Working paper No. 2

Middle class in Arab countries

Working paper series on the middle class

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Economic and Social Commission for Western Asia

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Key messages

In the selected six Arab countries

Over half of the households in the selected **six Arab countries** are classified as **middle class.**

There is evidence that the middle class is contracting in Egypt, Jordan and the State of Palestine.

The Arab middle class is disproportionately male-headed, urban in most countries, has a higher likelihood of working in **public-sector jobs,** but is also employed in the **private-sector trade** and **transportation sectors** and works disproportionally in **microenterprises**.

The **upper-middle class** records the **highest educational attainment** relative to other social classes.

Introduction

It is fairly well known that the middle class is relatively large in high- and middle-income countries. The dramatic rise in the number of service jobs during the post-industrial revolution, the Internet revolution and the recent digital revolution, which have led to a reduction in the number of jobs in traditional industries and agriculture, has resulted in an expanded middle class, especially in advanced economies. The relative size of the middle class is of particular importance to policymakers as it is linked to (a) economic growth through consumption and the potential to enhance physical and human capital, and (b) political stability and democracy. With those implications in mind, it is of relevance to assess changes in the size of the middle class over time, and to provide policy instruments to halt its contraction. The middle class is also rather diverse, consisting of high-level professionals, office workers and the self-employed.

The purpose of this paper is to provide an overview of social class distribution in six Arab countries, with a focus on the middle class. Those countries have been selected based on the availability of recent microdata files from labour force surveys. The paper begins with a brief review of previous studies on the middle class in the region. Next, a descriptive analysis of the relative size of the middle class across countries is undertaken. The analysis is based on the most recent labour force survey data on four class categories (owning class, upper-middle class, lower-middle class and working class) as well as on nine more detailed classes. In particular, efforts have been made to highlight differences in the occupational composition of the middle class across the six countries. The following section describes trends in the size of the middle class over a time period of approximately 10 years, using the same data sources. The final section of the paper highlights a number of socioeconomic characteristics of the middle class, including their educational attainment, economic activities and sectors, wealth and places of residence, as well as the size of the business enterprises in which they work and the gender composition of middle-class families.

Previous studies on the middle class in the Arab region

01

Very few studies have been conducted on the middle class in the region. Most of those studies have focused on the relative size of the middle class in a specific country and rely on household income or expenditure data. Furthermore, the size of the middle class varies widely across the studies owing to the different methodologies and conceptual frameworks used. The most comprehensive regional study on the middle class was conducted by the Economic and Social Commission for Western Asia and was based, primarily, on expenditure data from nine Arab countries.[1] That study used a simple but novel procedure to define and capture the middle class, namely, identifying households whose total expenditure lays above the poverty line, but whose expenditure on non-essential goods and services was less than the poverty line. Four class categories were used: affluent, middle class, vulnerable, and poor. The study showed that, on the one hand, over half the population in four of the countries, namely Jordan, Lebanon, Tunisia, and the Syrian Arab Republic, was middle class, with proportions ranging from 55 per cent to 57 per cent. Egypt had a lower proportion of the population in the middle class (44 per cent), which was similar to the figure for the Sudan, a much poorer country. As expected, lower-income countries, including Yemen, which had endured long years of armed conflict and violence, had smaller middle classes (around 25 per cent) and higher proportions of people living in poverty. On the other hand, in certain high-income oil-exporting countries such as Oman around 60 per cent of the population was affluent, while only 30 per cent of the population was middle class. A larger middle class was, however, obtained when a definition of class based on education and one-digit occupational classification was used. In that case, the proportion of the population that would be considered middle class ranged from 57 to 59 per cent across the countries.

Using a similar money-metric approach and data from the World Bank, Abed al-Kadir Ali identified the size of the poor, the middle class and the rich in Egypt, Jordan, Morocco, Tunisia, and Yemen. He defined the middle class in relation to the poverty line, namely as the difference between the upper- and lower-bound poverty headcount ratios after appropriate purchasing power parity adjustments.[2] He found that 78 per cent of the total population was middle class in the selected countries during the 1990s. Tunisia recorded the smallest middle class (68.8 per cent of the population), while Egypt recorded the highest (84.6 per cent). In the first decade of the twenty-first century, the middle class in both Jordan and Yemen decreased in size, while in the North African countries it increased slightly (by 2 per cent). In another study on the region,[3] Mahajan used a common interval of 75 per cent to 150 per cent of median household income to measure the middle-income class, concluding that the majority of the population in Qatar (70 per cent) and Saudi Arabia (60 per cent) were middle class. Other lower-income countries with limited resources, including Lebanon and the Syrian Arab Republic, had a smaller middle class, which comprised approximately half the population in those two countries.

Other studies have sought to define the middle class from a social perspective, usually on the basis of the relative position of individuals within the labour market, their educational attainment, or the degree of authority that they exercise in their jobs. According to Badawi,[4] who drew on the social class model developed by Joseph Kahl and Dennes Gilbert, approximately 45 per cent of the total population of the Arab region should be considered middle class. That percentage varies between oil-producing countries (57 per cent) and non-oil-producing countries (38 per cent). The study concluded that there was a larger middle class in the Arab Gulf and Levant countries than in countries in North Africa, with the notable exception of Egypt.

The above regional studies show wide disparities in the size of the middle class across countries. Estimates of the size of the middle class at one point in time, although important, are somewhat arbitrary. Of policy relevance are changes in the size and the characteristics of the middle class over time. There is broad consensus that, overall, the middle class in the Arab region is now contracting. Indeed, rising income disparities are leading to increased poverty, affluence or both. Ali,[5] for example, found that the number of middle-class households in Egypt declined from around 45 per cent of the population in 1991 to only 36 per cent in 2016. Inequalities in the distribution of income and wealth, together with institutional factors, have pushed many middle-class households below the poverty line. Melber argued that the decline in the middle class in some Arab countries in North Africa, including Egypt, the Sudan and Tunisia, can be attributed to repeated periods of high inflation, political turmoil and the rising costs of health care and education.[6]

In Morocco, the Syrian Arab Republic and Yemen, sectarianism, which can impede access to employment opportunities, has placed additional pressure on the middle class. In Kuwait, high levels of precariousness in employment, low labour productivity and poor public wealth governance are factors that may be contributing to the ongoing contraction in the middle class,[7] while ESCWA highlighted that across the Arab region, with the exception of Jordan, many middle-class households are in danger of being reduced to poverty.[8] In that regard, it should be noted that Khdairat concluded that, although the middle class in Jordan contracted from 54.1 per cent of the population in 1992 to 52.8 per cent in 2006, its position was relatively stable over that period compared to other countries.[9] However, other researchers believe that, even in Jordan, the middle class is under threat. For example, using household expenditure data from 2008, the Economic and Social Council of Jordan estimated the size of the Jordanian middle class at only 41 per cent.[10] Surprisingly, that study showed that the middle class consists largely of professionals and private-sector employees, particularly in telecommunications, finance and real estate, rather than public-sector workers.

Unlike in Jordan, the middle class in the State of Palestine consists largely of Government employees. In his study of the emerging Palestinian middle class, Hilal identified four social classes, namely the capitalist class, the modern middle class, the petty bourgeoisie, and the working class.[11] He defined the modern middle class as a group of legislators, senior managers, professionals and associate professionals, technicians, and clerical workers. Using one-digit occupational codes of the International Standard Classification of Occupations (ISCO) and labour force survey data, he concluded that some 20 per cent of the labour force were members of the modern middle class, about 30 per cent were members of the petty bourgeoisie (small business employers and self-employed workers), 50 per cent were working class, and only 1 per cent of the labour force were members of the capitalist class. He later showed that there had been an accelerated expansion of the middle class, which reached approximately one third of the labour force by 2020.[12] The rise of the middle class was partially attributed to public-sector employment waves stemming from the establishment of the Palestinian Authority in 1994, as well as the expansion of non-governmental organizations. A diverse services sector, including the media, education and health care, has absorbed large


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numbers of skilled workers and professionals, who are mainly classified as members of the middle class. Despite its expansionary trajectory, the Palestinian middle class remains fragile due to a number of factors, including the precarious political environment and its reliance on international aid. A significant portion of the middle class holds public-sector jobs and could be reduced to poverty as a result of the ongoing economic and political repercussions of the Israeli occupation.

