



Wilfried
Martens Centre
for European Studies

The Middle Class

IN FOCUS

**Priorities for the 2019
Elections and Beyond**

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Executive Summary¹

Eoin Drea

Compared to the 18 months preceding the 2014 elections, the mood music in Brussels could scarcely be more different. But while growth and employment are increasing, vast swathes of the established middle classes have lost faith in their ability to achieve a higher standard of living and to match the social mobility achieved by preceding generations. Increasingly topics such as globalisation, free trade, immigration and even stable political systems are viewed as tools of the “*elite*” designed to prevent progress for working and middle class families. Politically, this has manifested itself in a fracturing of the traditional party political system and the rise of a protectionist, combative populism. To confront these challenges, this paper identifies five social and economic priorities that should form an important element of centre right policy formation. With the ultimate objective of rejuvenating an aspirational middle class in Europe, we argue that only by bridging the gap between the rhetoric of a digitally driven, flexible economy and the day to day realities confronting middle class families can the centre right hope to increase working and middle class support in the 2019 elections and beyond. Such an approach is based on the core social market economy principle of seeking to conciliate

¹ This Research has benefitted hugely from the collaborative work undertaken between the Wilfried Martens Centre for European Studies, CDA-WI Research Institute and the Konrad Adenauer Stiftung. See A. Siegmann and M. Schafer (eds.), *No Robots: The Position of Middle-Class Households in Nine European Countries* (Netherlands, Quantas, 2017).



economic freedom with social security, while maintaining a high level of personal responsibility and subsidiarity.

Keywords Middle Class – 2019 Elections – Centre Right – Inequality – Social Mobility

Rejuvenating an Aspirational Middle Class²

Much of the debate regarding the position of the middle class – in both academia and the media – has focussed on the issue of perceived income inequality.³ However, such a narrow analysis fails to grasp the wider factors underpinning this increasing middle class malaise. The ability of more populist political movements to gain voters among the middle classes symbolises a deeper dissatisfaction, a dissatisfaction that has a considerably wider basis than the tight confines of economic data. It is also clear that perceptions of relative decline are an important component in fuelling this wider sense of insecurity.

In a broad context, vast swathes of the established middle classes have lost the belief in their ability to achieve a higher standard of living and offer better opportunities for their children. Although Europe’s well developed welfare states have mitigated the worst effects of income inequality, it is clear that a perception now exists which emphasises inequality of opportunity and lack of social mobility. This self-perception is based on the understanding that “while on average the economic conditions of the middle class are not worse than they used to be, comparison with the previous generation creates an illusion of great poverty”.⁴

Politically, this manifests itself in parties offering a more protectionist, combative view of many of the factors which facilitated Europe’s development as the largest concentration of wealth in the world.

² The author gratefully acknowledges the comments of Roland Freudenstein, Sandra Galvin, Matthias Schafer, Arjen Siegmann and Federico Reho.

³ Within Europe the picture regarding income inequality is decidedly mixed. Z. Darvos and Guntram B. Wolff, *An Anatomy of Inclusive Growth in Europe* (Brussels, Bruegel, 2016) found that in general strong welfare states have offered protection against inequality. However, J. Goebel, M.M. Grabka and C. Schroder, *Income Inequality and Risk of Poverty* (Berlin, DIW Economic Bulletin 25, 2015) found increasing levels of income inequality in Germany between 2000 and 2015.

⁴ A. Siegmann and M. Schafer (eds.), *No Robots*, 119.



Now topics such as globalisation, free trade, immigration and even stable political systems are viewed as tools of the “elite” designed to prevent progress for working and middle class families. This is the “politics of fear” which has found fertile ground over the past decade in a Europe largely characterised by very low economic growth, high unemployment and an increasing generational divide between younger citizens and those approaching or enjoying retirement.

In this context, many people understandably desire to protect their position, rather than risking to aspire for even greater social mobility. A situation often compounded by static socio-economic models (e.g. social security, pensions) which no longer accurately reflect the working realities experienced by millions of middle class Europeans, but which are viewed by younger workers as tools to protect the now unaffordable privileges granted to earlier generations.

Real Policies for Real People: Bridging the Gap between Rhetoric and Reality

To counter this narrative, centre right political forces in Europe require more than the well-practiced defence of existing policies on trade, economy and social cohesion. They also require a more balanced palate of socio-economic policy options, policies which are not automatically viewed by middle class families as simply protecting the rights of big businesses and retirees. As noted by the International Monetary Fund (IMF) “this is not about one age group against another”, but rather involves building a socio-economic model that works for everybody.⁵ As long time advocates of fair trade, fiscal responsibility and the social market economy the centre right needs to develop real policies that meet the day to day concerns of middle class Europeans. Or, as in the words of Irish Prime Minister Leo Varadkar, to help people “who get up early in the morning” and work hard to support their families.⁶

⁵ C. Lagarde, ‘A Dream Deferred: Inequality and Poverty Across Generations in Europe’, *International Monetary Fund (IMF)*, 24 January 2018.

