Under pressure
The squeezed middle class

Stephane Carcillo
Head of Jobs and Income Division
Directorate for Employment, Labour and Social Affairs
OECD work on inequalities intensified over the last decade

2008: Growing Unequal?
2011: Divided We Stand
2015: In It Together
2018: A Broken Social Elevator?
2019: Under Pressure: The Squeezed Middle Class
Levels in inequality of outcomes are by now well documented

The levels of income inequality differ greatly across OECD countries.

Note: Data refer to disposable incomes per unit of consumption ("standards of living"). The Gini coefficient measures the degree of inequality, it varies between 0 (everyone has the same income) and 1 (a person has all the income). Source: OECD, http://www.oecd.org/social/income-distribution-database.htm
Trends in inequality of outcomes are also well documented

“Episodes” of income inequality increases over the long-term

Note: Income refers to equivalised household disposable income.
Over the longer run, lower and middle incomes were left behind in most OECD countries

Trends in real household incomes at the bottom, the middle and the top, 1985 = 1


Note: OECD refers to average of 17 OECD countries for which long-term series are available.
At a global level, the OECD middle class fell behind the global middle class and global elite.

Real income growth over 1988-2011 (based on 2011 PPPs)

Cumulative real per capita growth in %

Source: Milanovic, 2019, Figure 1.3
• Middle class vs Middle income
• Our definition:
  – Income segments based on median equivalised household disposable income
  – Poor: 0-50%
  – Lower: 50-75%
  – Middle: 75-200%
  – Upper: 200%+
The middle-income class forms the bulk of the population

Share of income classes in the population, 2016 or most recent year

Source: OECD (2019), Under Pressure? The Squeezed Middle Class
Most people consider themselves as part of the middle class

Share of population in the middle-income group and considering themselves as “middle class”, 2016 or most recent year

Source: OECD (2019), Under Pressure? The Squeezed Middle Class
Pressures mounting on the middle-class

Socio-economic system perceived as unfair

Increasingly expensive lifestyle

Uncertain labour market prospects
1. UNFAIRNESS
Middle-income households have lost economic influence (though recently not in France)

Aggregate income share ratio between middle and upper income households, mid-1980s to mid-2010s

Source: OECD (2019), Under Pressure? The Squeezed Middle Class
Fewer chances to reach the middle class for younger generations

Share of population in middle-income households by generation and stage at the life cycle, OECD average

Source: OECD (2019), Under Pressure? The Squeezed Middle Class
Since baby boomers, each generation has fewer probabilities to be middle income.

Share of population in their twenties in middle-income households, by generation, in %

<table>
<thead>
<tr>
<th>Generation</th>
<th>Baby boomers</th>
<th>Generation X</th>
<th>Millennials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of population</td>
<td>68%</td>
<td>64%</td>
<td>60%</td>
</tr>
<tr>
<td>Source: OECD (2019), Under Pressure? The Squeezed Middle Class</td>
<td>62%</td>
<td>56%</td>
<td>55%</td>
</tr>
</tbody>
</table>
Tackling unfairness

– Reduce *net tax burden* of middle class while maintaining the sustainability of public finances.

– Improve access to *high-quality public services*.

– Make income tax system *progressive*, in particular for top income earners and more redistributive and fairer for the middle class.
2. AFFORDABILITY
Costs of houses and education grew faster than median income

Percentage changes in real median incomes and prices of certain household budget items, OECD average, 1995-2015 (1995=100)

Costs of houses and education grew faster than median income

Source: OECD (2019), Under Pressure? The Squeezed Middle Class
In France, house prices increased a lot since 2000

Average evolution of prices and median income in real terms, France and OECD average, 1995 = 100

Source: OECD (2019), *Under Pressure? The Squeezed Middle Class*
Buying a house got increasingly expensive

Number of years of annual income needed to buy a 60 square meter flat in the country’s capital for a median income couple with two children

Source: OECD (2019), Under Pressure? The Squeezed Middle Class
In France, one in six middle-income households spend more than they earn

Shares of middle-income households that spend more than earn, 2010 and 2015 or latest available year, OECD average and selected countries

Source: OECD (2019), Under Pressure? The Squeezed Middle Class
In France, one in two middle-income households report having difficulty making ends meet.

Percentage of households reporting having difficulty making ends meet, by income class, 2016

Source: OECD (2019), Under Pressure? The Squeezed Middle Class
Still, French middle-class households are less financially vulnerable than in most other OECD countries

Shares of households that are financially vulnerable, 2016 or latest available year

Source: OECD (2019), *Under Pressure? The Squeezed Middle Class*
Tackling expensiveness

– Encourage supply of and provide support for housing.

– Limit costs of child care, via subsidised care provision, price regulation, benefits or refunds.

– For tertiary education expenses, consider tuition loans and non-tuition costs assistance.

– Expand healthcare access (non-universal system) and coverage (universal systems).
3. UNCERTAIN LABOUR MARKET PROSPECTS
Fewer working households are middle-income

Working adults by household income class, percentage point changes, mid-1990s/mid-2000s

Source: OECD (2019), Under Pressure? The Squeezed Middle Class
Skills profile needed to be in the middle-income group has risen

Shares of middle class workers who hold jobs in different skill groups, mid-1990s/mid-2000s

Source: OECD (2019), Under Pressure? The Squeezed Middle Class
Middle-income jobs are at risk of automation

Share of workers in occupations at high risk of automation by income class

Source: OECD (2019), Under Pressure? The Squeezed Middle Class
Tackling vulnerability

- Modernise vocational education and training (VET).

- Build innovative adult learning programmes particularly for vulnerable occupations, industries and regions.

- Extend social protection and collective bargaining in non-standard jobs.
Objectives to promote social mobility in France

- Reduce educational gaps between children from different socio-economic backgrounds
- Reduce long-term unemployment
- Tackle territorial inequalities
For more information, contact: stephane.carcillo@oecd.org

Follow us on Twitter at @OECD_Social @stephancarcillo