The impact of recent political conflict and violence on the middle class is also evident in Lebanon. The 1975–1990 civil war in Lebanon affected the Lebanese middle class in various ways. A pre-civil war study by Nasr and Doubar identified social class on the basis of socioprofessional status.[13] The middle class, which, in the study, comprised members of the petty bourgeoisie and the working middle class, was estimated at 61 per cent in the 1970s. The banking and trade sectors were major sources of employment for the educated middle class in Lebanon at that time. The study's qualitative findings revealed a degree of intergenerational social mobility: children were unlikely to inherit their parent's occupation, particularly if they were self-employed. The author concluded, however, that an increasing share of the emerging working middle class in Lebanon were struggling to find employment opportunities with decent pay, and were less likely to be successful in that endeavour than their parents, especially if they were self-employed or small business employers. Traboulsi divided the middle class in Lebanon into three main categories: a lower middle class (petty bourgeoisie), which included small business employers, the low-income self-employed and employees in non-managerial positions; a middle class comprising professionals, managers and employers in medium-sized enterprises; and an upper-middle class comprising industrialists, merchants and high-income self-employed workers.[14] The author concluded that Lebanon had witnessed a severe contraction in its middle class during the post-war period prior to 1997. Indeed, the size of the middle class had contracted from 67 per cent

The impact of recent political conflict and violence on the middle class is also evident in Lebanon. The 1975–1990 civil war in Lebanon affected the Lebanese middle class in various ways.

of the population prior to the civil war to 35 per cent after the war. However, Chlouk concluded that, as an income group, the middle class had increased in size, reaching approximately 54 per cent after 1997 owing to a substantial increase in international aid and loans to Lebanon amid promises of economic and fiscal reform.[15] Nonetheless, according to a recent study by ESCWA, the country's weak economy, the massive explosion that occurred in the Port of Beirut and the repercussions of the global response to the COVID-19 pandemic resulted in the contraction of the middle class from 57 per cent of the population in 2019 to 40 per cent in 2020.[16]

Interest in the middle class increased following the Arab Spring, with some researchers highlighting the leading role played by the middle class in protest events and in the formation of coalitions with the poor to drive forward political change in a number of countries.[17] Middle- and low-income groups were mobilized in mass protests, demanding dignity, better employment opportunities, the more equitable distribution of resources, an end to corruption, and more democratic governance. Using data collected by World Values Survey, a global research project that explores people's values and beliefs, and data on people's self-ascribed social class, Diwan showed that the Egyptian middle class, which increased in size from 25 per cent of the population in 2000 to 60 per cent in 2008, has become more pro-democracy over time.[18] Indeed, the middle class is considered to have been a major change agent in both Egypt and

Tunisia, where the 2011 uprisings began. Mazaheri and Monroe argued that the degree and type of political upheaval can either encourage or discourage the middle class from supporting democratic reforms, and concluded that the self-employed and small business owners may have a greater incentive to support democratic reform in countries that are more stable than those in conflict when they become vulnerable to State pressures.[19]

The failure of numerous structural adjustment programmes and policies to foster economic growth and improve conditions for the middle class and the poor, particularly among young people, also fuelled calls for change. Government expenditure declined substantially during the 1980s and 1990s, and many structural adjustment reforms led to substantial reductions in public-sector employment and Government subsidies, as well as tax increases on consumer goods. This further undermined the purchasing power of the middle class at the same time that ruling elites were amassing even greater wealth.[20] Rising inequality, economic impoverishment and poor governance further fuelled unrest, in many cases leading to mass revolt.

Other researchers have investigated the characteristics of the middle class, including their expenditure patterns, job characteristics, education levels, and where they live. According to an analysis of 2007 household survey data by the High Commission for Planning of Morocco,[21] 13 per cent of the population of Morocco are upper class, 53 per cent are middle class and 34 per cent are poor. Middle-class households have an income level that covers their total consumption expenditure, and they are more likely to take out loans to finance the purchase of equipment and real estate than households belonging to other social classes. Abed al-Kadir Ali,[22] however, claims that the median per capita expenditure for the middle class exceeds that of the country as a whole, implying that middle-class households are key consumers that fuel growth

Government expenditure declined substantially during the 1980s and 1990s, and many structural adjustment reforms led to substantial reductions in public-sector employment and Government subsidies, as well as tax increases on consumer goods.

in emerging economies in the region. There is some evidence that the middle class in certain countries, including the State of Palestine, tends to overspend, making its members vulnerable as they strive to service debt payments.

When it comes to the occupational structure of the middle class, McKinsey & Company, a global management consulting firm, concluded in a 2007 study that the middle class comprises almost two thirds of the population in Gulf Cooperation Council (GCC) countries, where the majority of those in employment are white-collar workers or military personnel.[23]

Generally speaking, the middle class in GCC countries has a positive outlook regarding the future, although there is greater uncertainty about financial security and stability among members of the middle class in the United Arab Emirates and Bahrain than in Saudi Arabia.[24] In Saudi Arabia, 67 per cent of the population in 2008 was considered middle class. More than two thirds of workers in that country are employed in the public sector, and those who work in the private sector mainly operate in the services sector and, on average, have obtained only a high-school diploma.[25] Khazaaleh highlights that the Palestinian middle class finds the private sector more attractive as compared to the public sector and that middle-class households tend to be found in urban areas, with the majority living in the West Bank rather than in the Gaza Strip.[26]

02 Size of the middle class in Arab countries

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A. More than half of households are classified as middle class

Preserving a sizable and robust middle class is important for economic and political stability, as well as for lowering crime rates and strengthening governance.[27] Our results, set out in table 1, show that more than half of the households in Egypt, Jordan, Kuwait, Lebanon, and the State of Palestine belong to the middle class, and over a third (around 38 per cent) of the households in Tunisia are middle class. In 2019, Lebanon had the highest percentage of middle class households among the six Arab countries, with 19.7 per cent of the sample consisting of small business owners and the self-employed. Additionally, the percentage of the owning class in Lebanon was also relatively high, at 11.3 per cent, due to a significant number of high-income self-employed individuals and employers running small and medium-sized enterprises in that country. Egypt and the State of Palestine are in second place, with a middle class amounting to some 53 per cent of households, but the two countries differ in terms of who makes up their middle class. As shown in figure 1, Egypt has a larger lower-middle class compared to the State of Palestine. About 11 per cent of households in the latter country are higher-grade professionals, and 21 per cent are lower-grade professionals, compared to 7 per cent and 16 per cent, respectively, in Egypt. The Egyptian middle class includes the largest share of small business employers and low-income self-employed individuals compared to other countries, making its lower-middle class relatively large.

The Tunisian class structure is more polarized than in other Arab countries. It has the largest owning and working classes, at 8.2 per cent and 53.4 per cent, respectively, and hence the smallest middle class among the six countries examined in this study. Those results are in line with the findings contained in the working paper by Abed al-Kadir Ali.[28] Looking deeper into the class composition shown in figure 1, it can be seen that there is a very small proportion of higher-grade and lower-grade professionals in Tunisia relative to the other countries.

The Arab Spring first erupted in central Tunisia in December 2010, when Mohammed Bouazizi, a young street vender self-immolated in protest at his treatment by public officials. Soon after his death, large crowds mobilized to hold mass protests in the streets, demanding dignity and better standards of living. Although Tunisia was experiencing rapid economic growth at that time, inequalities had widened, and there was a growing sense of injustice at the hands of a regime that was viewed as undertaking pro-rich growth strategies that hurt the poor and failed to create sufficient employment opportunities for an educated middle class. A young and educated middle class found themselves victims of a broken social contract that had once provided a safety net to their parents in the form of secure public-sector jobs, generous subsidies and other benefits. The middle class had no choice by to seek employment in a stagnant labour market that provided them with few formal-sector job opportunities. Moreover, the prevalence of non-competitive markets and a wide range of State-business relationships undermined small and medium-sized enterprises, which were largely owned by the middle class. For example, the telecommunications, transportation and banking sectors were under quasi-monopolistic control, which discouraged foreign investment.[29] This resulted in high entry barriers for smaller firms, while those businesses that managed to gain a foothold in the market found it difficult to sustain their business activities, which were undermined by the pricing strategies of their larger competitors. A similar situation prevailed in other countries in the Arab region, where rising inequality and the repercussions of a rollback of State control of the economy, which began in the 1990s, severely undermined people's access to jobs and economic opportunities.[30]

