



MAPUNGUBWE
INSTITUTE FOR STRATEGIC REFLECTION (MISTRA)

The Middle-Class

Carrying the fate of the future

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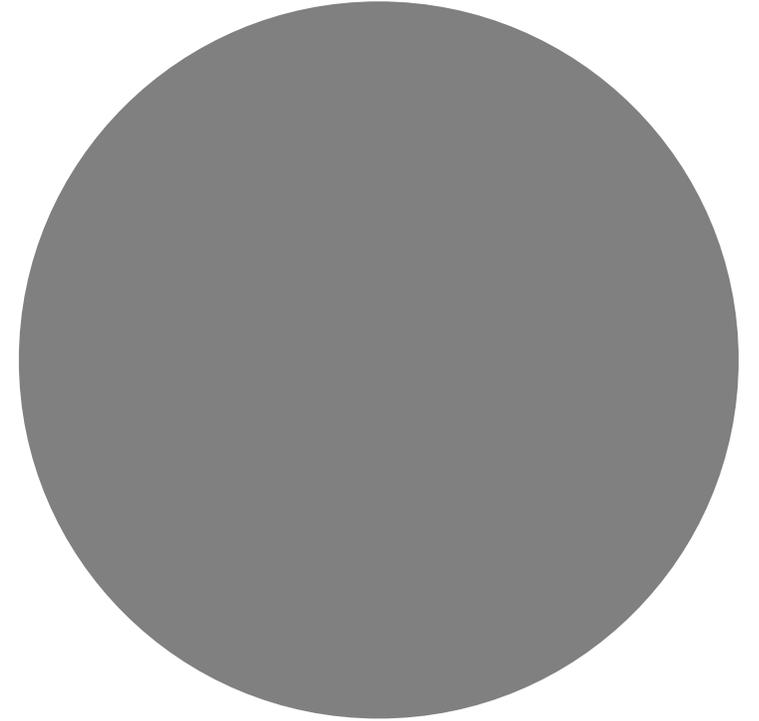
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Indlulamithi respondents



The *Indlulamithi* South Africa 2030 Scenarios

The topic of the 'middle-class' was a re-occurring theme throughout the various stages of the project.

- Growing middle-class represents upward mobility.



- Stable and increasing middle-class represents a more equal society.

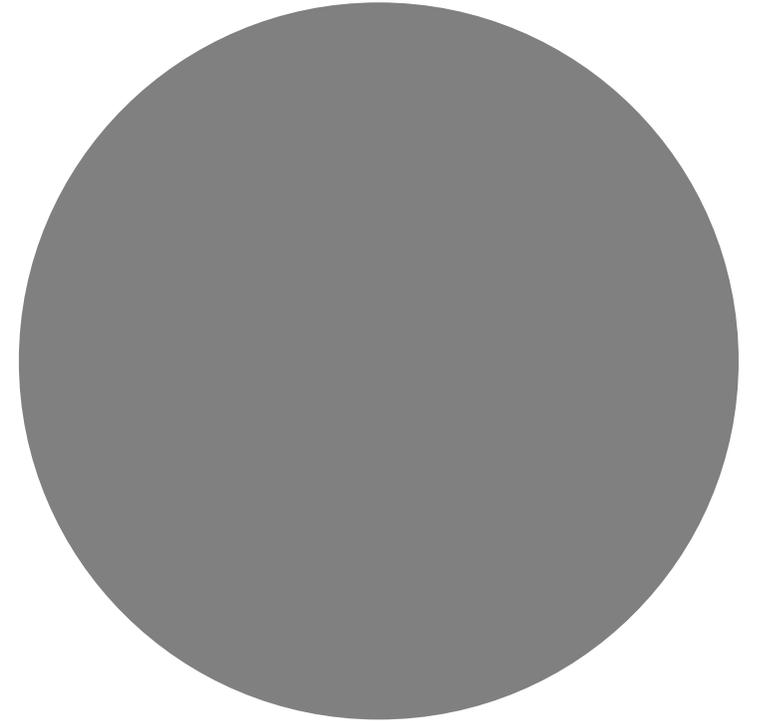
**Social
cohesion**

- A larger middle-class increases the expectations of government.

- A growing middle-class increases the tax base.

Introduction

The value of the middle-class?



