

## Who is the middle class?

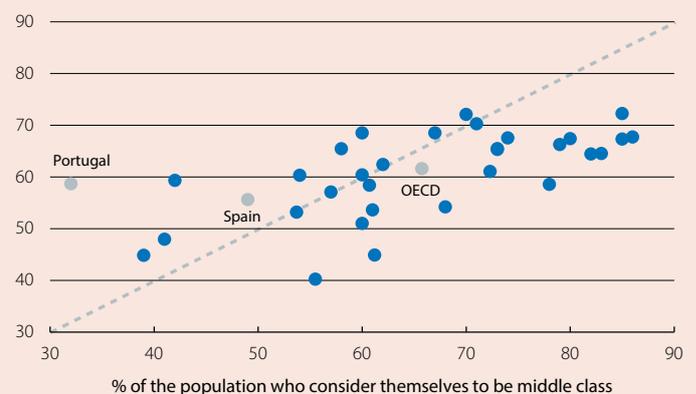
Is belonging to the middle class an ambition? What is the quality of life of the middle class like? How has it evolved in recent decades? And how will it evolve in the future? Are middle-class people satisfied with their lives? All these questions are very important, but before addressing them, we must first answer the question, **who is the middle class?**

### Defining the middle class is not a simple task

- Despite the absence of any precise definition of the middle class, there is some consensus in describing it, at least in the advanced economies, as a **group comprising the largest portion of society that shares particular values, has relative financial stability and a good quality of life** that it expects to pass on to its descendants. The middle class is also understood as a portion of society with the means to live comfortably, whatever «comfortably» really means. This may include elements such as having access to housing, leisure, good-quality health care, a certain level of education, a decent retirement and having the capacity to deal with unforeseen expenses.
- Given that economists need objective measures, we attempt to identify the middle class through their consumption patterns or level of income. For instance, OECD studies usually use income levels to identify the middle class, while another branch of the academic literature defines it based on certain consumption levels. We should also note that, whether using consumption patterns or income, they can both be defined either in relative terms or in absolute terms.
- The definitions of middle class based on absolute measures classify households' consumption or income into specific thresholds that are comparable between different countries. For example, much of the academic literature considers that having daily expenses of **between 11 and 110 dollars per person** (in purchasing power parity terms) is a reasonable measure for identifying the middle class in most emerging economies.<sup>1</sup> That said, in many advanced economies the lower threshold of 11 dollars a day lies below what we would consider representative of the middle class.
- The middle class can also be defined using relative measures:
  - Various institutions use income distribution to classify **households that lie between the 30<sup>th</sup> and 60<sup>th</sup> percentiles as middle class.**<sup>2</sup> An advantage of this definition is that it considers middle class to be the third of society that lies in the centre of the income distribution. However, one limitation of this identification method is that it is not possible to study how the size of the middle class changes over time, since, by definition, it will always represent the same percentage of society (30%).
  - One measure that can solve this limitation is that used by the OECD in its latest report on inequality,<sup>3</sup> which considers **middle class the households with an income that represents between 75% and 200% of the median income** for their region and year.<sup>4</sup> **This classification is the most attractive among the relative measures**, so it is the one we will use for the remainder of this article.
- This lack of clarity on the definition of middle class is probably what lies behind the **bias in people's perception of belonging to the middle class**. According to OECD data, in developed countries, on average, there are more people who consider themselves middle class than the number who really are (see first chart). Interestingly, however, this is not the case in Spain, and much less so in Portugal, where much of the middle class consider themselves not to be.

### Bias in people's perception of belonging to the middle class

(% of middle class as a proportion of the total population)



Note: Data for 2017 or the most recent year available.

Source: CaixaBank Research, based on data from the OECD.

1. See «[The emergence of the middle class: an emerging-country phenomenon](#)» in this same Dossier for more details.

2. In other cases, the 40th and 70th percentiles are used. See, for example, Brainard (2019). «Is the Middle Class within Reach for Middle-Income Families?». US Federal Reserve.

3. See OECD (2019). «Under pressure: The squeezed middle class».

4. The income is first adjusted to account for the size and composition of the individuals within the household.

**The middle class in Spain**

(% , unless otherwise indicated)

	Lower threshold (€)	Upper threshold (€)	Average (€)	Weight	Temporary employment rate	Change of job *	Higher education
<b>Spain</b>	11,229	29,943	18,136	59.3	16.2	6.0	31.7
Andalusia	8,923	23,794	14,104	56.9	27.3	8.1	21.2
Aragon	11,807	31,485	19,382	64.8	9.6	5.2	32.5
Asturias	11,800	31,466	19,123	63.0	17.0	7.3	39.0
Canary Islands	9,196	24,523	14,905	51.1	30.7	11.2	28.3
Cantabria	11,057	29,485	17,644	60.2	15.8	3.5	26.0
Castilla-La Mancha	9,058	24,156	15,019	58.9	21.3	9.1	23.4
Castile and León	11,050	29,467	18,153	60.9	15.2	3.3	32.6
Catalonia	12,930	34,481	20,933	61.3	7.5	2.0	34.1
Community of Madrid	12,936	34,495	21,222	59.0	13.8	7.6	45.3
Community of Valencia	10,401	27,737	16,800	59.0	17.3	5.8	28.3
Extremadura	7,750	20,667	12,095	64.7	34.1	1.6	20.1
Galicia	10,598	28,260	17,303	57.6	13.3	9.7	23.6
Balearic Islands	12,137	32,365	20,340	58.0	16.9	8.7	28.9
La Rioja	11,782	31,418	18,408	67.4	14.3	9.4	30.5
Murcia	9,213	24,568	15,019	59.9	16.9	1.4	20.4
Navarre	14,618	38,980	22,020	71.6	12.5	8.1	38.3
Basque Country	14,403	38,409	23,087	60.0	12.2	5.5	45.6

Note: \* Percentage of the middle class that has changed jobs in the last 12 months. Data for 2017.