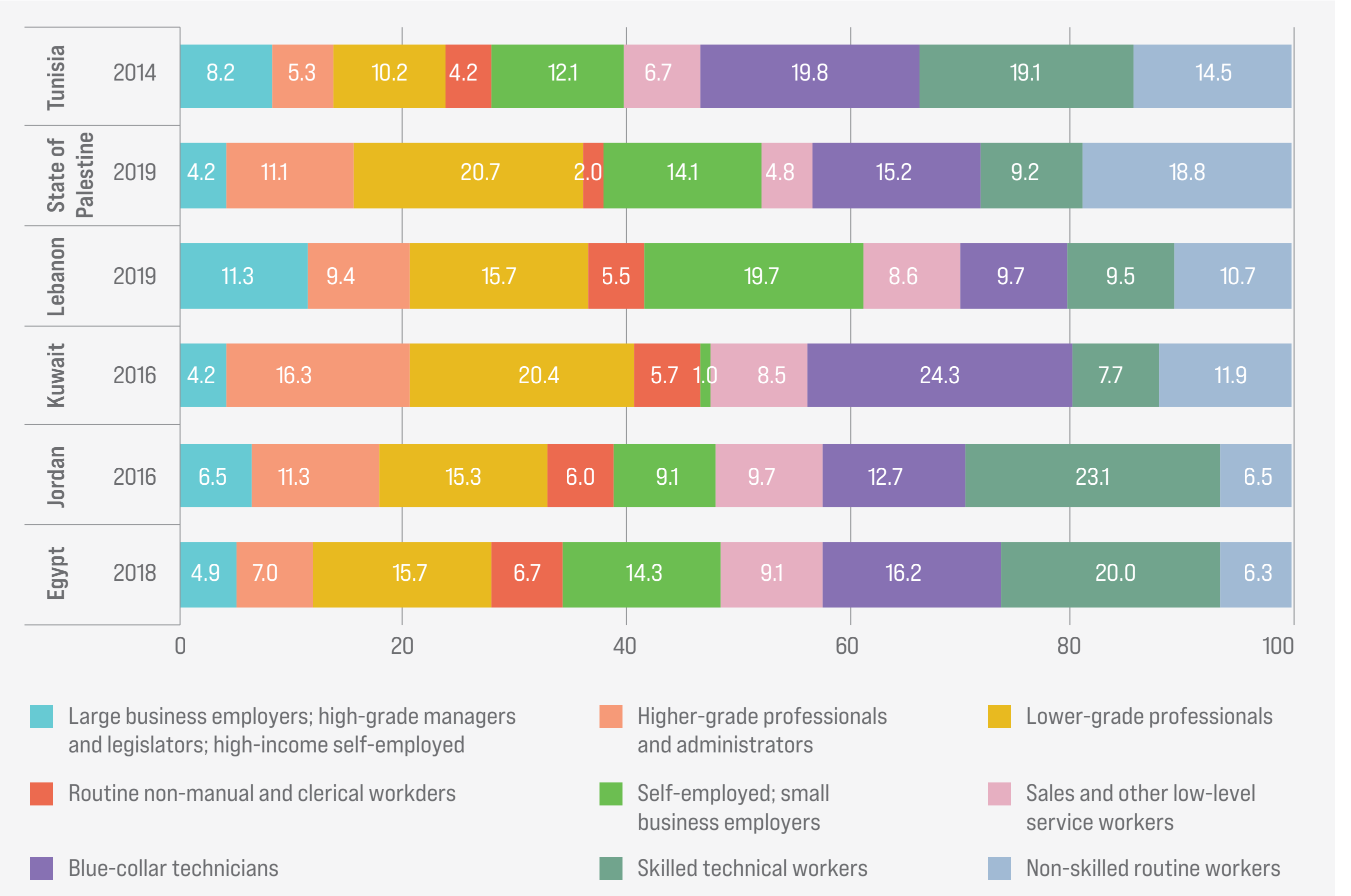
Table 1. Social class distribution in six Arab countries (Percentage of households)

	Egypt	Jordan	Kuwait	Lebanon	State of Palestine	Tunisia
Class	2018	2016	2016	2019	2019	2014
Owning	4.9	6.5	4.2	11.3	4.2	8.2
Middle	52.7	51.3	51.9	58.8	52.7	38.4
Upper-middle	7.0	11.3	16.3	9.4	11.1	5.3
Lower-middle	45.7	40.0	35.6	49.4	41.6	33.2
Working	42.4	42.2	43.9	29.9	43.2	53.4
Total no. of households	13 655	6 268	8 351	34 071	12 600	3 420

Source: ESCWA calculations.

Note: The size of the middle class in Kuwait covers nationals and non-nationals. Non-nationals are mainly represented in collective households; hence, to be able to classify these households into social classes while reducing bias from assigning the highest class within a household, we disaggregate them into smaller households, including at maximum five members, namely the average household size for a Kuwaiti family. The disaggregation process was random and assumes that all individuals inside a certain collective household share similar characteristics such as occupation, living standards and income levels.

Figure 1. Composition of the social classes in six Arab countries (Percentage)



Source: ESCWA calculations.

Table 2. Social class by nationality in Kuwait, 2016

Class	All households	Kuwaiti households	Non-Kuwaiti households
Owning	4.2	8.2	3.4
Middle	51.9	70.8	48.2
Upper-middle	16.3	22.4	15.1
Lower-middle	35.6	48.3	33.1
Working	43.9	21.08	48.45
Total no. of households	8 351	2 815	5 536

Source: ESCWA calculations.

Even in the GCC countries, efforts to liberalize the economy and attract foreign direct investment have often been directed toward unproductive sectors that have limited capacity to generate employment opportunities.[31] However, nationals in those countries still enjoy access to secure middle-class status in the job market, especially in public-sector jobs, reducing the chances of labour-market distortion as a result of oil-market volatility and other economic shocks. Furthermore, if we look further into the class structure of Kuwait (table 2), we notice stark differences between nationals and non-nationals. Indeed, more than two thirds of Kuwaitis are either owning class or middle class, while only 48 per cent of non-Kuwaitis are middle class and 3.4 per cent are owning class. Nationals in GCC countries enjoy greater access to stable, relatively well-paid jobs as compared with expatriate workers, 48.5 per cent of whom are in blue-collar occupations. Non-Kuwaitis are overwhelmingly working class, working as technicians, non-skilled routine and blue-collar workers, while the majority of Kuwaiti nationals work in professional jobs.

B. Declining middle class

It is widely believed that the middle class in the Arab region is contracting in tandem with rising inequality, increasing political turmoil. Previous studies, including by ESCWA,[32] have highlighted the increased income polarization taking place in the region, and the decline in the size of the middle-income class in some countries. Our results also show that the middle class is shrinking in three Arab countries for which data are available, namely Egypt, Jordan and the State of Palestine. To assess changes in the relative size of the middle class over time, we used similar and harmonized cross-sectional labour force survey data spanning approximately 10 to 12 years. Figure 2 provides estimates of the size of the middle class in the two survey years for each country. The middle class declined in each of the three countries, with the largest decline occurring in Egypt, which recorded a decline of 12 per cent between 2006 and 2018.

Figure 2 illustrates that the percentage change in the Egyptian upper-middle class exceeds the percentage change in the lower-middle class. This signals the failure of economic and social reforms to support and sustain an educated middle class, and particularly young members of that class, by providing decent and stable employment opportunities. That failure was, at least in part, a factor that triggered the 2011 popular revolts in several countries in the region. Although real growth of the gross domestic product (GDP) in Egypt has recovered since 2011, with growth in real GDP of some 5 per cent a year between 2011 and 2018, it is unlikely that that growth has been inclusive. Instead, it is likely that the growth that has occurred has increased precariousness in employment and exacerbated poverty. In that regard, the International Labour Organization (ILO) concluded that IMF-led reforms, while not necessarily leading to higher unemployment, have exacerbated precariousness in the labour market, with the number of highly precarious workers increasing from 5 per cent in 2007 to 27 per cent in 2017.[33] In fact, data confirm that the owning and middle classes are decreasing in size in Egypt while the working class accounts for an increasing share of the population. That finding adds to the growing literature on rising inequality and marginalization, vulnerability to poverty and structural employment bottlenecks in Egypt and the region as a whole.[34]

Figure 2. Change in the relative size of the middle class over time in three Arab countries (Percentage)

Source: ESCWA calculations.