⁶ As quoted in the *Irish Times*, 20 May 2017.



Our ongoing research – in association with our member foundations – highlights a variety of socio-economic factors which impact upon the position of working and middle class families. And while differing national issues will always be relevant, there are a number of broader factors which should be specifically addressed in the period to 2019 and beyond. These issues impact upon working families on a day to day basis and cross economic and social boundaries. They symbolise how the reality of life for many middle class families is far removed from the often lofty rhetoric used by political parties when it comes to advocating workplace flexibility, the digital economy and gender equality.

This new middle class reality is predominantly a dual earner model (i.e. both partners working) and faces the challenges associated with childcare, schooling, the housing market (either long term renting or buying), job security and other financial worries on a regular basis.⁷ Often it is these issues – and the time, money and energy required to confront them – which act as a contemporary brake on the mobility and aspirational nature of our traditional view of the middle class.

Therefore, policies need to be developed that deal directly with these issues. Based on our ongoing research, we highlight the following core factors which need to be addressed by centre right parties during the course of the 2019 election campaign and beyond. The clear alternative is increased social, economic and political fragmentation in the short to medium term:⁸

A. Rebuilding Financial and Employment Security in a Globalised, Technology Driven World:

As noted, middle class families increasingly view their financial position as less secure than preceding generations. This feeling has been exacerbated over the past decade due to a combination of very low income growth, high levels of personal taxation and a sense of increased employment insecurity resulting from both technological advance and poorly functioning economies. This increased financial insecurity is also evident in states where housing affordability is a big issue, both in terms of property supply and in terms of being unable to save the

⁷ A. Siegmann and M. Schafer (eds.), *No Robots*, 1-11.

⁸ As specifically highlighted in a session called *Squeezed and Angry: How to Fix the Middle-Class Crisis*, World Economic Forum Annual General Meeting, 18 January 2017.



required down payment or deposit to purchase a property. Where these problems are prevalent, the middle class outlook is negative.⁹ Asset accumulation, or rather the inability to save for a rainy day or retirement due to countless other day to day financial commitments, is an increasing characteristic of middle class social groups.¹⁰ In most EU states, it is this same middle class who are also burdened with financing “pay as you go” social security systems notwithstanding the likely decline in the level of benefits available to them in the decades ahead. This is an unsustainable situation.

Underpinning this level of financial anxiety is the uncertainty of how technology, less stable employment patterns and globalisation are interacting to polarise the jobs market. There is increasing evidence which indicates that the “rapid changes brought about by technology are hollowing out the lesser skilled routine jobs such as bank clerks or public sector workers – the ones who counted on their steady jobs to fund their children’s education and a hopefully comfortable retirement”.¹¹ This “hollowing out” of traditional middle class occupations has not only a detrimental financial impact for those workers involved, but also weakens a more general middle class consensus which traditionally binds together the development of political rights and the democratic rule of law.

B. Countering Generational Inequality and the Expectations Dilemma

Socially, the economic crises of the past decade has significantly increased the inequality between generations in Europe.¹² Younger peoples incomes have remained static since 2007 while those 65 years and older have enjoyed a 10 per cent increase.¹³ The often blanket protection afforded to retirees – by governments on both the right and left of the political spectrum – has resulted in a socially unsustainable distribution of wealth (and opportunity) in many member states.

⁹ A. Siegmann and M. Schafer (eds.), *No Robots*, 3.

¹⁰ A *YouGov/The Times* survey found that 31% of the ABC1 social group in the UK – the group which includes professional, junior managerial and administrative workers – would find it difficult to pay a sudden bill of £500 or more, 8 June 2016.

¹¹ P. Hollinger, ‘A Hollowing Middle Class’, *Organisation for Economic Co-operation and Development* (OECD), Yearbook 2012.

¹² See T. Chen et al., ‘Inequality and Poverty Across Generations in the European Union’, *IMF Staff Discussion Note*, January 2018.

¹³ Lagarde ‘A Dream Deferred’.



