The Middle Class in Nigeria

Analysis of Profile, Determinants and Characteristics (1980-2007)

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In the continued pursuit of its mandate to strengthen the statistical system in Nigeria, the National Bureau of Statistics [NBS] has been investing heavily in quite a number of projects spanning several sectors and sub-sectors of the Nigerian economy and society. In focus here is the Nigerian Middle Class.

Perhaps more than any other segment of the populace, the middle class has been the most problematic to identify. The NBS, therefore, enlisted the African Institute for Applied Economics [AIAE] to undertake an in-depth analysis of the Profile, Determinants and Characteristics of the Class in Nigeria. The choice to partner with the AIAE is also part of the deliberate effort of the NBS to encourage and support indigenous expertise towards improving local competences in data gathering, analysis, storage and retrieval.

The study conducted by the AIAE is the first of its kind on the critical middle class, and clearly enhances current literature on the subject-matter.

Contributions in form of observations and comments designed to enrich further study, are welcome, and should be directed to the Office of the Director-General, National Bureau of Statistics, Independence Avenue, Central Business District, Abuja, Nigeria.

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4.6 TYPICAL OCCUPATIONS ................................................................. 29
4.7 PATTERN OF EDUCATIONAL ATTAINMENT ............................. 29
4.8 EDUCATIONAL ATTAINMENT AND INCOME ............................ 30
4.9 EMPLOYMENT STRUCTURE ...................................................... 32
4.10 PROFILE AND DYNAMIC STRUCTURE OF THE NIGERIAN MIDDLE CLASS ........................................................................... 35

5.0 SOME POLICY ISSUES ............................................................... 48
5.1 EXPANDING ACCESS TO HIGHER EDUCATION ......................... 48
5.2 BOOSTING HOME OWNERSHIP AND SAVINGS ......................... 49
5.3 BRIDGING THE GAP BETWEEN WAGES AND COST OF LIVING ......................................................................................... 49
5.4 REDUCING UNEMPLOYMENT ..................................................... 49
5.5 PROVISION OF CREDIT FACILITIES ........................................ 50
5.6 PENSION SCHEME REFORMS AND TAX LAWS ......................... 50

6.0 SUMMARY AND CONCLUSION .................................................. 51
REFERENCES .................................................................................. 54
ANNEX 1: DATA QUALITY ASSESSMENT .......................................... 56
LIST OF FIGURES

FIGURE 1: TRENDS IN POVERTY INCIDENCE IN NIGERIA (1980-2004) .......................


FIGURE 3: TRENDS IN FEDERAL AND NATIONAL MINIMUM WAGES (1980-2007) ......

FIGURE 4: TRENDS IN NOMINAL WAGE FLOORS IN NIGERIA (1980-2007) ...............

FIGURE 5: FEDERAL NOMINAL AND REAL WAGE FIXING IN NIGERIA (1980-2007) ...

FIGURE 6: TRENDS IN FEDERAL MINIMUM WAGE BETWEEN LOW AND MIDDLE CLASSES IN NIGERIA 1980-2007) ..........................................................................................................................................

FIGURE 7: COUNTRIES THAT SPENT A LEAST 50% OF THEIR EXPENDITURE ON FOOD (1996) ........................................................................................................................................................................

FIGURE 8: CHANGING STRUCTURE OF CPI BASKET IN NIGERIA AND EXPENDITURE ON FOOD ITEMS ..........................................................................................................................................................

FIGURE 9: % EXPENDITURE REQUIREMENTS TO ATTAIN MINIMUM CALORIES BY WAGE EARNERS ..........................................................................................................................................................

FIGURE 10: % EXPENDITURE REQUIREMENTS TO ATTAIN MINIMUM CALORIES BY SELF-EMPLOYED (2004) ..........................................................................................................................................................

FIGURE 11: QUINTILE DISTRIBUTION OF DURABLES BY HEAD OF HOUSEHOLDS (2004) ..........................................................................................................................................................

FIGURE 12: QUINTILE DISTRIBUTION OF PURE DURABLES BY HEADS OF HOUSEHOLDS (2004) ..........................................................................................................................................................

FIGURE 13: EDUCATION ATTAINMENT AND DISTRIBUTION OF INCOME BY SOURCES (1996) ..........................................................................................................................................................

FIGURE 14: TRENDS IN MAJOR MACROECONOMIC INDICATORS THAT HAVE DIRECT BEARING ON POVERTY ..........................................................................................................................................................

FIGURE 15: TRADE DISPUTES (1980-2002) ........................................................................

FIGURE 16: DYNAMIC STRUCTURE OF CLASSES IN NIGERIA ...........................................

FIGURE 17: WAGE FLOORS BETWEEN LOCAL GOVERNMENT ADMINISTRATORS AND CIVIL SERVANTS (2007) ..........................................................................................................................................................


FIGURE 20: DYNAMIC STRUCTURE OF THE CLASSES BY SELECTED OCCUPATIONAL DISTRIBUTION .................................................................

FIGURE 21: CLASS STRUCTURE IN NIGERIA BY NATURE OF EMPLOYMENT (%) ...........

LIST OF TABLES

TABLE 1: Minimum wage between the low and middle classes in Nigeria (1981-2007) ..............................................................................................................................

TABLE 2: Distribution and deviations of expenditure patterns by occupation of household heads (1999-2004)

TABLE 3: Per capita annual expenditure characteristics of household heads ...........................................................................................................................

TABLE 4: % Per capita expenditure by highest educational attainment (2004)

TABLE 5: Employment structure across the states in Nigeria (2004)............

TABLE 6: % Quintile distribution of expenditure by employment structure ..............................................................................................................................

TABLE 7: Percentage distribution of expenditure share by employment structure of household heads ............................................................

TABLE 8: Quintile distribution of sectors by wage earners .........................

TABLE 9: Quintile distribution of income and expenditure (1996-2004) ....

TABLE 10: Dynamic structure of the middle class in Nigeria ....................

TABLE 11: Economic grouping by class .....................................................

TABLE 12: Occupational classification of classes in Nigeria ....................

TABLE 13: Class by sectoral distribution .....................................................

TABLE 14: Federal minimum wage (1980-2007) ........................................
EXECUTIVE SUMMARY

All over the world, the existence and sustenance of the middle class are perceived as very important factors in measuring the extent of economic well-being of a country's working population. For many years, it was apparent that high rate of poverty and income inequality have threatened the Nigerian middle class with extinction; creating doubt about the relevance and impact of most macroeconomic reforms of the past. However, some recent developments associated with the implementation of the National Economic Empowerment & Development Strategy [NEEDS] seem to suggest the re-emergence of the middle class in Nigeria.

Despite the importance of the Nigerian middle class, few studies have addressed its socio-economic importance. Even at that, existing studies focused on one dimensional approach of basic need or basic human development indicators -- access to social infrastructures -- without an all inclusive empirical investigation. In this realization, this study attempts to empirically investigate the profile and the socio-economic characteristics of the Nigerian middle class. It also seeks to address the factors that led to its shrinking and re-emergence; in order to provide reliable information on the policy thrust for its sustenance and strategic development.

The study of the profile, characteristics and the determinants of the middle class in Nigeria was addressed from two broad-based multi-dimensional approaches: descriptive (qualitative) and quantitative analyses. The qualitative analysis made use of history and determinants of the middle class, trends and dynamism as well as the macroeconomic environment under which the class is sustained. The quantitative approach made use of quintile and central tendencies to determine its size.

To overcome the problem of data inconsistency, the study used the expenditure rather than the income approach to measure the size of the middle class. The income approach was discovered to underestimate and bias the size and profile of the middle class, since naturally, people consciously give wrong information about their income for fear of the use of such information. Based on the expenditure of households and the minimum wage rate data, the middle class minimum wage was calibrated from 1980 to 2007. Also, two sets of minimum wages were used as reference points for the analysis of the middle class and the gap between federal and national minimum wage. The first set of data was from the National Bureau of Statistics [NBS] and the second set from the National Salaries and Wages Commission [NSWC].
INTRODUCTION

1.1 PREAMBLE

The National Bureau of Statistics (NBS) had identified gaps and lags in the statistical analysis system particularly with respect to the identification and characterization of Nigeria’s middle class. While the NBS succeeded in conducting the first ever Nationwide Nigeria Living Standard Survey (NLSS) in 2003-4 and used same to develop the Nigeria Poverty Profile, more analysis needed to be done to deepen the relationships and dynamics expressed by the data.

In order to conduct more in-depth analysis of the profile, determinants and characteristics of the income strata, particularly the middle class, the NBS commissioned the African Institute for Applied Economics to carry out the relevant study using data from existing surveys.

1.2 BACKGROUND

Appraising the implications and the impact of economic policies on poverty, social and economic stratification of economic groups (low and high income classes), requires understanding and appreciating the emergence of middle class as either an economic transition of households from absolute to relative poverty or a transmission mechanism between the two extreme groups. This is because poverty is highly dynamic and it takes some time for economic policies to reflect on poverty structure in an economy.

Absolute poverty is a condition in which a person or community is deprived of, and/or lacks the essentials for a minimum standard of well-being and living. Since poverty is understood in many senses, these essentials may be material resources such as food, safe drinking water, and shelter, or they may be social resources such as access to information, education, health care, social status and political power, or the opportunity to develop meaningful connections with other people in society. Poverty may be defined in relative terms in view of income or wealth disparities. It is seen as an indicator of poverty and the condition is linked to questions of scarcity and distribution of resources and power (Wikipedia 2007).

Poverty, whether absolute or relative, slows down economic growth and causes a serious trajectory in macroeconomic performance. Yet, in defining middle class as an economically median group of households or households that do not fall within the extremes of economic status of poor or rich, it constitutes an important factor in assessing a particular policy framework. Within this framework, movement from absolute to relative poverty is measured as an economic policy success of which one can see the middle class as a push from absolute or core poverty or a pull from non-poor. Therefore, reduction in poverty requires a transition from one stage of poverty to another; indeed, as a transmission from low income to middle class and to non-poor income group.
The analysis emphasizes on the determinants and characteristics of middle class as either a push or pull factor to adjudge the trends in poverty transition and transmission in Nigeria.

1.3 STUDY OBJECTIVES

As defined by the National Bureau of Statistics, the broad objectives of the analysis are to identify the Nigerian middle class, characterize it and establish the modalities for tracking it in future.

Towards this objective, the analysis involves key tasks as follows:

A. Use the NLSS data base to generate stratified households into income and expenditure classes
B. Create from the NLSS the classes -- wage earners and self-employed
C. Create six substrata as follows: upper middle income wage earners, middle income wage earners, lower income wage earners, upper income self-employed, middle income self-employed and lower income self-employed
D. Carry out further stratification into urban, rural and composite categories
E. Use expenditure data to strengthen the stratification
F. Explore the use of other non-money indicators to characterize the middle class -- ownership of assets, access to socio-economic services such as education, health, etc.
G. Use existing General Household Survey [GHS] to generate time series data sets to linking the 2003/4 NLSS report with the 1996 National Consumer Survey report, and extend the series up to 2006 using the current GHS reports.
CONCEPTUAL & THEORETICAL PERSPECTIVES

2.1 ECONOMIC IMPORTANCE OF THE MIDDLE CLASS

The general outlook about the emergence of middle class in every economy is better appreciated when there is a re-visit to Max Weber’s definition of the class as a beneficial and stabilizing influence on society, because it has neither the possibly explosive revolution tendencies of the lower class, nor the absolutist tendencies of an entrenched upper class. This idea was also reinforced by King Abdullah of Jordan in 2007 that the stability and comfort of the middle class are two essential requirements for the development and progress of any society, at the political and social levels.

The definition of what constitutes middle class is as controversial as its economic importance. According to Li (2006), what the rise of the middle class means for countries social and political fabric is a subject of debate. Many believe that, as in many societies, the size and character of the members of middle class are critical for the establishment of a democratic political culture. Continued economic growth will make countries more prosperous and thereby boost the growth of the middle class. This growth will then lead to demands for democratic reforms because the middle class naturally wants a say in government. He mentions the case of China’s burgeoning middle class, which holds the key to the future of the country. Another dimension is to think that countries like Nigeria where the middle class is dependent on the State, it is not in a position to promote political change. Generally, Li (2006) is of the opinion that in spite of different perspectives on the political implications of the middle class, both sides of the debate believe that contrary to Marx’s theory of class polarization, the development of market economy in every industrial society (including today’s China) has given birth to a growing middle class.

However, the economic implications of the middle class cannot be over – emphasised. According to Karl Marx, understanding the interests of the capitalists (bourgeoisie) and the workers (proletariat) was the key to understanding any society. Therefore, to know the economic importance of the middle class we need to ask “what they work” and “what they own”.

2.2 “WHAT THEY WORK”

Historically, the middle class lies predominantly in the public sector; and government, with its permanent employment contract, provides an enabling environment, remuneration and fringe benefits that will predictably shape their behaviour and attitudes.

However, unfolding phenomena in many economies like Nigeria especially, rising incidence of unemployment, the emergence of informal economy and reduction in size of public sector have redefined the meaning and scope of the middle class. It is no longer confined to the higher-echelon government
services or public enterprise management cadres. The implication is that the middle class sustains the economy and its growth is fundamental to sustaining economic performance. In particular, according to Easterly (2001) because of the work description and their level of academic exploits and expatriate knowledge are associated with high incomes. He further stated that, a middle class consensus is also associated with more education, better health, better infrastructure, better economic policies, less political instability, less civil war and ethnic minorities at risk, more social “modernization” and more democracy.

