop owners know me in my area. They remember that I had gone to their shop six months back. Now they remember you because you were polite and nice to them at one time. This has happened after I joined the sector.”*

(Knowledge coach, December, 2012)

Another respondent, who has spent over a decade working for an IT-eS firm, finds a stark change in his personality after working in the industry.

*“The kind of training you get in this industry, the kind of grooming that you get, there is a lot of exposure. I suddenly got this confidence.”*

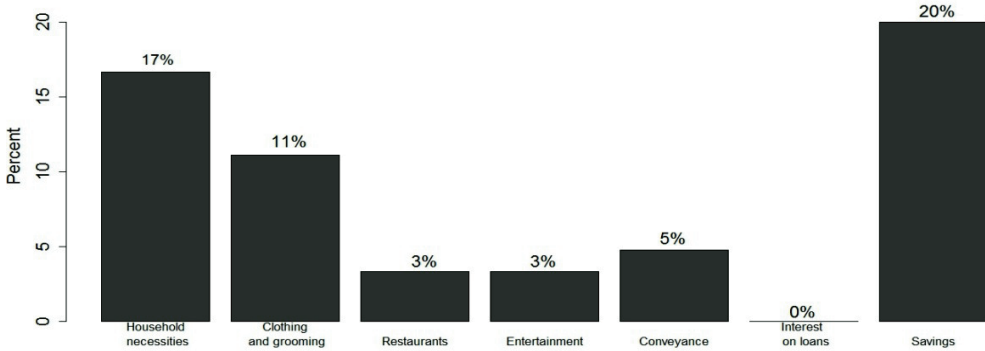
(Team leader, November, 2012)

### ***Objectified capital***

While the work culture leaves a noticeable impact on the personalities of the workers, the high remuneration in the industry has a great influence on the spending patterns of employees. Figure 7.3 shows the key item groups where IT-eS employees spend their income. Even though employees spend a substantial portion of their income on household necessities, they spend a considerable share also on discretionary goods and services. As figure 7.3 shows, a large fraction of income of IT-eS workers is especially spent on clothing, grooming and conveyance. Most importantly, compared to the national level data presented in

Chapter 4, IT-eS employees spend a considerably smaller share of their expenditure on necessities and a larger fraction on discretionary items relative to even the urban affluent. Spending patterns of IT-eS employees are not related merely to their high remuneration. Many factors within the IT-eS industry determine their spending choices.

**Figure 7.3 Median Share of Consumption Expenditure of IT-eS Employees on Various Item Groups (N=269)**



*Source: Same as Figure 7.1*

The work environment in the IT-eS industry particularly plays a critical role in bringing about changes in lifestyles and spending patterns of employees. The survey finds that an overwhelming 98 per cent of the employees witness some change in their lifestyle and consumption practices after entering the IT-eS industry. Dress sense and eating habits, especially, are two areas where most employees are found to have experienced significant changes. The survey finds that over 55 per cent of the respondents become more brand conscious while buying their clothes after getting into the industry, 43 per cent wear more modern and fashionable outfits and 37 per cent feel that they have a better dress sense than before. Besides changes in dress sense, many respondents also reported

to have witnessed changes in their food habits after entering the industry. 35 per cent of the survey respondents affirmed that they try new and different kinds of cuisines while 27 per cent eat out at restaurants more often than before. This is in line with the data presented in Figure 7.3, wherein employees spend a substantial share of their income on clothing and grooming and on restaurants.

The interviews shed more light on the nature of changes in the dress sense and eating habits of IT-eS employees. One respondent describes the changes in his dress sense after joining the IT-eS sector:

*“In companies like my previous job [a coaching institute], no one really looks (at your clothes). When you come to a BPO, you see people wearing different clothes, the way they wear it, the combination... so it changes. Earlier I used to buy clothes from Fashion Street [a popular street in Mumbai that sells fashionable wear at low prices]. I do not like the clothes there anymore. Now I only buy from Westside [an Indian retail chain].”* (Back-office executive, January, 2013)

Another respondent reports on his changing dining behaviour:

*“Earlier going out would mean visiting an Udipi restaurant [a modest Indian vegetarian restaurant] and having a roti [Indian bread], sabji [vegetable] and a dessert. In the evening you would go and have some chaat [a snack]. Now, you want to try new places. So you may go to a Pizza Hut or you may try Mexican or Thai food. Once in a while we also splurge and go to a Mainland China or a Taj restaurant.”* (Supervisor, February, 2013)

These narrations show that changes in dressing imply both having a better dress sense as well as being more brand-conscious. Changing food habits among IT-eS workers consist of both going to more expensive places to eat and experimenting with multicultural cuisines.



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Besides dress and food habits, another area where many respondents reported to have recorded changes in their way of consumption was the mode of transport used. Since employees in the IT-eS industry generally work in night shifts, they are provided complimentary pick-up and drop-off services by cars or comfortable buses. Consequently, they tend to travel in such comfortable and relatively expensive modes of transport even outside of work (see Figure 7.3, which shows that IT-eS employees spend five per cent of their monthly expenditure on conveyance). The ambience in firms indeed plays a crucial role in influencing the changing consumption habits of employees. As the back-office executive described, his dress sense changed after looking at others in his workplace who wore better clothes than him and the realisation that his way of dressing was being noticed.

Amenities within IT-eS firms and performance based incentives given to employees introduce them to new forms of consumption practices. Interview respondents noted that their offices have “*nice coffee vending machines and machines for soft-drinks*”, wherein these drinks are made available at subsidised rates. Several companies also have multinational food joints and cafes such as McDonalds, Pizza Hut and Starbucks located within their office premises. Shopping malls housing similar joints have also strategically located themselves around outsourcing companies. In fact, as entry into the office premises is restricted to outsiders, most interviews conducted for this research took place in cafes located in shopping malls around the respondents’ workplaces (see Appendix A2.1). A few big outsourcing firms even have in-house gyms, libraries, beauty salons, sport complexes and such other facilities that employees may use outside their working hours. Not surprisingly, workers tend to visit similar places also outside of work. Results from the survey show that 67 per cent of the employees get free transport facilities, 31 per cent workers are given credit or debit cards on joining the company, 29 per cent have multi-cuisine cafeterias in their office

premises and 34 per cent have either gymnasiums or sport facilities or both within their offices. Only 17 per cent of the employees do not have any such facilities at their workplaces.

Besides these facilities, the IT-eS industry also offers several perks to its employees. Though perks have been historically provided in the Indian public sector too, the IT-eS industry has transformed the status implications of these perks by linking them to new patterns of consumption (Fernandes, 2006). While the Indian public sector provides its employees with standard benefits such as insurance, medical facilities, provident fund and so on, IT-eS companies, besides these standard benefits, also offer monetary and non-pecuniary benefits such as smart phones and home appliances, which are typically attractive to the young, who are found in majority in the industry. Survey results show that 70 per cent of the employees get performance-based pecuniary rewards, 30 per cent receive non-monetary rewards in the form of gifts such as mobile phones, computer laptops and home appliances, 54 per cent get standard benefits like provident fund, while only six per cent do not receive any form of additional incentives. The IT-eS industry thus provides its employees with exposure to a variety of quality goods and services, introducing them to new forms of consumption behaviour, making them a conspicuous symbol of a consumerist class. An industry expert describes how the facilities provided transform the lifestyles of IT-eS employees.

*“Earlier only a General Manager would be sent a car to be picked up. Today, all these guys are being sent cars. And if the driver is even 10 minutes late, they abuse him. Standards and expectations have risen.”* (HR head, October, 2012)

The empirical evidence so far shows that the work atmosphere in the IT-eS industry has an important influence on the lifestyles of its employees. The higher economic capital in the industry endows employees with new forms of objectified

capital, wherein they not only own more material objects, but also learn how to consume them. This however does not imply that employees adopt an Americanised or westernised lifestyle. Their lifestyles are modern, but also influenced by local traditions. IT-eS employees may thus eat out at expensive restaurants more frequently than the average Indian, but their cuisines are both Indian and multi-national. Similarly, although IT-eS employees assign importance to the way they dress, the places from where they shop and the clothes they wear continue to be rooted in traditions. These findings bolster those of Guarín & Knorringa (2014) and Lakha (1999), who claim that consumption practices of the new middle class, though global in nature, are influenced by local tastes and preferences.

### **7.4.2.2 Credit-driven consumption?**

While lifestyles of IT-eS employees may not be westernised in the true sense of the term, existing literature claims that much of their consumption is debt-laden or credit-driven (Brosius, 2010; Nijman, 2006). The survey however shows that the median IT-eS worker refrains from borrowing loans. In fact, IT-eS workers manage to save a fairly large proportion of their income (see Figure 7.3). The survey revealed that a very small fraction of respondents did indulge in debt-laden consumption, purchasing a few modern and expensive goods such as mobile phones through borrowings. Interviews with employees further shed light on credit-driven consumption of IT-eS employees. Respondents observed that employment in the IT-eS industry leads to a sudden surge in the flow of income at a relatively young age. The temptation for conspicuous, credit-driven consumption arises from the number of credit cards and incentives that respondents are offered by banks to indulge in credit-laden consumption. One respondent explains:

*“These banks see the money that is coming in and offer you credit cards. You do not know how to use the cards and you misuse the liberty given to you. It had*

*spoiled me and that is why I know.”* (Call-centre executive, November, 2014)

Respondents are however quick to add that this is merely a temporary phenomenon, which primarily takes place when employees are new in the industry and suddenly witness a surge in their income. After a few years of being in the sector, they realise the importance of managing their finances better. A respondent with an industry experience of almost a decade affirms this.

*“There was a point when I would get my salary and within five days it would all go because I had to pay so many debts. This happened for about two to three years. After that I realised I need to start managing my finances.”*

(Team leader, November 2012)

Further investigation reveals that only those employees who are not necessarily required to support their families indulge in such credit driven consumption. Many employees in the industry have dependent family members, which compels them to spend most of their income on household needs. In fact, many young employees take up a job in the IT-eS sector because the high income earned in the industry not only allows them to financially support their families, but also enables them to save enough to pursue further education (see Table 7.1, which shows that many respondents take up a job in the industry because the night shifts allow them to continue to pursue their education during the day). Such employees have little income left after meeting their necessities to finance any luxurious purchases. They either do not indulge in any opulent consumption or postpone them for a few years until they feel financially comfortable. A young undergraduate IT-eS worker, who joined the sector after the demise of his father- then the only earning member in the family- corroborates this, when asked why he chose to work in the IT-eS sector.



Image 5: View from inside an IT-eS firm in Mumbai: Employees enjoying a game of table-tennis

Photo: Sandhya Krishnan





Image 6: View from inside an IT-eS firm located in Mumbai: A cafeteria offering a variety of options to eat

Photo: Sandhya Krishnan

*“I had to run my family and had to fund my sister’s education. Also, I want to study further. This is the only high paying industry wherein you can save and then do something further.”* (Back-office executive, January, 2013)

The empirical evidences presented so far reveal that employment in the IT-eS industry is indeed an important influence in shaping consumption practices of its employees. However, in contrast to existing literature, the evidence for westernisation of consumption or for credit-driven consumption is weak. The results are similar to those of Upadhyya (2009), who finds that IT workers in Bangalore devote a substantial share of their income on household necessities and savings; and experience similar lifestyle changes as described here. This shows that not only both IT and IT-eS industries draw employees mainly from pre-existing middle class families, but both segments of the service-outsourcing industry also have similar influences on consumption and lifestyle changes of their workers.

### **7.5 IT-eS industry as a long term career option**

The chapter so far has shown that the IT-eS industry plays a vital role in driving its employees to take to new consumption practices, making them a conspicuous symbol of the new middle class, or rather, the emerging affluent in the country. To further understand the contribution of the industry to a consumerist new middle class formation, it is essential to assess whether workers look at the IT-eS industry as a long term career option. If employees aspire to remain in the industry for a considerable period, the impact of the sector on a new class formation and changing consumption habits may be greater. In contrast, if employees intend to work in the sector only for a short while, then the sector may perhaps not have a significantly lasting influence on lifestyles and consumption practices of its employees. This section explores this yet under-researched area of whether IT-eS workers look up to the industry as a long term career option.

**Table 7.2 Reasons for Short-Term Employment in the IT-eS Industry**

	Current Employees (N=200)*			Former Employees (N=74)		
	Rank 1	Rank 2	Rank 3	Rank 1	Rank 2	Rank 3
Unhappy with nature of job	30	28	16	07	14	11
Interested in another type of job	24	37	19	03	01	01
Inability to cope with night shifts	19	22	21	12	14	14
Lack of job security	37	09	21	05	01	06
Lack of growth opportunities	07	16	13	10	24	09
Unhappy with the pay	07	06	09	30	04	09
Not a respectable job	07	04	10	01	07	01
Company down-sized/ shut-down	NA	NA	NA	00	01	03

\*: Includes only those employees who intend to work in the industry for less than five years from the date of survey Source: Author's survey, 2013-14

In spite of the IT-eS industry being an attractive employment option for young jobseekers, both the survey and interviews indicated that most employees view their job in the industry as a short term or medium term phenomenon. The survey showed that over one-third of the current employees in the industry intend to work in the IT-eS industry for less than two years, while only seven per cent plan to spend more than 10 years in the industry. Furthermore, former employees spent an average of merely one year in the industry, with 57 per cent of them indicating that they are not interested in getting back in the industry in the future. 31 per cent of the employees were unsure if they would work in the industry again, while only about 10 per cent of the former workers were keen on working in the industry again in the future. Current employees cited various



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reasons for their plans to quit the industry in the near future (see Table 7.2). These mainly included lack of job security in the industry, the night shifts hampering their health and their passion for another type of job. Surprisingly, many former employees quit the industry because they were unhappy with the pay, which after a while may not be enough to compensate for the pressing work schedules. A few others cited lack of growth opportunities in the industry, whereas others were unhappy working in night shifts.

The interviews vindicate the survey results. A former call-centre employee, who quit the industry after completing his graduate degree, echoes the perception of many young employees who enter the sector because it enables them to earn a living along with pursuing their higher studies, but quit the industry once they complete their studies.

*“I was quite sure that once I finished my graduation I would leave this sector. Night shift was the main reason to quit. The reason I joined there (the IT-eS industry) was because it enabled me to attend college. But once I had finished college, what was the point in continuing on the job?”* (Former call-centre executive, February, 2013)

Many respondents cited night shifts as the primary reason for not intending to pursue a long term career in the industry as it negatively affected their health in the long run. A few others had reservations about the nature of work in the sector. Many employees did not find the nature of job in the sector to be fulfilling. A workforce strategist in a large Indian IT-eS firm dreams of pursuing a career as a chef after having gathered enough work experience and having earned enough income in the industry. He tersely puts across his view about the sector:

*“This sector has money; that is it.”* (Workforce strategist, January, 2013)

Other respondents found their job in the IT-eS industry interesting, but cited lack of job security in the sector as their reason for short term employment in the

sector. Given the bleak global economic scenario and the rapidly changing dynamics of the industry (see for example, Brynjolfsson & McAfee, 2014; *The Economist*, 2011, 2016), these employees felt that there was no assurance that India will continue to attract service-outsourcing jobs in the years to come. They preferred to be employed in Indian public sector jobs, which according to them “have a future”, besides providing them with various fringe benefits. A young female respondent, who continues to try to get a job in the public sector even as she works as a back-office executive in a leading American outsourcing firm, shares the opinion of many like-minded workers:

*“In the IT-eS sector a company can get out any time. Indian companies have a future. They have more secure jobs.”* (Back-office executive, November, 2012)

A few respondents also found Indian private firms to be more secure than service offshore firms. However, these employees face the predicament that they will have to accept a lower remuneration if they choose to work in private Indian firms. A back-office executive, holding a graduate degree, eloquently puts across this dilemma.

*“There is the pressure that in case outsourcing ceases to exist, we might become jobless. We are not even that highly educated that we will get good jobs in other sectors. The pay package that we get here is pretty high and we will not earn such a high package elsewhere. That is why we feel a bit scared.”*

(Back-office executive, November, 2012)

Thus, while IT-eS employees are attracted to the high remuneration offered by the industry, they are constantly under the pressure of losing their job due to market uncertainties. Indian companies, although offer a lower remuneration; seem to be a better employment option in the long term. It is indeed remarkable that these new middle class employees engaged in the ‘new’ economy jobs actually prefer jobs that are attached with the traditional middle class.

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Given the changing dynamics of the IT-eS industry and the introduction of new technologies that facilitate automation of modern service activities (such as cloud computing), it is difficult to foresee the future prospects of offshore service activities in India. The fears of employees such as those quoted above are not completely misplaced, because other countries such as the Philippines have started to attract a large share of the low-end services such as voice processes, leaving India behind in this segment. India, however, continues to dominate the high-end segment of the global service outsourcing industry (that is, those segments involving higher level of skills; for example, financial analytics or web-designing). The interviews show that it is largely employees in the low-end segment of the IT-eS industry who enter the sector with a short term employment objective (mainly call-centre executives or data-entry operators). Those in the high-end segment do not appear to be apprehensive about losing their jobs. These results partly bolster the claims of Fernandes (2000), who finds that labour market restructuring in urban India is characterised with job market insecurity, especially at the lower-end of the middle class segment. The findings here show that this may be true even at the upper-end of the middle class segment, that is, among IT-eS industry workers. It remains to be seen whether the industry will continue to influence the consumption practices and lifestyles of its employees even as they move to domestic industries.

Industry leaders too appear to be in cognizance of the transient nature of employment in the low-end segment of the IT-eS industry. The marketing head of NASSCOM, the industry body for service-outsourcing firms in India, explains the nature of employment in different types of services in the sector.

*“I think attrition in a (low-end) IT-eS environment is accepted and expected too because of the nature of the job. People may switch jobs for multiple reasons like better opportunities elsewhere, for further studies, because of job fatigue or because they came into the sector with a short-term objective. Generally*

*attrition is lower in high-end jobs because employees get challenging jobs and they come there with a specific interest in mind.”* (Vice-President, Marketing, NASSCOM, March, 2013)

Thus, employees especially at the lower-end of the offshore segment view employment in the industry essentially as a stop-gap arrangement that enables them to earn enough money to support themselves and their families along with pursuing higher education. They also see the industry as an opportunity to learn useful skills that can better their chances of employment in other industries (see also Beerepoot & Hendriks, 2013). Former employees have already found better job opportunities, some of the current employees are positive about finding such opportunities in the future, while still others are anxious if domestic Indian firms will provide them with similar monetary compensation as the IT-eS industry. Given the fairly high level of education of IT-eS employees, it is likely they will find employment opportunities elsewhere which will continue to put them in the middle class. However, it remains to be seen whether they find employment opportunities that offer them remunerations similar to the IT-eS industry and whether their consumption practices picked up in the industry are maintained in the longer run. These findings also point towards the differences between IT and the lower-end segment of the IT-eS industry. While the former is considered as a long term career option, the latter is generally a stop-gap arrangement for employees to look for better work opportunities elsewhere.

## **7.6 Conclusion**

This chapter analysed how the IT-eS industry in Mumbai influences changes in lifestyles and consumption practices of its employees. The chapter finds that the relatively high remuneration paid to IT-eS workers as compared to the average Indian is an important factor in determining the urban youth's choice to work in the industry as well as in bringing about a change in their lifestyles and

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consumption practices. In fact, the high level of income paid to the workers positions them not in the middle class, but in the upper-middle and affluent classes of the Indian society. The findings on occupational distribution across classes in Chapter 5 vindicate these results from the primary survey.

