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## ASSESSING THE MIDDLE CLASS IN JORDAN (2008) – POLICY PAPER

### EXECUTIVE SUMMARY

Much of today's political discourse in Jordan had focused on the importance of the middle class as a source of skilled labour and purchasing power that stimulates the economy and drives it. It has also been attributed with the entrepreneurial capabilities and democratic tendencies required for economic and political development. Politicians and academics alike have claimed that the middle class has shrunk or has been squeezed over the past two decades, yet there is no general agreement on how to define the middle class. The overall goal of this paper is to present the Ministry of Planning and International Cooperation with the quantitative information required to formulate targeted policies that will work to expand and protect the middle class from shrinking in Jordan.<sup>1</sup>

This policy paper follows a methodology that identifies the middle class in Jordan as *individuals whose annual per capita expenditure was at least two times but no more than four times the Department of Statistics's general poverty line*. This follows a universal methodology that measures the middle class quantitatively and relies on statistics that are readily available in Jordan. The selected methodology for the paper was strengthened through consultation with local experts and workshops to define the middle class in Jordan, as well as a thorough literature review provided in annex 1 of the paper.

The paper aims to present a profile of middle class households in Jordan, assess income and expenditure distribution and look at sources of income and expenditure patterns across the middle class. The analysis presents a picture of the status of the middle class in 2008, with the intention of replicating these efforts for 2010 using the findings of the Department of Statistics' next Household Income and Expenditure Survey.

### MAIN FINDINGS

- The following figures indicate the presence of a middle class in Jordan:
  - 34 percent of the employed labour force is made up of salaried professionals.
  - 67 percent of Jordanian households own their homes.
  - 40 percent of Jordanian households own a private car.
  - 46.6 percent of Jordanians are covered by social security.
  - 86 percent of Jordanians are covered by health insurance.
  
- Following our methodology as outlined above, in 2008 (using a 2006 baseline year), *the middle classes comprised of 41.1 percent of the population*. They earned 37.5 percent of total income and spent 42.8 percent of total expenditure.

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<sup>1</sup> This policy paper has been prepared in collaboration with the Policies and Studies Department at the Ministry of Planning and International Cooperation and the Department of Statistics, by Yasmeen Tabbaa – Social Policy Analyst at the Economic and Social Council. For more information please contact [ytabbaa@esc.jo](mailto:ytabbaa@esc.jo)

- The middle class is *a relatively urban phenomenon* and in total, middle class households made up 32.2 percent of urban households and 22.2 percent of rural households.
- The average middle class family size in 2008 was 4.5 individuals (national average was 5.7). *There is a direct correlation between increased household wealth and decreased family size*, whereby the poorest households are made up of 7.1 individuals and the richest households are made up of 3.9 individuals.
- 46.2 percent of heads of households that obtained a bachelor's degree belonged to the middle class in 2008 while 22.7 percent belonged to the affluent class. 51.4 percent of master's graduates belonged to the middle class and 26.4 percent belonged to the affluent class. 45.3 percent of PhD holders belonged to the middle class and 49.5 percent belonged to the affluent class.
  - It should be noted that 31 percent of Bachelor's degree holders do not belong to the middle class or the affluent class.
- Middle class households made up *39 percent of all female-headed households in Jordan in 2008*. Female-headed households are strongly correlated with increased family wealth due to migration of males in seek of higher paying jobs abroad and the subsequent transfer of remittances.
- *46.9 percent of Jordan's professionals belong to the middle class, and 19.8 percent belong to the affluent class.*
- *The middle classes work in some of Jordan's largest public sectors in terms of employment such as health and social work, education and the public administration and defense sector.*
- *There is a new and emerging private sector driven middle class that works in finance, transport and communication, and real estate and business. These sectors are among Jordan's top paying sectors. These sectors claim a small share of total employment but have exhibited high growth rates. Policies that enable these sectors to grow in terms of total employment will allow for the creation of more middle class jobs and contribute to the growth of the middle class.*
- *The upper middle class and the affluent class rely the most on self-employment at 25.1 percent of total income and rely the least on income from wages at 36.2 percent of total income.*
- *Conversely the lower middle class and the below middle class group exhibit the highest reliance on income from wages at 50.5 percent and 53.1 percent respectively.*
- Assets comprised of only 0.5 percent of reported total income in 2008. In terms of asset ownership, it was found that aside from homeownership, only a very small proportion of the population owns assets such as real estate, land, shares, deposits and bonds. This highlights the lack of financial safety nets for individuals to fall back on in times of economic hardship.

- In 2008, middle class household expenditure on food accounted for 37.8 percent of total expenditure, while household expenses accounted for 17.6 percent and transport and communication accounted for 18.9 percent.
- Striking discrepancies exist in expenditure on education, in both relative and absolute terms. *The richest segment of the population spent almost two folds the amount spent by the middle class and almost fourteen times more than the poorest segment of the population.*

### **POLICY RECOMMENDATIONS**

In order to attain the goal of upwards social mobility, a number of policy measures are required. It is identified that expanding employment and income generating activities is the key and most sustainable driver to expand and protect the middle class. In order to attain this, serious steps must be taken to decrease the strikingly high economic inactivity rate in Jordan, especially among working age women (of which only 14.9 percent are economically active)<sup>2</sup>.

This report's key findings show that the private sector is playing an increasingly larger role in creating skilled jobs with salaries that contribute to a middle class lifestyle. This reflects a shift away from the traditional middle class made up of civil servants and with this comes a shift in recommendations, away from the call for increased public sector jobs, wages and benefits. *The impetus now is to allow the private sector to grow in terms of employment and to foster similar working conditions (in terms of wages, benefits and job security) as in the public sector.*

1. After having established that the lower middle class and those below the middle class depend the most on wages, it is stressed that increasing this group's labour force participation is imperative for its financial mobility.
2. It is noted that loans and SME promoting activities should target those in the middle class. Looking into sources of income, it is identified that this group increased its reliance on self-employment between 2002 and 2008. It is also recognized that this group has a solid base to run a successful business in terms of education and skills.
3. In terms of sectoral growth to create middle class generating jobs, it is observed that the finance, real estate and business, health and social work sectors employ a large number of middle class heads of households. These sectors have also displayed a high employment growth rate but small share in total employment. Policies that enable these sectors to grow in terms of total employment will allow for the creation of more middle class jobs and contribute to the growth of the middle class.

Following from employment and income generation, improvements in the educational system are required to allow for more entry into these middle class jobs.

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<sup>2</sup> For further details please refer to Yasmien Tabbaa, "Female Labour Force Participation in Jordan", Economic and Social Council policy papers (2010), available at <http://esc.jo/en/female-labour-force-participation-jordan>

4. In light of the discrepancies found in expenditure on education, whereby the predominant majority depends on public education and a small minority depends on private education, the question of the quality of public education is imperative. Good quality education that provides transferable skills relevant to the labour market will be essential for graduates to take on jobs that will allow them to enter and remain in the middle class.
5. Throughout this research a number of issues with the availability of data related to identifying the middle class came up. Below is a list of suggested improvements to the Household Income and Expenditure Survey:
  - a) Separate expenditure on transportation and communication into two distinct items. This will allow researchers and policy makers to note the share of household expenditure on fuel and transportation and analyze its linkages with the removal of fuel subsidies. Expenditure on communication can also be looked at in detail to understand the growth of household consumption on the ICT sector and its growth.
  - b) Include questions related to health insurance coverage and expenditure on health.
  - c) Include questions related to household expenditure on children's education and whether schooling is public or private.
  - d) Include questions related to household savings, debt and available disposable income.
  - e) Include a battery of questions related to the main household bread winner regardless of their decision-making power in the household.
  - f) The possibility of adding qualitative questions related to values, cultural and political leanings.
6. In light of the current political direction towards decentralization, it is recommended that this exercise on the middle class is replicated at the governorate level using the unique poverty line benchmarks for each governorate. This will allow for more detailed understanding of living conditions and the middle class in each governorate and will contribute to more accurate policy interventions with deeper impact.
7. This paper seeks to lay the groundwork and the statistical background for further work on the middle class. In order to deepen our knowledge of this group, focus groups and qualitative research with identified middle class groups are recommended as an area of further research.

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## INTRODUCTION

Much of today's political discourse in Jordan had focused on the importance of the middle class as a stabilising and reformist force in society. It is seen as a source of skilled labour and purchasing power that stimulates the economy and drives it. It has also been attributed with the entrepreneurial capabilities and democratic tendencies required for economic and political development. Politicians and academics alike have claimed that the middle class has shrunk or has been squeezed over the past two decades, yet there is no general agreement on how to define the middle class.

