

# Research papers

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## The middle class in Argentina: dynamics, characteristics and implications for public policies



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## Research Papers

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## **The middle class in Argentina: dynamics, characteristics and implications for public policies**

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### **Résumé**

L'Argentine est généralement considérée comme le pays typique de la classe moyenne en Amérique latine. Pourtant, si les crises successives qui ont frappé l'économie argentine au cours des quatre dernières décennies ont manifestement affecté à la fois la taille et la stabilité de sa classe moyenne, les études universitaires manquent quant aux conséquences de ces crises sur la stratification socio-économique et sur les préférences et les attentes de la classe moyenne. Le présent article comble cette lacune en se concentrant sur la période la plus récente. Pour ce faire, nous adoptons un plan de recherche original basé sur une combinaison d'enquêtes quantitatives, fondées sur des enquêtes auprès des ménages existantes et des matériaux qualitatifs originaux, qui vise à : (1) identifier la classe moyenne argentine et sa structure, ainsi que de décrire sa dynamique ; (2) examiner le comportement et les perceptions subjectives du groupe, ainsi que ses attentes en termes de politiques publiques ; et (3) évaluer dans quelle mesure la conception des politiques publiques et des stratégies du marché privé est influencée par la composition et la dynamique de la classe moyenne argentine. Premièrement, notre analyse montre que la tendance à la mobilité ascendante qui a été dominante jusqu'en 2007 et a conduit à l'expansion d'une nouvelle classe moyenne (inférieure) argentine s'est progressivement ralentie et même inversée après 2014. Deuxièmement, la mise en œuvre d'une analyse en cluster nous a conduit à identifier cinq groupes distincts au sein de la classe moyenne argentine, confirmant ainsi son hétérogénéité.

Troisièmement, l'enquête qualitative menée auprès de 40 individus issus de ménages de la classe moyenne à Buenos Aires et Tucuman fournit des comptes rendus détaillés des perceptions et attentes subjectives des différents segments de la classe moyenne argentine. Quatrièmement, notre analyse confirme que la classe moyenne argentine est hétérogène en termes d'orientations politiques. Enfin, une enquête institutionnelle qualitative menée auprès de 12 représentants d'institutions publiques et privées met en évidence la mise en œuvre récente de programmes publics ou privés spécifiquement dédiés aux ménages de la classe moyenne.

### **Mots-clés**

Classes moyennes, politique publiques, mobilité sociale

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I3, D31, O2

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**Abstract**

Argentina is generally considered as the typical middle-class country in Latin America. Yet, while the successive crises that have hit the Argentinean economy over the four last decades have obviously affected both the size and stability of its middle class, academic studies are lacking on the consequences of these crises on socio-economic stratification and on middle-class preferences and expectations. The present paper fills this gap by focusing on the most recent period. To do so, we adopt an original research design based on a combination of quantitative investigations, based on existing household surveys and original qualitative materials, that aims to:

(1) identify the Argentinean middle class and its structure, as well as describing its dynamics; (2) examine the group's behavior and subjective perceptions, as well as their expectations in terms of public policies; and (3) assess to what extent the design of public policies and private market strategies is impacted by the composition and dynamics of the Argentinean middle class. First, our analysis shows that the trend of upward mobility that was dominant until 2007 and led to the expansion of a new Argentinean (lower) middle class progressively slowed down and even reversed after 2014. Second, the implementation of a cluster analysis led us to identify five distinct groups within the Argentinean middle-income class, thus confirming its heterogeneity. Third, the qualitative survey conducted on 40 individuals from middle-class households in Buenos Aires and Tucuman provides detailed accounts of the subjective perceptions and expectations of the different segments of the

Argentinean middle class. Fourth, our analysis confirms that the Argentinean middle class is heterogeneous in terms of political orientations. Lastly, a qualitative institutional survey conducted among 12 representatives of public and private institutions points out the recent implementation of public or private programs specifically dedicated to households from the middle class.

**Keywords**

Middle classes, public policies, social mobility

**JEL Classification**

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# 1. Introduction

Argentina is generally considered as the typical “middle-class country” in the Latin America and Caribbean (LAC) region (De Riz, 2009). In the early 20th century, Argentina was richer than most European countries<sup>1</sup> and characterized by a large, strong middle class. However, the country gradually lost its influence in the world economy during the rest of the century, and particularly after the 1970s (Glaeser et al., 2018). Poor macroeconomic governance and high political instability are alternatively mentioned in the literature as both the symptoms and explanations of the repeated cycles of short-term expansion and contraction generating both severe inflation crises and economic recessions (Díaz-Alejandro, 1970; Alvaredo et al., 2018). As a result, Argentinean income per capita grew more slowly than its Western European counterparts over the second half of the 20th century (Taylor, 2018). Argentinean growth has continued to be hit hard by the macroeconomic cycle of boom and bust after the 1970s (Figure 1). In the highly unfavorable macroeconomic context of the late 1990s, the currency board crisis finally prompted a major financial crisis in December 2001 that was to become the most severe recession of the whole period (Alvaredo et al., 2018). Between 2001 and 2002, Argentinean GDP contracted by 16%, unemployment soared to 25%, and 5 million middle class people fell into poverty (De Riz, 2009). Even though the Peronist Kirchner era in the 2000s coupled with a favorable economic context on the commodities market marked a return of sustained growth and allowed a short-time

recovery a decade later, the current structure and vulnerability of the Argentinean middle class is a direct consequence of the long-term macroeconomic trajectory. The succession of inflationary crises has contributed greatly to impoverishing the Argentinean middle class (Kessler and Di Virgilio, 2010; Galassi and Gonzalez, 2012). The current crisis of public finance prompting a decline in GDP (-2.1% in 2019) and significant price rise (53.5% in 2019) is another good illustration of the great vulnerability of the Argentinean middle class to macroeconomic conditions. The COVID-19 pandemic has exacerbated the economic recession (GDP dropped by 9.9% in 2020) and no doubt the induced lockdown policy, especially through its effects on labor market outcomes, has aggravated the situation of a large portion of vulnerable middle-class households which were left without welfare protection. ECLAC (2021) estimated a 10-percentage points decline in employment and participation rates between 2019 and 2020 as well as a 2.5-point increase in unemployment rate. Such negative labor market dynamics have subsequently resulted in increased poverty and extreme poverty rates (rising respectively from 27.2% and 4.2% in 2019 to 37.0% and 5.4% in 2020), most of the increase being due to downward mobility from the middle-income stratum. According to the World Bank projections (2021), the Argentinean middle-income class (defined as those with daily income between \$13 and \$70, 2011 PPP) would have dropped from 51.1% in 2019 to 42.6-47.8% in 2020.

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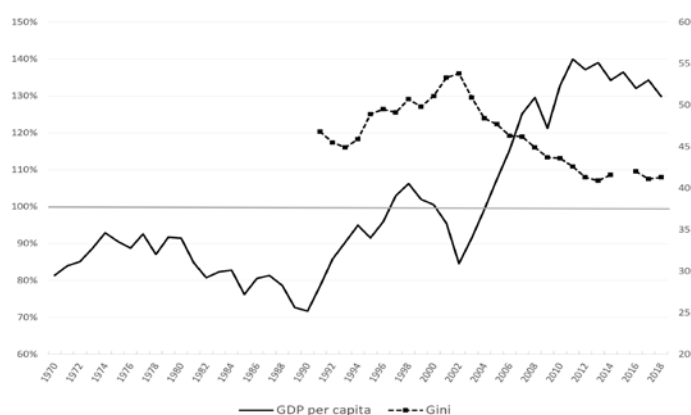
<sup>1</sup> This period is often called “The Belle Epoque” in the literature. See Sánchez (2016) for further information.



During the second half of the past century, the economic and political instability and succession of economic recessions have resulted in fundamental changes in income distribution and social stratification. The long-term connection between the business cycle and changes in income distribution was recently emphasized by Alvaredo et al. (2018), showing that income inequality systematically increased during crises. As an illustration, in the wake of the military dictatorship, poor macroeconomic performance and high inflation rates led to two successive spells of hyperinflation in 1989 and 1990 that, alongside the structural adjustment programme, did significantly disrupt the income and social structure, as the poverty rate increased by 25 percentage points and the Gini inequality coefficient by 6.3 points over these two years (Alvaredo et al., 2018). Then, the neoliberal economic reforms<sup>2</sup> conducted by the Menem administration further increased income inequality until the 2001 crisis (Figure 1), mainly at the expense of the historical middle class (Hoffman and Centeno, 2003). Policy instability, at least as significantly as macroeconomic instability, is therefore one crucial determinant of the dynamics of the Argentinean middle class during the contemporaneous period (Acemoglu and Robinson, 2006). What the Argentinean middle class looks like today, and what they expect from public policies, is assuredly the product of these parallel trajectories of political and macroeconomic instability. The Argentinean middle class has always proved more diversified in terms of occupational status than that of the other Latin American countries (Kessler and Di Virgilio,

2010). Besides the historical civil servants, such groups as the administrative workers, professionals or small entrepreneurs and businessmen also are substantive parts of the Argentinean middle class (Kessler and Di Virgilio, 2010). Although they have a variety of lifestyles and socio-political attitudes, the different groups composing the “historical” and new Argentinean middle classes share important values, such as strong expectations in terms of consumption, housing or education and, from a political perspective, their opposition to Peronism (Kessler and Di Virgilio, 2010).

**Figure 1. Argentina’s GDP per capita and Gini index from 1970 to 2018**



Note: Argentina’s GDP per capita as a percentage of the whole period. Gini index is only available for the 1990-2018 period (except 2015).

Source: Authors’ elaboration based on Maddison Project 2020 <https://www.rug.nl/ggdc/historicaldevelopment/maddison/> and the World Bank for the Gini Index

Based on the experience of Western countries after WWII, these characteristics were expected to bring about considerable economic benefits for the economies of the

<sup>2</sup> Although he belonged to the Peronist party, Menem adopted a political programme that was contrary to the original ideology of the Peronists. The government implemented neoliberal economic reforms, encouraging

the privatization of several public sectors including the national airline company and the pension system. From 1991 to 2002 the “Convertibility Plan” anti-inflation program was adopted to align the peso with the US dollar.

region.<sup>3</sup> Nonetheless, as in the rest of Latin America, most Argentinean middle-income earners remain vulnerable, shifting between poverty and “middle class” status along with changes in economic climate and public policy. During the 1980s and 1990s, the structure of the Argentinean middle class became increasingly polarized: on the one hand, (1) the winners of the liberalization reforms formed the competitive middle- and high-middle classes, on the other hand, (2) the losers of the reforms made up the non-competitive middle class and the lower-middle classes (González Bombal and Svampa, 2001), and the “new poor” that blossomed throughout Latin America after the 1980s, afflicted by the real wage depreciation initiated in the late 1970s and rising underemployment during the 1990s (De Riz, 2009; Kessler and Di Virgilio, 2010).

The sustained enlargement of the Latin American middle class during the 2000s is now well documented (León et al., 2010; Franco et al., 2011; Ferreira et al., 2013; Castellani et al., 2014; Stampini et al., 2016) and explained by the combination of sustained economic growth, the increase in formal employment, growth in real wages and large-scale social programs during the 2000s (Franco et al., 2011; Dalle, 2012; Ferreira et al., 2013). For instance, by defining the middle-income class as households with income exceeding four times the urban poverty line but lower than the 95th income percentile, Franco et al. (2011) estimated that

the share of the middle-income group increased from 25% in 1990 to 54% in 2006. However, the less favorable macroeconomic context since 2015 combined with significant changes in public policy orientations all over the continent have contributed to the weakening of the middle classes in Latin America (McKinsey Global Institute, 2019). The vulnerability of part of the middle class in Latin American has been addressed by various recent studies (León et al., 2010; Ferreira et al., 2013; Birdsall et al., 2014; Castellani et al., 2014; Stampini et al., 2016; Benza and Kessler, 2020) and the obvious deterioration in the socio-economic living conditions of the middle class has finally led to a series of mass protests shedding light on middle class frustrations and worries, as exemplified by the recent social protests in Chile.

Although the weakening of a large subset of the Argentinean middle class is considerable and worrisome, academic studies dealing with the consequences of the recent crises on social stratification and on the middle-class preferences, behavior and expectations are lacking. Also lacking is evidence on how the recent dynamics of the middle class impact the design of public policies. This study proposes to fill these gaps. To do so, and in line with a previous project funded by AFD on “the implications of the rise of the middle class in developing and emerging countries” (Berrou et al., 2019), we adopted an original research

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<sup>3</sup> As shown by the historical experience from western countries in the 1950s and 1960s, the increase in consumption expenditure due to the rise of the middle class does contribute directly to GDP growth through volume effects, but also supports domestic market expansion and diversification toward non-necessity goods for lower-income people through relative price effects (Matsuyama, 2002; Banerjee and Duflo, 2008). Historical evidence also shows that a larger middle class also prompts aggregate investment in education (Doepke and Zilibotti, 2005) and facilitates innovation (Acemoglu

and Zilibotti, 1997). From a socio-political perspective, there is also evidence that the expansion of the middle class disrupts the traditional dualism between a vast mass of poor and a small elite, thus helping to strengthen social cohesion and political stability. Historical experience also shows that the new demands expressed by the middle class might also prompt democratisation and institutional reforms more favourable to private property rights and constraints on. The political rulers (Lipset, 1959; Easterly, 2001).

design based on a combination of quantitative investigations, based on existing household surveys and original qualitative materials, that aimed to: (1) identify the Argentinean middle class and describe its dynamics over the last 15 years, notably in terms of economic mobility; (2) examine the group's behavior and subjective perceptions as well as their expectations in terms of public policies; and (3) assess to what extent the design of public policies and private market strategies is impacted by the composition and dynamics of the Argentinean middle class.

The following questions will be addressed more specifically:

- Is the Argentinean middle class heterogeneous in terms of its socio-economic characteristics, behavior and expectations? To what extent has this (potential) heterogeneity changed over time?
- What is the extent of the vulnerability of the Argentinean middle class to macroeconomic shocks and economic policy changes? How do middle-class households cope with economic crises?
- Is there a middle-class identity in Argentina? If so, does this class identity erode or strengthen during crisis episodes?
- What is the extent of the middle-class dependence on the private sector in terms of education or health?

- Do the middle class and its changes constitute issues of concern for the design of public policies?
- How do the Argentinean middle-class households project themselves in terms of their future income and socio-economic status or of the future economic opportunities or challenges they and their offspring will face? What do they report they would need to consolidate their position in the next decade? What are the expectations of the middle class in terms of public policies?
- What are the main impacts of the COVID-19 pandemic on the Argentinean middle class?

The rest of the document is structured as follows. Section 2 summarizes the literature focusing on the Argentinean middle class and its vulnerability to macroeconomic instability. In Section 3, we describe our methodological framework and the quantitative and qualitative data used in the study. Section 4 presents the results from the quantitative analysis while Section 5 does the same for the qualitative analysis. Section 6 concludes and provides policy implications.

## 2. What we know about the middle class in Argentina

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### 2.1. Definition, identification and dynamics of the Argentinean middle class

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#### 2.1.1. Size and dynamics of the Argentinean middle class

##### Income-based approach

The economic literature dealing with the identification of the middle class in Latin America peaked during the 2010s. Broadly speaking, many recent studies have adopted an income-based approach to estimate the size of the middle-class group and its changes in several Latin American countries. In order to delineate the middle class and allow comparability across Latin American countries, they have mainly relied on the definition of absolute monetary boundaries. The different estimates provided for Argentina were based on the long-term EPH survey (Encuesta Permanente de Hogares) which only collects information for the urban population. Although acknowledging that defining the middle-income class through income intervals is somewhat arbitrary, this literature has provided estimates of the size of the middle-income class in the Latin American region. Converging evidence has been provided that the middle-income group represents 40 to 60% of the whole Argentinean population. For instance, by using the World Bank's PovcalNet database (that combines household surveys for a large sample of countries) and defining the middle class as the households with daily per capita expenditure between US\$10 and US\$100 (in PPP), Cardenas et al. (2015) estimated the size of the middle class in urban Argentina in 2005 at approximately 53% of the population. In the same vein, based on four different income boundaries (US\$2-US\$13; the three middle quintiles; 0.5 to 1.5 median income and 1 to 3 national poverty line), Castellani and Parent (2011) found that the share of the Argentinean middle class ranged from 41.7% to 60% in 2006, depending on the criterion. Those estimates were confirmed by other pieces of evidence, based on different monetary boundary definitions (e.g. Cruces et al., 2011; Franco et al., 2011; Lora and Fajardo, 2011; Edo and Sosa-Escudero, 2013; Ferreira et al., 2013; Stampini et al., 2016).

There is also a consensus in the economic literature on the fact that the size of the intermediate income group has increased in Latin America in the early 21st century, largely as a result of a recovery in economic growth, formal employment and real wages increases and anti-poverty social policies<sup>4</sup>. Defining the middle class as households with per capita daily income between US\$10 and US\$50, Stampini et al. (2016) found that the share of the middle class in Argentina increased from 31.2% in 2000 to 52.5% in 2013<sup>5</sup>. In 2013, Argentina was even ranked second in terms of middle-class size in the Latin

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<sup>4</sup> As in other Latin American countries, there has been a potentially important contribution of conditional cash transfers in the reduction of poverty. In Argentina, the Universal Child Allowance (AUH, Asignación Universal por Hijo) was implemented in 2009 to extend the coverage of family allowances to poor households with minor children and with parents who were either unemployed or working in the informal economy. In 2018, it represented approximately 0.6% of GDP and reached more than 3.9 million children, almost 30% of all children in the country (ANSES). Broadly speaking, the literature emphasizes the overall positive effects of the program, especially in terms of indigence and poverty reduction (Maurizio, 2008; Roca, 2011; Bertranou and Maurizio, 2012).

<sup>5</sup> Franco et al. (2011) also provide estimates of this rise (see estimates reported in the introduction section).

American region (just after Uruguay and ahead of Chile). Middle class widening is also obviously connected to income mobility patterns (Fields et al., 2007; Ferreira et al., 2013). In general terms, income mobility refers to the extent to which individuals or households move in the income distribution over time. In Argentina, the overall level of income mobility is small compared to other Latin American countries, such as Chile, Costa Rica, Brazil or Colombia (Ferreira et al., 2013). Nevertheless, estimates by Ferreira et al. (2013) showed that the mobility from the vulnerable class (US\$4-US\$10) to the middle class (US\$10-US\$50) was the main contributor to overall mobility between 1994 and 2009. Nonetheless, further evidence on income mobility patterns is required to better understand the underlying dynamics and to track if the pattern changed during the 2010s.