Theoretically, the middle class falls within the realm of the bureaucrats who run the public sector; and in the private sector they are at the heart of policy making. Therefore, the rising profile of the middle class according to Aristotle in 306 BC cited in Easterly (2001), “thus, it is manifest that the best political community is formed by citizens of the middle class, and that those states are likely to be well-administered, in which the middle class is large. Where the middle class is large, there are least likely to be factions and dissension”. Therefore, the existence of a middle class consensus is a critical determinant of development differences; and when linked to exogenous country characteristics like resource endowments and ethno-linguistic diversity will reduce inequality, tensions about ethnic diversity and promote growth [Easterly, 2001]. From the fore-going, the importance of a middle class in economic growth and development is crucial in contemporary low-income nations like Nigeria.

Fundamental to the place of the middle class is the argument about the determinants of growth convergence and divergence among countries; and whether convergence and divergence are possible depends on the savings rate. This also determines the country’s ability to accumulate capital and the growth rate of the efficiency of labour, which, in turn depends on education, cumulative knowledge and adaptive social institutions. A closer look at the characteristics and profile of the middle class will reveal that these factors mentioned as the determinants of growth, convergence and divergence depend on countries’ ability to harness its potentials as an economic class that generates and mobilises resources as well as stabilises the polity of the country.

2.3 “WHAT THEY OWN”

The middle class by the virtue of its characteristics controls majority of assets and resources in every economy. According to Wheary (2005), as people are getting richer they acquire assets (including financial assets). More importantly, the middle class and the upper class have more assets and durables than the lower class or the core poor because the latter spend higher proportion of their income on perishables and food, while the middle class and the upper class spend more on durables and assets.

According to growth theories, accumulation of capital and mobilization of savings are necessary for investment which propels growth. Kling (undated) opined that even technological advancement and inherited financial wealth are impotent; the only things that matter and are necessary to move the economy are people’s earning power and savings rate. This is indicative that middle class income, expenditure pattern, savings and wealth are necessary sine qua non.
non for economic growth. Therefore, the middle class is synonymous with growth and stability.

The foregoing has traits relevant to Nigeria’s circumstances and will help in reducing income inequality. Figure 18 shows that the upper and the middle classes constitute 50% of the Nigerian economy and control 60% of the resources, while the core poor constitutes the remaining 50%. And the value of assets owned by the middle and upper classes tends to supersede the resources controlled by the lowest 20% and 40% of the Nigerian population. This will further aggravate the gap between the middle/upper classes and the lower class.

However, despite the economic importance of the middle class, a major hindrance to the possible actualization and harnessing of its potentials in Nigeria is derived from wage differentials between the federal and the National minimum wage on one hand and the wage differential between the public and the private sector on the other. Apart from these wage differentials the general low wage rate in the public sector will lead to the dearth of the middle class, thus putting the economy into reverse; a situation which has resulted to increased brain drain.

2.4 WHO IS THE MIDDLE CLASS?

According to Cashell (2007), Li (2006) and Rodriguez (1996), identifying the middle class and their class boundaries is inherently fuzzy and theoretically controversial. There is no consensus or convergence of opinion on the definition of “middle class,” neither is there an official government definition. What constitutes the middle class is relative, subjective, and not easily defined. The closest definition or consensus is by taking a statistical description of breaking the income distribution into quintiles or fifths. The narrowest view of who might be considered middle class would include those in the middle quintile, those households with income between the two extreme quintiles (first and second to fourth and fifth quintile) and are defined as the Statistical Median Group.

These definitions may not have economic theoretical backing but in some contexts, the term middle class may refer to a group with shared values or views. Most of the time, it is intended to refer to those who fall within a particular range of incomes. For example, a tax cut proposal may be promoted on the grounds that it would benefit the middle class. Where the distinction is based solely on income, the term “middle income” is sometimes used [Cashell, 2007]. Thus, in many cases, the terms middle class and middle income are used interchangeably.

Sociologists and political scientists adopt the idea of Max Weber and Karl Marx. Karl Marx defined social classes not according to the wealth or prestige of their members, but according to their relationship with the means of production: a noble owns land; a capitalist owns capital; a worker has the ability to work and must seek employment in order to make a living. However, between the rulers and the ruled there is most often a group of people, often called a middle class, which lacks a specific relationship. Historically, under feudalism, the bourgeoisie were that middle class. Marxism stated that the bourgeoisie are the ruling class (or upper class) in a capitalist society. Marxists
vigorously debated the exact composition of the middle class under capitalism. Some describe it as a "co-coordinating class", which implements capitalism on behalf of the capitalists; and they composed of the petit bourgeoisie, professionals and managers. Though Karl Marx used it in derogatory economic language, Max Weber saw it as a beneficial, stabilizing influence on society, because it has neither the possibly explosive revolutionary tendencies of the lower class, nor the absolutist tendencies of an entrenched upper class. Most sociological definitions of the middle class follow Max Weber’s theory.

Whatever the dichotomy in the definition of the middle class, it constitutes an economic underpinning of the nature, transmission and transition of measuring poverty profile and tells a lot about economic progress of poverty alleviation and macroeconomic policies like ceilings and floors of wage policy, unemployment and labour structure and expenditure and consumption patterns of households.

2.5 POVERTY AND THE MIDDLE CLASS: THE NIGERIAN CASE

From the attainment of independence in 1960, poverty in Nigeria has been characterized by multi-dimensional ambiguity between economic growth on one hand, identifying who is the poor, where they live and their economic and social stratification on the other. There is much literature on policies and programmes designed to address rising poverty profiles in Nigeria. The literature ranges from academic, policy papers and Government and donor agencies independent documentation, but it is not the pre-occupation of this study to revisit these issues. However, a summary incidence of poverty in Nigeria shows that during the period 1980-2004 national poverty rose from 28.1 % minimum to 65.6 % maximum [1980 and 1992] before declining to 54.4 % in 2004. Results from NBS surveys revealed an increase in poverty between the periods 1980 and 1985 and between 1992 and 1996. It also recorded an appreciable decrease in poverty rate between 1985 and 1992 and between 1996 and 2004.

Observing the developments over the past 27 years in Nigeria, it is apparent that something very fundamental has happened in the history of poverty and class (income) structure. The past years have seen [without prejudice to existing facts about poverty trends in Nigeria and without any intension to replicate or duplicate various studies and issues in poverty trends and dimensions] the growing fact about the trends in poverty profiles -- emergence and transition from the lower and the high classes to the middle income groups with a larger proportion coming from the low income class. Graphic evidence from the NBS presents an interesting picture of what constitutes a major stratum between these groups of households in Nigeria.
The graphic details show traces of the emergence of middle class in Nigeria whose characteristics define clearly economic and social stratifications of Nigeria poverty incidence in three major groups: low, middle and the high income.

Taking a holistic view of poverty shows a systemic relationship between members of these groups. The core poor or the low income group constituted about 22.0 % of Nigeria’s total population in 1980. From 1980 till date there has been an unstable “M” trend in growth of the core poor population from 6.2 % in 1980 to 12.1% in 1985 with a fairly stable rate in 1992. The trend later took a dramatic turn in 1996 with almost 110.8 % rise before declining in 2004. Considering the period 1980-2004, a survey by the NBS shows that the proportion of the core poor increased from 6.2 % in 1980 to 29.3 % in 1996 and then declined to 22 % in 2004. The picture from the moderately-poor population shows an upward consistent trend but for 1992 when it declined [from 34.2 % in 1985] to 28.9 %. The non-poor proportion also witnessed a steady decline from 72.8 % in 1980 to 34.3 % in 1996. It, however, picked up again in 2004.

There is also indication to believe that the scourge of poverty in Nigeria is tilted towards the rural sector. Surveys in Nigeria have consistently painted poverty as a rural phenomenon. A survey by the NBS shows that in the last 16 years poverty was most widespread in the rural areas, rising from 28.3 % in 1980 [minimum] to 69.3 % in 1992, and declining to 63.3 % in 2004. This is also linked to the fact that the middle class lives mostly in the urban areas; and that influences their expenditure and consumption patterns.

One emerging trend in poverty incidence in Nigeria is the economic transition between the two extreme traditional income groups (the low and high income). The graphic details reveal that the moderately-poor population is the recipient of spill-over from the two groups. For instance, in 1992, there is a combination...
or pull-and-push effect from the core poor and non-poor population on the moderately-poor, which constitutes the middle class.

**Figure 2: Percentage distribution of the population in poverty (1980-2004)**

When the core poor population is rising, the moderately-poor population is also rising but below the core poor population, while the non-poor population is also falling. Also, when the core poor population is falling the moderately-poor population is also falling and below it. This outcome is from the decrease in the non-poor population that migrate to the middle class. Therefore, the middle class is a transitional point between low and high income groups and was defined by Chinni (2005) as persons that commonly have a comfortable standard of living, significant economic security, considerable work autonomy and rely on their expertise to sustain themselves.

The ‘M’ shaped trend among the three groups (see Figure 2) shows that between 1985 and 1992, some non-core population actually moved to the middle class; a characteristic possibly explained by economic crises of the military regime and the subsequent poverty trap of the core poor and the non-poor population. The most interesting development is the period between 1999 and 2004, when all the groups intersected. The three groups experienced remarkable changes as some core poor group migrated to the middle class, while some non-poor class also moved down to the middle class. Some middle class group were also elevated to the non-poor or high income class. The most striking development is the tendency for some core poor to migrate or have a jump to join the non-poor class and for the non-poor to move down to join either the moderately poor class or the core poor class. Combinations of factors could be responsible, for example, strong economic drive and poverty alleviation programmes (PAP) and anti-corruption drive and recovery of funds from waste and losses.
These two or more factors were the hallmark of the Obasanjo administration (between the periods under consideration). The making of the NEEDS as an economic policy for poverty eradication and the repositioning of the Nigerian people through a social contract and the anti-corruption drive in Nigeria were the major driving forces of the trends (convergence to the middle class) witnessed in Figure 2.

Perhaps, one might find it difficult to get one hundred per cent acceptance that convergence is possible between the core poor, middle class and the high income earners or the non-poor. But it is interesting to note that economic literature recorded corruption\(^2\) as negative transfer from the poor to the rich and the bane of economic growth and macroeconomic stability. Corollary to it is that recovery and anti-corruption policy is a re-transfer to the poor. The combination of these factors could certainly be contributing to the emergence of middle class in Nigeria with the possibility of transiting to core poor at least in the long run.

Corruption undermines economic development by generating considerable distortions and inefficiency. In the private sector, corruption increases the cost of business through illicit payments, the management cost of negotiating with officials, and the risk of breached agreements or detection. Although in Nigeria corruption is seen as reducing costs by cutting red tape (paper work of bureaucratic bottlenecks), the availability of bribes can also induce officials to contrive new rules and delays. Openly removing costly and lengthy regulations is better than covertly allowing them to be by-passed with bribes. Where corruption inflates the cost of business, it also distorts the playing field, shielding firms with connections from competition, thereby sustaining inefficient firms.

Corruption also generates economic distortions in the public sector by diverting public investment into capital projects where bribes and kickbacks are more plentiful. Officials may increase the technical complexity of public sector projects to conceal or pave way for such dealings, thus further distorting investment. Corruption also lowers compliance with construction, environmental or other regulations; reduces the quality of government services and infrastructure, and increases budgetary pressures on government.

Economists argue that one of the factors behind the differing levels of economic development in Africa and Asia is that in the former, corruption has primarily taken the form of rent extraction or rent seeking with the resulting financial capital moved overseas rather invested at home (hence the stereotypical, but sadly often accurate, image of African dictators having Swiss bank accounts). University of Massachusetts researchers estimated that from 1970 to 1996, capital flight from 30 sub-Saharan African countries totalled $187bn, exceeding those nations' external debts. It goes to say that under a severe anti-corruption drive those that fall within the status on the non-poor or the high class through corruption will more likely fall back to middle class; and the proportion of middle class will increase. At the extreme they may also move down to the core poor class depending on the stiffness of the anti-corruption drive and if the said person was in the middle class before the measures against graft.
A related problem is the decline in the living standards of a growing number of pensioners (including retired members of the Nigerian middle class), due to under-funding and management problems of pension arrangements in public and private sector institutions (NEEDS document Part II:32). A poorly-managed pension scheme may well force the middle class to transit to the core poor group because pension is a postponed consumption of yesterday so as to consume today. And because it is an unearned income of today, the middle class during retirement falls within non-active labour force and needs a steady stream of transfer payments if its economic status is to be maintained during and after retirement.

Box 1

Too often we attempt to measure progress by statistical aggregates and technical prowess. We thereby tend to overlook that the main goal of life is to ensure survival and to enable everyone to realize his full potential for well-being, fulfillment, and accomplishment in happiness, joy, love, and contentment. National income figures neither reveal the real beneficiaries nor the composition of that income. They do not value the things that human beings consider important for themselves but have little or no market value for others or those beholden to statistical aggregates...

With relative poverty, a careful judicious and equitable use of available resources can achieve wonders. There is no reason why most of the essential goals of human endeavour should not be achieved for nearly all Nigerians in the first decade of the twenty-first century. We have the knowledge and enough resources for this purpose. We only need the political will to break the mould and to remain resolutely consistent and un-diverted. Our reform policies, which must be doggedly pursued, are fundamental, life-giving, and indispensable to human development. With sound and laudable reform policies resolutely and successfully implemented, there must, of necessity, be improved incomes. There can be no sustained momentum over the period without a rise in revenue and income at the national, state, community, family, and individual levels. This will entail some element of income redistribution. National economic growth must be pursued relentlessly, but at the same time we must ensure fair and reasonable distribution of its fruits. Eradication of corruption will certainly enhance human development.