Generally when we think of the middle class, we think of financial security, reasonable standards of living, receiving quality healthcare and education and being able to build a solid future of the next generation. *Traditionally, the growth of the middle class was supported by deliberate policy measures that allowed it prosper and sustain itself:*

- The expansion of education and the accessibility of tertiary education.
- The availability of employment that requires skilled labour.
- Incomes that allow for quality housing and essential living expenses.
- Comprehensive, high quality and affordable services such as healthcare and the provision of social safety nets.
- The availability of financial assets that secure financial security in light of unforeseen economic hardship and allow the middle class to maintain itself across generations.
- Collective action and bargaining power among labour unions and professional associations for better wages and working conditions.

In Jordan, specifically, the middle classes expanded as a result of economic growth in the 1970s and 1980s, higher rates of education, an expansion in public sector employment, the service-orientation of the economy and migration to the Gulf. The 1988 - 1989 economic crisis, the subsequent structural adjustment program and consequent changes in the social contract have been attributed with changing or eliminating some the conditions that created the middle class in Jordan.<sup>3</sup>

*In its Executive Program for 2010, the Government of Jordan has identified "expanding the middle class and enabling and protecting the underprivileged" as one of its seven priorities.* The Economic and Social Council (ESC) works to provide evidence-based policy recommendations in order to aid the government in achieving its goals. It is in this vein that the social policies unit at the ESC worked to present this policy paper on "Assessing the Middle Class (2008)".

## METHODOLOGY

This policy paper relies on data provided by the Department of Statistic's Household Income and Expenditure Survey of 2008. The survey is nationally representative covering the twelve districts of Jordan and is conducted at the sub-district level. The survey follows a stratified, two-stage cluster sampling methodology.<sup>4</sup>

<sup>3</sup> Saif, I. and Tabbaa, Y. (2008) "Economic Growth, Income Distribution and the Middle Class in Jordan (2002 – 2006)", CSS Papers, Centre for Strategic Studies – University of Jordan.

<sup>4</sup> For more information, please visit [http://www.dos.gov.jo/sdb\\_ec/sdb\\_ec\\_e/index.htm](http://www.dos.gov.jo/sdb_ec/sdb_ec_e/index.htm). All data in the paper is taken from this survey unless otherwise stated.

Using the data, this paper will focus on those identified as middle class and portray a socio-economic profile of their characteristics and their income and expenditure dynamics.

In order to identify middle class households, data generated from the Department of Statistics' Household and Expenditure Survey was used to determine a middle class per capita expenditure range. There are many ways to measure the middle class (please refer to annex one for a detailed literature review). For the purposes of this paper, **households were considered middle class if their annual per capita expenditure was at least two but no more than four times the general poverty line<sup>5</sup>** as determined by the Department of Statistics and the Ministry of Planning and International Cooperation.<sup>6</sup>

This quantitative definition of the middle class was supplemented with *a set of descriptive indicators based on a more qualitative view of the middle class*. As mentioned in the introduction, secure skilled jobs, home ownership as well as health insurance and social security are some of the most commonly mentioned attributes of the middle class that work to insure their financial security. Research into these indicators has found that in Jordan in 2008:

- b) Salaried professionals and associate professionals (which include doctors, lawyers, engineers, pharmacists, technicians etc.) make up 34 percent of the total employed labour force in Jordan.<sup>7</sup> Most professionals in Jordan are also members of national professional associations. Professional associations in Jordan represent the most active avenue for civic engagement, as they are involved in collective bargaining agreements, maintaining labour rights and protecting the interests of their members. Historically the middle class has been associated with this type of activism and one can expect to find the typical prototype of an engaged, well-educated middle class professional among this group.
- c) 46.6 percent of working Jordanians are covered by social security.<sup>8</sup>
- d) 86 percent of Jordanians are covered by health insurance according to official figures.<sup>9</sup>

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<sup>5</sup> This methodology has been adapted from J. Wheary, T. Shapiro and T. Draut (2007) 'By a Thread: The New Experience of the America's Middle Class', Demos and The Institute on Assets and Social Policy at Brandeis University. The expenditure range can be further validated or more strongly defined through a calculation of an agreed on middle class cost of living in Jordan. This is an area of further research.

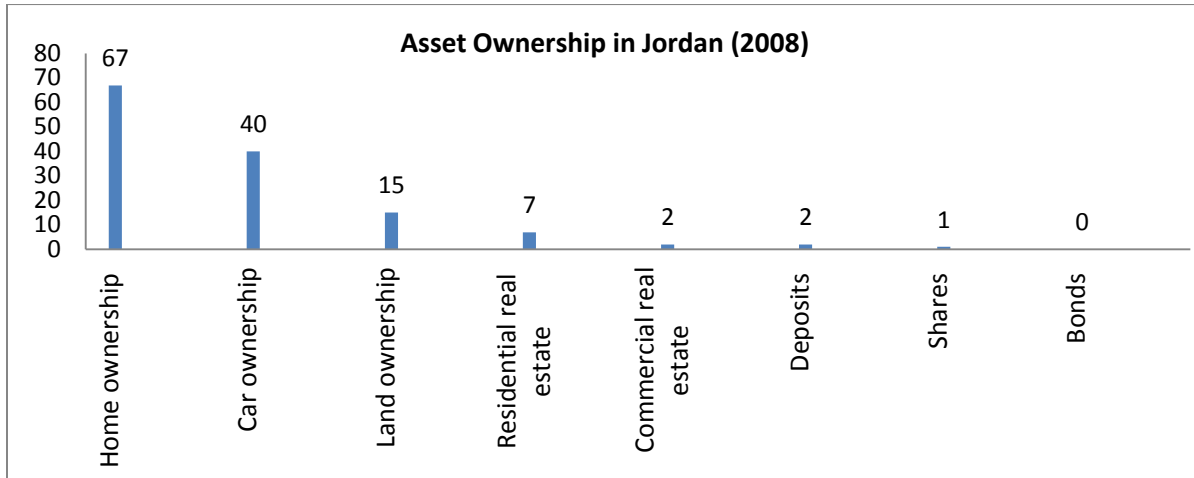
<sup>6</sup> The poverty line in Jordan is calculated following World Bank methodology. This is based on a calculation of the cost of the minimum calorific requirements of individuals in Jordan (known as the food poverty line), combined with a non-food poverty line (that is calculated as a ratio of non-food expenditure to the food poverty line) to form the general poverty line. For more information please refer to the Department of Statistics "Report on the State of Poverty in Jordan: Using 2008 Figures" (12 July 2010) and "Appraisal of Poverty Indicators Based on Household Expenditure Survey 2005" (2006).

<sup>7</sup> Data from Department of Statistics "Employment and Unemployment Survey" 2008, [www.dos.gov.jo](http://www.dos.gov.jo)

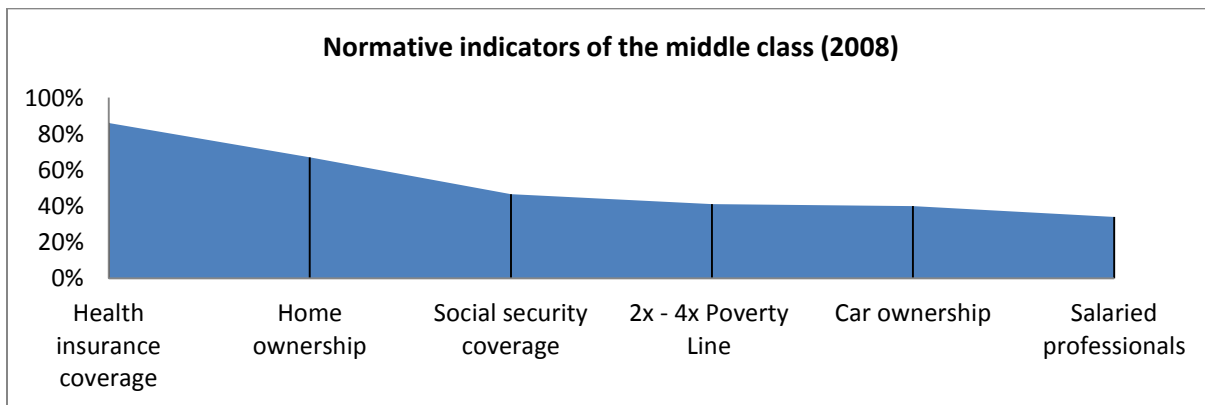
<sup>8</sup> Data from Social Security in Numbers, volume 7, 2008, [www.ssc.gov.jo](http://www.ssc.gov.jo)

<sup>9</sup> A workshop on health insurance conducted by the Economic and Social Council in partnership with the Social Security Corporation in March 2010 shed light on the lack of consensus regarding the rate of health insurance coverage in Jordan. 86 percent is one of the agreed upon figures however the rate ranges between 86 percent and 64 percent depending on the nature of the coverage.