Besides the high level of income, the nature of work in the industry provides employees with global exposure, creating noticeable changes in their comportment and personalities. The work culture and ambience further exposes employees to various new forms of consumption habits such as better dress sense, international cuisines and expensive modes of transport. However, the changes in consumption habits do not strictly imply westernisation of consumption or credit-driven consumption as is argued in existing studies such as that of Brosius (2010) and Nijman (2006). They rather entail a blend of westernised and local tastes and preferences. As pointed by Guarín & Knorringa (2014: 155) in the context of new middle class consumers in emerging economies, the contribution of the IT-eS industry to a new social class formation must be seen “both as an economic transformation involving an increase in purchasing ability and discretionary income, and as a socio-cultural transformation involving a change in beliefs, attitudes, norms and motivations of consumption”.

The chapter also finds that although the IT-eS industry is an attractive employment opportunity for the urban middle class youth, the majority of them view the sector as a transient option. This implies that perhaps, the consumption practices adopted by these employees may not last for a long period of time. The competitive and foot-loose nature of the industry especially at the lower-end further creates uncertainty over the long-run impact of the industry in bringing about a socio-economic transformation. Moreover, given the rapidly changing dynamics of the sector, it is difficult to foresee the precise impression that the industry may leave on the Indian society in the long run. However, as long as India continues to attract IT and higher-end IT-eS services, these segments will

be a major influence on the lifestyles and consumption practices of its workers.

Findings from the last chapter and this chapter together throw important insights on how various forms of capitals function to produce a distinct new middle class identity. As the last chapter showed, access to employment in the IT-eS industry entails pre-possession of at least a basic level of economic capital and a high level of cultural capital in the form of English language education. This chapter finds that employment in the IT-eS industry further transforms these pre-existing capitals of middle class employees into new forms of capital, resulting in a distinct identity of a consumerist new middle class. Employment in the IT-eS industry enables workers to acquire a higher level of economic capital. Moreover, it has a prominent impact on the cultural capital of employees. Employees are exposed to and acquire new forms of objectified capital such as latest gadgets and branded clothes. Their embodied capital also entails a transformation as they witness changes in their personalities and acquire new ways of dressing and eating. It is indeed this transformation of capitals that facilitates the shift in class identity from the middle class to the new middle class.

However, it is also essential to note that the nature of the new middle class created by the IT-eS industry is different from that of the Indian new middle class at large, both in quantitative and qualitative terms. Quantitatively, the new middle class created by the IT-eS industry is rather small when compared to over 600 million Indians who fall in the middle class category. Qualitatively, as the empirical chapters together show, the consumption patterns of IT-eS employees differ from that of the general new middle class in India. Furthermore, structurally the Indian new middle class at large, comprising of different social groups of the society, is in stark divergence from the new middle class formed out of the IT-eS industry in Mumbai, comprising essentially of the pre-existing middle class. Thus, the newness in the middle class of these two groups ought to be understood differently.



## Chapter 8 | Conclusion

This thesis started with the objective to understand the emergence of a new middle class in India and the contribution of the offshore-services industry to such a class formation. At a more general level, the research aimed to contribute to debates surrounding the developmental implications of globalisation and a services-led growth path in developing countries that seemed to have more or less skipped the industrialisation-led growth phase (Eichengreen & Gupta, 2011; Ghani & O'Connell, 2014; Lambregts et al., 2016). India can be seen a key case of such a service-sector led development as this country has benefitted most from recent advancements in technology and service-sector globalisation. The study on the implications of offshore services on the Indian society from the lens of class, including changes in existing class structures and the rise of new social classes, enabled to gain a comprehensive understanding of the social, economic and cultural transformations that have taken place because of the emergence of the industry.

Bourdieu's (1986) conceptualisation of forms of capital provided a good framework within which such an analysis could be carried out. Taking economic capital in the form of consumption expenditures as the fundamental yardstick to classify society into different classes, this thesis first studied how the middle class in India has changed quantitatively and qualitatively during the years from 1999-00 to 2011-12. It then examined how the offshore-services industry has contributed to such changes in the middle class, giving rise to the formation of a new middle class.

This concluding chapter of the thesis first summarises the main findings of the study. It then draws out the theoretical implications of the findings for development and class theories. The next section proposes policy



recommendations. This is followed by reflections on the scope for further research from this study. The last section makes some final remarks about this research.

## **8.1 Key findings of the research**

The central findings from this study establish that there has been a remarkable expansion in the size of the middle class in India between 2004-05 and 2011-12 and an emergence of a quantitatively and qualitatively new middle class. The contribution of the offshore-services industry to such a new middle class formation is however quite limited. The industry has played little direct role in the quantitative expansion of the middle class or in the transformation of the structural composition of the class. The offshore-services industry has contributed to a new middle class formation mainly by influencing the consumption practices and lifestyles of a small privileged section of the existing urban middle class. This section, drawing on the research questions of Section 1.4, presents the key findings of this study.

### **8.1.1 Quantitative expansion of the Indian middle class between 1999-00 and 2011-12**

Applying the economic definition of the middle class proposed by Banerjee & Duflo (2008), Chapter 4 found little growth in India's middle class size between the years 1999-00 and 2004-05. The seven years between 2004-05 and 2011-12, however, witnessed an unprecedented expansion in the size of the Indian middle class, from less than 30 per cent to over 50 per cent of the population. In absolute terms, the middle class almost doubled in size. Further analysis revealed that over 70 per cent of the middle class was in the lower-middle class category. The share of the middle-middle and the upper-middle classes within the middle class was modest at 18 per cent and 8 per cent, respectively. The analysis thus revealed that between the years 2004-05 and 2011-12, about 300 million Indians acquired a level of economic capital that classified them as middle class, which made this

class quantitatively 'new'. Most of these new entrants were however still quite close to the poverty line and hence vulnerable to fall back into poverty in case of an economic shock.

This study also found that this middle class expansion took place across rural and urban areas as well as in the majority of the states of India. In fact, rural India surpassed urban India in terms of the number of people in the middle class, indicating that the new middle class is not concentrated only in urban areas. Factors driving the significant growth of a new middle class in rural areas demand appropriate examination, as is discussed in Section 8.4. Although many states had shown a significant increase in the size of their middle classes, the states of Rajasthan in the north and Andhra Pradesh and Karnataka in the south especially recorded a noticeable expansion in the size of their middle classes. The performance of these states can be attributed to the reforms that they initiated during the period under analysis. The states in the east of India, though showed an improvement, remained the laggard states in terms of middle class size. These findings demonstrate the emergence of a quantitatively new middle class, spread across different parts of the country.

These results bolster the assertions made in several reports and academic studies (see Ablett et al., 2007; ADB, 2010; Kharas, 2010) about the Indian middle class being one of the frontrunners (along with its Chinese counterpart) in driving global consumption demand in the post-recession period. However, they contradict the claims of Fernandes (2006), Nijman (2006) and others, who view the Indian new middle class as essentially an urban phenomenon. At least two reasons can be cited for this discrepancy in results. First, Fernandes (2006) and Nijman (2006) define the new middle class rather narrowly, as only those sections within the existing middle class who have directly benefitted from the processes of liberalisation and globalisation, that is, those employed in the new economy

jobs. Based on this narrow definition of the new middle class, even this study found the class to be rather small in its size and concentrated in the urban areas. Second, these studies were carried out much before 2012 and focused only on the city of Mumbai, because of which they might have found an urban bias in the middle class. This research demonstrates that the period between 2004-05 and 2011-12 should be seen as the critical period when India witnessed a growth in the size of its middle class, which trickled down to different parts of the country, including the rural areas.

### **8.1.2 Changing consumption patterns of the middle class between 1999-00 and 2011-12**

The analysis of class-wise consumption patterns revealed substantial differences in spending patterns between classes. In accordance with the Engel's law, it was found that the fraction of expenditure spent on food declines as one moves up the income/consumption expenditure distribution and that on discretionary goods and services rises. Middle-class households in general spent a substantially larger share of their expenditure on consumer services, education, health, durable goods and house-rent (items that are traditionally considered fundamental to middle class status, see for example, Bergeron et al., 2014; Kochhar, 2015) as compared to the poor. There were considerable differences in spending patterns within the middle class, with the lower-middle class spending a much larger share of its expenditure on food than the upper-middle class. Nevertheless, there were just as substantial differences in spending patterns between the poor and the lower-middle class, indicating that daily per capita expenditure just a little above \$2 made a noticeable difference in the budgetary allocation of households. This also showed that the lower-limit of \$2 to define the middle class is not as arbitrary as Banerjee & Duflo (2008: 4) themselves confess it to be. The lower-limit of \$2 in fact provides a base amount of consumption that can contribute economically to growth by allowing households to spend a fair share of their expenditure on

discretionary goods (Chun et al., 2011). Because this definition also fits other relative definitions of the middle class (for example, that of Easterly, 2001), it shows that economic definitions of the middle class are after all not as ad hoc as they are sometimes perceived to be (see for example, Research Unit in Political Economy, 2014). Economic definitions of class however differ from country to country, and should be applied only after a careful analysis of the social and economic structure of the society under study.

The level of consumption expenditure is also reflected in the possession of the kind of consumer goods owned, that is, the level of objectified capital acquired by households. Ownership of type of household appliances, personal vehicles as well as the more modern technology-based goods differed considerably across classes. Luxurious goods such as air-conditioners, refrigerators, personal computers and cars, whose ownership is generally associated with the rise of a new middle class, were possessed largely by the upper-middle and affluent classes, who constituted a small proportion of the country's population. The larger segment of the lower-middle class mostly owned goods such as motor-bikes and television sets. Mobile phones, a modern consumer good, were owned by a large number of households across all classes, indicating its affordability and its importance as a necessity in the current times of information technology and high-speed communication. The spending patterns of the new middle class and its possession of different types of consumer goods have important implications for stakeholders in both the public and private sectors, which are discussed in Section 8.3.

### **8.1.3 Changes in the social composition of the middle class between 1999-00 and 2011-12**

While Chapter 4 established that the remarkably large size of the contemporary middle class in India made it quantitatively new, Chapter 5 showed that this middle class is also qualitatively different from the earlier one with respect to its

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level of education, type of occupation and caste and religious affiliations. An important and somewhat surprising finding was that the majority of the new entrants to the middle class between 2004-05 and 2011-12 had noticeably lower levels of education than the pre-existing middle class. This shows that acquisition of institutionalised cultural capital has not kept pace with that of economic capital and objectified cultural capital. These results are in line with Bourdieu's assertion that cultural capital takes relatively more time to accumulate. They also indicate that some forms of cultural capital, such as objectified capital (ownership of goods) are more directly related to the level of economic capital and acquired sooner than other forms of cultural capital such as institutionalised capital (education).

The low level of education meant that new middle class households were mostly engaged in non-middle class, unskilled occupations. The largest growth in middle class size was found in what can be seen as more traditional economic activities, namely the construction sector, whereas the typical middle class occupations of trade and public administration recorded a decline in the proportion of middle class individuals working in them. Moreover, it was also found that modern services-based jobs brought about by liberalisation and globalisation such as finance, IT and communications employed only a small segment of the population, largely belonging to the upper-middle and affluent classes. These findings reflect some important trends in India's occupational distribution. Liberalisation and globalisation have shrunk the number of jobs available in the public sector, where the Indian middle class was traditionally employed in. Sectors such as IT and finance have only partially replaced these jobs. Because of their capital and skill-intensive nature, they employ a smaller share of the population than the public sector. These new services have however created a demand for various types of other services and infrastructure facilities, indirectly generating jobs in informal services. The construction industry, being labour-intensive and a beneficiary of

the backward linkages of services production, has benefitted the most from the services-led growth in the recent years. The growing demand for construction workers has in effect raised wages in the construction sector, making the sector one of the largest drivers of new middle class formation. The increasingly important role of the construction sector in India's growth is yet under-studied, as further discussed in Section 8.4.

Besides education and occupation, considerable changes were also recorded in the caste and religious compositions of the new middle class. Unlike the earlier middle class that was composed of mainly the upper-caste Hindus, the expansion in the size of the middle class between 2004-05 and 2011-12 involved the entry of many lower-castes into the middle class, from both Hindu and Muslim households. As such the middle class has become more ethnically diverse and inclusive, which makes it new from yet another dimension. However, within the middle class, the upper-middle class continued to be dominated by upper-caste Hindus whereas the lower-castes mainly occupied the lower-middle class position. This shows that social divisions in the form of caste and religion continue to exist and influence class positions in India and that the disadvantaged social groups are yet to catch-up with the rest of the society. This is because the better jobs such as those in formal service-based activities generally rely heavily on the cultural capital of higher education and even other forms of embodied capital such as comportment and soft skills (as is further shown in the following sub-section). As Bourdieu (1986) states, cultural capital takes time to accumulate and until then class divisions on the basis of cultural capital will continue to exist. The entry of lower-caste groups into the new middle class shows that caste divisions are getting gradually diluted, but on the basis of only economic capital. It will take time for the historically disadvantaged caste groups to accumulate the level and forms of cultural capital that the upper-castes have acquired over the years.

#### **8.1.4 Accessibility of employment opportunities in the IT-eS industry in Mumbai to different classes**

While at the all-India level, many households successfully entered the middle class leaving behind poverty, Chapter 6 found that the IT-eS industry (in Mumbai) has made little contribution towards such overall new middle class formation. The majority of the employees in the industry are from pre-existing urban middle-class families, whose parents possess cultural capital in the forms of high level of education, knowledge of the English language, occupation in typical middle class professions, etc. Further analysis showed that the industry by itself is not biased in favour of employees coming from pre-existing urban middle class backgrounds. However, the nature of work in the industry demands the possession of cultural capital such as fluency in the English language and a university education. Historically, in India, these forms of capital have been possessed primarily by the pre-existing middle class, concentrated in the large cities. Since cultural capital takes time to accumulate, these skills continue to be possessed largely by established middle-class families, making employment opportunities in the IT-eS industry accessible to the pre-existing urban middle class alone. The demand for cultural capital and the pre-existing inequalities in them have thus led to the reproduction of pre-existing class inequalities in India, especially in the form of unequal possession of cultural capital. Thus, the contribution of the IT-eS industry in enabling employees from non-middle class families to access its employment opportunities and become part of the new middle class is very limited. Also, the role of the industry in facilitating a larger structural transformation is quite restricted. These findings are in contrast to the claims made by representatives of the offshore-services industry about the social inclusiveness of the sector and its potential to promote equitable development (see for example, Bagchi, 2006; NASSCOM, 2016a; Rastogi & Pradhan, 2011).

### **8.1.5 Influence of the IT-eS industry on the income levels, consumption practices and lifestyles of its employees**

Even though the IT-eS industry contributes little to new middle class formation in the sense of enabling non-middle class members to access employment opportunities in the industry, the remuneration in the industry, together with exposure to global cultures has left a profound influence on the lifestyles and consumption practices of the employees. Chapter 7 found that IT-eS employees of Mumbai figure among the top of the national income distribution, occupying the upper-middle or affluent positions in the class structure. Besides the high level of income that these employees are paid at a relatively young age, the work ambience and culture within the industry play a vital role in driving new forms of lifestyles adopted by the employees, thus transforming their cultural capital. Dress style, eating habits and modes of conveyance are the main areas wherein IT-eS employees witness considerable changes after employment in the industry. Changes are also noticed in the embodied capital of employees, that is, in areas such as their level of confidence, social behaviour and professional ethics.

These findings suggest that the IT-eS industry not only demands the possession of different forms of cultural capital at the entry level, but its work environment further transforms the economic and cultural capitals of the employees in conspicuous ways. In effect, instead of promoting socially inclusive development, the industry widens pre-existing class inequalities in the society, on the basis of both economic and cultural capitals. Nevertheless, at a qualitative level, the impact of the IT-eS industry is so great that these employees have become global representatives of the Indian new middle class. Also, in India, these workers are seen as global citizens because of their exposure to global culture, their adoption of global consumption practices and their pioneering of modern, western lifestyles in liberalised India.



### **8.1.6 IT-eS industry and new middle class formation in India- The bigger picture**

At a larger level, this research shows that the new middle class in India is a heterogeneous group. On the one hand, there exist a large number of lower-middle class households who have recently entered the middle class, are structurally different from the earlier middle class, but are not directly associated with the offshore-service industry. On the other hand, a relatively smaller section of IT-eS workers, coming from pre-existing middle class families, have adopted new forms of consumption practices and lifestyles after entering the industry. Both these segments depict characteristics which classify them as the new middle class. The lower-end of the class has recently acquired a level of economic capital that categorises them in the new middle class. They however lack the cultural capital of the established middle class, especially in relation to education. The upper-segment, in contrast, has acquired even higher levels of economic capital as well as new forms of cultural capital than it did in the pre-liberalised period. In fact, the level of economic capital of the latter makes it appropriate to classify them as the emerging affluent or the new rich.

These results indicate that amongst all the existing conceptualisations of the new middle class, the Indian new middle class can best be described by the definition of Wietzke & Sumner (2014). It is a class that includes both recent entrants to the middle class from the erstwhile poor segment of the population as well as the new rich, who can be called middle class by global standards (that is, those who consume around or above \$10 per day).

The contribution of the IT-eS industry to this particular new middle class formation extends beyond its direct influence. With the creation of a new class of consumers, the industry has indirectly led to the rise of a number of other industries that supply to these consumers. Shopping malls have been built around

the areas of offshore-services firms, new condominium complexes have arisen and local tourism has received a boost. The infrastructure demands from the industry in the form of real estate and roads have boosted the construction industry, the largest driver of new middle class formation. Moreover, even though the number of offshore-services industry employees might not be very large in proportion to India's population, their consumption is highly visible and has led to a new image of the cities that this industry has thrived in (for example, Bengaluru, Chennai, Delhi-NCR, Hyderabad, Mumbai and Pune). Because of their new and international consumption practices, they have globally become symbolic of the burgeoning Indian middle class and attracted immense attention from academics, developmental organisations and multi-national companies alike.

## **8.2 Implications of the research findings**

The empirical findings of this study have important theoretical implications, at least in three areas. First, given the conventional positive relationship between large middle classes and societal development (Banerjee & Duflo, 2008; Birdsall, 2016; Easterly, 2001), the evidence for the emergence of a remarkably large 'new' middle class in India opens questions about its implications for development vis-à-vis the established middle class. Second, the relevance of the offshore-services industry in countries like India extends beyond its contribution to a new middle class formation to a wider services-led growth path in countries that have apparently skipped the industrialisation phase and relied on the services sector for economic growth. But the rather meagre contribution of the offshore-services industry to employment generation and new middle class formation also points out that countries with large domestic markets will benefit significantly by focusing on their own domestic industries, especially at times when global economic growth is not very promising. Third, the application of Bourdieu's concept of forms of capital to study the new middle class in the Indian social context has important implications for adaptability of rather general class theories

in specific social contexts. The following sub-sections elaborate on these implications.