### **Occupation-based approach**

The economic literature based on the monetary definition of the middle class is rather optimistic regarding the dynamics of the middle class during the 2000s and the early 2010s in Latin America in general and in Argentina in particular. From the sociological perspective, however, it is problematic to merely assimilate income groups to social classes. Historically, the sociological literature in Argentina has adopted an occupation-based approach to identify the middle class. This is the case of the pioneering studies of Germani (1942; [1955] 1987; 1963) which have contributed greatly to imposing the vision of Argentina as a 'middle-class country' during the industrialization-by-import-substitution period. Recently, a renewal of the stratificationist approaches has tended to shed new light on the heterogeneity of the Argentinean middle class. From this perspective, Galassi and Gonzalez (2012) have analyzed the consequences of the 2001-2002 convertibility crisis on social stratification (defined in terms of occupation). In addition to emphasizing the marginal decrease in middle-class size (from 46.4% to 45.5%) and the subsequent rise of the working class, they provided evidence of strong middle-class fragmentation and considerable internal restructuring during the crisis episode. One interesting result was the fact that some components of the middle class were impacted negatively by the crisis (self-employed, small business owners and technical managers), while others saw their share within increasing. This was notably the case of administrative employees and salespersons, the largest component of the Argentinean middle class, whose share in the middle-class group increased from 64% to 67% between 1998 and 2003. The relative size and expansion of the latter category echo other sociological evidence that pointing to a long-term rise in the 'professional and managerial class' (clase profesional y gerencial) in Argentina (Ehrenreich and Ehrenreich, 1979; Sautu, 2016; Boos, 2020). For Boos (2020), this class is partly composed of civil servants, teachers, and employees from the cultural sector, and acts as a buffer group by mitigating conflict and tension between capital and labor. The study of Benza (2016) is also of particular interest because it is focused on the post-crisis period. Based on EPH data for 2003, 2006 and 2013, her study provides an extensive examination of the social structure in Argentina using an occupation-based classification. She shows that the share of the middle class in total active population increased from 42.7% to 47.8% between 2003 and 2013, and that this increase concerned all the middle-class subgroups: small entrepreneurs, professionals and managers, and service workers. These trends suggest that the observation that the Argentinean middle class expanded after the 2001-2002 crisis should be qualified, as the upward trend is less pronounced in terms of occupation than it was in terms of income.

The sociological literature has also investigated the intergenerational mobility patterns of the middle class by identifying between-occupation-class movements. From a long-term perspective, Dalle (2010) pointed out changes in the regime of social mobility that occurred between 1960 and 2005 alongside the transition from the import substituting industrialization model to the liberalization model. During the former period, strong upward mobility from the unskilled working class to the skilled working and middle classes could be observed, as already observed by Germani (1963) and Torrado (1992). Then, during the neoliberalization period culminating with the 2001-2002 crisis, the decline of upward mobility did result in a progressive closing of the social structure due to higher barriers to long-distance mobility from the working class to the middle class. Interestingly, the studies focusing on the post-2001-2002 crisis (Dalle, 2012; 2018) have emphasized a 're-opening' of the social structure through longer-distance upward mobility that favored the reconstruction of a stable working class, as well as the consolidation of the salaried middle class. Within the middle class, however, heterogeneous situations can be observed<sup>6</sup>. The 'new middle class' which has benefited from upward mobility is differentiated from the 'historical middle class', composed of highly-educated people, which has seen its relative position within the social structure declining, partly because of its strong fiscal contribution (Wortman, 2010; Benza and Kessler, 2020).

### **Self-identification approach**

Another conceptual approach to social structure is based on self-identification. Argentina has historically been characterized by strong self-identification of its population with the middle class, which has greatly contributed to building the myth of a middle-class country and was not contradicted by the most recent empirical evidence. Boos (2020) shows for instance that approximately 58% of the Argentinean population declares that it belongs to the middle class, based on the World Value Surveys 2014 data, with the figure climbing to 83% on average between 2011 and 2018 with the Latinobarómetro data. Argentina constitutes an exception in that sense, especially when compared to other Latin American countries where self-identification with the middle class is significantly lower. However, there is also evidence that the trend of pauperization consecutive to hyperinflation and the 2001-2002 economic crisis has eroded the social identity of the Argentinean middle class (Kessler and Di Virgilio, 2010). Güemes and Paramio (2020) have provided evidence based on the Latinobarómetro data that the perception of belonging to the middle class fell more sharply in Argentina than in the rest of the region during the 2010s, while the perception of being lower-middle class has risen consistently.

#### **2.1.2. Part of the Argentinean middle class is vulnerable**

Although the economic literature generally delivers an optimistic account of middle-class expansion in Latin America and in Argentina, more nuanced studies have emphasized the strong vulnerability of part of the middle class. Many people who have escaped poverty actually stay very vulnerable to all sorts of shocks. Birdsall et al. (2014) have extensively documented the socio-economic characteristics

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<sup>6</sup> This heterogeneity is also observed in the Latin American region. Güemes and Paramio (2020) differentiate and characterize the Latin American middle class between 'traditional' and 'new' classes, which differ quantitatively (e.g. consumption, income, savings) and qualitatively (e.g. identity, preferences and political behaviour).

of the 'strugglers', the vulnerable class located between the poor and the middle class within the income distribution (i.e. those with daily per capita income between \$4 and \$10). In Argentina, this group accounted for 35% of the population in 2010 (Birdsall et al., 2014). Other evidence from the economic literature largely supports the vulnerability of the lower segment of the middle class (e.g. Stampini et al., 2016). The main reasons are that their income is low in absolute terms and potentially irregular, their main occupation is insecure and their level of education is limited. Vulnerability increases the risk of oscillating between poverty and non-poverty depending on changes in the household internal or external environment. During the 1990s and early 2000s, large segments of the Argentinean middle class did experience impoverishment (Kessler and Di Virgilio, 2010) or social downgrading (Wortman, 2010) after a series of economic changes were triggered by the late 1980s' neoliberal turn. For Kessler and Di Virgilio (2010), these 'new poor' have come to constitute a hybrid stratum with social and cultural characteristics (i.e. education and family composition) that are close to those of the 'core' middle class, albeit with economic characteristics (i.e. low income and unstable occupational status) more akin to those characterizing the poor. Put differently, the socio-economic fragility of the lower segments of the middle class has tended to blur the boundaries between the lower (working) class and the middle class in Argentina.

Economic literature has insisted on another dimension of vulnerability linked to the fiscal position. Birdsall et al. (2014) has documented that the vulnerability of the lower middle class is magnified by the fact that they are "net payers" mainly through direct taxation, while the wealthiest are net earners by evading taxes. Furthermore, the lower middle class is far more dependent on low-quality public services and infrastructures, especially in education, health or transportation, since they lack the income level of the (upper) middle class and the rich class and they benefit much less from public transfer programs than the poorest.

Finally, the literature has pointed out that vulnerable households struck by macroeconomic shocks are generally forced to adopt private and collective adaptation strategies in order to cope with economic difficulties (Ozarow, 2014). Part of these strategies impose a reallocation of the priorities of vulnerable middle-class households. For instance, Zurawicki and Braidot (2005) documented how, in addition to reducing their level of absolute consumption, the 2001-2002 crisis episode also forced most Argentinean middle-class households to give up on some consumption items, particularly cultural goods. Other studies have provided evidence of the development of bartering clubs (*clubes de trueque*) during periods of crisis and have documented their role in sustaining consumption in times of economic difficulties (Gonzalez Bombal and Svampa, 2001; Adamovsky, 2009; Benza et al., 2016). Finally, Ozarow (2014) also provides evidence of labor-market-based strategies such as engaging in self-employment activities besides the main occupation.

During the most recent period, the COVID-19 pandemic has exacerbated the vulnerability of the middle class (at least that of its lower components), especially through labor market negative shocks and subsequent income losses. As pointed out by ECLAC (2021), the deterioration of labor market outcomes in 2020 (see figures in introduction) has primarily affected individuals with low or intermediate education levels and entrepreneurs (employers and self-employed). Such negative labor market dynamics has resulted in increases of inequality indicators and poverty rates and in a drop of the size

of the middle-income class (ECLAC, 2021; World Bank, 2021). As already mentioned in the introduction, World Bank's projections reveal that the share of the Argentinean middle-income class (people with daily income between \$13 and \$70, 2011 PPP) would have dropped from 51.1% in 2019 to 42.6–47.8% in 2020. Although research is still ongoing on this, one can expect that the implementation of social assistance programmes in response to the COVID-19 crisis and the lockdowns might play a mitigating role on these trends. In Argentina, policy responses have primarily relied on the expansion of existing mechanisms (additional payments to Asignación Universal por Hijo, AUH and Tarjeta Alimentar) and on the introduction of a new emergency scheme (Ingreso Familiar de Emergencia, IFE). The mitigating effect of such mechanisms is still debated. According to World Bank's projections based on macro-microsimulation (World Bank, 2021), mitigation measures might have had only limited impact in Argentina due to poor targeting performance. The mitigation measures would have only benefited to 16% of the total population in 2020. Higher performance is found in terms of benefit incidence, with the mitigation measures accounting for 33% of the pre-transfer income of beneficiaries<sup>7</sup>. In any case, there is a significant gap with Brazil where those rates (coverage and benefit incidence) are significantly higher (53% and 64% respectively). In contrast, estimates from Lustig et al. (2020) tend to be more optimistic. Through microsimulation, they find that new and expanded social assistance were pretty well targeted on poor in Argentina as it reached 94% of those who were poor before the COVID-19 crisis and, depending on the scenario, between 73% and 87% of the new poor. This would have contributed to offset the poverty increase related to the lockdowns. However, one crucial limitation is that all the above-mentioned studies provide no information on how people from the middle class benefited from such social assistance schemes in Argentina.

### **2.1.3. The spatial heterogeneity of the middle class**

Territorial heterogeneity comes up as another core characteristic of social stratification in Argentina. It is rooted in the history of the population's and production sector's spatial distribution, as well as in the heterogeneous dynamics of regional development and of public sector territorial coverage (Di Virgilio and Herredia, 2012; Benza, 2016; Sánchez, 2016). Using EPH data and an occupation-based approach, Benza (2016) provided interesting evidence of the spatial heterogeneity in the size and structure of the Argentinean middle class. According to her estimates, the middle class accounted for approximately 70% of the capital city's active population in 2013 (against less than 48% for urban Argentina as a whole). Moreover, the middle-class structure is spatially heterogeneous as managers, professionals and technicians are overrepresented in Buenos Aires compared to other urban areas in Argentina<sup>8</sup>. In contrast, the size of the middle class is significantly lower in north-western cities (41.8% in Formosa) and in southern cities (37.9% in Comodoro Rivadavia and 39.7% in Ushuaia), as well as in Buenos Aires suburbs (38.8%). In these urban areas, the structure of the middle class is also very specific with an overrepresentation of skilled workers in industry. It is worth noting that the social divide within

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<sup>7</sup> Focusing exclusively on the new emergency measure (i.e. the IFE), ECLAC finds that the average amount allocated to beneficiaries only account edfor 19% of the poverty line and 46% of the extreme poverty line.

<sup>8</sup> These estimates not only support the historical vision of Buenos Aires as a 'middle-class city', but also of BA as a "higher-middle-class" city. It is interesting to note that the literature on the middle class in Argentina has generally been limited to Greater Buenos Aires, thus providing a biased picture of the middle class (Benza et al., 2016). To the best of our knowledge, no study focuses on the specific case of 'rural middle class' in Argentina. We were only able to find studies focusing on specific agricultural sectors defining medium-sized farmers as middle class. See Neiman and Blanco (2020) for the example of soybean farmers.



Great Buenos Aires (Gran Buenos Aires, GBA) between the inner-city and its suburbs appears as an important feature of spatial heterogeneity.

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## **2.2. Characteristics, behavior and aspirations of the middle class: A literature review**

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To date, very few studies have provided systematic investigations of the characteristics, behavior and expectations of the Argentinean middle class. Nonetheless, this section provides an overview of the characteristics of the 'typical' Argentinean middle class by compiling various economic and sociological studies. Based on this review, we argue that the Argentinean middle class, although heterogeneous and fragmented, is characterized by common socio-economic behavior. However, signs of differentiation are also obvious, especially regarding subjective traits (i.e. social and political values and aspirations).

### **2.2.1. Common behavioral traits**

As in many other contexts, the adoption of consumerist behavior is probably the most visible marker of middle-class membership in Argentina (Sautu, 2016). Since the post-2001-2002-crisis recovery, there has been a democratization of consumption (Benza and Kessler, 2020) or a boom of consumption (Wortman, 2010), both in quantitative and qualitative terms, and that is driven primarily by the middle-class, although not limited to them. This means that, in addition to the absolute rise in consumption expenditure resulting from the rise in income, an increasing diversification of consumption towards durable goods and ITC, cultural goods and leisure, etc. has been observed. Studies by Wortman (2007; 2010) notably evidence that middle-class members adopted new consumption patterns based on gastronomy, bodycare, clothing or culture as a social distinction strategy. Likewise, during episodes of sustained economic growth, middle class people tend to express their taste for fashion, novelty and modernity, and their appetite for leisure activities. Nonetheless, it is important to note that, most notably for the lower components of the middle class, this consumerism is sustained by a process of financialization of consumption with an increased affordability of credit (Wortman, 2010; Wilkis, 2014; Benza, 2016; Sautu, 2016). According to a survey carried out by the consulting firm D'Alessio Irol, 62% of middle-class families had debts in 2019 and this percentage has significantly increased with the COVID-19 crisis, peaking to 73% in 2020. This survey also points out that credit cards have become the main channel of indebtedness among the middle class.

Another shared characteristic of the Argentinean middle class is its strong demand for education and health, two major factors of social reproduction (Sautu, 2016). For parents from the middle class, investing in their children's education and health is a priority. The view that education is the main channel of social upgrading is widespread within the Argentinean middle class (Sautu, 2014; 2016). As in many other Latin American countries, the development of private schools at primary and secondary levels has counterbalanced the recent deterioration of public schools and enrolling children in such schools is now a clear marker of middle-class identity, even at the cost of indebtedness. The same logic applies for health, with an increasing trend of adhesion to private health insurance plans. Concerning education, access to universities and higher education is maybe the most distinctive feature of middle-class membership. As underlined by Plotno (2014) and Sautu (2016), a large

proportion of students in Argentinean universities are middle class, and their parents strive to ensure that their children graduate in order to boost their perspectives of intergenerational mobility or, at least, to ensure social reproduction.

People from the middle class are also characterized by their segregated residential strategies which constitute another important strategy of social differentiation. During the second half of the 20th century, and even more after the 1990s, a suburbanization process was observed through the development of residential suburbs (Sautu, 2016). As explained by Wortman (2010), most people from the middle class have started to express their willingness to “flee from the city” after the 1990s and to cluster with their middle-class peers in securitized suburbs. As in many Latin American countries (Capron et al., 2008), this resulted in the development, on the edges of big cities, of gated-communities offering private amenities such as swimming pools, sport halls and clubs to the upper and the upper-middle class families who are ready to pay to live in quiet, safe and unpolluted places (Gonzalez Bombal and Svampa, 2001; Arizaga, 2004; Sautu, 2016). This process of suburbanization has contributed to increased spatial segregation, by creating pockets of wealth and poverty that have tended to widen the social distance between classes (Svampa, 2004). Nonetheless, some signs of reversal of the suburbanization process and of a progressive reappropriation of city-centers by middle-class households were detected recently in the case of Buenos Aires for several districts (Palermo Viejo, San Telmo, La Boca, Barracas) (Schwartzman, 2009; Herzer et al., 2015).

### **2.2.2. Distinctive socio-political aspirations**

Members of the Argentinean middle class therefore share common priorities regarding consumption, education, health or residential choices. By contrast, they differ in social and political aspirations. Such distinctive features are linked to the socio-economic and spatial fragmentation of this group (De Riz, 2009; Benza and Kessler, 2020).

From a political perspective, the ‘historic’ Argentinean middle class has long been characterized by its anti-Peronism and its support for center and center-left parties during the 20th century (e.g. the Unión Cívica Radical) (Adamovsky, 2009; De Riz, 2009; Kessler and Di Virgilio, 2010). However, the disruption of the social structure that occurred during the 1990s did contribute to blurring the political lines durably within the middle class. Later on, the expansion of a market-driven ‘new middle-class’ and the increasing vulnerability of the lower components of the middle class further increased middle-class socio-political heterogeneity with preferences ranging from progressive to reactionary. For instance, Sautu (2016) points out that, although they are attached to individualism, people from the middle class declare that they support public policies promoting more equal opportunities. In particular, they extensively criticize the unfairness of the fiscal system. They also share a strong rejection of corruption. Other studies note the existence of a neoliberal turn among some segments of the middle class rejecting State interventionism (Sautu, 2016). Finally, part of the middle class is also inspired by more reactionary ideas, criticizing the lower classes as benefitting from public transfers by political privilege, while being unwilling to work (Benza and Kessler, 2020). Such recriminations sometimes go hand-in-hand with xenophobia, especially against migrants from neighboring countries (Grimson, 2006).

The ambivalence of the Argentinean middle class also concerns political commitment and settlement (Boos, 2020). A first strand of the literature supports the idea that the reconfiguration of the Argentinean middle class has contributed to the affirmation of Kirchnerism. Ozarow (2019) claims that during the 2001-2002 convertibility crisis, the middle class was part of the rebellion against freezing deposits that favored the emergence of Kirchnerism. Moreover, although the political message of Nestor and Kristina Kirschner primarily targeted the popular classes, the reference to the middle class was not absent from it (Boos, 2020). Boos (2017) uses the term 'consumption pact' to describe the action of Latin American progressive governments to boost the consumption levels of the lower and middle classes, through the creation of formal employment, increasing wages, opening indebtedness and implementing conditional cash transfers. He argues that this pact may have worked in Argentina, albeit only during the first two terms of the Kirchnerist period, and may have resulted in some support among the middle-classes (at least the lower middle classes) for Kirchnerism. However, a second strand of the literature tends to confirm the anti-Peronist and anti-Kirchnerist values of the middle class. Pereyra (2016) and Boos (2020) point out the strong implication of the upper parts of the middle class during the 2012-2013 protests against Cristina F. Kirshner's government (even though there has been a gradual diversification of the actors involved). In addition to the expression of socio-economic difficulties and their rejection of affairs and corruption, protesters targeted personal attacks against C.F. Kirschner. In this context, Macri's election in 2015 could be interpreted as a sort of revenge of the middle classes on the lower classes and may symbolize a return of the middle class to its historical anti-Peronism (Boos, 2020).

### **3. Methods and materials**

Our empirical investigations are based on a three-step methodology which combines quantitative (3.1.) and qualitative (3.2. and 3.3.) materials.

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#### **3.1. Multidimensional identification of the Argentinean middle class**

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The purpose of the quantitative analysis conducted in the first step of this study is to identify the Argentinean middle class by means of an innovative method, to reveal its potential heterogeneity, describe its main socio-economic characteristics and assess the underlying dynamics of this group.

The quantitative analysis conducted as part of the project will be based on the data from the EPH survey (Encuesta Permanente de Hogares) carried out by INDEC (Instituto Nacional de Estadística y Censos), which is known as the most comprehensive household survey in Argentina. It is a long-term household survey with information on dwelling attributes, family composition, education, occupational status and income. The EPH survey offers urban representativeness and covers 31 large urban areas (accounting for more than 60% of the total population)<sup>9</sup>. The EPH has a rolling unbalanced panel

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<sup>9</sup> The fact that the EPH survey does not cover small cities and rural areas has important implications in terms of middle class measurement. In the literature, and especially in comparative studies focusing on the LAC region, the statistics on the middle class and the poor in Argentina are often interpreted as national figures and compared with other countries for which nationally

structure and has collected information on a quarterly basis since 2003. More specifically, since 2003, households have been surveyed for two consecutive quarters, rotated out for two quarters and then rotated in for two additional quarters<sup>10</sup>. While this particular structure does not allow the examination of long-term socio-economic dynamics, based on occupational or educational change, it enables the short-term dynamics to be explored from year to year, meaning movements in and out of the middle class based on changes in income. Although the current project will use the waves from 2003 to 2021, it is worth noting that the 2003-2015 waves are not directly comparable to the most recent waves (2016-2021) because of several methodological updates.