Note: The percentage change in the size of the social classes is calculated on the basis of data generated from surveys conducted over a time span of between 10 to 12 years. For Egypt, the comparison is made between data derived from the Egypt Labor Market Panel Survey (ELMPS) 2006 and ELMPS 2018. For Jordan, we have taken data from the 2004 employment and unemployment survey and compared those data with estimates made on the basis of data contained in the 2016 labour force survey; while in the State of Palestine, we have compared data derived from the 2009 and 2019 labour force surveys.

The middle class in Jordan has proved to be more stable over time than the middle class in Egypt. This is of particular interest given that no large-scale protests occurred in Jordan during the 2011 uprisings. Figure 2 shows that the upper-middle class in Jordan increased very slightly in size between 2004 and 2016, while that of the lower-middle class decreased by some 3 per cent. Hence, the Jordanian middle class contracted slightly during that period (by 2.2 per cent) while the owning class grew by 4.3 per cent. This is in line with previous studies, which revealed a relatively stable middle class in Jordan.[35] This can be partially attributed to the distribution policies adopted by the Government in the wake of the 2011 uprisings to contain discontent among members of the middle class. At that time, the Government increased subsidies and cash transfers for basic products to help Jordanians cope with rising food prices, which occurred, in particular, following the implementation of IMF-sponsored fiscal reforms. The Government has also upheld its social contract with the middle class by raising salaries in public-sector jobs, which helped the upper-middle class cope with rising inflation and successive waves of unemployment that hit the country between 2010 and 2016.[36]

In the State of Palestine, the social contract with the middle class also still holds. It should be noted that, although about 36 per cent and 15 per cent of workers were employed in the public sector in the Gaza Strip and the West Bank, respectively, in 2019,[37] the relative size of the middle class compared with other classes has decreased in recent years. Indeed, as illustrated in figure 3, between 2009 and 2019, the middle class decreased by 12 per cent, with 8.7 per cent of those leaving the middle class joining the working class and only about 3 per cent moving upward to join the owning class. Khalidi confirmed the erosion in the middle class and highlighted sharp disparities between the middle and owning classes in terms of their political representation, access to jobs and services, and income.[38] Given the heavy reliance of the public sector on foreign aid and cash transfers (including tax and custom revenues collected and disbursed by Israel), public-sector workers, including members of the middle class, remain vulnerable to any cuts in revenue from external sources. In 2018, for example, the Palestinian National Authority faced a serious financial crisis when the Israeli Government withheld $138 million every month in Palestinian tax and customs revenues.[39] The reluctance of Israel to release the funds created a financial crisis for the Palestinian Authority that continued until late 2020, which necessitated the recurrent rationing of public-sector salaries. The middle class, and especially those working for the Palestinian Authority, were the most severely affected by the repercussions of the Israeli actions. It should, moreover, be emphasized that the financial well-being and survival of the middle class in the West Bank is heavily dependent on an effective and fully functioning Palestinian Authority.

In summary, the size of the middle class in the Arab region depends on a range of economic and political factors. Economic downturns and political turmoil can undermine the stability of the middle class, increasing the likelihood that their incomes will fall and they will enter the working class. This is likely to increase class-based polarization within society.

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Salient features of the middle class

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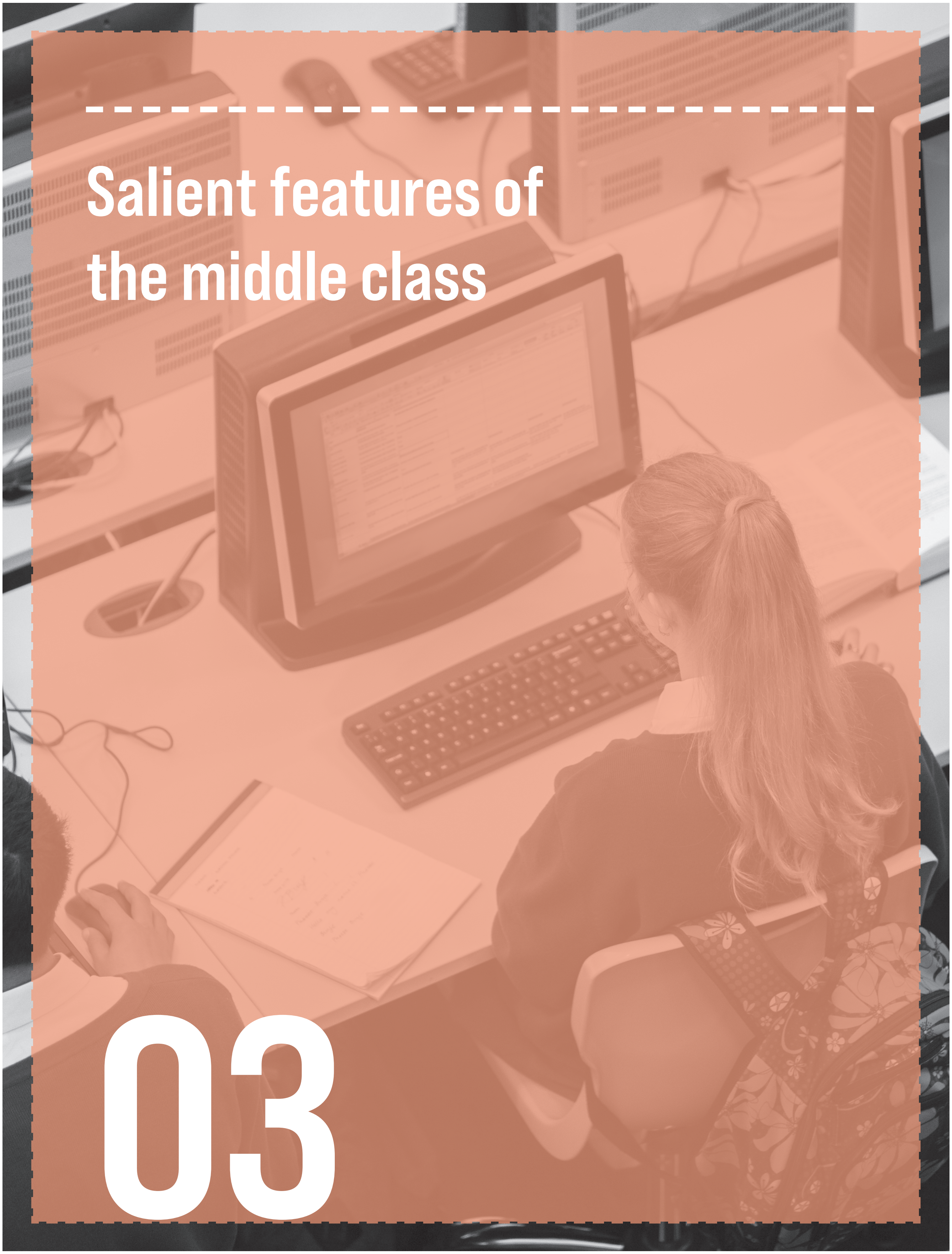
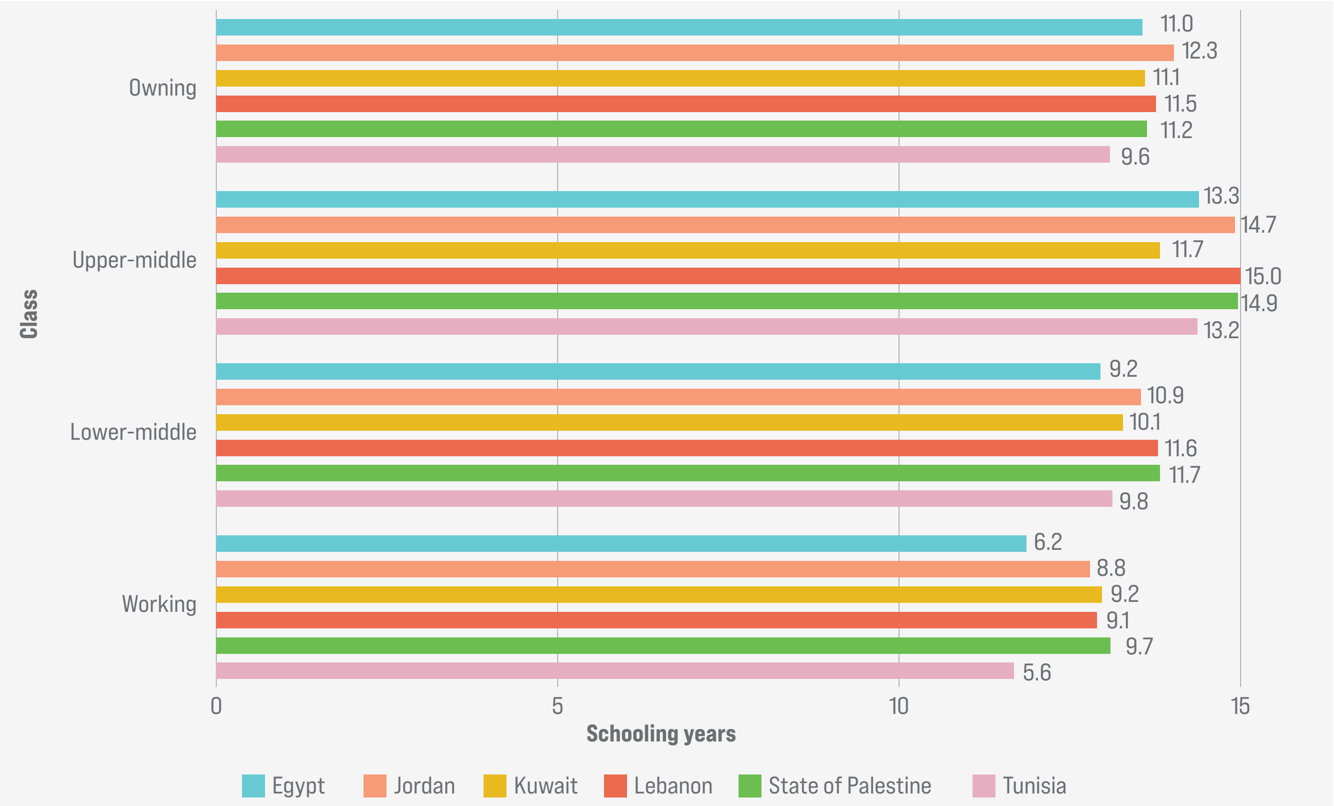