### **8.2.1 New middle class formation and development**

Several extant studies have demonstrated that middle classes are important because of their positive association with higher socio-economic growth and development via greater consumption demand, investment in human capital formation as well as active political participation and greater support for democracy (see for example, Birdsall, 2016; Doepke & Zilibotti, 2008; Easterly, 2001; K.M. Murphy et al., 1989). Results from this thesis show that the emergence of the new middle class in India has indeed led to higher demand for durable goods, health care, education as well as consumer services. But the majority of the new entrants to the middle class in India has low levels of education and is engaged in unskilled jobs, quite unlike the established middle class of India. However, the new middle class invests a significant level of its expenditure in human capital accumulation such as education and health. Hence, what makes the contemporary Indian middle class important for development is its investment in the human capital formation of its offspring, which in the future will ensure a large educated workforce. The emergence of the qualitatively new middle class in India thus demonstrates that the country is still in the phase of an economic take-off, where the majority of the population has low levels of human capital, but holds the promise of creating the next generation of educated labour force, which can potentially take the country to the next stage of development.

Although this thesis did not explicitly study the political engagement of the new middle class, our results indicate that the rise of a large middle class may not necessarily imply more political participation and better governance, unlike what is suggested by Birdsall (2016), Easterly (2001) and others. The low level of education among the majority of the new middle class and its ethnic and social

diversity imply that the new middle class may not come together as one political force to pressurise the government to implement better public policies. The developmental implications of the rise of the new middle class on governance in India are perhaps different from what is generally argued in existing studies. This dimension of the new middle class demands further research, as is elaborated in Section 8.4.7.

### **8.2.2 Services-driven growth and development**

Many developing countries seem to have skipped the industrialisation phase of economic development, relying early-on on services as the main driver of development. Trade in services has become a key driver of economic growth for many of these countries. Whether this services-driven growth is sustainable in the absence of a strong manufacturing base, is debatable (Ghani & O'Connell, 2014; Kloosterman et al., 2016). The findings from this thesis contribute to such debates on the development implications of services-driven growth in developing economies. As this thesis showed, trade in services has created many attractive employment opportunities in the main urban areas in India and further boosted consumer demand for a variety of goods and services. However, as Chapter 6 showed, at least the direct employment opportunities in the industry are biased towards the existing urban middle class. As a result, the sector reproduces and widens pre-existing class and income inequalities, rather than reducing them. The findings from this thesis indicate that in general, advancement in technology, globalisation and services-driven growth, although contribute towards higher economic growth, also reproduce and enhance pre-existing inequalities in the society (see also Krishna & Pieterse, 2008; Lambregts et al., 2016; Raychaudhuri & De, 2012).

Indirectly, however, the offshore services sector has created a number of jobs in the informal sector, although they are often precarious in nature (Kumar, 2016).

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The data presented in this thesis did not give any evidence on the precise number of indirect jobs created by the industry. But given the relatively small size of direct jobs created by the offshore-services sector in India, it is plausible that the growth witnessed in the informal sector such as construction activities is mostly driven by the domestic services industry, rather than by offshore services. In fact, India's huge domestic market has enabled the country to be resilient to external economic shocks and thus record an impressive growth in consumer demand despite the global economic crisis. The precise contribution of the domestic service sector and offshore services in employment generation and in new middle class formation needs to be studied more carefully.

In general, however, we can claim that the services sector in India has created many new middle class jobs, both at the lower and at the higher-end of the class spectrum. However, unlike traditional middle class jobs, which are known for their stability (see Banerjee & Duflo, 2008), most of these new middle class jobs are not necessarily long term, stable jobs. For example, many of the offshore-services and other knowledge-based service jobs may be lost to automation or international relocation (Baldwin, 2016; Brynjolfsson & McAfee, 2014; *The Economist*, 2016), whereas lower-end middle class jobs, such as those in construction, are dependent on these formal-sector jobs. Unlike traditional middle class jobs, new middle class jobs, based on globalisation and modern services-driven growth are thus more vulnerable to rapid advancements in technology, global economic changes and other factors. Complementing services with a strong domestic manufacturing sector will help to a certain extent in creating more number of jobs in the economy, although jobs in the manufacturing sector too may similarly be threatened by automation and technological advancements.

### 8.2.3 Class theories

This research showed that employment opportunities introduced or boosted by the offshore-services industry, directly or indirectly, have created new class segments within the middle class. Offshore-service workers typically come from the established middle class, but are part of a new social class, characterised by their accumulation of high levels of economic capital and new forms of cultural capital. In contrast, many construction workers have recently entered the middle class, characterised by modest level of economic capital and a rather low level of cultural capital. This research indicates that modern studies on class ought to recognise such increasing number of class divisions within traditional class groups. The recent work by Savage et al. (2013), which proposes a new seven class model for the British society, is an important contribution towards the recognition of the emergence of such new social classes. An analogous study on the emergence of new social classes in developing countries like India will help better understand the impact of globalisation on the society as a whole. Such a study would in general address how existing social divisions (based on caste, gender, religion or a combination of these) are reproduced in the emerging social stratification; and the mechanisms via different forms of capital, that reproduce or alter these established social divisions.

Further, this research showed that class theories ought to accommodate for specific social, political and other contexts within which classes emerge and flourish in different societies. Even though Bourdieu's conceptualisation of the forms of capital is an excellent framework to study different dimensions along which societies are segregated, it does not engage with unique social contexts- such as caste and religion in the case of India, or race in the case of some western countries- while talking about classes. As this thesis showed, social setting feeds into the formation of classes and class identities are often inter-related with other existing social divisions along the lines of caste, religion, gender or race. The lack

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of engagement with existing social systems that interplay with class is a drawback of Bourdieu's *forms of capital*, which needs to be addressed in forthcoming class theories. Here, it is worth mentioning a recent class typology proposed by Kelly (2007, 2012), which borrows ideas of class structure from different schools of thought and builds further on them. Kelly's class framework is based on four inter-related dimensions of position, performance, process and politics. Class as position is analogous to economic capital, which refers to the income or labour market position of an individual in the society. Class as performance is akin to cultural capital, dealing with consumption practices and embodiments of an individual. Class as process and politics are dimensions that have not been fully dealt with by Bourdieu. The former refers to the inter-relationship between different classes as well as the interactions of class with other social dimensions such as race, gender and caste, whereas the latter deals with political mobilisations that articulate the experiences of class. Kelly's class typology thus attempts to engage with social contexts that intersect with class, but this typology is yet to be fully developed. Further work towards building such class theories will prove useful in analysing modern societies from the lens of class, especially in understanding how other social processes intersect with class to augment or reproduce existing societal distinctions.

This thesis has provided some initial empirical groundwork for such an analysis. It has shown that the economic position of many individuals in India has improved in the recent years, which categorises them in the middle class. The labour market position of these individuals is however quite different from that of the pre-existing middle class, making these individuals a part of the 'new' middle class. Class as performance is yet another indicator of newness in the middle class. This thesis showed that at least some segments of the existing middle class (offshore-service workers, for example) have taken to new forms of lifestyles and consumption and that their classed performance has become their distinguishing

class characteristic. Detailed analysis of classed performance of other groups within the new middle class, especially of those at the lower-end, was beyond the scope of this thesis. The entry of many new members at the lower-middle class level demands deeper analysis of classed performance of this section of the new middle class. Although this thesis did not study the inter-relationships between different classes (which is an important subject for further research), an analysis of the social context within which the middle class operates sheds some light on class as process. This research showed that existing social divisions along caste and religious lines continue to intersect with different dimensions of class and are producing new forms of distinctions between the different social groups on the basis of their labour market position and class performance. Analysis of class as politics was beyond the scope of this thesis, but remains an important area for further research, as discussed in Section 8.4. Thus, overall, this thesis has provided important empirical evidences that can be fed into bringing out class theories that can incorporate more number of dimensions than that considered by Bourdieu, keeping in mind the changing social dynamics of societies in the age of service-sector globalisation and technological advancements.

### **8.3 Policy recommendations**

Besides the theoretical implications of this research, there are a few policy lessons too that emerge from the findings of this study. Here, we lay down the implications of this research for public policy as well as for private firms interested in tapping India's large consumer market. Appropriate changes in public policy can go a long way in ensuring better developmental outcomes and higher economic growth. The large new middle class of India has been of interest to many multi-nationals and domestic manufacturers of consumer goods. Implications of this research for private firms can help them better strategise their decisions and realise larger profits, along with benefitting the large pool of consumers.



### **8.3.1 Recommendations for public policy**

If employment opportunities from modern knowledge-based services are to benefit larger sections of the society, India needs to implement important reforms in its educational sector. As discussed in Chapter 6, the current educational system in India is flawed, where quality primary education in the English language is accessible to only the privileged few, who are able to move up to the higher education level. Higher education, in contrast is subsidised, but it obviously benefits only those who have had access to quality primary education. The few English medium schools catering to the poor and low-income groups, whether private or state-run, are of poor quality, plagued by teacher absenteeism, poor infrastructure and such other problems. Students enrolled in these schools fail to pick up even essential reading or mathematical skills, eventually dropping out of the educational system (see Dreze & Sen, 2013). It is essential that the government invests heavily in education as well as in vocational training such as computer literacy so that a larger section of the population is trained to access the new jobs available in the knowledge-services industry.

Besides implementing reforms in the educational system, the state needs to invest heavily in social and physical infrastructure. With expansion in the size of the middle class, there is an increase in the demand for education, health, transport and other public services. Furthermore, as the middle class invests in human capital accumulation and produces a large pool of educated workforce in the near future, there will be further demand for skilled jobs. While offshore services present one such opportunity, quality jobs also need to be created in other education-intensive sectors. Failure to do so will not only result in under-employment or unemployment of the educated youth, but may also have negative social consequences such as social unrest.

### **8.3.2 Recommendations for the private sector**

The rise of a consumerist new middle class in India is vital for multi-nationals and other private firms, especially at a time when consumption demand from the western middle class is bleak. The expansion in the size of the new middle class showed that India is indeed a promising market for the private sector. Generally, these firms target the urban upper-middle and affluent classes to sell their consumer products. Even though these classes constitute only a small proportion of the country's population, given India's total population size, in absolute numbers, these classes are an attractive consumer market for luxurious goods. However, this thesis showed that the largest consumer market lies in the lower-middle class category, which includes both urban and rural markets, of which the latter remains under-served. These classes of consumers demand more of the small consumer durable goods rather than luxurious products. India thus has a huge market for producers of not only luxurious goods but also of existing products that with simpler modifications will attract consumers with less spending power. The introduction of the small budget car, *Tata Nano*, can be seen as the first step in this direction, and this study indicated that there is a huge market for such products in India. The most important lesson for private firms from this research thus lies in realising the size of different markets, their location and their diverse consumption demand; and accordingly targeting them.

## **8.4 Avenues for further research**

The findings from this research have opened up further research questions, which could not be fully dealt with in this thesis. This section discusses a few such areas where further research is recommended.

### **8.4.1 Sensitivity analysis of different definitions**

As discussed early in this thesis, there exist a variety of definitions of the middle class. This study adopted a well-known consumption-based definition of the middle class and its results are naturally an outcome of the definition applied. A

sensitivity analysis of different types of middle class definitions may hence be helpful to understand how the results change with changes in the definition of the middle class. Chapter 4 showed that although the population size of the middle class changes considerably based on the definition used, the trend in middle class expansion remains the same irrespective of the type of income/consumption-based definition used. However, there are yet other ways to define the middle class besides such absolute income/consumption definitions. For example, Ricci (2016) applies a middle class definition based on the concept of polarisation, wherein different classes are demarcated endogenously, based on the distribution of income. Self-perception is another way of defining classes, which often differs from more objective income-based definitions. An agenda for further research on the new middle class would hence be to understand the formation of the class by making use of such different types of definitions. Such a sensitivity analysis will help in identifying whether the overall story of new middle class formation in India remains robust, irrespective of the definition used.

### **8.4.2 Panel data analysis**

Although it was established in this research that in general many households have moved out of poverty and entered the middle class, we could not make any claims about how specific households have moved along the consumption distribution curve over the period under analysis. This is because the NSS surveys are not panel data-sets. It would be interesting, for example, to analyse which types of households have been able to move out of poverty to the lower-middle class, or which ones have moved up from the middle to the affluent class. The analysis conducted in this study shows that on an average the largest movement from poverty into the lower-middle class was among construction workers. A panel data analysis would help us better understand if these workers had given up their previous occupations (and what type of occupations) to enter the construction industry and what really drove middle class creation in the construction sector. In

case of the offshore-services industry, such a data-set would throw further light on which types of households are able to access the industry and how their consumption distribution changes after employment in the industry. The India Human Development Survey provides such panel data for India, wherein about 80 per cent of the sample households surveyed in the first period (2004-05) were revisited during the next period (2011-12). This data however became available much after the analysis for this research began. A study on the emergence of the new middle class in India using such panel data-sets will be an important contribution in the future to better understand the underlying dynamics of new middle class formation in India.

#### **8.4.3 A disaggregated analysis of the new middle class**

This thesis provided a rather aggregated analysis of new middle class formation in India. Our finding that the new middle class is not essentially an urban phenomenon indicates that the geographical distribution of the new middle class needs more attention. Factors that led a few states to perform better than the others also merit closer investigation. Analysis of employment distribution of the middle class showed that many unskilled workers have entered the middle class between the years 2004-05 and 2011-12. This important finding of this research also demands closer examination at a more disaggregated level. The employment analysis presented here pertained to the primary occupation of the household, rather than employment of each individual in the labour force. Study of the latter will better reflect the employment distribution of different classes across the country. Moreover, the analysis also did not account for multiple occupations that may be held by an individual. For example, a large number of farmers in India take up supplementary occupations in non-agricultural seasons. Many of them even migrate to nearby cities to take up employment as construction workers and return to their fields in the harvest season. Disaggregated analyses of employment distributions across classes will help in better interpreting the more

general findings of this thesis. Particularly, it will reflect more on the role of the construction sector in driving new middle class formation as well as the sectors that have indirectly contributed towards more construction activity and thus in new middle class formation. The Employment-Unemployment Surveys of the NSS is one such data-set for disaggregated analyses of employment distribution of different classes across India. This may be accompanied with qualitative, ethnographic research that can map and trace the trajectories of members of the new middle class.

### **8.4.4 Impact of offshore services on smaller cities and rural areas**

This study on offshore services focused on the city of Mumbai. Although some of its findings can be applied to other large Indian cities as well where the sector has flourished, the city of Mumbai has its own peculiarities, which demands a separate analysis of other cities that have benefitted from offshore services. First, the relatively higher standard of living in Mumbai as compared to other cities probably makes it hard for potential employees to migrate to the city for employment opportunities in the IT-eS industry, which, as seen in the previous chapter are perceived as a short-term phenomenon. Analyses of other cities of India that have benefitted from the industry will perhaps show a more geographically diverse group of employees than found in this study. Second, the higher standards of living together with the relatively higher remuneration that employees in Mumbai are paid may impact their specific consumption patterns differently from that of IT-eS workers based in other Indian cities.

Albeit gradually, IT and IT-eS firms are also expanding in smaller cities of India, reflecting at the possibility that people from smaller cities might have easier access to these jobs and become part of the new middle class. Research on the impact of offshore services in smaller cities in the Philippines has been carried out (see for example, Beerepoot & Vogelzang, 2016; Kleibert, 2014), but there hardly exists any such research yet in the case of India. Further research on offshore

services and new middle class formation in India should hence focus particularly on cases of smaller cities that have managed to attract the industry. In fact, the extent of impact of the higher spending power of IT-eS workers will be more visible and bigger in these cities.

#### **8.4.5 Indirect impact of the offshore-service industry on new middle class formation**

Besides the offshore services' impact on smaller cities, this thesis indicated, but could not fully explore, the indirect impact of the sector on new middle class formation in India. For instance, the construction sector appears to have benefitted the most from globalisation and liberalisation, albeit in an indirect way. The industry body of offshore services in India generally claims that there are three indirect jobs created for every one direct job in the industry (NASSCOM, 2017). There is however no empirical evidence provided in support of such claims. Research by Kumar (2016) deals with the indirect job opportunities created by the industry, but it is limited to jobs created within the industry such as that of security guards, cab drivers and housekeeping staff. As this thesis showed, the indirect jobs created go beyond the limits of the industry to include construction workers, and even street vendors, domestic helps, etc. Moreover, these indirectly benefitted jobs are the largest segments to constitute the burgeoning new middle class. It is hence highly essential to understand the indirect impact of the offshore-service industry on employment creation and the formation of a new middle class. Such an analysis will also contribute towards understanding the precise role of offshore services vis-à-vis the domestic service industries of India in indirectly contributing towards economic development.

#### **8.4.6 Gender dynamics in class analysis**

As class and caste interact with one another, so do class and gender (Wright, 1997). Particularly in the case of offshore services, which employ a significant proportion of women workers, it would be interesting to study how gender

dynamics are undergoing a change with the onset of service sector globalisation. During the fieldwork, this researcher came across a few interesting, but diverse opinions of women working in the industry. One former female employee expressed the financial independence that the sector provided her at an early age, which enabled her to support her family. Another young woman respondent was keen on quitting the sector and finding a government job before she got married, as according to her, women working at night are not highly preferred in the Indian marriage market. Given the limited time period for a PhD research, such gender dynamics could not be explored in this thesis. But as these experiences show that it would indeed be interesting to further explore how the emergence of the offshore services sector has changed or strengthened existing gender inequalities and stereotypes in the society and how such gender dynamics play a role in new middle class formation.

### **8.4.7 Social and political activism of the new middle class**

As mentioned earlier, an important dimension of the middle class that this thesis could not explore is the political and social engagement of the class. The CES surveys of the NSS do not cover any questions on political engagement of the households. Questions on political and social activism of IT-eS workers did form a part of the initial survey questionnaire and the interviews. However, not enough insights could be gathered on this subject with the limited number of questions on this subject. With the realisation that this subject demanded an independent research, eventually, these questions were not asked during the field-study. Given the heterogeneous nature of the new middle class in India, it would indeed be interesting to study how the different social segments within this class engage in political activism and contribute to societal development. Recent international political developments in many countries such as the Philippines and Turkey show that the middle class does not necessarily support more democracy, but sometimes rather favours authoritarian leaders. With increasing relevance of civil

society participation in the contemporary times of global environmental challenges (Guarín & Knorringa, 2014) and changing political leaderships in many countries, research on this subject will be immensely significant.

## 8.5 Final remarks

The emergence of offshore services is indeed leaving a significant imprint on the socio-economic fabric of India. While urban India has most benefitted from this sector, as this thesis has showed, the sector appears to have indirectly impacted, at least to some extent, even small towns and the countryside by creating a demand for construction labourers and other unskilled workers. The dynamic nature of globalisation and this sector demand the necessity for prolonged research on the subject of inclusiveness of India's services-led economic growth and its impact on new middle class formation. This thesis presented findings of a new middle class formation in India until the year 2011-12. In the more recent period, however, India's economic growth has started to moderate and some preliminary results on labour market trends indicate that the slow growth has adversely affected employment creation in non-farm sectors including IT and IT-eS (Varma, 2017). At the same time, changes in the international political leadership, especially in the US, are presenting new challenges for the service-offshore industry in India (Purnell, 2017). Also, India has lost its global leadership in some segments of the IT-eS sector, especially voice-based processes, to the Philippines (*The Economist*, 2012; *The Guardian*, 2012). As a counter effect, India is moving up the value chain and offering higher-end services. These processes could further skew the class composition of employees in the industry towards the even higher skilled. But simultaneously, smaller cities and towns in the country are also being explored as new avenues for the provision of offshore services. Research on these unexplored smaller cities as well as on the expansion of the sector in the near future is called for to monitor how services-led growth and globalisation impact development in emerging economies.





