



Under pressure

The squeezed middle class

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Head of Jobs and Income Division

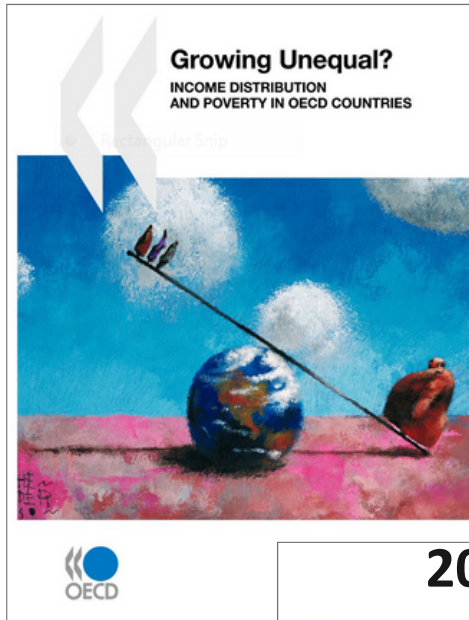
Directorate for Employment, Labour and Social Affairs





OECD work on inequalities intensified over the last decade

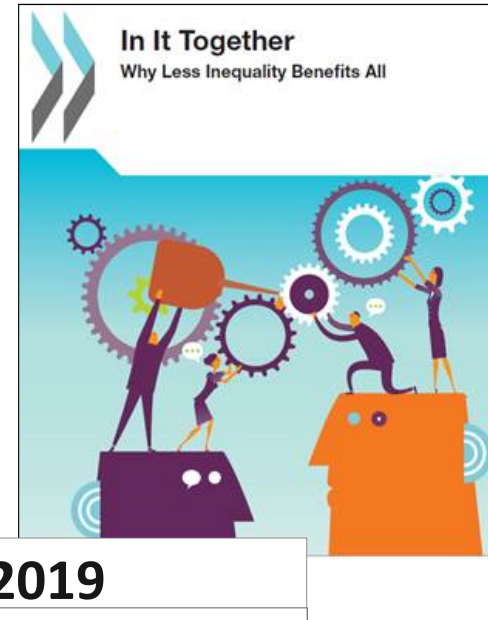
2008



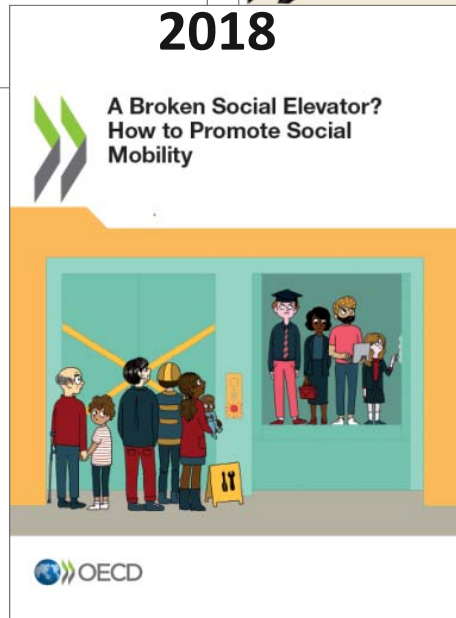
2011



2015



2018



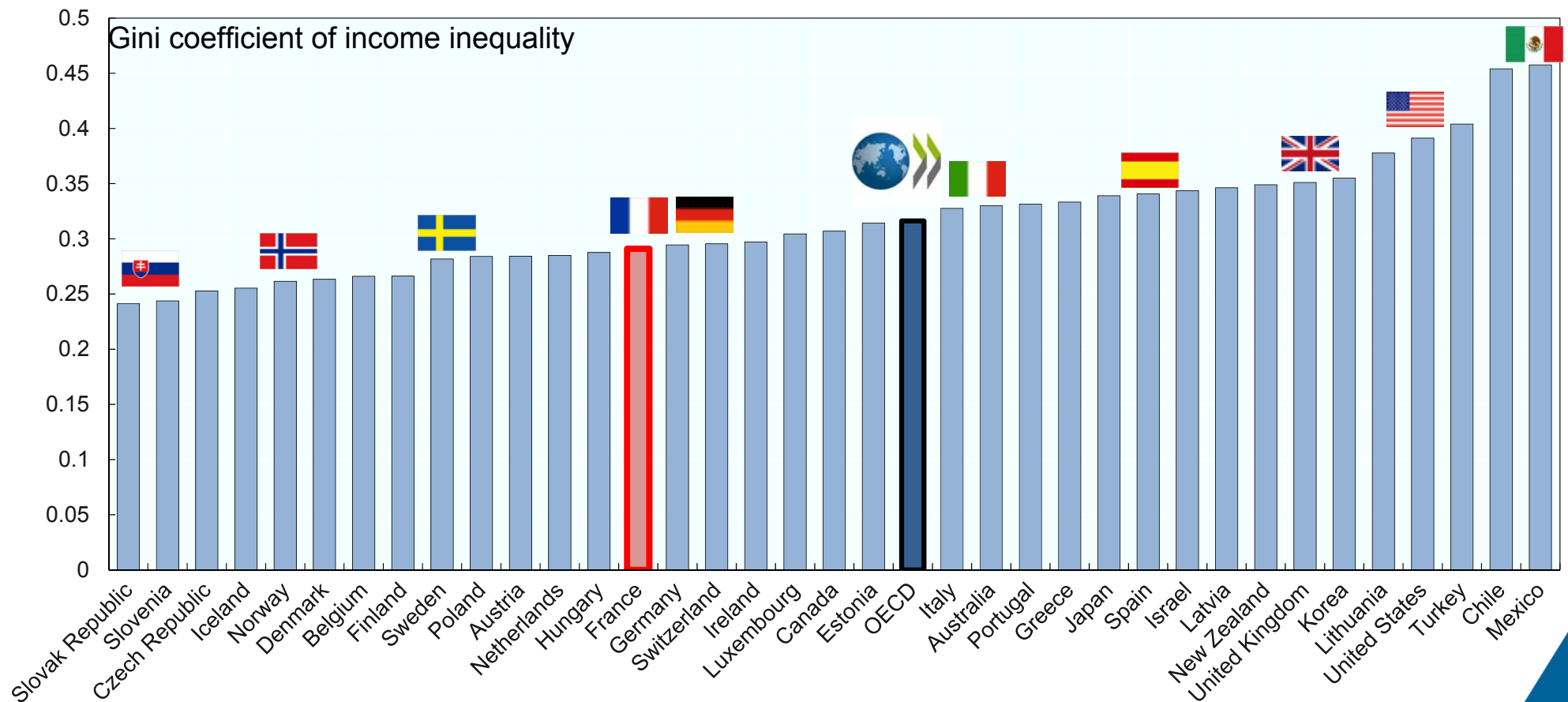
2019





Levels in inequality of *outcomes* are by now well documented

The levels of income inequality differ greatly across OECD countries

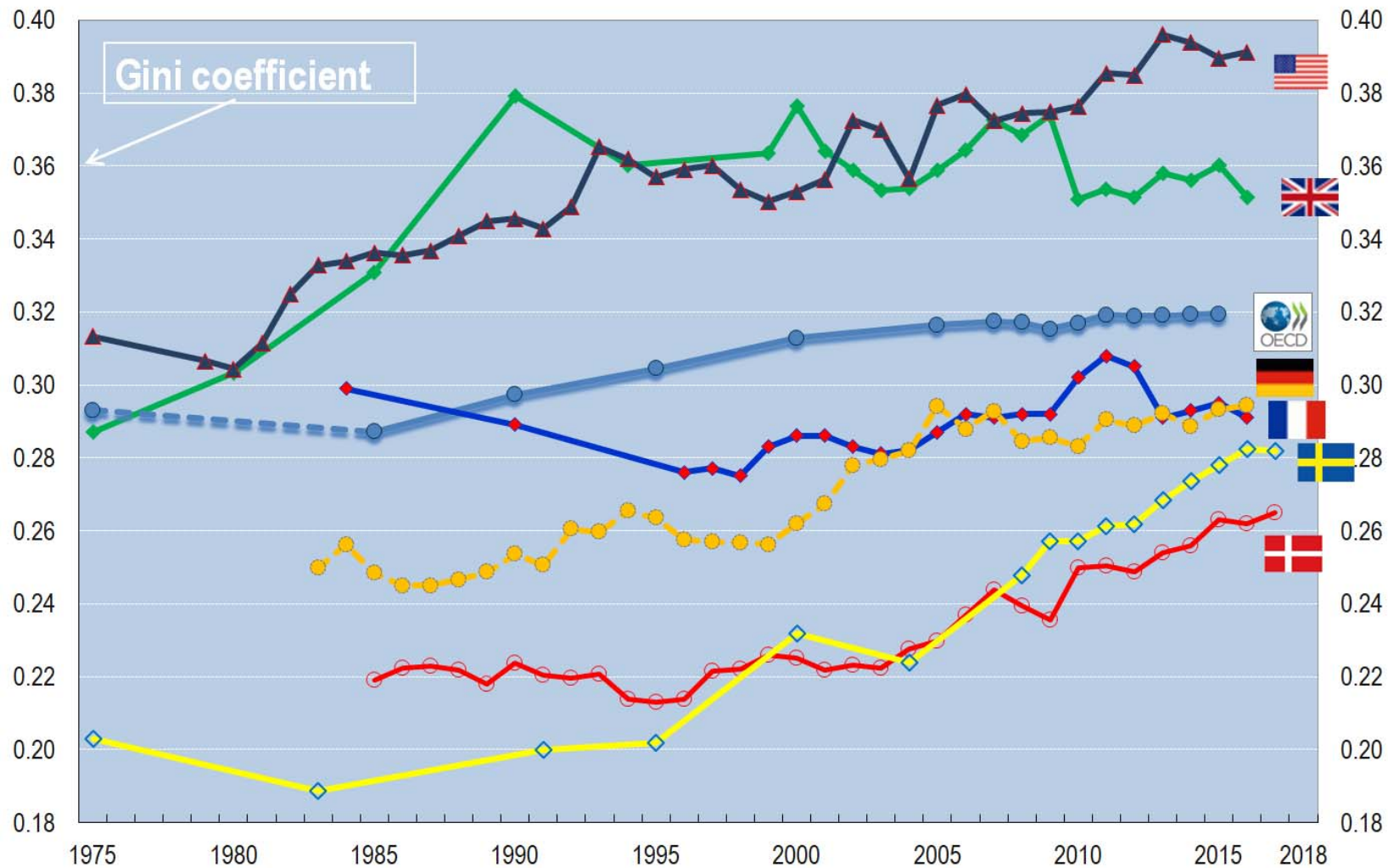