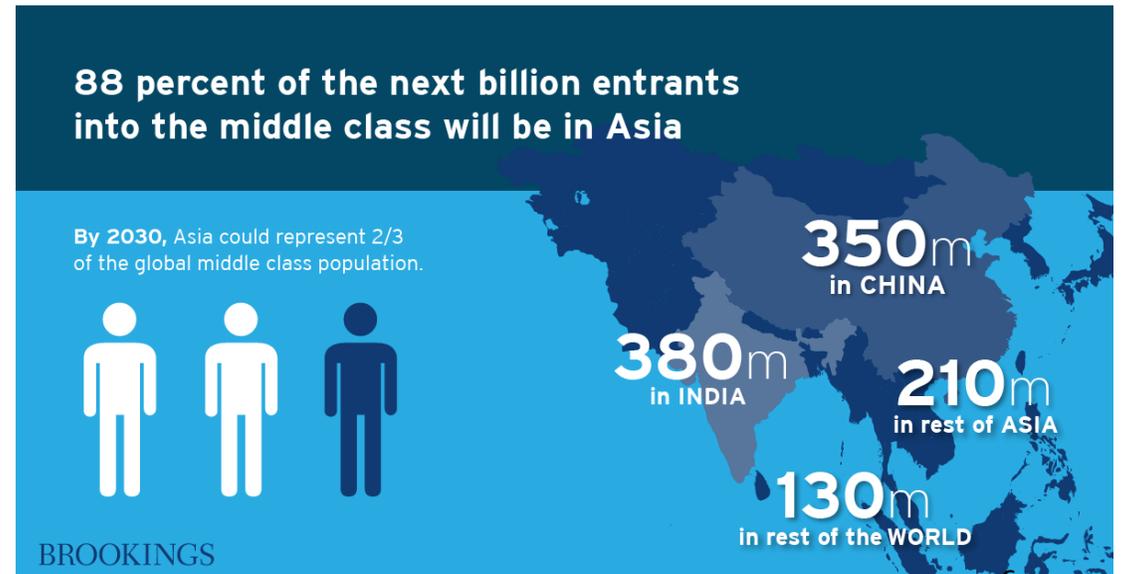
The growth of the **middle-class** is projected to grow to **3.2 billion in 2022** and then **5.2 billion in 2028** according to the Brookings Institution.

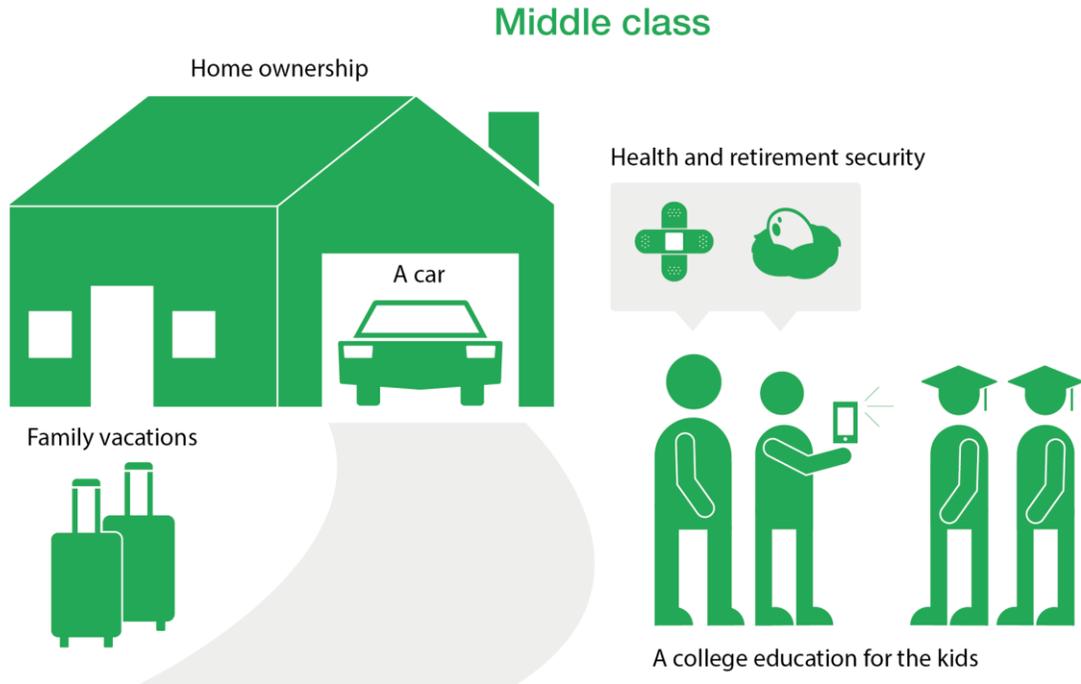
The benefits:

1. The strengthening of democracy and the functioning of democratic institutions
2. A more equal society
3. Possession of resources to save & invest in education, building human capital for the country,
4. Are investors, consumers as well as workers.