Source: Extract from President Obasanjo’s letter, September, 2003

The question that needs immediate response is; what are the determinants or indicators of this re-emerging middle class in Nigeria? The answer to this question constitutes an economics policy implication for poverty reduction and the sustenance of households’ economic well-being. Apart from the foregoing, it also calls for attention and direction towards the re-examination of the variables that enters the NBS CPI basket. That is, if there is a high rising profile of the middle class who emerged from the core poor population, expenditure of such class of people is expected to tilt towards non-food and
durables which will have serious implications for inflation targeting monetary policy of the Central Bank of Nigeria. This is because inflation would no longer be anchored on higher proportion of food prices.

NOTES

1 A middle class consensus is defined as a national situation where there are neither strong class differences nor ethnic differences, Easterly (2001:3)

2 See Roberta Gatti (1999), Ramsey and Ramsey, 1995 and Iyigun and Owen, 2000
METHODOLOGY

3.1 MULTI-DIMENSIONAL APPROACH

Due to the dichotomy in the definition of the middle class, using one specific mode of analysis will tend to bias the outcome. To have a robust and an encompassing result and analysis, the methodology incorporated different dimensions (Economic and non-Economic) of establishing the existence and profile of the middle class in Nigeria. The method of analysis is mainly descriptive, and subjected to series of data transformation to see the consistency in the use and the relationship with the subject matter of the middle class in Nigeria.

There are three stages/approaches in generating the information on which the analysis for this study would be anchored. These are:

**Approach 1: History and Determinants of the Middle Class**

Clegg (1989) stated that highly theoretical and abstract work on class analysis is concerned primarily with updating the categories and logic of the analysis to deal with the far more complex world of the late twentieth century, compared to the rather simple small family of the mid-nineteenth century. Understanding the origin and characteristics of the middle class as an economic, social and political feature will be of importance in outlining the necessary data and analysis that will define these traits and identify the Nigerian middle class.

**Approach 2: Trends and Dynamism of Middle Class**

Surveys and documentation on the income and expenditure profile of the Nigerian Households will be used as input variables to determine the changing character of different income groups in the country. The trend analysis and the dynamism of the classes in Nigeria will help in determining the emergence of the middle class or its shrinking over time.

**Approach 3: Macroeconomic Environment under which the Middle Class Springs up and Thrives**

What constitutes a middle class is objectively determined by countries’ peculiar micro and macroeconomic environments. Also, the middle class is defined by poverty lines based on particular income stratum which defines the class in relative terms. The minimum expenditure required to generate 2900 calories and the N7740 expenditure border line in Nigeria as a definition of moderately-poor was designed by the NBS; and the study relies on this information to make comparison with other macroeconomic indicators of class analysis; and how they have affected the dynamism of the middle class in Nigeria.
3.2 OBJECT OF ANALYSIS

- Quintile Distribution Analysis
- Central Tendency
- Charts and Graphs

These methods mentioned above are well-equipped instrument for class analysis; efficient in determining the median outcome of phenomena like middle income earners or the middle class which this study is concerned with.

3.2.1 Identifying the Nigerian Middle Class

There are four major criteria used in the classification of the Nigerian Middle Class. These are:

3.2.2 Expenditure Pattern

As people get richer, their expenditure patterns tilt towards the acquisition of durables, assets (including financial assets) and non-food items generally. In the same vein, since the middle class falls within the core economic activities of the economy, it is expected that the expenditure patterns should be skewed towards non-food items.

3.2.3 Occupational Distribution

The middle class constitutes mainly professionals, technical, clerical, administrative and clergy cadres, and are mainly located in the urban areas. However, due to the low rate of urbanisation\(^1\) in Nigeria there is also the consideration that some of the middle class could be located in the rural areas, especially within the self-employed category.

3.2.3 Poverty Profile

The National Bureau of Statistics classified Nigerian households into three major strata according to their level of expenditure (relative poverty) and in some cases in addition to minimum expenditure for the attainment of 2900 calories daily (objective poverty). Generally, it was based on these classifications of three different poverty classes that the study was drawn. These are:

a) Core Poor
b) Moderately Poor
c) Non-Poor

These classifications were based on relative poverty as against objective poverty. The poverty line was drawn based on the two-thirds (2/3) of average per capita expenditure of N35,600.00 or N23,733.00. Within this boundary a person is said to be extremely-poor (core poor) if the person’s per capita expenditure is one-third (1/3) of the average expenditure or N11,867.00 per annum. Moderately-poor persons are those whose per capita expenditure falls within the range of N11,867.00-to-N23,733.00 per annum. Those with per capita expenditure equal or above N23,733.00 are considered to be non-poor.
3.2.4 Working Definition

The middle class\(^2\) in Nigeria is, therefore, defined as those whose per capita expenditure falls between the median per capita expenditure and the fourth quintile of the per capita expenditure. From this definition, there are other economic class groupings like lower class, lower-middle class, upper-middle class, lower-upper class and upper-upper class.

3.2.5 Profile of the Nigerian Middle Class

The median total expenditure was N118384.06 in 2004 and N43292.31 in 1996 or 62% of the 2004 median expenditure. Moderately-poor expenditure was N120742.70 in 2004 or 142% increase from the 1996 level. The middle class was defined in 2004 and 1996 as those whose per capita expenditure falls between the median and the mean per capita expenditure of the moderately-poor group. Thus, the classes are computed as:

**Class Classification [2004]**

- Lower Class: Expenditure less than N118,384.06
- Lower-Middle Class: Expenditure greater than or equal to N118384.06 but less than N120742.70
- Upper-Middle Class: Expenditure greater than or equal to N120742.70 but less than N225692.00
- Lower-Upper Class: Expenditure greater than or equal to N225692.00 but less than N251789.40
- Upper-Upper Class: Expenditure greater than or equal to N251789.40.

**Class Classification [1996]**

- Lower class: Expenditure less than N43,292.31
- Lower middle class: Expenditure greater than or equal to N43,292.31 but less than N49,982.70
- Upper middle class: Expenditure greater than or equal to N49982.7 but less than N78200
- Lower upper class: Expenditure greater than or equal to N78200 but less than N99072.49
- Upper-Upper class: Expenditure greater than or equal to N99072.49

3.3 SOURCES OF DATA

Three important surveys (by NBS), the 1996 National Consumer survey NCS, 2004 Nigeria Living Standard Survey NLSS and the 2006 Core Welfare Indicators Questionnaire (CWIQ) Survey were the main sources of data.

**NOTES**

1 See Table 3 for level of urbanization across the Nigerian States.

2 The population estimate used for the study is 126.31 million for 2004 and 102.3 million for 1996.
4.1 DETERMINANTS AND INDICATORS OF THE MIDDLE CLASS

In view of the ambiguity in the concept of social and economic class in any country, the middle class group is traced by certain objective and subjective variables like: income, expenditure and consumption patterns, typical occupation and educational attainment. With this line of analysis, determinants, characteristics and profile of the middle class in Nigeria are grouped under different variables, including:

4.2 INCOME

Looking closely to the many assumptions economists make to facilitate analysis is that of diminishing marginal utility of income and the relative income hypothesis. Diminishing marginal utility of income refers to the assumption that as income increases each additional Naira (on that income) yields less satisfaction than the one that came before. Relative income hypothesis on the other hand, defines household consumption and expenditure pattern to reflect the consumer's class and immediate socio-economic environment. This consumption behaviour is being influenced by the combination of ratchet and demonstration effect. With respect to middle income it is meaningful because, if true, it means that there are greater gains in satisfaction to be had moving up into the middle class than there are moving up from the middle to the upper end of income distribution.

It might not be unreasonable to say that those who consider themselves middle class are relatively contented, at least with their economic situation. But while a middle-income household may be well above a subsistence level of income, the satisfaction or happiness realised at that income may also depend on where that income level fits into the overall income distribution. The idea that consumption depends both on the absolute and the relative levels of income tends to suggests that, individuals that make up the middle class will do everything possible to economically maintain the consumption pattern of their class with the resistance to move below or above his quintile. This evidence thus depicts the economic relevance of a middle-income group with a shared stake in the health of the economy.

The income dimension of poverty defines it as a situation of low income or low consumption. This has been used for constructing poverty lines. Accordingly, people are counted poor when their measured standard of living in terms of income or consumption is below the poverty line. Thus, the poverty line is a measure that separates the poor from the non-poor. However, poverty has both its income and non-income dimensions usually intertwined. The poor are those who are unable to obtain an adequate income, find a stable job, own property or maintain healthy conditions. They also lack adequate levels of education and cannot satisfy their basic health needs (Sancho, 1996).
Within the framework of socio-economic stratification, it is used to describe those at the low, high and median income class. The median or actual centre of the income strata, are those who may also be referred to as the middle-middle class. There are many different theories on the middle-middle class. It may be composed of those households with an annual income of 80% to 120% of the national median household income. Persons in this income range could be, in accordance to solely economic reasoning, be referred to as the statistical middle class.

For a clear understanding of the relationship between income and the middle class, income is divided into personal and household. Under the personal income the use of legislation to fix wages is considered while under household income the use of statistical median or vernacular is used to determine the income strata of the middle class.

4.3 TRENDS IN WAGE FLOORS

Labour economists frequently discuss the growth of wage inequality in terms of the change in the pay gap between high wages (90th percentile), median wages (50th percentile) and low wages (10th percentile).

One way of assessing the trends in the determination of the middle class in Nigeria is by looking at minimum wage fixing or wage bounds. As a means of closing the gaps between the two extremes of lower and upper class consumption groups, minimum wage legislation has been on the increase since the late 1970s beginning with the Udoji minimum wage award. Since then wage floors have always come as welcome and genuine economic policy; and immediate and quick measures to close income gap or as palliative against changing prices or for a particular economic policy. This is because the minimum wage generates the most help to those with the least income and the least help to those with the most income.

FIGURE 3: TREND IN FEDERAL AND NATIONAL MINIMUM WAGES (1980-2007)

Today, the emerging and sustained trend in wage floors in Nigeria is one of the most potent factors that are likely and have indeed led to the emergence of the
middle class. In 1980, under the Alhaji Shehu Shagari regime the minimum wage was set at N100.00 per month and presently the wage floor has increased sharply to N11,132 per month representing 11032 % increase. Though, the political demand for the minimum wage does not come from low-wage workers, labour unions are the most active supporters of increasing the minimum wage while indirectly playing to the rule of the classical invisible hand theory of market mechanism. Thus, wage floors or minimum wage is a transfer of resources from the high income to the low income earners, thereby helping to act as a push factor from the low wage group to the emergence of the middle income group. The net effect is a decrease in income inequality between the low and high income groups.

![Figure 4: Trends in Nominal Wage Floors in Nigeria (1980-2007)](image)

However, this transition is possible if there is no workers illusion in the determination of wage floors. Wage illusion can widen the gap between income groups; and using 1985 base year as a deflator, minimum wage in Nigeria fell during 1981-1999 and increased by 187% in 2000. It further declined in 2003 before it increased sharply in 2007. From the foregoing, one could comfortably establish that the Nigerian lower income class actually suffered wage illusion during the truncated periods 1981-1991 and 2003 respectively. This perhaps led to the sporadic increase in the proportion of core poor population of about 110.78 % and 25.6 and a decrease of about 40.0 % of the non-poor in 1999.
Therefore, wage floor as a determinant of movement from lower to middle class is highly dependent on workers’ perception of increase in minimum wage. If there is no wage illusion, wage floors will push households’ personal income from lower to middle class; otherwise it will serve as a pull factor to increase the proportion of the Nigeria population under core poverty line thereby widening the gap between the two extreme income groups.

From these two opposing outcomes, some researchers opted for price mechanism of wage determination.

4.4 Household Income

The second determinant of middle class is household income measured as the total earnings such as wages, salaries and social insurance schemes. Rodriguez (1996) prefers the use of household income to wage rate because increase in wage does not necessarily guarantee improvement in social welfare. This factor is difficult to measure, especially in developing countries like Nigeria where there is high rate of tax avoidance and evasion. People ordinarily have apathy towards the disclosure of their actual income for fear of the use of such information. In an attempt to avoid and evade tax payment, people tend to give false information about their income level even when the purpose of such investigation is not intended for tax purposes.

The Nigeria Living Standards Survey in 2004 shows that the median income of the middle class was about N100,000.00 annually, a monthly average of N8333.33. This represents almost half the minimum wage in 2003 and 4.2 % of the highest income group in 2004. The study also shows that the first 20 % or the first quintile have an average income of N44000 annually averaging a monthly income of N3,667.00 or 23.3 % less than the minimum wage in 2003.
The second and the third quintile household incomes in the same period stood at N0.8 and N0.14 million annually respectively.

If we take a simple extrapolation by using the minimum wage percentage increase between 2003 and 2007, it will be interesting to note that the increase in wage floors is a transition from low to middle income earners. Using 147.4% minimum wage floor increase between 2003 and 2007, the median wage stood at N22,058.18 per month.

**TABLE 1: MINIMUM WAGE BETWEEN THE LOW AND MIDDLE CLASSES IN NIGERIA (1981-2007)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal Minimum wage (N)</th>
<th>Minimum wage of the Middle class (N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>125</td>
<td>612</td>
</tr>
<tr>
<td>1991</td>
<td>250</td>
<td>765</td>
</tr>
<tr>
<td>1992</td>
<td>363</td>
<td>1530</td>
</tr>
<tr>
<td>1999</td>
<td>1300</td>
<td>2223</td>
</tr>
<tr>
<td>2000</td>
<td>4000</td>
<td>7960.7</td>
</tr>
<tr>
<td>2003</td>
<td>4500</td>
<td>8916</td>
</tr>
<tr>
<td>2007</td>
<td>11132</td>
<td>22058.2</td>
</tr>
</tbody>
</table>

*Source: Nominal Minimum Wage is from the NBS, while the Middle Class Minimum Wage was generated through interpolation and extrapolation.*

Figure 6 shows a steady upward trend in the middle class minimum wage rate calibrated from the federal minimum wage in Table 1. The result shows that the middle class income rose from N612.00 in 1981 to N22,058.20 in 2007. The study will address how this emerging trend will influence the expenditure and consumption pattern of the middle class in Nigeria.

