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The concept of the middle class in Russian and Chinese society

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Abstract

The article examines different approaches to the concept of "middle class" in Russia and China. According to the OECD, people that can be put into middle class should earn 75-200% of the median income of a country they live in. The ratio of median and average income values in the studied countries is shown in the article.

Keywords: Middle class, average income, median income

Introduction

Modern approaches to the concept of "middle class" are characterized by ambiguity. There is no single point of view among researchers on this issue. Among its criteria, one can find social status, income level (while different in different studies), self-identification, ownership of property, level of education. Moreover, the middle class as a whole means, most often, the social layer between the poor and the rich, having a social status, cultural level and certain material resources that determine a decent existence.

Middle Class in Russia and in China

The Organization for Economic Cooperation and Development (OECD) refers to the middle class people whose income varies between 75-200% of the median income in the country. Tables 1 and 2 provided data on the average per capita median income in the Russian Federation in 2021, the amount of income in accordance with the boundaries of falling into the middle class in OECD studies, as well as the structure of the population by the size of average per capita monetary income per month in 2021.

Table 1: Indicators of median income on average per person per month in 2021 in Russia, RUB^[3]

| Indicators | In Russia | The maximum level among the subjects of the Russian Federation (Republic of Ingushetia) | Minimum level among the subjects of the Russian Federation (Chukotka Autonomous Region) |
|--------------------------|-----------------|---|---|
| Median income | 30083.1 | 54727 | 26774 |
| 75-200% of median income | 22562.3–60166.2 | 41045.3–109554 | 20080–53548 |

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Table 2: Distribution of the population by the size of per capita monetary income per month in 2021, % ^[5]

| The entire population | 100 |
|--------------------------|------|
| up to 7,000.0 | 2.7 |
| from 7 000.1 to 10 000.0 | 4.5 |
| 10 000.1-14 000.0 | 8.3 |
| 14 000.1-19 000.0 | 11.5 |
| 19 000.1-27 000.0 | 17.1 |
| 27 000.1-45 000.0 | 25.9 |
| 45 000.1-60 000.0 | 11.7 |
| over 60 000.0 | 18.3 |
| 60 000.1-75 000.0 | 6.8 |
| 75 000.1-100 000.0 | 5.8 |
| over 100 000.0 | 5.7 |

Tables 1 and 2 show that in total, in Russia, the share of the population with incomes below 75% of the median income was 44.1%, incomes above 200% of the median income was 11.5%, respectively, 44.4% of the population are in the gap between these boundary groups, i.e. this part of the population can be considered average a class according to the OECD criterion.

It is necessary to pay attention to the fact that the peculiarity of the Russian economy is a fairly strong differentiation of the population by income. At the same time, the income distribution curve is shifting in the direction of the poorer part of the population. Table 3 shows the indicators that characterize the inequality of income distribution in Russia in 2021.

Table 3: Income indicators and their differentiation in Russia in 2021 ^[2]

| Indicator | Meaning |
|--|---------|
| Average per capita income of the entire population, rubles per month | 40272.5 |
| Median income per capita, rubles per month | 30083.1 |
| Modal income per capita, rubles per month | 17014.2 |
| Decile coefficient of differentiation, % | 7.0 |
| Funds ratio | 15.2 |
| Gini Coefficient | 0.409 |

The data in table 3 show that both median and modal incomes are lower than the average per capita, and income differentiation coefficients are quite high. In addition, table 4 shows that 60% of the population located between the extreme groups of the least and most affluent (conditionally middle class) accounts for less than half of all incomes, namely 47.9%, which also indicates an uneven distribution of income in society.

Table 4: Distribution of income among the population in the Russian Federation in 2021, %

| Total | 1st group (with the lowest incomes) | 2nd group | 3rd group | 4th group | 5th group (with the highest incomes) |
|-------|-------------------------------------|-----------|-----------|-----------|--------------------------------------|
| 100 | 5.4 | 10.1 | 15.1 | 22.7 | 46.7 |

In 2022, by order of RIA News, the RIA Rating agency, based on official statistics, prepared a rating of regions by the number of the middle class.

In the report, the middle class refers to families who have the opportunity to purchase a car and an apartment that corresponds to the size of the family, and can also afford a high-quality annual vacation, also after monthly payments on loans, if they are available, for example, for a car and living quarters, in order to make daily expenses, such families should remain not less than the amount equal to two regional subsistence minimums per person. Moreover, such middle-class families may also have small savings for an unforeseen event.

The report analyzes nine types of family composition (different numbers of workers and children in families). The final share was determined as a weighted average of the analyzed nine types. For each region, the size of salaries, the subsistence minimum, the cost of buying and maintaining vehicles, the cost of housing, the size of mortgage rates and other parameters were taken into account separately ^[4].

The Yamalo-Nenets Autonomous Region leads by a noticeable margin in the rating, with almost half of the families (46.6%) can be attributed to the middle class. First of all, this is due to the relatively high northern salaries, in addition, the low cost of housing in the region also plays a role. Also, more than a third of families can be attributed to the middle class in two more regions: in the Magadan Region (37.1%) and in the Chukotka Autonomous Region (33.1%).