Middle classes not only have the wherewithal to finance vital services such as roads and public education through taxes; they also demand regulations, the fair enforcement of contracts, and the rule of law more generally – public goods that create a level social and economic playing field on which all can prosper

Nancy Birdsall Center for Global Development.





Configuration of a middle-class family:

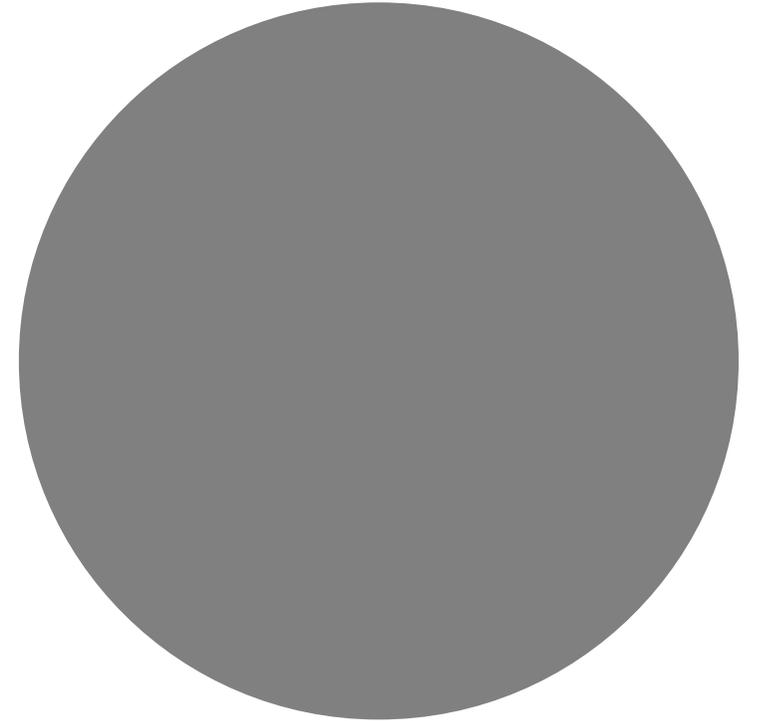
- According to Nancy Birdsall *'Middle-Class Heroes: The Best Guarantee of Good Governance'* the characteristics of the middle-class are:
 - One adult who has completed secondary school,
 - Works in an office, factory, or a retail job with a steady paycheck, as opposed to working in agriculture or the informal economy,
 - Will have enough income to survive such shocks as a spell of unemployment or a health emergency,
 - Will not worry about being able to pay next month's rent, car loan instalment, or credit card bill.

- According to The McKinsey Global Institution report *'Urban World: Cities and the Rising of the Consuming Class'* the consumer class has been categorised as the segments of the population that have income sufficient to buy discretionary goods & services (durable goods, apparel, entertainment & leisure and automobiles).

Who are the Middle - class

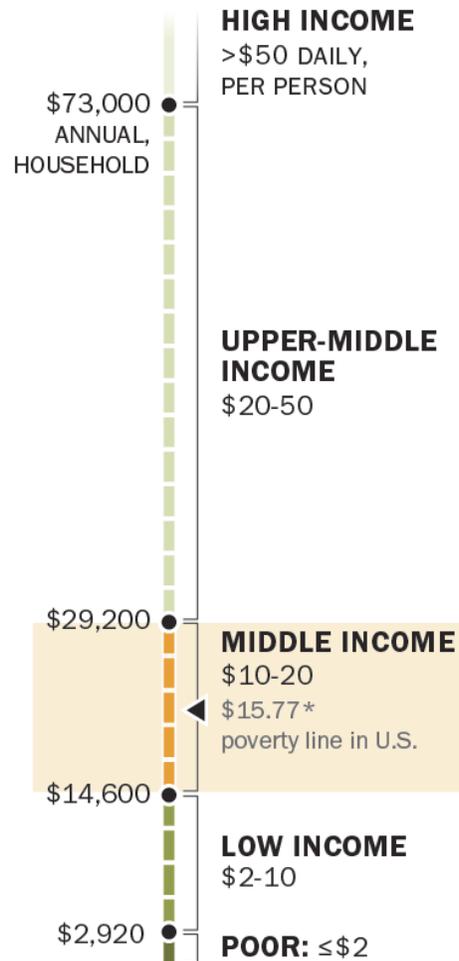
Middle class as a Global Phenomenon:

1. Industrialised countries
 - Measurement
 - Case Study
2. Emerging markets.
 - Measurement
 - Case Study



Who Is Middle Income, Globally Speaking? Budget for a Four-Person Household

Definitions of income tiers based on family income or consumption for a four-person household in 2011 purchasing power parities and 2011 prices



*In 2011, a family of four earning less than \$23,021 annually was considered poor by the U.S. Census Bureau.