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## Appendix

**A3.1 Table: Summary of Interviews Conducted for the Research**

S. No.	Respondent ID	Respondent job profile	Date of interview	Place of Interview	Duration of interview (minutes)
1	SU	Former call-centre executive	16 October, 2012	Residence of respondent, Thane	45
2	RS	HR head (global)	23 October, 2012	Workplace of respondent, Powai, Mumbai	75
3	AP	HR head (BPO)			
4	SS	Former data entry operator	28 October, 2012	Residence of the respondent, Ghatkopar, Mumbai	30
5	AV	Team leader	1 November, 2012	Cafe Coffee Day, Hypercity Mall, Malad, Mumbai	60
6	SA	Back-office executive	4 November, 2012	McDonald's, Andheri, Mumbai	45
7	RS	Back-office executive			
8	RN	CEO (own start-up)	17 November, 2012	Workplace of respondent, Ghatkopar, Mumbai	55
9	RK	Content researcher	17 November, 2012	Residence of respondent, Chembur, Mumbai	40
10	LK	Knowledge coach	3 December, 2012	Coffee Bean and Tea Leaf, Infinity Mall, Malad, Mumbai	90



## A3.1 continued...

Table: Summary of Interviews Conducted for the Research

S. No.	Respondent ID	Respondent job profile	Date of interview	Place of Interview	Duration of interview (minutes)
11	BV	Call-centre executive	15 December, 2012	Model Cafe, Ballard Pier, Mumbai	100
12	KH	Workforce strategist	11 January, 2013	Cafe Coffee Day, Powai, Mumbai	60
13	ED	Back office executive	27 January, 2013	Costa Coffee, Inorbit Mall, Vashi, Navi Mumbai	45
14	JI	Manager	9 February, 2013	Cafe Coffee Day, R Mall, Mulund, Mumbai	100
15	JS	Former call-centre executive	10 February, 2013	Cafe Coffee Day, Inorbit Mall, Vashi, Navi Mumbai	75
16	GB	Sales executive	12 February, 2013	Balaji's restaurant, Hub Mall, Goregaon, Mumbai	100
17	SS	Accountant	15 February, 2013	Barista Cafe, R-city Mall, Ghatkopar, Mumbai	60
18	BT	Former call-centre executive	20 February, 2013	Cafe Coffee Day, Dadar, Mumbai	60
19	RV	Vice-President (Marketing), NASSCOM	1 March, 2013	Workplace of respondent, Andheri, Mumbai	60
20	TD	Executive	2 March, 2013	Food court, Oberoi Mall, Goregaon, Mumbai	45

## A3.1 continued...

**Table: Summary of Interviews Conducted for the Research**

S. No.	Respondent ID	Respondent job profile	Date of interview	Place of Interview	Duration of interview (minutes)
21	SK	Marketing head	8 March, 2013	Workplace of respondent, Vikhroli, Mumbai	150
22	RN	Research-Director	23 March, 2013	Costa Coffee, Inorbit Mall, Vashi, Navi Mumbai	50
23	VP	Financial analyst	30 March, 2013	McDonalds, Chembur, Mumbai	60
24	PS	Recruitment team member	31 March, 2013	Costa Coffee, Chembur, Mumbai	45
25	SS	Analyst	12 October, 2014	University of Mumbai, Santacruz, Mumbai	20
26	VM	Sales executive	16 October, 2014	University of Mumbai, Santacruz, Mumbai	30
27	CW	Call-centre executive	15 November, 2014	Residence of respondent, Santacruz, Mumbai	120
28	AW	Former call-centre executive			

*Source: Author's compilation.*

### A3.2 Survey Questionnaire Answered by IT-eS Employees in Mumbai

- |   |  |
|---|--|
| <p><b>1. Age</b> _____ years</p> <p><b>2. Gender</b></p> <p><input type="radio"/> Male</p> <p><input type="radio"/> Female</p> <p><b>3. Marital Status</b></p> <p><input type="radio"/> Married</p> <p><input type="radio"/> Unmarried</p> <p><input type="radio"/> Separated/ Divorced/ Widowed</p> <p><b>4. Religion</b></p> <p><input type="radio"/> Buddhist</p> <p><input type="radio"/> Christian</p> <p><input type="radio"/> Hindu</p> <p><input type="radio"/> Jain</p> <p><input type="radio"/> Islam</p> <p><input type="radio"/> Sikh</p> <p><input type="radio"/> Others</p> <p><b>5. Category</b></p> <p><input type="radio"/> General</p> <p><input type="radio"/> SC/ST</p> <p><input type="radio"/> OBC/SBC</p> <p><input type="radio"/> DT/NT</p> <p><b>6. Current Level of education</b></p> <p><input type="radio"/> Undergraduate/Diploma<br/>(Please specify the field of study) _____</p> <p><input type="radio"/> Graduate (Please specify the field of study) _____</p> <p><input type="radio"/> Post-graduate (Please specify the field of study) _____</p> | <p><input type="radio"/> Professional degree holder (Please specify the degree, eg, LLB, MBBS, CA, etc.) _____</p> <p><input type="radio"/> PhD (Please specify the field of study) _____</p> <p><input type="radio"/> Others (Please specify the degree and field of study) _____</p> <p><b>7. Type of school in which you studied for the majority of the time of your school education</b></p> <p><input type="radio"/> Government</p> <p><input type="radio"/> Private</p> <p><b>8. Medium of instruction in school</b></p> <p><input type="radio"/> English</p> <p><input type="radio"/> Non-English (Please specify the medium) _____</p> <p><b>If medium of instruction is “English”, please proceed to Q10, else go to the next question</b></p> <p><b>9. Have you had any training in the English language outside your school?</b></p> <p><input type="radio"/> Yes (Please specify in what way) _____</p> <p><input type="radio"/> No</p> <p><b>10. Which was your place of upbringing, that is, the place where you spent most of your early life and did most of your schooling? Please mention the State and the City/Town/Village.</b></p> <p>State: _____</p> <p>City/ Town/Village: _____</p> |
|---|--|

**11. Father's level of education**

- Never attended school
- Primary school
- Secondary/Higher Secondary school
- Undergraduate/Diploma
- Graduate (Arts, Science, Commerce, Management, etc.)
- Post-graduate (Arts, Science, Commerce, Management, etc.)
- Professional (Medical, Engineering, Law, CA, etc.)
- PhD

**12. Father's occupation (Mention the last occupation held if deceased or not working anymore)**

- Agricultural worker (Please specify category of work) \_\_\_\_\_
- Industrial/ Factory worker (Please specify designation) \_\_\_\_\_
- Public service (Please specify designation) \_\_\_\_\_
- Private service (Please specify designation) \_\_\_\_\_
- Self-employed (Please specify designation and field of employment) \_\_\_\_\_
- Others (Please specify occupation and designation) \_\_\_\_\_

**13. Father's gross monthly income (Please write the current income earned if presently working and last income earned if deceased or not working anymore)**

Rs. \_\_\_\_\_

**14. Mother's level of education**

- Never attended school
- Primary school
- Secondary/Higher Secondary school
- Undergraduate/Diploma
- Graduate (Arts, Science, Commerce, Management, etc.)
- Post-graduate (Arts, Science, Commerce, Management, etc.)
- Professional (Medical, Engineering, Law, CA, etc.)
- PhD

**15. Mother's occupation (Mention the last occupation held if deceased or not working anymore)**

- Public service (Please specify designation) \_\_\_\_\_
- Private service (Please specify designation) \_\_\_\_\_
- Industrial/Factory worker (Please specify designation) \_\_\_\_\_
- Self-employed (Please specify designation and field of employment) \_\_\_\_\_
- Home-maker
- Others (Please specify occupation and designation) \_\_\_\_\_
- Agricultural worker (Please specify category of work) \_\_\_\_\_

If mother's occupation is "Home-maker", please proceed to Q17, else go to the next question.

## Appendix

16. **Mother's gross monthly income (Please write the current income earned if presently working and last income earned if deceased or not working anymore)**

Rs. \_\_\_\_\_

17. **Do your parents possess any knowledge of the English language (spoken or written)?**

- Both my parents possess some knowledge of the English language
- One of my parents possesses some knowledge of the English language
- Neither of my parents have any knowledge of the English language

18. **Are you currently living with your family?**

- Yes
- No

**If "Yes", please proceed to Q21, else go to the next question.**

19. **In which of the following would you categorize your family's current accommodation?**

- Bungalow
- Flat
- Chawl
- Hutment
- Others (Please specify) \_\_\_\_\_

20. **What is the type of ownership of your family's accommodation?**

- Owned by self or a family member
- Owned by government/private company
- Rental
- Others (Please specify) \_\_\_\_\_

21. **In which of the following would you categorize your current accommodation?**

- Bungalow
- Flat
- Chawl
- Hutment
- Paying Guest
- Hostel
- Others (Please specify) \_\_\_\_\_

22. **What is the type of ownership of your accommodation?**

- Owned by self or a family member
- Owned by government/private company
- Rental
- Others (Please specify) \_\_\_\_\_

23. **Does your family own any kind of property like land, house (other than what they may be currently living in), etc?**

- Yes (Please specify the type of property) \_\_\_\_\_
- No

**24. What is the total number of dependents in your family?**

- 0
- 1
- 2
- 3
- 4
- More than 4 (Please specify) \_\_\_\_\_

**25. What is the total number of earning members in your family, including you?**

- 1
- 2
- 3
- 4
- 5
- More than 5 (Please specify) \_\_\_\_\_

**26. Is part of your earned income sent to your family?**

- Yes
- No

**27. What is your current gross personal monthly income?**

Rs. \_\_\_\_\_

**28. What is your approximate monthly family income?**

Rs. \_\_\_\_\_

**29. Against each of the items given below, please write the approximate average amount of money (in ₹) that you devote to them on a monthly basis. Write 0 against an item on which no money is spent. Please note that money refers to your own personal income as well as borrowed money, which will have to be paid back in future. It does not include income from borrowed sources to which you may not have to pay back.**

- a. Household necessities (Groceries, maintenance bills, etc.) Rs. \_\_\_\_\_
- b. Personal necessities and accessories (clothes, watches, phones, jewellery, etc.) Rs. \_\_\_\_\_
- c. Personal grooming (Parlour, salon, spa, etc.) Rs. \_\_\_\_\_
- d. Money sent to family (Answer only if you are staying away from family and send money to your family) Rs. \_\_\_\_\_
- e. Restaurants, bars and cafes Rs. \_\_\_\_\_
- f. Clubbing and partying Rs. \_\_\_\_\_
- g. General entertainment (Movies, concerts, pursuit of hobbies, etc.) Rs. \_\_\_\_\_
- h. Conveyance Rs. \_\_\_\_\_
- i. Holiday and travel (in this case, write expenditure per year) Rs. \_\_\_\_\_
- j. Personal/ Siblings'/ Children's education Rs. \_\_\_\_\_
- k. Payment of interest on loans/ EMIs/ insurance premiums Rs. \_\_\_\_\_
- l. Charity or donations Rs. \_\_\_\_\_
- m. Savings Rs. \_\_\_\_\_

Appendix

30. In which year did you first start working in the outsourcing industry (BPO or KPO)?

\_\_\_\_\_

31. What is the total duration of your experience in the outsourcing industry (BPO/KPO)?

\_\_\_\_\_

32. How many times in all have you been promoted and received increments in income during your career in the outsourcing industry (BPO/KPO)? Please write 0 in case of no promotions or increments so far.

Number of promotions: \_\_\_\_\_

Number of increments in income: \_\_\_\_\_

33. Please fill in the information in the table below about your history of work experience in the outsourcing industry in chronological order, that is, starting from the first company up to the current (in case of ex-employees, last company). In case you have worked for more than eight companies in the industry, please give information on the first and the current/last company, and any other six companies.

	Company Type: Captive BPO/ Third Party BPO/ Captive KPO/ Third Party KPO	Job Profile	Duration of work experience in the company	Approximate monthly income at the time of joining the company	Approximate monthly income at the time of leaving the company- Current monthly income in case of present company
Company 1				Rs.	Rs.
Company 2				Rs.	Rs.
Company 3				Rs.	Rs.
Company 4				Rs.	Rs.
Company 5				Rs.	Rs.
Company 6				Rs.	Rs.
Company 7				Rs.	Rs.
Company 8				Rs.	Rs.

**34. Did you have any significant past work experience before taking up the job in the outsourcing industry?**

- Yes (Please specify your previous job designation and industry of work)  
\_\_\_\_\_
- No

**35. Through which of these sources did you find your first job in the outsourcing industry?**

- I had read about the vacancy in an ad
- I had registered myself in a job portal, through which the company contacted me
- I got placed through a campus interview
- I had registered myself at a placement agency
- I was told about the vacancy by an acquaintance
- The company contacted me after I was referred to the company by an acquaintance
- Others (Please Specify) \_\_\_\_\_

**36. In which of the following areas were you examined before you were recruited for your first job in the outsourcing industry (includes examination via both written tests and interviews)? Choose all that may apply.**

- English typing skills
- English accent
- Communication skills in English
- Group discussion skills
- Knowledge of computer software (Please specify what kinds of software) \_\_\_\_\_

- Aptitude test (Please specify what kinds of aptitude, eg, logical reasoning, language, etc.)  
\_\_\_\_\_

- Domain knowledge of the specific process that you were recruited for

- Past work experience

- Others (Please specify)  
\_\_\_\_\_

- I did not have to go through any kind of test or interview to get my job

**37. Rank the following in the order in which you think they are the most important factors in order to get a job in the outsourcing industry, that is, the most important factor gets rank 1, the second-most important factor gets rank 2, the third-most important gets rank 3 and so on. Please write 0 against items that you think play no role in getting a job in the outsourcing industry. These factors could be specific to your company or your area of work.**

- \_\_\_ Educational qualification
- \_\_\_ Past work experience
- \_\_\_ Oral communication skills in English
- \_\_\_ Writing skills in English
- \_\_\_ Typing skills
- \_\_\_ Basic computer skills other than typing
- \_\_\_ Knowledge of specific computer software
- \_\_\_ Domain expertise/knowledge of a particular area of work
- \_\_\_ Leadership or management skills
- \_\_\_ Appearance
- \_\_\_ General knowledge/awareness



## Appendix

- \_\_\_ Family background
- \_\_\_ Recommendation/reference from a person known to the company
- \_\_\_ Others (Please specify) \_\_\_\_\_

**38. Rank the following in the order in which they were the most important reason for you to choose to join the outsourcing industry, that is, the most important reason gets rank 1, the second-most important reason gets rank 2, the third-most important reason gets rank 3 and so on . Please write 0 against items that played no role whatsoever in your decision to join the outsourcing industry.**

- \_\_\_ It offered a good pay package
- \_\_\_ It let me pursue my studies along with my job
- \_\_\_ It had flexible shifts
- \_\_\_ It was easy to get a job in the outsourcing sector
- \_\_\_ I liked the job profile that was offered to me
- \_\_\_ I perceived it as a respectable job
- \_\_\_ I perceived it as a secure job
- \_\_\_ My friends were also joining the same company
- \_\_\_ I could not find a suitable job in any other industry
- \_\_\_ I had a family member/friend working in the sector who was doing well
- \_\_\_ I just happened to land a job in the industry by chance
- \_\_\_ Others (Please specify)

**39. Have you received any on-the-job training during your tenure in the outsourcing industry?**

- Yes
- No

If “No”, proceed to Q42, else go to the next question.

**40. What was the average duration of the on-the-job the training?**

\_\_\_\_\_

**41. In which of the following areas did you receive training during your tenure in the outsourcing industry? Choose all that may apply.**

- Voice and accent
- Computer/Software
- Communication and soft skills (Please specify which soft skills) \_\_\_\_\_
- Process specific training
- Others (Please specify) \_\_\_\_\_

**Answer this question only if you have had any significant past work experience before joining the outsourcing sector**

**42. During your previous job outside the outsourcing sector, had you made a purchase for which you had paid EMIs?**

- Yes (Please specify the item(s) purchased) \_\_\_\_\_
- No

**43. Have you paid or are currently paying EMIs (monthly instalments) for a purchase that you may have made while working in the outsourcing industry?**

- Yes (Please specify the item(s) purchased) \_\_\_\_\_
- No

If “No”, please proceed to Q45, else go to the next question

**44. On an average, what proportion of your income do you pay/have paid as EMI every month?**

\_\_\_\_\_ per cent

**45. Do you plan to make a purchase in the recent future for which you would pay out of EMIs?**

- Yes (Please specify the intended purchase(s)) \_\_\_\_\_
- No

**46. Which of the following changes in your lifestyle would you attribute to the exposure received in the outsourcing industry? Choose all that may apply.**

- Improvement in communication and people skills
- Better awareness of multiple cultures
- Increase in purchase of branded clothes, shoes, etc.
- Increase in use of outfits considered modern or fashionable
- Improvement in sense of dressing in terms of choice of clothes, colours, etc.
- Eating different and new kinds of cuisines
- Increase in number of visits to restaurants, bars, cafes, etc.
- Increase in consumption of alcohol
- Increase in smoking
- Increase in frequency of leisure travel or vacations
- Change in holiday destination to better or more exotic holiday locations

Change in mode of transport to more comfortable, but expensive services (either regular travel or travel for leisure)

Increase in impulsive shopping (shopping for things that you like at that moment but may not really need)

Increase in on-line shopping

Increase in use of credit/ debit cards for paying bills or shopping

Others (Please specify) \_\_\_\_\_

I do not see any changes in my lifestyle due to exposure to the outsourcing industry

**47. Are you currently employed in the outsourcing industry (BPO or KPO)?**

- Yes
- No

**If “No”, proceed to Q59, else go to the next question**

**48. In which of the following categories would you place your current company?**

- Captive BPO
- Third Party/Outsourced BPO
- Captive KPO
- Third Party/ Outsourced KPO
- Others (Please Specify) \_\_\_\_\_

**49. Are you currently studying or were studying at any point while working in the outsourcing industry?**

- Yes (Please specify the course) \_\_\_\_\_
- No

**If “No”, proceed to Q51, else go to the next question**

## Appendix

**50. Does/did your company financially assist you in your educational pursuit?**

- Yes
- No

**51. Do you plan to pursue any further studies in the future?**

- Yes, I plan to study along with my job
- Yes, I plan to study, but after quitting my job
- No

**If you choose “Yes, I plan to study along with my job”, go to the next question, else, proceed to Q53.**

**52. Will your current company provide any financial assistance to you in your educational pursuit?**

- Yes
- No
- Don't know

**53. Rank the following in the order in which they are the most important reason for you to continue to be working in the outsourcing sector, that is, the most important reason gets rank 1, the second-most important reason gets rank 2, the third-most important gets rank 3 and so on. Please write 0 against items that play no role in your decision to continue working in the outsourcing industry.**

