

Understanding the Shifting Meaning of the Middle Class

By FRANK GRAVES

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EXOS

Introduction

- » This report represents a synthesis of public opinion findings from EKOS and others to help understand Canadians' attitudes regarding what it means to be middle class today.
- » This report was prepared for the Privy Council Office, and follows a review of the academic literature which looks at the evolving forces shaping the middle class from an economic and sociological perspective.
- » The views expressed in this report are those of EKOS Research Associates, Inc., and do not necessarily reflect the views of the Government of Canada.

Executive summary (i)

- » Issues related to the middle class are extremely salient to the public.
- » The confusion and disagreement evident among commentators does not reflect the clarity and salience within the public.
- » The longer-term literature examining structural forces tends to be closer to the public's view on the middle class crisis.
- » There is broad agreement that the 'middle class dream' and shared prosperity are not working in the 21st century.

Executive summary (ii)

- » Tepid growth and an acceleration of the concentration of wealth and income at the very top of society are critical factors.
- » The evidence is that positive intergenerational mobility is declining, particularly as we move from older to younger Canada.
- » Self-defined middle class membership has been declining, but the magnitude of the decline needs to be more clearly understood.
- » 'Middle class' is now all about the conspicuous absence of security, and no longer defined by progress where skills and effort produce forward movement.

Executive summary (iii)

- » The public are increasingly rejecting neo-liberalism and conditionally receptive to a more active role from the state to come up with a blueprint (and action) to restart middle class progress.
- » While self-defined class membership is very positively associated with income and education, there are even more powerful linkages to health and happiness.
- » Workplaces are a microcosm of the macro problems discussed above.
- » While there is a model associated with prosperity and wellbeing in the workplace, the trajectory for the key ingredients of that model is downward.

Executive summary (iv)

- » A foremost concern evident at both the micro and macro levels is declining emphasis on skills and knowledge.
 - Despite a consensus that Canada had to become “smarter,” Canadians are less apt to view higher education or the professions requiring it as priorities.
- » Of great concern, it appears that the era of stagnation and rising inequality at the top may have mutated into a rise in populism, nativism, and an “ordered” outlook (also known as an “authoritarian” outlook).
- » There is an urgent need to provide an updated empirical platform which refreshes and connects these key areas on a unified database, preferably using U.S.-Canada and (possibly other) cross-national comparisons.



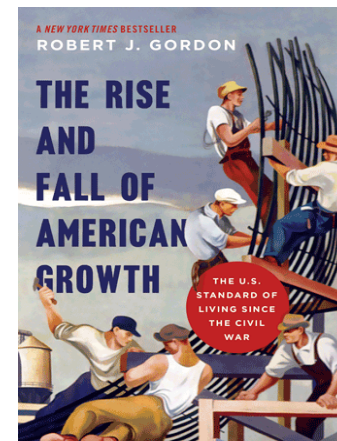
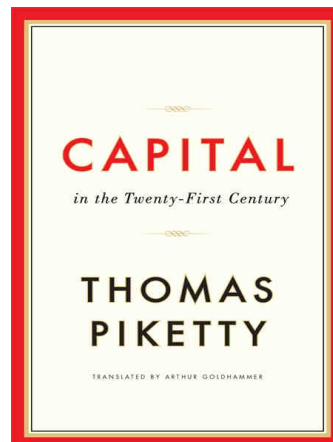
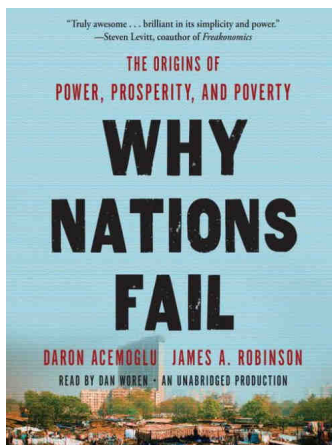
- 1) Summary of Literature Review**
- 2) The Meaning of the Middle Class
- 3) The End of Progress?
- 4) Sources of Middle Class Decline
- 5) Conclusions

Literature review (i)

- » The literature review describes a host of factors contributing to stalled middle class progress.
- » Rapidly growing income inequality, stagnating incomes, downward intergenerational mobility and jobs that are unsatisfying and poorly paid all factor in.
- » Miles Corak underscores two stories – one positive, one negative - that can be drawn from the literature and the statistics.
- » He also notes that rising inequality is associated with declining intergenerational mobility.
- » Our research first identified the extent of the End of Progress in 2012. The problem appears to have worsened since then.

Literature review (ii)

- » There are a few particularly important works to note:
- **Darren Acemoglu, Why Nations Fail:** Shows what happens when incentive systems fail and institutions become extractive, rather than inclusive.
 - **Thomas Piketty, Capital in the 21st Century:** Uses tax data to show the long term patterns of inequality.
 - **Robert Gordon, Rise and Fall of American Growth:** Points to the end of middle class progress in the 1980s as neoliberal policies took hold and notes how little the “digital revolution” has revolutionized the economy.



Literature review (iii)

- » The Brexit vote and the U.S. election have brought even more focus to the issues of middle and working class angst.
- » One of the more pertinent post-U.S. election pieces connects the fall of the white working class from the middle class as a critical and misunderstood force. ⁽¹⁾
- » There is a clear connection between the literature and the polling data.
- » However, the public views the issues through an even darker lens.

(1) Joan C. Williams, "What So Many People Don't Get About the U.S. Working Class", *Harvard Business Review*, November 10, 2016. Available online at: goo.gl/vYvGJF



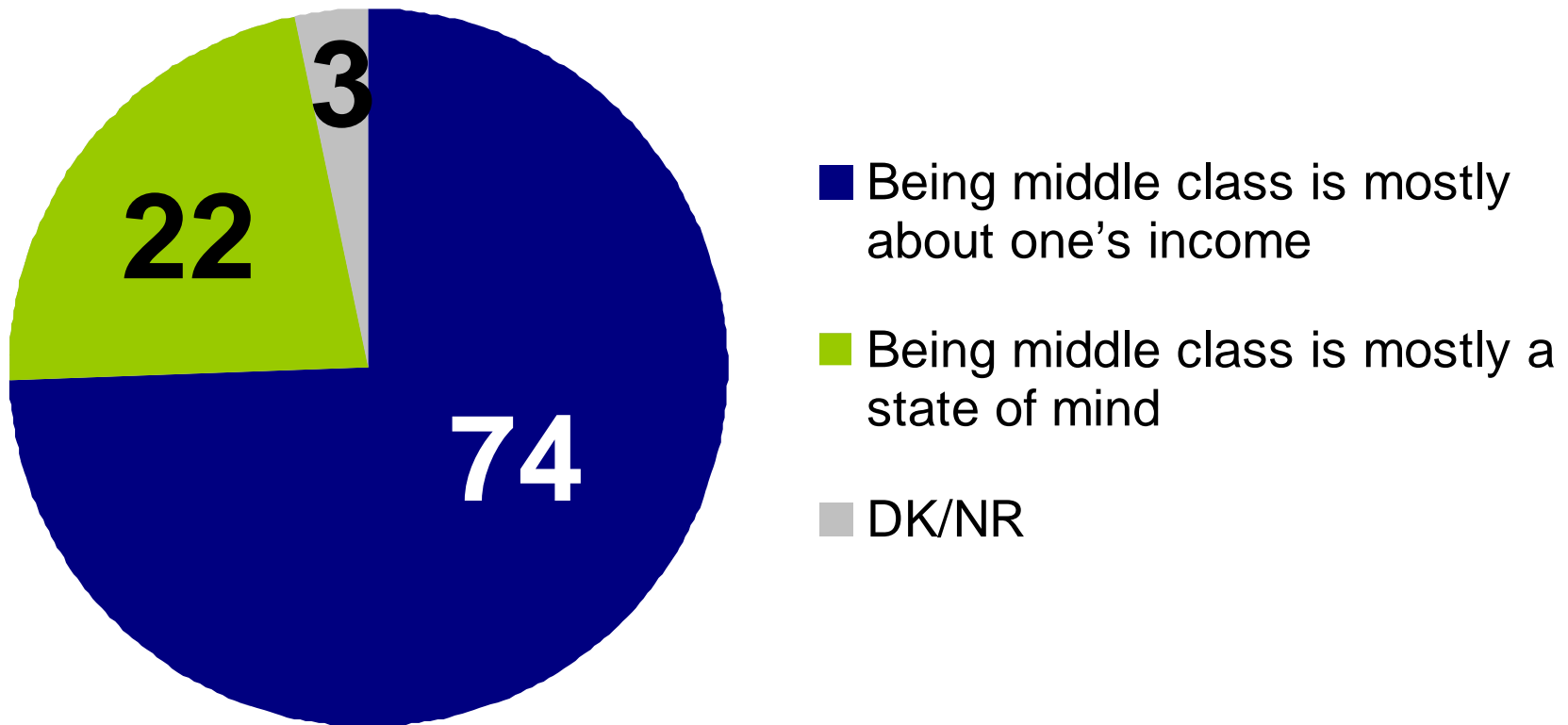
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Meaning of “middle class”

- » Where being “middle class” once conveyed a sense of upward mobility and progress within and across generations, this has changed.
- » We find the definition of “middle class” has shifted to mean security – in old age, in one’s job, in finances overall.
- » Having a better life than one’s parents, knowing that your children will do better and affording luxuries are less important.