PEW RESEARCH CENTER

Measuring the established middle-class

Income based – The middle-class according to this measurement are those households with income or consumption in a specific range of standardized international dollars (that is at purchasing power parity (PPP) exchange rates).

Institutions using this measurement:

- Goldman Sachs defined the middle-income range as \$16 to \$82 daily (**R184,35 – R944,78**),
- McKinsey using a range of \$9 to \$77 (**R103.69 – R887,17**),
- The African Development Bank framed the African middle-class between \$2 - \$20 per day (**R23.04 – R230.43**).

As the diagram shows *Pew Research Center* identified 10 dollars (R115.22) per day as the threshold to be considered a part of the middle-class, due to it being 5 times the poverty line and thus being associated with economic security.

Industrialised countries, the established middle-class: Scandinavia & Western Europe

The illustration by the *Pew Research Center* shows that Europe possesses the largest middle-class size in comparison to population in 2001 and 2011.

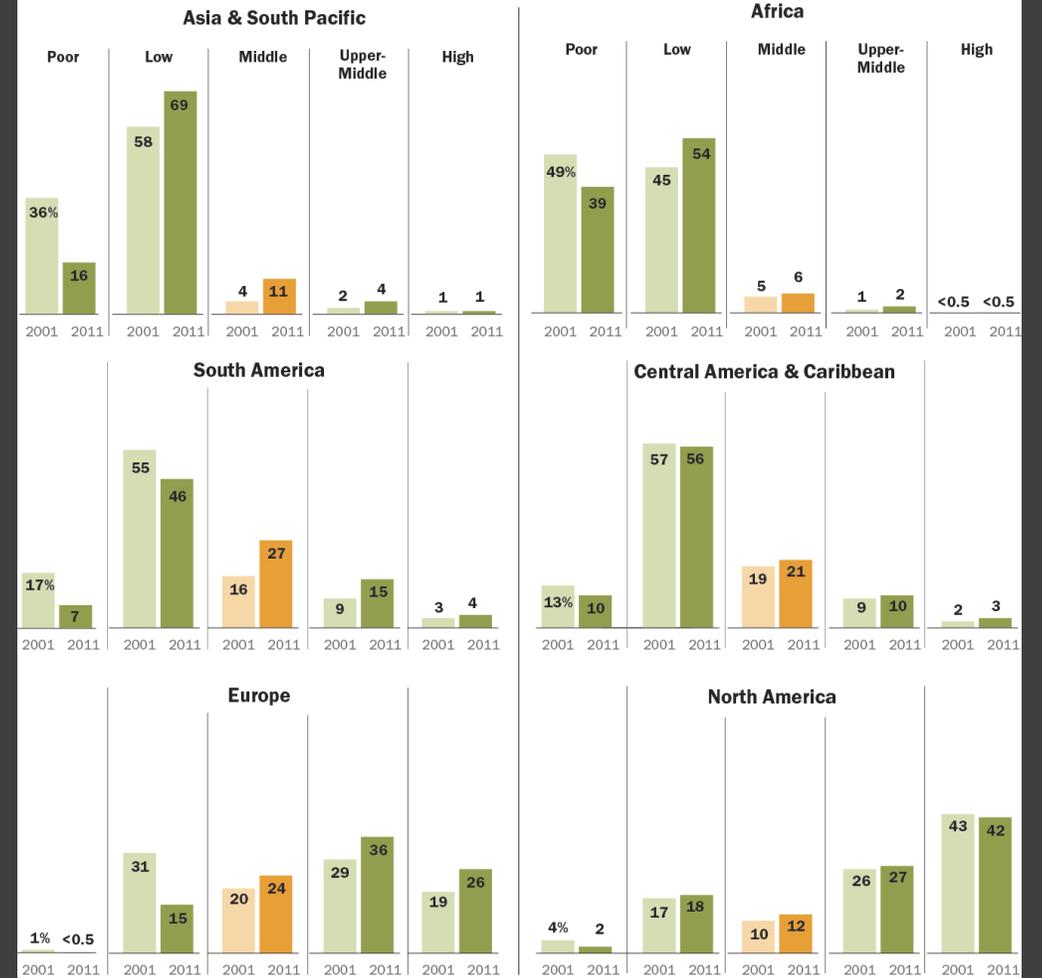
A stable & growing middle-class is inherently dependent on:

- A growing & health economy to provide adequate employment opportunities
- Good public institutions
- And an appropriate and supportive welfare system.