- \_\_\_\_\_ The sector pays very well
- \_\_\_\_\_ There are immense opportunities for learning/scope for career growth in

this industry

- \_\_\_\_\_ I like the nature of work that I do
- \_\_\_\_\_ There is immense scope for personality development in this industry
- \_\_\_\_\_ There is global exposure in terms of interaction with foreign clients or opportunities to travel abroad
- \_\_\_\_\_ The work culture here is professional
- \_\_\_\_\_ It is a fun sector
- \_\_\_\_\_ There is job security in this industry
- \_\_\_\_\_ It is a respectable job
- \_\_\_\_\_ The sector gives good incentives
- \_\_\_\_\_ The sector offers flexible shifts
- \_\_\_\_\_ I do not want to continue in this industry, but I cannot find another job, or I am looking out for another job
- \_\_\_\_\_ Others (Please specify)

**54. What kinds of incentives/perks are provided to you by your company(s) in the outsourcing industry? Choose all that may apply.**

- Uniform monetary benefits like PF, insurance, etc. (provided to all employees irrespective of performance)
- Performance based monetary benefits
- Performance based gifts in kind like cell phone, home appliances, etc.
- Performance based benefits like house, car, etc.
- Easy loans for purchase of house, car, etc.
- Credit card/Debit card facilities

- Employee Stock Options
- Festival bonus
- Maternity leave (To be answered only by Females)
- Paternity leave (To be answered only by Males)
- Others (Please specify) \_\_\_\_\_
- I do not get any incentives

**55. Which of the following amenities are provided by your company(s) in the outsourcing industry or are available within the company premises? Choose all that may apply.**

- Free pick-up and drop
- Free or subsidised accommodation
- Multi-cuisine cafeteria
- Free or subsidised meals
- Library
- Gym
- Sports facilities
- Beauty salon
- Medical facilities
- Other amenities (Please specify) \_\_\_\_\_
- None of the above

**56. How do you think your experience in the outsourcing industry will help your career growth? Choose all that may apply.**

- It will help me get a better job in another industry outside outsourcing
- It will help me get a better job in another company within the outsourcing industry
- It will help me get a job abroad

- Others (Please specify) \_\_\_\_\_
- I do not think this experience will help my career in any significant way

**57. For how long do you plan to continue working in this industry?**

- Less than a year
- One to two years
- Two to three years
- Three to five years
- Five to ten years
- More than ten years

If you choose the options “Five to Ten Years” or “More than Ten Years”, proceed to Q68, else go to the next question

**58. Rank the following in the order in which you think they are the most important reasons for you to regard the outsourcing industry as only a short or medium term career option, that is, the most important reason gets rank 1, the second most important reason gets rank 2, the third most important gets rank 3 and so on. Please write 0 against options that play no role in your decision to look at the industry as a short or medium term career option.**

- \_\_\_\_\_ I do not like the nature of work that I do
- \_\_\_\_\_ I am passionate about another type of job
- \_\_\_\_\_ I cannot work in shifts for a long time
- \_\_\_\_\_ There is no job security in this industry
- \_\_\_\_\_ The industry hardly offers opportunities for growth or learning

## Appendix

- \_\_\_ The industry is highly competitive
- \_\_\_ I generally like to shift from one type of job to another
- \_\_\_ I am not happy with the pay that I receive
- \_\_\_ I do not like the work culture in this industry
- \_\_\_ There is not much respect in this type of job
- \_\_\_ Others (Please specify)

**All respondents currently employed in the outsourcing industry, please proceed to Q68**

**59. What is your current job designation and industry of work? \_\_\_\_\_**

**60. In which of the following categories would you place the last company you worked for, in the outsourcing industry?**

- Captive BPO
- Third Party/Outsourced BPO
- Captive KPO
- Third Party/Outsourced KPO
- Others (Please specify)

**61. Were you also studying while working in the outsourcing industry?**

- Yes (Please specify the course) \_\_\_\_\_
- No

**If “Yes”, go the next question, else proceed to Q63**

**62. Did your company provide any financial assistance for your educational pursuit?**

- Yes
- No

**63. What kinds of incentives/perks were provided to you by your company(s) in the outsourcing industry? Choose all that may apply.**

- Uniform monetary benefits like PF, insurance, etc. (provided to all employees irrespective of performance)
- Performance based monetary benefits
- Performance based gifts in kind like cell phone, home appliances, etc.
- Performance based benefits like house, car, etc.
- Easy loans for purchase of house, car, etc.
- Credit card/ Debit card facilities
- Employee Stock Options
- Festival bonus
- Maternity leave
- Paternity leave
- Others (Please specify) \_\_\_\_\_
- I did not get any incentives

**64. Which of the following amenities were provided by your company(s) in the outsourcing industry or were available within your company premises? Choose all that may apply.**

- Free pick-up and drop
- Free or subsidised accommodation
- Multi-cuisine cafeteria
- Free or subsidised meals
- Library
- Gym
- Sports facilities
- Beauty salon
- Medical facilities
- Other amenities (Please specify)  
\_\_\_\_\_
- None of the above

**65. How do you think the experience in the outsourcing industry is generally helpful in career growth? Choose all that may apply.**

- It helps one get a better job outside the outsourcing industry
- It helps one get a better job within the outsourcing industry itself
- It helps one get a job abroad
- I do not think the experience in the outsourcing industry helps one's career in any significant way
- Others (Please specify)  
\_\_\_\_\_

**66. Rank the following in the order in which they were the most important**

**reason for you to choose to quit the outsourcing industry, that is, the most important reason gets rank 1, the second-most important reason gets rank 2, the third most important reason gets rank 3 and so on. Please write 0 against items that played no role in your decision to quit the industry.**

- I was offered a higher package in another industry
- I could not cope with the rotational/night shifts at work
- There was hardly any scope for career growth or learning in the industry
- I did not like the nature of work in the industry
- I did not like the work culture in the industry
- The industry is highly competitive
- There was no security of job
- It was not a respectable job
- I had to leave the industry as my company shut down/they were downsizing
- I generally cannot work in the same industry for a long time and like shifting from one job to another
- I was always more passionate about my current type of job
- Others (Please specify)

**67. Would you like to join the outsourcing industry again in the future?**

- Yes (Please specify, why) \_\_\_\_\_
- No (Please specify, why) \_\_\_\_\_
- Not sure (Please specify, why)  
\_\_\_\_\_

Appendix

**68. Would you like to join the outsourcing industry again in the future?**

	Yes	No	Can't Say
It is easy to get a job in the outsourcing industry in terms of level of rounds of interviews, tests, etc.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It is easy to get a job in the outsourcing industry without a reference or a recommendation	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It is easy to get promoted in the outsourcing industry	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I would recommend my friends/ relatives to also join the outsourcing industry	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
After quitting the outsourcing sector, I managed to find a job that paid me as much as or higher than what I earned in the outsourcing industry	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(Answer only if you are currently NOT working in the outsourcing industry)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I worry about losing my job	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(Answer only if you ARE currently working in the outsourcing industry)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
If I quit my current job, I am confident that I will easily get a job in another industry with the same or a higher pay	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
(Answer only if you ARE currently working in the outsourcing industry)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**69. Please write about your long term career goals in not more than 200 words.**

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Thank you for answering all the questions. If you do not mind that I contact you in future to seek any clarifications, please leave your contact details below.

Name: \_\_\_\_\_

Email id and/or phone number: \_\_\_\_\_

**A4.1 Table: Size of Different Classes in India (%)**

India			
	1999-00	2004-05	2011-12
Poor (< \$2)	70.7 (707.5)	71.4 (777.3)	47.8 (574.8)
Middle (\$2 - \$10)	28.9 (289.7)	27.9 (304.2)	50.3 (604.3)
Lower-middle (\$2 - \$4)	23.6 (236.3)	21.8 (237.8)	37.1 (446.3)
Middle-middle (\$4 - \$6)	3.9 (38.7)	4.2 (45.4)	9.0 (108.5)
Upper-middle (\$6 - \$10)	1.5 (14.7)	1.9 (21.0)	4.1 (49.5)
Affluent (>\$10)	0.4 (3.8)	0.7 (7.5)	1.9 (22.9)
Rural			
	1999-00	2004-05	2011-12
Poor (< \$2)	79.6 (597.0)	81.4 (662.1)	58.2 (499.1)
Middle (\$2 - \$10)	20.3 (152.2)	18.4 (149.6)	41.4 (355.7)
Lower-middle (\$2 - \$4)	18.3 (137.1)	16.2 (131.4)	34.9 (299.1)
Middle-middle (\$4 - \$6)	1.6 (12.0)	1.7 (13.8)	5.1 (43.4)
Upper-middle (\$6 - \$10)	0.4 (3.1)	0.5 (4.4)	1.5 (13.2)
Affluent (>\$10)	0.1 (0.6)	0.2 (1.8)	0.4 (3.4)
Urban			
	1999-00	2004-05	2011-12
Poor (< \$2)	44.0 (110.6)	41.8 (115.3)	22.0 (75.6)
Middle (\$2 - \$10)	54.7(137.4)	56.1(154.5)	72.4 (248.7)
Lower-middle (\$2 - \$4)	39.5 (99.1)	38.6 (106.3)	42.8 (147.2)
Middle-middle (\$4 - \$6)	10.6 (26.7)	11.5 (31.7)	18.9 (65.1)
Upper-middle (\$6 - \$10)	4.6 (11.6)	6.0 (16.5)	10.6 (36.4)
Affluent (>\$10)	1.3 (3.2)	2.1 (5.7)	5.7 (19.4)

*Note: Figures in brackets are population size in million.*

*Consumption expenditure is based on Mixed Reference Period (MPCE-MRP) of the NSS surveys.*

*Source: Author's calculations based on NSS Household Consumer Expenditure Survey, 55<sup>th</sup>, 61<sup>st</sup> and 68<sup>th</sup> rounds and Reserve Bank of India (annual population figures).*



**A4.2 Table: State-wise Size of Middle Class Population (%)**

	1999-00			2004-05			2011-12		
	State	Rural	Urban	State	Rural	Urban	State	Rural	Urban
Andaman & Nicobar I.	70.1	63.4	87.1	70.2	61.0	88.1	84.2	85.1	82.7
Andhra Pradesh	24.6	14.4	49.9	29.6	21.3	53.8	71.3	64.9	84.4
Arunachal Pradesh	40.5	39.2	54.7	40.7	37.8	62.9	50.8	45.5	72.5
Assam	15.5	11.0	55.6	21.5	16.9	66.5	30.7	26.5	67.1
Bihar	10.6	7.3	32.8	8.0	5.2	35.5	23.7	20.6	52.7
Chandigarh	78.4	71.5	79.5	70.2	53.7	72.0	69.5	93.6	67.6
Chhattisgarh	NA	NA	NA	13.8	7.6	48.5	25.2	18.7	49.0
Dadra & Nagar Haveli	28.5	22.6	80.1	28.4	22.2	75.3	44.5	22.8	74.8
Daman & Diu	79.2	76.7	82.7	85.9	88.4	81.4	93.1	98.5	84.5
Delhi	78.1	84.8	75.9	72.8	55.1	74.1	79.5	81.8	79.3
Goa	76.0	64.9	88.2	61.6	58.7	66.2	89.3	86.5	92.0
Gujarat	40.5	29.1	64.9	41.2	26.3	69.7	65.8	51.9	86.3
Haryana	56.5	52.9	66.0	50.0	45.4	62.5	78.8	79.9	76.1
Himachal Pradesh	50.9	47.8	83.0	46.6	42.8	83.4	73.5	72.4	83.4
Jammu & Kashmir	59.5	53.6	82.4	54.1	46.8	75.8	71.2	68.1	81.7
Jharkhand	NA	NA	NA	14.1	6.0	56.4	25.8	16.0	63.2
Karnataka	31.9	20.5	61.1	25.8	11.6	57.6	55.7	47.4	70.4
Kerala	56.3	53.7	63.5	56.5	54.0	64.9	78.2	78.3	78.0
Lakshadweep	81.7	71.6	87.9	76.3	69.9	82.8	90.3	95.6	85.1
Madhya Pradesh	17.6	10.3	43.2	16.9	9.6	40.7	33.5	25.5	56.8
Maharashtra	37.8	22.1	62.9	37.4	20.5	62.3	67.2	55.4	81.2
Manipur	33.5	27.3	52.5	26.1	20.2	44.4	56.1	52.6	65.7
Meghalaya	39.5	29.6	88.9	35.3	29.1	75.3	63.1	56.3	88.8
Mizoram	71.6	60.9	87.7	69.8	58.1	87.7	69.8	50.8	91.9
Nagaland	92.1	91.0	94.7	83.8	79.4	94.5	86.2	83.1	91.9
Odisha	13.7	9.2	36.4	12.8	8.0	43.1	22.9	17.0	55.8
Puducherry	48.8	37.3	56.3	52.4	39.6	59.4	89.7	84.9	92.2
Punjab	58.5	55.1	65.8	57.1	50.3	71.2	85.8	86.1	85.3
Rajasthan	35.3	29.5	56.0	26.3	19.7	49.5	65.5	61.2	79.3
Sikkim	30.1	25.0	75.6	38.6	34.2	73.1	66.3	60.1	95.8
Tamil Nadu	35.7	22.9	59.7	34.5	19.9	57.8	67.7	58.6	79.0
Tripura	29.2	24.2	60.7	16.3	10.2	53.6	42.8	37.6	71.3
Uttarakhand	NA	NA	NA	33.1	25.6	57.6	63.5	58.5	78.2
Uttar Pradesh	22.0	17.5	39.8	20.1	14.9	41.2	31.5	26.8	48.7
West Bengal	23.3	14.7	54.9	26.6	17.0	56.0	45.0	35.8	70.5

Note: Data for 1999-00 are not comparable with that of the other years for Bihar, Madhya Pradesh and Uttar Pradesh as they were reconstituted in 2000 to form three new states of Jharkhand, Chhattisgarh and Uttarakhand, respectively. Source: Same as A4.1.

A4.3a Table: Average Share of Consumption Expenditure on Different Item Groups, India (%)																		
Item group	Poor (<\$2)		Middle (\$2-\$10)		Lower-middle (\$2-\$4)		Middle-middle (\$4-\$6)		Upper-middle (\$6-\$10)		Affluent (>\$10)							
	99-00	04-05	11-12	99-00	04-05	11-12	99-00	04-05	11-12	99-00	04-05	11-12	99-00	04-05	11-12			
Cereals, pulses, etc. (i)	40.0	33.8	30.0	22.6	18.1	17.8	26.0	21.4	21.3	17.0	14.3	14.7	12.1	10.2	10.5	10.0	6.1	5.4
Fruits, vegetables, milk, egg, meat and fish (ii)	18.9	19.2	18.8	21.3	18.6	18.8	22.2	20.1	20.3	20.3	17.0	18.1	17.3	14.5	15.1	10.2	9.4	9.3
Beverages, refreshments and intoxicants (iii)	6.8	6.8	8.4	8.0	7.4	8.0	7.8	7.4	8.0	8.5	7.5	7.8	9.0	7.2	8.3	9.7	8.4	8.8
<b>Food (i+ii+iii)</b>	65.7	59.8	57.1	51.9	44.1	44.6	56.0	48.9	49.6	45.8	38.9	40.6	38.4	31.9	33.8	29.8	23.8	23.5
Clothing, bedding & footwear	8.1	8.2	8.7	7.4	6.7	7.4	7.6	7.1	7.8	7.1	6.3	7.0	6.6	5.7	6.4	5.9	4.7	5.2
Fuel	8.2	11.1	11.3	6.9	8.9	7.9	7.4	9.5	9.0	6.2	8.2	7.1	5.5	7.3	6.0	9.6	5.1	4.2
Education	1.6	2.4	2.5	3.9	6.1	6.1	3.3	4.8	4.6	4.9	7.4	7.5	5.6	8.6	9.0	4.5	9.7	9.8
Health	4.5	4.4	4.7	6.8	6.9	7.3	6.5	6.7	6.6	7.0	7.3	8.1	7.7	7.3	8.2	8.1	8.4	8.8
Consumer services	5.0	6.0	7.6	10.8	13.7	13.2	8.7	11.2	11.5	13.8	16.4	14.4	18.0	20.2	16.9	16.7	21.8	19.7
Rent and taxes	0.5	0.8	0.6	3.6	4.1	3.8	2.7	3.1	2.3	5.2	5.5	5.0	6.5	6.7	7.1	5.5	8.8	10.8
Small durables (iv)	4.9	5.3	5.2	5.0	4.8	4.9	5.1	5.1	5.2	5.0	4.6	4.7	4.7	4.1	4.3	6.6	3.1	3.2
Bulky durables (v)	1.5	2.0	2.3	3.7	4.7	4.8	2.7	3.6	3.4	5.1	5.5	5.6	7.0	8.2	8.3	13.3	14.6	14.8
<b>Durables (iv+v)</b>	6.4	7.3	7.5	8.7	9.5	9.7	7.8	8.7	8.6	10.1	10.1	10.3	11.7	12.3	12.6	19.9	17.7	18.0

Note: Column totals may not sum to 100 because of rounding off. Source: Same as A4.1.

A4.3b Table: Average Share of Consumption Expenditure on Different Item Groups, Rural India (%)																		
Item group	Poor (<\$2)		Middle (\$2-\$10)		Lower-middle (\$2-\$4)		Middle-middle (\$4-\$6)		Upper-middle (\$6-\$10)		Affluent (>\$10)							
	99-00	04-05	11-12	99-00	04-05	11-12	99-00	04-05	11-12	99-00	04-05	11-12						
Cereals, pulses, etc. (i)	41.0	34.6	30.3	25.6	20.8	19.6	27.5	22.6	21.9	18.3	15.8	14.8	14.1	12.1	10.7	22.5	8.1	5.9
Fruits, vegetables, milk, egg, meat and fish (ii)	18.7	19.2	18.7	22.5	20.4	20.2	22.9	21.4	20.9	21.7	18.1	19.5	16.8	14.7	16.3	8.3	10.0	8.5
Beverages, refreshments and intoxicants (iii)	6.7	6.8	8.5	7.7	7.3	7.9	7.6	7.3	8.1	7.8	7.5	7.2	9.9	6.9	8.6	9.2	7.5	6.8
<b>Food (i+ii+iii)</b>	66.4	60.6	57.5	55.8	48.5	47.7	58.0	51.3	50.8	47.8	41.5	41.5	40.8	33.7	35.7	39.8	25.6	21.2
Clothing, bedding and footwear	8.1	8.3	8.7	7.6	6.9	7.6	7.7	7.3	7.9	7.0	6.1	6.8	6.0	5.0	6.0	10.2	4.5	3.5
Fuel	8.0	10.8	11.3	6.8	8.4	8.2	7.2	8.9	9.1	5.5	7.1	6.6	4.1	5.5	5.2	1.9	3.6	2.6
Education	1.4	2.2	2.3	2.8	4.3	4.8	2.6	3.9	4.0	3.3	5.8	6.7	4.1	5.8	7.3	2.5	10.7	7.1
Health	4.6	4.5	4.8	8.5	9.2	8.5	7.8	8.4	7.4	10.9	10.9	11.1	13.2	13.8	12.5	15.2	11.5	17.9
Consumer services	4.8	5.9	7.6	8.8	11.1	12.0	8.1	10.1	11.3	12.1	14.0	13.7	14.2	16.1	14.3	8.2	15.3	11.1
Rent and taxes	0.3	0.3	0.3	1.0	1.1	1.0	0.8	0.9	0.7	1.5	1.6	1.6	3.1	1.5	2.1	0.9	5.1	2.2
Small durables (iv)	4.8	5.3	5.1	4.7	4.7	4.9	4.8	4.9	5.1	4.4	4.2	4.5	3.7	3.4	3.8	2.1	2.5	2.0
Bulky durables (v)	1.6	2.1	2.4	4.0	5.8	5.3	3.0	4.3	3.7	7.5	8.8	7.5	10.8	15.2	13.1	19.2	21.2	32.4
<b>Durables (iv+v)</b>	6.4	7.4	7.5	8.7	10.5	10.2	7.8	9.2	8.8	11.9	13.0	12.0	14.5	18.6	16.9	21.3	23.7	34.4

Note: Column totals may not sum to 100 because of rounding off. Source: Same as A4.1.