Based on EPH data, the quantitative analysis will adopt a sequential method that broadly follows the approach proposed by Bonnefond et al. (2015). This approach is multidimensional and combines an economic definition of the middle class (based on income) and a sociological definition (based on employment and education). In addition to this two-step methodology, we will also explore the dynamics of social stratification in a third-step using the rolling panel structure of the EPH data.

### **3.1.1. Identification and characterization of the middle-income class**

In this first step of the quantitative analysis, the objective is to explore the income distribution and its changes and to define a middle-income group. In the economic literature, the statistical identification of the middle class is primarily based on an income-based definition where households who fall within a specific income range are considered to belong to the middle-income class. The main issue is not to identify the number and percentage of people in the middle class precisely (given the lack of consensus on the choice of the income range), but rather to define a group of individuals located in the middle of the income distribution. Nonetheless, most of the intervals used in the literature to identify the middle-income class will be tested, compared and discussed (see Box 1).

We also propose to explore the dynamics of economic stratification for Argentina as a whole. This issue is particularly relevant for Argentina as the country experienced great variability in both macroeconomic indicators and macroeconomic policies during the period investigated, with the succession of periods of growth and severe economic crises potentially having a large impact on the size and composition of the middle class. Adopting a dynamic view of economic stratification may help to reveal the vulnerability of the Argentinean middle class and to assess the extent of middle-class households' impoverishment during and after economic crises. More specifically, given the rolling panel structure of EPH data, we were able to identify the year-to-year transitions in and out of the middle-income stratum and to address the more general issue of upward and downward income mobility in Argentina, in relation to the macroeconomic context and the COVID-19 pandemic.

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representative household surveys are available. Yet, focusing exclusively on large urban centres might result in an overestimation of the share of the national middle class in total population and in an equally biased picture of its composition (in terms of occupational and educational characteristics for instance). For convenience purposes, however, we do not necessarily specify "urban" when referring to the middle class in the rest of the article, although we are fully aware that our main findings may not be generalized at the national level.

<sup>10</sup> Until 2003, the EPH survey was conducted twice a year and 25% of the surveyed households were replaced across semesters, which means that 75% of the sample could be followed over a 6-month period, 50% over a year and only 25% over a year and half (Albertini et al., 2019).

### **Box 1. The income-based identification of the middle class**

Broadly speaking, four different types of income ranges are used in the economic literature dealing with identification of the middle class.

First, the relative approach defines the middle class as the population located in the middle of the income distribution. Relative intervals are most often constructed from median income or average income: between 75% and 125% of median income (Birdsall et al., 2000), between 50% and 150% of median income (Castellani and Parent, 2011) or between 100% and 250% of average income (Song et al., 2015). Second, the absolute approach is primarily used for international comparisons. It is based on intervals expressed in PPP (Purchasing Power Parity) dollars. Many intervals are constructed with a lower boundary of US\$2 per capita per day (in PPP). The underlying idea is to consider that the middle class starts where poverty ends. In the literature one can find the following intervals: US\$2-US\$10 (Banerjee and Duflo, 2008), US\$2-US\$13 (Ravallion, 2010) and US\$2-US\$20 (ADB, 2010; Castellani and Parent, 2011). However, as the Asian Development Bank (ADB, 2010) acknowledges, households with per capita income just above \$2 remain highly vulnerable to a return to poverty in the case of socio-economic shocks. This has led other authors to use a lower limit of US\$10. The criteria US\$10-US\$20 (Milanovic and Yitzhaki, 2002), US\$10-US\$50 (Ferreira et al., 2013) or US\$10-US\$100 (Kharas, 2010) are nowadays frequently used. Third, the mixed approach consists of combining an absolute lower boundary and a relative upper boundary. The interval proposed by Birdsall (2010) has a lower limit of US\$10 and an upper limit corresponding to the 95<sup>th</sup> percentile of the income distribution. Fourth, there are polarization-based measures of the middle class. Esteban and Ray (1994) explain that a polarized society is characterized by three features: (i) a small number of groups; (ii) a high degree of homogeneity within each group (identification); and (iii) a strong degree of heterogeneity between groups (alienation). Based on the Esteban-Ray index, Cruces et al. (2011) have developed a polarization measure that endogenously determine (based on the income density function) the middle-income stratum cut-offs.

Interestingly, Edo and Sosa-Escudero (2013) have applied several income ranges inspired by the four approaches to Argentina, for the 1991-2012 period based on EPH data restricted to Greater Buenos Aires. They show that, according to the interval chosen, the diagnostic on the evolution of the middle class between 1991 and 2012 may differ widely. Some income intervals emphasize a decline of the size of the middle-income stratum while others exhibit increasing or steady trends. The objective of the first step of the present project is thus to compare different income intervals and to select one for its ability to correctly address the evolution of social stratification in Argentina between 2003 and 2019.

### **3.1.2. Multidimensional characterization of the middle class**

Although the most commonly used method for identifying the middle class in the economic literature involves a strictly income-based or consumption-based approach, we propose to articulate monetary information on living standards with non-monetary information on occupation and education, as these latter two dimensions constitute the main criteria used by the sociological literature to identify class structure. This stratification perspective is very common within the literature dealing with social classes in Argentina since the pioneering studies of Germani (1942; [1955], 1987; 1963).

More precisely, in order to explore the socio-economic structure of the middle-income stratum identified in the previous step and to reveal its potential heterogeneity, we implement a mixed cluster analysis on several variables describing the occupational and educational status of households belonging to this group. Specifically, we use five categorical variables related to the education and employment characteristics of the household head: (i) education (highest level attained), (ii) occupation, (iii) employment status, (iv) type of employer or institutional sector and (v) multi-activity practices. This cluster analysis will identify the optimal partition of the Argentinean middle class in internally-homogeneous, clearly distinct groups. Finally, in order to characterize these groups better, we will compare the distributions of the different classification variables mentioned above and refine the analysis by comparing the distribution or average values of a set of other additional variables (available in the EPH survey), called characterization variables<sup>11</sup>. Noteworthy, this cluster analysis was implemented on the fourth quarter of the 2018 wave for the sake of not being affected by the obvious consequences of the COVID19 pandemic on social stratification.

From a dynamic perspective, the EPH panel structure will allow us to assess the extent to which the household classification based on socio-economic information has evolved over time. Of course, we could replicate the classification methodology performed for the last quarter of 2018 to other prior periods, but such a procedure would not provide any reliable comparability due to the inherently relative nature of the various classifications obtained for each period. Therefore, the dynamics of household membership in the various groups identified within the middle-income class can only be considered using the technique known as "additional individuals". This allows us to observe how households from a previous period would be distributed according to the groups established within households of the most recent period.<sup>12</sup>

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### **3.2. Analysis of mobility, behavior and expectations of the Argentinean middle class**

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One important objective of this study is to identify the specific behavior, aspirations, perceptions and policy expectations of the Argentinean middle class and of its different components as identified in the first stage of the project. Although the EPH data provide information on such dimensions as education, health, capital goods consumption or housing behavior, more qualitative and subjective information will be needed to explore further the perceptions and aspirations of the Argentinean middle class and of its different groups. To collect this subjective information, a qualitative survey has been carried out in a sample of 40 households judged to be characteristic of the different groups identified previously. Put differently, the share of each cluster of the middle class, as identified by the classification procedure, will serve as the criterion for sampling the qualitative survey. This original sampling procedure allows the extent to which the different groups of the middle class do share common traits or not to be determined. To account for spatial heterogeneity, the 40 households have

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<sup>11</sup> Note that monetary information on income is not used in the cluster analysis since we are mainly interested by the way middle class households cluster together from the point of view of their socio-cultural traits and not of their living standards. Using income data at this stage would lead to first differentiating middle class households with respect to their income level and letting socio-economic non-monetary outcomes explain only a limited share of the overall heterogeneity.

<sup>12</sup> The method consists in projecting the households from the previous waves of the survey on the factor axis established for the more recent observation period.

been surveyed in two Argentinean cities with distinct socio-economic characteristics, namely Buenos Aires and San Miguel de Tucumán. The qualitative survey is based on semi-structured interviews from which we were able to collect information on various dimensions that are reported as making up of the middle-class identity in the sociological literature: mobility patterns, consumption, financial behavior, education, health, housing, political commitment, expectation and priorities, etc.

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### **3.3. Implications for public policies and private market strategies**

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Based on the information produced in the first two stages described above, the third part of this study will focus more specifically on the issues of public policy and market strategies in Argentina. As explained previously, the qualitative survey conducted on a sample of 40 households has collected information on the expectations of the Argentinean middle class in terms of public policies. However, in order to conduct a full assessment of the implications of the specific dynamics of the Argentinean middle class for public policy and market strategies, we also need to explore the “supply” side. This means that we need to screen a sample of actors having an impact on, or being impacted by, the dynamics of the middle class (administrations, large private companies, banks, insurance companies, providers of market-related services in education, health and communication, consumer associations, political parties, trade unions, etc.).

From this perspective, the third step of the methodology relies on an institutional field survey gathering information on how the public and private organizations that have political and economic stakes in the dynamics of the middle class perceive the challenges and opportunities associated with its recent changes. In other words, we will try to identify how the structure and recent dynamics of the Argentinean middle class are impacting the design of public policies and corporate strategies. To do so, a qualitative survey has been carried out among twelve representatives of private and public organizations involved either in the formulation or in the implementation of sectorial public policies and market strategies potentially targeting the middle classes (at least in part). The survey is based on semi-structured interviews aiming to collect information on three elements: (1) the perception of the public and private actors in the relevant sectors with regard to the opportunities and challenges associated with the dynamics of the middle classes and (2) the influence of the middle classes on the definition of public policies and corporate strategies, and whether these middle classes are explicitly targeted or if they are “collateral” issues.

## **4. Identification, characterization and dynamics of the Argentinean middle class**

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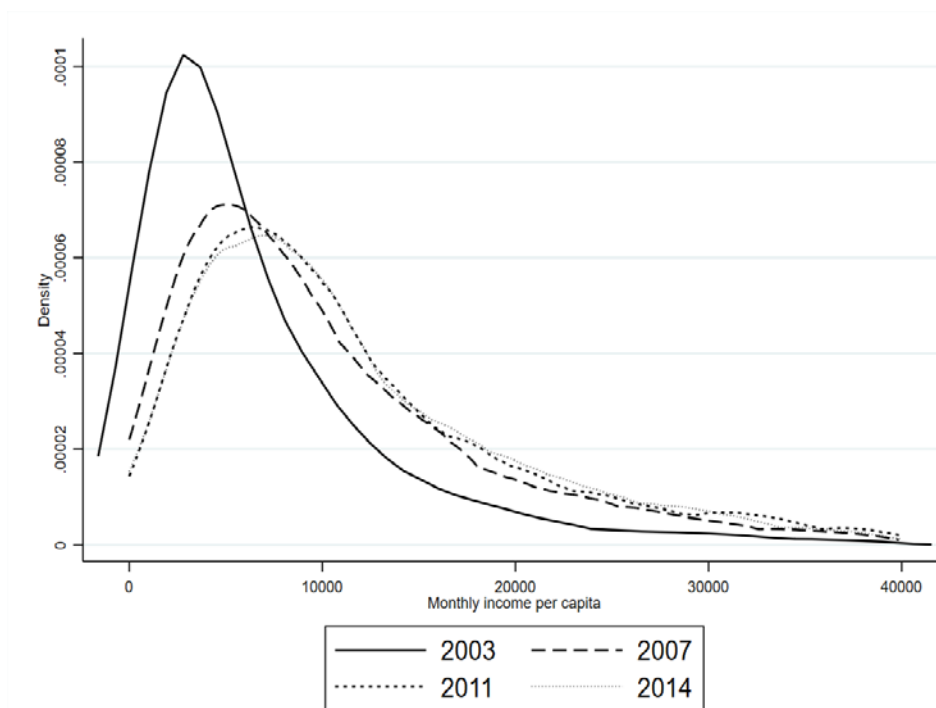
### **4.1. Identification and dynamics of the middle-income group**

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Before identifying the middle-income group, a brief overview of trends in income distribution is required. After the 2001-2002 crisis, the country experienced an economic recovery with several years of high growth rates, from 2003 to 2008. Based on EPH data, Figure 2 presents the distribution of income

per capita in Argentina for urban households for the years 2003, 2007, 2011 and 2014. As can be seen, there is a flattening trend in this income distribution over the years, reflecting a decline in income inequality, especially between 2003 and 2007. Moreover, the shift of the distribution to the right is consecutive to the increase in average income, resulting in a significant fall in poverty and an expansion of intermediate-income households. This is consistent with Figure 3 exhibiting a regular decrease in the income Gini index (from 0.51 in 2003 to 0.42 in 2015) and an increase in the average and median incomes over several years, roughly until 2011. In fact, average income per capita grew steadily during the first decade (+50% during the 2003–2008 period) and then slacked off sharply afterwards. The relatively poor performances observed after 2010 are explained primarily by the general economic downturn caused by the 2007 financial crisis that hit the whole Latin–American region.<sup>13</sup> Finally, in the most recent period, and especially from 2017 onwards, a clear deterioration of the mean and median income per capita is being associated with a clear increase in income inequality. Arguably, these facts need to be related to the adverse impact of the recent surge of inflation (34.3% in 2018 and 53.5% in 2019) and of the COVID-19 crisis on aggregate economic performance and households’ livelihood.

**Figure 2. Income distributions (kernel density functions) (Argentina, urban households, 2003, 2007, 2011, 2014)**



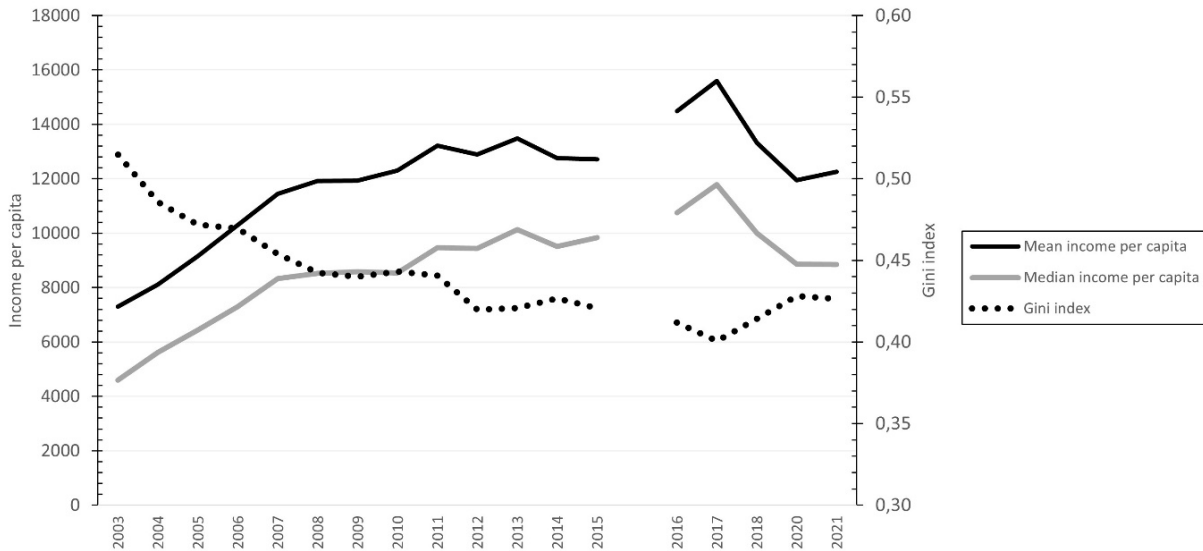
Note: Deflated prices for the fourth quarter of 2018.

Source: Authors’ elaboration based on EPH data. Fourth quarter for each year

<sup>13</sup> The repercussions of the 2007 financial and banking crisis were felt after 2010 in the Latin–American region and impacted the biggest economies in the region such as Brazil, Argentina or Venezuela through a fall in commodity prices in the raw materials market (Gaudichaud et al., 2020).



**Figure 3. Evolution of per capita household income and Gini index (Argentina, urban households, 2003–2021)**



Source: Authors' elaboration based on EPH data. Fourth quarter for each year with the exception of 2021 (second quarter).

After this short description of the changes in income distribution over the last two decades, let us turn to the identification of the middle-income class in Argentina. As mentioned earlier, there is absolutely no consensus on the measurement of the middle-income stratum, whether in developed or in developing countries. Table 1 compares three approaches largely used in the literature dealing with the identification of the middle-income class. For each approach, we selected different income ranges to perform a sensitivity analysis of the size of this group for the 4th quarter of 2018: four absolute criteria (US\$2–US\$10; US\$10–US\$20 ; US\$10–US\$50 and US\$10–US\$100 per capita and per day), two relative criteria (75%–125% and 50%–150% of median income) and two mixed criteria using an absolute lower absolute of US\$10 and a relative upper limit excluding from the middle income class the richest 10% or 5% (P90 and P95).

**Table 1. Comparison of different criteria for defining the middle-income class (Argentina, urban households, 2018)**

Approach	Criterion	Monthly income range		Poor (%)	Middle income (%)	Rich (%)
		Monthly per capita ARS (2018 prices)	Monthly per capita USD (PPP 2011, 2018 prices)			
Absolute	[US\$2; US\$10]	[956\$; 4,779\$]	[US\$60; US\$300]	1.4	16.0	82.6
	[US\$10; US\$20]	[4,779\$; 9,558\$]	[US\$300; US\$600]	17.5	29.9	52.6
	[US\$10; US\$50]	[4,779\$; 23,895\$]	[US\$300; US\$1,500]	17.5	69.6	12.9
Relative	[US\$10; US\$100]	[4,779\$; 47,790\$]	[US\$300; US\$3,000]	17.5	80.3	2.2
	[75%-125% median]	[7,500\$; 12,500\$]	[US\$471; US\$785]	32.9	27.7	39.4
	[50%-150% median]	[5,000\$; 15,000\$]	[US\$314; US\$942]	18.2	50.5	31.3
Mixed	[US\$10; P90]	[4,779\$; 26,500\$]	[US\$300; US\$1,664]	17.5	72.5	10.0
	[US\$10; P95]	[4,779\$; 35,000\$]	[US\$300; US\$2,197]	17.5	77.5	5.0

Notes: PPP = purchasing power parity. The PPP factor conversion is 15.93 for the fourth quarter of 2018. It is calculated using the PPP factor conversion for 2011 from the World Bank, consumer price indices stemming from INDEC and alternative indices for the 2007–2015 period from the Billion Price Project (Cavallo and Rigobon, 2016).