'The Scandinavian Fantasy: The Sources of intergeneration Mobility in Denmark and the U.S' highlighted that in Denmark high taxes on the rich and large transfers to the poor combined with large investment into public education has contributed toward the growth of the middle-class.

A Middle-Income Population Emerges in South America, but Is Scarce in Africa and Asia & South Pacific; Majorities in Europe and North America Are Upper-Middle or High Income

% of regional populations by income, 2001 and 2011



Note: The poor live on \$2 or less daily, low income on \$2.01-10, middle income on \$10.01-20, upper-middle income on \$20.01-50, and high income on more than \$50; figures expressed in 2011 purchasing power parities in 2011 prices. See the appendix for a list of the countries included in each region and the share of a region's population accounted for by those countries.

Source: Pew Research Center analysis of data from the World Bank PovcalNet database (Center for Global Development version available on the Harvard Dataverse Network) and the Luxembourg Income Study database

Measuring the emerging Markets/‘New’ middle-class

Consumption as a measurement -

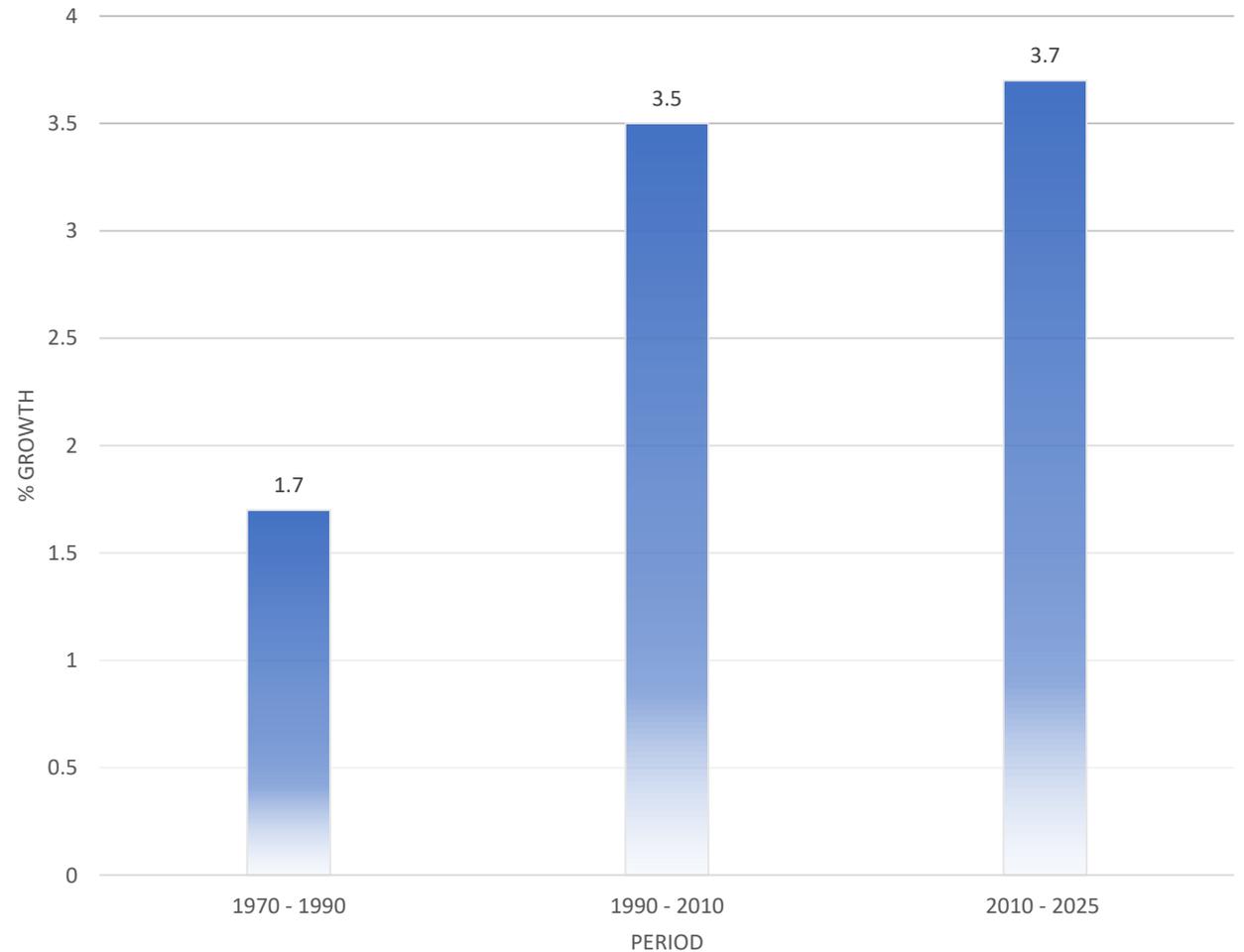
Categorization of income groups according to consumer goods/baskets.