Note: Data refer to disposable incomes per unit of consumption ("standards of living"). The Gini coefficient measures the degree of inequality, it varies between 0 (everyone has the same income) and 1 (a person has all the income). Source: OECD, <http://www.oecd.org/social/income-distribution-database.htm>



Trends in inequality of outcomes are also well documented

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



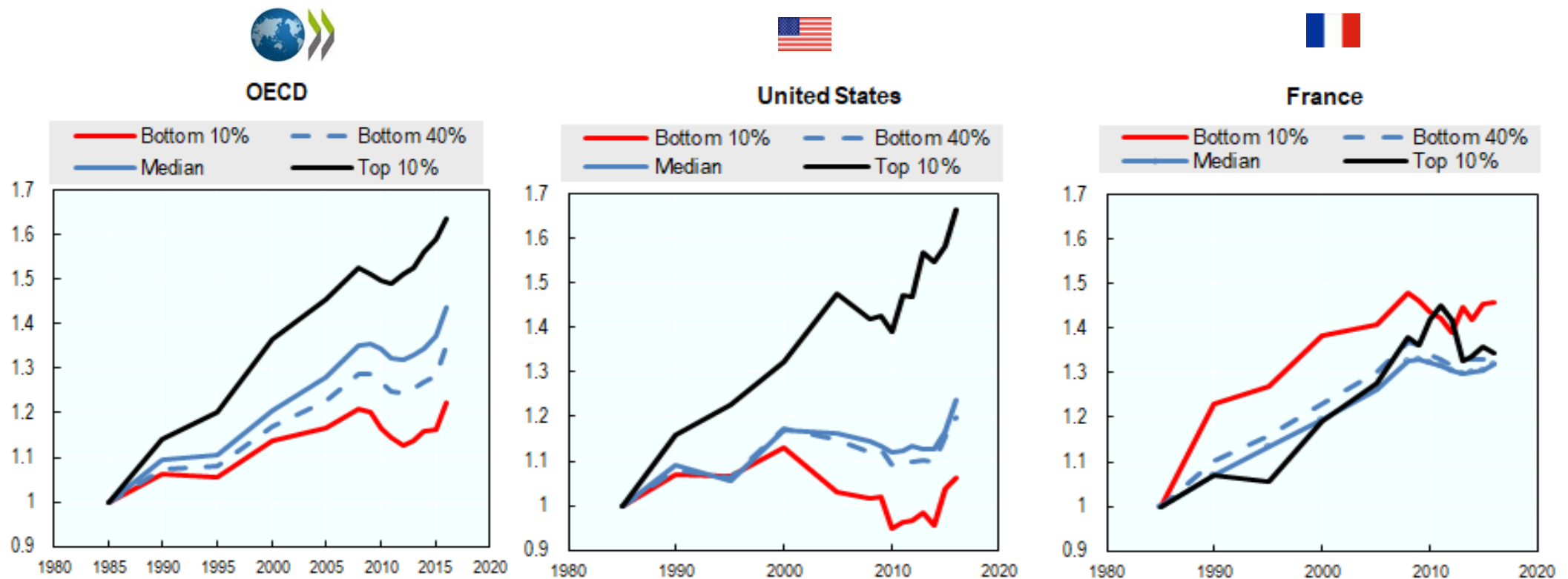
Source: OECD Income Distribution Database, www.oecd.org/social/income-distribution-database.htm.

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



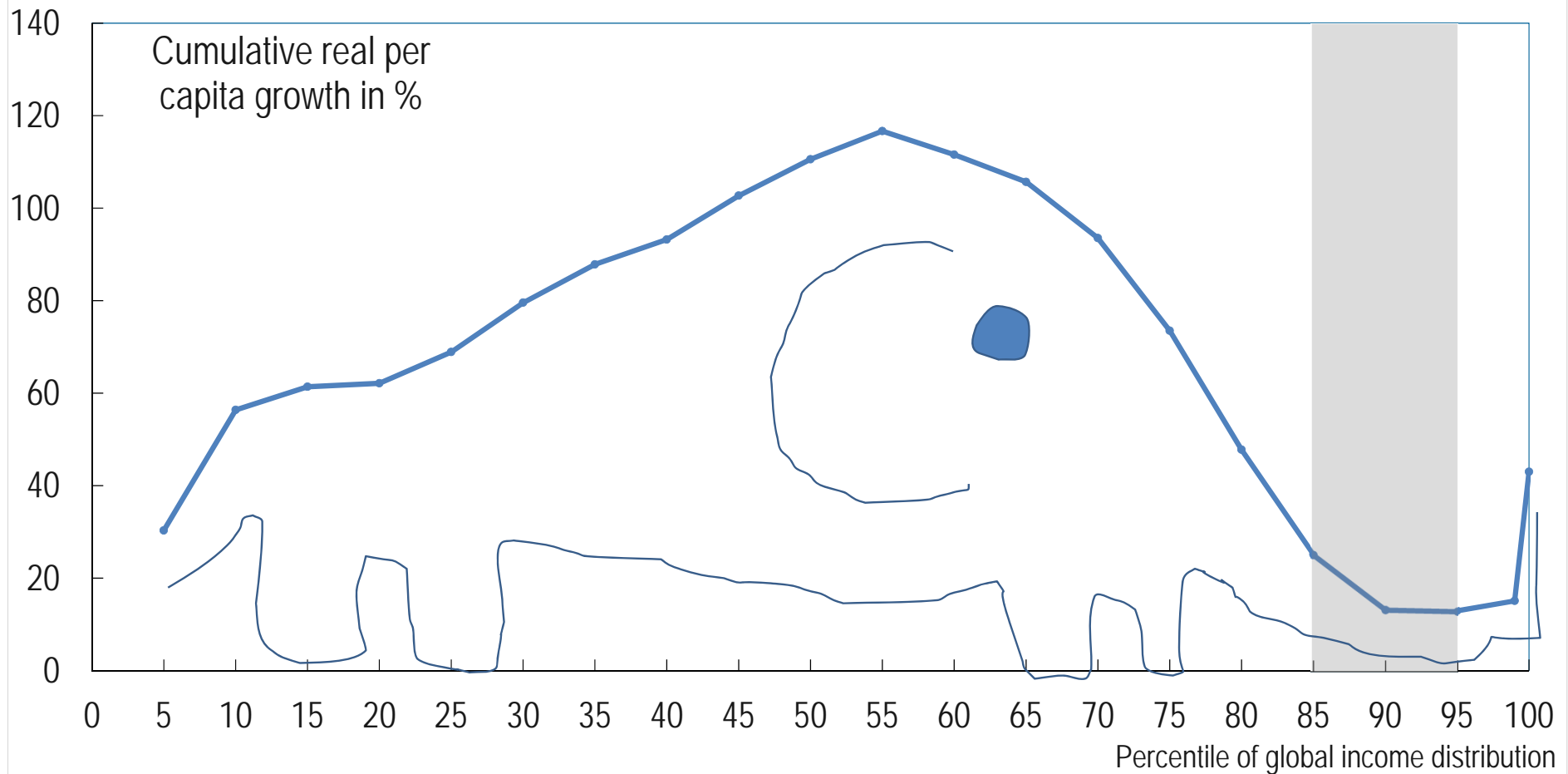
Source: OECD Income Distribution Database, www.oecd.org/social/income-distribution-database.htm. May 2019.