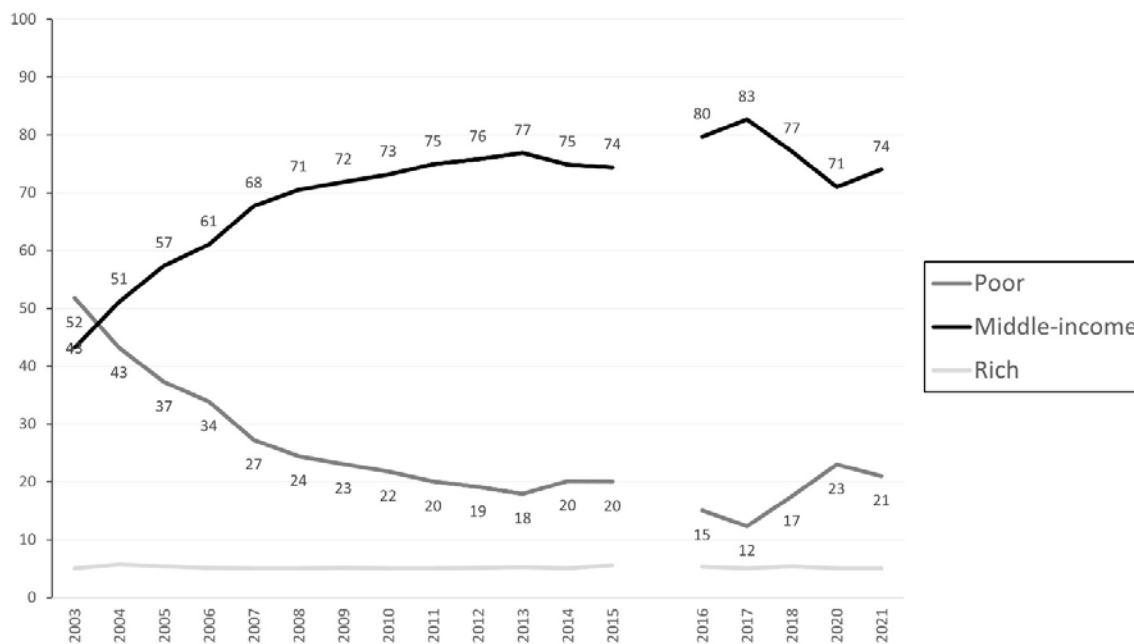
Source: Authors' elaboration based on EPH data (fourth quarter, 2018).

Table 1 reveals that the share of the middle-income group in urban Argentina differs widely, depending on the criterion used. It ranges from 16% based on the US\$2–US\$10 absolute approach to 77.5% using the US\$10–P95 mixed approach. The former criterion is based on a lower boundary which seems too low to draw a realistic picture of the Argentine middle class. The literature dealing with the middle class in the Latin American region generally sets the lower bound at a higher income level in order to avoid including households that are still highly vulnerable to poverty and lack economic stability in the middle-income group (e.g. Birdsall, 2010; Kharas, 2010; Ferreira et al., 2013). Birdsall (2010) proposed an empirical validation of the middle class in the region with an absolute lower income limit of US\$10 per day and per capita (in PPP 2005), claiming that this limit ensures relative economic security for families (which is a strong marker of the middle class). As it seems well adapted to the Argentinean context, we chose to adopt this US\$10 lower limit. The three absolute intervals based on this US\$10 lower limit show significant differences in the size of the middle-income class, which ranges from 30% to 80% of the urban population for upper limits set at US\$20 and US\$100 respectively. Although the US\$10–US\$50 interval appears to be the most suitable in our case (the US\$10–US\$100 interval only excludes the richest 2%) and allows comparability between countries, it is generally considered that the absolute approach for setting the upper income boundary does not take the specificity of national income distributions into account (Birdsall, 2010). This is why we adopted the US\$10–P95 mixed or hybrid approach, in line with other studies focusing on Latin American (Birdsall, 2010; Clément et al., 2020). Setting the relative upper limit at the 95th income percentile allows us to exclude from the middle-income group a significant share of top income households that are not very dependent on labor income, as they

mainly benefit from capital and asset incomes (Birdsall, 2010). Figure A1 in the Appendix presents the per capita household income distribution and the selected boundaries (US\$10 and P95).

Using this mixed interval, the Argentinean urban middle-income stratum accounted for 77.5% of the urban population in the 4th quarter of 2018 (i.e. households with per capita monthly income of between 4.779 and 35.000 pesos). It is worth noting that our estimate of the middle-income group's size is higher than previous estimates (between 40% and 60%, see Section 2.1.1.) because based on an alternative income range and on more recent waves of the EPH survey that are not directly comparable to past waves (the most recent estimates mentioned in Section 2.1.1. date back to 2013). Furthermore, let us recall that our objective is not to identify the number or percentage of households within the middle class precisely (given the lack of consensus on the choice of the income range), but rather to define a group of individuals located in the middle of the income distribution.

**Figure 4. Evolution of income groups (Argentina, urban households, 2003-2021)**



Source: Authors' elaboration based on EPH data. Fourth quarter for each year with the exception of 2021 (second quarter).

To examine the changes in the size of the middle-income group, we replicated the same identification method used for 2018 on the whole time period. Based on Figure 4, three distinct sub-periods can be described. First, the 2003-2008 period is characterized by a rapid and significant expansion of the middle-income stratum, climbing from 43% of urban households in 2003 to 71% in 2008. During this period, the combination of favorable external economic conditions marked by high prices in commodities markets, large emergency cash transfer programs enacted by the Kirchner

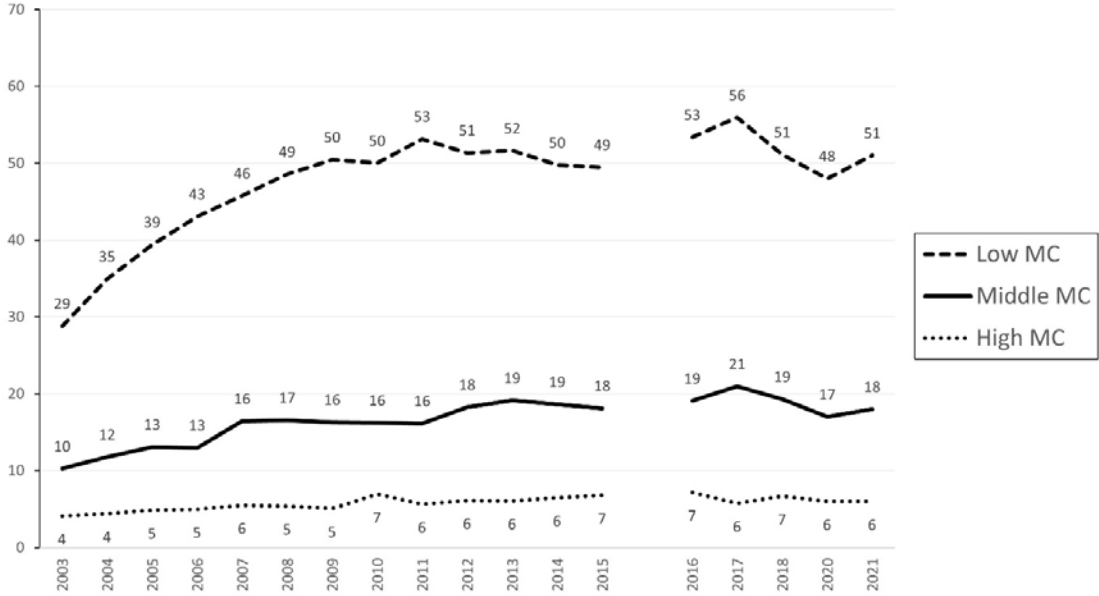
government<sup>14</sup> to tackle unemployment and various waves of minimum wage increases led to a sharp reduction in poverty (from 52% in 2003 to 24% in 2008) and to a significant improvement in the economic position of many households. The second period (2009–2012) is characterized by a slower rise of the middle-income group, from 72% in 2009 to 76% in 2012, with a turning point after 2013 when poverty started to increase slightly for the first time since 2002. Although not directly comparable with the previous one, the last period (2016–2021) provides clear evidence of the harmful consequences of negative shocks on middle class vulnerability. As indicated by Figure 4, the size of the middle-income group dropped from 83% in 2017 to 71% in 2020 and the poverty rate increased from 12% to 23% in the meantime as direct consequences of the cumulative inflation and epidemic shocks.

One limitation to these findings lies in the fact that the broad income range used to delineate the middle-income stratum may hide strong heterogeneity within this group, with the richest earning almost seven times more than the poorest. In Figure 5, the middle-income stratum is therefore broken down into three groups based on income intervals of equal width: the *lower* middle-class (LMC), the *middle* middle-class (MMC) and the *higher* middle-class (HMC). This breakdown highlights some very interesting results. The middle-income group is predominantly made up of the LMC, accounting for two-thirds of the whole group in 2015. Likewise, the expansion in the middle-income stratum observed during the 2003–2015 period was driven mainly by a rapid expansion in the share of the LMC (from 29% in 2003 to 53% in 2011, before declining). The MMC doubled in one decade from 10% in 2003 to 19% in 2014. The HMC increased more marginally, from 4% to 7% in 2015. In short, before 2015, Argentina has been characterized by a general trend of upward mobility, with much of the expansion of the middle-income class being due to the enlargement of the lower middle-income group. This result echoes previous studies showing that the increase in the size of the middle class in the early 21<sup>st</sup> century in Latin American countries was primarily triggered by the decrease in poverty and the subsequent increase in the lower, more vulnerable components of the middle class (e.g. Ferreira et al., 2013; Benza and Kessler, 2020).

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<sup>14</sup> To cite a few of them: the first large scale conditional cash transfer *Jefes y Jefas de Hogares Desocupados* (JJHD) implemented in 2003, a workfare program, *Trabajar* (already introduced in 1999), or the *Asignación Universal por Hijo* (AUH) in November 2009 that combined several social programs, JJHD included.

**Figure 5. Evolution of the (decomposed) middle-income class (Argentina, urban households, 2003–2021)**



Source: Authors' elaboration based on EPH data. Fourth quarter for each year with the exception of 2021 (second quarter).

This means that, both the LMC and the whole middle class are expected to be severely impacted by economic downturn, as shown by Figure 5 reporting the most recent dynamics of the Argentinean middle class socio-economic structure. Strong patterns of downward move can be observed within the middle-income group over the 2017–2020 period, especially for the LMC whose share dropped from 56% in 2017 to 48% in 2020. While the size of the MMC also decreased, albeit to a lesser extent in absolute terms (from 21% to 17%), the share of the upper stratum has remained roughly constant. To sum up, the most recent evolutions seem to be confirmatory of the fact that the expansion of the middle income group that was observed in the 2003–2015 period is fragile, primarily because its most dynamic constituent, the LMC, is also the most vulnerable to socio-economic shocks.

**Table 2. Characteristics of poor, middle-income class and rich households' heads  
(Argentina, urban households, 2018)**

	<b>Poor (18%)</b>	<b>Middle- (77%)</b>	<b>Rich (5%)</b>	<b>Total</b>
<b>Education</b>				
No school or incomplete primary	11.50	6.76	1.08	7.29
Primary education	27.16	21.21	2.99	21.29
Incomplete secondary education	24.13	13.53	2.36	14.80
Secondary education	24.48	24.73	17.51	24.30
Incomplete Superior education	6.97	13.30	14.77	12.27
Superior education	5.76	20.47	61.29	20.05
<b>Occupation</b>				
No job (retirees, inactive, unemployed)	39.32	35.05	23.27	35.17
Higher managerial and professional	3.49	13.78	36.52	13.18
Intermediate professions	3.20	11.15	21.14	10.28
Service employees	32.24	23.58	9.66	24.36
Workers and craftsmen	21.74	16.44	9.41	17.00
<b>Employment status</b>				
Retired / Pensioned	12.94	29.23	21.68	25.97
Other inactive / Unpaid family workers	26.41	5.86	2.08	9.28
Employees	40.03	48.70	57.67	47.65
Self-employed	19.24	13.53	9.47	14.31
Employers	1.39	2.68	9.08	2.79
<b>Type of employer / Institutional</b>				
No job (retirees, inactive, unemployed)	39.30	35.10	23.30	35.17
Private formal	31.42	41.71	49.69	40.33
Public formal	3.99	13.49	23.89	12.37
Informal employment	25.27	9.75	3.15	12.12
<b>Multi-activity</b>				
No	56.90	57.60	58.40	57.53
Yes	3.80	7.30	18.30	7.30
No job (retiree, inactive, unemployed)	39.30	35.10	23.30	35.17

Notes: n = 15,298. Weight variable "PONDIH" used for group calculation. The middle class includes households with income between USD10 and the 95th percentile of the income (per capita) distribution \*employees and self-employed are considered as informal workers. For employees, we retain the fact of not having paid vacation, sick leave, contributions for retirement or payslip. For informal self-employed, the non-legal registration of the company and a size less than 10 employees.

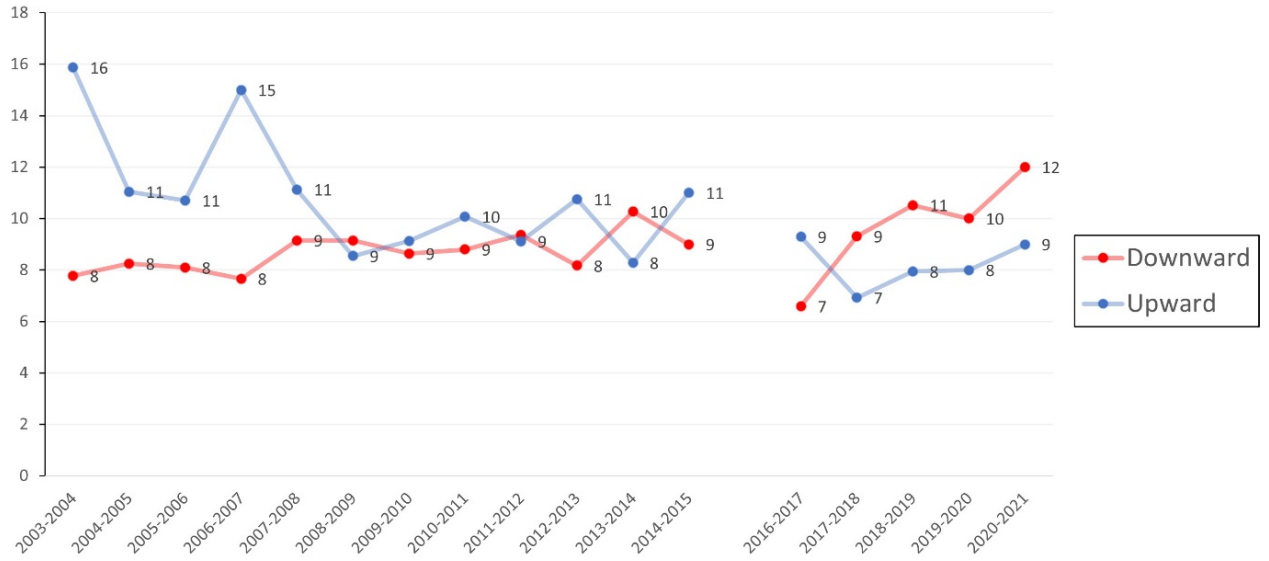
Source: Authors' elaboration based on EPH data (fourth quarter, 2018).

To provide further evidence about this middle-income group, Table 2 contrasts the socio-economic characteristics (educational attainment, occupation, employment status, type of employer and multi-activity) of household heads belonging to the middle-income group against those from the 'poor' and the 'rich' groups for the fourth quarter of 2018 (i.e. prior to the COVID-19 pandemic). Note that these socio-economic characteristics will be those used for the identification and characterization of clear-cut groups among the 'monetarily-defined middle class' (see Section 4.2.). Broadly speaking and as could be expected, the heads of middle-income households are located in an intermediate position between those of the 'poor' and of the 'rich' households for all dimensions. Nonetheless, Table 2 also

suggests that the Argentinean middle-income segment is highly heterogeneous in terms of education and labor market characteristics. In terms of employment status, for instance, the middle-income group is predominantly composed of employees (48.7%) but also includes retired and inactive household heads (35%), with the share of entrepreneurs (self-employed and employers) remaining limited (16%). Such distinctive features are also observed for education level, occupation or institutional sector, and tend to underline the socio-economic heterogeneity of the middle-income group, giving support to the second step of our quantitative investigations consisting in carrying out a multidimensional cluster analysis based on these variables.

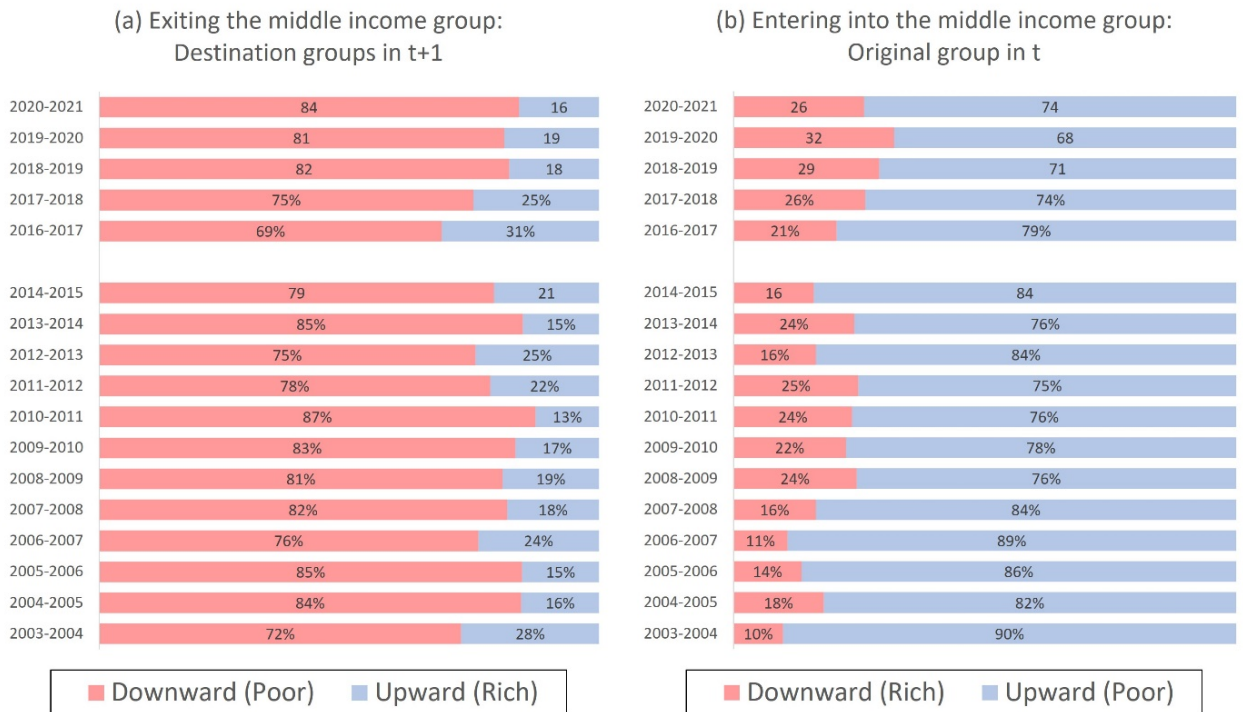
The last part of the descriptive analysis deals with the income dynamics of the middle-income group, with a particular focus on the movements in and out of the middle-income stratum. As mentioned earlier, the rolling panel data design of the EPH survey makes it possible to assess the short-term income mobility of Argentinean households over a one-year period. Figure 6 describes upward or downward income mobility for the households surveyed in two successive years and shows a high degree of upward economic mobility during the first half of the 2000s, before gradually declining from the end of the decade onwards. Until the 2007-2008 period, the dominant trend was upward mobility, coinciding with the fall in poverty, as well as the expansion of the (lower) middle-income group. After 2007-2008 and until 2013-2014, upward and downward trajectories remained in similar proportions, indicating a more static or immobile society which is consistent with the second tendency identified above (i.e. a less pronounced change in the middle-income class). In the most recent period, the level of downward mobility has exceeded that of upward mobility in Argentina, probably after the living conditions of many middle-class households were durably undermined by cumulation of the late 2010s economic crisis and of the COVID-19. However, the fact that upward mobility has continued to increase, although at a slower pace than downward mobility, during the period suggests that complex income dynamics across income groups might be under way.