The consumer-classes begin at individuals with an annual disposable income of more than \$3,600 or \$10 per day (at 2005 PPP).

The illustration reflects growth figures of the consuming class:

- From 1970 – 1990 the consumer class expanded by +/- 300 million people
- Between 1990 & 2010 the rate of growth more than doubled seeing as the number of consumers rose to 1.2 billion
- Up until 2025 a further 1.8 billion people are projected to move into the consumer class.

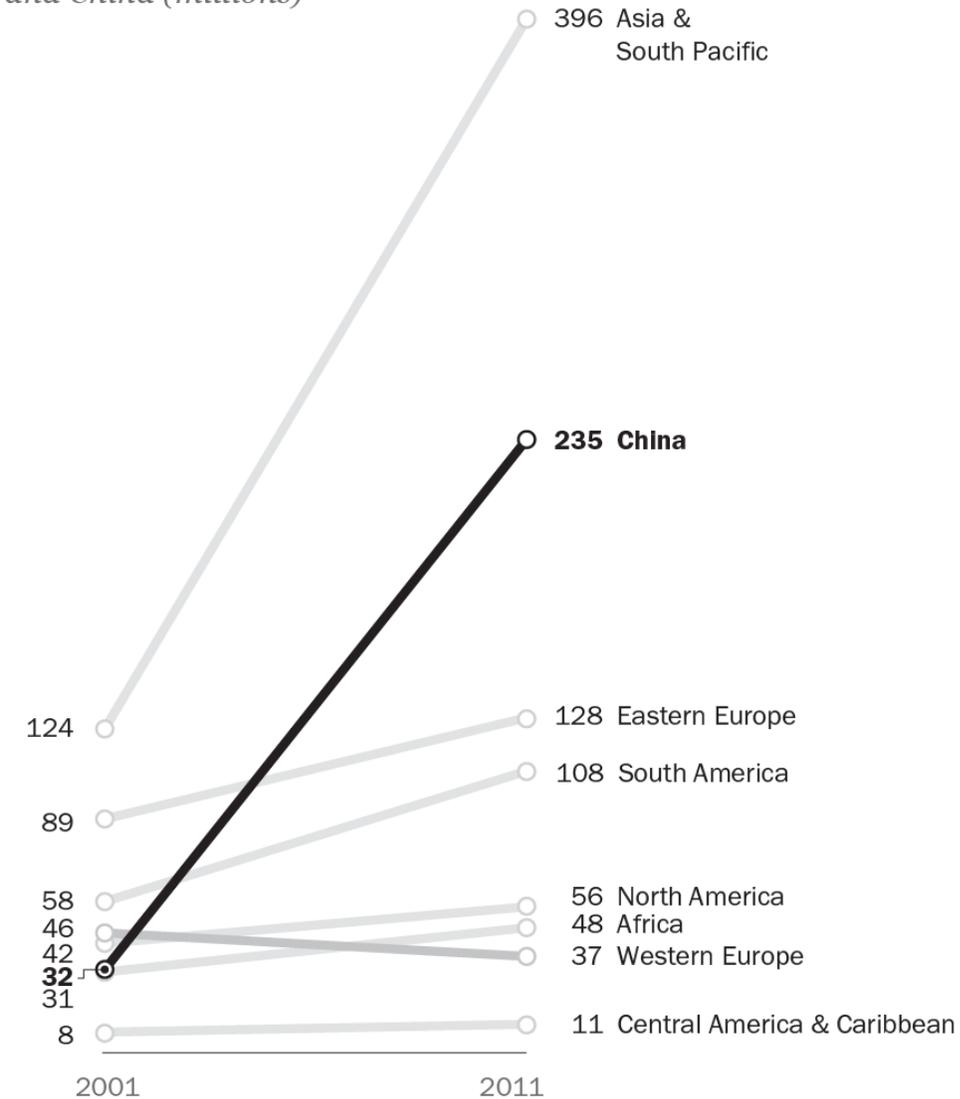
% PER ANNUM GROWTH RATE OF GLOBAL CONSUMER CLASS



Source: Data from 2012 McKinsey Global Institute Report 'Urban World: Cities and the Rising of the Consuming Class'

New Middle-Income Populations Emerge in China, South America, Eastern Europe

Number of middle-income people in major regions and China (millions)



Note: Middle-income people live on \$10.01-20 daily; figures expressed in 2011 purchasing power parities in 2011 prices. See the appendix for a list of the

The 'new' middle-class - represents the growth coming out of emerging economies and the developing world.

The diagram from a 2015 *Pew Research Center* report (*Figure at 2011 PPP*)

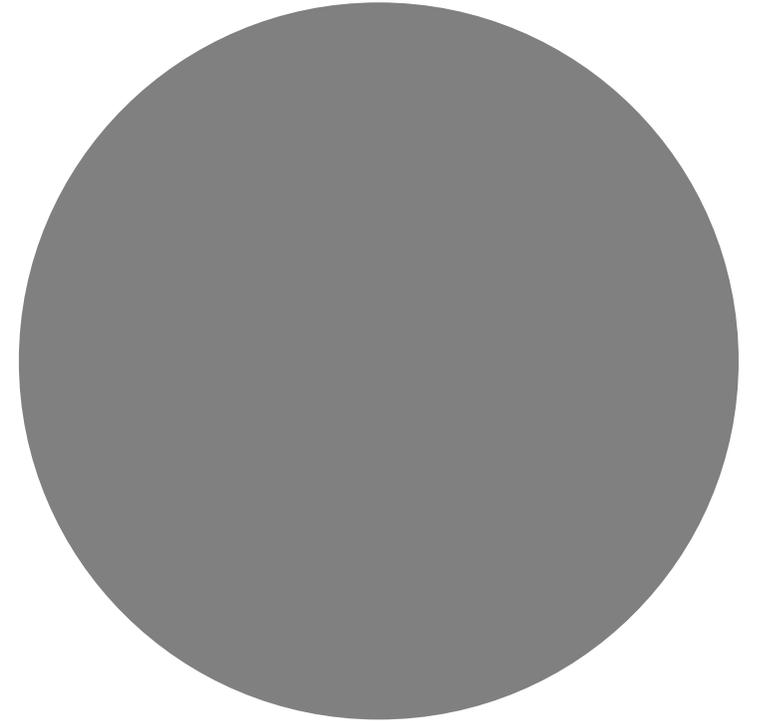
- China experienced the largest growth with 235 million people moving into the category of consumer class
- Eastern Europe represents an increase of 39 million a lot attributed to country reactions to ideological change (collapse of the Soviet Union)
- South America projected an aggregate increase of 50 million.

Reason for growth:

- Regions have redistributive and/or welfare policies
- Prioritization of education.

The South African situation

Does South Africa allow for a large middle-class?



Vulnerability approach – argues that the basic and necessary condition for empowerment is that individuals/households are sufficiently secure against falling into poverty.

The Southern Africa Labour and Development Research Unit (SALDRU) in their report *'Vulnerability and the Middle-class in South Africa'* non-vulnerability is used as a negative condition to identifying the middle-class. It is not an indication of what empowerment is, but rather an indication of what empowerment is not.

Non-vulnerability is a necessary condition of empowerment.

Strengths of this measurement:

1. Economically stable situation found to be fundamental for the self-identification of social class
2. Better suited to explain and engage with the experience of the developing world
3. Admittance of the complexities of class compartmentalisation by customising the traditional 'consumptionist' approach (income-based approach) to bridge economic and sociological ways to understanding the middle class.



Southern Africa Labour and Development Research Unit

Vulnerability and the middle class in South Africa

by
Rocco Zizgama, Simone Schotte,
Murray Leibbrandt and Vimal Ranchbod



SALDRU Working Paper
Number 188



South African Context

The considerable growth of the South African middle-class since 1993 has been associated with the emergence of the Black middle-class.