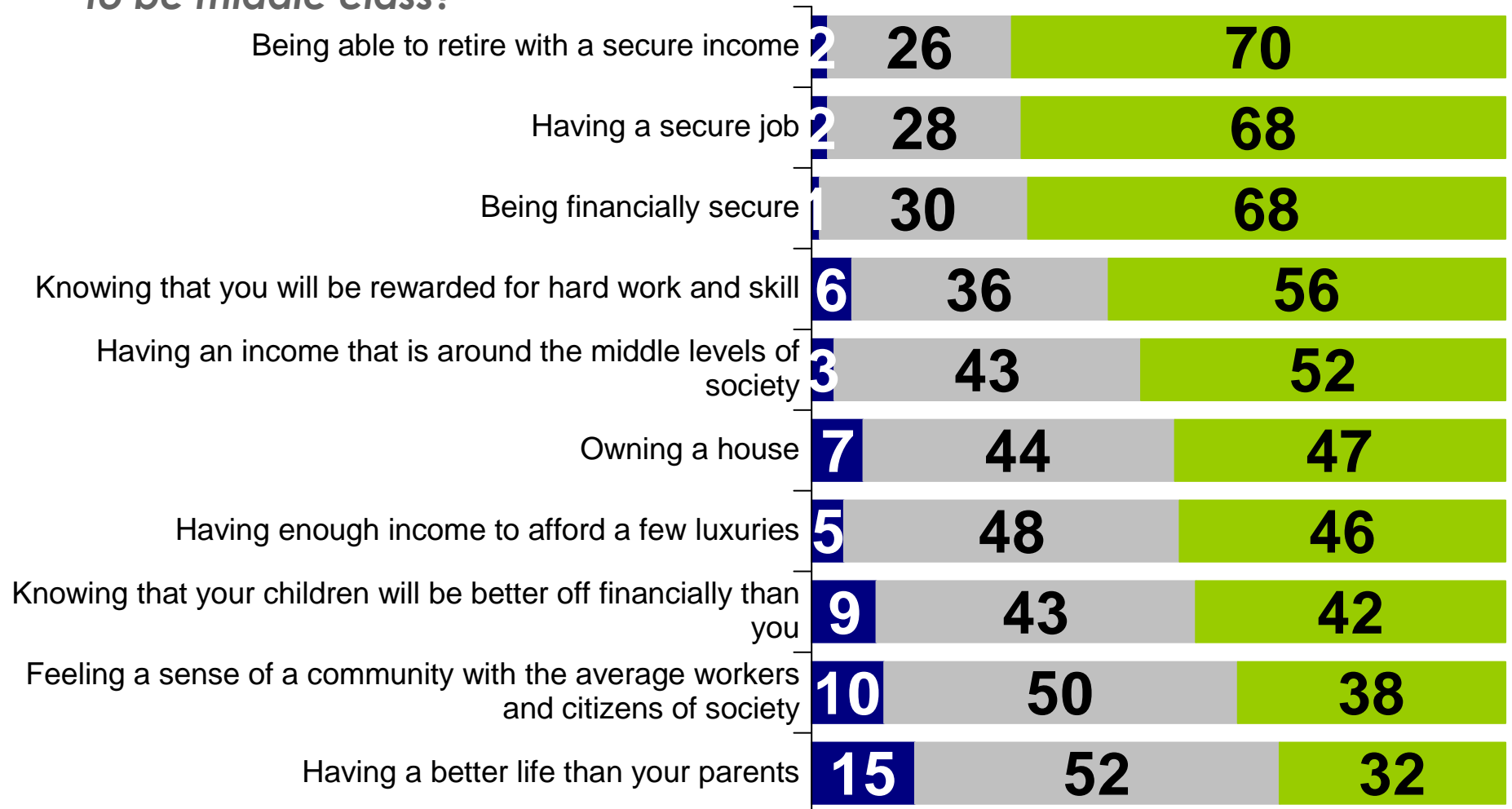
Meaning of “middle class”

Q. The term “middle class” means different things to different people. Some say that being a member of the middle class is mostly about one’s income levels, while others say it is mostly a state of mind, which includes a sense of security and progress. Which of these statements comes closest to your own point of view?



Meaning of “middle class”

Q. How important are the following aspects to your definition of what it means to be middle class?



■ Not important (1-2)
 ■ Somewhat important (3-5)
 ■ Important (6-7)

Statistical profile of the middle class

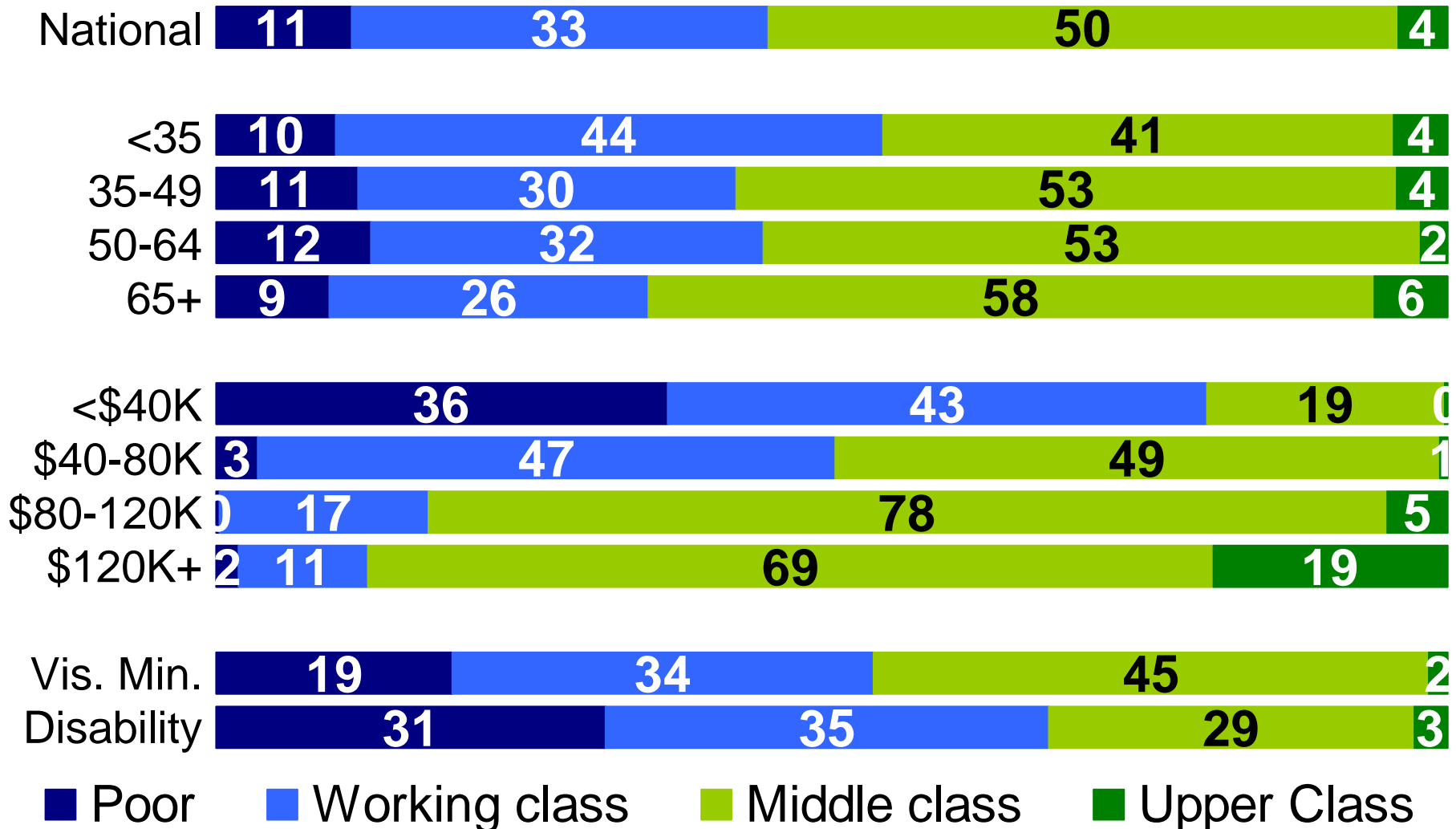
- » We conducted an analysis of just who the self-defined middle class are.
- » The relationship between self-identified middle class status and income is positive and highly significant (Gamma =.71). This is very important.
- » There are a number of clear correlates of middle class membership:
 - In addition to the critical income link, there is a powerful connection to education.
 - Visible minorities and people with disabilities are less likely to be members but there are little effects by gender and region (apart from Quebec, where more describe themselves as middle class or poor).

Statistical profile of the middle class (ii)

- » There is a fairly strong connection to age with the probability of belonging to middle class dropping as we move from older to younger Canada.
- » The results by age support the notion that middle class progress is eroding as the younger generation are less apt to define themselves as middle class.

Self-rated social class

Q. *Would you describe you and your household as poor, working class, middle class or upper class?*



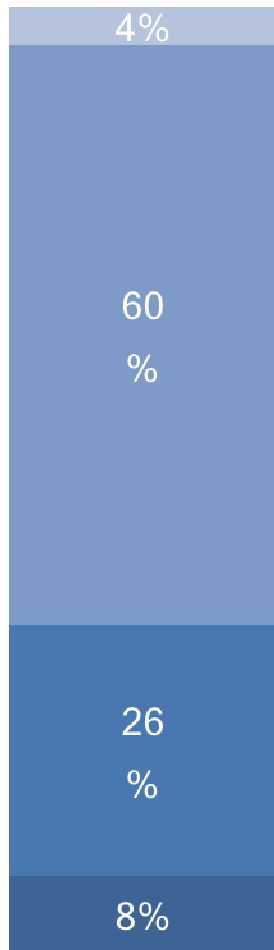
Change in social class vs. 10 years ago

- » When respondents are asked what social class would have described them 10 years ago vs. today, the results lean towards downward mobility.
 - 18% say they have moved down in social class vs. 10 years ago, while 13% say they have moved up.
- » Over 40% of working class say they were middle class a decade ago – this fall from relative privilege is linked to anger, hopelessness and less healthy and happy lives.
- » Notably, the smaller poor class shows the most downward mobility with around 2/3s newly joining the poor.

Change in self-defined social class vs. 10 years ago

Current Social Class

Would you describe you and your household as poor, working class, middle class or upper class?



Perceived Social Class 10 years ago

How would you have described you and your household ten years ago?

Upper class

Upper class: 48%
Middle Class: 50%
Working class: 1%
Poor: 1%

Upwardly mobile: 52%

Middle class

Upper class: 3%
Middle Class: 81%
Working class: 13%
Poor: 2%

Downwardly mobile: 3%

Upwardly mobile: 15%

Working class

Upper class: 1%
Middle Class: 41%
Working class: 51%
Poor: 7%

Downwardly mobile: 42%

Upwardly mobile: 7%

Poor

Upper class: 0%
Middle Class: 34%
Working class: 33%
Poor: 28%

Downwardly mobile: 67%

Self-rated social class and health

- » There is an extremely strong association between class membership and self-rated health and quality of life.
- » The data show that as you move up the class ladder, happiness and health dramatically improve.
- » By corollary, downward mobility is associated with worse health and happiness.
- » This suggests a myriad of critical policy implications.
 - » Given health and happiness connections this is not simply a matter of economic security; there are profound connections to social policy issues as well.

Personal health rating by social class

Q. How would you rate your health?

Poor



Working class



Middle class



Upper class



■ Poor (1-2)

■ Fair (3)

■ Good (4-5)

Life satisfaction by social class

Q. How satisfied are you with your life as a whole right now?

Poor



Working class



Middle class



Upper class



■ Dissatisfied (1-4) ■ Neither (5-6) ■ Satisfied (7-10)



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- 3) The End of Progress?**
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End of progress?

- » In 2005, we first noted that progress was not unfolding as it had in the last half of the 20th century.
 - Since then, this problem has gotten worse, not better.
- » Economy has morphed and middle class bargain broken.
- » Economic outlook is very bleak, darker for the future.



End of progress?

- » Younger generations are much more likely to be falling backward and see an even steeper decline in future.
- » Among those younger than 45, downward intergenerational mobility is three times higher than it is among seniors.
- » The dominant priority for the public is to create a longer term blueprint to restore middle class progress.
- » The core driver of both 'Brexit' and the U.S. presidential election outcome was economic stagnation and class resentment.

A troubling syllogism?