**A4.3c Table: Average Share of Consumption Expenditure on Different Item Groups, Urban India (%)**

Item group	Poor (<\$2)			Middle (\$2-\$10)			Lower-middle (\$2-\$4)			Middle-middle (\$4-\$6)			Upper-middle (\$6-\$10)			Affluent (>\$10)		
	99-00	04-05	11-12	99-00	04-05	11-12	99-00	04-05	11-12	99-00	04-05	11-12	99-00	04-05	11-12	99-00	04-05	11-12
Cereals, pulses, etc. (i)	35.2	30.1	28.3	19.9	16.1	15.9	24.0	20.0	20.3	16.5	13.7	14.6	11.6	9.7	10.4	7.7	5.4	5.3
Fruits, vegetables, milk, egg, meat and fish (ii)	19.8	19.0	15.1	20.2	17.2	17.3	21.3	18.7	19.1	19.6	16.6	17.3	17.5	14.5	14.6	10.6	9.2	9.4
Beverages, refreshments and intoxicants (iii)	7.4	7.0	7.6	8.3	7.4	8.0	8.0	7.4	7.8	8.8	7.5	8.1	8.7	7.3	8.2	9.7	8.6	9.2
<b>Food (i+ii+iii)</b>	62.3	56.2	54.7	48.3	40.8	41.2	53.3	46.2	47.2	44.9	37.8	40.0	37.8	31.5	33.2	28.0	23.3	24.0
Clothing, bedding and footwear	7.8	7.7	8.3	7.3	6.6	7.2	7.5	7.0	7.7	7.1	6.4	7.1	6.8	5.9	6.6	5.1	4.7	5.4
Fuel	8.8	12.0	11.5	7.1	9.3	7.8	7.7	10.3	9.0	6.6	8.7	7.5	5.8	7.9	6.2	11.0	5.5	4.5
Education	2.4	3.2	3.4	4.9	7.2	7.5	4.2	5.9	5.8	5.6	8.1	8.0	6.0	9.3	9.7	4.9	9.5	10.4
Health	4.0	4.0	4.3	5.2	5.2	5.9	4.9	4.8	5.4	5.2	5.7	6.1	6.3	5.5	6.7	6.7	7.4	7.2
Consumer services	5.5	6.8	8.2	12.6	15.6	14.4	9.6	12.4	11.9	14.6	17.3	14.9	19.0	21.3	17.8	18.3	24.0	21.2
Rent and taxes	2.5	3.1	2.4	5.9	6.5	6.8	5.0	5.5	5.1	6.8	7.1	7.3	7.4	8.0	8.8	6.4	9.9	12.4
Small durables (iv)	5.4	5.5	5.3	5.3	4.9	4.9	5.5	5.2	5.2	5.3	4.7	4.9	4.9	4.2	4.4	7.4	3.2	3.4
Bulky durables (v)	1.3	1.5	1.9	3.4	3.9	4.3	2.3	2.7	2.7	4.0	4.1	4.4	6.0	6.4	6.6	12.2	12.5	11.5
<b>Durables (iv+v)</b>	6.7	7.0	7.2	8.7	8.8	9.2	7.8	7.9	7.9	9.3	8.8	9.3	10.9	10.6	11.0	19.6	15.7	14.9

Note: Column totals may not sum to 100 because of rounding off. Source: Same as A4.1.

**A4.4a Table: Ownership of Consumer Assets across Classes, India (%)**

Asset type	Poor (<\$2)		Middle (\$2-\$10)		Lower-middle (\$2-\$4)		Middle-middle (\$4-\$6)		Upper-middle (\$6-\$10)		Affluent (>\$10)	
	04-05	11-12	04-05	11-12	04-05	11-12	04-05	11-12	04-05	11-12	04-05	11-12
<b>Personal Vehicles</b>												
Bicycle	52.6	66.1	51.7	52.0	53.7	55.1	46.8	45.3	40.0	38.9	27.6	31.1
Motor cycle/ Scooter	5.2	10.2	36.9	42.3	31.0	35.6	55.8	59.0	62.9	66.4	50.0	58.4
Car	0.4	0.6	5.0	6.4	2.5	3.2	9.1	10.5	25.0	25.7	45.1	50.8
<b>Household Appliances</b>												
Radio	26.0	20.0	40.5	19.7	38.3	18.8	46.3	19.9	53.2	26.6	54.9	29.5
Television	25.7	38.7	71.8	80.4	67.9	77.0	85.1	89.1	87.5	92.1	86.6	91.7
Fan	38.0	53.7	82.2	88.2	79.4	85.6	91.5	95.1	94.3	97.4	93.4	97.8
Air-conditioner/ Air cooler	2.9	3.2	21.6	19.9	17.4	15.1	33.3	29.4	44.5	42.1	49.9	58.0
Sewing machine	9.3	10.6	31.7	27.1	29.4	24.6	39.6	34.3	41.2	34.3	35.2	35.1
Refrigerator	2.3	3.3	35.8	35.2	27.1	25.0	62.9	58.9	76.0	75.7	74.8	84.8
<b>Communication Based Goods</b>												
PC/ Laptop	NA	0.3	NA	7.8	NA	2.8	NA	15.1	NA	36.9	NA	64.2
Mobile handset	NA	75.4	NA	94.0	NA	92.8	NA	97.3	NA	98.0	NA	98.4

Source: Author's calculations based on NSS survey on household consumption expenditure, 61<sup>st</sup> and 68<sup>th</sup> rounds.

**A4.4b Table: Ownership of Consumer Assets across Classes, Rural India (%)**

Asset type	Poor (<\$2)		Middle (\$2-\$10)		Lower-middle (\$2-\$4)		Middle-middle (\$4-\$6)		Upper-middle (\$6-\$10)		Affluent (>\$10)	
	04-05	11-12	04-05	11-12	04-05	11-12	04-05	11-12	04-05	11-12	04-05	11-12
<b>Personal Vehicles</b>												
Bicycle	52.9	67.1	56.3	57.8	56.8	58.5	55.2	55.7	46.7	47.6	42.9	42.8
Motor cycle/ Scooter	4.6	9.5	29.8	37.1	27.1	33.2	49.7	57.4	51.2	58.6	46.6	61.6
Car	0.4	0.6	3.2	5.0	2.1	3.4	8.7	10.8	17.5	23.8	38.6	34.0
<b>Household Appliances</b>												
Radio	26.2	20.9	40.4	20.3	39.6	20.1	46.7	20.4	47.3	24.3	40.7	23.5
Television	20.8	34.2	59.2	73.0	56.9	70.7	75.2	84.3	77.7	87.0	75.8	87.7
Fan	31.9	48.9	71.5	82.5	69.6	80.7	84.6	91.3	88.9	95.3	88.7	93.5
Air-conditioner/ Air cooler	1.7	2.2	12.5	13.8	11.0	11.2	23.3	26.6	23.8	30.4	32.7	27.5
Sewing machine	7.7	8.9	28.1	25.2	26.8	22.9	37.3	36.5	37.6	40.8	34.3	35.1
Refrigerator	1.2	2.0	19.5	21.8	15.9	16.8	43.9	46.1	51.5	56.6	57.4	68.0
<b>Communication Based Goods</b>												
PC/ Laptop	NA	0.2	NA	3.0	NA	1.4	NA	9.1	NA	19.6	NA	26.4
Mobile handset	NA	74.0	NA	91.8	NA	91.1	NA	95.3	NA	95.9	NA	98.4

Source: Same as A4.4a.

**A4.4c Table: Ownership of Consumer Assets across Classes, Urban India (%)**

Asset type	Poor (<\$2)		Middle (\$2-\$10)		Lower-middle (\$2-\$4)		Middle-middle (\$4-\$6)		Upper-middle (\$6-\$10)		Affluent (>\$10)	
	04-05	11-12	04-05	11-12	04-05	11-12	04-05	11-12	04-05	11-12	04-05	11-12
<b>Personal Vehicles</b>												
Bicycle	50.6	59.9	47.3	43.8	49.9	48.2	43.2	38.5	38.2	35.7	22.7	29.1
Motor cycle/ Scooter	8.2	14.8	43.8	49.8	35.9	40.5	58.5	60.1	66.1	69.2	51.0	57.8
Car	0.5	0.5	6.8	8.3	3.0	3.0	9.3	10.3	27.0	26.4	47.1	53.8
<b>Household Appliances</b>												
Radio	25.0	14.4	40.6	18.8	36.8	16.4	46.1	19.5	54.7	27.4	59.4	30.5
Television	53.6	68.3	84.0	91.0	81.5	89.6	89.3	92.3	90.1	94.0	90.1	92.4
Fan	72.8	85.0	92.5	96.4	91.4	95.4	94.4	97.6	95.7	98.1	94.9	98.5
Air-conditioner/ Air cooler	10.3	10.4	30.5	28.6	25.3	23.0	37.6	31.3	50.0	46.4	55.4	63.4
Sewing machine	18.7	21.6	35.2	29.9	32.5	28.1	40.6	32.9	42.2	32.0	35.5	35.1
Refrigerator	8.8	12.4	51.6	54.4	40.9	41.7	71.2	67.4	82.6	82.6	80.3	87.8
<b>Communication Based Goods</b>												
PC/ Laptop	NA	0.9	NA	14.7	NA	5.8	NA	19.1	NA	43.2	NA	71.0
Mobile handset	NA	84.8	NA	97.2	NA	96.2	NA	98.6	NA	98.8	NA	98.4

Source: Same as A4.4a.

**A5.1a Table: Class-wise Distribution of Literacy Level of Household Heads, India (%)**

	Illiterate/ Informally literate	Below primary to primary school	Middle to secondary school	Higher secondary school/ diploma	Graduate and above
<b>1999-00</b>					
Poor (< \$2)	55.0	25.2	16.0	2.4	1.5
Middle (\$2-\$10)	23.2	21.6	31.6	9.2	14.4
Lower-middle(\$2-\$4)	27.4	24.4	31.5	7.7	9.0
Middle-middle(\$4-\$6)	10.6	14.1	34.3	13.2	27.8
Upper-middle(\$6-\$10)	4.5	8.3	26.2	17.0	43.8
Affluent (>\$10)	6.2	4.7	16.6	12.7	59.8
All classes	43.6	23.8	21.4	4.8	6.4
<b>2004-05</b>					
Poor (< \$2)	50.1	25.3	20.1	2.9	1.5
Middle (\$2-\$10)	18.5	19.7	34.7	11.7	15.3
Lower-middle (\$2-\$4)	22.5	22.7	35.7	9.8	9.3
Middle-middle(\$4-\$6)	8.2	12.7	35.9	16.6	26.6
Upper-middle(\$6-\$10)	4.2	7.7	23.6	18.7	45.0
Affluent (>\$10)	2.7	3.3	16.4	19.7	57.9
All classes	38.9	23.2	24.9	6.1	6.8
<b>2011-12</b>					
Poor (< \$2)	47.1	27.7	20.6	3.2	1.4
Middle (\$2-\$10)	23.1	22.0	32.4	10.7	11.7
Lower-middle(\$2-\$4)	28.8	24.9	31.9	8.0	6.3
Middle-middle(\$4-\$6)	12.4	18.4	35.4	15.9	18.0
Upper-middle(\$6-\$10)	6.6	10.5	29.6	18.6	34.8
Affluent (>\$10)	2.0	4.4	15.5	21.4	56.7
All classes	32.2	23.8	27.0	8.0	8.9

Source: Same as A4.1.

**A5.1b Table: Class-wise Distribution of Literacy Level of Household Heads,  
Rural India (%)**

	Illiterate/ Informally literate	Below primary to primary school	Middle to secondary school	Higher secondary school/ diploma	Graduate and above
<b>1999-00</b>					
Poor (< \$2)	57.8	24.5	15.5	2.0	1.2
Middle (\$2-\$10)	33.5	25.1	28.6	6.1	6.6
Lower-middle (\$2-\$4)	35.5	26.1	27.6	5.4	5.4
Middle-middle (\$4-\$6)	21.5	19.1	35.5	9.3	14.6
Upper-middle (\$6-\$10)	11.7	15.0	36.9	17.7	18.6
Affluent (>\$10)	18.7	16.7	33.2	10.8	20.5
All classes	51.7	24.6	18.0	3.0	2.5
<b>2004-05</b>					
Poor (< \$2)	52.4	24.8	18.8	2.7	1.3
Middle (\$2-\$10)	26.9	23.8	33.1	8.5	7.6
Lower-middle (\$2-\$4)	29.0	25.0	32.4	7.6	6.1
Middle-middle (\$4-\$6)	15.6	16.8	39.2	13.4	15.0
Upper-middle (\$6-\$10)	11.3	17.3	33.2	15.5	22.6
Affluent (>\$10)	4.5	7.1	22.9	30.4	35.1
All classes	46.5	24.5	22.0	4.1	2.9
<b>2011-12</b>					
Poor (< \$2)	48.2	27.8	19.8	3.0	1.3
Middle (\$2-\$10)	30.8	24.4	31.1	7.7	6.0
Lower-middle (\$2-\$4)	33.7	25.5	29.8	6.5	4.4
Middle-middle (\$4-\$6)	19.9	21.2	35.4	12.4	11.1
Upper-middle (\$6-\$10)	13.6	16.7	39.8	13.3	16.6
Affluent (>\$10)	9.0	14.3	28.0	24.7	23.9
All classes	39.7	26.1	25.2	5.4	3.7

Source: Same as A4.1.



**A5.1c Table: Class-wise Distribution of Literacy Level of Household Heads,  
Urban India (%)**

	Illiterate/ Informally literate	Below primary to primary school	Middle to secondary school	Higher secondary school/ diploma	Graduate and above
<b>1999-00</b>					
Poor (< \$2)	39.1	28.7	24.3	4.6	3.2
Middle (\$2-\$10)	12.1	17.9	34.8	12.4	22.7
Lower-middle (\$2-\$4)	15.9	21.9	37.1	10.8	14.3
Middle-middle (\$4-\$6)	5.8	11.9	33.7	14.9	33.6
Upper-middle (\$6-\$10)	2.5	6.4	23.1	16.8	51.0
Affluent (>\$10)	3.9	2.6	13.6	13.0	66.9
All classes	21.7	21.5	30.6	9.6	16.6
<b>2004-05</b>					
Poor (< \$2)	36.4	28.5	27.9	4.4	2.7
Middle (\$2-\$10)	10.5	15.8	36.2	14.7	22.6
Lower-middle (\$2-\$4)	14.3	19.8	39.9	12.6	13.4
Middle-middle (\$4-\$6)	4.9	10.9	34.5	18.0	31.7
Upper-middle (\$6-\$10)	2.2	5.1	21.0	19.5	51.1
Affluent (>\$10)	2.2	2.1	14.4	16.4	64.9
All classes	19.1	19.6	32.6	11.3	17.3
<b>2011-12</b>					
Poor (< \$2)	39.4	26.8	26.3	5.0	2.5
Middle (\$2-\$10)	12.4	18.7	34.2	14.9	19.7
Lower-middle (\$2-\$4)	18.3	23.7	36.4	11.1	10.5
Middle-middle (\$4-\$6)	7.4	16.5	35.4	18.1	22.5
Upper-middle (\$6-\$10)	3.9	8.2	25.8	20.5	41.5
Affluent (>\$10)	0.6	2.6	13.3	20.8	62.7
All classes	15.8	18.7	31.1	13.8	20.6

Source: Same as A4.1.

**A5.2a Table: Class-wise Distribution of Primary Industry of Occupation of Households- Rural India (%)**

	1999-00					
	Poor (<\$2)	Middle (\$2-\$10)	Lower-middle (\$2-\$4)	Middle-Middle (\$4-\$6)	Upper-middle (\$6-\$10)	Affluent (>\$10)
Agriculture, forestry and fishing	76.0	60.5	61.9	52.2	42.7	46.2
Mining and quarrying	0.6	0.6	0.6	0.6	0.2	0.1
Manufacturing	6.6	8.7	8.5	9.7	10.4	6.4
Electricity, gas, water supply, waste management	0.2	0.9	0.7	1.4	3.8	0.4
Construction	4.1	3.8	3.9	2.6	4.4	6.4
Trade	4.3	6.9	7.0	6.3	5.9	4.3
Transportation, food and accommodation	3.1	4.4	4.2	5.0	6.9	4.0
Finance, insurance and ICT	0.1	1.0	0.8	2.3	1.4	7.0
Real estate	0.0	0.1	0.1	0.3	0.0	0.0
Professional, scientific and technical activities	0.1	0.3	0.2	0.4	0.9	0.0
Public administration, support services, defence and social security	1.0	5.3	4.9	7.3	8.9	10.5
Education, health and social work	1.0	5.2	4.4	9.8	13.4	10.1
Other service activities (includes recreation, extraterritorial organisations and households as employers)	2.3	2.2	2.3	1.4	0.9	4.6

**A5.2a continued... Table: Class-wise Distribution of Primary Industry of Occupation of Households- Rural India (%)**

2004-05						
	Poor (<\$2)	Middle (\$2-\$10)	Lower-middle (\$2-\$4)	Middle-Middle (\$4-\$6)	Upper-middle (\$6-\$10)	Affluent (>\$10)
Agriculture, forestry and fishing	70.6	53.9	55.9	41.6	41.7	30.6
Mining and quarrying	0.7	0.8	0.8	0.7	1.2	0.2
Manufacturing	7.4	8.8	8.3	11.8	12.2	17.0
Electricity, gas, water supply, waste management	0.1	0.8	0.7	1.5	2.7	0.3
Construction	7.2	5.5	5.7	4.4	2.5	1.9
Trade	5.2	9.2	9.1	9.7	8.9	6.2
Transportation, food and accommodation	3.8	6.4	6.4	6.9	4.3	2.6
Finance, insurance and ICT	0.2	1.4	1.2	2.6	3.9	15.6
Real estate	0.0	0.1	0.1	0.1	0.1	0.0
Professional, scientific and technical activities	0.1	0.6	0.6	1.1	1.1	2.8
Public administration, support services, defence and social security	0.9	3.8	3.5	5.7	5.2	6.0
Education, health and social work	1.2	6.4	5.5	11.5	14.1	13.9
Other service activities (includes recreation, extraterritorial organisations and households as employers)	2.3	2.0	1.9	2.1	2.0	3.0

**A5.2a continued... Table: Class-wise Distribution of Primary Industry of Occupation of Households- Rural India (%)**

2011-12						
	Poor (<\$2)	Middle (\$2-\$10)	Lower-middle (\$2-\$4)	Middle-Middle (\$4-\$6)	Upper-middle (\$6-\$10)	Affluent (>\$10)
Agriculture, forestry and fishing	64.6	54.4	56.6	46.9	38.0	39.1
Mining and quarrying	0.5	0.5	0.5	0.7	0.6	0.8
Manufacturing	6.9	8.8	8.1	10.8	15.1	11.8
Electricity, gas, water supply, waste management	0.2	0.4	0.3	0.9	1.4	1.5
Construction	14.5	10.3	11.0	7.5	5.6	3.1
Trade	5.3	8.2	8.0	9.7	9.2	10.3
Transportation, food and accommodation	3.8	6.5	6.5	6.7	8.8	5.2
Finance, insurance and ICT	0.1	1.1	0.8	2.0	2.0	5.8
Real estate	0.0	0.1	0.1	0.2	0.3	1.2
Professional, scientific and technical activities	0.1	0.4	0.3	0.8	0.9	1.7
Public administration, support services, defence and social security	0.6	2.4	1.9	4.4	6.3	5.9
Education, health and social work	1.2	4.5	3.7	7.3	10.8	11.1
Other service activities (includes recreation, extraterritorial organisations and households as employers)	2.1	2.4	2.4	1.9	1.2	2.6

Note: Industrial classification based on NIC, 2008. Source: Same as A4.1.