![Figure 6: Trends in Federal minimum wage between low and middle class in Nigeria 19980-2007)](image-url)
4.5 EXPENDITURE AND CONSUMPTION PATTERNS

4.5.1 Expenditure Pattern

The middle class, at least those living the life-style, has become known around the world for conspicuous consumption. Ordinarily, expenditure is a mirror image of income and at equilibrium national income accounts they represent different ways of looking at the same thing. Most often analysis on household incomes are addressed with their expenditure pattern in the developing countries because of income data inconsistency and unreliability. The use of expenditure, therefore, gives a better proxy about consumers’ behaviour, especially in Nigeria where cases of tax evasion is high.

From the problems enunciated above, one expects a huge deviation between the median income and expenditure of households in Nigeria. Results from the NLSS 2004 show that the median expenditure of the middle class in Nigeria was approximately N118384.06 per annum in 2004, representing 15.53 % more than the household median income in the same period. If this result is anything to go by, the emerging middle class in Nigeria could be said to be characterized by de-saving habits. The median class de-saved approximately N18384.06 annually or 18.38 % of their annual income.

One fairly good reason for this is the fact that there is a high tendency that the workers have suffered wage illusion. When total expenditure exceeds total income, one of the implications is that a high rising inflation profile eroded the purchasing power of the consumers and forced them to borrow more money for consumption.

It also points to the fact that there could be a changing inflation phenomenon from core inflation to inflation anchored on durable goods or non-food items generally. One of the characteristics of the middle class and high income earners alike is a high profile of consumer durables and a swing of expenditure to non-food items. Thus, there is the tendency for the emergence of middle class in Nigeria to increase price tension in the urban sector, forcing those who want to remain in the group to de-save. This possible behaviour of the re-emerging middle class is defined in relative hypothesis of consumption behaviour. Because the middle class stands as a class associated with conspicuous consumption, there is the tendency to maintain their consumption level as a result of ratchet and demonstration effects. When income decreases, a normal consumption behaviour will reduce since consumption is determined by income level. Under the ratchet effect and demonstration effect behaviour, a decrease in income does not lead to decrease in expenditure. Rather, the consumer de-saves — borrows to consume either from the formal lending institutions or from the informal sector like Esusu.

Another issue is how the consumer enters the middle class. According to Gorkan (2006), spending and saving patterns are dependent on how a particular household achieved middle-class status. Again, they also depend on
whether the household has a secondary job which it did not disclose for fear of tax payment.

4.5.2 Consumption Pattern – Food and Non-Food

Another way of evaluating the divergence between income groups is their consumption pattern. Literature has shown that most low income earners spread their consumption around food items. Perhaps this accounts for larger proportion of food items in the food basket of price index. Agenor (1999) stated that food items constitute more than 69 % of price index basket of the developing countries. This evidence was substantiated from the recent NBS NLSS, which revealed that the Non-Poor that constitutes the highest 5 % spent 42 % their total income on food and 58 % on non-food, while the core poor spends spent 51 % of their income on food within the same period.

Table 2: Distribution and Deviations of Expenditure Pattern by Occupation of Head of Households (1999-2004)

<table>
<thead>
<tr>
<th>Occupation Group</th>
<th>2004</th>
<th>1996</th>
<th>Deviations from Expenditure Pattern</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Food Expenditure (%)</td>
<td>Non Food Expenditure (%)</td>
<td>Total Food Expenditure (%)</td>
</tr>
<tr>
<td>Student, Retired, Unemployed or Inactive</td>
<td>40.58</td>
<td>59.42</td>
<td>58.3</td>
</tr>
<tr>
<td>Professional or Technical</td>
<td>29.85</td>
<td>70.15</td>
<td>55.3</td>
</tr>
<tr>
<td>Administration</td>
<td>28.64</td>
<td>71.36</td>
<td>44.3</td>
</tr>
<tr>
<td>Clerical</td>
<td>46.26</td>
<td>53.74</td>
<td>60.1</td>
</tr>
<tr>
<td>Sales and Related</td>
<td>47.64</td>
<td>52.36</td>
<td>58</td>
</tr>
<tr>
<td>Services and related</td>
<td>41.49</td>
<td>58.51</td>
<td>57.8</td>
</tr>
<tr>
<td>Agriculture &amp; Forestry</td>
<td>59.33</td>
<td>40.67</td>
<td>68.2</td>
</tr>
<tr>
<td>Production and Transport</td>
<td>49.14</td>
<td>50.86</td>
<td>61.7</td>
</tr>
<tr>
<td>Manufacturing and Processing</td>
<td>50.59</td>
<td>49.41</td>
<td>57.6</td>
</tr>
<tr>
<td>Others</td>
<td>48.83</td>
<td>51.17</td>
<td>64.6</td>
</tr>
<tr>
<td>Total</td>
<td>47.32</td>
<td>52.68</td>
<td>63.6</td>
</tr>
</tbody>
</table>

Source: NBS. Deviation is computed as Expenditure Pattern in 2004 less 1996
Table 2 paints an interesting picture of the transition or possible cross-over of the core poor to the middle class using their expenditure pattern and occupation. A common feature which emerges from the expenditure distribution pattern across the occupational groups is that the middle class which constitutes the professional and indeed other groups have witnessed a swing in their expenditure pattern from food to non-food items. Between 1996 and 2004, an average of 19% of total expenditure was redirected from the consumption of food to non-food items, thus raising a serious argument about the emergence of the middle class in Nigeria. It is also interesting to note that there was a 3% increase in expenditure drawn from accumulated savings to increase the total expenditure on non-food to 19%. This further justifies our projection about the “short-trek” from the core poor to the middle class and non-poor which manifested in the ‘M’ and the inverted ‘M’ shape of the core poor and the middle class in one direction and the non-poor in another direction. See Figure 2 for details.

In 1996, data from US Department of Agriculture shows that Nigeria ranks third in countries that spent at least 50% of their total expenditure on food. Nigeria spent approximately 73% of total expenditure on food (8% higher than NBS estimate) behind Azerbaijan and Tanzania with 73.5% and 73.2% respectively. One interesting feature from the chart that made 1996 a symbolic event is that poverty incidence was at its maximum and the ratio of poverty to expenditure on food as a percentage of total expenditure was almost one-to-one. The trend, however, recorded an appreciable decline in 2004. The rate stood at 47.3% with inflation standing at 10% in the same period. It,
therefore, points to the same positive relationship between poverty, expenditure on food and increase in general price level. This is in Figure 7.

One can also address these salient issues through the sectoral breakdown of the survey into urban and rural. Because poverty has been defined as a rural phenomenon in Nigeria, it is expected that the low income earners who are more likely to be peasants farmers will reflect this consumption pattern. The expenditure pattern in the rural sector also shows a manifestation that the core poor spend a higher proportion of their income on food items. Per capita on food in the urban and rural areas stood at N17824.00 and N16,491 respectively in 2004. Also N25,101.00 and N13,058.00 were spent on non-food in urban and rural sectors respectively. The total per capita expenditure on food in the urban areas was N42,925.0, while N41,004.00 was the per capita expenditure in the rural sector.

There is another striking possibility from the emerging trend. Food prices, as stated before, constitute about 69 % of the Nigeria’s CPI basket; and by implication suggest that tracking down or stabilization of food prices through macroeconomic framework will curb the menace of inflation. Secondly, a well-conceived, implemented and monitored PAPs enveloped by a good fiscal policy will reduce inflation and stabilize prices by shifting demand from food items to non-food items. This is because non-food items have more predictable prices over time.

Over the years, the composition and proportion of food items (Food Weight in Consumer Price Index -- FWCPI) in the CPI basket have changed drastically. In 1985 the composition was 69.1 % and reduced by 7.8 % in 1996 and 5.2 % in 2004 from 63.8% in 1996. Inflation also rose by 23 % between 1985 and 1996 before falling to 10% in 2004 from 29.3 % in 1996. This changing structure has a bearing on the switches of expenditure patterns from food to non-food items and reflects the rising profile of the median class in Nigeria.

**Figure 8: Changing structure of CPI basket in Nigeria and expenditure on food items**
Sometimes, it poses a reasonable question to investigate why the expenditure of the core poor is tilted to food or why reduction in poverty incidence follows a reduction in expenditure of food items. Depending on countries, poverty lines are set as a combination of calories intake and components of non-food expenditure within a particular limit.

The Nigerian moderately (middle class) poor is defined to include a 2900-calorie limit plus a component on non-food expenditure of N7740.00. The implication of this definition is that it is much easier for the middle class to meet up with this limit and the amount required to meet the calorie limit by the lower class is less than the amount required by the middle class. This perhaps accounts for why the low class spends more money on food.

Secondly, Manslow’s Hierarchy of Needs Theory requires that as one moves away from basic need priority, he moves to the next level of self-actualization and expenditure pattern that will portray his present status. Thus, at the bottom of the ladder the lower class struggles to meet the basic needs of shelter and food. Sanders (2002), corroborated this belief that, before one attains the level of self-actualization, which characterises the middle class and the non-poor alike, one must first have his basic needs met.

The NLSS by the NBS revealed a pattern that the least amount required by the lower class to have a minimum 2900 calorie is higher than that required by the middle class. The upper and the lower middle classes of wage earners require 16 % and 21% expenditure to attain the minimum 2900 calories, while the moderately-poor of the self-employed requires 20.4 % and 20.5 % for upper and lower middle classes respectively to attain the calorie level.

Generally, the result shows a non-consistent pattern in the amount required by each group to attain the minimum calories of 2900. It was expected that the upper middle class and the non-poor expenditure requirement for the minimum calories should deviate from the core poor group which justifies the expenditure pattern of the latter to revolve around food items. For example, the minimum amount required by the core poor of wage earner is more than 1/2 less than what the highest 10% of the non-poor of wage earners and the self-employed require to attain the same calories. The same scenario was also replicated in the self-employed group where the highest 5% of the core poor requires more than 1/2 less than what highest 5% of the non-poor needs to attain the goal.
However, there is a systemic pattern in the amount of expenditure required for the minimum calories among different quintiles of all the groups, which could be used as unique characteristics of the Nigerian households. There is evidence to think that as household' become richer, the amount of money required to attain minimum calories diminishes. Figure 9 shows that the moderately-poor (middle class) and the core poor alike displayed downward trends among the quintiles as they become richer while the non-poor maintained an upward trend. That is, as they transit from core poor to middle class, in between groups the expenditure required by the first quintile fades away as he transits to the fifth quintile. The same trend was also observed in the middle class group. The surprising thing, however, is that as they enter the non-poor group the expenditure required for the minimum calories increases systematically. This accounted for the wide deviation between the richest 5% of the core poor minimum expenditure requirements and the richest 5% of the non-poor group of wage earners and self-employed.
FIGURE 10: % EXPENDITURE REQUIREMENTS TO ATTAIN MINIMUM CALORIES BY SELF-EMPLOYED [2004]

A similar trend observed in the wage earners group was also revealed in the self-employed group. The non-poor group maintained an upward trend, while the poor and the middle classes had a downward trend.

If the Manslow’s Theory is anything to go by, then an explanation could possibly be found for this emerging trend. Nigeria is an affluent society with high level of family ties and extended family obligations. And there is this understanding that as one gets richer the number of dependants and family obligations tends to widen. Therefore, it could be stated that the family demand function of the of the dependants of the non-poor entered the utility function of the non-poor group, which in relative terms plays-out in the expenditure required to maintain both the derived utility of the extended family ties and the non-core utility function.

This relationship also manifested in the charts. The core poor graph is below the middle class and the non-poor, while the middle class is below the non-poor group. The implication is that, as one becomes richer the number of random dependants systematically increases forcing the expenditure for the minimum calories to increase.

In a normal family setting, the reversal of this relationship is expected. That is, if the utility of the randomly dependent extended family obligations does not enter the utility function of households, the minimum expenditure required and indeed the expenditure on food by the core poor is higher than that of the middle class. This is because the middle class have lesser number of children than the core poor; a development anchored on the fact that the middle class
are better educated and have more access to health facilities and sex education [including child spacing].

4.5.3 Expenditure on Durables

Wheary (2005) stated that financial security is greatly influenced by the reserves a family has available to get through hard times. However, level of assets, or wealth, has not traditionally been employed as a criterion for being middle class. The view here is that it should be -- at least in a more comprehensive measure that defines middle class as being financially stable. Another major feature of the middle class and the high income or the non-poor is assets acquisition. That is, household ownership of consumer durable assets could be used to track who the poor really are; or the class status of households. Trends from the survey revealed that ownership of durable assets are predominantly the higher and the middle classes. The result indicated that the bottom 40% of the population own 10% of the physical assets, while the top 20% of the population owns about 53% of the assets; the median class owns 37% of the remaining. Further disaggregation of the data shows that goods like refrigerators, air conditioners, gas cookers, generators, washing machines and cars are clustered around the upper class.