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)





Definition and measurement

- 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%+

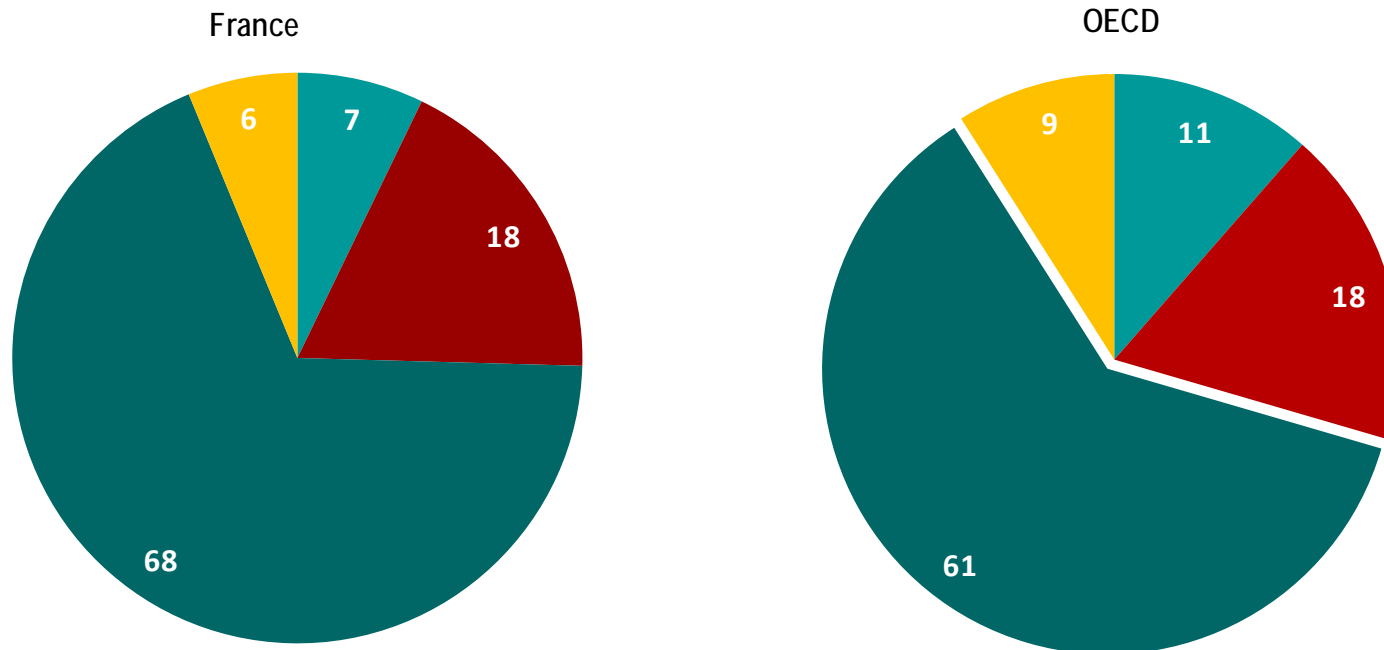




The middle-income class forms the bulk of the population

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

Poor (0-50% of median) Middle income (75-200% of median)
Lower income (50-75% of median) Upper income (more than 200% of median)