The last four lines of the rating are occupied by the republics of the North Caucasus: Chechnya (last place), Ingushetia, Kabardino-Balkaria and Dagestan with shares of the middle class from 1.5% to 2.9%. There are traditionally large families in the region - accordingly, low salaries are not enough to classify North Caucasian families as middle class.

Also at the end of the list were Kalmykia, Karachay-Cherkessia, Ivanovo region, Altai Territory, Sevastopol, North Ossetia, Tambov region with shares of the middle class from 3.5% to 4.4%.

So, according to the rating, the median value of the proportion of families that can be attributed to the middle class by region is 8.1%. In 11 regions, more than 20% of families belong to the middle class, and in 60 regions the share of the middle class does not reach the average Russian level. In 15 regions, the share of the middle class is less than 5%, and in four regions it does not exceed 3%.

Thus, the study of various approaches, as well as research on the middle class, can formulate the following definition: the middle class is a part of the population that does not belong to either the poor or the rich population, has an income that allows you to meet significant needs (including the possibility of acquiring high-quality paid educational and medical services, exit rest at least once a year) and form savings, has property (housing, car) in the property, as well as the level of education and qualifications that contribute to achieving a certain professional status of a high level. It should be noted that in the Russian Federation, the middle class has its own characteristics, among which are such as:

-a small number of people who can be attributed to the middle class according to a number of criteria (the so-called core of the middle class), but a significant part of the middle class is represented by the far periphery; as a rule, due to a rather strong differentiation of income, as well as crisis

economic phenomena, and, in connection with this, a drop in real incomes the specified periphery includes the population that is closer to the lower border of the middle class and, therefore, is closer to the poverty line;

- Regional specifics are of great importance, which affects the composition and position of the middle class (more than half of the population that can be attributed to the middle class lives in large cities, while every tenth lives in Moscow);
- The structure of the middle class in Russia is quite heterogeneous in terms of social characteristics (according to the level of education – less than 50% of the population of the middle class have higher education; by age – almost 25% are young people aged 21 to 30 years, slightly less than 25% are people aged 51 to 60 years);
- The probability of entering the middle class decreases with the appearance of children in the family, as well as with the retirement of family members, which causes a fairly significant drop in income per family member;
- The lack of a unified approach to the formulation of the concept of the middle class, its fullness in various studies varies from 30% to 70% of the total population studied by the authors, which, of course, leads to the fact that the perception of the real picture and the development of adequate measures that contribute to the formation of the middle class are difficult.

Of particular importance in the process of solving the problems of defining, forming and supporting the middle class belongs to the ongoing state policy. The state should provide favorable conditions for the creation of material independence of citizens, as well as conditions for the implementation of the basic economic functions of households, so that they can fully use their resources that they own, and also have the opportunity to reproduce human capital qualitatively. This, in turn, will contribute to increasing the stability of the state, as well as its sustainable economic development.

In recent years, the discussion about the middle class in China has also aroused great interest among sociologists and in the broad strata of society, according to the dean of the Faculty of Sociology of Nanjing University, Professor Zhou Xiaohong ^[7]. Since 1990, despite the existing ideological restrictions, research in this area has been continuously conducted, and the attention of publishers and mass media to the problem of the middle class has been growing.

The idea of building a society "Xiaokan" ("society of average prosperity") was first voiced in 1979 by the "architect of Chinese reforms" Deng Xiaoping. It was the building of a society of average prosperity that was the ultimate goal of China's modernization.

In 2002, the XVI Congress of the Communist Party of China set a goal to complete the "comprehensive construction of a society of average prosperity" by 2020.

The most important transformation is the emergence of a new class or, in other words, a social stratum of the population with average incomes, which does not fall within the framework of the previously existing classes, including industrial workers and the peasantry. Based on a survey conducted in 2005 in five major cities (Wuhan, Beijing, Guangzhou, Shanghai, Nanjing), during which respondents answered questions by phone about the economic situation, as well as the level of education and professional affiliation,

it was concluded that in these cities the middle class is represented by 11.9% of the total population ^[7].

The publication of such data caused a wide resonance among sociologists and in society. Approximately 1/3 of the participants in the discussion that unfolded on the computer network expressed the opinion that the middle class is still small in the country, the indicator of 11.9% can be attributed only to large cities. About 2/3 of the participants in the discussion expressed doubts about the permissible size of the middle class in the country and the correctness of attributing "white collars" with a monthly income of over 5,000 yuan and university education to the middle class.

Similar doubts have been constantly expressed in recent years in studies dealing with the problem of the middle class. Thus, the serious attention of researchers was attracted by the statement made by Professor Lu Xueyi in 2001 that the number of the middle class in China reaches 80 million people ^[7]. Great controversy was caused by the standards published by the General Statistics Office in early 2004, according to which persons with an annual family income of 60 thousand to 500 thousand yuan belonged to the middle class ^[7].

The middle class, writes Fan Xiaoyi, a lecturer at the Political and Legal Faculty of the Zhengzhou Academy of Light Industry ^[6], is the basis of stability in society and the driving force of its democratization. Being in the political vanguard, he hopes for change, but does not seek to undermine the existing system and order.

