

Who are the middle class in Zambia?

*Based on the ZIPAR Working Paper "Distribution of Household Income and the Middle Class in Zambia"
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The middle class is increasingly becoming a topical issue in Zambia. However, the lack of a definitive measure of the middle class in the country makes it difficult to have targeted policies towards this group of people, perceived worldwide to be the drivers of economic growth. With high and rising income inequality in Zambia, we define the middle class based on the median and on a 'relative affluence' perspective. Findings show that the 'middle class' (as understood in everyday usage) is not in the middle of the income distribution. And those who are in the middle are not 'middle class' (in the sense of being above some minimum level of affluence).

Defining the middle class on the basis of the 'actual middle' versus 'relative affluence' provides vastly different pictures. This implies that targeted policy designs are required when referring to changes in the economic status of the Zambian middle class. If the middle class is conceptualised in terms of relative affluence, growing the relative size of the middle class would have economic benefits such as growing the pool of people with skilled occupations and raising consumer demand within the domestic economy, which could lead to higher economic growth. In contrast, if the middle class is defined as the actual middle group, then increasing the relative size of the middle class – many of whom are quite poor – would imply supporting economic policies that favour the poor and non-affluent and thus decrease the income gap. This view of the middle class provides an important tool for understanding the status of the 'average' Zambian and provides policy makers with a more balanced assessment of development in the country.

The term *middle class* when used in everyday language brings up images of households (or individuals) with a certain lifestyle or level of wealth as seen by their spending on food, clothing, furniture, education, holidays, as well as possessions such as housing and cars.

Typically, being "middle class" is described as having earnings around the middle *or median* of the income distribution. In Zambia, thinking about what it means to be middle class is complicated by the low average levels of earnings in the country, and the very wide gap between the low and high earners.

How then should we best define the middle class in this economy which is characterised by large differences in earnings? Who really are in the 'middle' and what does it mean for economic policy?

We adopt the definition used by Visagie (2013)ⁱ who defines the middle class based on earnings around the middle of the income distribution ("actual middle") and another based on some conception of relative affluence using 'middle income occupations'.

Defining the middle class using 'actual middle' approach

In analysing the actual middle of the income distribution in Zambia for 2012, we primarily target only those in paid permanent or fixed-term contract employment and employ an interval of 50% above and below a household member's earnings per month. It is established that the middle earnings per person per month amounts to K200. This means that the middle group consists of households earning between K100 and K300 per person per month – in 2012 prices. This translates into total earnings of between K510 and K1, 530 per month for a household with an average of 5 members.

| Literal middle group | | | |
|---|-------------|--------------------|-------------|
| | Lower group | Middle group | Upper group |
| Earnings intervals (per capita) | < K100 | K100-K300 | K300+ |
| Earnings intervals (total household earnings) | < K510 | K510-K1,530 | K1,500+ |
| Class size (no. of households) | 214,602 | 318,015 | 338,118 |
| % of households | 24.6% | 36.5% | 38.8% |
| % of total earnings | 2.4% | 12.1% | 85.5% |

Source: 2012 Labour Force Survey

The middle group accounts for 36.5% of the 870, 735 households who have at least one wage earner in a paid permanent or fixed-term contract job. However, they only accounted for 12.1% of the total earnings. The upper group which is about the same size as the middle group accounts for 85.5% of the total earnings. The lower group –who account for a quarter of the households - gets a paltry 2.4% of the total earnings.

Defining the middle class using the 'relative affluence' approach

In order to measure the middle class in terms of relative affluence, we determine the earnings interval to correspond to households in which the highest earner is in a typically 'middle class' occupation. Middle class occupations include managers, senior officials, legislators, professionals (such as teachers and nurses), associate professionals and techniciansⁱⁱ. 'Working class' occupations would include plant and machinery operators, craft and related trade workers, skilled agriculture and fishery workers, service and market sales workers and all elementary occupationsⁱⁱⁱ.

On average, households in which the highest earner works in a middle-class occupation have earnings of somewhere between K2, 065 and K5, 281 per person per month (in 2012 monetary terms). Using the respective average household sizes for earners in these occupations, this translates to earnings ranging between K5, 766 and K26, 231 per household per month.

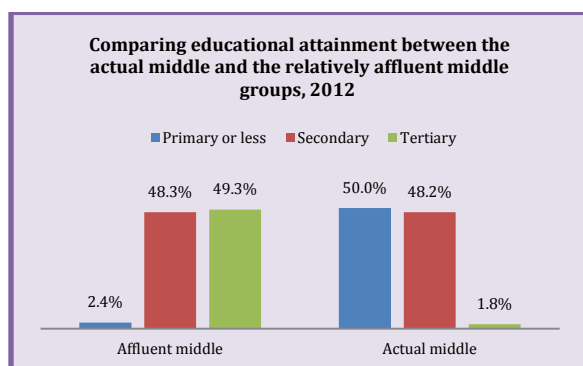
| Relatively affluent middle | | | |
|---|-------------|--------------------|-------------|
| | Lower group | Middle group | Upper group |
| Earnings intervals (per capita) | <K2, 065 | K2, 065 – K5, 281 | K5, 281+ |
| Earnings intervals (total household earnings) | <K5, 766 | K5, 766 – K26, 231 | K26, 231+ |
| Class size (no. of households) | 18,183 | 41,824 | 11,430 |
| % of households | 25.5% | 58.5% | 16.0% |
| % of total earnings | 0.6% | 35.9% | 63.4% |

Source: 2012 Labour Force Survey

There are 71, 438 households which have workers employed in the middle class occupations. Of these, 58.5% of the households (or 41, 824 households) fall in the middle group and account for 35.9% of the total earnings in these middle income occupations. The top 16% of these middle class occupations account for 63.4% of the total earnings, while the bottom quarter account for less than 1% of the total earnings.