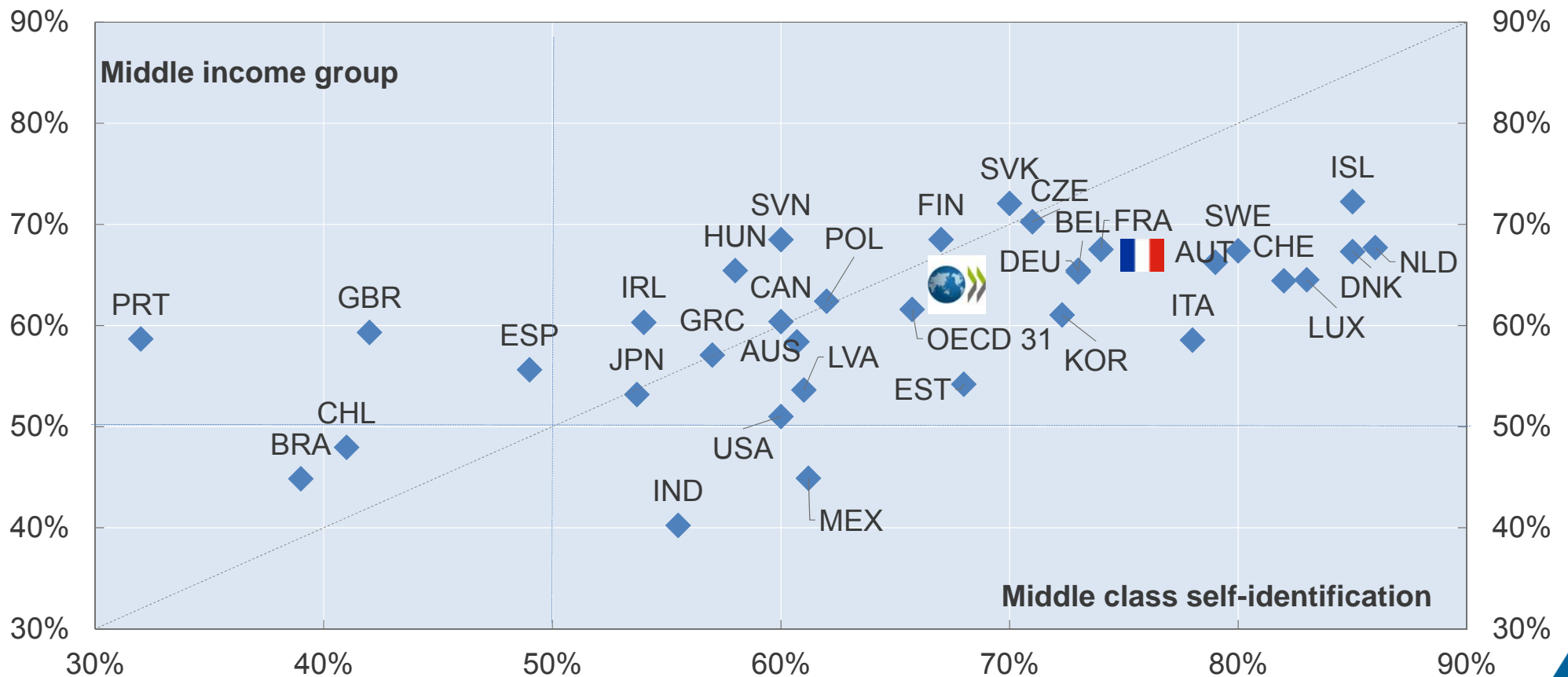


Source: OECD (2019), *Under Pressure? The Squeezed Middle Class*



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



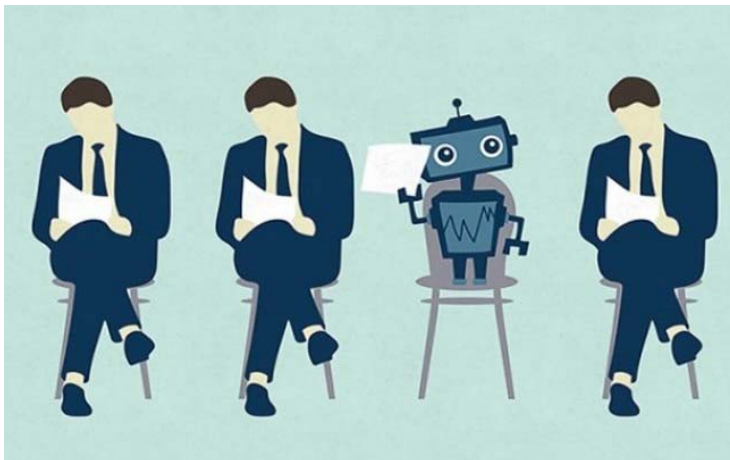
POOR

MIDDLE-CLASS

WEALTHY

Socio-economic system perceived as unfair

Increasingly expensive lifestyle



Uncertain labour market prospects

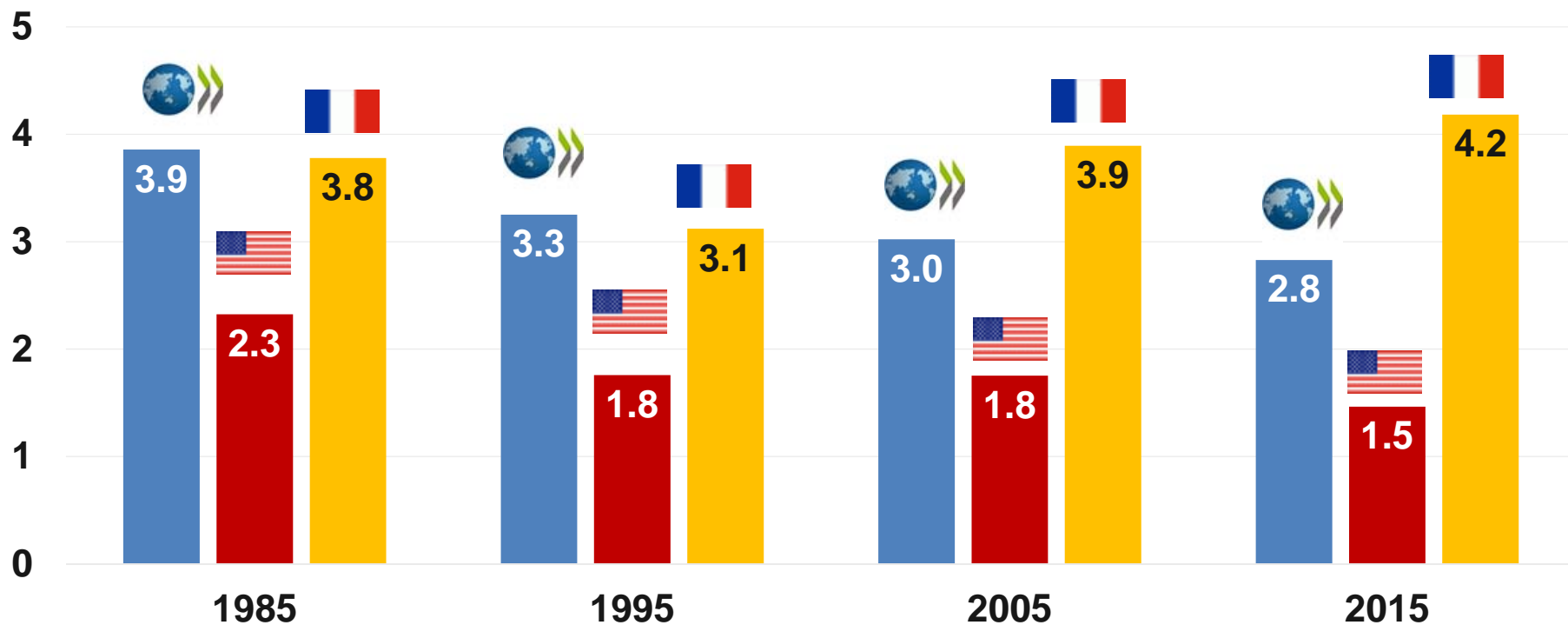


1. UNFAIRNESS



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

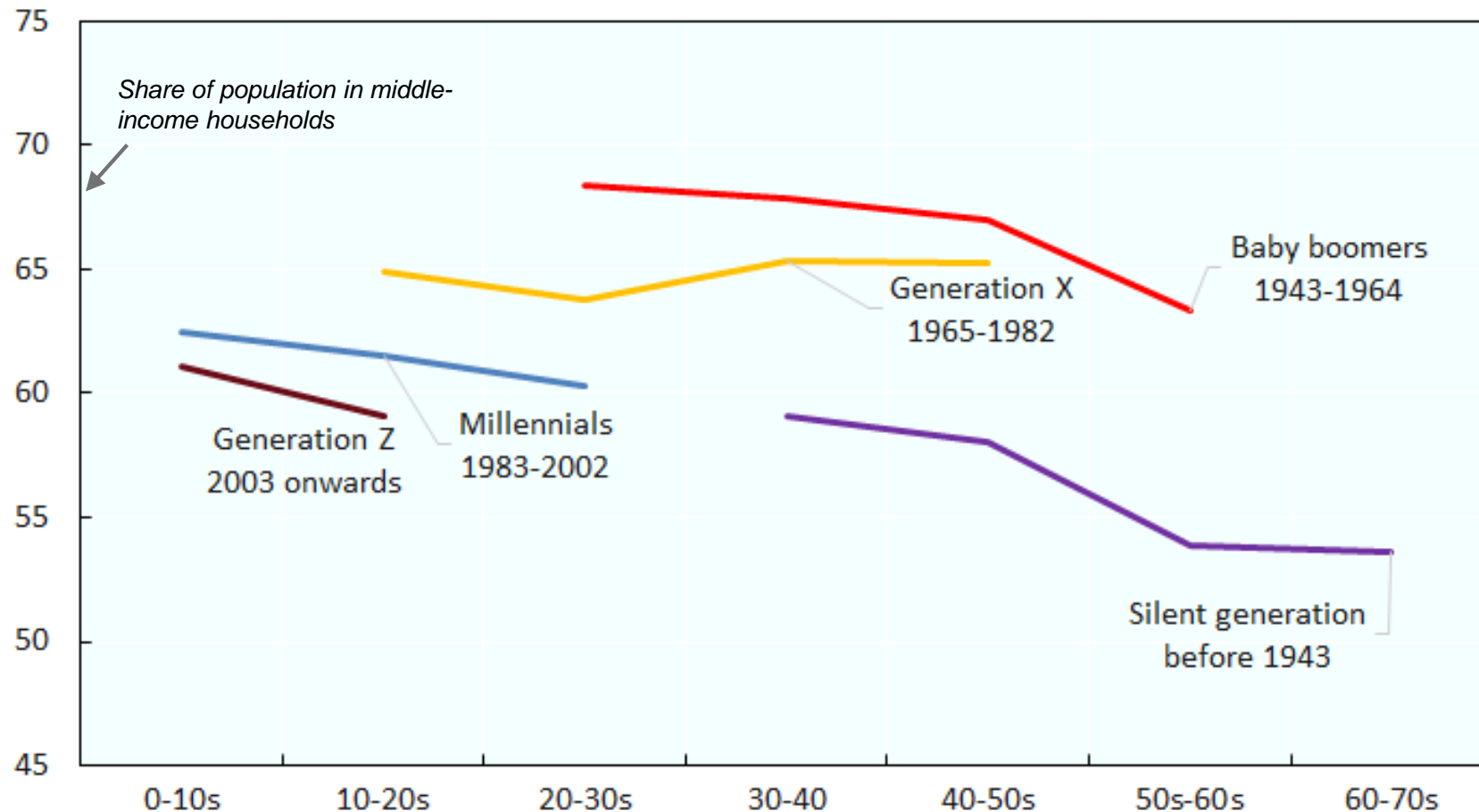


Source: OECD (2019), *Under Pressure? The Squeezed Middle Class*



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