**A5.2b Table: Class-wise Distribution of Primary Industry of Occupation of Households- Urban India (%)**

	1999-00					
	Poor (< \$2)	Middle (\$2-\$10)	Lower-middle (\$2-\$4)	Middle-middle (\$4-\$6)	Upper-middle (\$6-\$10)	Affluent (>\$10)
Agriculture, forestry and fishing	12.0	4.3	5.3	2.6	1.3	2.5
Mining and quarrying	1.1	1.1	1.2	0.8	0.6	0.3
Manufacturing	21.8	22.6	22.6	24.2	19.3	22.4
Electricity, gas, water supply, waste management	1.0	1.4	1.1	2.1	1.8	1.1
Construction	13.3	5.6	6.6	3.9	2.9	4.2
Trade	19.1	18.6	19.9	16.5	14.9	8.7
Transportation, food and accommodation	14.2	12.8	14.2	10.8	8.1	7.7
Finance, insurance and ICT	1.0	4.9	3.6	6.8	9.3	10.6
Real estate	0.1	0.3	0.2	0.4	0.4	1.0
Professional, scientific and technical activities	0.6	2.0	1.5	2.6	3.8	7.9
Public administration, support services, defence and social security	5.0	14.6	12.9	16.7	20.9	19.7
Education, health and social work	3.0	7.3	5.8	9.4	13.4	12.3
Other service activities (includes recreation, extraterritorial organisations and households as employers)	7.2	4.0	4.6	2.9	3.1	1.4

**A5.2b continued... Table: Class-wise Distribution of Primary Industry of Occupation of Households- Urban India (%)**

2004-05						
	Poor (< \$2)	Middle (\$2-\$10)	Lower-middle (\$2-\$4)	Middle-middle (\$4-\$6)	Upper-middle (\$6-\$10)	Affluent (>\$10)
Agriculture, forestry and fishing	10.2	3.8	4.7	2.3	2.4	3.0
Mining and quarrying	1.0	1.4	1.4	1.1	1.5	1.3
Manufacturing	21.8	22.2	23.4	21.8	16.7	20.9
Electricity, gas, water supply, waste management	0.7	1.4	1.3	1.5	1.6	1.2
Construction	15.1	5.8	6.7	4.1	4.0	3.0
Trade	19.8	21.0	21.5	21.2	17.8	10.0
Transportation, food and accommodation	15.9	12.9	14.3	11.4	8.5	8.0
Finance, insurance and ICT	1.1	5.8	4.0	6.8	14.1	18.0
Real estate	0.0	0.3	0.3	0.3	0.5	0.5
Professional, scientific and technical activities	1.0	2.7	2.2	2.8	5.2	8.1
Public administration, support services, defence and social security	3.7	10.7	9.2	13.6	13.7	9.6
Education, health and social work	2.3	7.8	6.4	9.4	11.9	15.1
Other service activities (includes recreation, extraterritorial organisations and households as employers)	5.5	3.2	3.5	3.0	1.5	1.1

**A5.2b continued... Table: Class-wise Distribution of Primary Industry of Occupation of Households- Urban India (%)**

2011-12						
	Poor (< \$2)	Middle (\$2-\$10)	Lower-middle (\$2-\$4)	Middle-middle (\$4-\$6)	Upper-middle (\$6-\$10)	Affluent (>\$10)
Agriculture, forestry and fishing	11.0	4.0	5.5	2.5	1.8	1.7
Mining and quarrying	0.7	0.9	0.9	0.9	0.6	2.8
Manufacturing	19.4	21.9	21.3	25.2	18.1	13.3
Electricity, gas, water supply, waste management	0.9	1.9	1.6	2.4	2.0	2.0
Construction	18.8	8.7	11.4	6.2	4.6	4.2
Trade	19.5	20.3	21.4	19.2	18.7	11.8
Transportation, food and accommodation	15.2	13.7	14.8	13.2	11.5	7.6
Finance, insurance and ICT	1.1	5.0	2.8	5.2	11.2	25.1
Real estate	0.1	0.9	0.5	1.2	1.4	1.6
Professional, scientific and technical activities	0.3	1.7	1.1	2.5	2.2	5.0
Public administration, support services, defence and social security	2.8	8.4	6.4	9.3	13.2	10.4
Education, health and social work	2.7	7.6	5.6	8.6	11.7	12.7
Other service activities (includes recreation, extraterritorial organisations and households as employers)	7.2	5.0	6.7	3.3	2.0	1.6

Note: Industrial classification based on NIC, 2008. Source: Same as A4.1.

**A5.3a Table: Class distribution across castes and religions, India (%)**

	Poor (<\$2)	Middle (\$2-\$10)	Lower-middle (\$2-\$4)	Middle-middle (\$4-\$6)	Upper-middle (\$6-\$10)	Affluent (>\$10)	Total
<b>1999-00</b>							
Upper-caste	51.0	48.0	36.3	8.3	3.4	1.0	100
Hindus	(131.3)	(123.6)	(93.4)	(21.4)	(8.8)	(2.6)	(257.5)
SC Hindus	89.5	10.5	9.5	0.8	0.2	0.0	100
	(155.1)	(18.2)	(16.5)	(1.4)	(0.3)	(0.0)	(173.3)
ST Hindus	65.1	34.7	31.3	3.5	0.0	0.1	100
	(49.4)	(26.3)	(23.8)	(2.7)	(0.0)	(0.1)	(75.8)
OBC Hindus	84.5	15.4	14.1	1.1	0.3	0.1	100
	(264.4)	(48.2)	(44.1)	(3.4)	(0.9)	(0.3)	(312.9)
Upper-caste	76.4	23.5	20.4	2.2	0.9	0.1	100
Muslims	(64.8)	(19.9)	(17.3)	(1.9)	(0.8)	(0.1)	(84.8)
SC Muslims	73.5	26.4	21.5	3.8	1.0	0.2	100
	(1.5)	(0.6)	(0.5)	(0.1)	(0.02)	(0.004)	(2.1)
ST Muslims	75.6	24.4	23.3	0.7	0.3	0.0	100
	(1.2)	(0.4)	(0.4)	(0.01)	(0.01)	(0.0)	(1.6)
OBC Muslims	79.1	20.8	19.1	1.5	0.2	0.0	100
	(28.8)	(7.6)	(7.0)	(0.5)	(0.1)	(0.0)	(36.4)
<b>2004-05</b>							
Upper-caste	48.8	49.2	34.9	9.4	4.8	2.0	100
Hindus	(113.7)	(114.6)	(81.3)	(21.9)	(11.2)	(4.7)	(233.0)
SC Hindus	84.2	15.7	13.8	1.4	0.5	0.1	100
	(166.5)	(31.1)	(27.3)	(2.8)	(1.0)	(0.2)	(197.8)
ST Hindus	90.3	9.6	8.3	1.0	0.3	0.1	100
	(74.3)	(7.9)	(6.8)	(0.8)	(0.2)	(0.1)	(82.3)
OBC Hindus	75.6	24.1	20.2	2.8	1.1	0.3	100
	(288.3)	(91.9)	(77.0)	(10.7)	(4.2)	(1.1)	(381.3)
Upper-caste	76.9	22.7	18.9	2.7	1.1	0.4	100
Muslims	(63.2)	(18.7)	(15.5)	(2.2)	(0.9)	(0.3)	(82.2)
SC Muslims	86.0	14.0	9.7	4.3	0.0	0.0	100
	(0.7)	(0.1)	(0.1)	(0.03)	(0.0)	(0.0)	(0.8)
ST Muslims	78.4	20.3	15.2	3.0	2.2	1.2	100
	(0.5)	(0.1)	(0.1)	(0.02)	(0.01)	(0.01)	(0.6)
OBC Muslims	78.5	21.1	17.9	2.3	0.9	0.3	100
	(42.5)	(11.4)	(9.7)	(1.2)	(0.5)	(0.2)	(54.1)



Appendix

**A5.3a continued... Table: Class distribution across castes and religions, India (%)**

	Poor (<\$2)	Middle (\$2-\$10)	Lower-middle (\$2-\$4)	Middle-middle (\$4-\$6)	Upper-middle (\$6-\$10)	Affluent (>\$10)	Total
<b>2011-12</b>							
Upper-caste	26.9	67.7	42.4	16.4	8.9	5.5	100
Hindus	(64.4)	(162.1)	(101.5)	(39.3)	(21.3)	(13.2)	(239.8)
SC Hindus	61.0 (132.0)	38.5 (83.3)	31.6 (68.4)	5.2 (11.3)	1.7 (3.7)	0.5 (1.1)	100 (216.4)
ST Hindus	73.2 (68.7)	26.4 (24.8)	23.0 (21.6)	2.6 (2.4)	0.9 (0.8)	0.3 (0.3)	100 (93.8)
OBC Hindus	48.2 (209.8)	50.8 (221.1)	39.4 (171.5)	8.3 (36.1)	3.1 (13.5)	1.1 (4.8)	100 (435.7)
Upper-caste	53.1	45.9	36.8	6.1	3.0	1.0	100
Muslims	(40.6)	(35.1)	(28.2)	(4.7)	(2.3)	(0.8)	(76.5)
SC Muslims	61.4 (1.5)	38.6 (1.0)	34.3 (0.9)	2.6 (0.1)	1.7 (0.04)	0.0 (0.0)	100 (2.5)
ST Muslims	54.0 (1.0)	45.6 (0.8)	38.7 (0.7)	4.7 (0.1)	2.3 (0.04)	0.4 (0.01)	100 (1.8)
OBC Muslims	54.6 (45.4)	44.6 (37.1)	36.2 (30.1)	6.4 (5.3)	2.0 (1.7)	0.8 (0.7)	100 (83.2)

*All figures are rounded-off. Figures in brackets are population size in million. Source: Same as Table A4.1.*

**A5.3b Table: Class distribution across castes and religions, Rural India (%)**

	Poor (<\$2)	Middle (\$2-\$10)	Lower-middle (\$2-\$4)	Middle-middle (\$4-\$6)	Upper-middle (\$6-\$10)	Affluent (>\$10)	Total
<b>1999-00</b>							
Upper-caste	65.2	34.7	30.4	3.4	0.8	0.1	100
Hindus	(107.6)	(57.3)	(50.2)	(5.6)	(1.3)	(0.2)	(165.0)
SC Hindus	89.5	10.5	9.9	0.5	0.1	0.0	100
	(126.2)	(14.8)	(14.0)	(0.7)	(0.1)	(0.0)	(141.0)
ST Hindus	92.0	8.0	7.6	0.3	0.1	0.0	100
	(63.9)	(5.6)	(5.3)	(0.2)	(0.1)	(0.0)	(69.5)
OBC Hindus	82.1	17.8	16.4	1.1	0.3	0.1	100
	(207.1)	(44.9)	(41.4)	(2.8)	(0.8)	(0.3)	(252.2)
Upper-caste	85.1	14.9	14.0	0.8	0.2	0.0	100
Muslims	(47.7)	(8.4)	(7.9)	(0.4)	(0.1)	(0.0)	(56.1)
SC Muslims	85.6	14.4	14.3	0.1	0.0	0.0	100
	(1.2)	(0.2)	(0.2)	(0.001)	(0.0)	(0.0)	(1.4)
ST Muslims	87.1	12.9	11.5	1.2	0.3	0.0	100
	(0.9)	(0.1)	(0.1)	(0.01)	(0.003)	(0.0)	(1.0)
OBC Muslims	78.5	21.4	18.7	2.1	0.5	0.1	100
	(18.5)	(5.1)	(4.4)	(0.5)	(0.1)	(0.02)	(23.6)
<b>2004-05</b>							
Upper-caste	66.6	32.8	28.3	3.4	1.0	0.6	100
Hindus	(94.7)	(46.6)	(40.2)	(4.8)	(1.4)	(0.9)	(142.2)
SC Hindus	90.2	9.7	8.9	0.6	0.2	0.1	100
	(143.3)	(15.4)	(14.1)	(1.0)	(0.3)	(0.2)	(158.9)
ST Hindus	93.3	6.6	6.2	0.3	0.1	0.0	100
	(70.8)	(5.0)	(4.7)	(0.2)	(0.1)	(0.0)	(75.9)
OBC Hindus	82.7	17.2	15.5	1.3	0.5	0.1	100
	(251.1)	(52.2)	(47.1)	(3.9)	(1.5)	(0.3)	(303.6)
Upper-caste	85.9	14.1	12.9	1.0	0.1	0.0	100
Muslims	(47.1)	(7.7)	(7.1)	(0.5)	(0.1)	(0.0)	(54.8)
SC Muslims	86.4	13.6	9.3	4.3	0.0	0.0	100
	(0.4)	(0.1)	(0.1)	(0.02)	(0.0)	(0.0)	(0.5)
ST Muslims	88.6	11.3	8.6	1.8	0.9	0.1	100
	(0.4)	(0.1)	(0.04)	(0.01)	(0.01)	(0.001)	(0.5)
OBC Muslims	83.1	16.6	14.2	1.6	0.8	0.3	100
	(30.6)	(6.1)	(5.2)	(0.6)	(0.3)	(0.1)	(36.8)

**A5.3b continued... Table: Class distribution across castes and religions,  
Rural India (%)**

	Poor (<\$2)	Middle (\$2-\$10)	Lower-middle (\$2-\$4)	Middle-middle (\$4-\$6)	Upper- middle (\$6-\$10)	Affluent (>\$10)	Total
<b>2011-12</b>							
Upper-caste Hindus	40.5 (55.5)	58.6 (80.3)	46.5 (63.7)	9.3 (12.7)	2.8 (3.8)	0.9 (1.2)	100 (137.0)
SC Hindus	68.3 (114.0)	31.6 (52.7)	28.0 (46.7)	2.8 (4.7)	0.8 (1.3)	0.2 (0.3)	100 (166.9)
ST Hindus	77.0 (64.5)	23.0 (19.3)	21.3 (17.8)	1.3 (1.1)	0.3 (0.3)	0.0 (0.0)	100 (83.8)
OBC Hindus	56.7 (184.8)	43.0 (140.2)	36.8 (120.0)	4.9 (16.0)	1.3 (4.2)	0.3 (1.0)	100 (326.0)
Upper-caste Muslims	65.6 (32.2)	34.1 (16.7)	30.4 (14.9)	3.0 (1.5)	0.7 (0.3)	0.2 (0.1)	100 (49.1)
SC Muslims	64.5 (1.1)	35.5 (0.6)	32.4 (0.6)	1.8 (0.03)	1.3 (0.02)	0.0 (0.0)	100 (1.7)
ST Muslims	57.8 (0.9)	41.8 (0.6)	36.1 (0.5)	3.8 (0.1)	1.9 (0.03)	0.4 (0.01)	100 (1.5)
OBC Muslims	62.1 (33.5)	37.5 (20.1)	31.8 (17.2)	4.5 (2.4)	1.2 (0.6)	0.4 (0.2)	100 (54.0)

*All figures are rounded-off. Figures in brackets are population size in million. Source: Same as A4.1.*

**A5.3c Table: Class distribution across castes and religions, Urban India (%)**

	Poor (<\$2)	Middle (\$2-\$10)	Lower-middle (\$2-\$4)	Middle-middle (\$4-\$6)	Upper-middle (\$6-\$10)	Affluent (>\$10)	Total
<b>1999-00</b>							
Upper-caste	8.6	79.8	36.9	25.8	17.1	11.6	100
Hindus	(8.0)	(73.8)	(34.1)	(23.9)	(15.8)	(10.7)	(92.5)
SC Hindus	33.8 (11.0)	64.6 (20.9)	45.3 (14.7)	14.1 (4.6)	5.2 (1.7)	1.6 (0.5)	100 (32.4)
ST Hindus	39.0 (2.5)	57.9 (3.7)	38.3 (2.5)	13.8 (0.9)	5.9 (0.4)	3.1 (0.2)	100 (6.4)
OBC Hindus	22.6 (13.7)	74.1 (45.0)	47.1 (28.6)	18.5 (11.2)	8.5 (5.2)	3.4 (2.1)	100 (60.7)
Upper-caste	30.6	67.0	48.2	11.7	7.1	2.4	100
Muslims	(8.8)	(19.2)	(13.8)	(3.3)	(2.0)	(0.7)	(28.6)
SC Muslims	54.1 (0.4)	45.9 (0.3)	38.7 (0.3)	4.6 (0.03)	2.6 (0.02)	0.0 (0.0)	100 (0.7)
ST Muslims	34.3 (0.2)	65.2 (0.4)	51.6 (0.3)	9.2 (0.1)	4.4 (0.03)	0.6 (0.004)	100 (0.6)
OBC Muslims	40.7 (5.3)	57.7 (7.4)	44.4 (5.7)	9.8 (1.3)	3.6 (0.5)	1.5 (0.2)	100 (12.9)
<b>2004-05</b>							
Upper-caste	21.0	74.8	45.3	18.7	10.8	4.2	100
Hindus	(19.0)	(67.8)	(41.1)	(17.0)	(9.8)	(3.8)	(90.7)
SC Hindus	59.7 (23.2)	40.1 (15.6)	33.5 (13.0)	4.7 (1.8)	1.9 (0.7)	0.2 (0.1)	100 (38.9)
ST Hindus	54.8 (3.5)	44.7 (2.9)	33.3 (2.1)	9.1 (0.6)	2.3 (0.1)	0.6 (0.4)	100 (6.4)
OBC Hindus	48.0 (37.3)	51.1 (39.7)	38.9 (30.2)	8.6 (6.7)	3.6 (2.8)	1.0 (0.8)	100 (77.7)
Upper-caste	58.8	40.0	31.0	6.0	3.0	1.2	100
Muslims	(16.1)	(11.0)	(8.5)	(16.4)	(8.2)	(0.3)	(27.4)
SC Muslims	85.4 (0.3)	14.6 (0.04)	10.5 (0.03)	4.2 (0.01)	0.0 (0.0)	0.0 (0.0)	100 (0.3)
ST Muslims	46.1 (0.05)	49.1 (0.05)	36.3 (0.04)	6.5 (0.01)	6.2 (0.01)	4.9 (0.01)	100 (0.1)
OBC Muslims	68.9 (11.9)	30.8 (5.3)	25.8 (4.5)	4.0 (0.7)	1.0 (0.2)	0.3 (0.05)	100 (17.3)