This polarisation is evidenced in a variety of socio-economic indicators (e.g. higher unemployment, lower income) which contribute to the broader sense of financial insecurity highlighted above. This level of generational inequality will, in time, fatally undermine the viability of the European social security model while also leading to a “lost generation” of Europeans who have already started to view established political parties with disdain.¹⁴

On a broader social level, such a level of inequality is fuelling a real expectations problem at both ends of the demographic spectrum. Italy provides a clear example of how this expectations dilemma is fuelling discontent with mainstream political parties. For the young, there is a clear understanding of how serious the problems are due to the difficulty in finding secure employment and the resultant delays in establishing independent family units. They understand that they will probably not enjoy the employment or retirement security available to their parents. However, their parents’ generation, who are deeply rooted to the concept of “posto fisso” (i.e. a permanent job where being fired is practically impossible) find it hard to understand that those privileges are now impossible to sustain for younger generations.¹⁵ The opposition to the much needed pension reforms introduced by the Monti government during the recent crisis highlights just how difficult it can (and will be) for politicians to challenge the entitlement perception of older generations.

C. Restarting Social Mobility and Equality of Opportunity

A key component of traditional middle class communities has been the belief that hard work and educational attainment will provide the basis of a higher standard of living. Put succinctly, “there is more to the middle class than stability, it embeds the idea that there are opportunities to move up the social ladder”.¹⁶ Within Europe, and as highlighted in our collaborative research, there exists a very mixed picture. While countries such as Finland, Ireland, Netherlands and Poland exhibit high or rising

¹⁴ Mario Draghi, President of the European Central Bank, Speech entitled ‘The Policy and the Role of the European Central Bank during the Crisis in the Euro Area’, *Katholische Akademie*, Munich, 27 February 2013. Draghi specifically highlighted the social impact of the recent financial crises.

¹⁵ A. Siegmann and M. Schafer (eds.), *No Robots*, 119.

¹⁶ A. Siegmann and M. Schafer (eds.), *No Robots*, 5.



levels of social mobility, there exists clear impediments to social mobility in many larger member states including France, Germany, Italy and Spain.¹⁷

There is an increasing perception among middle class families that their children will find it more difficult to achieve the level of social mobility (and material progress) that they themselves experienced during their working lives. There is a growing worry that Europe is sleepwalking into a similar situation as the United States where social mobility has stalled, or is perhaps already declining.¹⁸ A situation exacerbated by a clear decline in educational mobility and increasing educational segregation which mirrors geographical trends and is not primarily driven (as many Europeans erroneously believe) by the cost of higher education.¹⁹ Europe's more traditional focus on wealth redistribution is no solution to this problem of "inequality of opportunity", particularly for students from disadvantaged communities. Nor does it help middle class families in their often desperate search for "good schools". In fact, it could be argued that the current structure of the university system in many EU member states is contributing to a whole variety of other major social issues.²⁰

D. Balancing Working Life with Affordable, Accessible and Flexible Childcare

Access to affordable, flexible and high quality childcare is a key worry (both practically and financially) for middle class parents throughout Europe. In the dual earner model now prevalent, it is a major source of parental stress, a key component of the work-life balance debate and, in many countries, a major source of financial expenditure.²¹ The importance of this topic should not be underestimated for middle class families nor should policy discussions on this subject become the sole preserve of those on the left of the political spectrum.

As key proponents of individual choice and personal responsibility, the centre right requires policies which allows parents the choice to access flexible childcare facilities that meet their personal preferences.

¹⁷ A. Siegmann and M. Schafer (eds.), *No Robots*, 6.

¹⁸ For a broad overview see R.D. Puttnam, *Our Kids: The American Dream in Crisis* (New York, Simon & Schuster, 2015).

¹⁹ For a personal example see J.D.Vance, *Hillbilly Elegy: A Memoir of a Family and Culture in Crisis* (New York, Harper, 2016).

²⁰ H. Enderlein and J. Pisani-Ferry, 'Reforms, Investment and Growth: An Agenda for France, Germany and Europe', 27 November 2014, 19. They specifically noted how the duration of higher education in Germany may be impacting upon the fertility rates of highly qualified German women.

²¹ In Ireland the average cost of full-time childcare is over 167 euros per week, *Irish Times*, 7 December 2016.