In this section, we highlight a number of socioeconomic characteristics of the middle class, including their educational, social, professional, and economic status.

A. Members of the upper-middle class are particularly well educated

Figure 3 illustrates educational attainment levels by social class in the six Arab countries reviewed in this paper, as measured by years of schooling completed. Interestingly, it is the upper-middle class that exhibits the highest years of education among the social classes in almost all countries. Lebanon and the State of Palestine have the highest educational attainment for the upper-middle class. In both countries, members of the upper-middle class have, on average, obtained a post-secondary degree. The situation is similar in the other countries, with the exception of Kuwait, where members of the upper-middle class have, on average, obtained only a high-school diploma. Nonetheless, figure 3 supports the widely-held belief that there is an educational gradient between the various social classes.

Figure 3. Years of schooling by social class

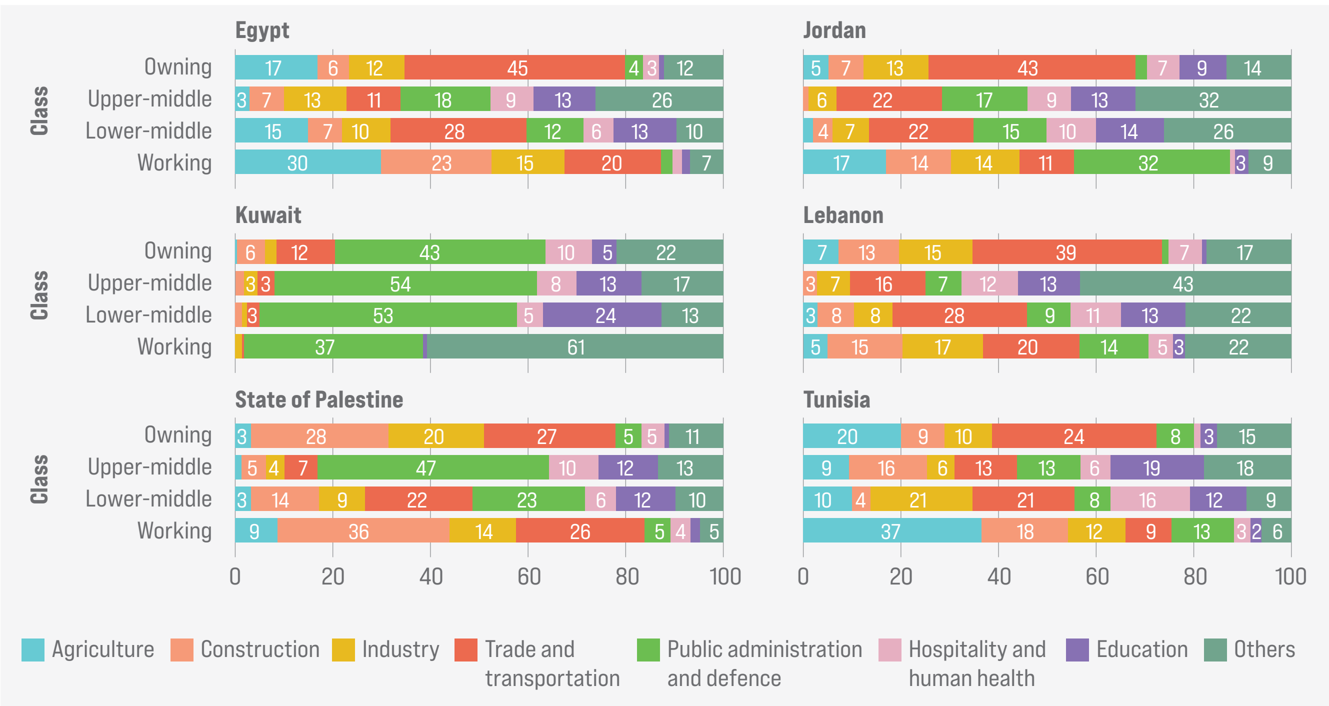


Source: ESCWA calculations.
Note: The estimates for Kuwait are for Kuwaiti nationals only.

B. Upper-middle class primarily employed in public administration

Figure 4 illustrates the distribution of the social classes across major economic activities. The middle class in Arab countries is concentrated, primarily, in public administration and defence, education, and trade and transportation. In Kuwait, middle-class Kuwaiti nationals hold jobs mainly in the public administration and defence. Egypt, Jordan, Lebanon, the State of Palestine, and Tunisia have fairly similar employment distributions. In the six countries, the upper-middle class is predominantly employed in public administration and defence, while the lower-middle class tends to find employment in trade, transportation and education, except in Tunisia, where the lower-middle class tends to find employment in the industrial and trade sectors. The upper-middle class in Lebanon tends to work in services other than those mentioned above, information and communication technologies and finance. In Egypt, some 18 per cent of the upper-middle class works in public administration, 28 per cent of the lower-middle class works in the trade and transportation sector, and 30 per cent of the working class is employed in the agricultural sector. In other countries, almost none of the middle class works in the agricultural sector. Furthermore, the working class has high participation rates in construction relative to other non-agricultural activities, namely, 36 per cent in the State of Palestine, 23 per cent in Egypt, 18 per cent in Tunisia, and 14 per cent in Jordan, compared to lower participation rates among the middle and owning classes. In all the six countries, with the notable exception of Kuwait, the owning class is active in the trade sector and includes large business employers and high-income self-employed individuals.