RISE of the black middle-class:

- The sharp growth of the black middle-class since 1993 is directly associated to the end of apartheid
- Resulted in a decline in inter-racial inequality, but an increase in intra-racial inequality.

Comparison of Middle-class between 1993 - 2012		
	1993	2012
Blacks	340 874	2 991 143
Total	3 562 874	7 243 596
% of population	8.19%	13.86%
% of black population	1.04%	7.19%
Black share	10.73%	41.29%
Rural	9.04%	10.63%
Average per capita household income	4 530	5 523
Characteristics of the household head		
Age	42.19	44.43
Years of education	11.34	12.38

Source: Research on Socio-Economic Policy
 (Using the R25 000 per capita income per year in 2000 prices, which would make it R68.50 per day)

Why do you pay black tax?



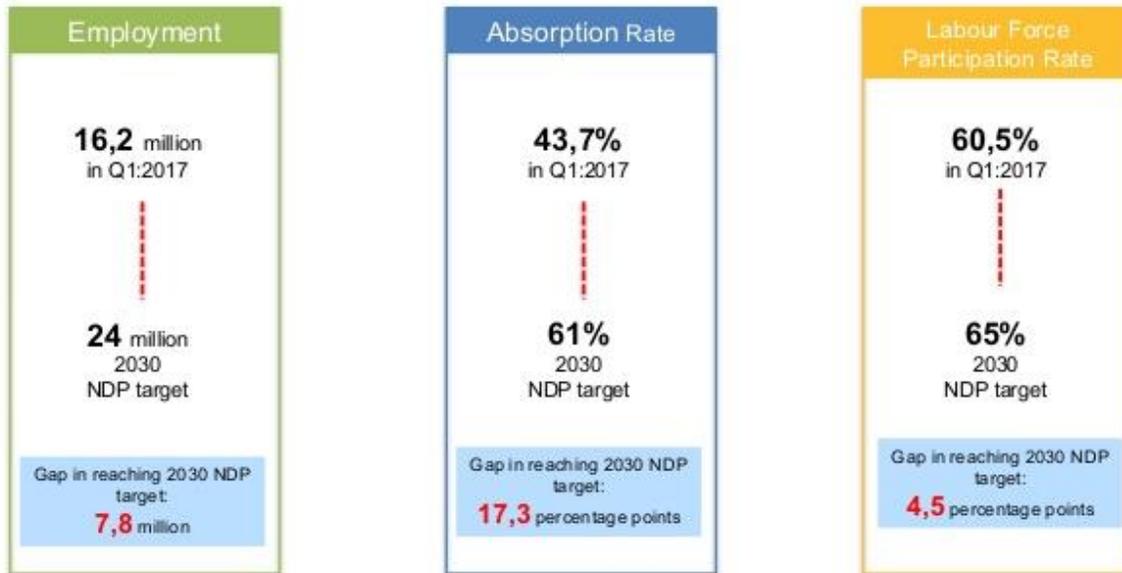
Resistance to be classified as middle-class

Both the **Research on Socio-Economic Policy (ReSEP)** of Stellenbosch University and academic **Grace Khunou** highlighted the resistance to the middle-class title within the black community, due to:

1. The premature classification of a black middle-class who are in the early stages of accumulation of assets & savings
2. 'Black Tax' responsibilities - Expectation of successful or income earners of the family to take care of home (grand-parents, parents, siblings etc.)
3. Middle-classness being a constant negotiation and represents a label that is non-negotiable.

Are we a middle-class country?

South African Labour Market: Current state vs NDP target



Source: QLFS, Q1:2017

1. According to StatisticsSA 2017 4th quarter report:

- The extractive industries of mining and agriculture have seen the most growth of 21.2% and 4.4% respectively,
- Service sectors highest performers were transport, storage and communications with 1.2% growth, while manufacturing saw a contraction of 1.2%.

2. According to Equal Education the Education System is in crisis:

- A January 2017 media statement by Equal Education 'MATRIC RESULTS AN INDICATOR OF PRIMARY SCHOOLING IN CRISIS'

3. Participation in the economy sees a growing low-income sector.

Conclusion: Middle-class should remain an aspiration up until 2030 and possibly beyond

Aversion to dependency or dependency 'like' circumstances.

2017 StatisticsSA report saw growth in extractive sectors of mining & agriculture, and decrease in the traditional middle-class sector of manufacturing.

A stepping-stone class.



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End

Thank you.