So who are the middle class?

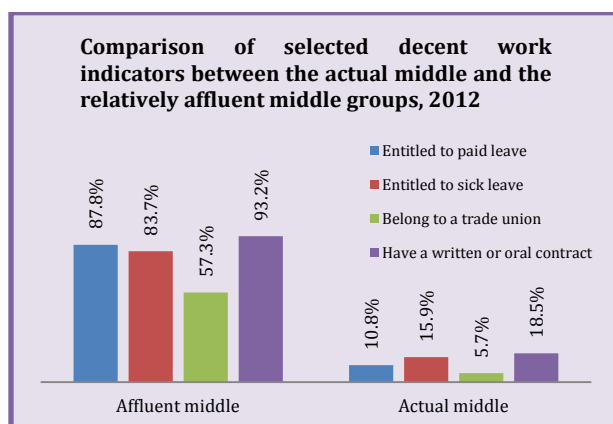
There are stark differences between the two groups which go beyond earnings and can be expected to reflect aspects of poverty and scarcity. The average educational achievement of the actual middle is far below that of the relatively affluent middle.



Source: 2012 Labour Force Survey

While those who have attained secondary school education are the same between the two groupings, less than 2% of the actual middle has tertiary education, compared to 49% for the relatively affluent middle.

We also compared selected decent work indicators between the relatively affluent middle and the actual middle groups. The results show that the relatively affluent middle by far outscores the actual middle in the selected decent work indicators.



Source: 2012 Labour Force Survey

These findings show that the 'middle class' (as understood in everyday usage) is not in the middle of the income distribution. And those who are in the actual middle are not 'middle class' (in the sense of being above some minimum level of affluence).

Bridging the gap using the decent work agenda

What would happen to the level of earnings if every worker worked under decent conditions (i.e. has an employment contract, are entitled to paid leave, entitled to sick leave, belong to a trade union, etc.)? To answer this question, we use regression analysis to impute average monthly earnings.

Having union representation, a formal contract, entitlements to paid leave and paid sick leave, and social security scheme would substantially boost the median earnings of the actual middle group from K200 to K693.50 per person per month. Employing an interval of 50% above and below the median earnings per month will make the median earnings range between K346.75 and K1,040.25 per person. This translates to household earnings of between K1,803.10 and K5,409.30 per month (in 2012 prices).

Conclusions and implications for policy

In this study, we have considered defining the middle class based on the median earnings and based on the relatively affluent workforce. We find that households in the 'middle of the pack' fall below the PAYE tax exempt threshold and generally work in low-earning occupations. In contrast, those in relatively affluent occupations have earnings above the tax exempt threshold and are actually near the top of the country's income ladder. The contrast in the nature of the 'middle' across the two approaches has important implications for policymakers who

seek to promote the size and living standards of the middle class.

If the middle class is conceptualised in terms of relative affluence, growing the relative size of the middle class would amount to supporting economic policies which would favour the relatively affluent and leave the more than 70% lower income households behind, thereby increasing the income gap. Nevertheless, this would have economic benefits such as growing the pool of people with skilled occupations and raising consumer demand within the domestic economy, which could lead to higher economic growth.

In contrast, if the middle class is defined as the actual middle group, then increasing the relative size of the middle class – many of whom are quite poor – would imply supporting economic policies that favour the poor and non-affluent and thus decrease the income gap. This view of the middle class provides an important tool for understanding the status of the ‘average’ Zambian and provides policy makers with a more balanced assessment of development in the country.

We demonstrate that enforcing the decent work agenda can greatly improve the standard of living of especially the median income workers; having bargaining power, through union representation, insisting of formal verifiable contracts as well as other decent work entitlements would help improve their working conditions and thereby improve their earnings.

Conclusion

Both definitions of the middle class are useful as analytical tools, but they need to be understood as distinct categories. It is exactly because of high inequality in earnings in Zambia that the two conceptualisations provide such different pictures of the middle class. This necessitates great care in using

these concepts, especially in policy design and when referring to changes in the economic status of the Zambian middle class.

ⁱ Visagie, J. (2013). *Who are the middle class in South Africa? Does it matter for policy?* Eastern Cape Department of Economic Development, Environmental Affairs and Tourism.

ⁱⁱ Due to its size, we also include the “Other occupations” category which includes armed forces.

ⁱⁱⁱ These categories are taken from predetermined occupational groups in the International Standard Classification of Occupations (ISCO). Although not explicitly defined as ‘middle’ or ‘working’ class categories in the ISCO, these occupational groupings can be ranked into these two groupings.



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