**Figure 6. Households mobility between monetary groups (Argentina, urban households, 2003-2021)**



Source: Authors' elaboration based on EPH data. Fourth quarter for each year with the exception of 2021 (second quarter).

**Figure 7. Economic mobility in/out the middle income group (Argentina, urban households, 2003-2021)**



Source: Authors' elaboration based on EPH data. Fourth quarter for each year with the exception of 2021 (second quarter).



To investigate these dynamics, a complementary analysis of the middle-income stratum dynamics consists in observing, as in transition matrices, (a) the destination group of the households that belonged to the middle class in  $t$  when leaving it in  $t+1$  (Figure 7a) and (b) the group of origin (in period  $t$ ) of the households entering into the middle class in  $t+1$  (Figure 7b). Figure 7a shows that the large majority of the households exiting the middle-income stratum in  $t+1$  (about 75% every year) do so by falling into poverty, with this trend being more or less stable over time over the 2003–2015 period.<sup>15</sup> Moreover, as a result of recent crises, exits from the middle-income stratum through downward mobility have surged from 69% in 2016–2017 to 84% in 2020–2021. Put together, these two results tend to confirm that the rise of the middle-income group during the whole period has been essentially driven by households in the lower middle class and that such households are inherently more vulnerable to socio-economic and (recurrent) shocks. Another interesting result highlighted by Figure 7b is that the proportion of households originally standing in the ‘rich’ group who have entered the middle-income stratum (i.e. downward mobility) has increased over the whole period, before peaking up during the 2019–20 COVID-19 pandemic when 32% of the middle-income group new entrants came from the rich group. This finding suggests that rich households may have also suffered from a degradation of the socio-economic context.

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## 4.2. Exploring the heterogeneity of the middle-income class

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In this next step of the quantitative analysis, we isolated households belonging to the middle-income group and analyzed the socio-economic structure of this group from a multidimensional point of view. To do so, we applied a mixed classification or clustering procedure using five variables describing the occupational and educational status of households on the sample under consideration. More specifically, after analyzing the survey questionnaires, we selected and recoded five variables related to the education and employment of the household head to implement the classification: (i) highest level of education attained, (ii) occupation, (iii) employment status, (iv) type of employer or institutional sector and (v) multi-activity practices.

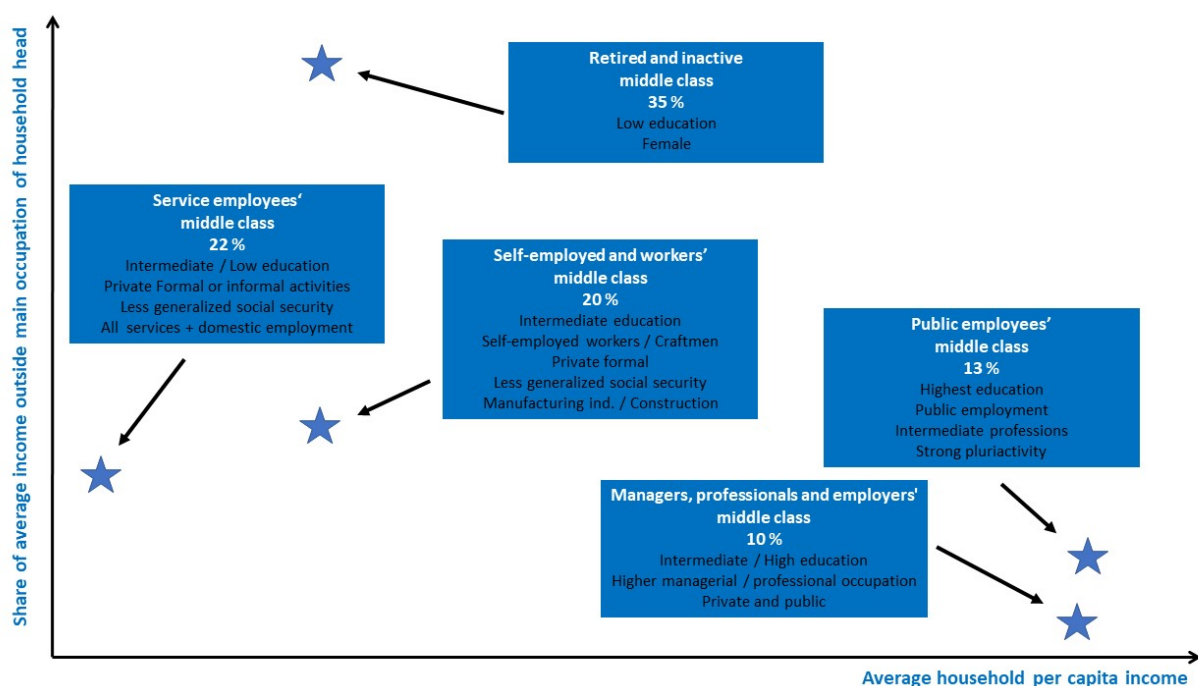
Based on these five variables, the mixed clustering analysis classifies individuals characterized by their first factorial coordinates created by an initial factor analysis procedure (here a multiple correspondence analysis carried out on the five variables). A first classification is obtained by comparing several basic partitions built around mobile centers, before the stable classes thus formed are aggregated by a hierarchical classification method. Ward’s aggregation criterion is used. The selected partition (the number of groups retained within the middle-income class) results from the analysis of the values of the aggregation nodes, the maximum value of the Calinski-Harabasz criterion, the smallest value of the Davies-Bouldin index and the analysis of the dendrogram (the diagram that

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<sup>15</sup> Finally, a more fine-grained analysis documents mobility inside each sub-middle-income group. Over the 2003–2015 period, LMC households had a 11.5% probability of moving into the MMC, against a 13.7% probability of falling into poverty in the next year (72.9% experienced no mobility). Meanwhile, MMC households had a probability of 10.6% of joining the HMC in the next period against a 33.8% probability of falling into the LMC (49.3% experienced no mobility) and a very low 2.4% odds of falling into poverty. Lastly, HMC households had a 36.5% chance of falling into the MMC, and 9.1% into the LMC, against a 17.5% chance of reaching the top income group.

summarizes the successive aggregation stages). On this basis, we propose a classification into homogeneous, clearly distinct groups. Finally, in order to characterize them as clearly as possible, we compare the distributions of the different classification variables mentioned above from one group to another and refine the analysis by comparing the distributions or the averages of a further set of variables, called characterization variables.

**Figure 8. Characteristics of clusters (classification variables) derived from the mixed classification procedure (Argentina, middle-income-class urban households, 2018)**



Source: Authors' elaboration based on EPH data (fourth quarter, 2018).

The results of this classification, conducted on 11,668 individuals in the 4<sup>th</sup> quarter of 2018, lead us to identify five distinct groups within the Argentinean middle-income class. Based on the comparative analysis of the distributions of the classification variables (Table A1 in the Appendix) and a set of characterization variables (Table A2 in the Appendix), we can describe the five groups identified in detail. Figure 8 summarizes the results by presenting the main distinctive characteristics of each group, according to their average per capita household income (x-axis) and the share of income coming from a source other than the main activity of the household's head (y-axis). The position of each group on the two axes is indicated by the blue stars. The different groups that are identified can be described in detail as follows.

The first group is very distinct from all the others in that it includes retired pensioners, inactive and unpaid family workers. Household heads in this **retired and inactive middle class** are unsurprisingly characterized by a very high average age, low educational attainment, and high rate of feminization.

The average per capita household income of this group is located in the middle of the income distribution of the middle-income class. Although the income of this group comes mainly from pensions, it also comes from public and, above all, private transfers, and also partly from capital income. It is worth noting that, although this group is primarily composed of retired household heads, it also includes young inactive students benefiting from family support and/or assistance mechanisms (e.g. study grants). This whole group represents 35% of all middle-income households.

A second group can be described as the **service employee middle class**. With relatively low levels of education, the vast majority of household heads in this group work as employees in the private sector and are clearly over-represented among employees in wholesale trade, transport and storage, accommodation and catering and domestic employment. Households in this group can be viewed as vulnerable, especially because their per capita income clearly places them at the very bottom of the income distribution inside the middle-income class. Income from primary jobs is often supplemented by income from secondary jobs and by non-labor income, particularly public transfers. Likewise, more than a quarter of them do not contribute to any social security system. However, it is worth noting that this group is somewhat heterogeneous in terms of the institutional sector in which they work, with approximately 60% of household heads being employed in the formal sector (private or public) and the 40% remaining household heads being employed informally.<sup>16</sup> It may be argued that households within this latter sub-segment are particularly vulnerable due to the informal status of their jobs. The whole group accounts for 22% of all middle-income class households.

The third group can be referred to as the **self-employed and workers middle class**, since it is predominantly composed of self-employed people (almost two-thirds) but also includes some employees/workers. The majority of household heads are workers and craftsmen in the private formal manufacturing and construction sectors, with the remainder working in the private service sector (especially in wholesale trade and vehicle repair). The average income of this group is located in the lower part of the middle-income class distribution, although a little higher than the previous group. This self-employed and workers middle class may also be viewed as vulnerable, not only because of the predominance of self-employed status and low incomes, but also because of limited access to welfare protection (27% of households in this group have no welfare protection). This group represents 20% of all middle-income class households.

The two remaining groups differ from the previous three in that their socio-economic situation is much more favorable. The fourth group, which can be described as the **managers, professionals and employers middle class**, is clearly distinguished by the fact that all household heads have higher managerial and professional occupations. This group also includes all the employers in the middle-income group. Heads in this group are characterized by relatively high average education levels. Likewise, two-thirds of them work in the private sector and one-third in the public sector. Their income comes almost exclusively from the household head's main job and more than 90% of them are covered by a social security scheme. Their average household per capita income is located in the upper part

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<sup>16</sup> For employees, this means that they have no paid vacation, no sick leave, and no contributions for retirement or payslip. The few informal self-employed people in this group run non-registered small activities.

of the income distribution of middle-income households. This group accounts for 10% of the middle-income stratum.

The last group can be described as the **public employees middle class**, since more than three-quarters of household heads in this group work in intermediate professions within the public sector. They are over-represented in jobs in public administration, defense, education, health, social security and social services. One of their peculiarities is that they are by far the most educated on average (two-thirds of heads have reached higher education levels). The other distinctive feature of this group is that more than 27% of household heads have at least one other income-generating activity in addition to their main activity. This is only very rarely the case for heads in the other groups. Income from secondary employment contributes on average to nearly 8% of household income. The average per capita household income for this group is at the top of the income distribution within the middle class, and nearly 100% of these households contribute to some form of social security. This group constitutes 13% of all middle-income class households.

In addition to emphasizing the fragmentation of the Argentinean middle class, our classification analysis also exhibits its strong polarization. On the one hand, the managers, professionals and employers middle class (Group 4) and the public employees middle class (Group 5) appear relatively protected and well off. They may thus be viewed as constitutive of the upper middle class that would appear to account for 23% of the whole middle class. These two groups obviously correlate with the managerial and professional class (*clase profesional y gerencial*) largely documented by the Argentinean sociological literature (Sautu, 2016; Boos, 2020). At the other end of the spectrum, the service employees middle class (Group 2) and the self-employed and workers middle class (Group 3) appear highly exposed and vulnerable, due to their employment status (informal or self-employed), their low level of education and income, as well as their limited access to social security. The retired and inactive middle class (Group 1) is also characterized by poor socio-economic characteristics (low educational attainment, low income), even though the retirees may benefit from stable income through pensions. In a nutshell, it seems that there is no clear evidence of the existence of a 'middle-middle class'. Based on our classification, it may only be suggested that, within the group of service employees (Group 2), those working in the formal sector (accounting for 60% of the group) are probably better off than those who are employed informally, and could be considered as part of a middle-middle class. Part of household heads within the self-employed middle class (Group 3) could also be less vulnerable than others, depending on the regularity of their income and their access to social security schemes. The same is also probably true for the retired and inactive middle class. In any case, the share of such 'middle-middle-class' households within in the whole middle class undoubtedly remains limited.

To further investigate the structure of the Argentinean middle class, we propose to focus on its dynamics by means of the 'additional individuals' technique applied to the 2016-2018 period. Simply stated, this method consists in comparing middle-income households observed in the 4<sup>th</sup> quarter of 2016 with those observed in the 4<sup>th</sup> quarter of 2018, and identifying the groups to which the 2016 households would belong if they were classified under the classification rules prevailing in 2018. This two-year period is interesting insofar as it corresponds to an economic recession, as already

mentioned. However, the time frame is obviously very limited for analyzing changes in social stratification that are easily imagined to be structural and long-term. It should be recalled that, due to comparability issues across EPH waves, we cannot perform the analysis for a longer time-period.

**Table 4. Distribution of 2016 households by groups determined by 2018 households (additional individuals technique)**

	<b>Group 1</b>	<b>Group 2</b>	<b>Group 3</b>	<b>Group 4</b>	<b>Group 5</b>	<b>Total</b>
<b>2016</b>	37.94	20.89	17.98	9.82	13.37	100.0
<b>2018</b>	38.16	21.31	16.96	10.26	13.31	100.0

Note: None of the changes observed between the two periods is statistically significant - which is not surprising over this short period.

Source: Authors' elaboration based on EPH data (fourth quarter, 2018 and fourth quarter, 2016).

As can be seen in Table 4 and as expected, there is no structural variation (i.e. no statistically significant shifts from one group to another) over such a short period. However, examination of the change in the average income level of the different groups and the income structure from one period to the next reveals notable and significant dynamics that provide interesting information on how middle-class households adapt to potential socio-economic difficulties linked to the crisis (Table 5).

**Table 5. Average income and income structure variations between 2016 and 2018 (in percent for income and in percentage points for shares)**

	<b>Group 1</b>	<b>Group 2</b>	<b>Group 3</b>	<b>Group 4</b>	<b>Group 5</b>
Household income per capita	-6.1	-6.0	-6.4	-6.4	-4.5
Share of household global income					
Main labor	-1.1	-0.4	-1.3	-1.3	-0.7
Secondary labor	+0.3	+0.6	+0.2	+0.6	+0.6
Non labor income	+0.8	-0.0	+1.1	+0.0	+0.1
Retirement / Pension	+0.5	+0.3	+0.7	-0.4	+0.2
Public aid	+0.3	-0.3	+0.0	+0.2	+0.0
Private aid	-0.2	-0.5	+0.2	+0.7	-0.2
Capital	+0.3	+0.1	+0.0	+0.3	+0.1
Other sources	-0.2	+0.1	+0.1	-	+0.0

Note: Shaded (italic) cells identify the means that are significantly higher (lower) in 2018 than they were in 2016 for the same group.

Source: Authors' elaboration based on EPH data (fourth quarter, 2018 and fourth quarter, 2016).

We observe a generalized decline of more than 6% in the average income of middle-income class households, with the only notable exception of the public employees middle class (Group 5), for whom the decline is limited to 4.5%. In this context of economic recession, the concomitant evolution of the

income structure reveals different reactions of households, according to the group to which they belong. The service employees middle class (Group 2) and the managers, professionals and employers middle class (Group 4) and to a lesser extent the retired and inactive middle class, seem to have relied primarily on secondary jobs to offset loss of income from primary jobs. The retired and inactive middle class has also benefited from capital income and public transfers. Finally, the managers, professionals and employers middle class have turned to capital income and private transfers.

## **5. Aspirational and behavioral traits of the middle classes and their implications for public policies and market strategies: Insights from original qualitative surveys**

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### **5.1. The design of qualitative surveys**

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As for the qualitative household survey, 40 individuals from middle-class households were interviewed in Buenos Aires and Tucumán. Furthermore, to take gender issues into account, half of these interviewees were women. The sampling procedure was based on the classification presented in the previous section. However, some of the groups remain a little bit heterogeneous in terms of employment characteristics. To refine the analysis, we therefore made the choice to disaggregate two groups. The retired and inactive middle class (Group 1) has been split into two subgroups: 'pensioners' and 'other inactive', this latter sub-group being composed of young students. To account for the diversity of institutional sectors (formal vs informal), the service employees middle class (Group 2) has been split into two subgroups as well: '(formal) service employees' and 'informal workers'. We thus identified seven profiles of households within the middle-income class that were used as a sampling frame (Table 5). The semi-structured interviews were organized into eleven dimensions reflecting the dynamics, behavior and aspirations of the different segments of the Argentinean middle class: (1) mobility patterns, (2) history of past crises, (3) employment, income and class self-identification, (4) consumption and financial behavior, (5) living conditions, (6) education, (7) welfare protection, health and taxes, (8) security and democracy, (9) political commitment, (10) perceptions on public policies and (11) aspirations and priorities. The interviews were conducted between June and August 2020 which made it possible to also collect information on how the COVID-19 pandemic affects the middle class with regards to most of these dimensions.

**Table 6. Sampling scheme of the household qualitative survey**

<b>Profile</b>	<b>Designation</b>	<b>Operational definition</b>	<b>Cases</b>
1	Retirees	Retired pensioners	4
2	Service employees	Employees of all types of services in the private sector; up to complete secondary or tertiary education.	8
3	Self-employed and workers	Self-employed with low educational level (plumber, gas fitter, hairdresser); industrial clerical workers up to high school level; skilled workers.	8
4	Managers, professionals and employers	Professionals and business or small industry owners; managerial, assistant managerial and executive positions. With completed secondary or tertiary education.	8
5	Public employees	Employees in the public sector, with a high level of education (tertiary or university incomplete or complete). For example: teachers, managers and executives in the public administration.	8
6	Other inactive	Students with family support	2
7	Informal workers	Foremen, skilled workers with people in charge, service workers such as gardeners in the informal sector.	2

Source: Authors' elaboration.

In addition to the household qualitative survey, we also carried out a qualitative institution survey whose objective is to collect original information on the perceptions of the Argentinean middle class and its changes regarding public policy makers and market players. Twelve representatives of private and public institutions were surveyed (Table 7) through semi-structured interviews. Two aspects were more specifically addressed: (i) the perceptions of the main issues and challenges related to the evolution of the middle class and (ii) the relationship between the surveyed institutions and the different segments of the middle class and its implications on the design of public policies and market strategies. These institutional interviewees have been carried out between December 2020 and March 2021.

**Table 7. List of institutions surveyed**

<b>Institution</b>	<b>Representative</b>	<b>Domain</b>	<b>City</b>
APSA	Santiago Levin	Health services	BA
Sanatorium	Gabriela, Assistant Medical Director	Health services	TU
Banco Ciudad	Alejo Espora	Financial Services	BA
Link Desarrollos Inmobiliarios	Sebastián Pilponsky, Partner	Financial Services	TU
Coca Cola	Rosario Donaldson	Marketing- Consumer	BA
BMC	Esteban Foulkes, Partner	Marketing- Consumer	TU
CONSUDEC	Daniel Nacusse, Episcopal Delegate	Educational services	TU
Rotary Club	Federico Coria, Member, Representative of 10 provinces	Civil society	TU
PRO	Hernán I. Illia	Civil society	BA
INDEC	Silvina Margarido	Public authorities	BA
Ministry of Labor	Eduardo Lépore	Public authorities	BA
National Ministry of Security	Santiago Galar	Public authorities	TU

Source: Authors' elaboration.

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## **5.2. Results**

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The systematic analysis of interviews from the household and institution qualitative surveys provides very interesting results about mobility patterns, behavior and expectations of the different components of the Argentinean middle class as well as interesting insights regarding the design of public policies and market strategies. These results may be structured into seven important dimensions.