**TABLE 3: PER CAPITA ANNUAL EXPENDITURE CHARACTERISTICS OF HOUSEHOLD HEAD**

<table>
<thead>
<tr>
<th>Assets</th>
<th>Lower class</th>
<th>Upper lower class</th>
<th>Lower middle class</th>
<th>Upper middle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture</td>
<td>2.78</td>
<td>7.29</td>
<td>14.68</td>
<td>24.06</td>
</tr>
<tr>
<td>Sewing Machine</td>
<td>1.94</td>
<td>8.11</td>
<td>12.84</td>
<td>27.77</td>
</tr>
<tr>
<td>Stove</td>
<td>2.07</td>
<td>7.37</td>
<td>12.75</td>
<td>24.61</td>
</tr>
<tr>
<td>Refrigerator</td>
<td>0.76</td>
<td>2.58</td>
<td>7.97</td>
<td>22.33</td>
</tr>
<tr>
<td>Air Conditioner</td>
<td>1.31</td>
<td>1.52</td>
<td>4.06</td>
<td>9.51</td>
</tr>
<tr>
<td>Fan</td>
<td>1.43</td>
<td>6.14</td>
<td>12.75</td>
<td>23.45</td>
</tr>
<tr>
<td>Radio Cassette</td>
<td>5.27</td>
<td>10.52</td>
<td>15.91</td>
<td>23.98</td>
</tr>
<tr>
<td>Gas Cooker</td>
<td>0.52</td>
<td>1.19</td>
<td>1.71</td>
<td>14.53</td>
</tr>
<tr>
<td>Generator</td>
<td>0.73</td>
<td>0.89</td>
<td>7.44</td>
<td>9.92</td>
</tr>
<tr>
<td>Video Equipment</td>
<td>0.62</td>
<td>3.31</td>
<td>8.89</td>
<td>21.74</td>
</tr>
<tr>
<td>Washing Machine</td>
<td>2.96</td>
<td>6.94</td>
<td>26.76</td>
<td></td>
</tr>
<tr>
<td>Television</td>
<td>1.07</td>
<td>5.32</td>
<td>10.5</td>
<td>24.02</td>
</tr>
<tr>
<td>Camera</td>
<td>5.93</td>
<td>8.51</td>
<td></td>
<td>24.37</td>
</tr>
<tr>
<td>Electric Iron</td>
<td>1.24</td>
<td>4.46</td>
<td>9.93</td>
<td>25.02</td>
</tr>
<tr>
<td>Bicycle</td>
<td>10.43</td>
<td>15.82</td>
<td>20.84</td>
<td>23.55</td>
</tr>
<tr>
<td>Motorcycle</td>
<td>4.47</td>
<td>8.81</td>
<td>16.03</td>
<td>23.3</td>
</tr>
<tr>
<td>Car</td>
<td>1.68</td>
<td>2.26</td>
<td>4.72</td>
<td>14.16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2.93</strong></td>
<td><strong>7.36</strong></td>
<td><strong>13.13</strong></td>
<td><strong>23.66</strong></td>
</tr>
</tbody>
</table>

*Source: NBS Poverty Profile, 2005*

At this point it will be good to have a specific comparison between the three modes of transport from the Table; that is, car, motor cycle and bicycle. Evident from the survey is that the ability of the middle class to own a car has
been eroded. The middle 40%, which comprises the lower middle class and the upper middle class owns 18% of cars more than four times less than the upper class.

![Total durable own by head of Households](image)

**Figure 11: Quintile distribution of durables by Heads of Households [2004]**

This outcome is expected because of the prohibition on importation of cars that are more than 10 years old. The effect therefore, is that the greater population of Nigerians could hardly afford new cars; and workers in the public sector do not enjoy the same credit facilities employers in the private sector extend to their workers. Though there is no further disaggregation of the public and the private sectors in the survey, it may not be far-fetched that those from the private sector will possibly constitute a larger proportion of the median group that owns these cars.

The widening gap between the upper class, lower class and the middle class is pointing to a direction which tends to suggest that the possibility of the middle class migrating back to the upper lower class is high and the possibility of having people migrating from the existing upper lower class to the middle class is minute and negligible. Therefore, the sustainability of the current middle class is guaranteed since the spade of inequality is currently at 0.49, according to NBS NLSS 2004 data.
4.6 TYPICAL OCCUPATION

The middle class is defined as constituting of professionals or business owners; even the clergy by a shared culture of domesticity and sub-urbanity; and by a level of relative security against social crisis in the form of socially desired skill or wealth. Thus, the theory of the middle class by Max Weber can be cited as one that supports the notion of its being composed of a quasi-elite of professionals and managers, who are largely immune to economic downturn and trends such as out-sourcing which affect the statistical middle class [Chinni, 2005]. The major aim here is to trace or link the middle class from the point of occupational and status distribution. Moreover, income or wage differentials between the poor and the moderately-poor are highly dependent on educational level attained which in turn determines occupational status.

In a developing country, especially those with high unemployment rate or economies in transition like the Nigeria’s, the occupational distribution and classification of the middle class as constituting the professionals or business owners will only apply to statistical definition of the median group or the vernacular definition of the middle class.

4.7 PATTERNS OF EDUCATIONAL ATTAINMENT

The pattern of educational attainment between members of economic groupings is that as the cost of education increases the lower and upper lower classes tend to limit their pursuits; most times up to secondary school level for the upper lower class and primary school for the lower class. Also, as the quality of the public schools (Federal, State and Local Government) diminishes,
a small proportion of the lower and upper lower classes attains private school because of the cost involved.

The NLSS 2004 data show that majority of the lower and the upper lower classes mainly attend State Government schools because they are relatively more accessible. 55.3% of the lowest 20% attended State Government schools; 5% less than the upper lower class and the upper middle class and 2% less than the non poor class. Also, the lower and upper lower classes patronized the Local Government schools more than the lower and the upper middle classes. 27% of them attended Local Government schools three times higher than the non-poor class and almost twice as much as the upper middle class. These outcomes are expected, because majority of the Nigerian population live in the rural areas.

4.8 EDUCATIONAL ATTAINMENT AND INCOME

Educational attainment is one of the most prominent determinants of class status. It represents expertise, which is a necessary component of the capitalistic market system. It possession may be seen as the ownership of one of the factors of production. In other words, those with advanced degrees already own one of the essential buttresses of the economy: expertise. Additionally, educational attainment is the basis for occupational selection. Those with higher educational attainment tend to be positioned in occupations with greater autonomy, influence over the organizational process, and better financial compensation. While economic compensation is merely the result of scarcity, educational attainment may be related to that very economic principle as well. The attainment of a graduate degree represents the acquisition of expertise, a factor of production, that in itself may be scarce; thus leading to better financial compensation for the owner. As stated above the upper middle class features a strong reliance on educational attainment (the ownership of expertise) for much of its economic well-being (Chinni, 2005).

Evidence has shown that low-income families are far less educated than their counterparts in middle-income families. The gap between their education attainments is more noticeable from post-secondary school and is explained by two major phenomena. One is cost of acquiring education and returns to education, and second middle class are made up of professional and skill workers whose remuneration is attached to education attainment. Since remuneration and income are tied to educational attainment it tends to induce the middle class to acquire more education. The low class acquires only the basic primary education which they need to learn a trade or other informal activities. Within that framework, their demand for education has no significant deviation from their moderately- and non-poor counterparts. The widening gap in the highest levels of educational attainment between the groups is reflected from post-secondary and tertiary institutions with a gradual deviation from the secondary school level. This is because within the secondary school level the core poor’s especially the second 20% demand for education is highly randomized with some of them dropping out to continue an informal trade or engage in self-employment.
Figure 13 shows different sources of households’ income in Nigeria. The distribution shows that basic income comprises wages and salaries of (wage earners), sales of farm produce, profits from trading and fees from professional services. Other income sources include secondary occupation, rents received, cash gifts, loans raised, loan repayment received, remittances, Esusu, transfer payments and consumption from own production (opportunity cost of not selling the product).

Oftentimes income structure and sources are reflective of the household’s level of educational attainment. The lower class generates the bulk of their income from either informal savings or thrift (Esusu), consumption of own production and profits from trading; while the middle class, which constitutes mainly the professionals who have higher educational attainment beyond secondary school, generate the bulk of their income from wages and salaries and other secondary sources.

Also, the proportion of own consumption by the middle class is negligible, while those with primary education and no education rely almost on consumption of produce. Consumption from own production by those with primary or no education is almost half their total income.

There is also indication that the educational levels (tertiary) of the groups that the middle class are expected to belong to spent a larger proportion of their income than those without primary and secondary school attainments.
### TABLE 4: % PER CAPITA EXPENDITURE BY HIGHEST EDUCATIONAL ATTAINMENT (2004)

<table>
<thead>
<tr>
<th>Highest level of Education attainment</th>
<th>Quintile 1</th>
<th>Quintile 2</th>
<th>Quintile 3</th>
<th>Quintile 4</th>
<th>Quintile 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>No education</td>
<td>27.3</td>
<td>24.7</td>
<td>19.9</td>
<td>16.7</td>
<td>11.5</td>
</tr>
<tr>
<td>Elementary</td>
<td>31.4</td>
<td>21.1</td>
<td>19.0</td>
<td>17.0</td>
<td>11.5</td>
</tr>
<tr>
<td>Primary</td>
<td>16.3</td>
<td>19.7</td>
<td>21.6</td>
<td>24.0</td>
<td>18.5</td>
</tr>
<tr>
<td>Secondary</td>
<td>15.0</td>
<td>16.9</td>
<td>21.1</td>
<td>23.8</td>
<td>23.1</td>
</tr>
<tr>
<td>Tertiary</td>
<td>7.7</td>
<td>8.8</td>
<td>14.1</td>
<td>22.4</td>
<td>47.0</td>
</tr>
<tr>
<td>Other</td>
<td>17.6</td>
<td>24.4</td>
<td>22.8</td>
<td>16.9</td>
<td>18.4</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>19.2</strong></td>
<td><strong>19.9</strong></td>
<td><strong>20.2</strong></td>
<td><strong>20.3</strong></td>
<td><strong>20.5</strong></td>
</tr>
</tbody>
</table>

*Source: NBS Poverty Profile, 2005*

Result in Table 4 above shows that the third and the fourth highest quintiles (the lower middle and upper middle classes) constitute 36% with the upper middle class controlling 22%, while the lower middle class constitute 14%. This is consistent with the educational definition of the middle class (professional and administrators with tertiary education).

#### 4.9 EMPLOYMENT STRUCTURE

Typical occupation could further be disaggregated into employment structure - - the proportion of the total employed households engaged in paid jobs and those that are self-employed. Because the origin of the middle class as a theory likened it to be specifically from the public sector, it makes sense to suggest that increase in the number of wage earners is an indication of middle class. Employment composition is divided into:

