



EGYPT: ECONOMIC DEVELOPMENT AND POLICIES CONFERENCE

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Egypt's Ailing Middle Class: Socioeconomic Shifts 1995-2020

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Chapter 48 in Oxford's Handbook of the Egyptian Economy

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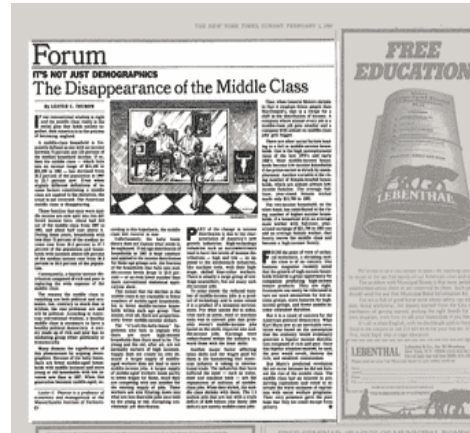
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➤ *Pivotal role of the middle class in development*

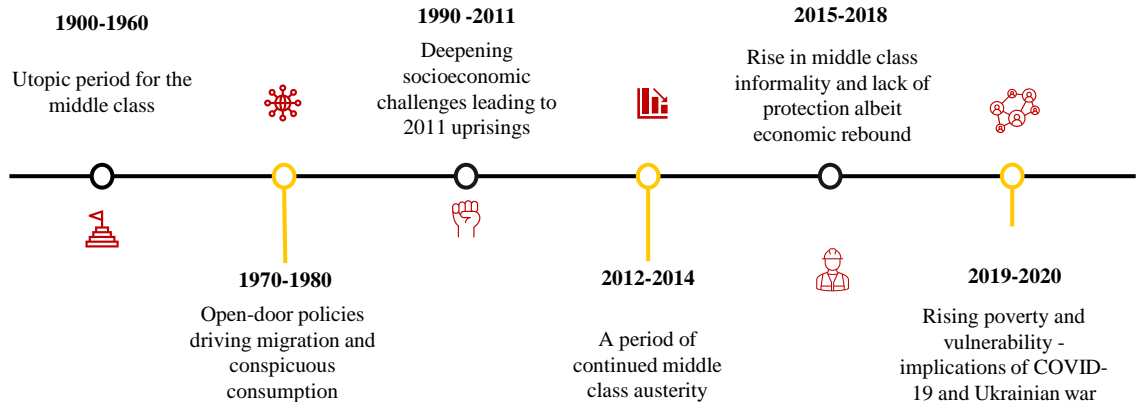
Acts as a social buffer | Economic growth engine | Political stability | Fosters innovation and sustainability

➤ *Fears of a disappearing middle class*

- Deteriorated living standards
- Rising debt obligations and lost saving ability
- Fourth industrial revolution and job-replacements
- Unemployment and precarious employment
- Poverty haunting the middle class
- Lack of adequate social protection coverage
- Conflict and its implications
- Implications of contractionary fiscal and monetary policies



➤ The Egyptian middle class 1990s-2020



⇒ *MC Identification and Measurement: A stepping stone to policymaking*



Who counts as middle class?

➤ *Objectives of this chapter*

1. Identify the social middle class in Egypt and track it's size from 1995 to 2020
2. Determine the share of income poor and vulnerable middle class in Egypt and its dynamics over the past 15 years
3. Assess some features of the social middle class in Egypt