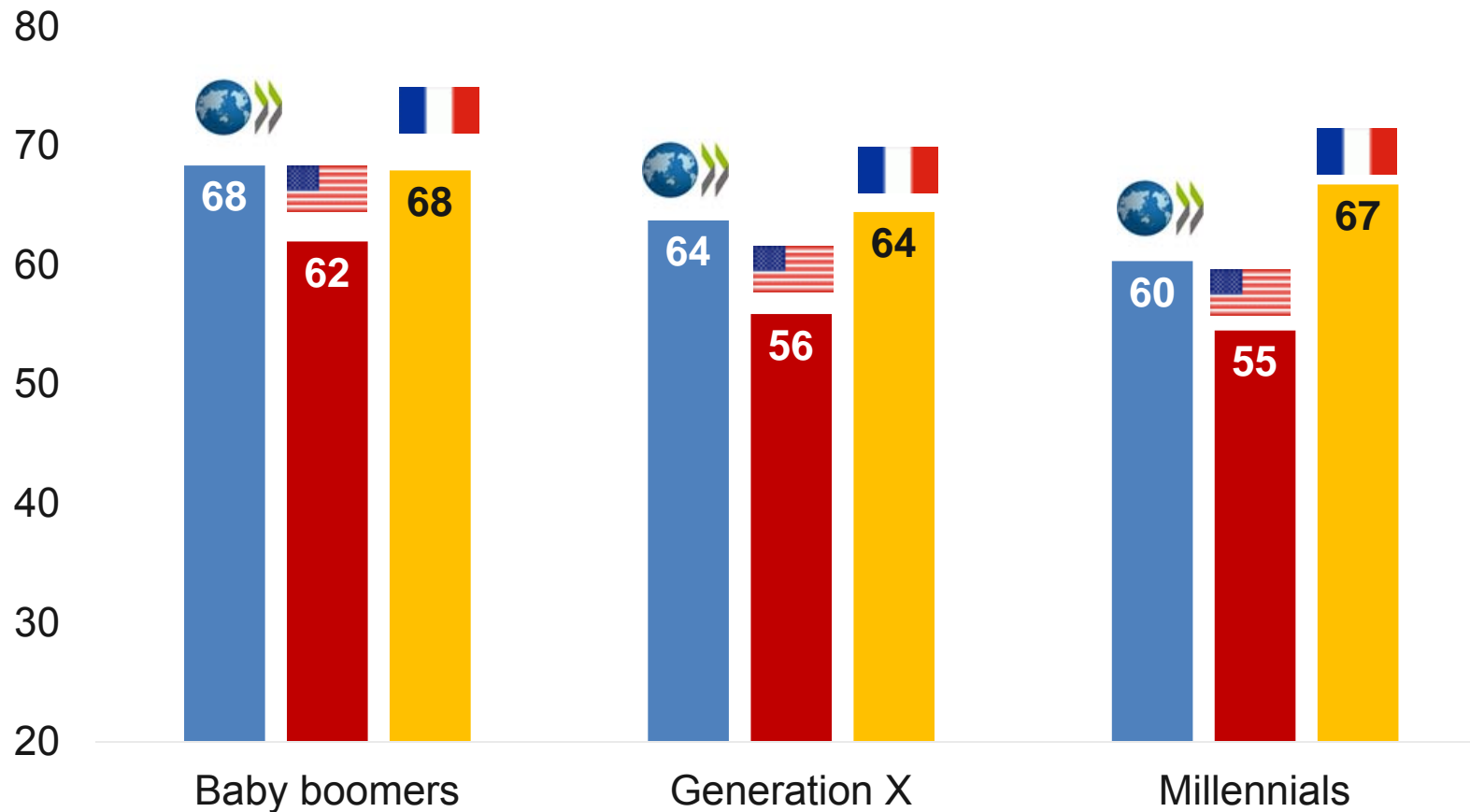


Source: OECD (2019), *Under Pressure? The Squeezed Middle Class*



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 %





Tackling unfairness

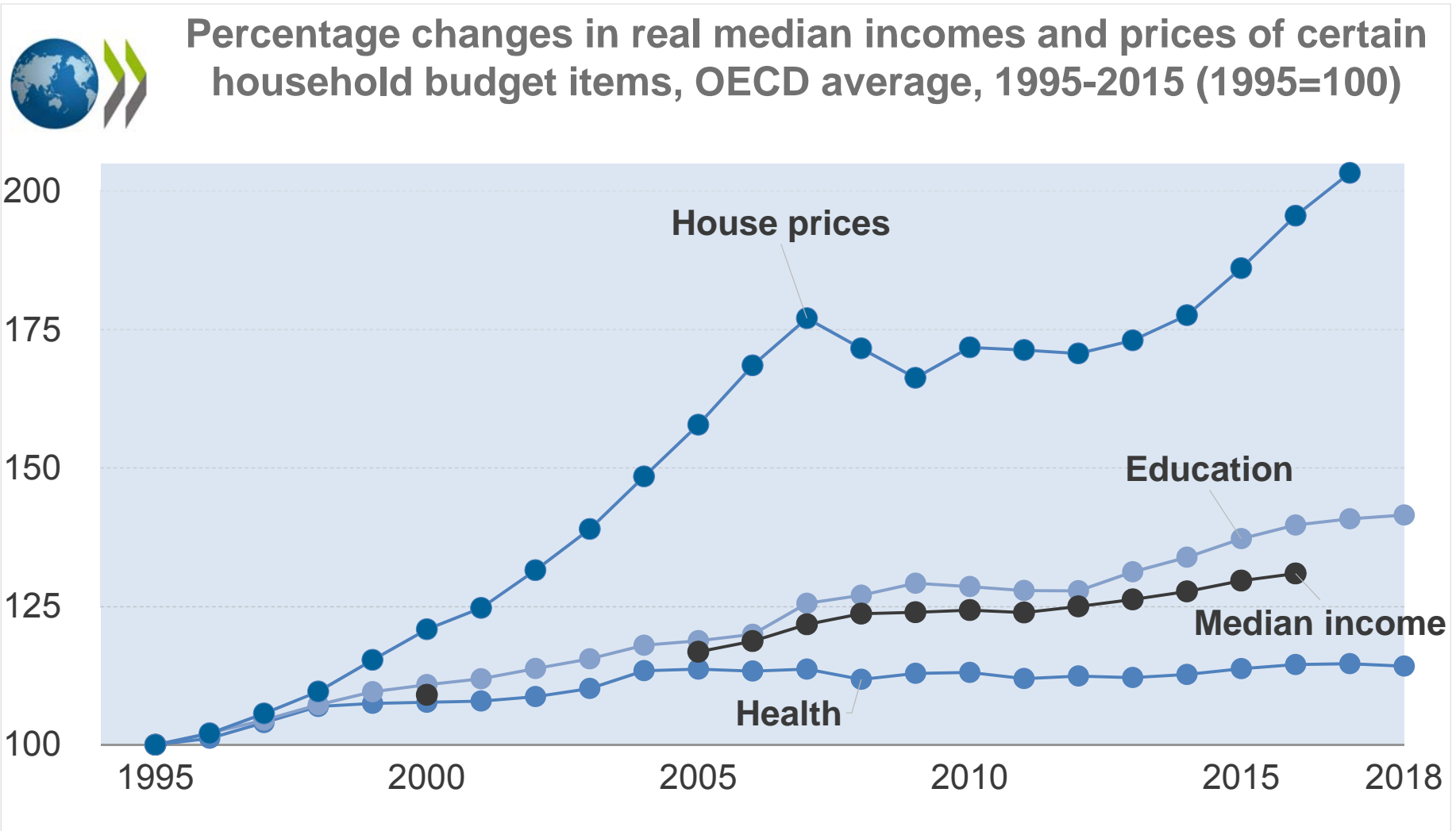
- Reduce *net tax burden* of middle class while maintaining the sustainability of public finances.
- Improve access to *high-quality public services*.
- Make income tax system *progressive*, in particular for top income earners and more redistributive and fairer for the middle class



2. AFFORDABILITY



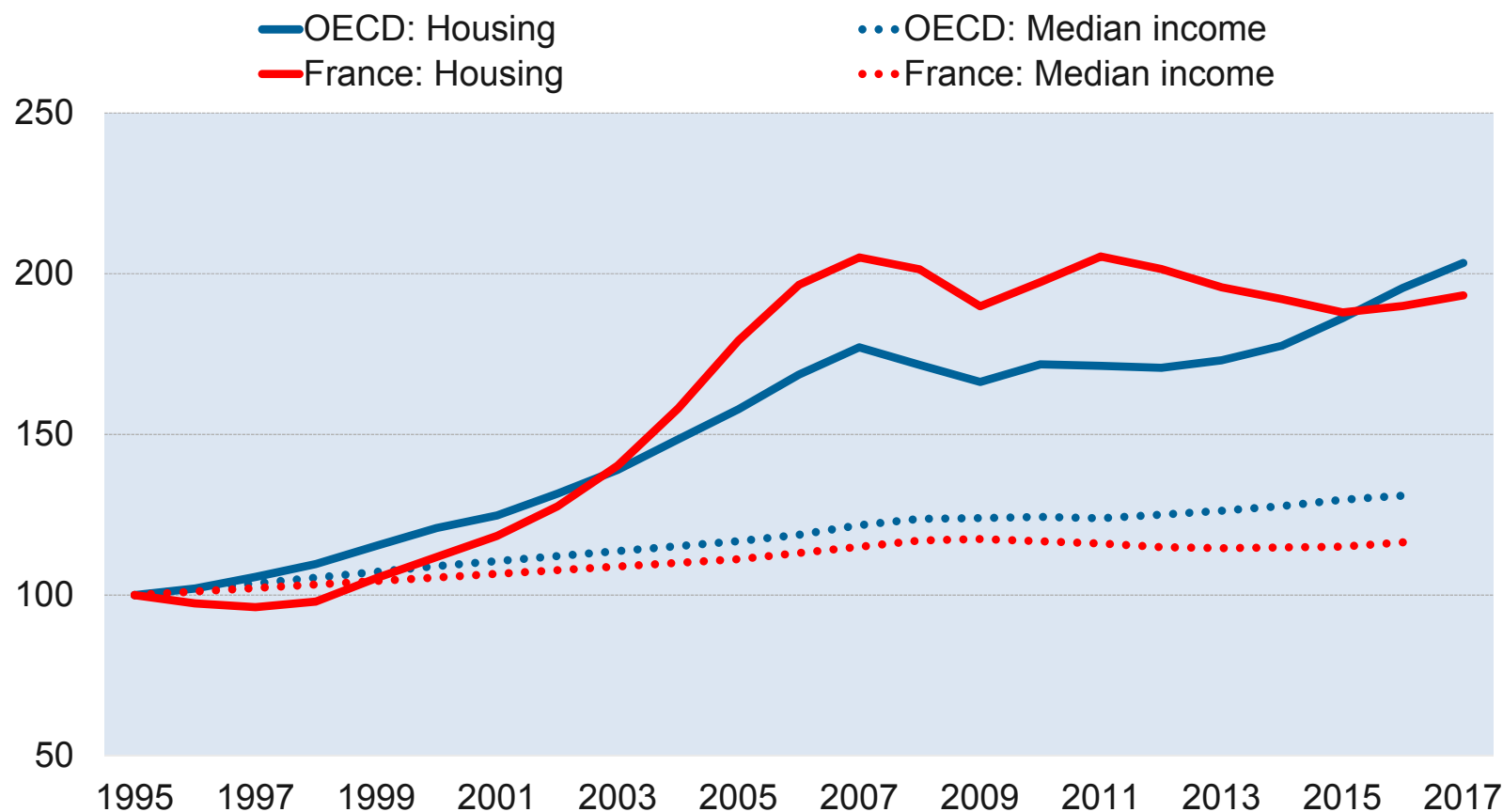
Costs of houses and education grew faster than median income





