

From the missing middle to the co-economy

By  Bronwyn Williams

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The middle class as we know it is endangered. Formerly, the middle class was defined by what it owned, its consumption. Today, we need to re-think what it means to be middle class.



Image source: Getty/Gallo

An alternative “class” criteria suggests:

- An independent class, that lives off savings and assets
- A co-dependent (formerly middle class) that has to trade (time/labour /goods) for survival)
- A dependent class that relies on private charity or state grants for survival

The co-dependent (middle) class drives the global economy, but it is highly fragile: 70% of households in developed economies saw their earnings drop in the past decade. And millennials - those born in the '80s and '90s will be the first (post world war, Western) generation to be poorer than their parents.

The South African situation

South Africa has a particularly vulnerable co-dependent (middle) class - living pay cheque to pay cheque. Many of this middle group are months, if not days from being destitute.

Researchers estimate that while about 49% of South Africa's population live in chronic, persistent poverty. Another 11.4% can be classified as "transient poor". And, a further 19% constitute the "vulnerable middle class". Both the latter groups are at risk of falling back into poverty should they lose a job or a family member.

And, though finding a job is important for lifting people out of poverty, it is not sufficient. By the middle of month, most South Africans are broke, this is often due to lifestyle creep, over spending, and under saving - and it affects even the affluent top million of South Africa's population. Even this privileged group cannot afford to service their debt without income (salary).

Even worse, research from Liberty shows that many employed middle-income South African's are gambling with the future by pre-spending non-guaranteed bonuses and 13th cheques as part of their monthly budgets. If the hoped-for bonus does not materialise (likely in a year like 2019 where we are precariously posed on a recession), these consumers could be left out on the street.

Viewed like this, it becomes apparent that South Africa's small net tax-paying co-dependent class is highly vulnerable to falling back into the dependent class, and we simply cannot afford to let that happen.

Creating and supporting financially independent citizens should be our top priority.

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