➡ Focus is on the middle and lower class in this chapter

Definition	Scholars	Identification of the MC	Examples
Income	Ravallion (2009)	Distance from median income/expenditure	between 75% and 125% of the median
	Barro (2000); Atkinson and Brandolini (2013)	Quintile or Percentile income distribution	between the second and fourth quintiles, or third and fourth
	Haskins and Sawhill (2009)	Multiples of the poverty lines	ranges from 1.5 to 10 times the poverty line
	Piketty (2014)	Wealth index	members of the middle class own assets that the poor cannot afford
Social	Karl Marx	Location in the production process	Dichotomous classes: Bourgeoisie and working
	Max Weber	Shared individual characteristics	Middle class emerges between the bourgeoisie and working classes
	Erikson-Goldthorpe-Portocarero (1992)	Labour market relations	11 distinct classes based on occupation and labour market position
	Erik O. Wright (1997)	assets, authority, expertise	Distance from assets or levels of authority and expertise
Egypt's Ailing Middle Class: Socioeconomic Shifts 1995-2020			

➤ *Misclassification of the middle class using some income-based measures*

- Arbitrary interval that may yield inconsistent findings and misclassification of the middle class

➤ *Income polarization*

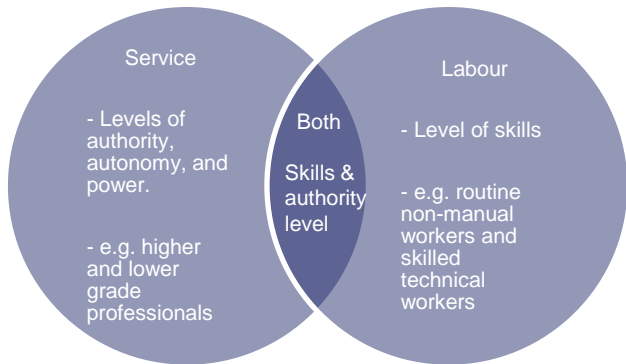
- Decline in the size of the middle class due to income polarization and not necessarily a shrinking or “missing” MC.

**“The middle class identified on the basis of income includes a sizeable proportion of the working class, together with some fraction of individuals in the top class.”
(Atkinson and Brandolini, 2013).**

EGP social class scheme:

- **Based on labour market position**
3 positions: employee, employer, and self-employed
- **Widely used in the UK and Europe**
UK's National Statistics Office
- **Can be applied using only occupational data**
(employment status, occupation, and firm size)
- **Consists of 11 classes**
can be grouped into 9, 5 or 3 classes

Fig. 1 Contractual relationship

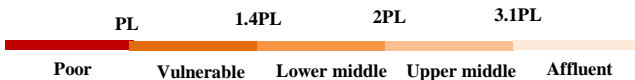


ESCWA's (2023) Social Class identification Scheme

Class	Detailed class	Contractual relationship	Examples
Upper/Owning class	1. Large business employers; high-grade managers and legislators; high-income self-employed	Service	Director general, Chief Executive Officer, large industrialists
Middle class	2. Higher-grade professionals and administrators	Service	Financial manager, lawyer, university professors
Upper middle	3. Lower-grade professionals	Service	Sociologist, graphic designer
	4. Routine non-manual and clerical workers	Both	Clerks, cashiers
Lower middle	5. Self-employed; small business employers	None	Small supermarkets, small garage owners or working on their own account
	6. Sales and other low-level service workers	Labour	Shop supervisors, salesperson
Lower/Working class	7. Blue-collar technicians	Both	Handicraft workers, carpenters, mechanics
Other lower class	8. Skilled technical workers	Labour	Ship deck crew, crop farmers, drivers
	9. Non-skilled routine workers	Labour	Housekeepers, caretakers, construction workers

Methodology used in this chapter:

- **The methodology of ESCWA's (2023) framework is applied with some minor adjustments**
- **Variables used in defining the social classes are:** Employment status, Occupation and Quintiles of Per capita Consumption
- **Based on labour market position** (Employment status)
3 positions: employee, employer, and self-employed are used in classification
- **Occupations are taken at the 6-digit level of ILO's International Standard Classification of Occupations (ISCO)**
- **Quintiles of per capita consumption is used to distinguish between large and small employers, and between high and low income self-employed**
- **9 distinct classes grouped into 5 and 3 classes are established: *Upper, middle, and lower***



Thresholds to identify income groups/economic class

	Poor	Vulnerable	Lower middle	Upper middle	Affluent
Household status	Below poverty line (PL)	(1.0-1.4xPL)	(1.4-2.0xPL)	(2.0-3.1xPL)	(>3.1xPL)

➤ Data source

Household Income, Expenditure, and Consumption Surveys (HIECS)

Surveys for the periods 1994/95, 2004/05, 2010/11, 2015, 2017/18 and 2019/20 are used.