- e) Home ownership is the most common assets owned by most Jordanian households at a rate of 67 percent, followed by car ownership at 40 percent.



Taking these indicators into consideration, a more complete image of the conditions of the middle class in Jordan emerges. **This study however will continue to rely on the benchmark set at the outset of two times to four times the poverty line as its definition of the middle class.**<sup>10</sup>



<sup>10</sup> In fact, a regression analysis was conducted to define the middle class according to variables such as head of household education level, occupation, homeownership, car ownership and household size, independent of expenditure. This did not yield reasonable results, mainly due to the definition of head of household in the survey as the 'decision-maker' rather than main bread winner. *Thus we maintain that expenditure is a fair measure of the middle class in light of the design of the available data.*

*Other methodological difficulties encountered are: a) our measure of the middle class is highly dependent on the calculated poverty line, thus implicitly assumes the accuracy of that calculation, b) changes in the base year cause changes in the location and size of the middle class and c) comparisons over time require that the base year remain consistent at all times.*

## DATA ANALYSIS

### A Profile of Middle Class Households

#### *Identifying the Middle Class*

Following the proposed methodology, the highlighted row represents individuals whose annual per capita expenditure is at least two and no more than four times the general poverty line – i.e. the identified middle class. **Under these guidelines, this translates into an annual per capita (individual) expenditure range of 1360 – 2720 JOD for 2008.**<sup>11</sup>

Table 1 – Group Categorization Key

Group	Annual Per Capita Expenditure Range (JOD)	Average Household Size	Approximate Monthly Household Expenditure (JOD) <sup>12</sup>	Proportion of Total Population (%)
Below Poverty	Less than 680	7.1	Less than 402	13.3
Below Middle Class	680 - < 1360	5.8	402 - < 657	37.5
Middle Class	1361 - < 2000	4.8	657 - < 800	35.5
Upper Middle Class	2001 - < 2720	3.9	800 - < 884	5.6
<b>Total Middle Class</b>	<b>1361 - &lt; 2720</b>	<b>4.5</b>	<b>510 - &lt; 1,020</b>	<b>41.1</b>
Affluent Class	2721 +	3.9	884+	8.2

Table 2 – Detailed Sub-Groups

Group	Sub-Group	Minimum annual per capita expenditure (JOD)	Maximum annual per capita expenditure (JOD)
Below Poverty	A	117	510
	B	511	633
	C	634	739 (poverty line at 680 JOD)
Below Middle Class	D	740	855
	E	856	978
	F	979	1121
	G	1122	1318
Middle Class	H	1319	1628 (Middle class starts at 1360 JOD)
	I	1629	2308
Upper M. Class and Affluent Class	J	2311	18225 (Affluent class starts at 2720+ JOD)

In order to justify the identified middle class sub-groups, the work status and occupation type of the head of household was explored so as to cross validate with social theory on middle class definitions.

<sup>11</sup> The poverty line for 2008 was 680 JOD (based on 2006 prices) as released by the Department of Statistics.

<sup>12</sup> Please note overlap in household expenditure ranges across the groups is due to changes in average household size. The inclusion of this column is simply to ease perception of the numbers; however the study is dictated by per capita expenditure – in which there is no overlap between the groups.

Class theory has long concerned itself with definitions of the middle class, and different approaches look at class analysis through different lenses:<sup>13</sup>

- Broadly speaking, stratification research looks at class (including the middle class) in terms of individual attributes and life conditions such as race, sex, education, skills, and geographical location. This will be tackled in the section below on profiling the middle classes in Jordan.
- The Weberian perspective defines classes by access and exclusion from certain economic opportunities such as types of occupations. In this approach the middle class is defined by its mechanisms of exclusion over the acquisition of skills and education suitable for so-called white collar jobs.
- Finally, the Marxist approach defines classes by the ability of one group to control the labour of another group and by restricting access to certain positions or resources. In this case the middle classes in specific are defined as those that lie in a contradictory location as they have control over labour of others, while simultaneously need to work to survive.

When combined, these theories allow us to define middle class occupations as (i) managers and supervisors, (ii) small employers and the self-employed and (iii) semi-autonomous employees (professionals) such as designers or engineers.<sup>14</sup>

- Looking at the identified middle class sub-groups (H, I and 40 percent of J), we can see that the majority of heads of households are employees (70 percent), while a smaller proportion are either employers (16.2 percent) or self-employed (13.6 percent).

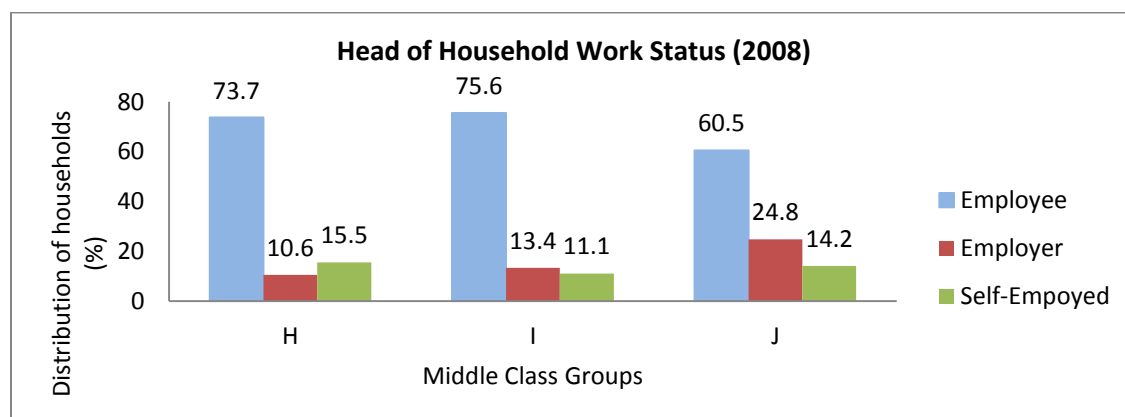


Figure 3 please note that in this graph only the upper middle class is included in sub-group J

<sup>13</sup> E. Wright 'Understanding Class: Towards an Integrated Analytical Approach' in *New Left Review* no. 60, Nov – Dec 2009.

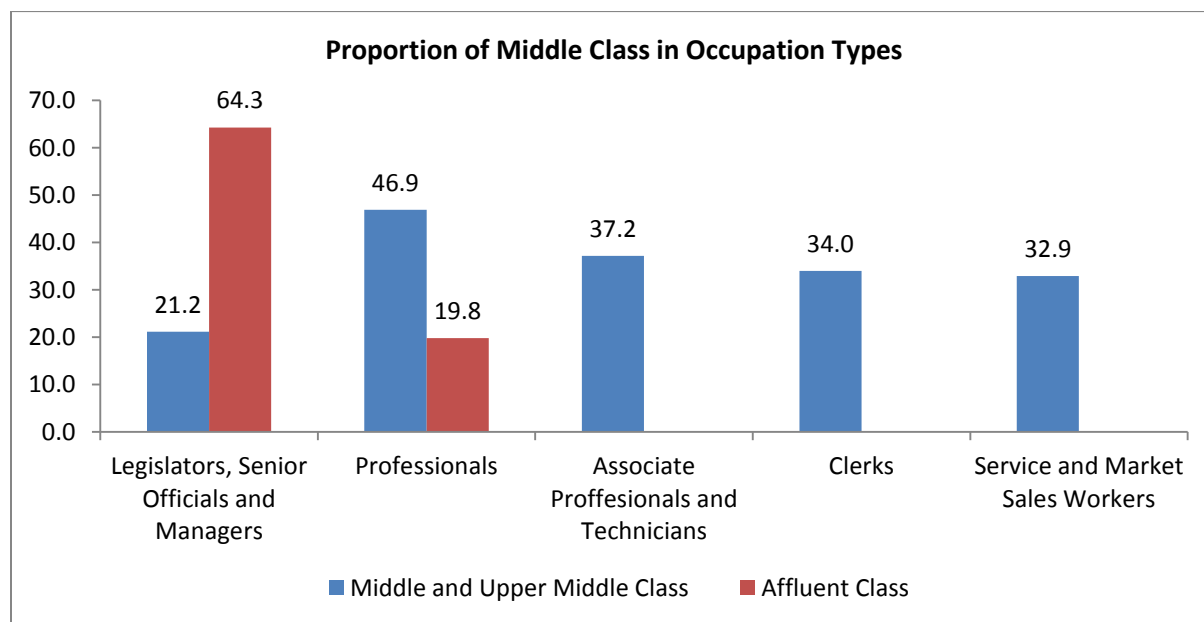
<sup>14</sup> E. Wright 'Class and Occupation' *Theory and Society*, Vol. 9, No. 1, Special Issue on Work and the Working Class. (Jan, 1980), pp.177-214. J. Goldthorpe 'Class Analysis and the Reorientation of Class Theory: The Case of Persisting Differentials in Educational Attainment' *The British Journal of Sociology*, Vol. 47, No. 3, Special Issue for Lockwood. (Sep., 1996), pp.481-505

- In order to determine whether the percent of employed heads of households are in the above defined middle class jobs, the proportion of each sub-group in each occupation type<sup>15</sup> was calculated:
  - 21.2 percent of legislators, senior officials and managers belonged to the upper middle class while 46.9 percent of professionals belonged to the middle class.