### **5.2.1. Socio-economic mobility patterns and life satisfaction**

#### *Socio-economic trajectories*

Leaving aside the specific profiles of retirees and inactive people (profiles 1 and 6), analysis of the interviews suggests that education level is a key determinant of labor trajectories, those with higher



education (profiles 4 and 5) being those who manage to gain access to qualified and quality jobs (registered and with access to welfare protection). Moreover, among the profiles for which the question is relevant (profiles 2 and 3), the leap in living conditions produced by integration into formal employment is also significant. From that, we were able to identify four types of trajectories among active respondents: (1) trajectories with high educational levels (up to tertiary or university level) and jobs related to professions in the private or public sector, with medium or medium-high income (profile 5 and part of profile 4); (2) trajectories with medium educational levels (completed secondary or incomplete higher education) and formal salaried jobs with medium income (profile 2) or small employers (part of profile 4); (3) trajectories with low educational levels and formal salaried or self-employed jobs with low income (profile 3); (4) trajectories with low educational levels and precarious, informal and unstable jobs with low income (profile 7). This typology tends to confirm the polarization of the Argentinean middle class, as already emphasized by the quantitative analysis, with a clear upper-middle class (profile 5 and part of profile 4) and a clear lower-middle class (profiles 3 and 7) which is referred to as the “aspirational poor” by the PRO representative. However, it should be noted that, in comparison to the quantitative analysis, the sample of the qualitative survey seems to include a larger ‘middle-middle’ class composed of interviewees from profile 2 and part of profile 4.

Interestingly, labor income and public transfers (pensions, assistance mechanisms, etc.) are the sole sources of income for all interviewees, as none of them report any income from capital. In particular, households from vulnerable profile 7 show labor income combined with income from State assistance mechanisms, such as the AUH (*Asignación Universal por Hijo*), the *Hacemos Futuro* plan that finances productive enterprises, or the *Tarjeta Alimentar* (Food Card) which provides funds to buy food. Finally, it is interesting to note that some of the surveyed retirees (profile 1) top up their pensions by continuing to work (i.e. a retired teacher who works at the university or a retired insurance employee who works on a self-employed basis).

In the context of COVID-19, interviewees mention the loss of purchasing power as a consequence of inflation or the absence of bargaining agreements in the case of formal wage earners. Only among informal workers from profile 7 and to a lesser extent from profile 3 is there an explicit reference to the effects of COVID-19 on their work activity and income. This is because all the other profiles were able to benefit from aid to offset the effects of the health crisis. Small employers have received a specific benefit targeting small and medium-sized enterprises; formal self-employed and independent workers (either themselves or a family member) received the IFE (*Ingreso Familiar de Emergencia*); and those who are salaried in the private sector received ATP (*Asistencia de Emergencia al Trabajo y la Producción*) which is a public support program ensuring the payment of part of the wages of formal workers.

#### *Life satisfaction*

As expected, respondents from profiles 4 and 5 declare that they are satisfied with their standard of living and some of them (especially those who are salaried) define themselves as “privileged”. Among those in profile 2, there is a desire to “live better”, “live a little more comfortably” and “indulge themselves more”. Finally, those in profile 3 and part of those from profile 7 are simply not satisfied with their

standard of living. Satisfaction with work activity also varies according to profiles, partly because respondents with different levels of education do not adopt the same criteria to value it. Those with higher levels of education and managerial positions value their work in terms of "professional growth" (profiles 4 and 5) and highlight both the level of income and the quality of employment, as well as the enjoyment and challenges involved in the tasks performed. The following testimony from Romina illustrates the criteria considered when evaluating job satisfaction: job performance, professional objectives and income.

*I love it. (...) I work a lot and I am very happy. Sometimes I'd like doing more things, but I don't have the time and I also have three children and a family, so I have to balance everything. But in relation to my work performance, my professional goals and my income, I think I have a balance between what I want and what I need. (Romina, profile 4)<sup>17</sup>*

On the other hand, those with lower education levels evaluate job satisfaction in terms of income and job quality (stability and access to welfare protection). The interviewees who express dissatisfaction are those who have informal jobs (profile 7) or fluctuating incomes because they are self-employed (profile 3). Conversely, white-collar employees (profile 2) are usually satisfied with at least one of these attributes. In fact, white-collar employment appears as a leap upwards in the life trajectories of several interviewees in profiles 2 and 3 and is the main reason for satisfaction (above income level). Also note that interviewees of profile 7 do not express full dissatisfaction, despite having informal and unstable jobs and low income. For Jacinta, for example, her "comfort" is that she can continue to care for her children.

*Yes, I am satisfied. I like what I do. I think you have to take risks to get by. I am satisfied to be able to do it at home and with my children. I do not entrust them to anyone and my children are always under my care. It's a comfortable situation. What I like is that I am with my children, I don't neglect them and I am at home. I can take care of my daughter, take her to school, to kindergarten. In other words, working at home is the best thing because I don't have to leave my house. (Jacinta, profile 7).*

#### *Self-perception of class*

Regarding self-perception of class, and in line with what is indicated by several institutions' representatives, interviewees from the seven profiles identify with the middle class. This is fully in line with previous literature pointing out strong self-identification with the middle class in Argentina. However, the qualitative analysis highlights differences in the criteria adopted for this identification, as well as in the social group taken as a reference for comparison. First, profiles 3 and 7 compare themselves with the poorest group (whom they associate with recipients of welfare benefits) and consider themselves as middle class, mainly because they do not lack food. However, given their difficulties making ends meet, they refer to the lower middle class to characterize their social positioning.

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<sup>17</sup> All quotes from the qualitative surveys are authors' translations.

*Comfortable? No, I don't know if that's the word. I'm fine, I'm fine. I see that there are people who are very bad (...) Not at the top. We are not poor, we are not poor, because the truth is that there are people worse off. We survive: we can pay the electricity, we can pay for things. Without luxuries. (Dilma, profile 3).*

*I am not very vulnerable, no, because I don't lack a plate of food. I think that food is the most important thing of the day and the fact that my children have it is something very good, because I didn't. Sometimes, when I was a child, we went to bed with only a cup of tea as a meal (Jacinta, profile 7).*

Second, interviewees from profiles 2, 4 and 5 compare themselves with the upper social group, which they identify with the big businessmen and "the rich". They consider themselves as members of the middle class because they "do not live off rents, properties or investments", but depend on their work to subsist. Maybe for this reason, the self-perception as "working middle class" was recurrent. Only a few respondents with high incomes in profiles 4 and 5 define themselves as upper-middle class.

#### *Intergenerational mobility*

When comparing themselves with their parents, all interviewees refer to the educational level they have attained. Broadly speaking, they declare being better off, either because they completed secondary or higher education (profiles 4 and 5), or because their educational background allowed them to access a more qualified and better-paid job (profiles 2, 3 and 7). The former are found among those who come from families with medium educational levels and who had moved up through formal employment. The latter are found among those who have a lower educational level (up to incomplete secondary school) but have had access to a more qualified job. Given that they come from families with a low socio-economic status, when they compare themselves with their parents, they mainly consider the improvements in living conditions, in terms of housing and educational opportunities offered to their children. No interviewee reports a sharp drop in comparison with the living conditions of their family of origin. The respondents also all declared that their parents value their socio-economic trajectories positively, even those from the lower components of the middle class (profile 3 and 7) because they were able to achieve economic independence.

### **5.2.2. Consumption and financial behavior**

#### *Consumption patterns and practices*

Broadly speaking and in a somewhat contradictory way, the respondents define themselves as "anti-consumer" and "austere", but view consumption as essential. However, this shared opinion hides strong contrasts across profiles regarding consumption patterns and practices. When focusing on the different profiles, one interesting result lies in the fact that consumption behavior is influenced by income level, its regularity (or its "fluctuation", as pointed out by several institutions' representatives) and access to banking facilities. According to these factors, three types of consumption patterns may be highlighted.

1. High-quality and diversified consumption observed in the upper components of the middle class (profiles 4 and 5) and characterized by the consumption of top brands, gourmet and organic products, frequent trips (both domestic and abroad), eating-out practices, car (high-end, and/or frequently changed and/or more than one), private education or public education with extracurricular activities (English, sports, arts, etc.). Among interviewees from profile 5, cultural consumption also stands out. Interestingly, households from the higher middle class all have at least one domestic employee. Such consumption patterns are based on monthly purchases in large supermarket chains and on one-off purchases in neighborhood stores for convenience (especially among the youngest, single and childless). The preferred means of payment are debit cards and, to a lesser extent, cash. Credit cards are also used to finance some capital goods (e.g. electronic devices or other household appliances). No restriction in consumption was observed in recent years (due to the economic crisis or the pandemic) with the exception of reduced expenditure on "social life" due to the lockdowns. In a nutshell, this type of consumption pattern orientated towards increased consumption of superior goods and primarily observed among the upper segments of the middle class, echoes the ideal-type of diversified consumption emphasized by the literature dealing with middle classes in rich countries.
2. Moderately-diversified consumption observed in the middle components of the middle class (profiles 1, 2 and 6) and characterized by the consumption of second brands, sporadic eating out, domestic trips ("to the coast" or inland), car (standard), private education (low cost, 'parish' type) and extracurricular activities ("with effort"). Such consumption patterns are primarily based on monthly purchases in supermarkets with debit cards and cash as main means of payment. Credit cards are also used for daily expenses or for purchasing specific durable goods. Some interviewees also declare that they have a domestic employee. All in all, this type of consumption patterns could reflect a phenomenon of imitation of consumption styles observed among the upper middle class. However, interviewees from these intermediate segments of the middle class also mention adjustments in their consumption patterns in the last two years which could reveal their (relative) vulnerability.
3. Restricted consumption observed in the lower components of the middle class (profiles 3 and 7) and characterized by the consumption of second brands, prioritization of food consumption, low-cost public or private education and no extracurricular activities. The type of consumption is based on daily or weekly purchases in neighborhood supermarkets and limited access to banking facilities. No domestic employees are recorded. Interviewees from these lower segments of the middle class mentioned significant adjustments to their consumption in recent years and especially restrictions in their food consumption and prioritization of irreducible expenditure (gas, electricity, internet, etc.) in the COVID-19 context.

*Well, at home we usually drink soda and that has been cut out totally. And well, food... the asado, obviously, was cancelled. The asado was the first to be cancelled. (...) Due to the fact that they were quite expensive and with the economic situation we are going through, that there were electricity increases, tax increases and many other things, we*

*had to take drastic measures to try to make ends meet with the income we have. (...) Today I don't eat asado and I know that I will have enough to eat a stew, you understand that at least my family likes it, I was very lucky. (Florencia, profile 7).*

From the supply-side perspective, it is worth noting that large private companies have tended to concentrate on the segment of consumers from the upper and globalized middle class, as explained by the Coca Cola representative. Interestingly, however, he underlines that in recent years Coca Cola has re-focused its marketing strategy towards the "lower classes" and the "fragmented and falling middle class".

### *Saving*

Although valued by all interviewees, the practice of saving depends on household's income level. While those from the lower middle class (profile 3 and 7) declare that they are unable to save, unlike those from the upper components of the middle class (profiles 4 and 5). Saving is also observed among those from profile 2, even though the current economic and health crisis has reduced their savings potential. In general, the practice of savings is linked to specific projects or objectives, such as going on vacation, remodeling the house, acquiring or changing a car, buying ITC goods or acquiring land.

In terms of savings vehicles, time deposits and investment funds are restricted to interviewees who have knowledge of finance. The main savings channel is the purchase of foreign currency. The representative of *Banco Ciudad* (i.e. the public bank of the city of Buenos Aires) has pointed out this tendency to channel savings "outside the financial system, basically with the purchase of dollars, savings in hard currency". According to him, this is a "hyper-defensive investment strategy and outside the conventional channels".

### *Access to credit and indebtedness*

Concerning borrowing and indebtedness, three types of loans can be observed across the different profiles.

1. Mortgage credits are long-term credits that have provided access to home ownership in profiles 2, 4 and 5. According to the interviewees concerned, such long-term loans are not perceived as indebtedness. In line with what was stated by the representatives of Banco Ciudad and the real estate development company (Link Desarrollos Inmobiliarios), the analysis shows that such loans were taken out more than twenty years ago.
2. Consumer credits are short-term credits taken out for two types of motivation. First, they could be taken "out of necessity", either to pay for "day to day" or to pay off a debt (electricity, hypermarket card). They are registered among those with low income levels and living in single-parent family households with school-age children (profile 3). People concerned experience debt as "a burden" that "suffocates" them.

*I took one [a loan] last year, but from a private individual. (...) It was a person who lent money. (...) For me it was more of a burden than anything else. But I would not do it again. I prefer not to, if I have, I have. And if I don't have, I don't have. (...) Because the interest, like tremendous. Tremendous! (...) For me, for example, it suffocates me. It's like a weight that I feel I can't breathe when I have a debt. (Gabriela, profile 3).*

Second, these short-term loans can be taken "by choice" to "fulfil dreams" In this case they are used to refurbish the house ("grow materially in the house") or purchase/change the car. This includes "savings plans" for car purchase which, as pointed out by the representative of *Banco Ciudad*, are the most frequent loans over the past two decades. Such loans were observed among respondents with medium income levels and living in nuclear households with school-age children (profile 2) who do not experience debt as a pressure. This can be exemplified by the testimony of Patricio. He has several debts because he has taken out three loans from three different banks. In addition, his wife took out a fixed-rate loan to purchase a car. However, these debts do not represent a burden, as they are "planned debts". Moreover, for this interviewee, who is a bank employee, taking out loans is also a financial strategy to beat inflation.

*I took advantage of the incoherence of the Argentine economy in which the rate of a loan was lower than inflation. So, if you did not take advantage of that, which is sad, but that is how it is, you took advantage of a moment in which the rate was lower than inflation. (Patricio, profile 2)*

3. Loans from home appliance chains or from ANSES (Administración Nacional de la Seguridad Social) are primarily dedicated to members of the lower components of the middle class, especially those from profile 7.18

### **5.2.3. Housing, residential choices and security**

#### *Access to housing*

Most interviewees live in their own homes (33 interviewees) while only 4 are tenants and 3 live in their home of origin. Among these two latter categories, young people (between 30 and 40 years old) are overrepresented. This is fully in line with the view of the representatives of the institutions (*Banco Ciudad*, *Link Desarrollos Inmobiliarios* and Ministry for Labor) who shed light on the difficulties faced by the youngest generations to access property in a context of scarcity of mortgage loans. The interviewee from the Ministry for Labor is in charge of the welfare protection area and also warns about the problem of "speculative rises in the housing market" in a country with great monetary instability. This suggests that access to property is more influenced by age and generation than by the income level.

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<sup>18</sup> ANSES is the principal administrator of social security and other social benefits in Argentina, including pensions, family and childhood subsidies, and unemployment insurance. In 2017, ANSES launched a program aiming to provide discounted loans for pensioners and beneficiaries of social assistance programs.

As a result, homeowners are mainly between 40 and 60 years old and have benefited from better financial and real estate market conditions. They became homeowners through mortgage loans (5 respondents), family assistance (4), inheritance (2), and/or personal savings (3). Only one respondent from Tucumán in profile 2 accessed housing through the Housing Institute (*Instituto de la vivienda*).<sup>19</sup> Interestingly, even the interviewees from the lower components of the middle class (profiles 3 and 7) belonging to this age category have been able to access property through an alternative and sequential strategy consisting first in the acquisition of a land (sometimes with irregular tenure) and then in the progressive construction of the dwelling.

From the perspective of the institutions, several representatives stress specific programs or policies implemented to improve access to homeownership. For instance, the representative of Link Desarrollos Inmobiliarios points out that his company intends to offer accessibility to housing for middle-class households. According to him, "housing in Argentina is expensive and inaccessible" and that is the reason why his company created Plan Puedo: "a 10-year financing system because in Argentina there are no mortgage loans, and we have tried to make housing accessible to people". Similarly, the interviewee from the Ministry for Labor highlights the development of policies such as ProCreAr focused on middle classes and which he defines as "a social security policy" insofar as he conceives housing as part of social security.<sup>20</sup>

*And then of course, obviously, housing policy is also key, especially for the youngest, but well, there is this experience, which was the experience of ProCreAr, which was a very good experience. (Ministry for Labor)*

All these experiences tend to suggest that the housing sector concentrates public policies specifically targeted on the middle class (at least on its lower components).

#### *Satisfaction with housing, equipment and residence place*

Except for those in profile 7, all respondents are satisfied with their housing, even if they would like to make improvements to gain in "comfort" and "convenience" (something that is more recurrent in profiles 2 and 3). In particular, interviewees from Buenos Aires, who tend to live in apartments, declare that they would like to have a larger space. The respondents are also satisfied with their equipment, especially regarding ITC. All have access to computers, cell phones and internet. Strictly speaking, internet service is considered a "basic service", especially in the context of COVID-19. However, there are differences in the quality of internet access (coverage and speed of the connection). In Buenos Aires, the quality of connection varies according to income level. In Tucumán, all households face greater limitations in access (relatively independent of income level) and refer to the "lack of coverage" with respect to the Internet, which, nevertheless, improved during the COVID-19 crisis.

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<sup>19</sup> The Housing Institute is a provincial organization that conducts housing policies dedicated to the lower and middle classes, either by construction or by granting loans at very low rates (sometimes zero rates).

<sup>20</sup> ProCreAr is a housing scheme that aims to promote construction activity through the granting of cheap loans to households with a family income between two and four times the country's minimum living wages.

In Argentina, housing is closely related to transportation since the location of housing influences accessibility to urban infrastructure services. Those who live in areas far from the city center tend to be those who use public transportation more intensively, and those who spend more time and a greater proportion of their income on daily commuting. On the other hand, those who live in central areas with good access to urban services spend less time on daily commuting; this is observed in profiles 2, 4 and 5. In these cases, the most significant difference is by city of residence, since those interviewed in Tucumán tend to use a private vehicle while those in Buenos Aires, even those who have a car, opt for the subway or bus. In Buenos Aires, the use of bicycles is also observed among the youngest interviewees. With respect to transportation by private vehicle, there are recurrent mentions of the high cost of gasoline.

Finally, housing and residential choices are also closely connected to security issues. All interviewees declare that they feel "insecure" and consider that the problem of insecurity has worsened in recent years. This perception is especially marked among interviewees from Buenos Aires suburbs and Tucumán. In Tucumán, some respondents report armed robberies in their homes, in their cars and pilfering. Moreover, the interviews show that women feel more insecure and fearful in public spaces, especially at night. They are also respondents who refer to the implementation of neighborhood strategies to deal privately with security issues.

*My area is unsafe. We were just talking yesterday with a neighbor. Now there are two policemen, one on one corner and one on the other. They are always stealing, we have a neighborhood alarm. We have set up an alarm among all the neighbors. Each one of us has a device for when we are in danger, and we pay a man who is riding a motorcycle. When we are arriving at the house we let him know that we are coming so that he is close by, so that we can enter the houses safely. I have an automatic gate because otherwise you have to get off, open it and it is unsafe. No, a lot of insecurity, you go back home with fear when you have to come back late and so on. (Sandra, profile 2)*

There are several interviewees who have considered or would like to move to a gated community for greater protection of their family. Alejandro (profile 1) is the only one who already lives in a gated community. He declares that he only feels safe in the gated community where he lives because it has private security: "but if you step outside you feel unsafe, because that is how Argentina is, unsafe".

#### **5.2.4. Education and health**

##### *Education*

Analysis of the interviews reveals that parents make the education of their children a priority, to which they devote a significant part of their income. As pointed out by the representatives of Coca Cola and CONSUDEC, we can identify several trends depending on the type of establishment chosen for getting children into school.