Figure 4. Social class by economic activity across six Arab countries (Percentage)



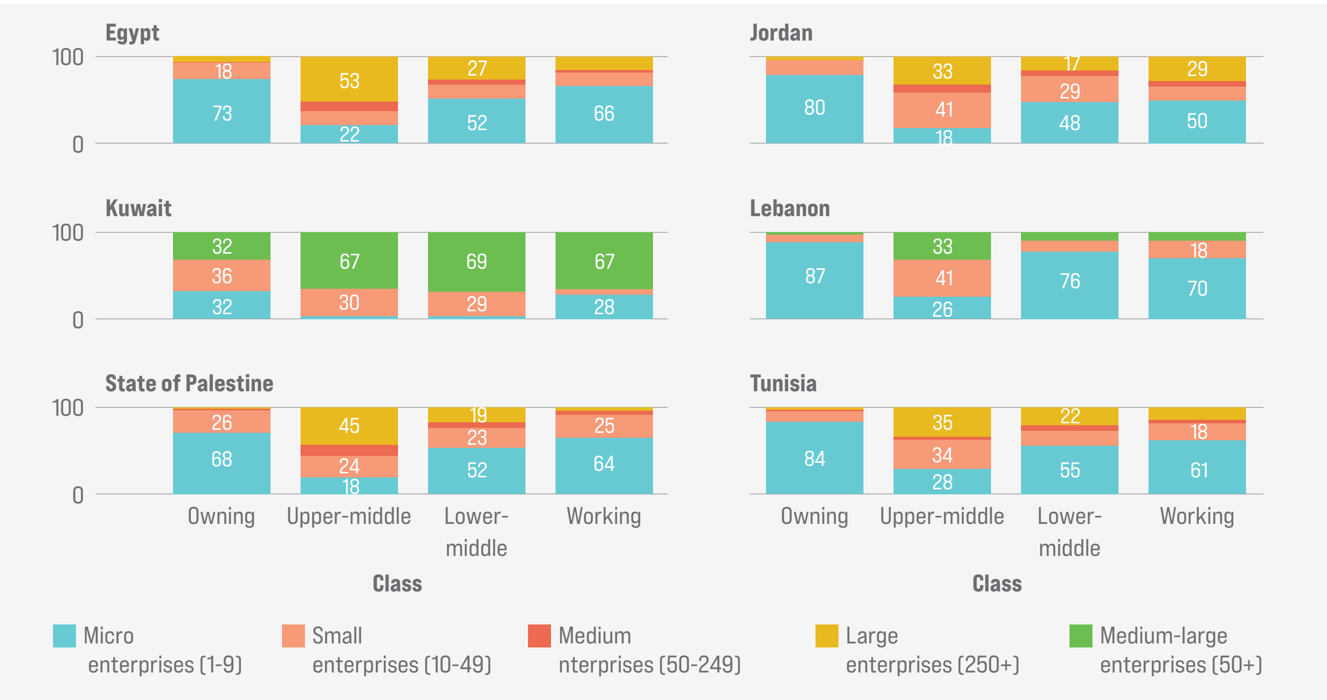
Source: ESCWA calculations.

Note: The estimates for Kuwait are for Kuwaiti nationals only.

C. Majority of the lower-middle class works in small firms

Figure 5 shows the distribution of social classes by enterprise size in each of the six countries analysed. With the exception of Kuwait, large disparities are evident between the upper-middle and the lower-middle classes in all countries with regard to the size of the enterprise in which workers are employed. In Egypt, 53 per cent of the upper-middle class work in large enterprises compared to 27 per cent of the lower-middle class. Jordan and Lebanon have the same employment rate in small enterprises. More than half of the lower-middle class across the region are engaged in microenterprise work, including 52 per cent in Egypt, 48 per cent in Jordan, 76 per cent in Lebanon, 52 per cent in the State of Palestine, and 55 per cent in Tunisia. In contrast, in Kuwait, about 69 per cent of the lower-middle class work in medium-sized and large enterprises, while 29 per cent work in small enterprises.

Figure 5. Social class by enterprise size across six Arab countries (Percentage)



Source: ESCWA calculations.

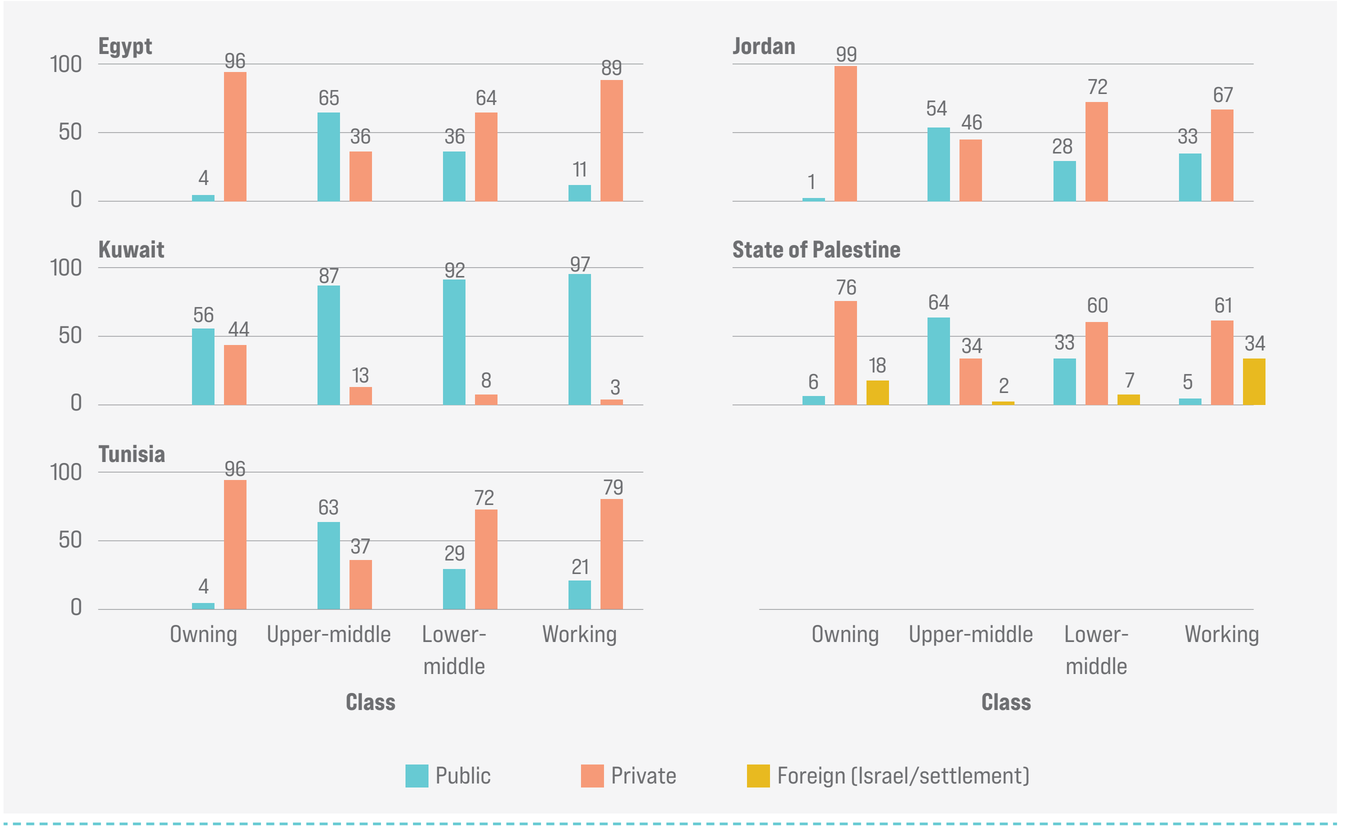
Note: The estimates for Kuwait are for Kuwaiti nationals only. A separate category of medium-large enterprises is included for Kuwait to accommodate the design of the labour force survey.

D. The middle class is mainly employed in the public sector

The results shown in figure 6 consolidate the findings presented above regarding economic activity, namely, that a sizable portion of the middle class, and particularly the upper-middle class, is employed in the secure but inefficient public sector. The vast majority of middle-class Kuwaitis, including 87 per cent and 95 per cent of the upper-middle class and lower-middle class, respectively, work in public-sector administrative jobs, public schools or health facilities. This pattern can be explained by the presence of a large number of labour immigrants in GCC countries who work in the private sector.