Gives a combination between 6-digits level of occupation and income and expenditure data.

➤ Unit of analysis

- **Households** – Economic interdependence of household members
- However, initial classification is done at the individual level
- **All those living in the same household are assigned the same class position, depending on the highest social class in the household.**
- *In the analysis, we always weight the household by its household size*

➤ The myth of a disappearing social middle class

Fig. 2 Share of social classes over time (% of total individuals)

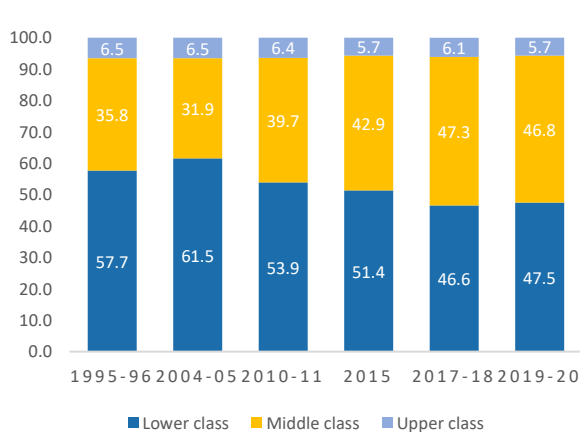


Fig. 3 Distribution of the five social classes

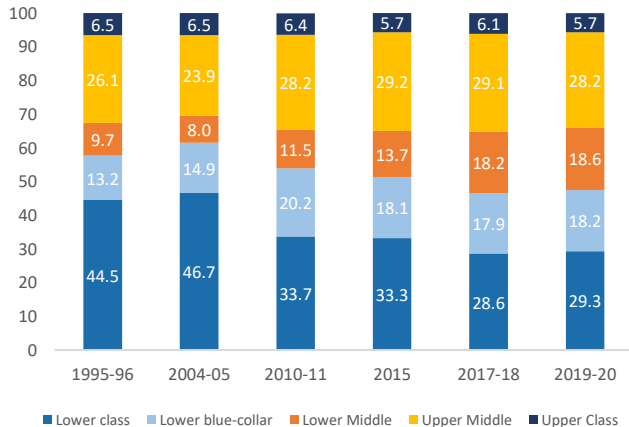


Fig. 6 Poverty incidence among the middle class

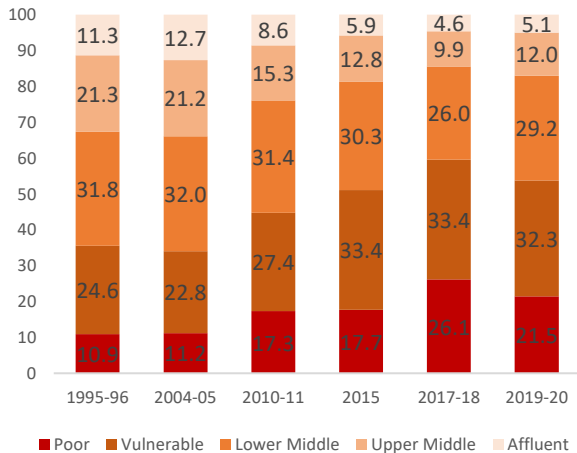


Fig. 7 Poverty incidence among the lower class

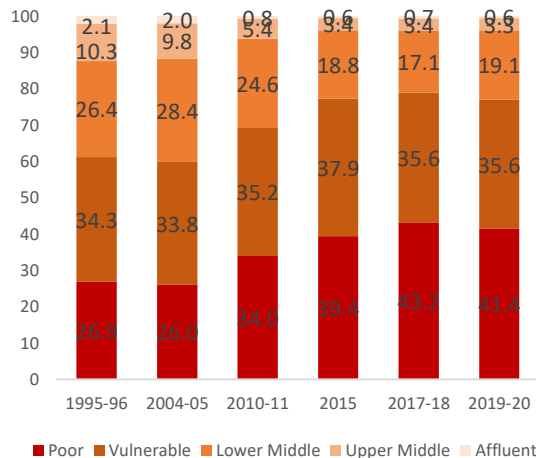
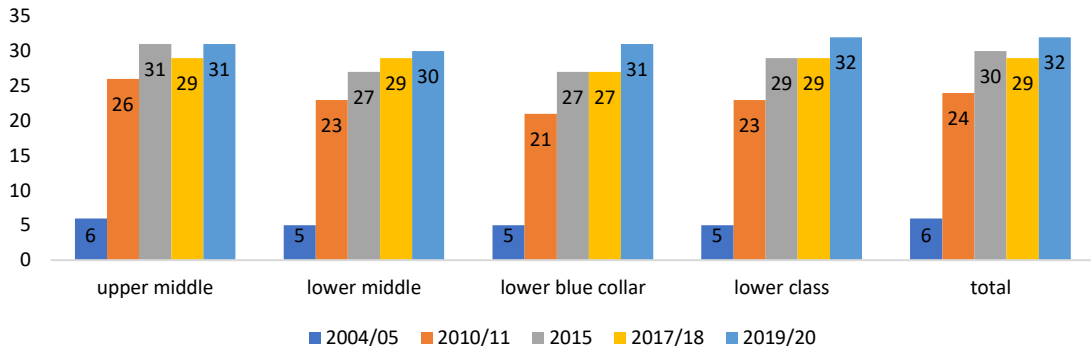


Table 3. Distribution of individuals by social class and income groups in 1995/96 and 2019/20

Social Classes	Income groups (Row Percent)						Income groups (Column Percent)					
	Poor	Vulnerable	Lower Middle	Upper Middle	Affluent	Total	Poor	Vulnerable	Lower Middle	Upper Middle	Affluent	Total
1995/96												