a) Self-Employed  
b) Wage Earner

If the assumptions about the middle class around the world on their occupational status and educational attainments are correct, it is expected that the majority of the class in Nigeria will constitute a larger proportion of the wage earners than the self-employed. A distribution of the occupational group from the 2004 NLSS shows that 26% of the working population are wage earners, while 74% are self employed. [See Appendix 1 for details]. This outcome is not surprising because a larger proportion of the middle class is found in the urban areas, while the lower class is mainly traced to the rural areas. A summary of rate of urbanization across Nigerian States on Table 5 revealed that States with higher level of urbanization also recorded higher number of wage earners. Also, urban areas with developed markets and conducive business environment are expected to have higher concentration of self-employed. Theoretically, this makes sense. Urbanization attracts a high concentration of developed markets and businesses and where there is high rate of unemployment, the concentration of the working population will move to self-employment as a short-run intervention.
<table>
<thead>
<tr>
<th>States</th>
<th>Wage Earner (Urban)</th>
<th>Wage Earner(Rural)</th>
<th>Self Employed(Urban)</th>
<th>Self Employed (Rural)</th>
<th>Rural Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abia</td>
<td>27.6</td>
<td>16.3</td>
<td>72.4</td>
<td>83.7</td>
<td>74.2</td>
</tr>
<tr>
<td>Adamawa</td>
<td>38.1</td>
<td>11.7</td>
<td>61.9</td>
<td>88.3</td>
<td>92.3</td>
</tr>
<tr>
<td>Akwa Ibom</td>
<td>48.1</td>
<td>19.8</td>
<td>51.9</td>
<td>80.2</td>
<td>88.7</td>
</tr>
<tr>
<td>Anambra</td>
<td>54.9</td>
<td>15.1</td>
<td>45.1</td>
<td>84.9</td>
<td>93.5</td>
</tr>
<tr>
<td>Bauchi</td>
<td>35.8</td>
<td>12.0</td>
<td>64.2</td>
<td>88.0</td>
<td>88.3</td>
</tr>
<tr>
<td>Bayelsa</td>
<td>33.5</td>
<td>17.0</td>
<td>66.5</td>
<td>83.0</td>
<td>92.3</td>
</tr>
<tr>
<td>Benue</td>
<td>18.6</td>
<td>5.6</td>
<td>81.4</td>
<td>94.4</td>
<td>79.3</td>
</tr>
<tr>
<td>Borno</td>
<td>46.3</td>
<td>9.9</td>
<td>53.7</td>
<td>90.1</td>
<td>66.7</td>
</tr>
<tr>
<td>Cross River</td>
<td>38.9</td>
<td>7.7</td>
<td>61.1</td>
<td>92.3</td>
<td>88.3</td>
</tr>
<tr>
<td>Delta</td>
<td>28.6</td>
<td>16.2</td>
<td>71.4</td>
<td>83.8</td>
<td>85.0</td>
</tr>
<tr>
<td>Ebonyi</td>
<td>33.6</td>
<td>7.4</td>
<td>66.4</td>
<td>92.6</td>
<td>87.1</td>
</tr>
<tr>
<td>Edo</td>
<td>44.7</td>
<td>13.5</td>
<td>55.3</td>
<td>86.5</td>
<td>64.2</td>
</tr>
<tr>
<td>Ekiti</td>
<td>23.8</td>
<td>10.3</td>
<td>76.2</td>
<td>89.7</td>
<td>42.3</td>
</tr>
<tr>
<td>Enugu</td>
<td>56.4</td>
<td>10.4</td>
<td>43.6</td>
<td>89.6</td>
<td>90.4</td>
</tr>
<tr>
<td>Gombe</td>
<td>31.1</td>
<td>8.1</td>
<td>68.9</td>
<td>91.9</td>
<td>87.5</td>
</tr>
<tr>
<td>Imo</td>
<td>56.1</td>
<td>14.5</td>
<td>43.9</td>
<td>85.5</td>
<td>93.8</td>
</tr>
<tr>
<td>Jigawa</td>
<td>32.0</td>
<td>14.0</td>
<td>68.0</td>
<td>86.0</td>
<td>94.5</td>
</tr>
<tr>
<td>Kaduna</td>
<td>53.2</td>
<td>11.4</td>
<td>46.8</td>
<td>88.6</td>
<td>60.6</td>
</tr>
<tr>
<td>Kano</td>
<td>40.0</td>
<td>10.5</td>
<td>60.0</td>
<td>89.5</td>
<td>58.5</td>
</tr>
<tr>
<td>Katsina</td>
<td>31.6</td>
<td>21.4</td>
<td>68.4</td>
<td>78.6</td>
<td>85.7</td>
</tr>
<tr>
<td>Kebbi</td>
<td>11.2</td>
<td>9.1</td>
<td>88.8</td>
<td>90.9</td>
<td>96.6</td>
</tr>
<tr>
<td>Kogi</td>
<td>30.9</td>
<td>15.8</td>
<td>69.1</td>
<td>84.2</td>
<td>83.0</td>
</tr>
<tr>
<td>Kwara</td>
<td>36.1</td>
<td>17.6</td>
<td>63.9</td>
<td>82.4</td>
<td>49.9</td>
</tr>
<tr>
<td>Lagos</td>
<td>35.5</td>
<td>27.9</td>
<td>64.5</td>
<td>72.1</td>
<td>5.3</td>
</tr>
<tr>
<td>Nassarawa</td>
<td>56.8</td>
<td>18.5</td>
<td>43.2</td>
<td>81.5</td>
<td>91.5</td>
</tr>
<tr>
<td>Niger</td>
<td>36.3</td>
<td>12.9</td>
<td>63.7</td>
<td>87.1</td>
<td>85.2</td>
</tr>
<tr>
<td>Ogun</td>
<td>33.0</td>
<td>18.0</td>
<td>67.0</td>
<td>82.0</td>
<td>44.0</td>
</tr>
<tr>
<td>Ondo</td>
<td>40.5</td>
<td>11.6</td>
<td>59.5</td>
<td>88.4</td>
<td>71.4</td>
</tr>
<tr>
<td>Osun</td>
<td>24.2</td>
<td>10.5</td>
<td>75.8</td>
<td>89.5</td>
<td>34.6</td>
</tr>
<tr>
<td>Oyo</td>
<td>24.0</td>
<td>6.9</td>
<td>76.0</td>
<td>93.1</td>
<td>34.6</td>
</tr>
<tr>
<td>Plateau</td>
<td>29.7</td>
<td>8.8</td>
<td>70.3</td>
<td>91.2</td>
<td>93.7</td>
</tr>
<tr>
<td>Rivers</td>
<td>46.2</td>
<td>19.5</td>
<td>53.8</td>
<td>80.5</td>
<td>76.4</td>
</tr>
<tr>
<td>Sokoto</td>
<td>38.9</td>
<td>7.8</td>
<td>61.1</td>
<td>92.2</td>
<td>90.1</td>
</tr>
<tr>
<td>Taraba</td>
<td>25.5</td>
<td>14.0</td>
<td>74.5</td>
<td>86.0</td>
<td>94.9</td>
</tr>
<tr>
<td>Yobe</td>
<td>24.7</td>
<td>8.9</td>
<td>75.3</td>
<td>91.1</td>
<td>83.7</td>
</tr>
<tr>
<td>Zamfara</td>
<td>38.5</td>
<td>11.5</td>
<td>61.5</td>
<td>88.5</td>
<td>87.9</td>
</tr>
<tr>
<td>FCT</td>
<td>57.0</td>
<td>15.3</td>
<td>43.0</td>
<td>84.7</td>
<td>69.1</td>
</tr>
<tr>
<td>Total</td>
<td>36.2</td>
<td>13.1</td>
<td>63.8</td>
<td>86.9</td>
<td></td>
</tr>
</tbody>
</table>

Source: NBS and AIAE
States from the south-west like Lagos, Oyo and Osun with high rate of urbanization still have a high concentration of self-employed people because these areas are either commercial cities or have high concentration of farmers. Details on Table 5.

**TABLE 6: % QUINTILE DISTRIBUTION OF EXPENDITURE BY EMPLOYMENT STRUCTURE**

<table>
<thead>
<tr>
<th>Employment Structure</th>
<th>Expenditure Quintiles</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Wage Earner</td>
<td>13.2%</td>
<td>15.3%</td>
</tr>
<tr>
<td>Self-Employed</td>
<td>21.3%</td>
<td>21.5%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>19.2%</strong></td>
<td><strong>19.9%</strong></td>
</tr>
</tbody>
</table>

*Source: NBS*

Table 6 shows a steady movement of wage earners from 13.2% of the lowest 20% to 18.1% of the lower middle class (third quintile) and 23.9% of the upper middle class. This trend also explains the high proportion of the middle class in the wage earner group. The expenditure shows a systemic increase from the poorest 20 % to the second 20 % of the least poor. It goes further to explain the implication of high cost of production of sustaining a privately-owned business, which implicitly reduces the profit margin of the self-employed. Using the expenditure pattern of households across the quintiles of the self-employed, it almost stagnated within the period, decreasing with a slim margin of between 0 and 1 %. The self employed did not show any significant movement in the quintile distribution of expenditure.

**TABLE 7: PERCENTAGE DISTRIBUTION OF EXPENDITURE SHARE BY EMPLOYMENT STRUCTURE OF HOUSEHOLD HEADS**

<table>
<thead>
<tr>
<th>Employment Structure</th>
<th>Percentage Food Share</th>
<th>Percentage Non-Food share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage Earner</td>
<td>41</td>
<td>59</td>
</tr>
<tr>
<td>Self-Employed</td>
<td>51</td>
<td>49</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>47</strong></td>
<td><strong>53</strong></td>
</tr>
</tbody>
</table>

Aggregation of the results shows that wage earners replicated traits of the middle class in their total expenditure pattern. Results from Table 7 indicate that 59% and 41 % of their expenditure were allocated to non-food and food respectively, while 51% of the self employed expenditure was channelled to the consumption of food and 41 % to non-food, a character which unveils the behavioural pattern of the core poor or the least poor of the low class.

**TABLE 8: QUINTILE DISTRIBUTION OF SECTORS BY WAGE EARNER**

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>Quintile Distribution</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Urban</td>
<td>15</td>
<td>17.7</td>
</tr>
<tr>
<td>Rural</td>
<td>31</td>
<td>23.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>19.7</strong></td>
</tr>
</tbody>
</table>
Table 8 shows that the emergence of the middle class [the wage earner] is more of an urban phenomenon as can be seen from the lowest quintile with 24.5%. The converse is true with the rural dwellers with 31% in the lowest quintile and 10.4% in the fifth quintile. Also, looking at the self-employed; a similar trend was observed with the urban dwellers pooling 15% in the lowest quintile to 29.9% in the fifth quintile.

The dynamic structure and developments around the world have made this dichotomy or distinction between the self-employed and wage earner more of an academic exercise. Current definitions and investigations have suggested that the middle class falls within the circuit of the self-employed and self-reliant.

Lawrence Lindsey, Assistant Professor of Economics at Harvard University, USA, cited by Wikipedia, defined a middle class person as someone who expects to be self-reliant, unlike the upper class with its unearned wealth or the lower class with its dependency on society.

### TABLE 9: QUINTILE DISTRIBUTION OF INCOME AND EXPENDITURE [1996-2004]

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>12.31</td>
<td>8.39</td>
<td>20</td>
<td>13</td>
<td>12.08</td>
</tr>
<tr>
<td>40</td>
<td>18.79</td>
<td>15.33</td>
<td>40</td>
<td>19.29</td>
<td>18.59</td>
</tr>
<tr>
<td>60</td>
<td>26.73</td>
<td>26.7</td>
<td>60</td>
<td>26.85</td>
<td>26.77</td>
</tr>
<tr>
<td>80</td>
<td>42.17</td>
<td>49.58</td>
<td>80</td>
<td>40.86</td>
<td>42.56</td>
</tr>
</tbody>
</table>

The emergence of the middle income class is simply demonstrated by reference to the Table of Percentage Income and Expenditure Distribution among the Quintiles between 1996 and 2004 [Table 9]. The income for 2004 was deflated using the Consumer Price Index (CPI). In 1996, the 20% quintile accounted for 12.3% of total household income. On the other hand the same group accounted for 8.4% in 2004. This is a demonstration of the movement to the middle class and possibly to the upper class as can be seen on the Table with 42.17% in 1996 and 49.58% in 2004 of the upper class. The data further show that the third quintile remained unchanged with 26.7%, yet in 2004 over 7.41% moved to the upper class.

The same pattern was revealed by employing the expenditure data for 1996 and 2004. The lowest quintile accounted for 13.0% of total expenditure. This dropped to 12.1% in 2004. Decreases were similarly recorded by the second, third and fourth quintiles between 1996 and 2004.

### 4.10 PROFILE AND DYNAMIC STRUCTURE OF THE NIGERIAN MIDDLE CLASS

This section examines developments in the three income groups to determine if there is a change in the expenditure and income patterns of the groups that could possibly lead to the emergence of the middle class in Nigeria. Ordinarily,
for there to be improvement, it is expected that there is going to be an intra-
and inter-group cross-over from the lower class or the first lowest 20% to the
second 20% the upper lower class. Also, the lower middle class is expected to
witness a manifestation of “cross-over” from the upper lower and lower income
groups. There is also the expectation that the lower middle class will cross over
or migrate to the upper middle class.

TABLE 10: DYNAMIC STRUCTURE OF THE MIDDLE CLASS IN NIGERIA

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1996 (a)</td>
<td>2004 (b)</td>
<td>b-a</td>
</tr>
<tr>
<td>Lower Class</td>
<td>12.31</td>
<td>8.39</td>
<td>-3.92</td>
<td>13</td>
</tr>
<tr>
<td>Upper Lower Class</td>
<td>18.79</td>
<td>15.33</td>
<td>-3.46</td>
<td>19.29</td>
</tr>
<tr>
<td>Lower Middle Class</td>
<td>26.73</td>
<td>26.7</td>
<td>-0.03</td>
<td>26.85</td>
</tr>
<tr>
<td>Upper Middle Class</td>
<td>42.17</td>
<td>49.58</td>
<td>7.41</td>
<td>40.86</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0</td>
<td>0</td>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>

Drawing comparisons from 1996-2004, the NBS household surveys, the
dynamism of the income groups gave interesting but controversial outcomes
that indicated extreme cases. These two cases will present an open debate
about the more likely characteristics and profile of the Nigerian middle class
between 1996 and 2004. And a question could be asked; where are the middle
class and how did they get to where they are now?

The picture from Table 10 conveyed two scenarios that could help to answer
the questions and a reminder of the argument about research: “Where outcome
deviates from a priori, it is either there is a systemic error or a new relationship
amongst the variables has been established or discovered”.

The dynamic structure of the Nigerian middle class is addressed in two specific
scenarios:

**4.10.1 Scenario One: Is the Middle Class Shrinking in Nigeria?**

According to Hever (2007), the shrinking of the middle class indicates an
increase in social inequality; and an equitable society is one in which the
middle class is large and the upper and lower classes small. A cross-
comparison between 1996 NCS and 2004 NLSS summarized in Table 10
presented not-too-good an image of the profile of the Nigerian middle class.
There is an indication that the class could actually be shrinking. Between 1996 and 2004, the percentage of people under the lower middle class remained stagnant with only a trade-line of 2% increase of the upper middle class.

Also, a closer look at Figure 5 shows that part of this problem may have necessarily come from low wage rates in Nigeria. Taking away the impact of inflation shows that minimum wage actually declined in 2007 from 1999 (in real terms) taking away wage illusion. Apart from the impact of inflation painted above there are different factors that possibly accounted for this rather controversial and dismal outcome of a leap of about 7% (using income as a parameter) and 1.7% (using expenditure as a parameter) of the upper middle class. Before tracing these factors it is important to note that, there is an indication that some people may have crossed-jumped from the lower to the upper middle class, while the lower middle class stagnated. The likely reason for the unprecedented cross-over is explained in the second scenario.

4.10.2 Unemployment Rate

It is unlikely that the middle class will emerge or be sustained in a situation of high rate of unemployment, especially when unemployment is defined in the context of millions and thousands of Nigerians who are willing and able to work, but cannot find comfortable and permanent jobs.

Preliminary results from an on-going study of the Nigerian Informal Sector by African Institute for Applied Economics [AIAE] show that the size of the sector might be as high as 67% of the 2005 GDP (current market prices). There is also the tendency that unemployment rate has a positive relationship with the informal economy. If this result comes out to be verified, it may suggest that a big chunk of the middle class may have been eroded and fallen back to the informal sector; and massive resources transferred from the formal to the informal sector.

Figure 14 corroborates this possible outcome. Unemployment rate maintained a steady upward trend above GDP growth rate between 1980 and 2005.
The chart also shows a positive relationship between unemployment rate and poverty incidence and more importantly poverty incidence is sensitive to unemployment rate.