**This clearly shows that the identified sub-groups represent the middle and upper middle class occupations.**

- 35 percent of associate professionals, technicians, clerks and service workers also belonged to the middle class in 2008.

**Thus, it can be assumed that the identified sub-groups also represent the middle and lower middle class occupations.**



#### *Profiling Middle Class Households*

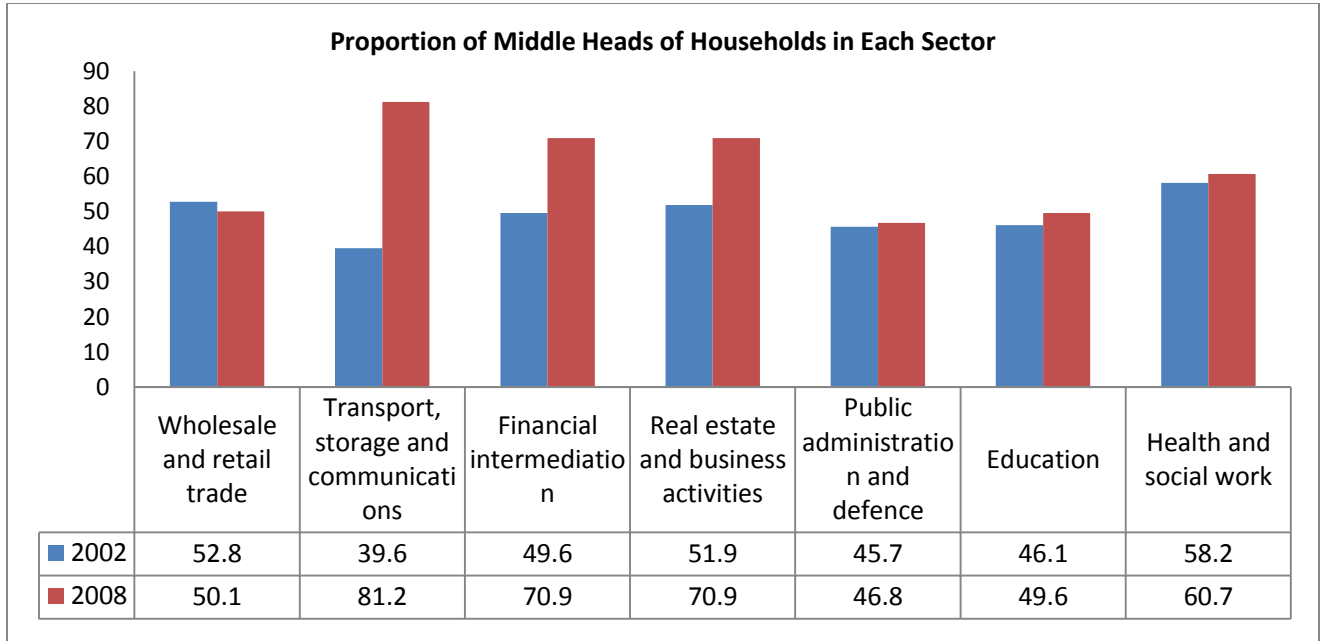
- The average middle class family size in 2008 was 4.5 individuals (national average was 5.7). There is a direct correlation between increased household wealth and decreased family size, whereby the poorest households are made up of 7.1 individuals and the richest households are made up of 3.9 individuals.

<sup>15</sup> These classifications are based on the ILO International Standard Classification of Occupations whereby Group 1 consists of legislators, senior officials, corporate managers and general managers. Group 2 consists of professionals, Group 3 consists of associate professionals and technicians, Group 3 consists of office clerks and customer relations clerks, and Group 4 consists of personal service workers, salespersons and models.

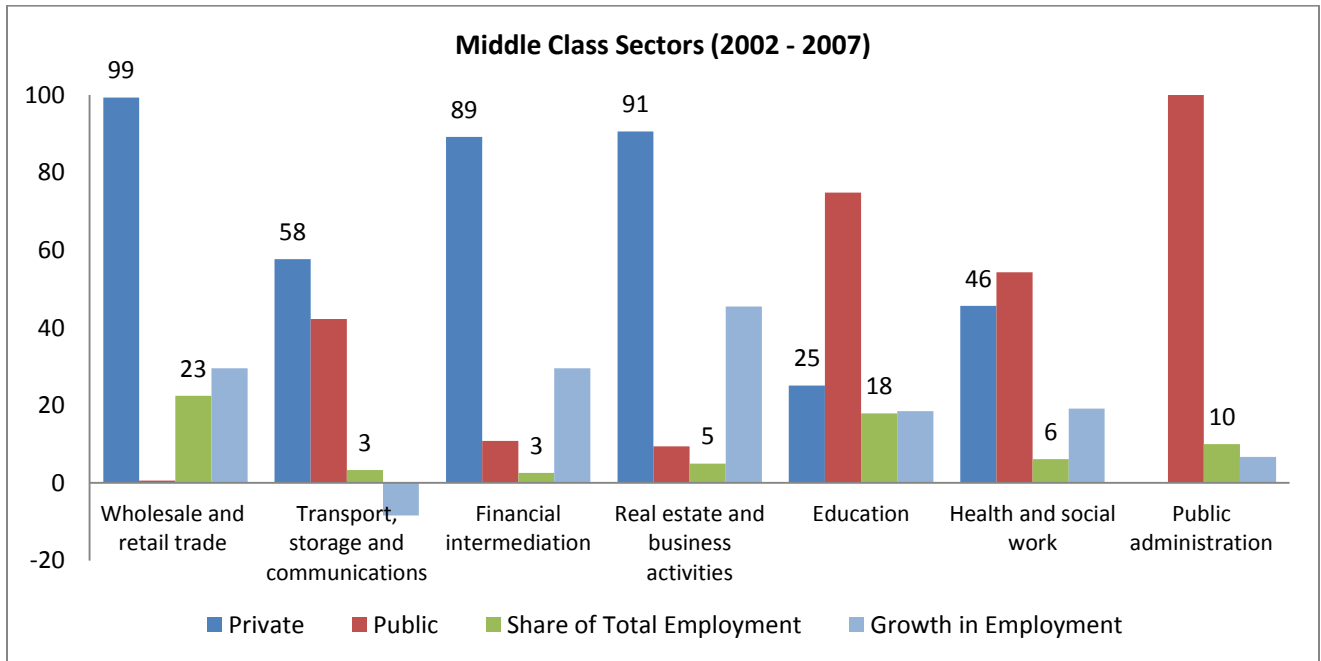
- Middle class households made up 39 percent of all female-headed households in 2008. **Female-headed households are strongly correlated with increased family wealth due to migration of males in seek of higher paying jobs abroad and the subsequent transfer of remittances.**
  
- 46.2 percent of heads of households that obtained a bachelor’s degree belonged to the middle class in 2008 while 22.7 percent belonged to the affluent class. 51.4 percent of master’s graduates belonged to the middle class and 26.4 percent belonged to the affluent class. 45.3 percent of PhD holders belonged to the middle class and 49.5 percent belonged to the affluent class. **We can conclude that higher education and wealth are positively correlated, whereby higher education brings wealth and vice versa.**
  - It should be noted that 31 percent of Bachelor’s degree holders do not belong to the middle class or the affluent class.
  
- The graph below represent the proportion of middle class heads of households in a number of economic sectors over the period 2002 – 2008:
  - The middle classes work in some of Jordan’s largest sectors in terms of employment such as wholesale and retail (wholesale, commission and retail trade), education (primary, secondary, higher and adult education) and the public administration and defense sector (state administration, government services, foreign affairs and public order and security).
  