In France, house prices increased a lot since 2000

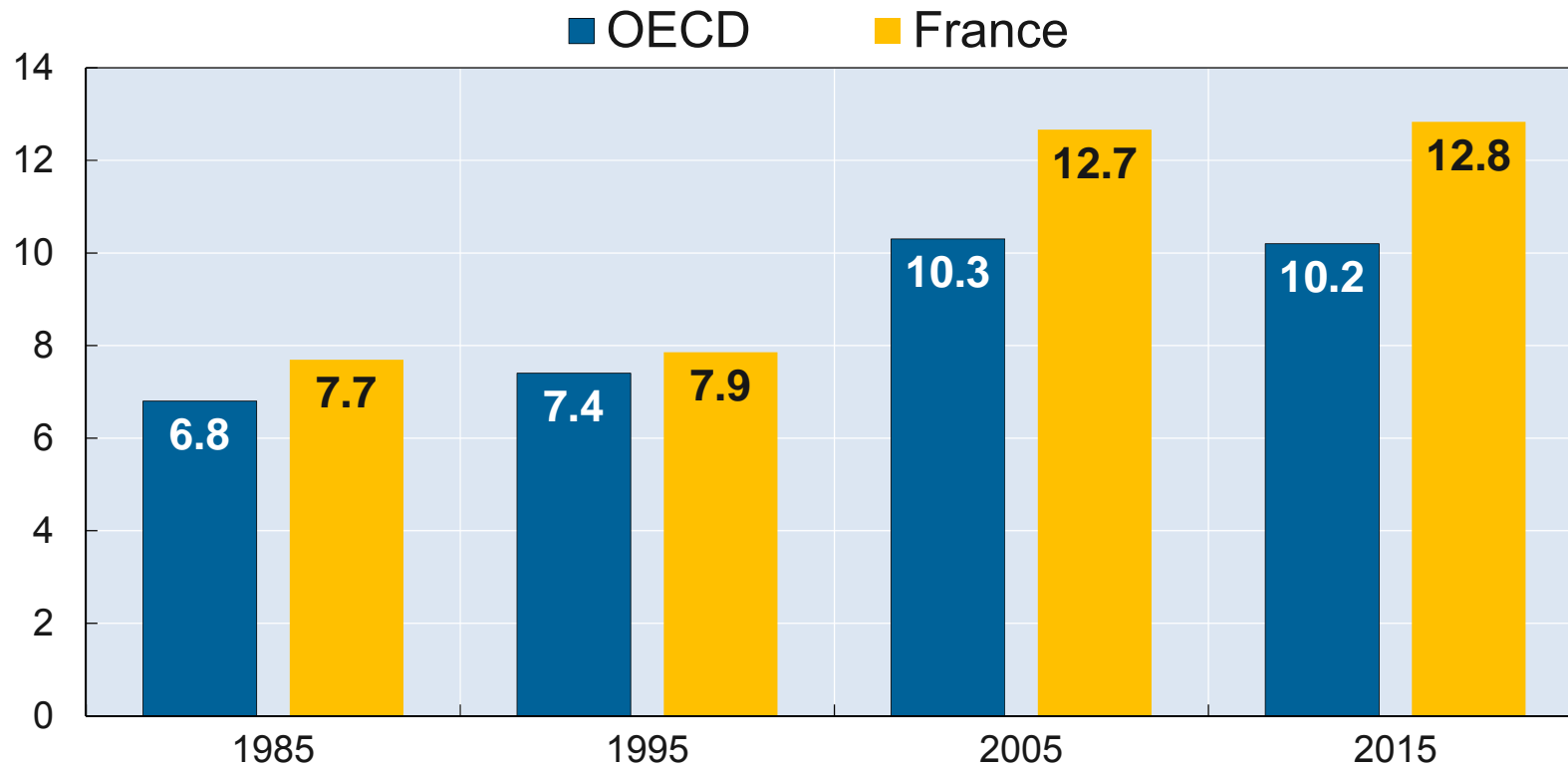
Average evolution of prices and median income in real terms, France and OECD average, 1995 = 100





Buying a house got increasingly expensive

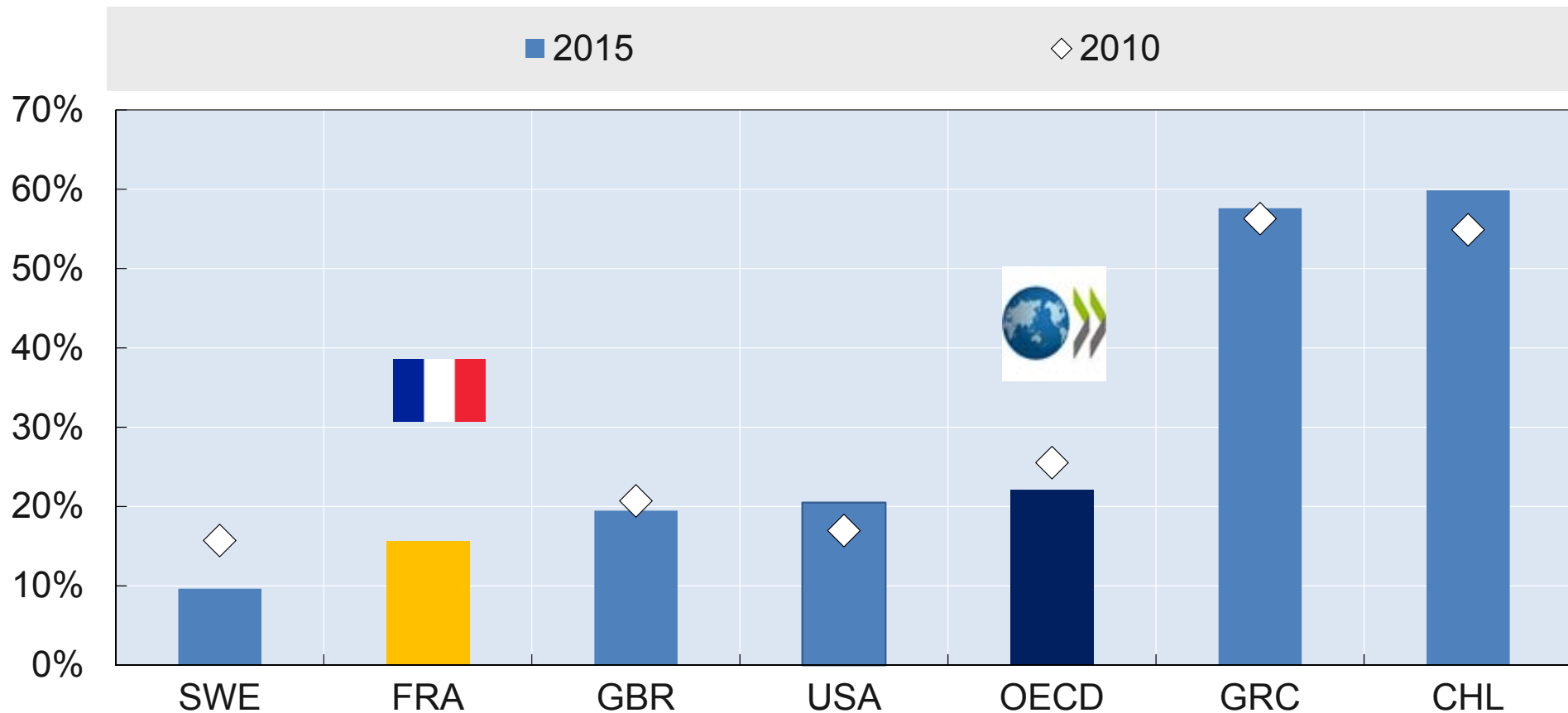
Number of years of annual income needed to buy a 60 square meter flat in the country's capital for a median income couple with two children