4.10.3 Economic Growth and Poverty Incidence

There is an important paradox between economic growth and poverty incidence in Nigeria. Ordinarily, economic theory recorded a priori negative relationship between growth and poverty. That is, increase in economic growth should be a reflection of increase in people’s socio-economic well-being. According to Surowieki (2000), the best remedy for poverty and to lift people into the middle class, is not income redistribution but rather economic growth. Although many critiques of globalization and free trade depend, at least implicitly, on Marx’s immiseration thesis. It held that growth in a capitalist economy inevitably impoverished most while enriching a few.

The available data featured Marx’s ideology putting side-by-side the relationship between growth, core poor, moderately-poor and the non-poor in Nigeria. This outcome invariably supports the Marxist’s thesis of a negative relation between economic growth and poverty. Perhaps a closer look at the relationship between growth and economic groupings of the Nigerian households would elicit a question about who benefits from economic growth. The answer could possibly lie in the relationship between politics, power and prosperity of the Oslon Synthesis [2000]. This relationship defines the leap from core poor to non-poor class as a product of economic cost of political transition. This is treated in the second scenario. This outcome is re-echoing the need for an empirical investigation of economic growth and poverty in...
Nigeria. If the image in Figure 14 could provoke research into this puzzle of paradox of economic growth in Nigeria, a better understanding and interpretation would be expected in the future. For now, it remains the Keynesian Paradox of Drift: savings dampen economic growth.

4.10.4 Poverty Incidence, Wage Illusion and Inflation

Increase in income of people that does not affect their livelihood must have suffered two set-backs. One is the fact that if increase in income is followed by a proportionate or more than proportionate increase in price, then the real income will fall below the minimum expenditure required to move the person from one class to another. Secondly, if the workers do not suffer wage illusion the fall in real wage will lead to agitations for wage increase or an increase in apathy to work. This apathy will force workers to engage in secondary jobs (multiple jobs), inducing decline in productivity.

**Figure 15: Trade disputes (1980-2002)**

The periods, 1980 and 2002, show a declining trend in the number of trade disputes. Number of disputes declined from 355 in 1980 to 42 in 2002. This corresponds to an upward trend in minimum wage fixing; an indication that Nigerian workers are far from wage illusion, because there has always been an agitation for living wage increase. See Figure 15 for details.

Also, Figure 14 shows that poverty in Nigeria is an increasing function of inflation with a high degree of co integration (tied together in the long run) between them. The period between 1996 and 2004 shows that inflation was as high as 29.3%, while poverty rose as much as 66% before declining to 54% in 2004. Also, inflation reduced almost 10% in the same period. The implication of such positive relationship is that the magnitude of inflation will prevent an upshot of intra- and inter-class cross-over required for the emergence and sustenance of the middle class in Nigeria. This presented the image witnessed in Table 10.
4.10.5 Scenario Two: Leap and Cross-Over from Lower to Upper Middle Class

Oslo (2000) focuses on how economists relate to political society and how a society makes the leap from unorganized tribe, to autocracy and to democracy. His studies show how those in power benefit from each transition, demonstrating the economic incentive. This idea hatched the relationship between power and prosperity and presented a serious case for the incredible leap from the lowest 20% to the highest 4th quintile of the upper middle class in Nigeria. This outcome would necessarily redefine the middle class as constituting the professionals defined by their educational attainments.

The period, 1999-2007, saw an increase in the wages of Local Government administrators and other political office holders.

![Dynamic structure of classes in Nigeria](image)

**Figure 16: Dynamic structure of classes in Nigeria**

An average political office holder in Local Government administration with primary 6 as highest educational attainment, earns a minimum of N62,500.00 per month against the 2007 National minimum wage of N5,500.00 and a Federal minimum wage of N11,132.00. This is a huge income disparity between the then core-poor that jumped to the middle class. Therefore, this scenario made it possible for a leap from lower class to the upper middle class. Table 10 shows that both the lower class and the upper lower class made a leap to the lower middle class and finally to upper middle class. Thus, the upper middle class increased by 7.0% and 1.7% (using income and expenditure respectively) as a result of the migration from the lower class.

Figure 16 presents a typical scenario of a leap from lower to upper middle class. The result shows that there is an upward movement from the core poor to the upper middle class; a movement from 12% income of the lowest class to
The factors that could account for this unprecedented jump include:

4.10.6 Political Power, Residual Income and Income Velocity

One of the determinants of expenditure is income velocity. Those with high income velocity tend to spend less than those with low income velocity. Political power and the prosperity that accompanies it have a high degree of residual income that makes it possible for the circulation of income amongst the political office holders and politicians in general to be very short. This, therefore, affects their income and expenditure and likely causes a push from lower class to the upper middle class. Dacy (1984) stressed that velocity of money income is influenced by a non-monetary variable ‘confidence’. Thus, if one is confident of his income velocity (how long it will take for a N1.00 stream of income to get to the consumer), it will influence his expenditure pattern.

![Figure 17: Wage floors between Local government administrators and civil servants (2007)](image)

The leap in Table 10 could actually be induced by increase in the remuneration of political office holders and increased number of people from the core poor especially from the upper lower class who acquired political power like the Councillors in Nigeria. The acquisition of political power coupled with their confidence on the regularity of their stream of cash flow will widen the income inequality between them and members of their former closed set in the lower class. It is also important to note that their annual income is more than the median income of the middle class and 99.6% greater than the minimum amount required to meet the 2900 calories of the middle class going by the 2004 NLSS.
TABLE 11: ECONOMIC GROUPING BY CLASS

<table>
<thead>
<tr>
<th>Classification</th>
<th>2004</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Population %</td>
<td>Population (million)</td>
</tr>
<tr>
<td>Lower Class</td>
<td>50.00</td>
<td>63.16</td>
</tr>
<tr>
<td>Lower-Middle Class</td>
<td>1.20</td>
<td>1.52</td>
</tr>
<tr>
<td>Upper Middle Class</td>
<td>28.79</td>
<td>36.37</td>
</tr>
<tr>
<td>Lower-Upper Class</td>
<td>3.68</td>
<td>4.64</td>
</tr>
<tr>
<td>Upper-Upper Class</td>
<td>16.32</td>
<td>20.61</td>
</tr>
</tbody>
</table>

Table 11 shows that the lower class in Nigeria stagnated between 1996 and 2004, and the percentage of people in the lower middle class decreased by approximately 6%, whereas the upper-middle class increased by 7%. Also, there are “cross-over” between the lower upper class and the upper-upper class. The lower-upper class decreased by 4%, while the upper-upper class increased by approximately 4%.

TABLE 12: OCCUPATIONAL CLASSIFICATION OF CLASSES IN NIGERIA

<table>
<thead>
<tr>
<th>Occupational Group</th>
<th>2004</th>
<th></th>
<th>1996</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower class</td>
<td>Lower middle class</td>
<td>Upper middle class</td>
<td>Lower Upper class</td>
</tr>
<tr>
<td>Student, Retired, Unemployed or Inactive</td>
<td>54.44</td>
<td>1.34</td>
<td>22.29</td>
<td>5.61</td>
</tr>
<tr>
<td>Professional or Technical</td>
<td>30.83</td>
<td>1.10</td>
<td>30.04</td>
<td>5.51</td>
</tr>
<tr>
<td>Administration</td>
<td>33.90</td>
<td>0.00</td>
<td>15.20</td>
<td>8.54</td>
</tr>
<tr>
<td>Clerical</td>
<td>36.71</td>
<td>1.19</td>
<td>30.10</td>
<td>4.28</td>
</tr>
<tr>
<td>Sales and Related</td>
<td>41.76</td>
<td>0.84</td>
<td>32.12</td>
<td>4.96</td>
</tr>
<tr>
<td>Services and Related</td>
<td>41.95</td>
<td>0.44</td>
<td>30.05</td>
<td>3.60</td>
</tr>
<tr>
<td>Agriculture and Forestry</td>
<td>59.92</td>
<td>1.36</td>
<td>26.79</td>
<td>2.65</td>
</tr>
<tr>
<td>Production and transport</td>
<td>42.82</td>
<td>1.43</td>
<td>31.80</td>
<td>3.03</td>
</tr>
<tr>
<td>Manufacturing &amp; Processing</td>
<td>39.42</td>
<td>0.64</td>
<td>36.78</td>
<td>4.22</td>
</tr>
<tr>
<td>Others</td>
<td>39.90</td>
<td>1.69</td>
<td>35.84</td>
<td>4.46</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50.00</strong></td>
<td><strong>1.20</strong></td>
<td><strong>28.79</strong></td>
<td><strong>3.68</strong></td>
</tr>
</tbody>
</table>

The study also reveals that 50% of Nigerians fall within the lower class, out of which 59% are the students, unemployed or the inactive and the retired people. The distribution of the classes is shown on Table 12. It is also evident that 20% of Nigerians controlled the economy in 2004, an increase of 8% from 12 per cent in 1996. As expected, 59% of the 12% that controlled the economy in 1996 were administrators, while 22% were from the professional and manufacturing cadres.
**TABLE 13: CLASS BY SECTORAL DISTRIBUTION**

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>Occupation Group</th>
<th>2004</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Lower class</td>
<td>Lower middle class</td>
</tr>
<tr>
<td>Urban</td>
<td>Student, Retired, Unemployed or Inactive</td>
<td>51.40</td>
<td>1.60</td>
</tr>
<tr>
<td></td>
<td>Professional or Technical</td>
<td>27.69</td>
<td>1.36</td>
</tr>
<tr>
<td></td>
<td>Administration</td>
<td>32.75</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>Clerical</td>
<td>34.83</td>
<td>1.41</td>
</tr>
<tr>
<td></td>
<td>Sales and Related</td>
<td>38.47</td>
<td>0.85</td>
</tr>
<tr>
<td></td>
<td>Services and Related</td>
<td>38.47</td>
<td>0.26</td>
</tr>
<tr>
<td></td>
<td>Agriculture and Forestry</td>
<td>46.53</td>
<td>1.49</td>
</tr>
<tr>
<td></td>
<td>Production and transport</td>
<td>39.08</td>
<td>1.53</td>
</tr>
<tr>
<td></td>
<td>Manufacturing and Processing</td>
<td>39.41</td>
<td>0.85</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>39.40</td>
<td>1.78</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>38.88</strong></td>
<td><strong>1.20</strong></td>
</tr>
<tr>
<td>Rural</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Student, Retired, Unemployed or Inactive</td>
<td>60.32</td>
<td>0.83</td>
</tr>
<tr>
<td></td>
<td>Professional or Technical</td>
<td>37.60</td>
<td>0.53</td>
</tr>
<tr>
<td></td>
<td>Administration</td>
<td>42.10</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>Clerical</td>
<td>42.05</td>
<td>0.57</td>
</tr>
<tr>
<td></td>
<td>Sales and Related</td>
<td>55.23</td>
<td>0.83</td>
</tr>
<tr>
<td></td>
<td>Services and Related</td>
<td>51.41</td>
<td>0.92</td>
</tr>
<tr>
<td></td>
<td>Agriculture and Forestry</td>
<td>62.08</td>
<td>1.34</td>
</tr>
<tr>
<td></td>
<td>Production and Transport</td>
<td>56.07</td>
<td>1.05</td>
</tr>
<tr>
<td></td>
<td>Manufacturing and Processing</td>
<td>39.44</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>41.37</td>
<td>1.41</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>58.78</strong></td>
<td><strong>1.21</strong></td>
</tr>
</tbody>
</table>

*Sources: GHS 1996 and NLSS (2004) were used for the computation*
Further decomposition of the data revealed that 39% of the lower class in 2004 lived in the urban areas, compared to 45% in 1996, while more than 59% lived in the rural area in 2004; a 3% increase from 1996. Also, the population of the upper middle class in the urban areas was 32%; 5% greater than those in the rural areas in 2004 and approximately 10% greater than the 1996 urban middle class. General aggregation of the data shows that the middle class constitutes 30% of the population, while the upper class constitutes 20% and the lower class takes 50%.

**Figure 18: % Distribution of the Socio-economic Classes in Nigeria [1996-2004]**

This shows that consistent with literature from other countries of Asia (China), America (USA and Canada) and Europe (Britain), the middle class controls the economy either by educational attainment or socio-economic consideration. One striking feature of the results (1996-2004) is that between the periods the middle class maintained a 30% hold of the economy, while the lower class also maintained 50%. The only class that increased by 1% was the upper class which could be an outcome of the Oslon synthesis of political power and prosperity.

Between 1996 and 2004, there was a remarkable decrease in the number of people in the lower class by 17%, while those in the upper-middle class increased by 20%. In the same period, the administrative cadre decreased by 4%; twice the 1996 proportion.