  - However the highest share of the middle classes work in the transport, communication and storage sector (activities related to air, land and sea transport including travel agencies, telecommunications and post, cargo handling, storage and warehousing), the finance sector (insurance and financial intermediation such as banking, credit leasing and stock brokerage) , the real estate and business sector (such as advertising, accounting, consulting, legal, IT and research business activities) and the health (medicine, dentistry, hospital and clinic work as well as veterinary) and social work sector.<sup>16</sup>

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<sup>16</sup> For more information regarding these sectors please refer to the International Standard Industrial Classifications of All Economic Activities, Rev. 3, found at <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=2>



- Growth in middle class employment between 2002 and 2008 was driven by the transport, storage and communication sector, the financial intermediation sector and the real estate and business sector.



- The graph above shows a clear stratification between two different types of middle class in terms of jobs:

- *The traditional public sector driven middle class* that works in education, health and social work and public administration. These sectors share important features for the growth of the middle class, namely job security and benefits. While education and public administration claim a large share of total employment, there has been little room for more growth in these sectors.
- *A new and emerging private sector driven middle class* that works in finance, transport and communication, and real estate and business. Finance, real estate and communication are among Jordan’s top paying sectors. These sectors also require advanced levels of education in specialized degrees and thus entry is restricted to those that can afford this type of education. These sectors claim a small share of total employment but have exhibited high growth rates. **Policies that enable these sectors to grow in terms of total employment will allow for the creation of more middle class jobs and contribute to the growth of the middle class.**
- In terms of geographical location middle class households in 2008 made up 37.8 percent of households in Amman, 31.5 percent of households in Kerak, 29.6 percent of households in Maan and 28.7 percent of households in Aqaba.
- In total, middle class households made up 32.2 percent of urban households and 22.2 percent of rural households.

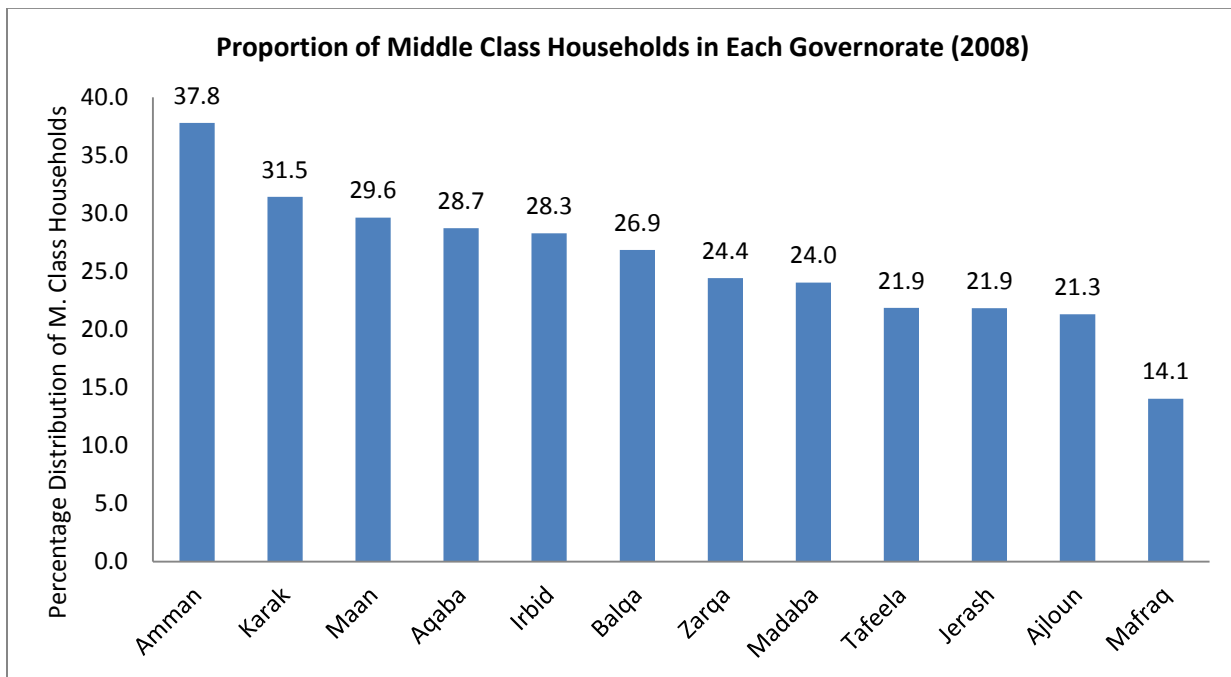


Figure 7 middle class rates are calculated using the national poverty line for 2008 and not the unique poverty lines for each governorate.<sup>17</sup> Furthermore this graph is based on the distribution of households across the governorates, and not individuals, thus explain the deviation from the average of 41.1 percent middle class individuals in Jordan.

<sup>17</sup> In order to calculate the accurate percentages of middle class households, it is suggested that the methodology presented in this paper is replicated for each governorate using its unique poverty line.

**Trends in Income and Expenditure Distribution 2008**
*Table 3 – Expenditure Distribution in 2008*

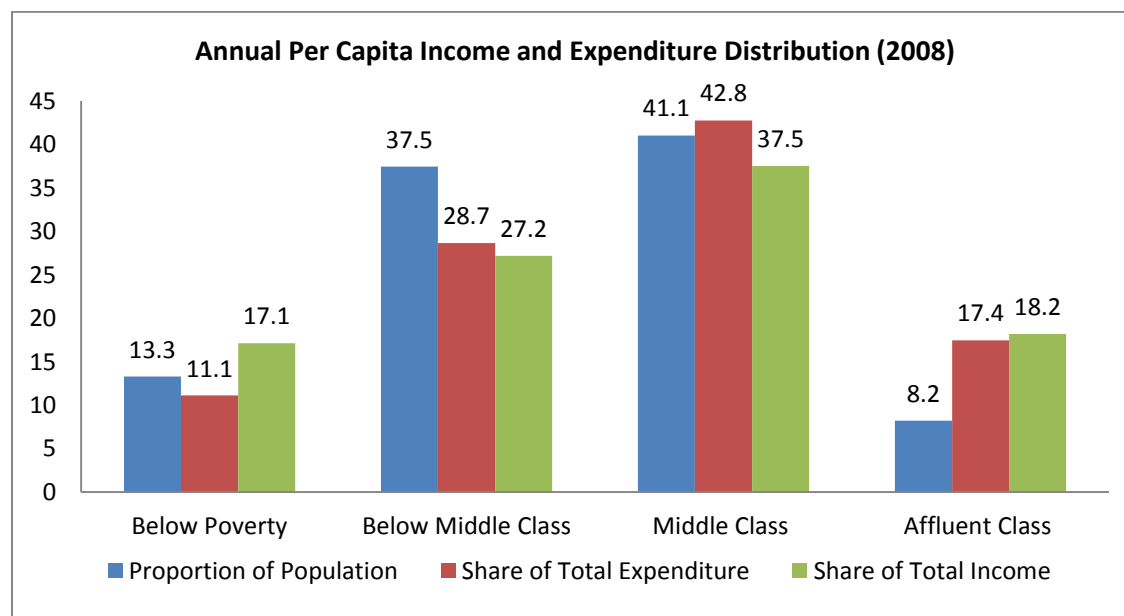
<b>Annual Per Capita Expenditure Groups (JOD)</b>	<b>Share of Total Expenditure (%)</b>	<b>Distribution of Individuals (%)</b>	<b>Cumulative Distribution of Individuals (%)</b>
less than 300	0.2	0.3	0.3
300 - < 400	0.8	1.1	1.4
400- < 500	2.1	2.5	3.9
500- <600	3.4	4.3	8.2
600- <700 (Poverty line at 680 JOD)	4.6	6.7	14.9 (13.3% below poverty)
700- <800	5.5	6.9	21.8
800- <900	5.6	7.8	29.5
900- <1000	6.5	7.3	36.8
1000- <1200	11.1	14.0	50.8 (median)
1200- <1400 (Middle Class starts at 1360 JOD)	8.8	11.1	61.9
1400- <1600	7.3	8.3	70.2
1600- <1800	5.8	6.0	76.2
1800- <2000	4.1	4.6	80.7
2000- <2200	4.7	5.6	86.3
2200- <3000 (Affluent class starts at 2720 JOD)	12.1	5.5	91.8
+3000	17.4	8.2	100

*Table 4 - Income distribution in 2008*

<b>Annual Per Capita Income Groups (JOD)</b>	<b>Share of Total Income (%)</b>	<b>Distribution of Individuals (%)</b>	<b>Cumulative Distribution of Individuals (%)</b>
less than 300	1.0	2.4	2.4
300 - < 400	2.3	4.1	6.4
400- < 500	4.0	6.1	12.6
500- <600	4.9	8.0	20.5
600- <700 (Poverty line at 680 JOD)	5.0	8.2	28.6
700- <800	6.0	6.9	33.7
800- <900	5.6	7.2	42.8
900- <1000	5.6	7.1	49.9 (median)
1000- <1200	10.0	11.1	61
1200- <1400 (Middle class starts at 1360 JOD)	7.7	9.2	70.2
1400- <1600	6.9	6.1	76.3