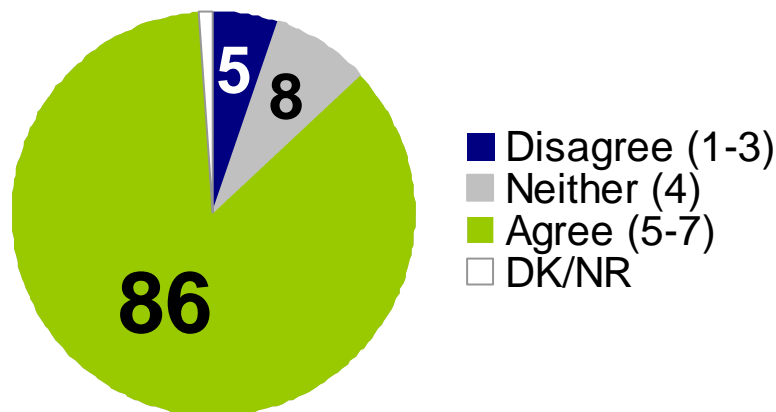
Proposition 1: **IF** a healthy society and a strong economy require a growing, optimistic middle class

Proposition 2: **AND IF** the middle class is *neither* growing nor optimistic

Implication: **THEN** societal health and economic progress will be in peril if these negative conditions persist

Q. Please rate the extent to which you agree or disagree with the following statement:

“A growing and optimistic middle class is an essential component of societal progress”



Q. Overall, which of the following choices do you believe best describes Canada's middle class?

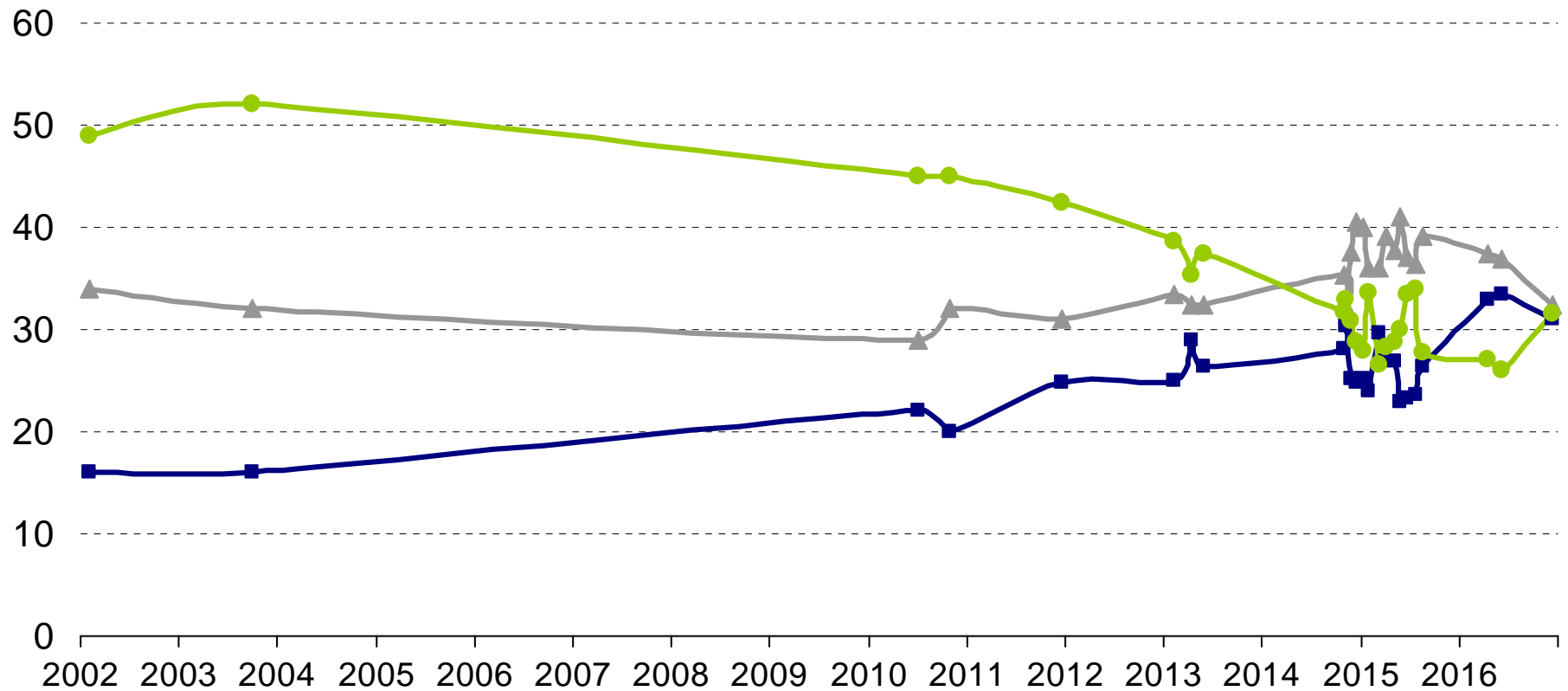


BASE (left): December 7-10, 2015 (n=1,811), MOE +/- 2.3%, 19 times out of 20

BASE (right): Canadians; July 16-23, 2014 (n=2,620), MOE +/- 1.9%, 19 times out of 20

Medium-term financial outlook

Q. Thinking ahead over the FIVE YEARS or so, do you think your personal financial situation will be better or worse than it is today?



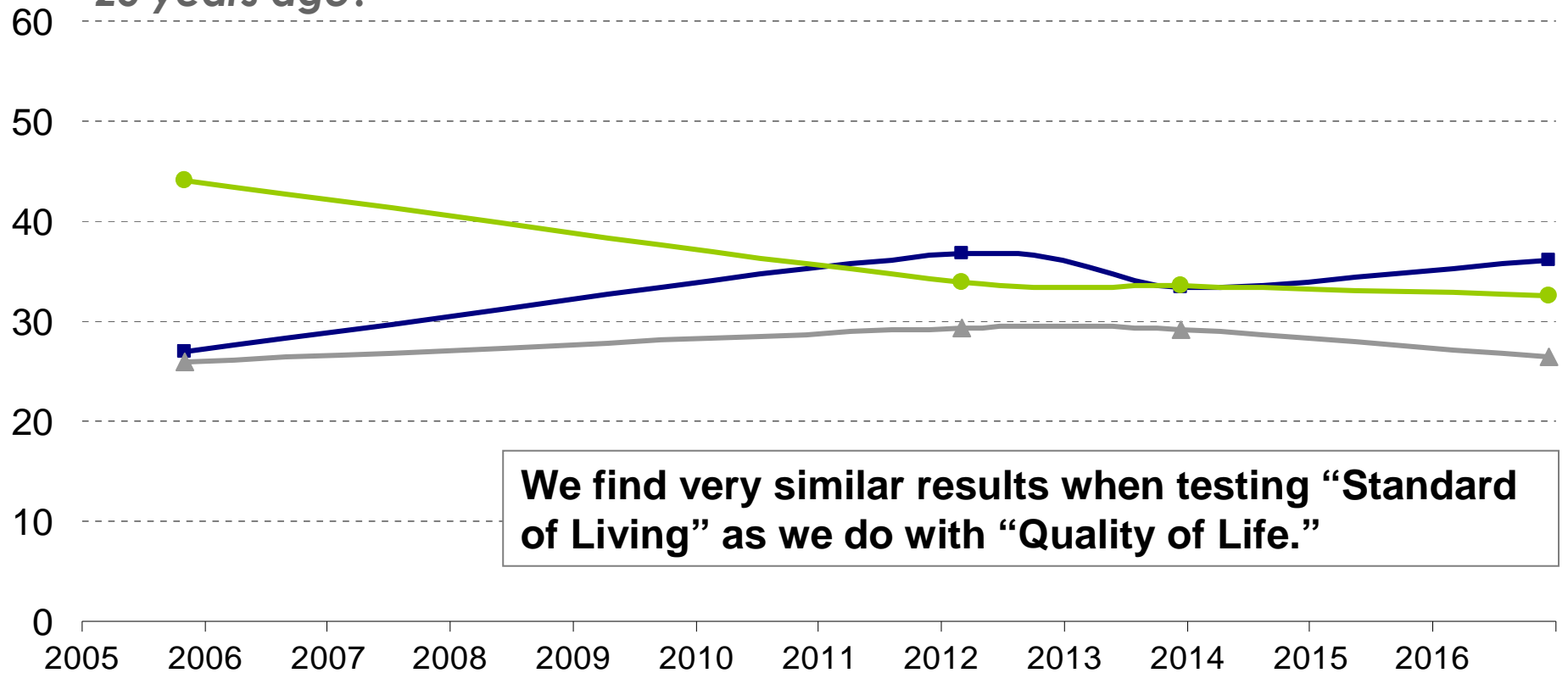
■ Worse (1-3)

▲ The Same (4)

● Better (5-7)

Changes in quality of life over last 25 years

Q. Thinking about your overall quality of life, would you say that you are better off, worse off, or about the same as the previous generation was 25 years ago?



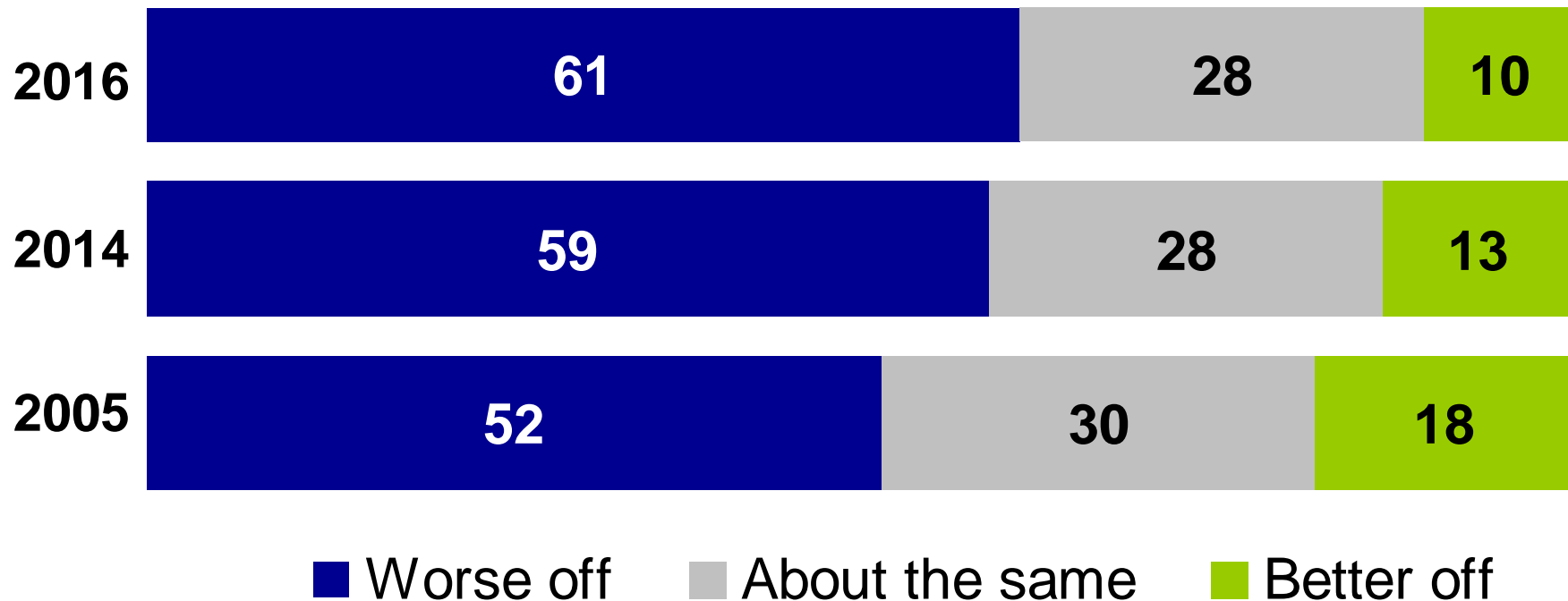
We find very similar results when testing “Standard of Living” as we do with “Quality of Life.”