At approximately 72 per cent each, Tunisia and Jordan have the largest share of lower-middle class workers employed in the private sector. The upper-middle class in those countries enjoys stable public-sector jobs while a larger proportion of the lower-middle class work in the private sector. In the State of Palestine, a very small portion of the middle class works in Israeli settlements, whereas the working and owning classes are employed in these settlements at rates of 34 per cent and 18 per cent, respectively. The Palestinian middle class is characterized as having weak productivity due to a concentration of workers in public-sector jobs and limited access to means of production and capital accumulation, the latter being concentrated in the hands of the elite.[40]

Figure 6. Social class by sector across five of the six Arab countries (Percentage)

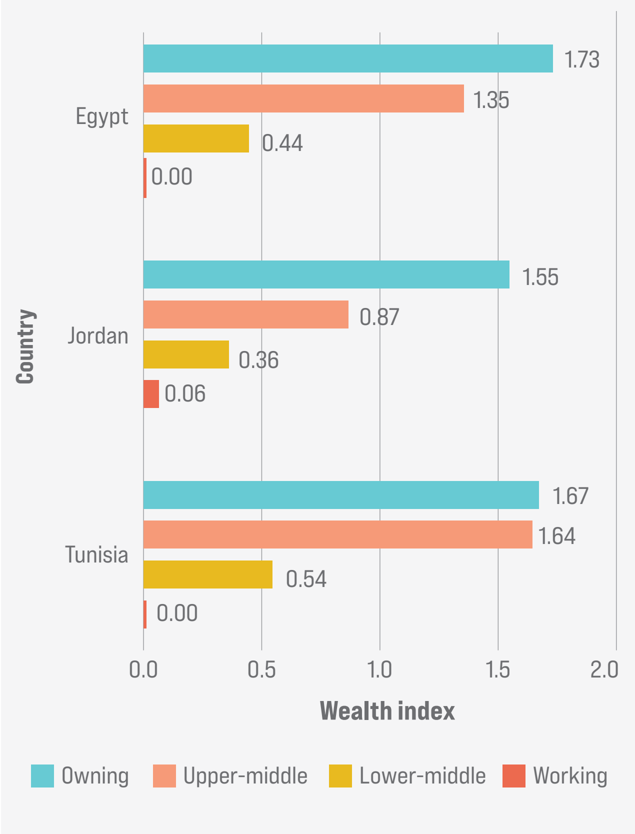


Source: ESCWA calculations.
Note: The estimates for Kuwait are for Kuwaiti nationals only.

E. A class gradient in wealth

Figure 7 shows a clear correlation between wealth score and social class. The wealth score represents a composite measure of household standard of living. The score is calculated based on a factor analysis and household data that reflect ownership of assets and housing conditions, including floor material, source of heat, sanitation facilities, and ownership of a car and goods such as televisions. Among the three countries examined, the owning and upper-middle classes have much higher wealth scores than the lower-middle and working classes. The data illustrate a strong association between social class and wealth in which the owning class is the wealthiest across all three countries and the working class seems to be the most disadvantaged in terms of wealth distribution. Interestingly, in Tunisia, the upper-middle class has a wealth score almost equal to that of the owning class, while at the same time Tunisia has the lowest working-class wealth score of the three countries, signalling a high degree of polarization among classes. Another observation is that the lower-middle class in Jordan is more disadvantaged in terms of wealth as compared to counterparts in Egypt and Tunisia.

Figure 7. Distribution of wealth scores by class and country



Source: ESCWA calculations.

Note: Wealth scores have been normalized to a lower boundary of 0.

F. The middle class is mainly urban

As illustrated in figure 8, across the region, the majority of middle-class households live in urban areas. Egypt is an exception in that 34 per cent of those in the upper-middle class and 55 per cent of the lower-middle class live in rural areas. The latter statistic is expected because a larger proportion of the lower-middle class works in agriculture and construction, which are more commonly located in rural areas.

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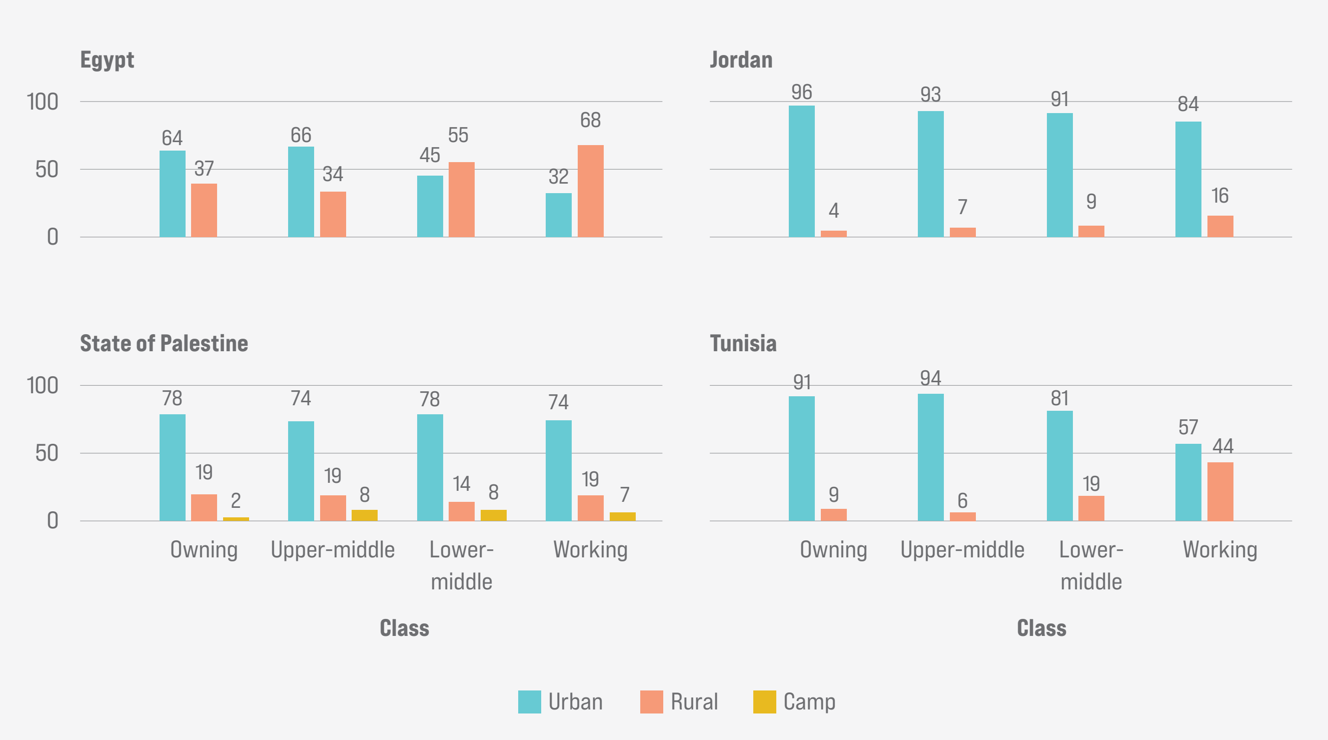
Figure 8. Social class by place of residence in four of the six Arab countries (Percentage)



Source: ESCWA calculations.

G. One in five middle-class households is headed by a woman

Figure 9 presents social class categories according to the gender of the head of household. Although more than 80 per cent of middle-class households in all six countries are male-headed, data show a greater share of female-headed households in the lower-middle and working classes. Of the countries discussed here, Egypt has the highest percentage of female-headed households, with about 19 per cent of middle-class households being female-headed. In addition, approximately 12 per cent of owing-class households and 18 per cent of working-class households are headed by females. A concentration of lower-middle class female-headed households is also notable in Jordan, Kuwait and Lebanon. In the State of Palestine and Tunisia, there is also a larger proportion of female headship in the lower classes as compared with the upper classes. One possible explanation for this phenomenon is widowhood and increasing divorce rates in the Arab region. These two circumstances could make women vulnerable, particularly amid unfavourable economic circumstances such as high unemployment rates among women and persistent gender pay gaps. A change in social status could be leading more female-headed households to socioeconomic decline and increasing the danger that they will enter the working class.

Figure 9. Social class by gender of the head of household across six Arab countries (Percentage)

Source: ESCWA calculations.
Note: The estimates for Kuwait include Kuwaiti nationals only.