1600- <1800	5.4	4.6	80.9
1800- <2000	4.8	3.9	84.8
2000- <2200	3.7		87.6
2200- <3000 (Affluent Class starts at 2720 JOD)	9.0	9.3	94.1
+3000	18.2	5.9	100

- In 2008, individuals below the poverty line represent 13.3 percent of the population, earned 17.7 percent of total income and spent 11.1 percent of total expenditure.
- The below middle class group consists of individuals whose annual per capita expenditure is just above the poverty line and just under two times the poverty line. They lie between the poor and the lower middle class and are at the threshold of either falling into poverty or moving upwards into the lower middle class.
  - a) In 2008, the below middle class group represents 37.5 percent of the population, earned 27.2 percent of total income and spent 28.7 percent of total expenditure.
- **In 2008, the middle classes comprised of 41.1 percent of the population. They earned 37.5 percent of total income and spent 42.8 percent of total expenditure.**
- The number of individuals spending more than four times the poverty line comprised of 8.2 percent of the total population in 2008. They earned 18.2 percent of total income and spent 17.4 percent of total expenditure.



### Changing Sources of Income

While wages from employment remain the most important source of income, they are not the only source. Jordanian’s also rely on government transfers (such as financial assistance from the National Aid Fund), remittances from abroad, property and rents, assets and capital gains as supplementary sources of income.<sup>18</sup>

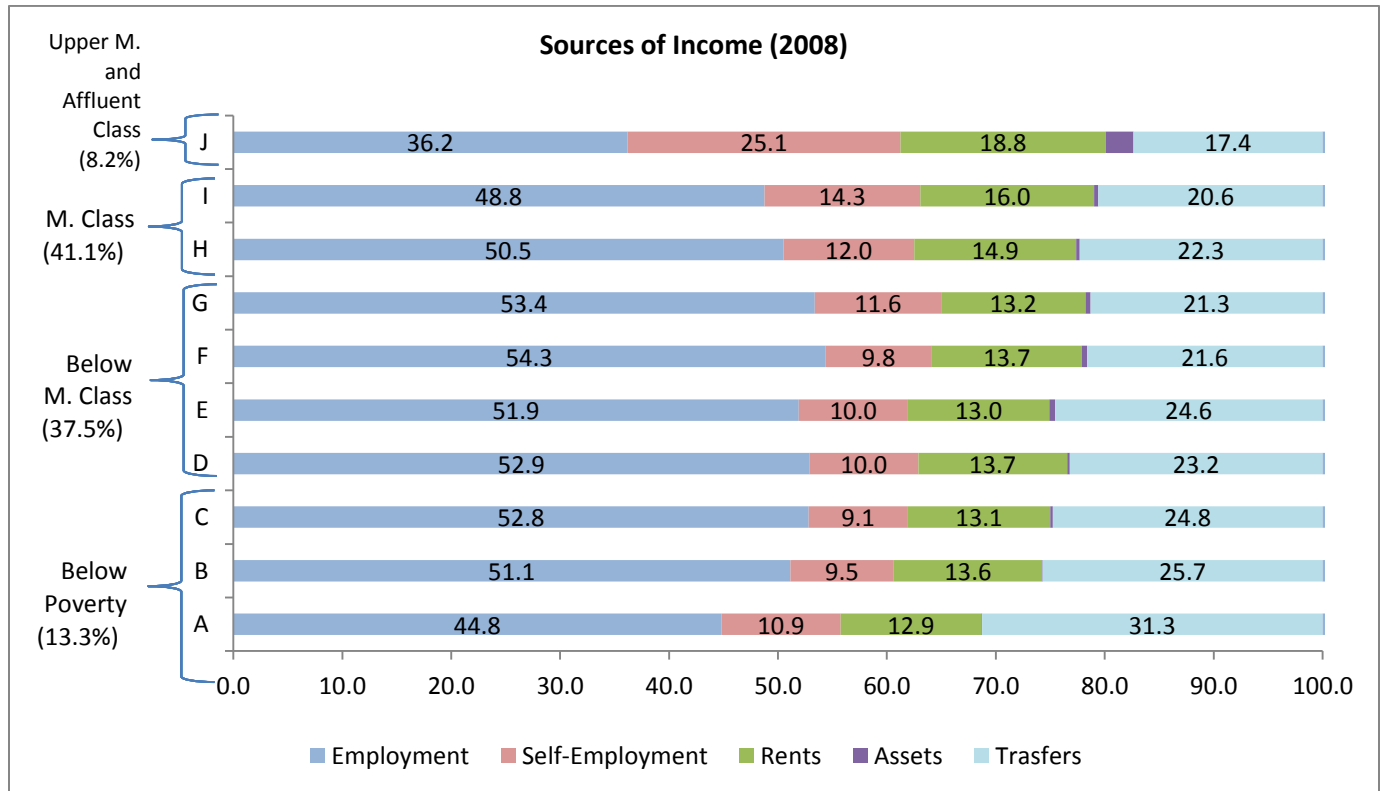
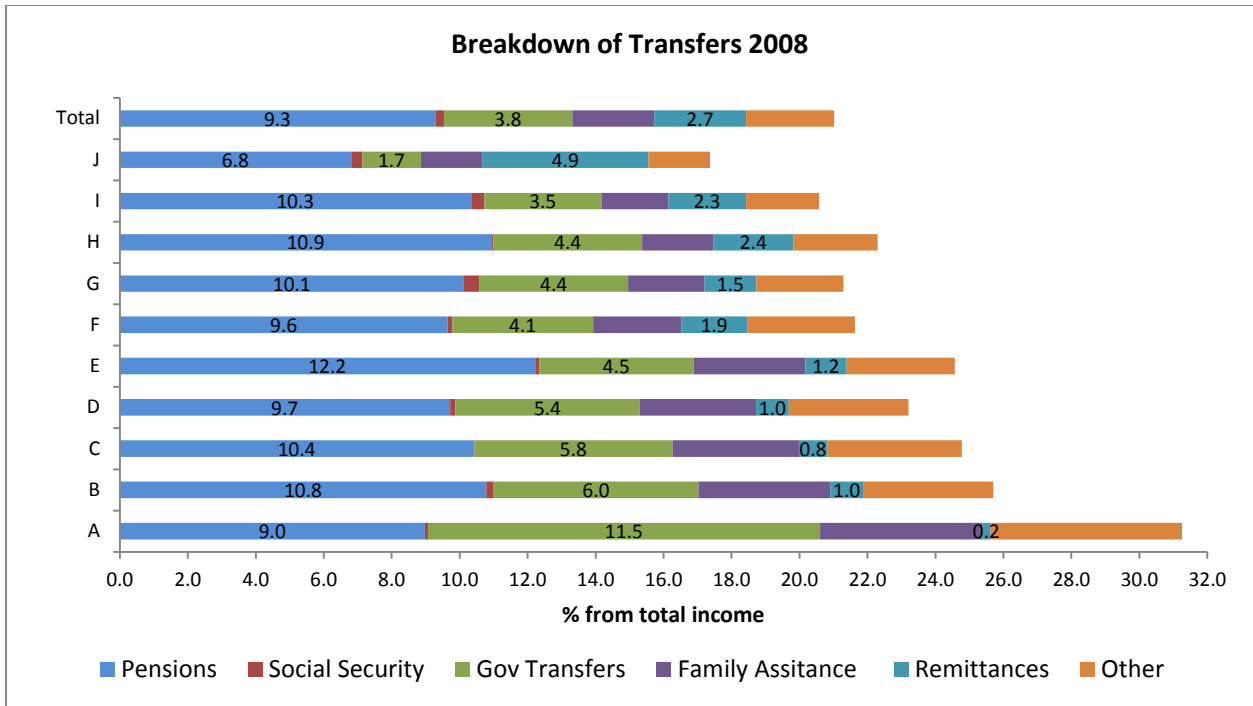


Figure 9 please note that in this figure, sub-group J could not be split into upper middle and affluent class

- Transfers continue to play a large role in sustaining household income, and as we go up the sub-groups the nature of transfers changes from government (and non-government) aid to remittances from abroad. The figure below highlights the breakdown of different sources of transfers and how their composition changes across the sub-groups

