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.
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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.

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.