In modern Chinese society, due to the peculiarities of the existing education system, there are no equal opportunities for all its members to receive general and vocational education. This factor, along with the phenomena of corruption existing in power structures, the dominance of family ties, violations of the law leads to deformation of the social structure of society, to stagnation and even to shocks in society.

In 2010, the Chinese government set the poverty threshold as an annual income at 2,300 yuan (about \$356). Since then, this value has been repeatedly increased and currently amounts to 4,000 yuan per year for rural residents (about \$620). The World Bank recommends that an income of about 1.9\$ per day be considered the international poverty threshold. The Chinese authorities, based on the indicator of 4000 yuan per year, set the poverty threshold below this value – at the level of \$ 1.7 per day ^[1]. However, the World Bank divides all the world's economies by gross national income (GNI) per capita into several levels: low-income economies (less than \$1,036 per person per year on average), low-middle income economies (\$1,036 to \$4,045 per year), high-middle income economies (\$4,046 to \$12,535 per year), high-middle income economies (\$4,046 to \$12,535 per year). Based on this classification, the World Bank provides its own recommended value of the poverty threshold for each of the groups of countries. China, according to this version, belongs to economies with a high level of average income, therefore, according to this international institute, the recommended poverty threshold there should be not 1.7, but 5.5 \$ per day.

In May 2020, the Prime Minister of the State Council China's Li Keqiang announced a figure that says a lot about the distribution of income among 1.4 billion Chinese residents. According to him, about 600 million Chinese residents live on an income of less than 1,090 yuan (about \$169). Per month. Thus, despite the measures taken

by the PRC government to eliminate poverty and move a significant part of the population to the middle class, the country still has quite a long way to go before the formation of a real and extensive middle class.

Let's compare the standard of living in Russia and China in terms of belonging to the middle class, according to the annual report on the welfare of the research unit of the Swiss bank Credit Suisse - Credit Suisse Research Institute [10], as well as research by the consulting company Brookings Institution [9]. Thus, the Brookings Institution study provides, for example, a Survey of the economic situation of the United States [8] conducted by the OECD for 2022, which describes the "devastation" of the middle class. Economic analysis for several years has been calling on governments to help the struggling middle class, and the attention paid to inflation, taxes, trade and energy policy should be directed to creating a process of globalization that will ensure greater prosperity for the middle class. However, these three groups include only 4.6 billion people out of 8 billion of the world's population – 3.4 billion people who are not very poor, not belonging to the middle class and not rich. This group is best described as "vulnerable". They are not poor enough to figure prominently in discussions about poverty and inequality, but they have been seriously affected by recessions caused by COVID-19, as well as food and fuel shortages, as well as rising prices. Scientists have long argued that the most vulnerable groups may not coincide with the poorest groups. For example, K.T. Whelan and B. Mater studied the experience of Irish households and found that a little more than one third of the vulnerable group are poor, and two thirds are non-poor. They conclude that "poverty and economic vulnerability are clearly related, but still different" [11].

We look at vulnerability in terms of the risk of being thrown back into poverty and the risk that expectations of entering the middle class will not be met. Both have significant implications for well-being and behavior.

Thus, the Credit Suisse Research Institute report [10] provides data on the average level of well-being by country and trends in inequality for the period 2000-2021 (table. 5) in Russia and China.

Table 5: Median value of the welfare of the population in Russia and China for 2000-2021. (Weighted average dollar exchange rate)

| Countries | Years | | | | | | Median/Average ratio, % | |
|-----------|-------|------|-------|-------|-------|-------|-------------------------|------|
| | 2000 | 2005 | 2010 | 2015 | 2020 | 2021 | 2000 | 2021 |
| Russia | 1406 | 1623 | 1755 | 3313 | 6008 | 6379 | 23.7 | 20.3 |
| China | 3133 | 6600 | 10015 | 14777 | 22885 | 26752 | 46.7 | 36.9 |

The median wealth value represents the distribution of income into two equal groups, where half of the adult population has incomes above the median, and the other half has incomes below the median. Average wealth is obtained by dividing the total income by the total number of adults.

As you can see, in China, the ratio of median and average values is quite high, including in comparison with Russian indicators, both in 2000 and in 2021. This indicates the presence of "outliers" or, in other words, very different values in a number of the studied quantities.

Conclusion

Thus, the concept of the middle class in Russia and China presupposes the presence of a part of the population that have incomes above the median, but less than the wealthiest segments of the population. At the same time, countries are striving with equal efforts to eliminate poverty, seeking to move the population into the category of the middle class. Meanwhile, the ratio of median and average income values in the studied countries shows that there are very different values in terms of income, that is, it is either the poorest population or the richest, and thus the middle class accounts, depending on the region, from 11.9% to 466%. This is due to various factors, in particular, the income level is not the same, both in Russia and in China, in different regions of the country. That is why it is proposed to change the approach according to which the population can be attributed to the middle class, since the income level is not always an indicator of prosperity. We believe that here the level of income should be an auxiliary criterion, and the possibility of acquiring vital and necessary items and things, etc., is paramount.

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