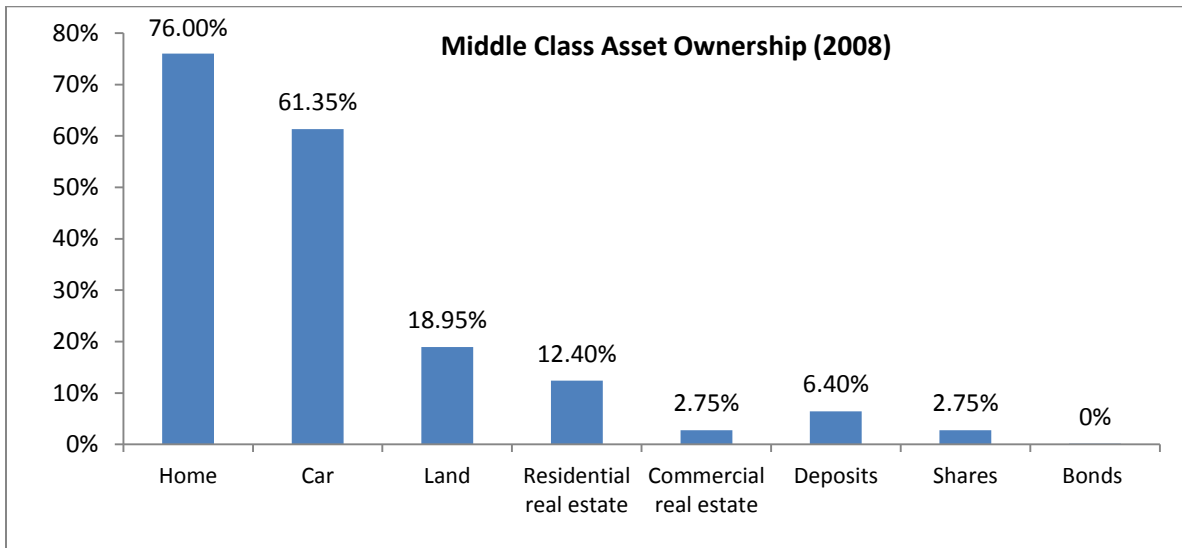
<sup>18</sup> According to the Department of Statistics the definitions of sources of income are as follows: Employment is defined as income from wages, self-employment is defined as income derived from self-employment activities, rents is defined as the value of owned property as well as income derived from leased property and other physical assets, assets is income derived from interest on stocks and shares, while transfers are defined as incomes derived from government financial assistance, other non-governmental forms of assistance as well as remittances from abroad.



- **The upper middle class and the affluent class rely the most on self-employment at 25.1 percent of total income and rely the least on income from wages at 36.2 percent**
  - This could reflect a rise in this group’s entrepreneurial capacities and establishment of small and medium enterprises. **Policy measures should work to protect and allow such businesses to continue to grow.**
- **Conversely the middle class and the below middle class group exhibit the highest reliance on income from wages at 50 percent and 53.1 percent respectively.**
- Unproductive sources of income in the form of rents, assets and transfers make up 37.2 percent of the average middle class income. Such a high dependency on unproductive income, i.e. income that is not a result of waged labour, reflects middle class attitudes in Jordan, or lack thereof, related to valuing hard work, innovation and entrepreneurship. This also reflects in conspicuous consumption patterns among the middle class that are often disconnected from occupations and salaries.
- Assets comprised of 0.5 percent of total income in 2008. The only group that exhibits a somewhat significant share of assets is sub-group J at 2.5 percent, made up of the upper middle class and the affluent class.
  - The most common asset owned by the middle class is their home at 76 percent, followed by private car ownership at 61.4 percent. 14 percent of the middle class own land compared to 23 percent of the upper middle class and affluent class. It is noticeable that financial assets

such as stocks and bonds make up a very small proportion of individually owned assets in Jordan.

- Ownership of property (rents) and assets is seen as a transformative force for families, as they represent a families’ safety net in hard times and gives the next generation a head start.



### Household Expenditure Patterns

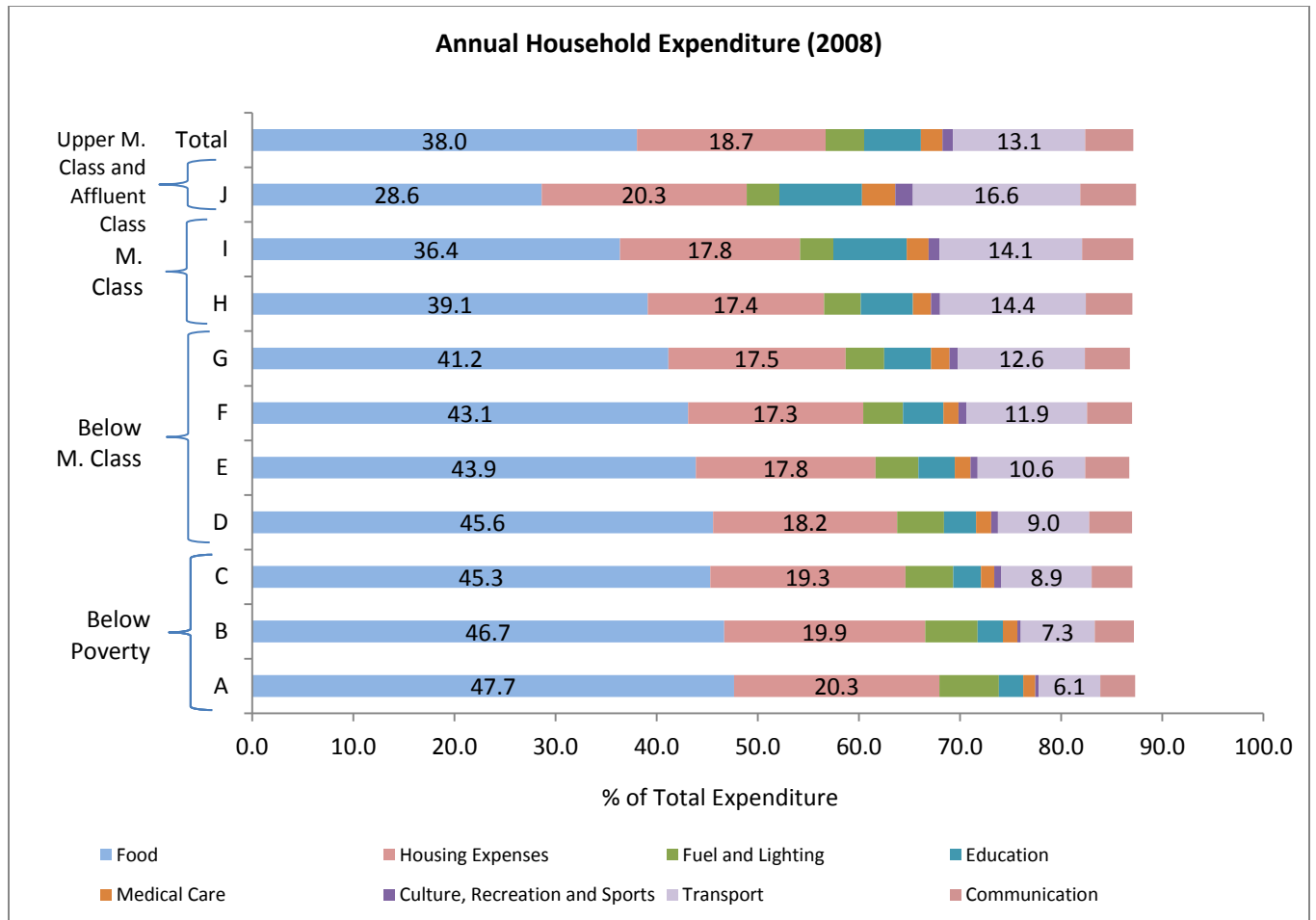
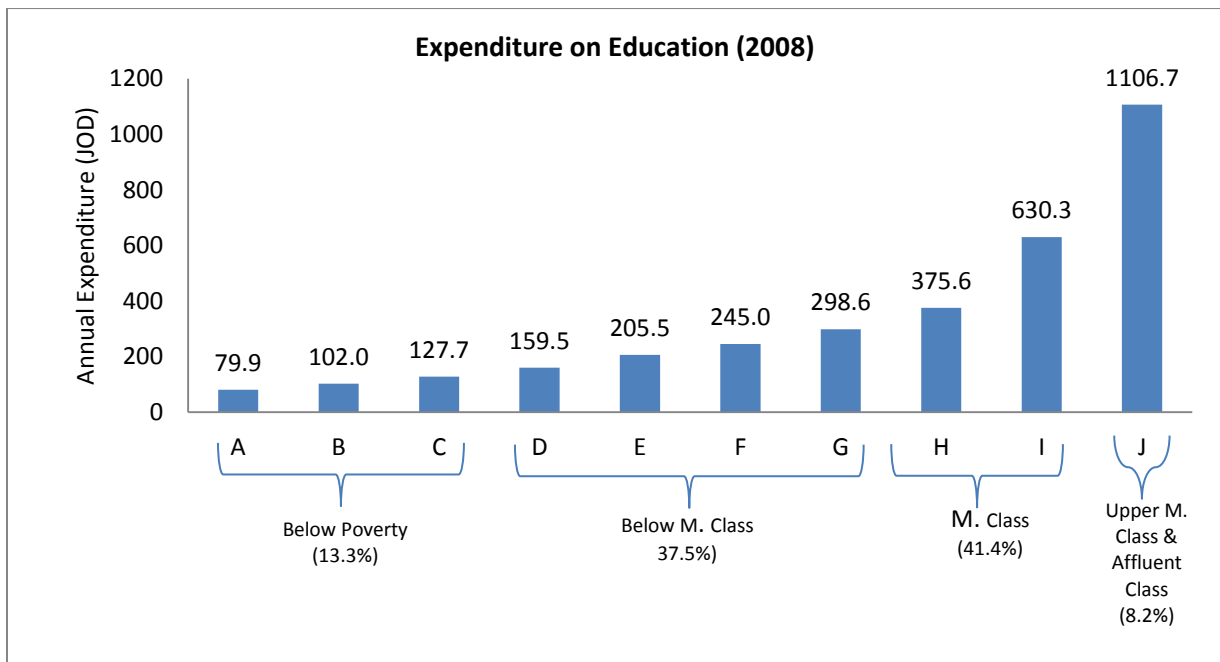