■ Worse off
▲ About the same
● Better off

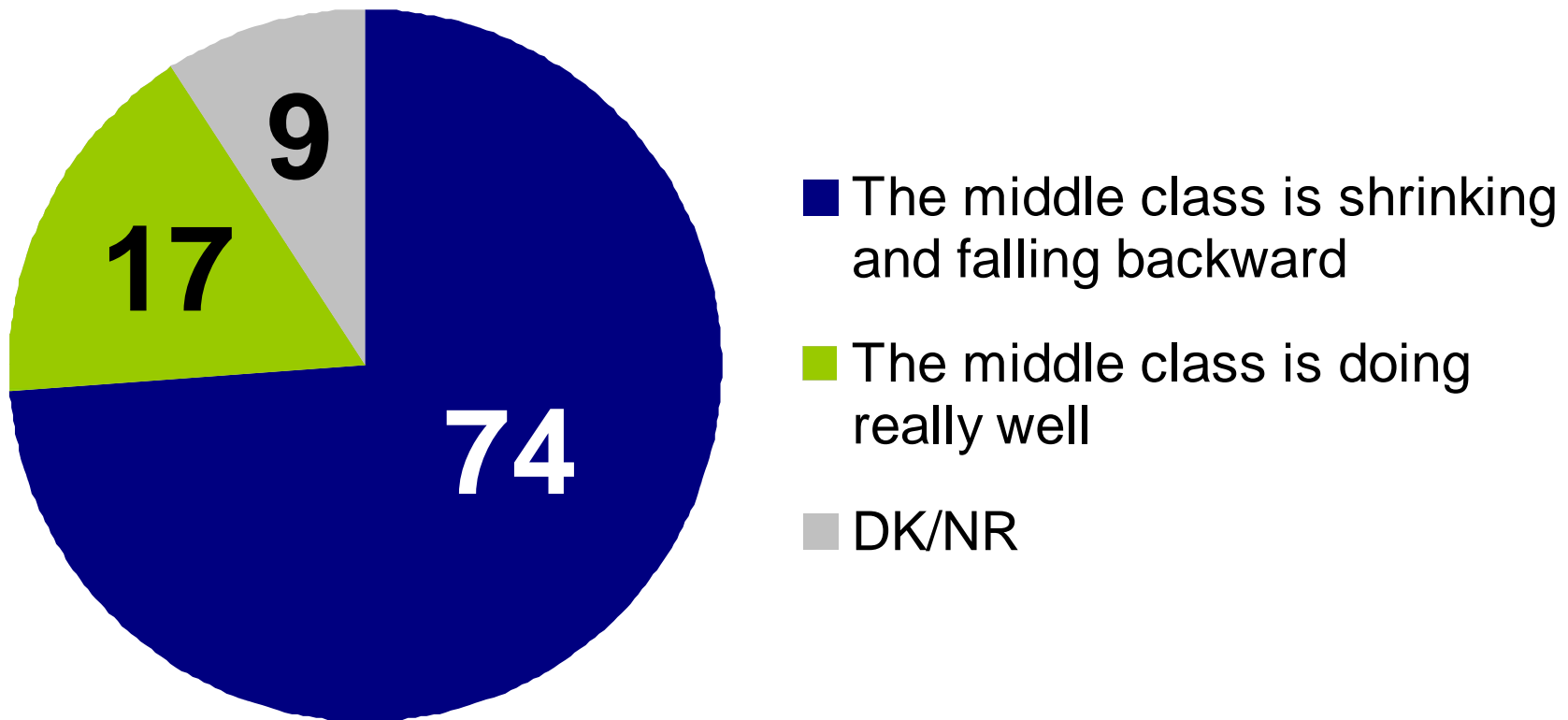
Generational outlook & social class

- » Fears are highest when turned to the future.
 - » The grey outlook on the present turns almost black as the public ponder the fate of future generations.
 - » It appears that we have at least temporarily reached the end of progress, the defining achievement of liberal capitalism.
- Q.** *Thinking about your overall quality of life do you think the next generation will be better off, worse off, or about the same as you are 25 years from now?*



Perceived state of Canada's middle class

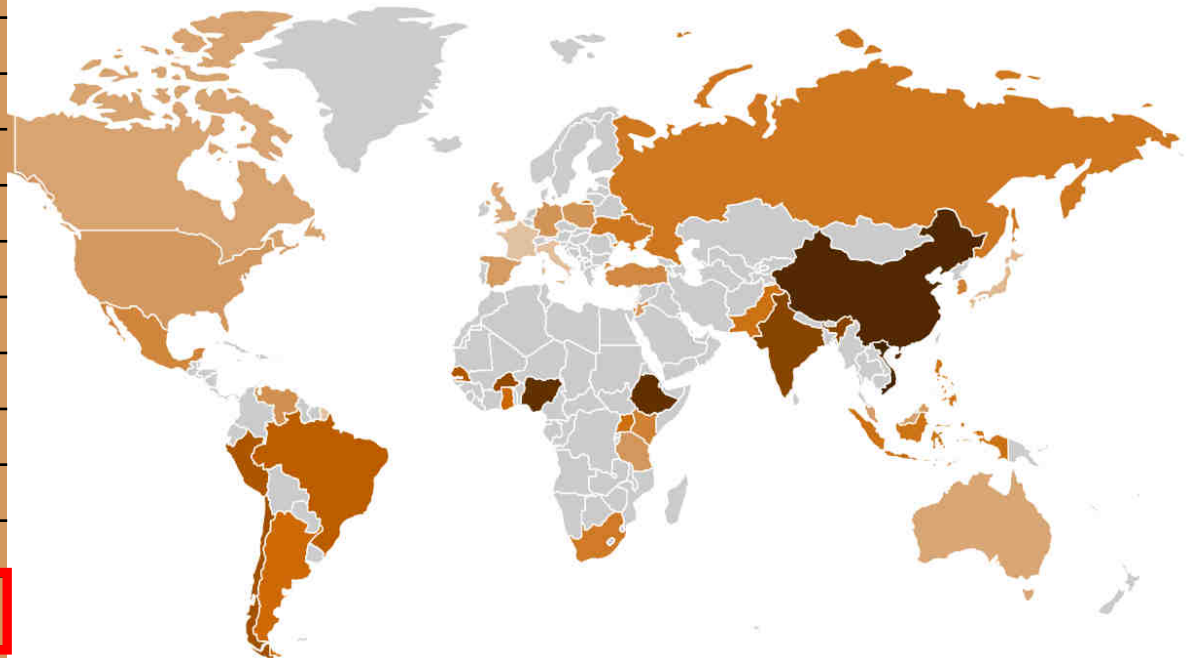
Q. *Some say that the middle class is shrinking and falling backward and that restoring middle class progress is the critical challenge of our time. Others say the middle class is doing really well and that this notion of middle class crisis has been manufactured by policy wonks and it really isn't an issue at all. Which statement comes closer to your point of view?*



International comparison

Q. When children today grow up, will they be better off financially than their parents?

Country	2015	Country	2015
Vietnam	91%	Kenya	43%
China	88%	South Korea	43%
Ethiopia	84%	Mexico	41%
Nigeria	84%	Turkey	40%
India	74%	Venezuela	36%
Burkina Faso	71%	Germany	34%
Chile	67%	Poland	34%
Peru	65%	Tanzania	33%
Senegal	64%	Jordan	32%
Brazil	61%	U.S.A.	32%
Ghana	56%	Palestine	31%
Argentina	55%	Spain	31%
Uganda	52%	Malaysia	30%
Indonesia	51%	Canada	27%
Israel	51%	Australia	26%
Pakistan	51%	U.K.	25%
Philippines	51%	Lebanon	24%
Russia	48%	Japan	18%
Ukraine	48%	Italy	15%
South Africa	47%	France	14%



% saying better off

75%+
 50-74%+
 25-49%+
 <25%+

Source: Pew Research Center, Global Indicators Database (2015)
Available online at: goo.gl/iPGgza



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Why has middle class progress stalled? (i)

1. Incentive systems are broken; rising inequality

- For example: superstar economy, burgeoning executive compensation, huge shift of portion of the economy going to wages versus rent on capital.

2. Public sphere and taxation in decline

- As inequality at the top has risen in all OECD countries, taxation has declined, as has the size of the state.

3. The corrosive economic impacts of the post-9/11 security ethic

- Closing of the Canadian (Western) mind?
- The gap between the growth in the first decade of NAFTA and the second decade is enormous (\$1 trillion+)
- September 11th bifurcates these two periods, as does the emergence of a 'security ethic'.