**A5.3c continued... Table: Class distribution across castes and religions,  
Urban India (%)**

	Poor (<\$2)	Middle (\$2- \$10)	Lower-middle (\$2-\$4)	Middle-middle (\$4-\$6)	Upper-middle (\$6-\$10)	Affluent (>\$10)	Total
<b>2011-12</b>							
Upper-caste	8.6	79.8	36.9	25.8	17.1	11.6	100
Hindus	(8.8)	(81.8)	(37.8)	(26.4)	(17.5)	(11.9)	(102.5)
SC Hindus	33.8	64.6	45.3	14.1	5.2	1.6	100
	(15.1)	(28.8)	(20.2)	(6.3)	(2.3)	(0.7)	(44.6)
ST Hindus	39.0	57.9	38.3	13.8	5.9	3.1	100
	(3.6)	(5.4)	(3.6)	(1.3)	(0.5)	(0.3)	(9.3)
OBC Hindus	22.6	74.1	47.1	18.5	8.5	3.4	100
	(24.7)	(80.9)	(51.4)	(20.2)	(9.3)	(3.7)	(109.2)
Upper-caste	30.6	67.0	48.2	11.7	7.1	2.4	100
Muslims	(8.4)	(18.4)	(13.2)	(3.2)	(1.9)	(0.7)	(27.4)
SC Muslims	54.1	45.9	38.7	4.6	2.6	0.0	100
	(0.4)	(0.3)	(0.3)	(0.03)	(0.02)	(0.0)	(0.7)
ST Muslims	34.3	65.2	51.6	9.2	4.4	0.6	100
	(0.1)	(0.2)	(0.2)	(0.03)	(0.01)	(0.002)	(0.3)
OBC Muslims	40.7	57.7	44.4	9.8	3.6	1.5	100
	(11.9)	(16.9)	(13.0)	(2.9)	(1.1)	(0.4)	(29.3)

*All figures are rounded-off. Figures in brackets are population size in million. Source: Same as A4.1.*



## English Summary

### **Services-driven Growth and India's Changing Socio-economic Fabric: Emergence of a New Middle Class and the Contribution of Mumbai's IT-eS Industry to its Formation**

Globalisation of services, together with technological advancement has introduced new employment opportunities in India in the offshore-services industry. India is the global leader in the provisioning of offshore services, but there has been little rigorous research on the impact of the industry on the socio-economic fabric of the country. This thesis examines the socio-economic impact of the offshore-service industry in India by exploring the contribution of the industry to a new middle class formation. It takes the case of IT-enabled services (IT-eS) in the city of Mumbai, globally positioned in the third place among the most attractive destinations for offshore services.

The study uses the concept of class as the central analytical tool, as it encompasses multiple dimensions along which societies are stratified to provide a holistic understanding of how societies function and how socio-economic transformations take place. The theoretical framework of the research is anchored on Bourdieu's work, *Forms of Capital*. The thesis studies how the possession and distribution of economic and cultural capitals have changed as well as how they have further transformed into new forms of capital to give rise to the formation of a new middle class. At a larger level, the study contributes to debates on the developmental impact of a services-led model in emerging economies that seem to have skipped the industrialisation phase of growth. It also contributes to recent literature on burgeoning middle classes in developing countries, at a time when consumer demand from western middle classes is stagnating.

The thesis is divided into eight chapters, of which Chapters 4 to 7 constitute the main body. The main body is further divided into two parts. The first part (Chapters 4 and 5) provides evidence for the emergence of a quantitatively and qualitatively 'new' middle class in India. The second part of the thesis (Chapters 6 and 7) explores the contribution of Mumbai's IT-eS industry to such a new middle class formation. The study uses a mixed-methods approach. The analysis of the first part is quantitative, based on national-level household consumer expenditure surveys, conducted during 1999-00, 2004-05 and 2011-12 by the National Sample Survey Office (NSSO) of India. The second part draws on qualitative and quantitative data collected by the author between the years 2012 and 2014 via semi-structured interviews and a primary survey of IT-eS employees in Mumbai.

### *Quantitative and qualitative changes in India's middle class*

Defining the middle class as those whose daily per capita consumption expenditure lies between \$2 and \$10 (following Banerjee and Duflo), this thesis finds that during the period 2005 and 2012, the Indian middle class expanded unprecedentedly from 27.9 per cent (304.2 million people) to 50.3 per cent (604.3 million people) of the country's population. Moreover, this expansion took place across rural and urban areas as well as in the majority of the states in India, contradicting many existing studies that consider the new middle class in India a purely urban phenomenon. Nonetheless, most of this growth happened at the lower-middle class level, that is, those who spent between \$2 and \$4. The increase in the level of economic capital is also reflected in the possession of objectified cultural capital. As households enter the middle class, they tend to spend a larger fraction of their expenditure on education, health, consumer goods and services and a lower share on food and other basic necessities as compared to the poor.



## English Summary

The high levels of economic and objectified cultural capital acquired by the middle class has however not been accompanied with sufficient levels of institutionalised and embodied cultural capital; forms of capital that take more time to accumulate. The new entrants to the middle class are far less educated than the pre-existing middle class and many of them are engaged in unskilled occupations. In fact, the construction sector turned out to be the most significant driver of middle class expansion. By contrast, traditional middle-class industries such as public services and trade as well as modern services such as finance and IT hardly contributed to growth in the size of the middle class. Besides education and occupation, the ethnic composition of the new entrants to the middle class is also different from the pre-existing one. Unlike the earlier middle class that was dominated by upper-caste Hindus, many lower-castes as well as Muslims have managed to enter the middle class in the recent years.

### ***Contribution of the IT-eS Industry to a new middle class formation***

The primary data collected on IT-eS employees of Mumbai shows that the contribution of the industry to a quantitative expansion in the middle class is quite restricted. Employment opportunities in Mumbai's IT-eS industry are accessible largely to workers coming from pre-existing urban middle class families. The IT-eS industry demands the possession of institutionalised cultural capital in the form of a university education and English-language skills, which have historically been possessed only by the pre-existing urban middle class in India. Subsequently, the majority of the Indian population is deprived of opportunities to access the industry. Instead of allowing for upward class mobility of non-middle class households, the industry thus reproduces pre-existing class inequalities.

The contribution of the IT-eS industry to a new middle class formation lies in its conspicuous impact in transforming the existing economic and cultural capitals of

its urban middle class employees. Remuneration in the IT-eS industry is far higher than comparable domestic industries, which places its employees in the upper-middle and affluent categories. Furthermore, via its work culture, facilities and ambience, the industry introduces its employees to new forms of consumption practices and lifestyles, and brings about noticeable changes in their personalities, transforming their objectified and embodied cultural capital. The most significant changes are noticed in the dress sense, eating habits and modes of conveyance of the employees. These changes entail a blend of Indian and western consumption practices.

### ***Services-driven growth and new middle class formation***

This research thus shows that in the recent years many Indian households, in spite of belonging to historically disadvantaged social backgrounds or coming from rural areas, have managed to acquire sufficient levels of economic capital that places them in the middle class. These households are however yet to possess the level of institutionalised cultural capital accumulated by the pre-existing middle class over a period of time. These quantitative and qualitative structural changes in India's contemporary middle class make it appropriate to label it as the 'new middle class'. The lack of institutionalised cultural capital among the new entrants to the middle class has however deprived them of accessing the attractive employment opportunities offered by knowledge-based service industries such as the IT-eS. New knowledge-based services are heavily reliant on new advancements in technology and other skills such as English language that take time to accumulate. Until these skills are acquired by the majority of the population, services-led growth will reproduce and even widen pre-existing class inequalities.

These results point out that most of the growth in India's middle class has been driven by the country's own domestic industries, rather than on its reliance on

trade in services. It is perhaps for this reason that the country has remained resilient to the global economic slowdown and has produced a large middle class that can potentially drive global consumer demand in the future. Indirectly, however, the IT-eS industry appears to have boosted employment in unskilled jobs such as that in the construction sector. The results from this thesis call for a more nuanced and disaggregated analysis of the indirect contribution of the IT-eS industry and in general of a services-based development model to new middle class formation in India.

## Nederlandse Samenvatting

### De Groei van de Dienstensector en India's Veranderende Sociaal-economische Samenstelling: De Bijdrage van Mumbai's IT-sector aan de Opkomst van een Nieuwe Middenklasse

De door technologische ontwikkelingen gefaciliteerde mondialisering van de dienstensector heeft nieuwe werkgelegenheidsmogelijkheden gebracht in de Indiase *offshore* dienstensector. India is de mondiale leider in het uitvoeren van *offshore* diensten, maar er ontbreekt nog diepgaand onderzoek naar de impact van deze sector op de sociaal economische ontwikkeling van het land. Deze dissertatie analyseert de sociaal economische invloed van de *offshore* dienstensector in India door haar bijdrage in het ontstaan van een nieuwe middenklasse te onderzoeken. De business process outsourcing sector in Mumbai – beschouwd als mondiaal de derde meest aantrekkelijke bestemming voor *offshore* diensten – vormt de empirische casus voor dit onderzoek.

Het centrale concept in dit onderzoek betreft (maatschappelijke) 'klasse', gezien dat het meerdere dimensies omvat waarlangs samenlevingen gestratificeerd zijn. Als zodanig biedt het een holistisch begrip van hoe samenlevingen functioneren en hoe socio-economische veranderingen plaatsvinden. Het theoretisch kader van dit onderzoek is gebaseerd op het werk van Bourdieu: *Forms of Capital*. In deze dissertatie wordt bestudeerd hoe het bezit en de verdeling van economisch en cultureel kapitaal zijn veranderd, en tevens hoe deze vormen van kapitaal verder zijn getransformeerd tot nieuwe vormen van kapitaal die vervolgens de opkomst van een nieuwe middenklasse hebben doen ontstaan. Op een hoger abstractie niveau draagt dit onderzoek bij aan de debatten over de impact van een op de dienstensector gebaseerd economisch model op de ontwikkeling van opkomende economieën die de fase van industrialisering lijken te hebben overgeslagen. Deze

studie draagt tevens bij aan de recente literatuur betreffende de opkomende middenklasse in ontwikkelende landen, in een tijd waarin het consumentisme van de westerse middenklasse stagneert.

De dissertatie is verdeeld in acht hoofdstukken, waarvan hoofdstuk vier tot en met zeven het empirische gedeelte omvatten. Het empirische deel van deze dissertatie is verder opgedeeld in twee delen. Het eerste deel (hoofdstukken vier en vijf) presenteren bewijs voor de opkomst van een kwantitatieve en kwalitatieve ‘nieuwe’ middenklasse in India. Het tweede deel (hoofdstukken zes en zeven) verkent het aandeel van Mumbai’s IT-eS sector in de opkomst van deze ‘nieuwe’ middenklasse. In het onderzoek zijn kwantitatieve en kwalitatieve onderzoeksmethoden toegepast. Het eerste deel omvat een kwantitatieve analyse, gebaseerd op nationale enquêtes, betreffende huishoud uitgaven, die zijn afgenomen tussen 1990-2000, 2004-2005 en 2011-2012 door het Indiase National Sample Survey Office (NSSO). De tweede analyse is gebaseerd op zowel kwantitatieve als kwalitatieve data verzameld door de auteur zelf tussen 2012 en 2014 middels semi-gestructureerde interviews en een enquête afgenomen bij IT-eS werknemers in Mumbai.

### ***Kwantitatieve en Kwalitatieve veranderingen in de Indiase middenklasse***

Wanneer ervan wordt uitgegaan dat de middenklasse mensen omvat wiens consumptie uitgaven per capita liggen tussen de twee en tien Amerikaanse dollar per dag (gebaseerd op de definitie van Banerjee en Duflo), dan blijkt uit deze dissertatie dat de Indiase middenklasse als deel van de totale bevolking tussen 2005 en 2012 is gegroeid van 27,9 procent (304.2 miljoen mensen) naar 50,3 procent (604.3 miljoen mensen). Uit de studie blijkt tevens dat deze groei plaats vond in zowel rurale als stedelijke gebieden in de meeste staten van India. Deze bevindingen zijn in tegenspraak met bestaande onderzoeken die beargumenteren dat de opkomst van de nieuw middenklasse in India hoofdzakelijk een stedelijk

fenomeen is. Niettemin, het overgrote deel van deze groei vond plaats aan de ‘onderkant’ van de middenklasse, dat zijn degenen met een bestedingskracht van twee tot vier dollar per dag. De toename in het bezit van economisch kapitaal is tevens terug te zien in het bezit van geobjectiveerd cultureel kapitaal. Op het moment dat huishoudens toetreden tot de middenklasse zijn ze geneigd een groter deel van hun uitgaven te besteden aan scholing, gezondheidszorg, consumptiegoederen en diensten, en een kleiner aandeel aan voedsel en andere basisbehoeften in vergelijking met de armere groepen in de samenleving.

De hoge mate van economisch en geobjectiveerd cultureel kapitaal, vergaard door de middenklasse, hebben nog niet geleid tot voldoende mate van geïstitutioniseerd kapitaal, vormen van kapitaal waarvan de accumulatie meer tijd kost. De nieuwe toetreders tot de middenklasse zijn een stuk minder hoog opgeleid dan de reeds bestaande middenklasse, en een groot deel van deze nieuwe toetreders bevindt zich in beroepen waarvoor weinig tot geen scholing vereist is. Het blijkt zelfs dat de bouwsector de meest significante drijvende kracht is achter de groei van de middenklasse. De meer ‘traditionele’ middenklasse activiteiten en banen zoals in publieke diensten, handel, financiële diensten en IT blijken nauwelijks bij te dragen aan de groei van de middenklasse. Naast het verschil in opleiding en beroep, blijkt ook de etnische samenstelling van de nieuwe toetreders tot de middenklasse te verschillen van de reeds bestaande middenklasse. Hoewel de middenklasse voorheen voornamelijk bestond uit Hindoes uit de hogere kasten, treden nu steeds vaker ook personen uit de lagere kasten en Moslims toe tot de middenklasse.

### *Het aandeel van de IT-eS sector in de totstandkoming van een nieuwe middenklasse*

De primaire data die is verzameld over IT-eS werknemers in Mumbai toont dat het aandeel van de sector in een kwantitatieve groei van de middenklasse redelijk

beperkt is. Werkgelegenheidskansen in de IT-eS sector in Mumbai zijn vooral toegankelijk voor werknemers die afkomstig zijn uit reeds bestaande stedelijke middenklassenfamilies. De IT-eS sector vereist de beschikking over geïnstitutionaliseerd cultureel kapitaal in de vorm van een universiteitsopleiding en Engelse vaardigheden, die historisch gezien vooral in het bezit zijn van de stedelijke middenklasse in India. Hierdoor wordt de meerderheid van de bevolking de kans op toegang tot deze economische sector ontnomen. In plaats van dat lagere middenklasse huishoudens de kans hebben op opwaartse mobiliteit in de middenklasse, reproduceert de sector de reeds bestaande klassenongelijkheden.

De bijdrage van de IT-eS sector in de totstandkoming van de nieuwe middenklasse zit in de duidelijke impact op het economische en culturele kapitaal van de werknemers uit de stedelijke middenklasse. Het loon in de IT-eS sector is aanzienlijk hoger dan vergelijkbare binnenlandse industrieën, waardoor de werknemers in deze sector tot het bovenste deel van de middenklasse behoren. Middels de arbeidscultuur, faciliteiten en werksfeer introduceert deze sector nieuwe consumptiepatronen en levensstijlen, en brengt het duidelijke veranderingen teweeg in de persoonlijkheden van de werknemers, waardoor hun geobjectiverde culturele kapitaal veranderd. De belangrijkste veranderingen zijn zichtbaar in de manier van kleden, eetgewoonten en vormen van transport van de werknemers. Al deze veranderingen omvatten een mix van Indiase en westerse consumptiepraktijken.

### *Dienstensector groei en de totstandkoming van een nieuwe middenklasse*

Samenvattend toont dit onderzoek dat in de afgelopen jaren Indiase huishoudens met sociaal economische achterstanden erin geslaagd zijn om een aanzienlijke hoeveelheid economisch kapitaal te vergaren waardoor zij nu tot de middenklasse behoren. Echter, deze huishoudens bezitten nog geen aanzienlijke mate van

geïnstitutionaliseerd cultureel kapitaal, zoals de reeds bestaande middenklasse dat over een periode van tijd heeft vergaard. Deze kwantitatieve en kwalitatieve structurele veranderingen in de hedendaagse middenklasse van India leiden ertoe dat deze groep de 'nieuwe middenklasse' genoemd kan worden. Het gebrekkige geïnstitutionaliseerde cultureel kapitaal van de nieuwe leden van de middenklasse heeft er echter voor gezorgd dat deze groep beperkte toegang heeft tot aantrekkelijke werkgelegenheidskansen in de op kennis intensieve dienstensectoren zoals IT-eS. Nieuwe op kennis intensieve diensten zijn in grote mate afhankelijk van nieuwe technologische ontwikkelingen en andere vaardigheden zoals beheersing van de Engelse taal, wat tijd kost om te vergaren. Totdat het merendeel van de bevolking deze vaardigheden bezit, zal op diensten gebaseerde economische groei reeds bestaande klassenongelijkheden reproduceren en zelfs vergroten.

Deze resultaten tonen dat het grootste deel van de groei van de middenklasse in India wordt gedreven door de binnenlandse sectoren, in plaats van dat het afhankelijk is van de internationaal georiënteerde dienstensector. Het zou kunnen dat het land hierdoor veerkrachtig is gebleven ten tijde van de wereldwijde economische crisis. Daarnaast gaat deze middenklasse in toenemende mate op wereldniveau een belangrijke rol spelen als consumentengroep en potentiële afzetmarkt voor multinationals. Hiernaast heeft de IT-eS sector de werkgelegenheid in banen waarvoor geen of weinig scholing vereist is (zoals de bouwsector) indirect doen groeien. De resultaten in deze dissertatie pleiten voor een genuanceerdere en separate analyse van zowel het indirecte aandeel van de IT-eS sector als het op diensten gebaseerde economische groeimodel wat betreft de totstandkoming van de nieuwe middenklasse in India.









The emergence of the offshore-services industry is claimed to have significantly altered the socio-economic fabric of India, giving rise to the formation of a 'new' middle class. This thesis explores the contribution of Mumbai's offshore-services industry to a new middle class formation, in the broader context of the rise of such a class in India in general. The concept of class is used as the central analytical tool as it encompasses multiple dimensions along which societies are stratified to provide a holistic understanding of how societies function and how socio-economic transformations take place. The theoretical framework of this thesis is anchored on *Bourdieu's Forms of Capital*. It studies changes in the possession and distribution of economic and cultural capitals and their conversion into new forms of capital in India in general, along with the specific role of offshore-services in bringing about such a transformation.