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

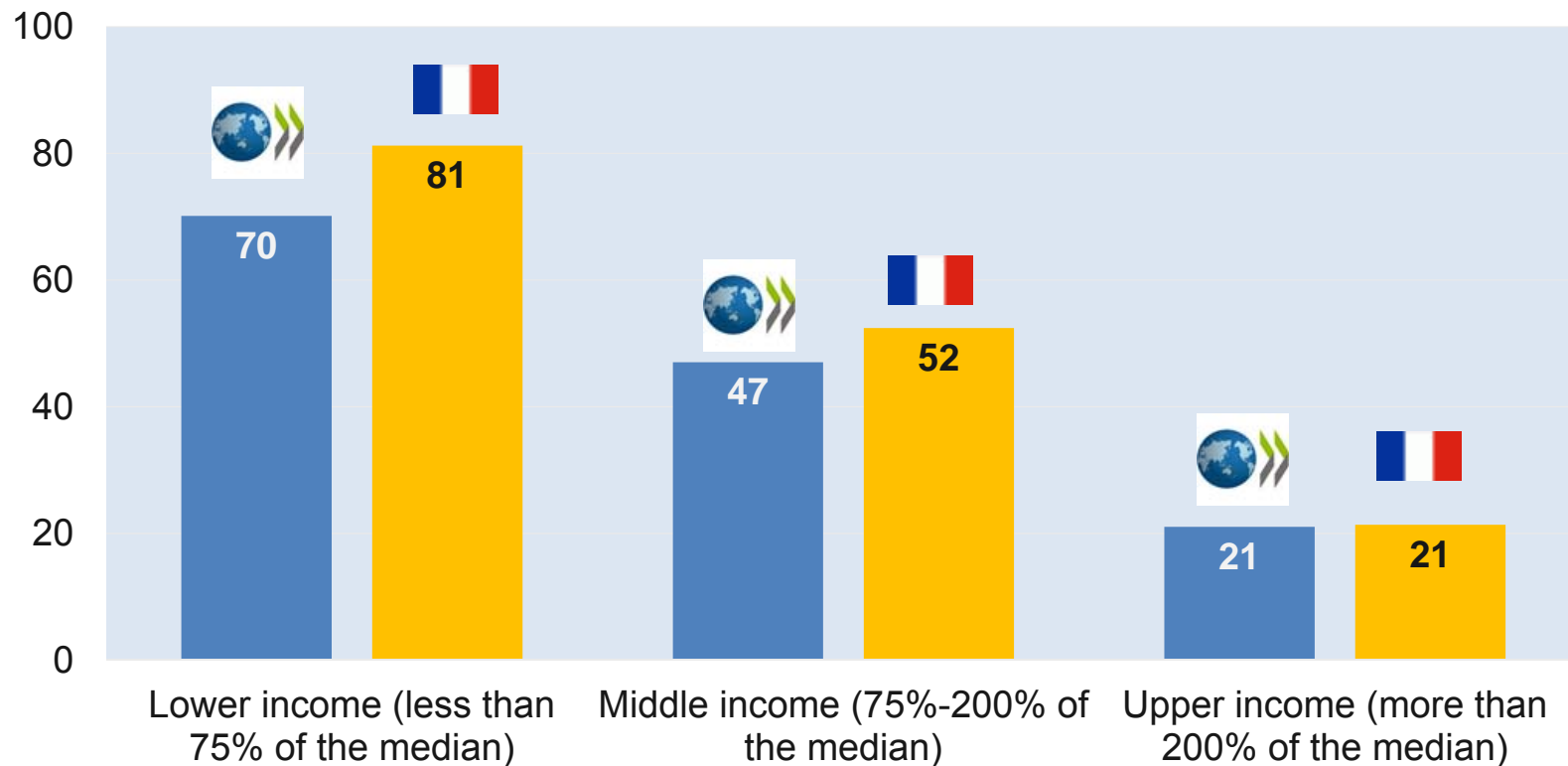


Source: OECD (2019), *Under Pressure? The Squeezed Middle Class*



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

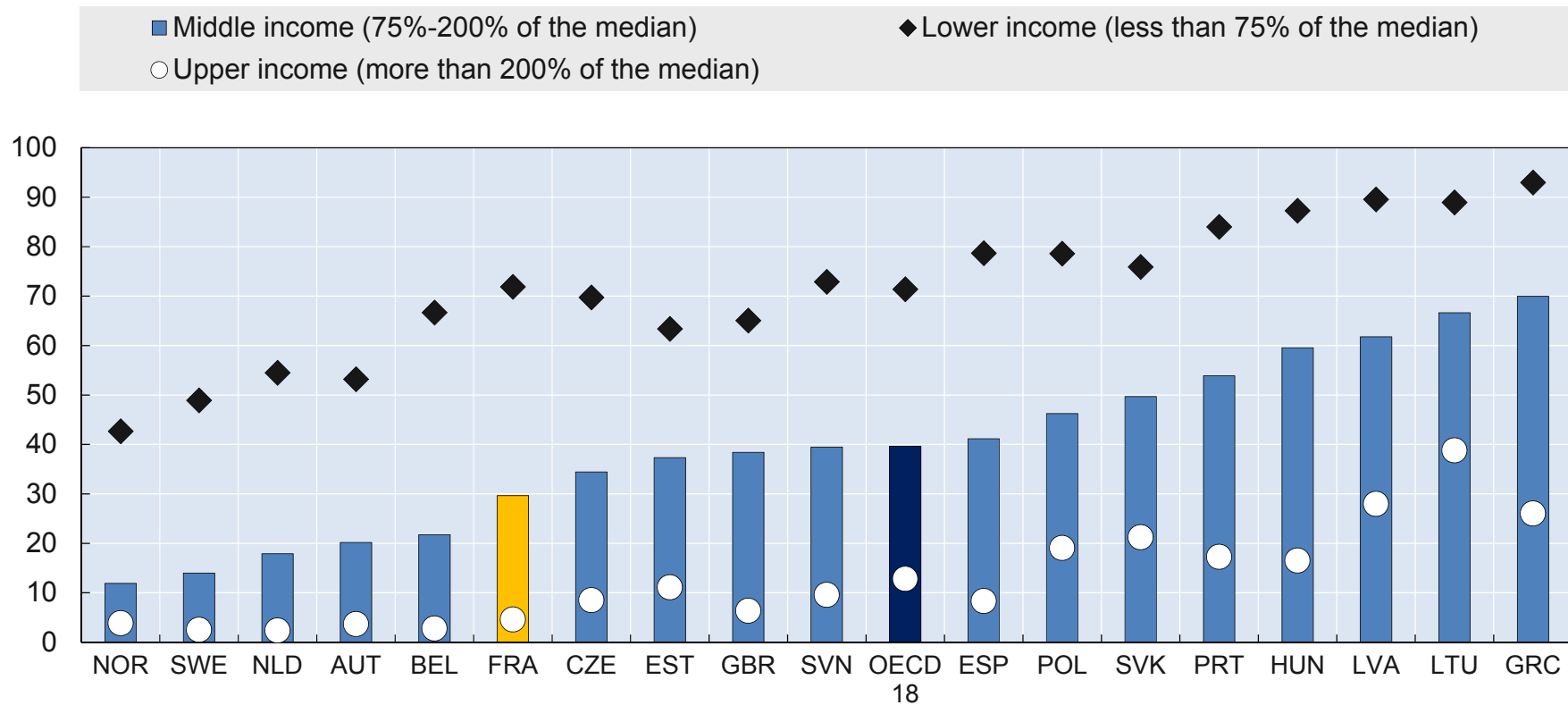


Source: OECD (2019), *Under Pressure? The Squeezed Middle Class*



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).