Figure 11 please note that in this figure, sub-group J could not be split into upper middle and affluent class

- From the above graph it is evident that consumption on food makes up the largest share of total expenditure, followed by transport and housing expenses.<sup>19</sup> As we go up the sub-groups from poorest to richest, a decline in food as a percentage of total expenditure is noted, as more income is freed up to spend on other items.

<sup>19</sup> Transport expenses are defined as the value of an owned car, car servicing and insurance costs, value of other owned means of transport and cost of other means of transportation used. Housing and related expenses are defined as the value of rent or potential rent for an owned house, home insurance, security costs, maintenance costs, and water and sewage bills. All definitions are taken from the Household Income and Expenditure Survey Handbook (2008, Department of Statistics, Jordan).

- In 2008, middle class household expenditure<sup>20</sup> on food accounted for 37.8 percent of total expenditure, while household expenses accounted for 17.6 percent and transport and communication accounted for 18.9 percent.
- Striking discrepancies exist in expenditure on education, in both relative and absolute terms.
  - The upper middle class and the affluent class allocated 8.2 percent of total expenditure to education, while the middle class allocated 7.75 percent, followed by 3.9 percent allocated by those below the middle class and 2.5 percent allocated by those below poverty.
  - **In absolute term, the richest segment of the population spent almost two folds the amount spent by the middle class and almost fourteen times more than the poorest segment of the population.**



- The differences in expenditure on education across the population groups is explained by the fact the only the rich have the choice to pay for private education, whereas poorer groups rely on the public education system.
- Discrepancies in household expenditure in education are mitigated somewhat via the ministry of education’s spending on public education. However the gap between Jordan’s richest and poorest students remains gaping and **social mobility will remain limited unless the shortcoming of public education as addressed.**

<sup>20</sup> Please note that in this case the term middle class does not include the upper middle class i.e. sub-group J.

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## Annex 1 – Literature Review: Measuring the Middle Class

The middle class is an ambiguous term, broadly reflecting the ability to live comfortably. It is usually associated with enjoying stable housing, healthcare, educational opportunities that extend to university, pensions and job security, savings and disposable income. Definitions of the middle class usually stem from income data, and use this benchmark to build on the more qualitative characteristics of this social grouping.

### *The Quantitative Approach – Stems from Income and Expenditure<sup>21</sup>*

- a. Absolute approaches define the middle class as a fixed group in the income or consumption range. Kharas (OECD, 2010) defines the global middle class as individuals in the range of USD10 to USD100 in purchasing power parity per day (this translates to deciles 5 to 9 in global income distribution); Banerjee and Duflo (2007) use a measure of per capita daily expenditure of USD2 to USD4 and USD6 and USD10. The World Bank (2007) uses a definition of the global middle class as those with incomes between the mean level in Brazil and Italy. Cashell (2008) breaks income distribution into quintiles and allocates the middle 3 quintiles to the middle class.
- b. Relativist approaches look at income or expenditure distribution and place the middle class in the scale. Easterly (2000) defines the middle class as those the lie between the 20th and 80th percentile of consumption distribution (deciles 2 to 8). Birdsall, Graham and Pettinato (2002) define the middle class as those that earn between 75% and 125% the median income. Lesmerises (2007) begins her definition of the middle class in the US with median family income and defines its middle class range between the 20th and 80th percentile. Cashell (2008) also proposes that reliance on distance from the general poverty line can be used to measure the middle class, and Wheary et al (2007) relay on an income range of more than 2 times to less than 6 times the general poverty line.
- c. A relativist approach can be useful for exploring the relative income hypothesis that links happiness and satisfaction with position in overall income and expenditure distribution. In this view, economic wellbeing is conceptualized within a specific social context where as much importance is placed on inequality as on satisfaction of a set of needs or conditions.

### *Using Qualitative or Normative Indicators and Benchmarks*

- a. Qualitative yardsticks are used to add meat on the bone of a quantitative approach. Lesmerises (2007) cites a mortgage, car ownership and health insurance as the basic middle class household characteristics in the US in the 1970s. In the 1990s the study claims that a second car and child care costs are new additions. Wheary et al (2007) incorporate a college education as well as the above mentioned indicators. It is evident that history and culture play a significant role when determining the qualitative indicators of the middle classes in different countries.

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<sup>21</sup> Expenditure can be a more accurate measure of wealth when relying on self-reporting through household income and expenditure surveys, as income is commonly underreported by respondents.

- b. A more specific qualitative approach lies in Weberian and Marxist literature. In this case the middle class is defined according to its relationship to others in the labour force (regardless of income). For Wright (1980) the middle classes are defined as individuals that are either self-employed, autonomous employees or in managerial positions. A functionalist approach will define the middle class according to social attributes such as education and most importantly type of occupation (white collar or blue collar) as shown in Goldthorpe's class schema (1996).

#### *Using Self-Perception*

- a. A third approach of defining the middle class is to rely on public opinion surveys and to allow people to define for themselves what it takes to be middle class. This is linked to the relativist approach as it serves to understand how people position themselves and how this might reflect on values and opinions regarding social status and trends over time.
- b. Examples of such surveys begin with Peter Townsend's groundbreaking work on relative poverty (1979) in which he asked respondents what goods were considered to be necessities for sustaining decent living conditions in the UK.
- c. This approach can be adapted and reformulated to ask respondents to elaborate on their perceptions on what it takes to be middle class. Examples include the Pew Research Center's 'Inside the Middle Class: Bad Times Hit the Good Life' (2008), the National Opinion Research Center at the University of Chicago's database on self-identification of social class and the New York Times' project 'Class Matters' (2005).

*The methodology followed by the ESC, defining the middle classes as individuals that spend more than 2 times and no less than 4 times the poverty line, lies in the relativist school of thought. Definitions of the middle class will always be contested and it is difficult to provide accurate parameters for a group that most people believe they belong to. It is therefore less interesting to place too much emphasis on a precise definition. The focus should thus be on the number of individuals falling into a specific category over time, even if there is an element of arbitrariness about its boundaries.*

## Annex 2 – References and Further Reading

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- 4) Easterly, w. (2000) 'The Middle Class Consensus and Economic Development' Policy Research Working Paper 2346, World Bank, Washington DC
- 5) J. Goldthorpe 'Class Analysis and the Reorientation of Class Theory: The Case of Persisting Differentials in Educational Attainment' *The British Journal of Sociology*, Vol. 47, No. 3, Special Issue for Lockwood. (Sep., 1996), pp.481-505
- 6) Kharas, H. (2010) 'The Emerging Middle Class in Developing Countries' OECD Development Center Working Paper 285, Paris France
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- 8) National Opinion Research Center, 'General Social Survey' conducted since 1972 at the University of Chicago, Chicago
- 9) The New York Times (2005) 'Class Matters', May 2005, New York, NY
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- 12) Wheary, J., Shapiro, T. and Draut, T. (2007) 'By a Thread: The New Experience of the America's Middle Class', Demos and IASP joint paper, New York NY
- 13) The World Bank (2007) 'Global Economic Prospects 2007: Managing the Next Wave of Globalization' World Bank, Washington DC
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