



## Who Are The Middle Class In The Philippines?

By Keisha B. Ta-asan – May 19, 2022

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In the Philippines, according to the most recent [research](#) done by National Statistical Coordination Board (now known as the Philippine Statistics Authority), only 3 out of 20 households belong to the middle-class population, with two-thirds of them residing in urban areas. The middle class plays within the gap between the poor and the rich, and based on these numbers, that line seems to be a lot thinner than what many of us perceived.

The middle class is basically defined as the socioeconomic group between the affluent and the poor. In a more financially focused definition, the middle class is made up of those people who have the ability to choose their lifestyle, because they have just enough resources to do so without compromising their basic needs. In economics, this socioeconomic class is a crucial benchmark of a country's economic standing, thus it is crucial for every country to have a wider base of the middle class than other classes.

Quoting a line from the study conducted by the [Philippine Institute of Development Studies](#) (PIDS):

*Just as there is no universally accepted definition of poverty and correspondingly setting of poverty lines (Jolliffe and Prydz 2016), there is also no standard definition for the middle class.*

While defining who is rich and who isn't can be straightforward to the laymen, defining who lingers in between these two contrasting classifications isn't as easy.

So, which category do you really belong to?

### How much do you earn and spend?

Primarily, the overall household income is a determinant of an individual's socioeconomic standing, especially in the Philippines where this classification is mostly associated with finances. According to the data from the Philippine Institute for Development Studies (PIDS), the income classes for an average household of five are as follows:

Income classification	Monthly income
Rich	At least ₱219,140 and up
High income (but not rich)	Between ₱131,484 to ₱219,140
Upper middle income	Between ₱76,669 to ₱131,484
Middle class	Between ₱43,828 to ₱76,669
Lower middle class	Between ₱21,194 to ₱43,828
Low income (but not poor)	Between ₱9,520 to ₱21,194
Poor	Less than ₱10,957

For your information

This benchmark increases as the economy and inflation go up. In 2018 Pinoys need to earn ₱38,080 a month be categorically considered as part of the middle class. [In 2020, the figure has changed and it went up to ₱43,828 a month.](#) That's a ₱5,748 increase, a 15 percent bump in a span of two years.

Another indicator that would factor in as a determinant of the socio-economic classification is the [family expenditure](#) – the ratio of the overall household expenses to the monthly income. For this one, we will be gleaning from the earlier Philippine Statistics Authority data where the classifications are grouped into three segments: the high income, middle income, and low-income groups, each representing the respective socio-economic classes.

	High income	Middle income	Low income
Food	21.1%	34.8%	53.4%
Rent/rental value of occupied dwelling units	16.6%	13.9%	10.7%
Transportation and communication	12.5%	9.8%	5.3%
Fuel, light and water	5.6%	7.7%	7.7%
Taxes	5.4%	2.4%	0.5%
Education	3.7%	5.9%	2.1%
Personal care and effects	3.0%	3.6%	3.9%
Others	32.1%	21.9%	16.4%
Total	100.0%	100.0%	100.0%

According to the breakdown of family expenditure on average, the middle-income earners spend 34% of their income on food, 13.9% on home/rent, 9.8% on transportation, 7.7% on utilities, 5.9% on education, and 21.9% on others which can include savings, recreation expenses, and the likes.

Do note that these data can only be used as a baseline for the classification as it only represents a family of three. Assets and properties are also not taken into account in the earlier study gathered by Philippine Statistics Authority. The expenditure figures, however, may vary from one region to another, as the cost of living in the Philippines differs greatly per region. The cost of living in Davao may not be as high as the cost of living in Manila or Cebu.

### **So, are you in the middle class?**

Based on the data from different sources above, for a family to be considered as part of the middle class, they must meet the following criteria:

- A household income of approximately ₱43,828 to ₱76,669 per month. The bigger your family size is, the higher your income should be in order to fit into this classification.
- If you're single, and your income immediately falls in the range mentioned above, it's safe to say that you belong in the middle class, as long as you can freely choose your lifestyle without compromising your daily essentials such as food, transportation, shelter, and etc.
- Overall household and moving expenses on average is 66.2% of your monthly income, the lesser the better.

- Approximately 21.9% of your income can be considered as your discretionary fund which you can spend on luxury items, vacation, non-essential goods, and services, or investment and savings. In other words, it's extra money you can pocket after paying your bills and spend on all your necessities.

### **Pitfalls of the middle class**

It cannot be denied that the biggest threat to the middle class is economic stability. While everyone in the population gets affected eventually with its rise and fall, the middle class on the other hand is the first in line to experience its strain.

### **Job creation**

Primarily, the middle class is dependent on salary as their main source of income. This means that the bulk of the middle-class population is working class; this is true not just to the Philippines, but even on a global scope.

When a country lacks good-paying jobs, it will create instability to its middle-class population. This explains why America experienced a decline in its middle-class population during the recession in the early 2000s. On the contrary, the Philippines saw a rise when the Business Process Outsourcing (BPO) sector in the country was born.

### **Inflation**

While inflation affects everyone in the population, to the middle class, it has a much bigger implication. For them, it can spell the difference between poverty and financial stability.

When the cost of living or taxes increases they feel the brunt of it. If inflation isn't countered by the government with mitigating measures or at least couple it with efficient financial aid, the middle class will be financially squeezed. In turn, it will push back most of the population from the lower end of the socioeconomic spectrum beyond the poverty line.

Inflation without any economic intervention is basically how you pull down the middle-class sector of a country.

### **Social safety nets**

Efforts of the government to provide financial aid to the people are channeled through agencies such as Philhealth, [Pag-IBIG](#), and [SSS](#). The benefits that these agencies provide offer major financial assistance to the middle class mainly because it's mostly this sector that's actively funding these programs.

For one, Pag-IBIG is the most accessible means for the poor and middle class to purchase a home. Compared to banks, Pag-IBIG is highly inclusive of all socioeconomic classes, even to the poor.

If financial assistance from the government becomes inefficient, it's the spending capability of the middle class that will mostly be hampered.

### **The middle class and the economy**

Setting the middle class apart from the extreme ends of the social spectrum can sometimes cause misconceptions. That's why oftentimes, the (upper) middle class is easily associated with the rich while lower-middle-class individuals mistook themselves as poor. However, as definite as to how we see what "rich" should look like, the middle class can be unclear simply because it's greatly dependent on the economy.

While the poor population also has a more constricted spending capability, the middle-class income and spending power can easily get pushed back beyond the poverty line (for those who belong to the lower end of the middle-income spectrum) depending on the economy.

According to Michael Ettlinger of AmericanProgress.org, a strong middle class is a key to getting our economy moving. Why? Simply because the majority of the spending consumer belongs to the middle-class population. They can be a definite measure of a country's economic performance. The middle class not only gives the country a face, it will also most likely define what it means to be a regular citizen of that land.