FIGURE 20: DYNAMIC STRUCTURE OF THE CLASSES BY SELECTED OCCUPATIONAL DISTRIBUTION

It is also worthy of note that, of the 30% of the middle class in 2004, 29.6% of them were wage earners from the upper middle class whereas 0.9% of them are from the lower-middle class. The remaining 29.3% and 1.3% were upper class and lower-middle class self-employed. See Figure 19. As mentioned before, the rate of the informal sector rising profile could account for almost equal proportion or even distribution of wage earners and self-employed in the middle class.
**FIGURE 21: CLASS STRUCTURE IN NIGERIA BY NATURE OF EMPLOYMENT (%)**


<table>
<thead>
<tr>
<th>Year</th>
<th>Nominal Minimum Wage</th>
<th>Real Minimum Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Feder al minimum wage (N)</td>
<td>% Change in miminum wage (N)</td>
</tr>
<tr>
<td>1980</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>1981</td>
<td>125</td>
<td>25.00</td>
</tr>
<tr>
<td>1982</td>
<td>250</td>
<td>100.0</td>
</tr>
<tr>
<td>1992</td>
<td>363</td>
<td>45.20</td>
</tr>
<tr>
<td>1999</td>
<td>1300</td>
<td>258.13</td>
</tr>
<tr>
<td>2000</td>
<td>4000</td>
<td>207.69</td>
</tr>
<tr>
<td>2003</td>
<td>4500</td>
<td>148.75</td>
</tr>
<tr>
<td>2007</td>
<td>1113</td>
<td>11.88</td>
</tr>
</tbody>
</table>

*Source of Transformed Data: NBS*
NOTES

1 Minimum wage data (fig 3 and 4) from National Wage and Salaries Commission NWSC include approved minimum wage that were not implemented.
2 Wage illusion is a situation where increase in wage rate is accompanied by increase in prices. Workers will suffer illusion if they fail to comprehend the economic implication between proportional increase in wage and price level.
3 The analysis incorporated minimum wage rates approved but were not implemented (1992-2003).
4 Used loosely to describe those who live a life-style to display income and wealth.
5 The tendency to maintain a particular consumption pattern because of habit formed over time.
6 Food items include food purchases and imputed own consumption. Non-food items are also divided into frequent non-food and infrequent non-food items. See NBS Poverty Profile (2005:62) for classifications.
SOME POLICY ISSUES

This study has identified the economic importance of the middle class. Clearly, its sustenance to be able to play these roles is very imperative; and demands well-developed and articulated macroeconomic policies that would improve their lot and possibly help in migrating the upper lower class to the middle class. The following policies are part of measures required to sustain the middle class in the long-run based on the trends noticed from the foregoing review of the class in Nigeria.

5.1 EXPANDING ACCESS TO HIGHER EDUCATION

Education is a key to middle class security in an economy where most of the good jobs require at least some college degree. Yet, as tuition fees have soared, rising faster than family income, more students cannot afford college. Currently (2007), there are about 89 universities (excluding Polytechnics and Colleges of Education), of which 32 are private. Yet, the number does not guarantee accessibility since that is measured by cost of acquiring education. And because standard of living and educational attainment have direct relationship, the higher the standard of living the more likely it is for people to acquire education. Therefore, sustaining the middle class requires increased funding of education. A dramatic expansion in investments will give millions of young people a shot at middle class success by doubling the percentage of college qualified students from low- and moderate-income families to enrol for and complete degree programmes; and on time too.

![Figure 22: University Teacher-Student Ratio (2000-2005)](image)
Apart from increasing investment in the education sector, stability of academic environment is equally important. Academic disruptions discourage learning and impose implicit cost on the middle class and the core poor alike. Academic disruptions tend to favour the upper class whose children either attend private or overseas universities. According to the Core Welfare Indicators Questionnaire (CWIQ, 2006), only 13% of household heads had a post-secondary education, representing about 50% less than those without education. The implication is that, the already existing gap between the upper class and the lower middle class will widen the more; and in the long-run the middle class in Nigeria might shrink further.

5.2 **BOOSTING HOME OWNERSHIP AND SAVINGS**

Home-ownership and savings have historically been pivotal to securing a place in the middle class. That will remain true in the decades ahead. Today, about 38% of those in the urban areas own their dwelling units in Nigeria and about 65% of Nigerian households have little or no wealth. Germane to these factors is income of households; and there are two broad components of households' allocation of income. These are consumption and savings which are anchored on marginal propensity to consume and save; bearing in mind the direct relationship between them and income. The ability to consume as well as save, according to Kling (undated) depends on the earning power of the household. These two factors (home-ownership and savings) are instruments for the ultimate well-being and performance of the middle class; and would ensure that everyone has a better chance of becoming a middle class asset-holder early in life.

5.3 **BRIDGING THE GAP BETWEEN WAGES AND THE COST OF LIVING**

One of the factors that militate against wage increases is higher cost of living caused by general increases in prices. Economists have always differentiated between nominal wage and real wage, and have argued that unless there is wage illusion, nominal wage will always be higher than real wage. Therefore, wage rates that are expected to motivate the middle class are fixed vis-a-vis the existing inflation rate.

Again, the gap between the Federal Minimum Wage and the National Minimum Wage needs to be harmonized. This is challenging considering the problems of federalism and constitutional autonomy enjoyed by State Governments.

5.4 **REDUCING UNEMPLOYMENT**

Unemployment is a phenomenon that drives most people into the informal sector, and hence reduces the chances of migrating to the middle class. Unemployment drives the middle class to the lower class making the migration and sustainability of the former to the upper class impossible. Job creation will not only sustain the quantum of middle class but act as a replacement to the aging middle class population.

Equally important is work incentives and motivation. Over the years, motivation of the public sector worker has not been encouraging and has led to apathy towards public sector growth because efficiency and productivity have been relegated. If there is job security and motivation of the middle class, the
associated output from them will be a catalyst for the sustenance of economic growth.

5.5 PROVISION OF CREDIT FACILITIES

The meagre income of the middle class provides little or no security for acquisition of assets and financial credits. And the sustenance of the middle class, among other things, depends on its ability to acquire and own assets. Because the Nigerian financial industry is at its developing stage, granting credit facilities to low income earners is difficult. The public sector, therefore, needs to act as collateral to the middle class to enable them acquire assets.

5.6 PENSION SCHEME REFORMS AND TAX LAWS

The desire to accumulate assets for retirement or bequests depends on anticipated changes in income and wealth and the availability of pensions. According to Agenor (1999), the need to save for contingencies depends on the extent of insurance coverage. The NBS survey grouped the retired workers as non-productive and these account for more than 60% of the rural lower class households and 51% or the urban households.

The implication of grouping the retired as non-productive and highly dependent people is that there is high tendency for them to fall to the core poor or the low class group if not properly managed. The forward-looking consumption theory centres around the fact that the behaviour of consumers today depends on their perception of what their income will be in future; and this has a direct bearing on their resource constraints. At low level of income all resources are spent and no resources will be saved for future consumption, thus putting today’s middle class as tomorrow’s lower class.

Sustainability of the middle class, therefore, requires a strong and a well spelt-out public pension scheme and social security to take care of the retired. This will have a potential effect by:

- Redistributing income to the elderly.
- Reducing the tensions and over-postponement of current consumption to save for retirement. That is, it will not have a deleterious effect on current consumption and marginal propensity to consume. Of course, according to consumption theory increase in consumption or marginal propensity to consume jacks-up national income via the multiplier effect.
- Curbing the need for precautionary savings to cover the contingency of living longer than expected.

There is need for reduction in tax base so as to increase disposable income. This will further improve the middle class ability to migrate to the upper middle class or the lower upper class; and boost the tendency to save for investment.
SUMMARY AND CONCLUSION

The study has attempted to use various definitions of the middle class to determine its emergence in Nigeria and the socio-economic implications of the emerging structure. This was specifically and logically followed in accordance with the study objectives which were designed to provide a comprehensive and one-stop idea about the profile and characteristics of the middle class in Nigeria; to serve as means of reviewing the Nigeria’s poverty profile. In order to achieve these objectives and contribute to existing knowledge, the study reviewed local and international literature on various dichotomies and divergences in identifying and classifying the middle class; and the parameters for such classifications. The intention was to deepen and expand the frontiers of measuring the transitions of different poverty groups in Nigeria with a view to facilitating policies that promote the growth and integration of the determinants of the class into the poverty alleviation programmes and macroeconomic policy framework for the sustenance of Nigeria’s economic growth.

The study was conducted with support from National Bureau of Statistics NBS. The Bureau provided substantial statistical base extracted from their three major surveys, namely the National Consumer Surveys [NCS, 1980-1997], the Nigeria Living Standards Survey [NLSS, 2004] and the Core Welfare Indicators Questionnaire [CWIQ, 2006]. Data were also collected from AIAE data bank and the National Salaries and Wages Commission [NSWC].

The variables used for analysis and estimation of the size of the middle class in Nigeria were based on the most available information and data and those generated through data transformation. However, major difficulties (consistent with developing countries) were experienced in the process of synchronizing the relationship between consumption expenditure and income. This problem led to an outcome, which described the consumption behaviour of the middle class in Nigeria as de-saving -- expenditure is greater than income. It is particularly difficult to trace the actual income of households in developing countries because the consumers provide wrong information about their income and number of economic activities they engage in on suspicion of the purposes for such studies, particularly tax reasons.

The Nigerian middle class was discovered to de-save by about N18384.06 or 18.38% annually and tend to follow a ratchet and demonstration behaviour if they must sustain the economic traits of being in that class. There is also a huge discrepancy between the minimum wage of the Federal and State Government workers [Federal and National Minimum Wages]. The study was able to use the federal minimum wage to extrapolate and interpolate the middle class minimum wage between 1980 and 2007. During that period, the minimum wage of the middle class stood between N612.00 in 1980 and N22058.00 in 2007, while the minimum wage of the lower class was between N125.00 in 1980 and N11132.00 in 2007 (consolidated).
The Nigerian middle class was identified to constitute about 30% of the 2004 estimated population or 27.1% of the 2006 population. Of this population, 1.2% is the lower middle class, while 28.8% constitutes the upper middle class. The lower class constitutes 50% while the upper class constitutes the remaining 20%. One important observation in the Nigerian case is that it transcends the dogged occupational definition of the middle class in the developed economies of USA, Britain, Germany, China and emerging economies like India (professionals and administrations, Clergy and clericals). Economic consumption groups that fall within the economic stratification of the middle class in Nigeria include those with little or no education. These findings were precipitated by the leap from the lower class with basic primary education to the lower-upper class as a result of their acquisition of political power which was identified in literature as having a direct bearing on income. The minimum qualification for political office holders is primary six and the income gap between the politicians and those traditionally identified as the middle class is enormous; thus leading to a situation of the traditional middle class falling within core poor or the lower class while those within the former core poor or lower class had a leap to the lower upper class, in some cases, to the upper-upper class. This resulted in virtual convergence of the lower and middle classes to the upper class of about 7% (using income) and 1.7% (using expenditure).

The middle class is linked to the rate of urbanization in Nigeria. The study revealed that most of the Nigerian middle class resides in the urban areas. However, there is no significant difference between those in the rural and urban areas. This is not strange because of the low level urbanization in Nigeria. This redefined the occupational status and definition of the middle class; and generated equal proportionality between middle class wage earners and middle class self-employed. The lower middle class wage earners constitute about 18.1%, while the self-employed constitute 20.9%. Also, the middle class wage earners constitute 23.9% of the upper middle class, while 19.0% are the self-employed. It is also evident that 20.3% of the lower middle class resides in the urban areas, while 20.2% are found in the rural areas. The only major significant difference is the upper middle class that accounts for 22.4% as against 14.5% of the rural upper middle class.

The possible reasons for the stagnation of the middle class between 1996 and 2004, which remained at 30%, were identified as: high unemployment rate, growth paradox of poverty and poverty incidence, low wage rate and inflation. Based on these, the study provided critical analysis that would inform and guide policy options for improving prospects of the class in Nigeria. Moreover, the changing structure of the middle class provides an expenditure pattern that will redefine the inflation structure from one driven by food to that propelled by non-food items. And non-food items provide more stable prices that can be predicted by policy makers. The study suggests the following policy options for sustaining and improving the middle class in Nigeria:

- Expanding access to higher education
- Boosting home-ownership and savings
- Bridging the gap between wages and the cost of living
- Reducing unemployment
- Provision of credit facilities
• Pension Scheme reforms and tax laws

In the final analysis, the study hopes to provide important features that could be used to characterize the middle class in Nigeria as a starting point for policy-guidelines. It also provides the important lesson that the study of the Nigerian middle class has great potentials for contributing to the understanding of the dynamics of Nigeria’s socio-economic profile.
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ANNEX 1
DATA QUALITY ASSESSMENT

This section seeks to qualify the analysis on the grounds of data quality assessment. This is a scientific imperative in every research work, to ensure transparency and verifiability of scientific procedures and techniques. Since the analysis is done using NBS data as contained in poverty, welfare and consumption expenditure surveys over the years, the data quality assessment focuses on the representativeness, accuracy and reliability of existing data.

Predicting the middle class accurately and tracking its behavioural pattern requires robust, accurate and consistent data. The survey methodology also needs to be aligned to the purpose of generating the middle class in the society. In the course of analyzing the NBS data, some difficulties were encountered. These are highlighted below to guide future surveys and data collection by the NBS.

- The 2004 NLSS survey on per capita expenditure on food and non-food by sector allocated more samples to the rural areas than the urban areas; thus generating huge deviation in their expenditure pattern (see NBS Poverty Profile, 2005:62).
- The retired middle class was lumped together with the non-active and unemployed leaving no room to trace proportion accountable to the middle class.
- The surveys did not separate the private sector from the public sector middle class occupational status.
- There is high inconsistency in the per capita food expenditure pattern between the lower, middle and upper classes. While the lower and middle classes follow the a priori behaviour of spending less of food as poverty improves, the upper class spent more on food as poverty improves.
- The 1996 NCS survey defined poverty in terms of absolute poverty while the NLSS defined it in terms of relative poverty; that is, the NLSS defined poverty to include minimum expenditure for 2900 calories per day.
- The 2004 NLSS was more comprehensive than the 1996 NCS, thereby making most of the analysis point data than trend.
- There are two sources of minimum wage data used for analysis (NBS and NWSC). The minimum wage data from the NBS were the approved and implemented wage rates, while those of the NWSC include approved wage rates that were not implemented; that is, the period between 1999 and 2003.