Upper Class	0.0	0.0	1.9	40.8	57.3	100	0.0	0.0	0.5	16.3	41.3	6.5
Upper Middle	8.6	21.1	31.0	23.9	15.3	100	11.5	19.3	30.2	38.5	44.4	26.1
Lower Middle	17.2	33.8	34.0	14.4	0.6	100	8.6	11.5	12.3	8.6	0.6	9.7
Lower blue-collar	25.0	31.9	28.3	11.7	3.1	100	17.0	14.7	13.9	9.5	4.6	13.2
Lower class	27.4	35.0	25.9	9.9	1.8	100	62.9	54.5	43.0	27.1	9.0	44.5
Total	19.4	28.6	26.8	16.2	9.0	100	100	100	100	100	100	100
2019/20												
Social Classes	Poor	Vulnerable	Lower Middle	Upper Middle	Affluent	Total	Poor	Vulnerable	Lower Middle	Upper Middle	Affluent	Total
Upper Class	0.3	0.9	14.1	57.3	27.3	100	0.1	0.2	3.4	31.1	36.8	5.7
Upper Middle	15.2	29.2	31.0	16.8	7.9	100	14.4	25.7	37.1	45.3	52.4	28.2
Lower Middle	31.0	36.9	26.5	4.7	0.8	100	19.4	21.4	21.0	8.4	3.6	18.6
Lower blue-collar	40.7	35.6	19.3	3.7	0.6	100	24.9	20.2	14.9	6.4	2.8	18.2
Lower class	41.8	35.6	18.9	3.1	0.6	100	41.2	32.5	23.6	8.7	4.5	29.3
Total	29.7	32.1	23.5	10.5	4.2	100	100	100	100	100	100	100

Fig. 8 % of Catastrophic health spending among Social classes



Note: Identification of households experiencing catastrophic health spending was based on their out-of-pocket health payments exceeding 10% of their total consumption, Such expenses can substantially impact their overall well-being.