*The middle class is not just one and there are many middle classes. (...) There is a mix between people who send their children to public and private schools, and there is also a crossover where there are obviously ideological positions on education, on what kind of education to give. (...) But yes, there are some similarities, an aspirational feeling of access to a university, or to a school that is more private than public. (Coca Cola)*

Among those who send their children to a public school, a distinction is made between those who do so "out of necessity" (1) due to low-income levels (profiles 3 and 7), and those who do so "by choice" (2), who usually also pay for extracurricular activities (profile 5 and part of profile 1). Among those who send their children to a private school, a distinction is made according to the type of school: (1) dual schooling, characterized by English teaching and sports activities (profile 4); (2) 'parish' type, which is found in profiles 2, 3 and part of profile 1.

Another salient result is the very positive view of extracurricular activities (language courses, sports and artistic activities) which is significant in all profiles, with the exception of profile 7. Nevertheless, and as expected, the access of children to these activities is conditional on the income level, as families from profiles 3 and 7 are not able to pay for such activities.

As in many Latin American countries, the evaluation of the Argentinean public education differs according to schooling levels. Almost all respondents express an overall negative evaluation of primary and secondary levels in opposition with a positive evaluation of the university level. The negative valuation of public primary and secondary schooling is especially marked among interviewees from profiles 2 and 3 who make great financial effort to send their children to privately managed schools (in general, parish).

*Just that year they had been one year without classes and everything, so we decided with my husband to change her to a private school. (Marcela, profile 2)*

*I tried to send them here to school. (...) I tried. The teachers never came. (...) The public school here was very..., the children never had classes. So the priority was to pay for the school. (...) So I made a sacrifice to send them to a private school. (...) I made the sacrifice only because I wanted them to study. (Dilma, profile 3)*

Likewise, among those interviewed in profile 2, there is an interest in teaching their children values such as "effort" and "sacrifice", values that they consider to be constitutive of their own trajectories. Among those in profile 5, there is a large and comprehensive assessment of their children's future, considering different areas of social life: education but also professional and personal fulfilment and well-being. Last but not least, despite criticisms of the quality of public education and demand for greater investment in this domain, all interviewees tend to express their attachment to the public education system that guarantees access to education to all citizens.

## Health

As for health, our interviews show that middle-class households do not usually turn to the public health system. They choose to seek care through the social security system in the case of formal wage earners and their families (profiles 1, 2, 6 and most of those in profile 5), or through private coverage in the case of small employers and those with higher income levels (profile 4 and two interviewees of profile 5). The PRO representative alludes to the relative lack of use by the middle class of public systems in areas such as health and education.

*I think that the middle class does not use public health, in the sense that two out of three Argentines have social security or prepaid health insurance. In general the middle class has social security, so their relationship with the state in terms of health is very limited, unless it is with the neighborhood vaccination center, things like that. (PRO)*

In fact, only informal workers and the self-employed (profiles 3 and 7) seek care in the public health system. Nevertheless, it should be noted that even those interviewees try to pay for private consultations due to their bad experiences in public hospitals.

As for education, the interviewees have a positive view of the existence of a public system to which everyone has access, especially in comparison with other countries in the region (e.g. Chile). However, although all respondents recognize the good academic training and effort of health professionals, they criticize the quality of public health care in terms of infrastructure, equipment and health worker pay. The lack of supplies, collapsed waiting rooms and deteriorated buildings emerge recurrently in the interviewees' testimonies, with such deficiencies being attributed to the lack of public investment. In this context, the inequalities between private and public health care stand out, especially in the COVID-19 context.

*In fact, when I needed it in the public sector, I had a very good doctor who personally made all the arrangements for me so that I could be operated on, for example. (...) But if I had to go on my own to ask for an appointment, it took me 2-3 months, you know? And at that time it was urgent because I had to have a tumor removed, so it was like... if it hadn't been it, I don't know. (...) Here in Yerba Buena there is only one medical center and it is very bad, it is very bad and it is the only one (...), because there are no sanatoriums here, you have them in San Miguel. If something urgent happens to you, you have between 40-50 minutes to get there, then the closest one is Carrillo and it is very bad, it is very bad, they have nothing. They don't have enough for X-rays, they don't have enough for ultrasound, sometimes they don't have enough for injections. (Gabriela, profile 3)*

*In other words, it seems to me that we have a good health system, with good professional teams and so on, but it seems to me that there is a great lack of investment and structural problems. (...) There is a clear difference between the private health system and the public health system. Because in the private health system you have the supplies, you have a good coverage in the discount for medicines. (Jorgelina, profile 4)*

### 5.2.5. Redistribution policies

#### *Distribution mechanisms and public assistance*

The qualitative household survey shows that some of the interviewees (in profiles 2, 3 and 4) perceive themselves as "abandoned" by the State and that the distributive mechanisms are not "fair" because they mainly favor "those at the bottom", or they enrich "those at the top". It is also frequently mentioned that the State does not have policies designed to meet the needs of the different segments of the middle class and concentrates social assistance on the lower classes. Strictly speaking, except for the interviewees in profile 7 who benefit from State transfers, none of respondents refer to having received public assistance, even though we must point out that some of them have received the IFE in the context of COVID-19.

This perception is confirmed by the institutional survey. The Rotary representative points out that "the middle class is the hardest hit" because the lower class is helped by the State and the upper class "has a lot of money and manages as they want". The PRO representative also mentions the lack of policies targeting the middle classes, and the Coca Cola representative that "assistance does not reach" the middle classes. Nonetheless, this does not mean that respondents advocate for lessening the transfers to the poorest. Regarding public assistance mechanisms, in particular policies of cash transfers such as the AUH, all the interviewees agree that they should be more focused on the "poorest", "the vulnerable", those who "need the most", "those who do not have enough to eat".

*It seems to me that the State should guarantee an income for everyone that covers the basic needs of housing and food, at least. It seems to me that, if they do not do that, human rights are a dead letter. Both the right to housing and the right to life. So yes, I think they should..., I don't know through what mechanism, but they should guarantee an income that at least allows life. (Lourdes, profile 6)*

Beyond this wide support for anti-poverty redistribution policies, there are differences in the evaluations that can be summarized in two typical antagonistic messages. The first claims that anti-poverty public transfers are "excessive" and "out of control", they destroy the "work culture" because they discourage the search for work and encourage "living on social benefits" and "serve corruption". People adopting this view argue that State transfers should be "temporary" until beneficiaries "get a job" and be given under "consideration". This view is strongly registered in profiles 1, 2 and 4, and, to a lesser extent, in profiles 3 and 7. In particular, even if respondents from profile 7 recognize that transfers are a "significant help for families", they complain about people who "are sitting at home waiting for the plan to arrive and do nothing".

*I was telling you about the plans and things like that (...). For me they already help a lot. (...) I think we should make an exhaustive control and see the people who really need it. (...) There are many people (...) who receive several benefits, and others who really lack them. (...) So they are taking away the portion from those who need it most. It would be necessary to make a census, to know things well to see what they lack. (...) I agree that they should be helped. (Dilma, profile 1)*

The second view is strongly and unconditionally supportive of social transfers both for efficacy ("I am in favor because it means an economic chain that allows the economy to move from the bottom up"), and for equity purposes ("we must accompany the most vulnerable categories, those who need this to be able to live, to be well"). This discourse is registered in profile 5 and 6.

*I believe that if we talk about income policies such as the IFE or the AUH, I think they are absolutely necessary until other income policies, which would be to generate more work, are effective. (Gimena, profile 5)*

### *Retirement*

Perceptions of retirement are relatively independent of the socio-occupational category and the quality of employment. Both formal and informal salaried workers view it with uncertainty while self-employed and small employers fear a drop in their income (a problem that is also pointed out by the Ministry for Labor's representative). In this sense, retirement is not necessarily thought of as "a retirement". Informal workers and the self-employed (profiles 3 and 7) consider that they will have to continue working to guarantee an income that will allow them to sustain their standard of living. Formal (more or less qualified) wage earners plan to have savings or some property from which to generate income. Only in profile 5 does the negative perception of retirement seem to ease, as the testimonies reflect a relative tranquility in terms of economic stability.

### *Tax system*

Regarding the tax system, all the interviewees agree that taxes are "excessive", "unfair", "unbalanced" and "inequitable". They also all call for a greater degree of progressivity and support the idea of a "tax on large fortunes" (levied on "the upper classes and "multinational companies"). This point is particularly significant because it constitutes a meeting point between the interviewees of profiles 4 and 5 (i.e. from the upper middle class), who often tend to have antagonistic views.

Without ignoring this general tendency, there are nuances that can be summarized in two typical views. The first asserts that the tax system is unfair and excessive (profiles 2, 3 and 4). Taxes are "abusive", "they take away" the fruit of effort and work, "discourage" work and "do not let you move forward". Yet, the distributive mechanisms are also perceived as unfair because the money collected goes to social benefits. This discourse is especially radicalized among small employers and self-employed workers (profile 3) since, as the Ministry for Labor's representative indicates, these categories are the main one affected by the tax system and cannot see public spending finding its way to them.

*I pay only \$43,000 in contributions for my two employees; their basic salary is \$36,000. With what I pay in contributions I could be giving work to one more person and generate more work. (...) And I believe that there are a lot of companies in the same situation. (...) But tax collection is so high that it does not allow us, because the more employees you have, the more expenses increase, it is not that the State helps you with that. (Carlos, profile 3)*

According to the second view, taxes are useful albeit unequal (profiles 5 and 6). Indeed, the problem is not taxes, which are necessary to finance the State, but their regressive nature. "Those who earn the most should pay more taxes and this is not the case". "There must be direct taxes, I am even in favor of taxes on large fortunes".

*It seems to me that more should be collected in non-productive, financial activities. Everything that is financial speculation, I think that the State should regulate it and should take resources from there so as not to encourage it, and that all that money could be used for productive activities, that is, for added value, whatever it may be, in products or services, and for assisting the most vulnerable categories and the most vulnerable areas. (Horacio, profile 6)*

### **5.2.6. Democracy, governance and trust in institutions**

#### *Security, justice and trust in institutions*

As already mentioned, the interviews all show that the issue of security is a central concern, especially for respondents living in Buenos Aires suburbs and Tucumán. When asked about the causes of insecurity, informants from profiles 2, 3, 4 and 5 attribute it to drugs use, lack of education, work opportunities and recreational activities and ultimately to inequalities.

*I think it has a lot to do with the political decisions that are made regarding, not only security, but public policies towards society. I believe that the greater the inequality and the wider the gap between social scales, the more insecurity there will always be because there is a reality that is the need to have. So security, in that sense, I think it is related to that, beyond the fact that one feels safe or not because of the presence or not of security institutions such as the police. But it also has to do with other aspects in that sense. (Julieta, Group 5)*

Yet, criminal acts are also largely related to the malfunctioning of institutions such as the police and the justice system. Respondents from profiles 1, 2, 3 and 6 adopt a more radical view, insisting that the "laws" play in favor of the "victimizers", instead of looking after "the victims". Still, very few informants associate the treatment of insecurity with greater penalties or more police presence in the streets and some of them even fear that the prison system is a "factory for generating delinquents". For the majority of interviewees, the solution is "to improve the social and economic situation of the people" through education and the provision of opportunities for young people who commit crimes.

Across the board, all interviewees express their attachment to public services and provision of public goods. Likewise and quite paradoxically, none of the interviewees declares that they trust the police, the judiciary or the press. In general, the police are considered by the respondents to be an institution marked by corruption; however, some point out that corruption is concentrated in the highest ranks and identify the low wages of the police as a possible explanation of corruption. Among those interviewed in Tucumán, the reference to shortcomings in police training is recurrent and those in profile 5 mention the lack of training in human rights and gender issues. Sometimes, it is the women

who mention "being afraid of them". Furthermore, all the interviewees disapprove strongly of the functioning of justice, but the criticisms do not necessarily refer to the same aspects. Some relate the poor functioning of justice to the impunity of "the politicians" (profiles 1, 2, 4 and 6); others to the impunity of the "upper classes", in reference to big businessmen (profile 5); and others to the impunity of young delinquents (Profile 3). For informal workers (profile 7), the negative evaluation of justice is associated with its arbitrary and harmful nature for vulnerable categories of society, such as the poor or women. The lack of independence from government is criticized, which is why the demand for "the separation of powers" is recurrent among respondents, and the slowness of judicial processes is criticized. As for the press, the message is fairly homogeneous among the interviewees: the press "does what is convenient for it", "is a liar", "misinforms" instead of "informing". Therefore, in general, they all adopt a critical stance when reading the news in digital newspapers, social networks, radio or television. "You have to read a little bit of everything and then draw a conclusion". This critical point of view is diluted among interviewees of profiles 3 and 7, who have the lowest educational level.

Lastly, a very negative view of corruption emerges in the interviewees' accounts, regardless of gender, age, socio-economic category, city or political orientation. As citizens, interviewees tend to consider themselves "victims" of corruption. Corruption is notably alluded to when referring to the state of public works and public services, as well as when evaluating tax collection and institutions such as the police, the judiciary and the press.

*I believe that corruption has always been there, it will always be there. I believe that in Argentina, unfortunately, it is an issue, whoever is in government. I believe that it is part of the idiosyncrasy of Argentina because there will always be those who want to take advantage, those who want it easier. So I believe that there will always be. (...) I think we are all corrupt at some point. That's how we are, isn't it? I think it's also a cultural issue. (Patricio, profile 2)*

Importantly, for most interviewees, corruption is not associated with a particular government but instead appears as a part of the Argentine political system and society.

*I don't know if it was Cristina's government, Macri's or this one. There is always a bad bug there, sticking his hand where it does not belong. (...) All of them had a level of corruption. All of them. I don't think there is any one that has been spared. I don't know if it is the executive branch itself. (...) It is like that. (Silvia, profile 1)*

### *Migrants*

The different testimonies highlight two antagonistic positions with respect to migrants. The first view, mainly identified among some respondents of profiles 1, 2, 3 and 4, claims that migrants "live off the State" since they "effortlessly" obtain "benefits" by accessing public services such as health and education.

*Because, somehow, they come to take away the bread of the Argentines themselves, I do not know in what way, from the business deals made, made by the governments, they*

*bring people, they allow people to enter the country, even from neighboring countries, and to the detriment of the Argentines themselves. Because maybe foreigners come here and get jobs, I do not know if they are better or worse, but they get jobs. (Aldo, profile 1)*

The second view, identified among some respondents from profiles 3, 4, 5, 6 and 7, describes migrants as having rights and being involved in “vulnerable sectors” of society, notably informal low-paid activities, where their rights are denied.

*And migrants, in general migrants from neighboring countries who have low resources, also seem to me to be a category that is highly exploited in terms of labor, very much outside the labor rights laws. It seems to me that this is also a disadvantaged sector. (...) It seems to me that there are no major problems with them, but yes, for example, the populations from Paraguay, Bolivia, Peru have access to the lowest paid and most difficult jobs in the labor market, and it seems to me that when it comes to paying for their rights, they have it quite difficult. (Horacio, profile 6)*

Nonetheless, although intuition would suggest that the educational level factor might partially drive this divide, we suspect that the relation is not linear and further analysis would be required to identify the full set of factors that operate in adopting one position or the other. Lastly, all the interviewees recognize the indigenous people's right to land and consider the treatment they receive to be "unfair". Only some interviewees from Tucumán, who have contact with or are closer to some indigenous communities, mentioned criticisms regarding their way of life.

### **5.2.7. Political orientation and expectations regarding policies**

The analysis of the interviews allows us to identify four different positions regarding political participation. The first position is that of an absence of interest in politics and is found in profiles 3 and 7, and among the self-employed and less educated women from profile 4. These middle-class people report that they do not keep up with current affairs and declare that they "don't understand politics" and do not identify with a specific political party. Several define themselves as being in an intermediate position: "neither right nor left". In line with what was pointed out by the INDEC representative, it seems that when survival is a daily concern (as in profile 7), there is less room for political participation. It is noteworthy that the manifest disinterest observed in profile 7 coexists with political involvement through participation in marches and actions within the framework of a political party. The latter position, mainly identified in profile 4 and in part of profile 1, reports an interest in current affairs and getting information on them through all sorts of media. Nonetheless, these people do not participate in demonstrations or protests, nor are they members of political parties or social movements. Demonstrations have a negative connotation for them: they "bother" those who try to work or are "useless". Some define themselves as "center-left" or "left"; others, small employers and formal wage earners with management positions, as "center-right". The third position, notably identified in profile 2, is that of those who also report an interest in current affairs, on which they get informed through various media (social networks, print or digital newspapers, online radio and television). They consider themselves closer to the right and three female interviewees explicitly stated their "hatred" of Cristina Fernández de Kirchner. Yet, they report that they have participated in marches or demonstrations as

"citizens", as long as they are not within the framework of a "political movement" or linked to union claims. The fourth position is that of those who are interested in current affairs, participate actively in marches or demonstrations on human rights and gender issues (e.g. "24 de Marzo" or "Ni una menos") and, for some of them, explicitly militate in favor of or are members of a political party. This position is identified in profile 5, 6 and among two interviewees in profile 1. They consider themselves Kirchnerists or leftists.

Beyond this heterogeneity, the interviews point to a resurgence of political participation among members of the middle class, which was also underlined by the institutional survey respondents. Broadly speaking, the respondents adopt a critical view of press information, are aware of the measures adopted by different governments and have an educated opinion on the matter. Perhaps less so among women of older generations ("I ask my husband") and more so among the youngest. Like in the findings of the institution survey, it is suggested that being employed in the public sector (in domains such as education, health, justice), or having been through public education, contribute to the development of a value framework that could be identified as "progressive" or "socially aware". In contrast, private sector employees, self-employed and informal workers tend to be closer to these "center-right" or "neoliberal" ideas in their aspirations and values.

As for expectations regarding policies, the information collected by the household and institution surveys suggests a distinction between a "pro-market middle class" (expressed in profiles 2 and 4) and a "pro-State middle class" (expressed in profiles 5 and 6) which is linked to the sector in which the respondent earns their living. Although this distinction is somewhat over-simplistic, it sheds light on important differences regarding the values of the different segments of the middle class. Interestingly, the analysis suggests that, although the aspirations and evaluations of those with lower educational levels (distributed in profiles 3 and 7) tend to oscillate, they are closer to the evaluative framework of a "pro-market middle class". The same is true when analyzing the specific case of retirees (profile 1). The pro-market orientation of these groups might be surprising given the vulnerability of these profiles to market shocks, notably to price and demand shocks. However, to address the "big problems", all the respondents are supportive of State intervention, including the "pro-market" ones. More specifically, the analysis allows two lines of action to be identified, to which the State should give priority.

The first line of action targets the welfare of the population and is generally associated with "equalizing inequalities" through public policies. A first set of policies favoring both homeownership and rental housing are identified by all interviews, and in particular by the youngest (living in their homes of origin) and rental tenants. Policies to improve educational institutions and public hospitals are also advocated by all profiles. Policies prompting employment and regulation of "undeclared employment" are put forward by respondents of Profile 5, while policies supporting vulnerable people, improving access to education and health and making "welfare" a transitory policy are spotted by those identified in profile 4.