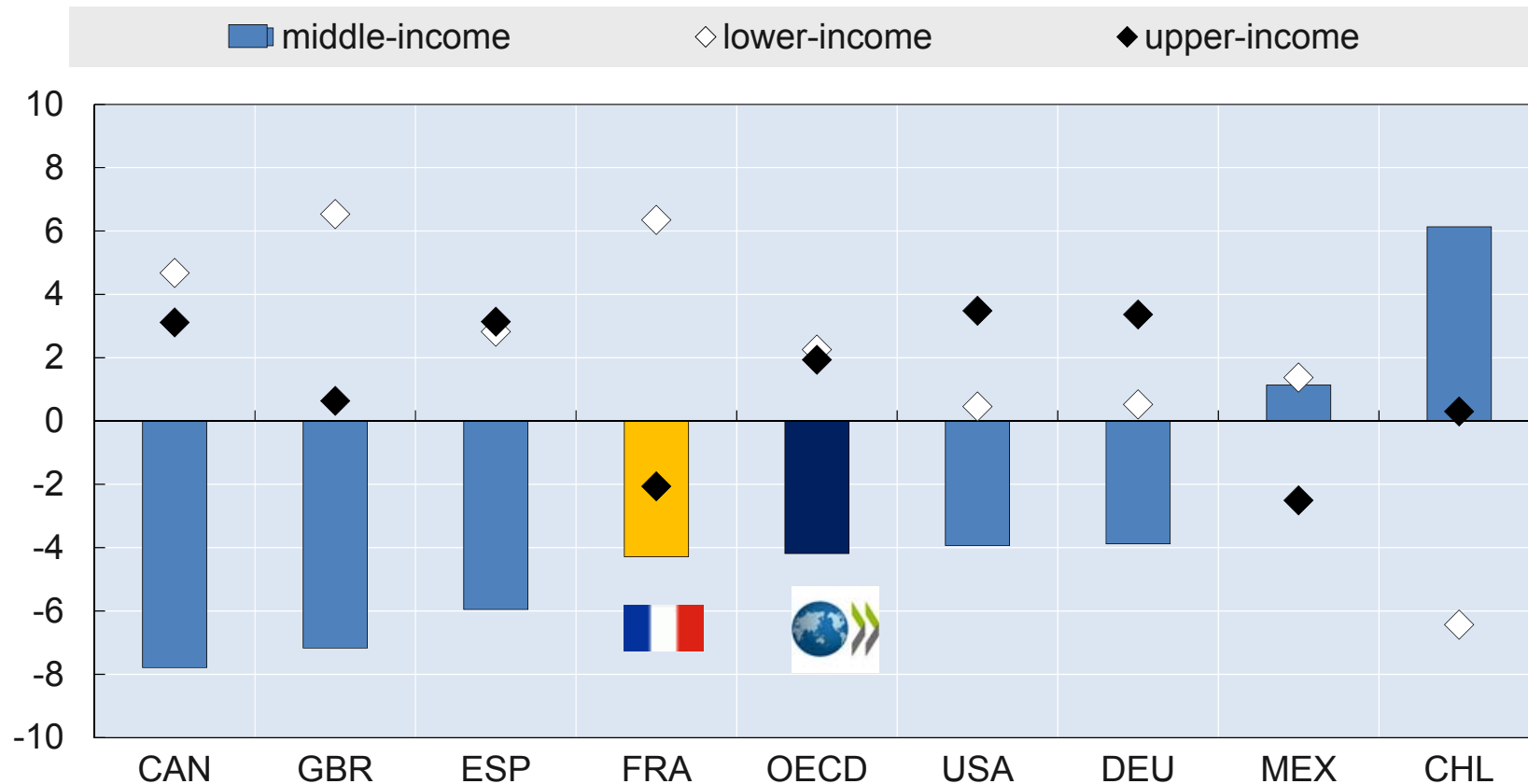


3. UNCERTAIN LABOUR MARKET PROSPECTS



Fewer working households are middle-income

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

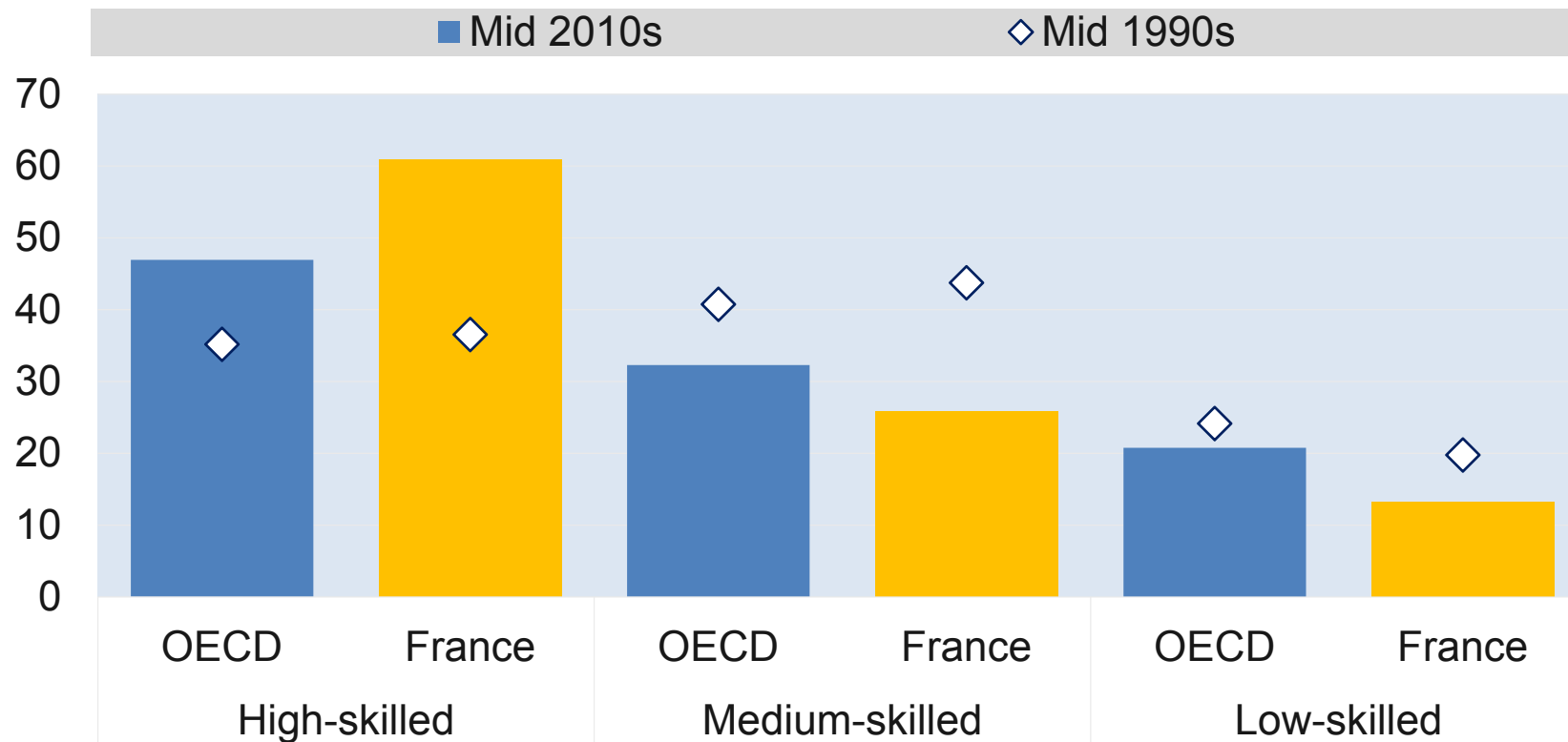


Source: OECD (2019), *Under Pressure? The Squeezed Middle Class*



Skills profile needed to be in the middle-income group has risen

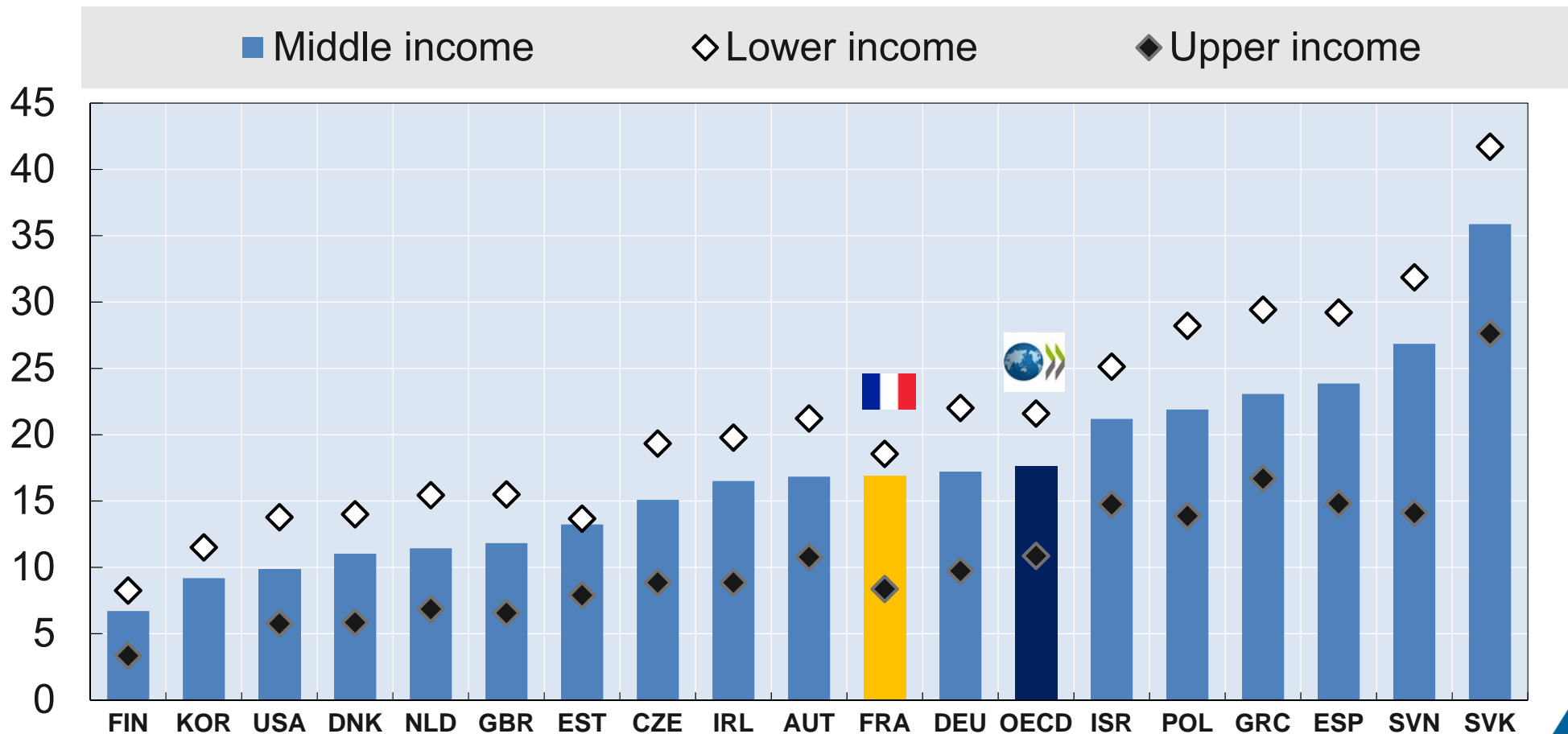
Shares of middle class workers who hold jobs in different skill groups, mid-1990s/mid-2000s





Middle-income jobs are at risk of automation

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





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