The objective is not to propose common systems throughout Europe, but rather facilitate parents' preferences about if, when and how to access such services. Such policies would also be inclusive of cultural norms and the importance placed in some states on the more informal community and family role. By developing such a childcare framework the centre right can play the central role in helping to confront two major socio-economic challenges posed by the current patchwork of childcare services for the middle classes across Europe. First, the accessibility, cost and quality of childcare facilities plays a role in reducing the ability of parents (particularly mothers) to re-engage in the workforce and ultimately can contribute to declining birth rates, family stress and a wider feeling of financial anxiety. This is an important issue in Germany among other member states.²² Second, there is a clear body of evidence that childcare and early education services can play a vitally important role in narrowing the “opportunity gap” between children of differing social classes and, in turn, increasing later life outcomes and reinvigorating the concept of an aspirational working and middle class.²³

E. “I’m Just Pregnant, not Incapacitated”²⁴ The Importance of Working Women and Tackling Inequality in the Labour Market

Put simply, tackling inequalities in the labour market will create millions of additional jobs in Europe and significantly increase economic growth.²⁵ The issue of increasing women’s participation in European labour markets is also directly relevant to the technological and demographic factors already impacting in many member states. Given that significant shortages of skilled labour may emerge in the future, activating the work potential of women by increasing labour market equality is a key tool in ensuring sustainable growth. In terms of the middle class, which is now predominantly a dual earner model, achieving greater gender balance is vital in helping to combat family stress, financial anxiety and increase social mobility. Gender balance in the workforce is vitally important in attempting to restore an aspirational middle class as a cornerstone of European society.

²² In August 2013 Germany introduced a law guaranteeing every child over 12 months of age a slot at a daycare facility.

²³ Puttnam, *Our Kids*, 231.

²⁴ New Zealand Prime Minister Jacinda Ardern, *Otago Daily Times*, 26 January 2018.

²⁵ See the European Institute for Gender Equality, *Economic Benefits of Gender Equality in the European Union* (Luxembourg, 2017).



This is a complex issue which extends significantly beyond media friendly issues such as the gender pay gap or gender quotas. It includes issues such as education, childcare, taxation policy and wider social issues such as the role and expectations of women (and men) in society and the workforce. In reality, notwithstanding that young women obtain more years of schooling and tend to outperform young men in education, women still dominate in many poorly paid sectors of the economy, often on a part-time basis.²⁶ This has follow on effects in areas such as female representation in publicly listed companies and in the political arena.

It should be noted that supporting the evolution of greater gender equality in the workforce does not represent a threat to societal norms at the national level. The objective is not to develop a pan-European or completely state centred policy approach. Rather this issue represents a belated requirement to fulfil a key founding principle of the EU relating to equality between men and women. It is an imperative that this principle be further developed, particularly in the dual income middle class model prevalent today.

The Centre Right Challenge: Creating a Middle Class with Space to Breathe

For the centre right, the key challenge is to ensure that the traditional aspirations of the middle class – job, children’s education, secure retirement – can continue to be achieved in a landscape increasingly pockmarked by employment and financial uncertainty. How can these aspirations be rejuvenated in the digital age? What is required is a multi-faceted response which crosses the bounds of economics, politics and wider issues concerning a healthy functioning society. For this to occur a whole suite of independent, yet closely inter-linked, policies are required which meet the day to day concerns of middle class Europeans. Whether it’s in Berlin or Bucharest, Riga or Rome it is the rejuvenation of an aspirational, socially mobile, more financially secure middle class which will largely determine the sustainability of Europe’s more recent positive economic performance. A more secure and confident middle

²⁶ For example, *The Pursuit of Gender Equality: An Uphill Battle* (OECD, Paris, 2017).



class also has a key role to play in confronting the perils of economic nationalism and populism.

A middle class with space to breathe is a middle class better able to adapt to the realities of a changing economy. A middle class less financially anxious is a stronger middle class, a middle class more secure in the core values which underpin traditional centre right aspirations.

As a first step, it is important to recognise the need for change in how the centre right communicates its policy objectives. The time for celebrating past achievements has passed. What is now required is a less rigid, more open socio-economic vision of an aspirational middle class. It is time to close the gap between political rhetoric and the day to day experience of middle class families. The debate must not become bogged down in the quagmire of the debate about “More Europe” or “Less Europe”, rather it is a vision of a more efficient Europe, a Europe that is at the service of its citizens that must become the cornerstone of our policies.

To help achieve this goal the Martens Centre, in conjunction with our member foundations, will publish a series of Research Papers on the specific issues raised in this research in the period up to May 2019. This will then act as the basis for developing policy proposals, policies designed to give Europe’s middle classes space to breathe after the turmoil and uncertainty of the past decade.



About the author

Eoin Drea is Senior Research Officer at the Wilfried Martens Centre for European Studies where he is responsible for Economic and Social issues. He previously worked as a private sector economist in both Dublin and London. His research interests focus on banking history, EMU and the socio-economic challenges facing the social market economy. He holds a PhD in Economic History from University College Cork, Ireland on the development of the Irish banking system.

Credits

Wilfried Martens Centre for European Studies
Rue du Commerce 20
Brussels, BE - 1000

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