Why has middle class progress stalled? (ii)

4. Eroding workplaces

- Graham Lowe & Frank Graves (2016)⁽²⁾

5. Innovation not generating the advances of past innovations

- See Robert Gordon (2016)⁽³⁾
- See Robert Reich (2015)⁽⁴⁾



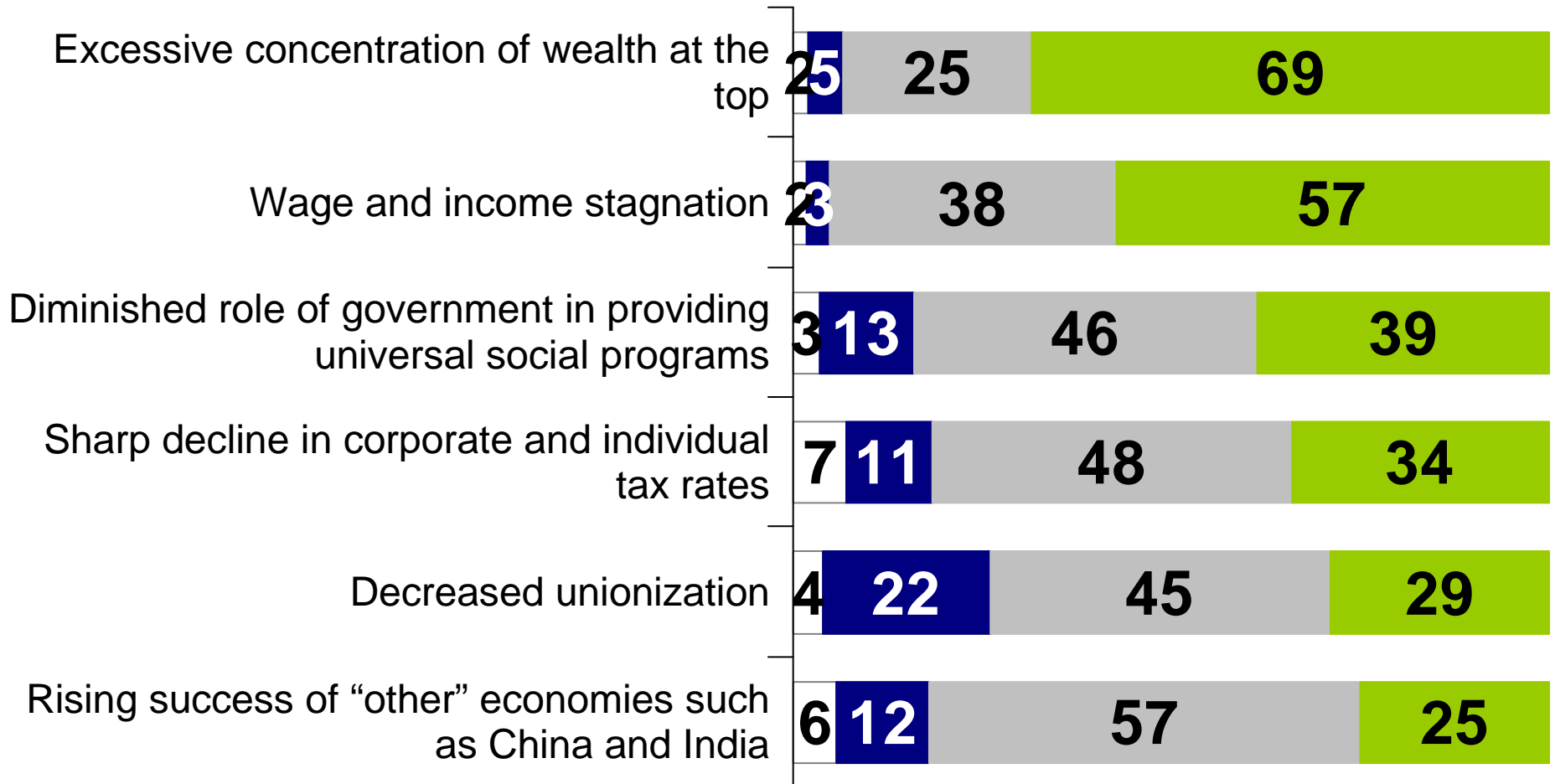
(2) Lowe, Graham S., and Frank Graves, "Redesigning Work: a Blueprint for Canada's Future Well-Being and Prosperity", Toronto: University of Toronto Press, 2016.

(3) Gordon, Robert J., "The Rise and Fall of American Growth: The U.S. Standard of Living Since the Civil War", Princeton: Princeton University Press, 2016.

(4) Reich, Robert B., "Saving Capitalism for the Many, not the Few", New York, NY: Knopf, 2015.

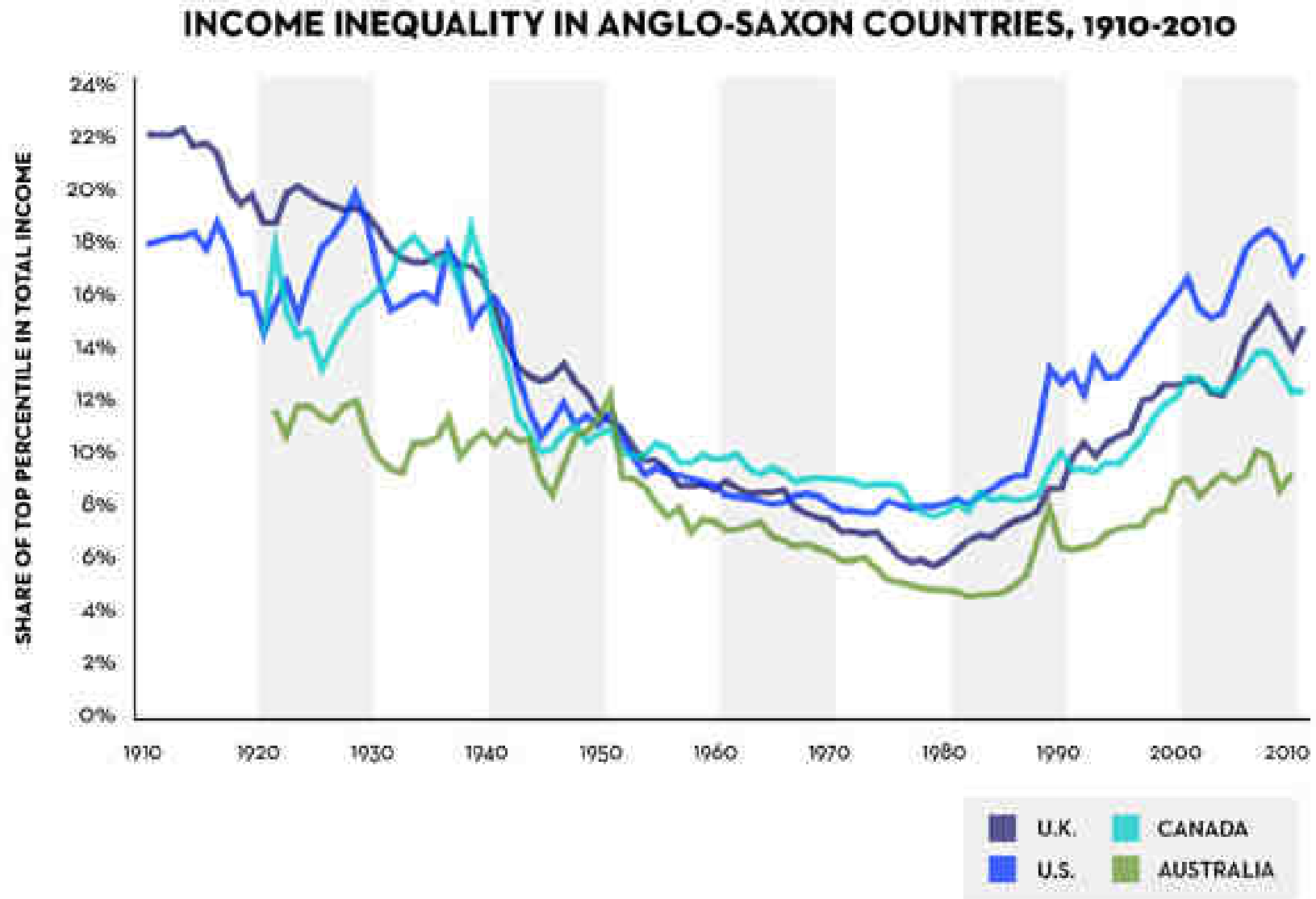
Causes of middle class stagnation/decline

Q. How important are each of the following factors in causing the stagnation or decline of Canada's middle class?



DK/NR
 Not important (1-2)
 Somewhat important (3-5)
 Important (6-7)

Income inequality in Anglo-Saxon countries

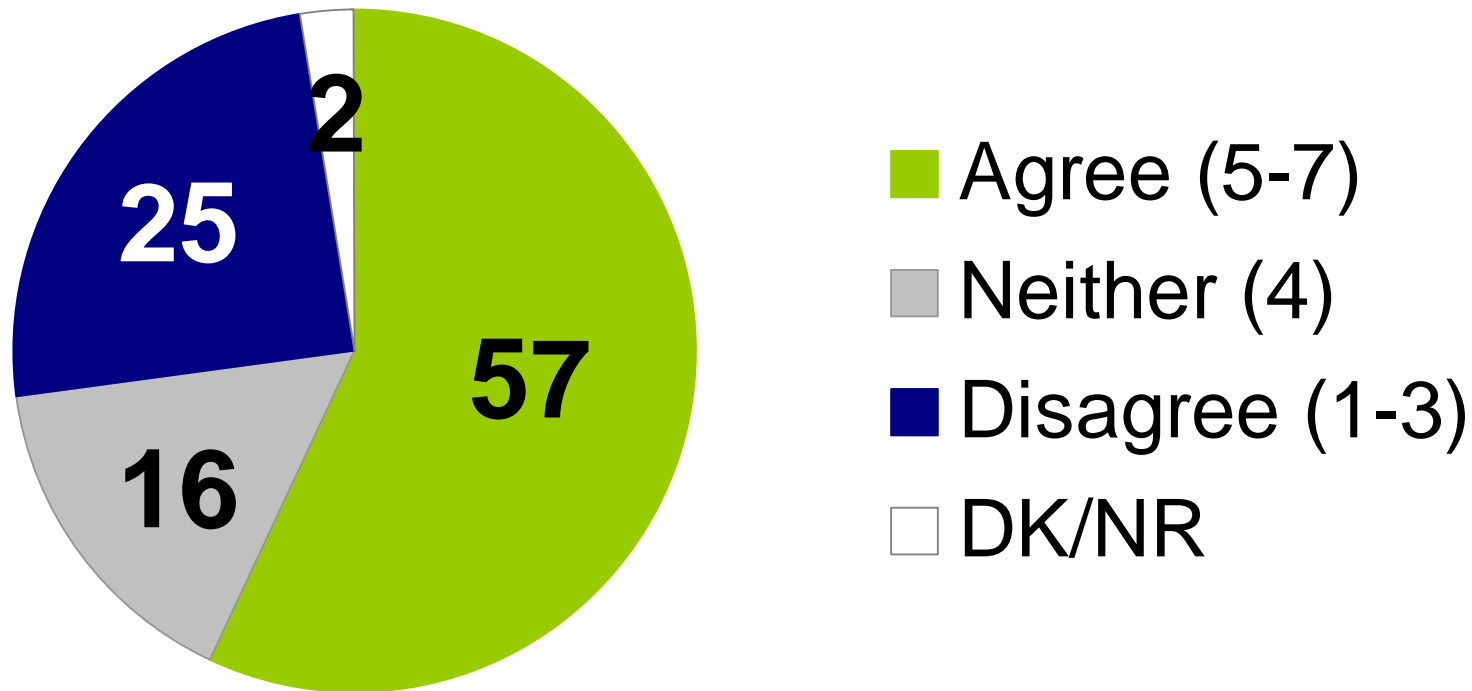


Source: Piketty, Thomas, and Arthur Goldhammer. *Capital in the twenty-first century*. Cambridge Massachusetts: The Belknap Press of Harvard University Press, 2014. Print.