Source: CaixaBank Research, based on data from the living conditions survey by the National Statistics Institute.

**What is the Spanish middle class like?<sup>5</sup>****Relative weight and income**

- If we set different income thresholds in each autonomous community region, taking account of the differing income levels, **middle-class individuals in Spain have an income of between 7,750 and 39,000 euros, with an average of 18,100 euros.** This wide income range is due to the disparity between the level of income required in each autonomous community region in order to be considered middle class. For instance, in the Basque Country, an individual is considered middle class if it has an income of between 14,400 and 38,400 euros, while in Andalusia the income range is between 8,900 and 23,800 euros.
- The proportion of the population that is considered middle class in the various autonomous communities is relatively similar, albeit with a few exceptions (in Navarre, the middle class represents 71% of the population, compared to 59% in Spain as a whole).

**Labour market**

- **Around 80% middle-class population in the labour force are employed (self-employed not included),<sup>6</sup>** almost identical to the percentage of the upper class and well above the 49% of the working class (which suffers from a very high level of unemployment).
- Furthermore, among those working as employees, the middle class has a moderate temporary employment rate in comparison with the working class (16% and 39%, respectively). Nevertheless, there are substantial differences in the rate of temporary employment between autonomous communities.
- Finally, and consistent with the stability of employment that has historically been attributed to the middle class, only 6% of the middle class changed jobs in 2017 (versus 5.3% and 16% in the upper and working classes, respectively).

5. To analyse Spain's middle class, we use the microdata from the living conditions survey performed by the National Statistics Institute.

6. In the percentages shown, we refer only to the head of the household.

## Education

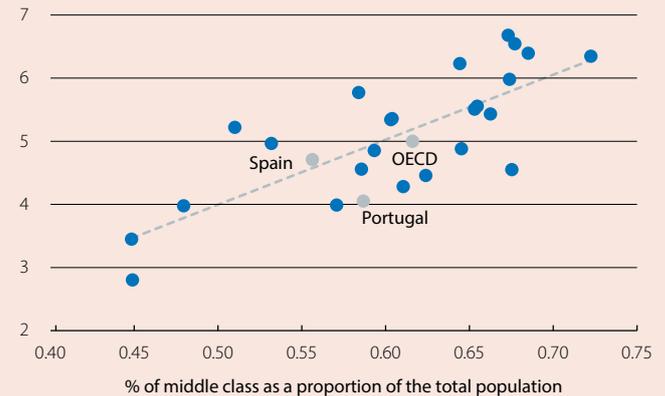
- With regard to education, while it is not surprising, there is a significant difference in education levels between classes. **The percentage of middle-class households in which the head of the household has a higher-education qualification (32%) is double that of the working class**, although it is clearly exceeded by that of the upper class (68%). This is consistent with the economic literature, which assures that the middle class tends to invest a lot in education, which serves as a **driver for economic growth through the accumulation of human capital**.<sup>7</sup>

## The middle class and social cohesion

- The values that have historically been attributed to the middle class emphasise the importance of **education, work, saving and a preference and support for democratic institutions**.<sup>8</sup> These characteristics, which are not exclusive to the middle class, encourage inclusive growth and, with it, a high level of social cohesion.
- This statement can be illustrated through the close relationship that currently exists between the relative size of the middle class and the aggregate social cohesion indicator (ASCI) developed by CaixaBank Research.<sup>9</sup> In addition, the size of the middle class is closely related to four of the five pillars that make up the IACS. **Countries with a bigger middle class exhibit higher levels of trust, political engagement and social relations, and suffer less crime. On the other hand, a bigger middle class has no bearing on the levels of personal satisfaction in today's society.** This could suggest that, today, belonging to the middle class is no longer a guarantee of happiness. Indeed, this is a hypothesis already put forward by several authors who speak of an increase in social unrest among the middle classes in the face of the great uncertainties in today's world.<sup>10</sup>

### The middle class and social cohesion

Aggregate social cohesion indicator \*



**Note:** \* This indicator aggregates and synthesises in a single measure the information contained in the 33 social cohesion indicators monitored by the OECD. See «Social cohesion and inclusive growth: inseparable» in the Dossier of the MR01/2019.

**Source:** CaixaBank Research, based on data from the OECD.

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7. See, among others, R. Perotti (1996). «Growth, Income Distribution and Democracy: What the Data Say». Journal of Economic Growth, 1(2), 149-187.

8. See OECD (2019). «Under pressure: The Squeezed Middle Class».

9. This index aggregates and synthesises in a single measure the information contained in the 33 social cohesion indicators monitored by the OECD. They are grouped into five pillars according to the type of interaction: personal satisfaction, social environment, trust, political engagement and crime levels. For more details, see «Social cohesion and inclusive growth: inseparable» in the MR01/2019.

10. See A. Costas (2017). «El final del desconcierto». Península, Barcelona, 289.