The second line of action is productive development. For interviewees from profile 4 and from profiles 5 and 6, the State has to be "present" by investing in industrial development and infrastructure, and by regulating companies so that they will invest in the country and generate jobs. It is worth remarking



that this point of view is generally associated with higher levels of education and has also been expressed by the contacts from Banco Ciudad and the Ministry for Labor. By contrast, some interviewees in profiles 1, 2 and 4 mention the control of the State and public spending, as well as of the judiciary power, as priority goals. Still, none of the interviewees is in favor of the privatization of public services, nor do they consider that the market alone should act in these areas. Some mention the fit between the public and private sectors in areas such as energy and communication and, in particular, profiles 5 and 6 emphasize that this fit should be regulated by the State. Others indicate that the market could contribute on environmental issues.

## **6. Conclusion and discussions**

The purpose of this study was to provide an in-depth analysis of the structure and recent dynamics of the Argentinean middle class, to examine the group's behavior and aspirations, and to assess how the design of public policies and private market strategies is influenced by its composition and dynamics. To do so, we adopted an original three-step methodology combining quantitative and qualitative materials. The first step, based on data from the EPH survey from 2003 to 2018, aimed to identify the middle class quantitatively from a multidimensional perspective, by first defining a middle-income group and then exploring its socio-economic structure through a classification procedure applied to information on education and labor market characteristics. To explore the mobility patterns and behavioral and aspirational traits of the middle class, the second step consisted in implementing an original qualitative household survey among 40 individuals judged to be characteristic of the different components of the middle class identified in the previous step. Finally, in the third step, we conducted a second qualitative survey among twelve representatives of public and private institutions to collect information on public policies and market strategies in relation to the middle class phenomenon. Based on this innovative methodology, our empirical investigations enrich the literature on middle classes in Argentina at several levels. Broadly speaking, six main findings can be drawn from our study.

First, we provide evidence about the size and the structure of the middle class in Argentina. The quantitative analysis confirms that the middle-income group (defined as households with daily per capita income between US\$10 and the 95th percentile of the income distribution) is large in that it accounts for 77.5% of the urban population in 2018. In line with previous evidence (e.g. Boos, 2020), our qualitative interviews also confirm strong self-identification with the middle class. However, looking beyond this apparent homogeneity, our cluster analysis based on education and labor market characteristics reveals the fragmentation of the Argentinean middle-class, with no less than five groups being identified: (i) the retired and inactive middle class; (ii) service employees middle class; (iii) self-employed and workers middle class; (iv) managers, professionals and employers middle class and (v) public employees middle class. This fragmentation largely echoes prior evidence (e.g. Galassi and Gonzalez, 2012; Benza, 2016) and may hide a form of polarization. In fact, we were able to distinguish a clear upper middle class composed of managers, professionals, employers and public employees, and characterized by the highest occupations, stable employment status and high education levels and income. This upper middle class is often viewed as the historical middle class in Argentina

(particularly the category of public employees) and correlates with the managerial and professional class (clase profesional y gerencial) identified by the sociological literature (Sautu, 2016; Boos, 2020). At the extreme opposite, the service employees, self-employed and workers, and even retirees form the low and vulnerable middle class. They are characterized by relatively low levels of education and income, fragile (informal or self-employed) employment status and lack of access to social security. Finally, there is no clear evidence of the existence of a 'middle-middle' class.

Second, our study sheds light on the recent dynamics of the Argentinean middle class. The analysis of short-term income dynamics reveals that the increase of the middle-income group in the early 21st century was driven primarily by the expansion of the lower middle class as a result of sustained economic growth, recovery, formal employment and real wages increases and anti-poverty social policies (Dalle, 2012; Ferreira et al., 2013). The predominance of the lower middle class within the middle-income group undoubtedly explains why a large part of the middle class remains vulnerable during periods of crisis. In particular, we show that this lower component of the middle class has experienced downward mobility, from 2017 onward, in a context of economic downturn and COVID-19 pandemic. Our qualitative results also highlight the fact that informal workers and the self-employed are especially impacted and suffer from the fact that they cannot benefit from the different support mechanisms. We also document how their vulnerability obliges them to adopt coping strategies, such as searching for secondary jobs or restricting their consumption. This vulnerability of part of the middle class has been largely documented in the economic and sociological literature, especially in the specific context of the 2001-2002 crisis (e.g. Ozarow, 2014; Galassi and Gonzalez, 2012). Our investigations, based on recent crises, confirm that macroeconomic instability and exposure to shocks are crucial determinants of the dynamics of the Argentinean middle class. It should be noted, however, that even for the vulnerable components of the middle class, there is a clear perception of upward intergenerational mobility, as revealed by our qualitative interviews.

Third, in line with existing evidence (e.g. Wortman, 2010; Sautu, 2016), our study emphasizes important socio-economic aspirational and behavioral markers of middle-class membership in Argentina. We shed light on shared aspirations regarding diversification of consumption, access to homeownership, search for security or prioritization of education and health. Such commonalities tend to homogenize the middle class and may be viewed as part of its social identity. However, the adoption of subsequent behavior in those domains remains highly constrained for the lower segments of the middle class (informal workers, self-employed) but also for the youngest regarding access to homeownership. The education domain is particularly illustrative of that. The qualitative results highlight a unanimously strong appreciation of education that is viewed as the main channel of upward social mobility. All the interviewees also expressed a negative view of public education at primary and secondary levels. Nonetheless, due to their financial constraints, the lower components of the middle class are not able to enroll their children in better-quality private schools or to pay for extracurricular activities, and thus remain dependent on lower-quality public schools.

Fourth, our study highlights that the relationship between the middle classes and the State is characterized by loyalty and expectations. Although a clear divide between pro-State and pro-market MC segments of the Argentinean middle class could be identified, the majority of the interviewees

expressed their strong attachment to the State and the importance of ambitious fiscal and sectoral policies. Across the board, redistributive policies are widely considered as "unfair" since they favor "those at the bottom" while enriching "those at the top" and more progressive taxes are expected by all middle-class segments as they would alleviate the tax pressure on consumption or production that they judge excessive. Although most respondents perceive themselves as "abandoned" by the State as they rely on poor-quality public services, all the segments are attached to the public sectors of education and health. Lastly, people in the middle class generally call for more effective social policies to support the poor and young people without jobs better and reduce the vulnerability of a large segment of the middle class. To summarize, the Argentinean middle class, even the pro-market segment, appears to be moderately liberal and tends to express highly progressive positions with respect to taxes and social policies.

Fifth, our analysis confirms that the Argentinean middle class is highly heterogeneous in terms of political orientations, with a significant segment of it remaining loyal to Kirchnerism, while other segments are more supportive of neoliberal parties or develop anti-system messages. During the interviews, progressive values were expressed by the middle class who work or were educated in the public sector, while private-sector employees (formal or informal) expressed more neoliberal positions and sometimes adopted reactionary positions with respect to migrants or insecurity and judicial elites. While the former segment calls for higher-quality public services, notably in the education, health or housing sectors, and more effective social policies towards the poor and the young, the latter is more supportive of active policies supporting production and market competition. All components fear the police and justice and hope that insecurity and corruption will be controlled better in the future. The most educated part of the middle class also calls for more control of the State and public spending. Lastly, although the Argentinean middle classes appear heterogeneous in terms of political participation, most of them, especially among younger people, have participated in recent protests and adopted a consciously critical view of information in the press and of public policies of which they are increasingly aware.

Sixth, our study provides evidence on how the recent changes in the middle class in Argentina are influencing the definition of public policies and private market strategies. Our qualitative institution survey shows recent implementation of public or private programs dedicated specifically to households from the middle class. This is particularly true in the area of housing, with several policies or programs targeting the middle class and its lower components, such as ProCreAr which is a public housing scheme whose objective is to promote construction activity through the allocation of discounted loans to households with income between two and four times the minimum living wage. It should be noted that, in the COVID-19 context, the middle class also benefits largely from public support policies that do not target it specifically, such as the ATP (Asistencia de Emergencia al Trabajo y la Producción) for salaried workers or the IFE (Ingreso Familiar de Emergencia) for small employers and the self-employed. Lastly, the institution survey shows that, although the marketing strategies of large private companies primarily target the upper middle class, there is also evidence of a recent shift towards the lower components of the middle class, as exemplified by the strategy of Coca Cola.

This shift may refer to the new market-based approach based on the Bottom of Pyramid or Base of the Pyramid (BOP), which puts the emphasis on the increasing purchasing power of consumers in the new middle-class composed of people who have recently escaped from poverty (Azevedo et al., 2015; Fajardo and Arnold, 2022).

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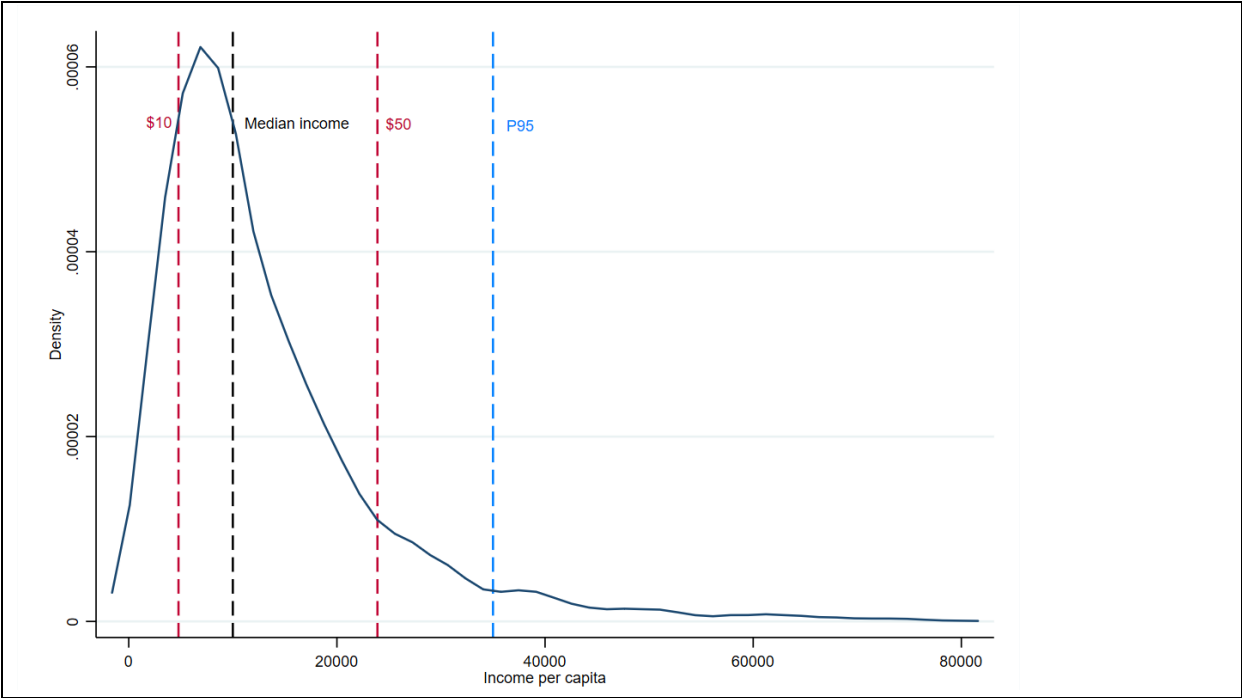
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# Appendix

Figure A1. Income distribution (kernel density function) (Argentina, urban households, 2018)



Note: Deflated prices for the fourth quarter of 2018.

Source: Authors' elaboration based on EPH data (4th quarter 2018).

**Table A1. Characteristics of clusters (classification variables) derived from the mixed classification procedure (Argentina, middle-income-class urban households, 2018)**

	<b>Group 1</b> (35%)	<b>Group 2</b> (22%)	<b>Group 3</b> (20%)	<b>Group 4</b> (10%)	<b>Group 5</b> (13%)	<b>Total</b>
<b>Education</b>						
No school or incomplete primary education	<b>14.47</b>	5.03	5.26	0.92	0.77	7.68
Primary education	<b>33.49</b>	22.28	20.77	6.85	3.73	22.25
Incomplete secondary education	11.75	<b>21.79</b>	<b>20.26</b>	9.52	2.06	13.82
Secondary education	21.00	<b>32.85</b>	27.89	<b>39.18</b>	15.20	25.79
Incomplete Superior education	9.03	12.06	11.27	<b>24.31</b>	11.59	11.96
Superior education	10.27	5.99	14.55	19.21	<b>66.65</b>	18.50
<b>Occupation</b>						
No job (retirees, inactive, unemployed)	<b>100.00</b>	0.00	0.00	0.00	0.00	38.16
Higher managerial and professional	0.00	1.49	3.28	<b>100.00</b>	19.96	13.79
Intermediate professions	0.00	0.97	5.51	0.00	<b>71.99</b>	10.72
Service employees	0.00	<b>83.51</b>	27.29	0.00	3.35	22.87
Workers and craftsmen	0.00	14.03	<b>63.92</b>	0.00	4.70	14.46
<b>Employment status</b>						
Retired / Pensioned	<b>83.40</b>	0.00	0.00	0.00	0.00	31.82
Other inactive / Unpaid family workers	<b>16.60</b>	0.32	0.00	0.17	0.00	6.42
Employees	0.00	<b>93.73</b>	35.88	<b>71.18</b>	<b>98.65</b>	46.49
Self-employed	0.00	5.95	<b>64.12</b>	0.00	1.35	12.32
Employers	0.00	0.00	0.00	<b>28.65</b>	0.00	2.94
<b>Type of employer / Institutional sector</b>						
No job (retirees, inactive, unemployed)	<b>100.00</b>	0.00	0.00	0.00	0.00	38.16
Private formal	0.00	<b>47.61</b>	<b>95.15</b>	<b>66.25</b>	21.70	35.97
Public formal	0.00	13.23	0.30	<b>33.75</b>	<b>76.95</b>	16.58
Informal employment	0.00	<b>39.16</b>	4.55	0.00	1.35	9.30
<b>Household's head multi-activity</b>						
No	0.00	92.00	95.00	97.49	72.70	55.40
Yes	0.00	8.00	5.00	2.51	<b>27.30</b>	6.44
No job (retiree, inactive, unemployed)	<b>100.00</b>	0.00	0.00	0.00	0.00	38.16

Notes: n=11,668. The shaded cells identify the modalities that are statistically (at the 5% level) more represented in the group considered than in the rest of the middle-income class.

Source: Authors' elaboration based on EPH data (4th quarter, 2018).

**Table A2. Characteristics of clusters (characterization variables) derived from the mixed classification procedure\* (Argentina, middle-income-class urban households, 2018)**

	Group 1 (35%)	Group 2 (22%)	Group 3 (20%)	Group 4 (10%)	Group 5 (13%)	Total
<b>Region</b>						
Gran Buenos Aires	14.24	16.04	<b>17.43</b>	14.20	15.33	15.31
NOA	18.76	19.78	18.19	22.22	<b>24.79</b>	20.04
NEA	9.91	8.97	8.39	10.36	10.95	9.63
Cuyo	10.44	10.17	11.57	8.19	9.40	10.21
Pampeana	<b>32.39</b>	31.60	29.56	29.74	24.92	30.48
Patagonica	14.26	13.43	14.86	15.29	14.62	14.34
<b>Gender</b>						
Male	42.59	<b>64.05</b>	<b>79.64</b>	<b>64.16</b>	56.66	57.53
Female	<b>57.41</b>	35.95	20.36	35.84	43.34	42.47
<b>Social security</b>						
No payment for social security	7.46	<b>25.85</b>	<b>27.44</b>	8.10	1.35	14.02
Pay for social security	<b>92.54</b>	74.15	72.56	<b>91.90</b>	<b>98.65</b>	85.98
<b>Split middle-income class</b>						
Low middle-income class	71.36	<b>76.04</b>	69.98	51.46	52.48	67.57
Middle-income class	22.84	19.42	23.50	<b>34.59</b>	<b>32.52</b>	24.72
High middle-income class	5.80	4.54	6.52	<b>13.95</b>	<b>15.00</b>	7.71
<b>Activity</b>						
Inactive/unemployed	<b>100.00</b>	0.00	0.00	0.00	0.00	38.16
Farming	0.00	0.76	1.21	1.17	0.19	0.51
Mining	0.00	0.48	<b>2.48</b>	1.17	0.26	0.68
Manufacturing industry	0.00	6.92	<b>23.29</b>	6.35	0.71	6.17
Electricity, gas, steam and air conditioning	0.00	0.24	<b>1.26</b>	<b>1.67</b>	0.13	0.45
Water, sanitation, sewer and waste sector	0.00	0.64	0.30	0.84	0.32	0.32
Construction	0.00	6.92	<b>20.46</b>	5.76	0.64	5.62
Wholesale trade, repair of motor vehicles	0.00	<b>25.81</b>	<b>19.30</b>	<b>17.54</b>	0.84	10.69
Transports and storage	0.00	<b>10.53</b>	5.81	3.51	0.58	3.67
Accommodation and catering	0.00	<b>6.96</b>	1.47	4.09	0.26	2.19
Information and communication	0.00	0.64	<b>2.63</b>	1.34	1.42	0.91
Financial and insurance activities	0.00	0.88	0.61	<b>6.68</b>	1.35	1.16
Real estate activities	0.00	0.92	0.45	0.58	0.13	0.35
Professional, scientific and technical	0.00	0.72	<b>5.51</b>	<b>4.68</b>	1.93	1.83
Administrative and support activities	0.00	<b>3.78</b>	2.83	2.09	3.35	1.95
Public administration, defense, social	0.00	7.36	0.20	<b>26.07</b>	<b>36.51</b>	9.14
Teaching	0.00	3.50	1.16	3.68	<b>34.00</b>	5.85
Health and social services	0.00	2.21	2.12	6.35	<b>14.94</b>	3.47
Arts, entertainment and recreation	0.00	2.05	1.16	1.84	1.22	0.99
Other services activities	0.00	2.45	<b>5.96</b>	3.43	0.52	1.95
Household activity, domestic employment	0.00	<b>14.88</b>	0.45	0.00	0.13	3.27
Unknown	0.00	1.33	1.31	1.17	0.58	0.70
<b>Mean of quantitative variables</b>						
Age of household head	<b>66,3</b>	44,1	47,4	45,7	43,5	53,2
Household size	2,3	<b>3,1</b>	<b>3,1</b>	<b>3,1</b>	<b>3,1</b>	2,8
Household activity rate	0,17	<b>0,63</b>	<b>0,59</b>	<b>0,63</b>	<b>0,62</b>	0,45
Household income per capita	12,249	11,354	12,240	<b>15,412</b>	<b>15,480</b>	12,811
Share of household global income from :						
Main labor	0,209	<b>0,850</b>	<b>0,840</b>	<b>0,909</b>	<b>0,866</b>	0,612
Secondary labor	0,014	<b>0,031</b>	0,021	0,017	<b>0,078</b>	0,028
Non labor income	<b>0,777</b>	0,119	0,138	0,074	0,056	0,360
Retirement / Pension	<b>0,687</b>	0,076	0,100	0,042	0,029	0,304
Public aid	<b>0,014</b>	<b>0,016</b>	<b>0,015</b>	0,006	0,004	0,012
Private aid	<b>0,056</b>	0,021	0,015	0,020	0,019	0,033
Capital	<b>0,016</b>	0,004	0,006	0,006	0,003	0,009
Other sources	<b>0,004</b>	0,002	0,002	0,000	0,001	0,002

Notes: n=11,668. The shaded cells identify the modalities that are statistically (at the 5% level) more represented in the group considered than in the rest of the middle-income class. For quantitative variables, shaded (italic) cells identify the means that are significantly higher (lower) than those of the whole middle-income class.

Source: Authors' elaboration based on EPH data (4th quarter, 2018).



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