Consequences of inequality

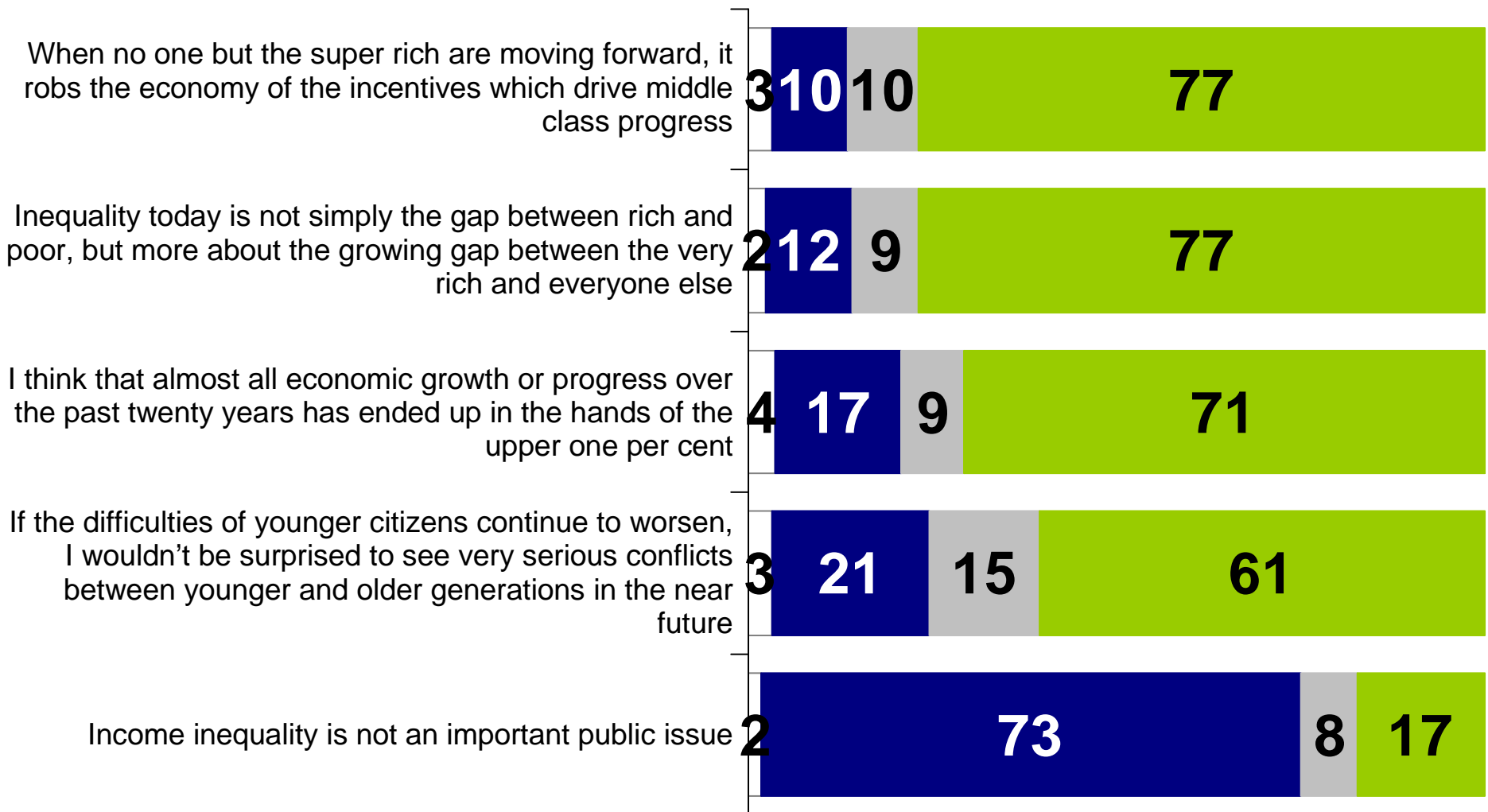
Q. Please rate the extent to which you agree or disagree with the following statement:

“If the current patterns of stagnation among all except those at the very top continue, I would not be surprised to see the emergence of violent class conflicts”



Attitudes towards inequality

Q. Please rate the extent to which you agree or disagree with the following statements:



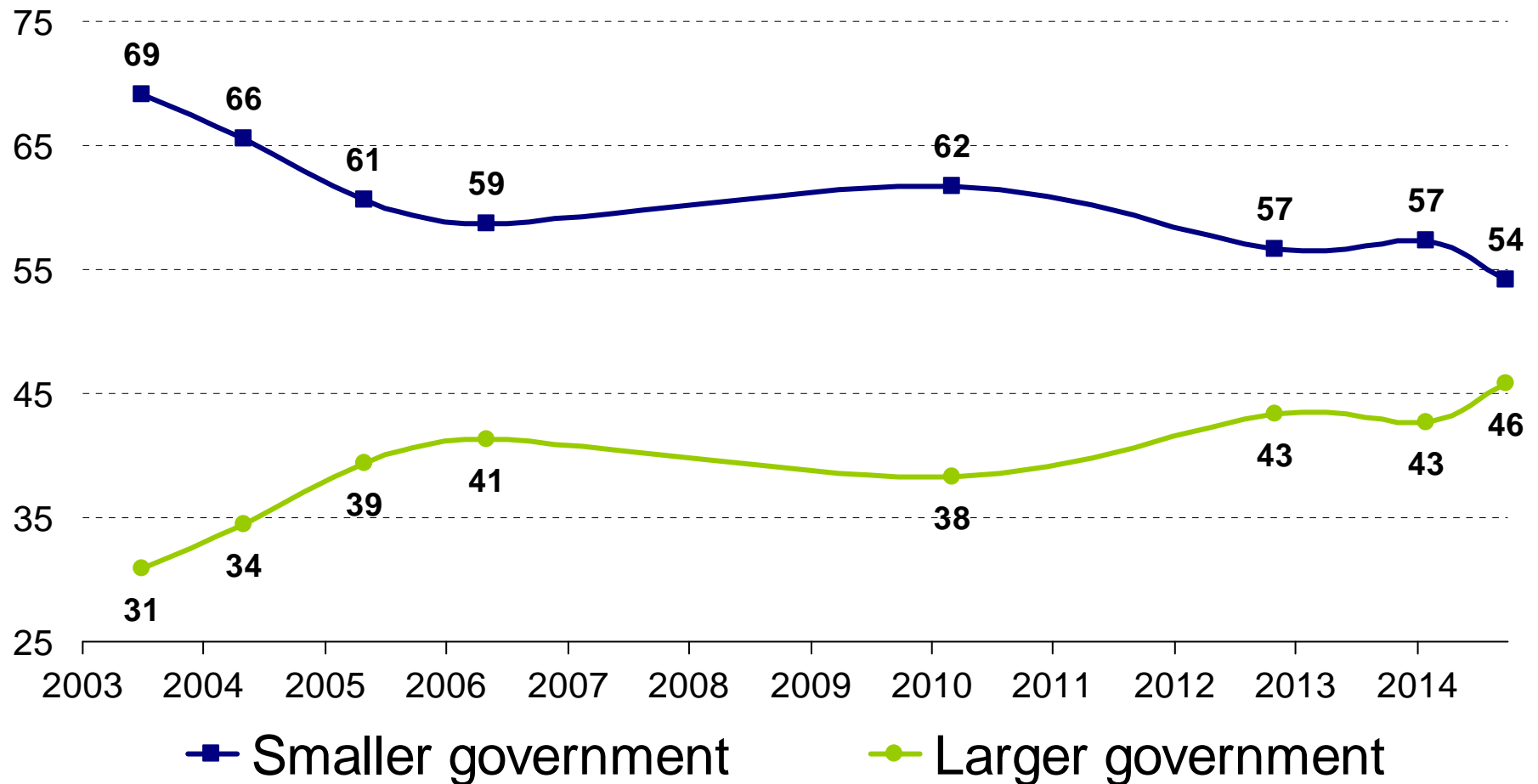
DK/NR
 Disagree (1-3)
 Neither agree nor disagree (4)
 Agree (5-7)
 38

Role of government & public institutions

- » Governments and taxation in decline as economy stagnates and inequality accelerates.
 - Legitimacy crisis?
- » Declining support for trickle-down economics and neo-Liberal economic model government has been espousing since 1980s/1990s.
- » Right now, the public are onside with an activist government that will renew the public sphere and create shared economic progress.

Preferred size of government

Q. Generally speaking, which of the following would you say that you favour: 1) a larger government with higher taxes and more services; or 2) a smaller government with lower taxes and fewer services?



Note: Figures adjusted to exclude those who skipped the question.

BASE: Canadians; September 21-25, 2014 (n=1,549), MOE +/- 2.5%, 19 times out of 20

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Role of government by self-defined social class

- Q.** Generally speaking, which of the following would you say that you favour?
1. A larger government with higher taxes and more services
 2. A smaller government with lower taxes and fewer services