From 2010/11, the government began to reduce their expenditure on health, thus the out-of-pocket increases. These findings emphasize the urgent necessity for comprehensive healthcare policies aimed at alleviating out-of-pocket health expenses.

A dichotomous middle class in educational attainment

Fig. 9 Educational attainment of household head by classes

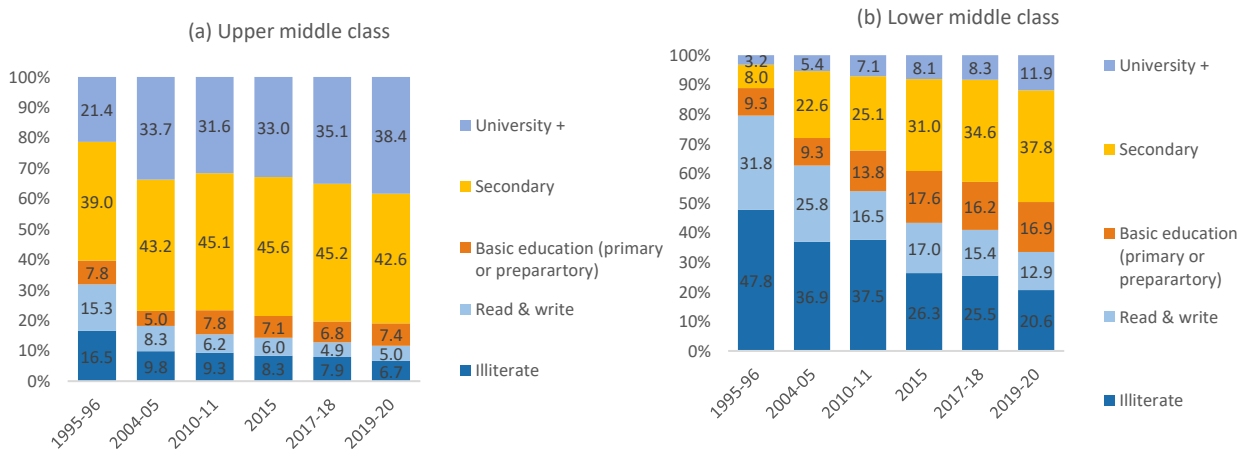
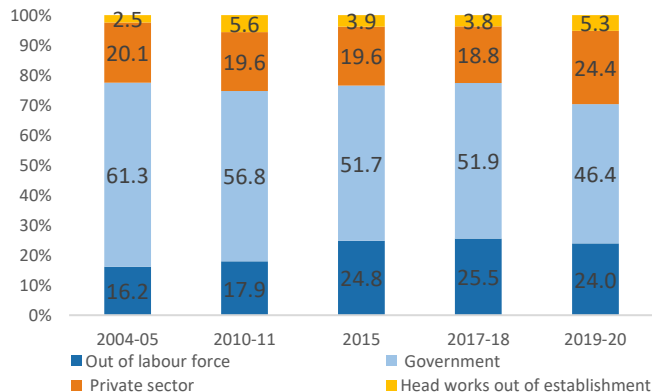