Concluding remarks and recommendations

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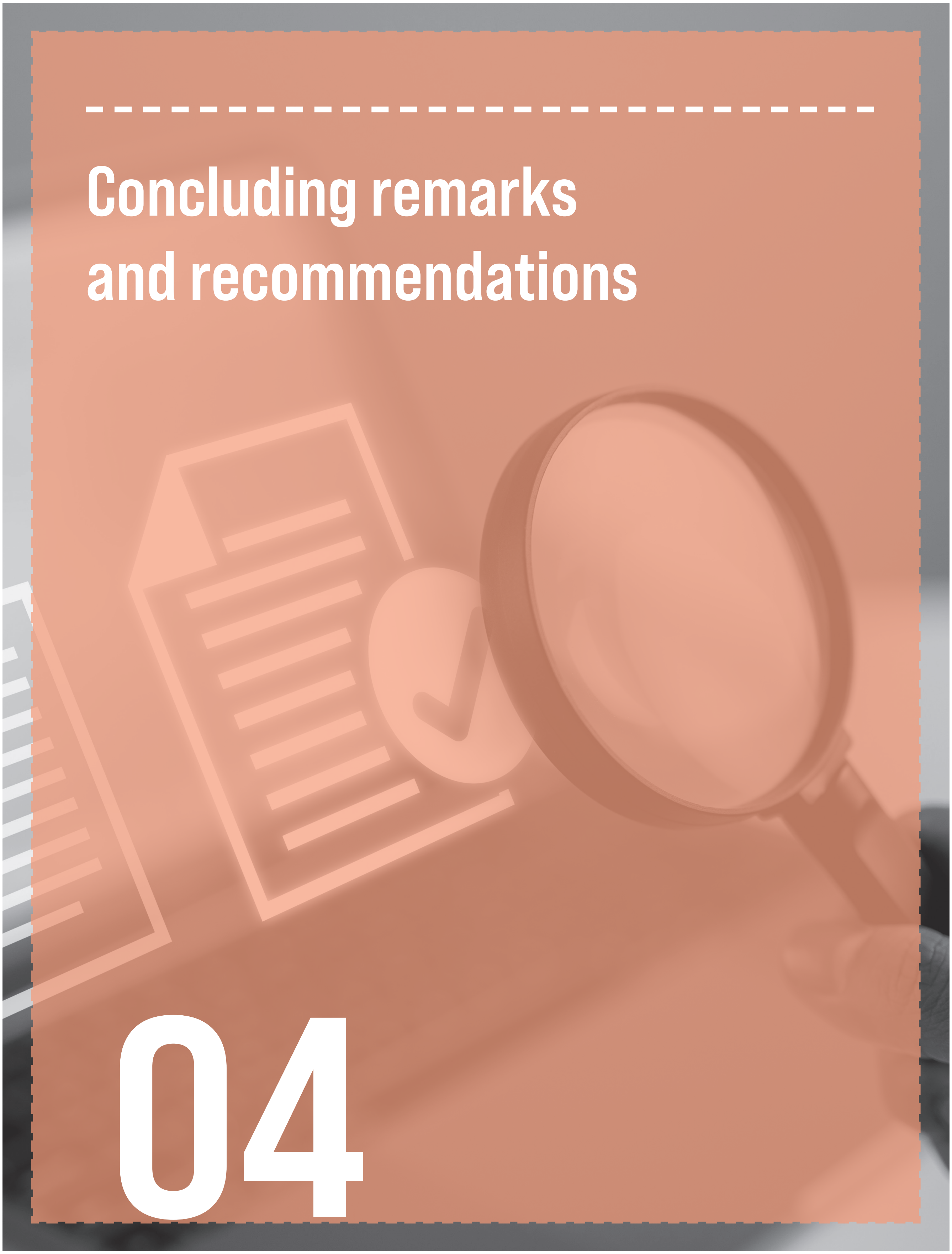

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This paper provides an overview of the characteristics of the middle class, including size, dynamics and key features in Egypt, Jordan, Kuwait, Lebanon, the State of Palestine, and Tunisia. The findings contained in this paper reveal that over half of the households in the aforementioned countries are classified as middle class, with the exception of Tunisia, which has a smaller middle class, at 38 per cent. Those households considered middle class are generally lower-middle class, and include lower-level professionals, small business employers, the low-income self-employed, and retail workers. Furthermore, evident disparities in the size of the middle class are detected. For example, a difference exists between nationals and non-nationals in Kuwait, since middle-class Kuwaiti national households are estimated to represent 71 per cent of all middle-class households in the country.

This paper also discusses the contraction of the middle class in three countries, namely, Egypt, Jordan and the State of Palestine. However, the middle class in Jordan is relatively stable as compared with the other two countries. In contrast, in Egypt and the State of Palestine, the middle class has shrunk by approximately 12 per cent in the last 10 years, and it is likely to shrink further unless sound policy interventions are implemented. The decline seems to reflect the fact that a considerable number of households has become working class rather than experiencing upward mobility and thus improved standards of living. A shrinking middle class across the region is partly due to the abandonment of established social contracts, a factor that also contributed to the 2011 Arab Spring. Political unrest, rising inflation and unemployment, and widening income and wealth disparities across the region have also contributed to middle-class contraction. Prior to the 2019 economic shock, Lebanon had a relatively large middle class, consisting of 58.8 per cent of Lebanese households, but this figure is now likely to be considerably lower given the ailing economy. A follow-up labour-force survey to measure the impact of shocks and austerity measures on the size of the middle class is needed.

This paper provides an overview of the characteristics of the middle class, including size, dynamics and key features in Egypt, Jordan, Kuwait, Lebanon, the State of Palestine, and Tunisia. The findings contained in this paper reveal that over half of the households in the aforementioned countries are classified as middle class, with the exception of Tunisia, which has a smaller middle class, at 38 per cent.

Overall, the findings outlined in this paper indicate that there is still a vibrant and diverse middle class in Arab countries, characterized by high levels of educational attainment, particularly among the upper-middle class. Across the region, middle-class households are disproportionately urban, headed by men, and include members likely to work in public-sector jobs, the trade and transportation, education, administration, and industrial sectors, or to work in microenterprises. Furthermore, the lower-middle class underperforms in wealth accumulation relative to the upper-middle class, thus illustrating unequal wealth distribution not only among classes but also within the middle class itself.

Given the aforementioned findings, Arab countries should consider increasing efforts to encourage private sector-led growth that would create sufficient employment opportunities for an educated middle class. High tech and productive industries have the capacity to provide employment alternatives for a rising middle class and reduce saturation in public-sector employment. This would help reduce their vulnerability to contractionary policies that may be implemented to address economic shocks and geopolitical threats. Mobilizing funds to encourage a vibrant investment environment is also vital for promoting small and medium-sized enterprises as well as entrepreneurs, especially among young people. Such efforts could be made in tandem with investments in high-quality education and vocational training in order to insulate middle-class workers from a fast changing economic environment. Governments are also encouraged to address challenges faced by micro- and small business enterprises that may impede their growth, including difficulties in accessing finance, excessive red tape related to business registration, onerous taxation regimes, a lack of antitrust laws, and limited access to adequate infrastructure.

Importantly, any policy intervention aimed at improving middle-class living standards should be data-driven and evidence-based in order to effectively protect and sustain the middle class. Governments and national statistical offices in the Arab region are encouraged to make their current and future survey data available for public use and to provide occupational data that (a) comply with the most recent edition of the ILO International Standard Classification of Occupations (ISCO), and (b) provide data on occupations coded at the three-digit or four-digit ISCO levels. That level of detail would facilitate assessments of social class and reduce any potential loss of information. In addition, while data on earnings are generally available, some labour-force household surveys lack income/earnings data on the self-employed and certain employers, which undermines the capacity of researchers to properly identify those groups as being within the middle or the owning class. In conclusion, enhancements in the availability and accessibility of labour-force data are highly recommended in order to facilitate the formulation of solid, evidence-based policies.

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Endnotes

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In light of the current development challenges in the region, it is of particular policy relevance to assess changes in the size of the middle class over time, and to develop policy instruments to prevent its contraction. This paper examines the relative size and characteristics of the middle class in six Arab countries, namely Egypt, Jordan, Kuwait, Lebanon, the State of Palestine, and Tunisia, using household survey data. The findings indicate that more than half of households in those countries are middle class, except in Tunisia where the share is 38 per cent. The middle class is, however, shrinking in size in three of those countries (Egypt, Jordan and the State of Palestine), with many households falling into the working class. The middle class in the region is diverse. Members of the middle class have relatively high educational attainment, tend to live in urban areas, are members of households that are usually headed by men, and are employed in both the public and private sectors, particularly in trade and transportation, education, public administration, and industry. The lower-middle class underperforms in terms of wealth accumulation compared to the upper-middle class, indicating an unequal wealth distribution not only among classes but also within the middle class itself.

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