Poor



Working class



Middle class



Upper class

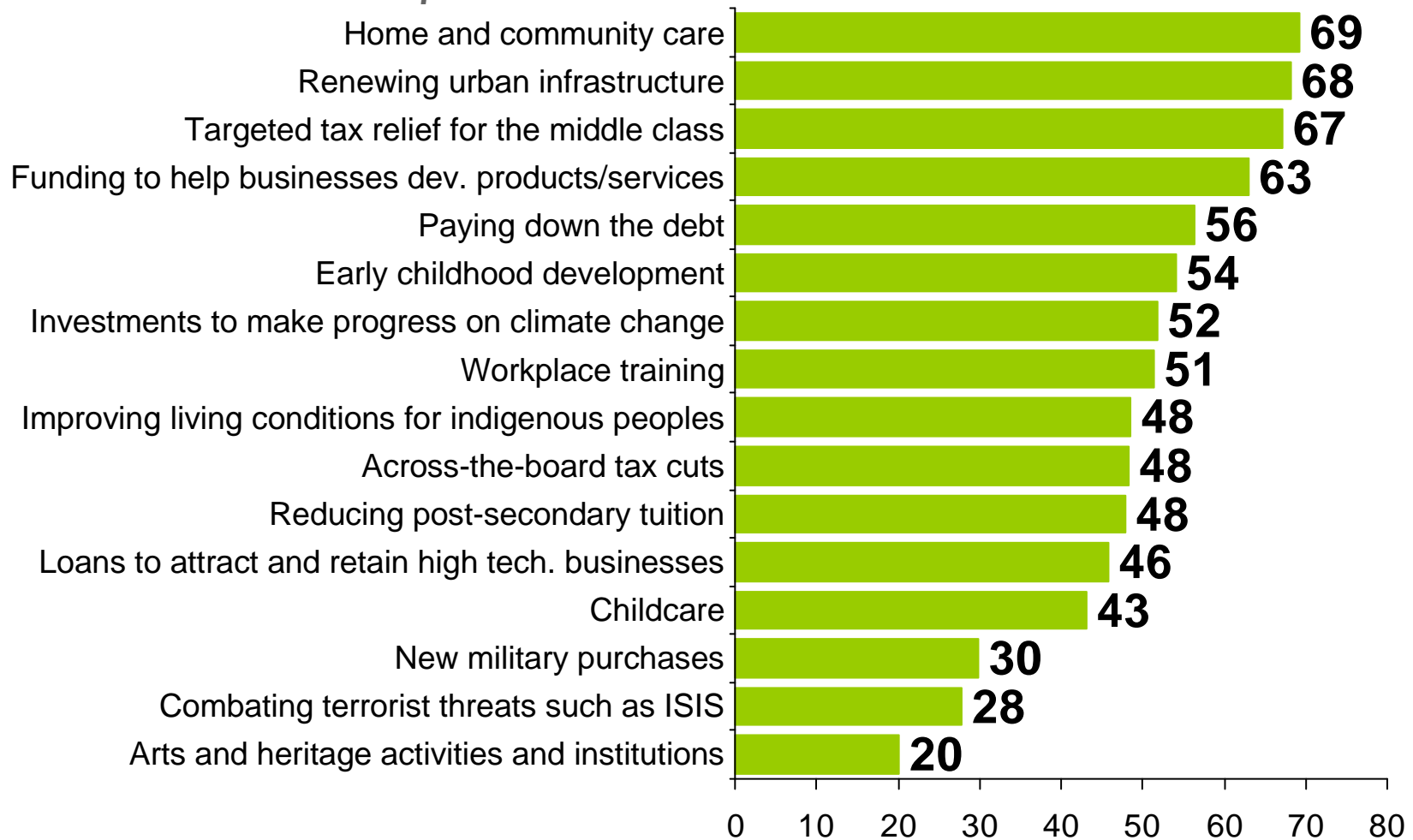


DK/NR Smaller government Larger government

41

Preferred areas of investment

Q. Suppose you were Prime Minister for a day and you had to choose how to invest one billion dollars over the next 10 years. Which of the following investments would be in the best interest of the public?*



*Presented in series of paired choices. Figures represent how often each item was selected over the other items tested.

BASE: Canadians; Dec. 15, 2016 – Jan. 19, 2017, n=7,188, MOE +/- 1.2%, 19 times out of 20

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Closing of the Canadian mind?

- » At the turn of the 20th century, we saw unbridled enthusiasm for trade and globalization.
- » Since then, however, a variety of issues has led to more guarded views on globalization and trade:
 - Economic stagnation and anxiety about the future
 - Geopolitical tensions and security concerns
 - Aging
- » Hardening attitudes to presence of visible minorities, softening support for trade liberalization, and declining support for foreign direct investment support thesis that we are closing – not opening – as a society.⁽⁵⁾

(5) Frank Graves, "Understanding the New Public Outlook on the Economy and Middle-Class Decline", SPP Research Papers, University of Calgary, February 2016. Available online at: goo.gl/D3MEMI

Have economic anxieties given rise to an “ordered” outlook?

- » Economic anxiety and fears of a vanishing middle class way of life were key themes in the recent U.S. election.
- » In the view of many, these concerns “activated” an “ordered” outlook during the campaign. ⁽⁶⁾
 - The “ordered” outlook is characterised by the desire for swift and decisive action, as well as retribution against those seen as the cause of the problems. ⁽⁷⁾
- » The precedence of economic factors is evident in the result: there was twice as much economic output in Clinton-won states than in Trump-won states (Brookings institution).
- » It is not so much economic determinism as a complex, mutual interaction across economic and cultural factors.

⁽⁶⁾ The rise of American Authoritarianism, <http://www.vox.com/2016/3/1/11127424/trump-authoritarianism>

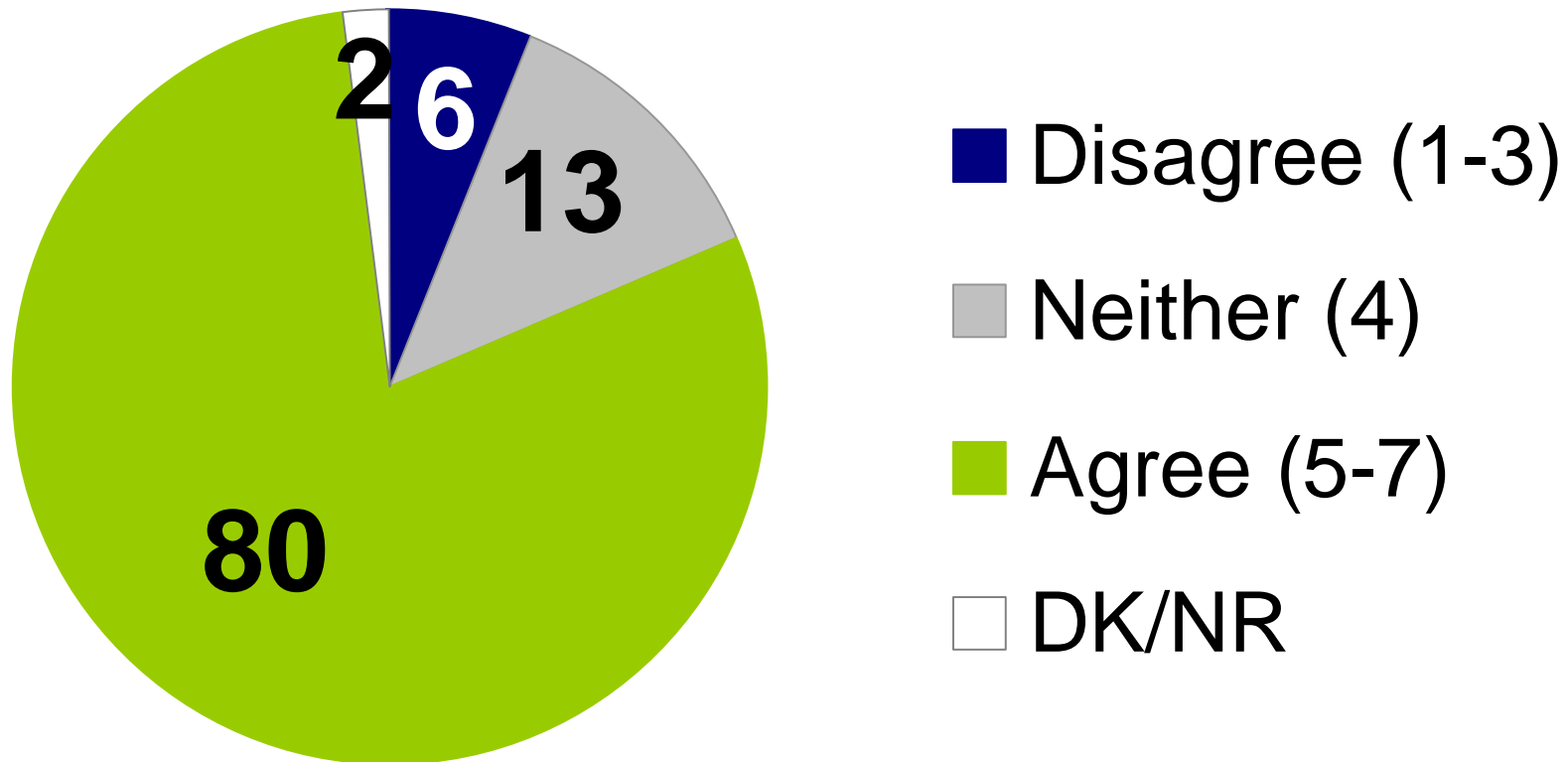
⁽⁷⁾ Fear and Hope: Understanding the National Mood,

<http://www.ekospolitics.com/index.php/2016/07/fear-and-hope-understanding-the-national-mood/>

Perceived need for new blueprint

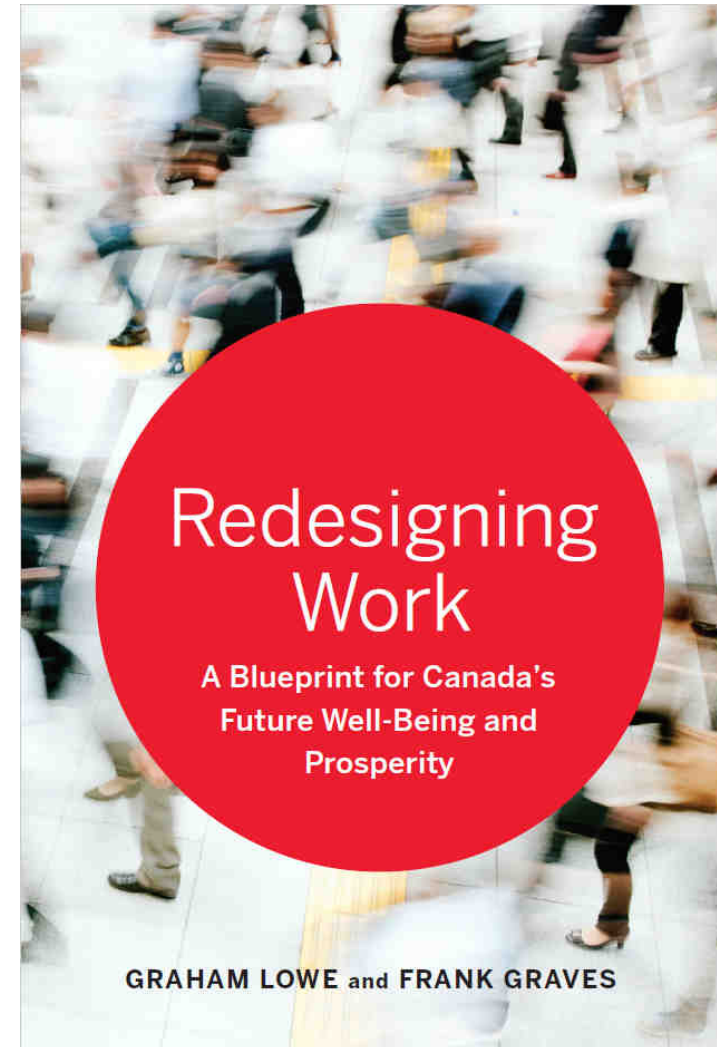
Q. Please rate the extent to which you agree or disagree with the following statement:

Canada needs a clearer plan or blueprint to restore a growing and optimistic middle class



Rethinking workplaces

- » Workplace values, morale, and quality of working life have all declined
- » Confidence in skills has declined as workplace training has declined
- » What works for older workers isn't working for younger workers
- » In the midst of this malaise, workers are hunkering down, which evades solutions