Fig. 10 Shifts in middle class employment

(a) Upper middle class



(b) Lower middle class

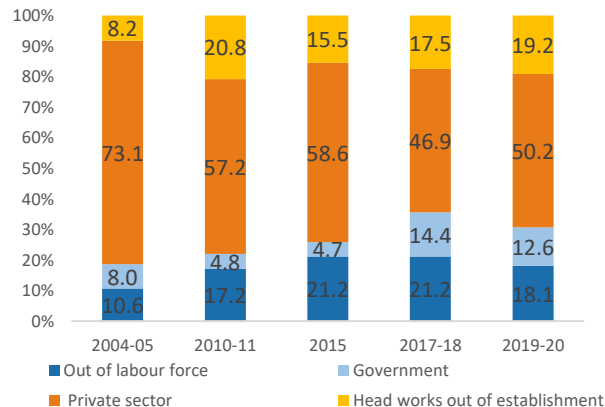
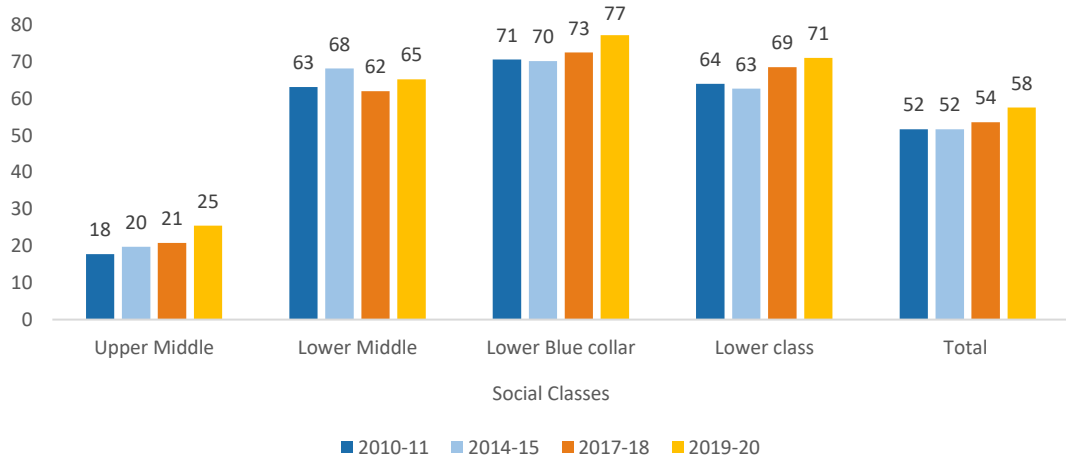


Fig. 11 Informal employment looms high among the lower middle class

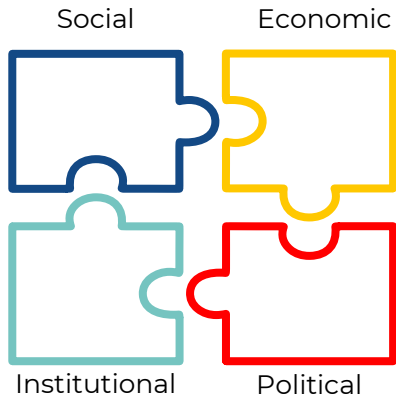


“The rise of Egypt’s middle class in the 19th century was succeeded by a freefall not in terms of its size but rather by a plummet in its living standards, patriotism, identity, and social capital. ”

➤ If current middle class trends persist:

1. The whole lower middle class would be either vulnerable or poor.
2. The upper middle, which is the main source of human capital, would be left with informal and precarious employment rendering higher poverty.
3. Amid escalating out-of-pocket expenditure and a curtailed spending ability, a narrowed welfare of both the lower and upper middle class poses alarming risks of instability.

A full-fledged menu of policies



What is needed?

- Short term resilience measures against shocks (ex. targeted public transfers).
- Long-term structural transformation → broad based decent employment.
- Wealth accumulation via education and higher earnings
- Curb further erosion in spending ability → increasing public expenditure on health and education
- Redistributive tax policies → equitable revenue generation → enhancing social security coverage
- Well functioning institutions and political stability → key for thriving and stable middle class

Thank You!