

Transitions in socioeconomic status of households in Egypt (1998-2006)

Evidence from Panel Survey Data

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Abstract:

The current study aims to assess the changes in the socioeconomic status of households in Egypt between 1998 and 2006. The study benefits from the availability of the panel data structure that extends over a period of 8 years to underlie changes in the household socioeconomic status. The data used in this study is the Egypt Labor Market Surveys data (1998 and panel data 2006). Principal Component Analysis (PCA) was used to construct three sub-indices that represent the three dimension of the socioeconomic status of households namely; the head of household, social and economic sub-index. In addition, the PCA was used to construct the composite socioeconomic status index (SES). Two validation tests were used to confirm the validity of the three sub-indices and the SES index as well. These tests are the internal coherence test and the comparison with the estimated expenditure data. In addition, the two tests were used to select the most appropriate way for constructing a composite index. The results of the study indicate that using PCA in extracting the first PC of the three sub-indices is the most appropriate method to extract the composite index. Additionally, the results show that household head characteristics are not strong motive to change the status of households to higher quintiles, while the social characteristics sub-index has the greatest effect on changing the status of households between 1998 and 2006. The socioeconomic status of households changed over the period 1998-2006, however, the transition is directed to the lower socioeconomic statuses more than the higher socioeconomic statuses. Also, there is a little bit marked stability regarding households at the poorest quintile, while marked transitions were observed regarding the households in the richest quintiles.

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