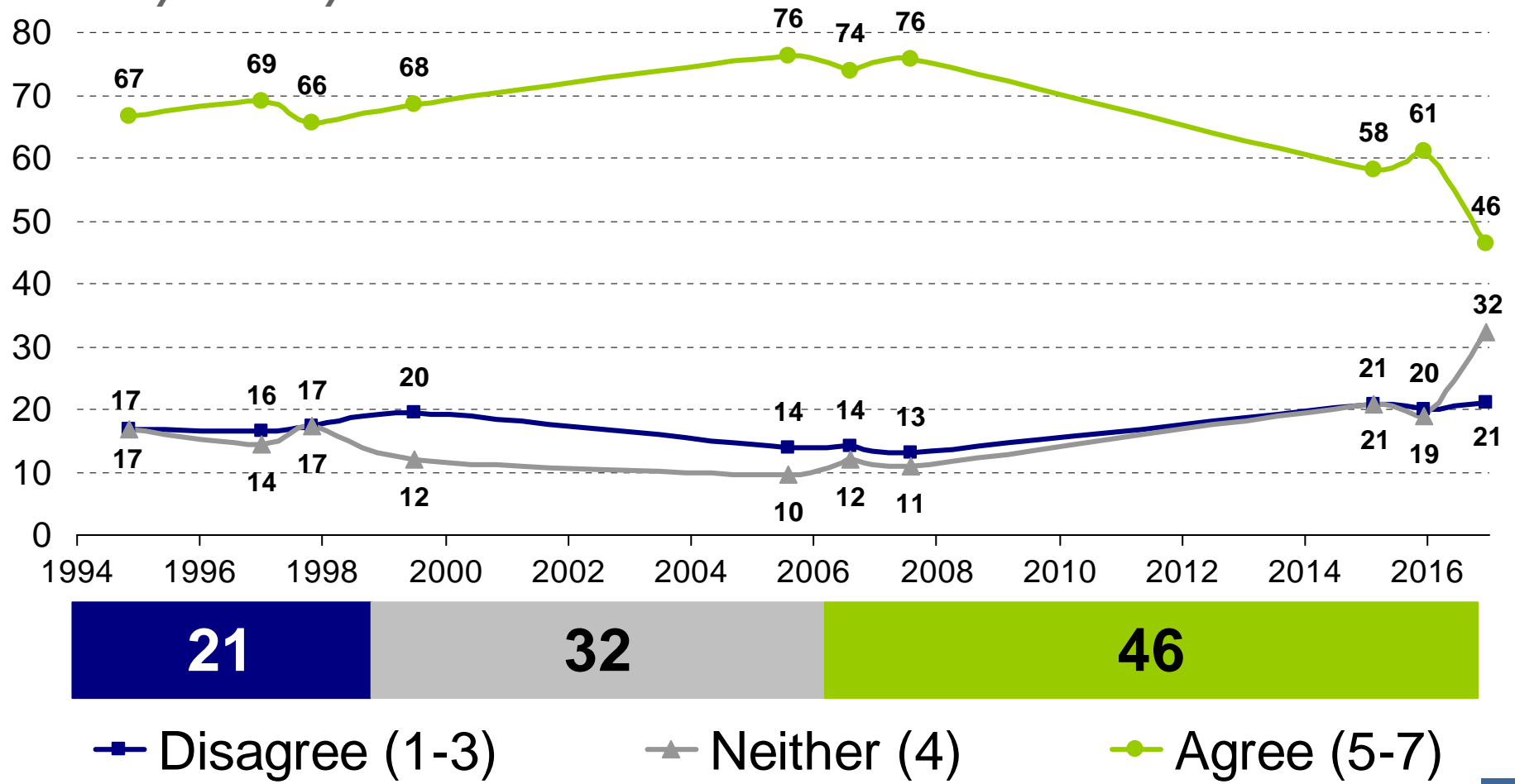


Rethinking workplaces

- » Troubling increase in 'precarious' work.
- » Men earning less / Wage stagnation.
- » Stress problems much more common.
- » Workers less likely to see value in their work/engage in training and innovation.
- » Claims about increased labour market instability may be exaggerated.
 - A stable 60% of workers have switched careers (meaning 40% have stayed in the same line of work).

Confidence in job skills

Q. Please rate the extent to which you agree or disagree with the following statement:
I am confident that I have the skills and knowledge necessary to move easily in today's labour market



Note: Figures adjusted to exclude those who skipped the question.

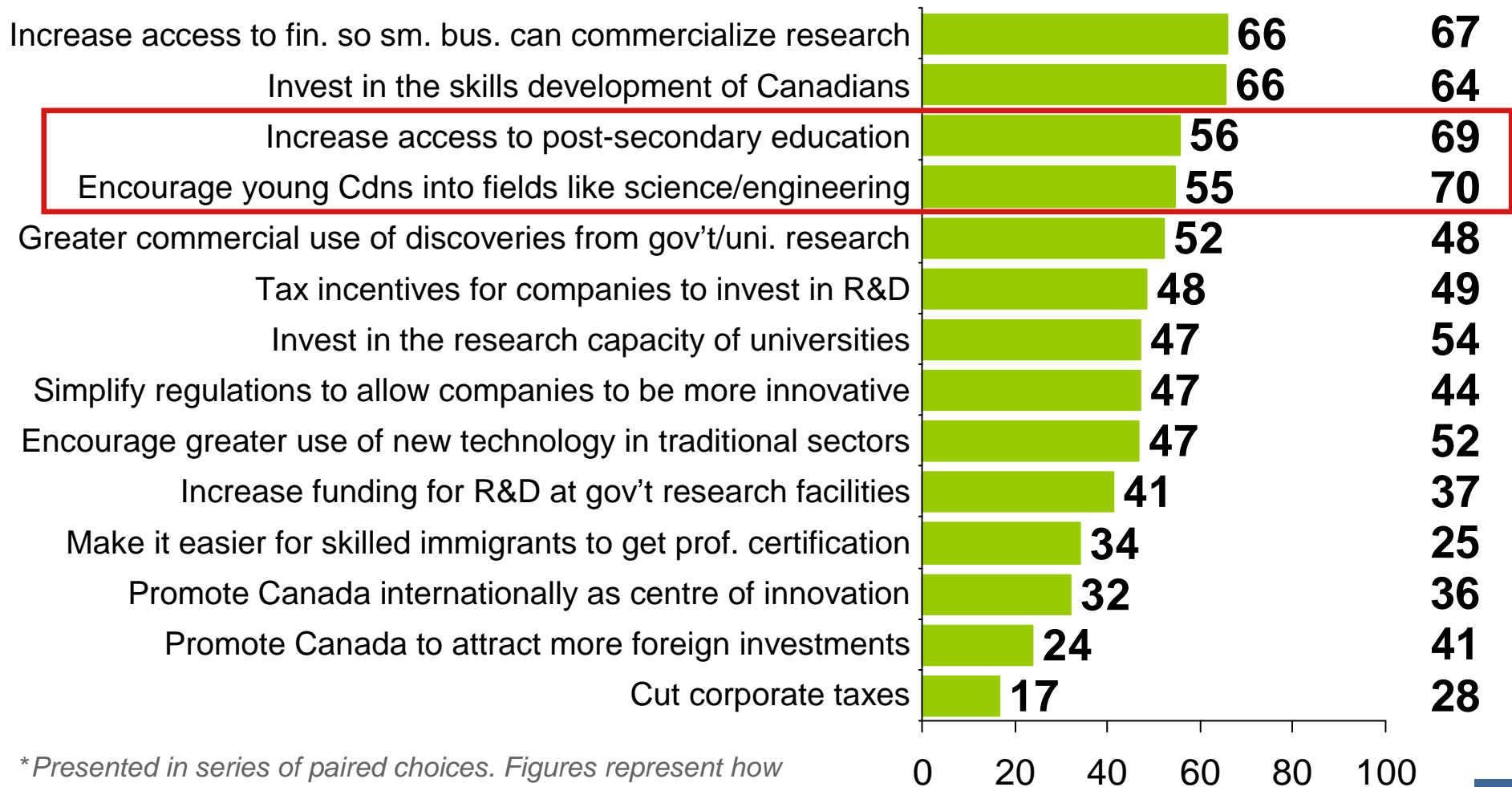
BASE: Canadians; December 8-11, 2016, n=1,209, MOE +/- 2.8%, 19 times out of 20

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Best way to improve innovation

Q. *If you had to decide what was the best way for the Government of Canada to improve the overall level of innovation in the country, would it be...*

2001



**Presented in series of paired choices. Figures represent how often each item was selected over the other items tested.*

BASE: Canadians (online only); October 12-18, 2016, n=1,622, MOE +/- 2.4%, 19 times out of 20

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- 1) Summary of Literature Review
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- 5) **Conclusions**

Conclusions (i)

- » Collapse of middle class bargain defining problem of our age.
 - Trickle-down economics has been laid bare as a cruel hoax, in the view of many Canadians.
 - The public have given the government a strong mandate to pursue a bolder, more ambitious, more progressive federal government.
 - Public have largely abandoned the minimal government model.

Conclusions (ii)

- » The public are looking for a new blueprint to restore shared prosperity.
 - This blueprint must include a plan for restoring optimism about the next generation.
- » The end of progress and middle class decline appear to have activated an “ordered” outlook and desire for decisive leadership.
- » Closing of the Canadian mind and growing search for ‘order’ may preclude some of the essential solutions.
- » The U.S. election outcome and ‘Brexit’ appear to have been driven to a significant extent by economic stagnation and class resentment.
 - At the very least, these were defining themes of the winning campaigns in both contests.

Conclusions (iii)

- » While populism and nativism are important influences, they appear to have been engaged by economic stagnation and a magnified sense of external threat.
 - These forces are at play in Canada. Over the past decade, we've found a growing proportion of Canadians (41% in 2015) feel that of the immigrants coming to Canada “too many” are visible minorities.⁽⁸⁾
 - Attitudes like this are a particular concern given the rights to freedom from religious and cultural discrimination embedded in the Charter of Rights and Freedoms.
 - More definitive testing is needed to confirm and explore these findings.

⁽⁸⁾ Understanding the New Public Outlook on the Economy and Middle Class Decline: How FDI Attitudes are Caught in a Tentative Closing of the Canadian Mind.

<https://www.policyschool.ca/wp-content/uploads/2016/03/fdi-canada-graves.pdf>

Conclusions (iv)

- » Workplaces are revealing disturbing declines in morale, skill confidence, and innovation.
 - Rising stress and declining work-family balance.
 - The problems are more acute for younger workers.
- » Sharp decline for federal involvement in education/skills is a problem as Canadians are looking for a smarter, more agile, and value-added economy.
- » The dominant view that a smarter Canada would be a more successful Canada has eroded.

Conclusions (v)

- » While middle class status is tightly connected to income and education, there is an even stronger connection to health and well-being.
- » As the movements have clearly been from middle to working and lower class, this suggests a larger problem than simply a stagnant economy.
- » A healthy middle class is also a precondition for health and happiness.

Suggestions for future research

- » There are troubling blindspots and there are rapidly shifting perceptions of social class, economic outlook and world view.
- » These forces become much clearer in comparative research (e.g., Canada, U.S., U.K.).
- » There is little in the way of a single, comprehensive data set of the experiences and attitudes that speak to middle class anxiety.

Suggestions for future research

- » Middle class economic concerns that have given way to an ordered outlook that is poorly understood.
- » As the appetite for more active government increases, it remains unclear what the expectations of the federal government are in this new turbulent social context.



For more information:

FRANK GRAVES

EKOS Research Associates

fgraves@ekos.com

(613) 235-7215

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ekos.com