

# DISCUSSIONS

# MONGOLIAN MIDDLE CLASS DURING COVID-19 PANDEMIC

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## ABSTRACT

The authors examine Mongolian middle class's situation during COVID19 pandemic. According to them, middle class is a class of people in the middle of a social hierarchy. Its usage has often been vague whether defined in terms of occupation, income, education or social status. The definition by any author is often chosen for political connotations. The paper is based on surveys done by the Social Research Institute, NUM, between 2019 and 2022 and statistical data analysis of the National Statistical Office of Mongolia. According to the parameters defined for this analysis, the middle class in Mongolia constituted 49.2 % of the population in 2012. The middle class is largest in soum centers at 54.5% of the population and lowest % in the countryside at 42.0%. The surveys found, according to the authors that the COVID-19 pandemic caused problems for most enterprises, such as declining sales and revenue, rising commodity prices, declining demand for goods/ services, declining supply due to transportation and logistics failures, and increased infection control costs.

**Keywords:** middle class, social stratification, COVID19 pandemic, small and medium enterprises, social hierarchy

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Covid 19 significant impacts on the global economy. An example of this is the evaporation of the middle class around the world (KOCHHAR, 2021). The decline of the middle class in society is the root cause of many serious problems. For example, civil society is slowing down, poverty is increasing, citizen participation is declining, corruption is on the rise, social movements are on the rise, social instability is on the rise, and development as a whole is being hampered.

While Mongolia had taken early and decisive measures to prevent the inflow and outbreak of COVID-19, household-level shocks caused by COVID-19 can be long-lasting and disproportionately hit the poor and vulnerable the hardest, creating an urgent need for timely data collection to help monitor and mitigate the socio-economic impacts of the shock.

In a democratic society, it is the middle class that scrutinizes the elected authorities and demands accountability. The larger the middle class, the more accessible are social services such as education and health, and the less corruption and bribery of government officials is prevalent. In a country where the middle class is under siege and the income gap is too big, the society becomes more divided and conflicts escalate.

In recent decades, industrialization shifted from the developed countries to the developing ones, and the economy of these regions grew steadily due to the rapid growth of the Chinese economy. As a country’s economy grows, the middle class, which is the main consumer, thrives and as the market increases and diversifies, new jobs emerge. Thus, the increased investment and savings formation allow the middle class to drive economic growth. (Jargalsaikhan, 2020)

Although economists have emphasized the role and involvement of the middle class in social development, there is no consensus so far as to who exactly comprises the middle class. For example, the Brookings Institution claims that the middle class earns between \$11-110 per day, as of 2016, 3.2 billion people worldwide join this group, increasing by 140 million people each year.

Another widely accepted definition of the middle class is those whose household income is able to pay for food, clothing, housing, and education while there remains a rest amount for savings. A citizen from a highly developed country with an income below average is wealthier than a citizen from a developing country with an average income. However, the subsistence level and poverty line which is \$1.90 per capita, are accounted as well. While some researchers suggest that the middle class in developing countries earn \$2-13 a day, others claim \$2-10, and

yet another contends \$10-100.

We agree that the following research has been conducted in Mongolia (Enkhtsetseg B, Amartuvshin Ts, Gansukh D., 2015). Recent trends in the middle class show a relatively good increase in numbers. However, since the study, the social structure of Mongolia has changed and the socio-economic status of households has changed significantly as a result of the covid 19 social phenomena that began in late 2019 and erupted in 2020.

The absolute approach based on the average monthly consumption distribution shows that the middle class constitute 49.2% of the population in Mongolia.

- The majority (46.3%) of middle class households live in the capital, followed by aimag centers (21.3%) and the countryside (19%). Only 13.5% of middle class households are located in soum centers.
- Middle class households tend to have no children or fewer children and tend to have completed secondary education or higher and work more in the public or private sector.
- Regarding the welfare profile, salary constitutes the largest income for the middle class.

Public transfers such as pensions and other allowances are the second highest source of income for all regions. Livestock business income is the core income source in the countryside. (Enkhtsetseg B, Amartuvshin Ts, Gansukh D., 2015)

DISTRIBUTION OF HOUSEHOLDS, BY ANALYTICAL REGION

Welfare group	Ulaanbaatar	Aimag center	Soum center	Countryside	Total
Below middle class (%)	25.2	39.2	34.3	51.0	35.0
Middle (class (%))	51.7	48.6	54.5	42.0	49.2
Above middle class (%)	23.2	12.2	11.2	7.0	15.8
	100.0	100.0	100.0	100.0	100.0
Number of households	325 553	159 601	89 748	164 156	739 058
Household share (%)	44.0	21.6	12.1	22.2	100.0

According to the parameters defined for this analysis, the middle class in Mongolia constituted 49.2 % of the population in 2012. The middle class is largest in soum centers at 54.5% of the population and lowest in the countryside at 42.0%. However, soum centers are home to only 12.1% of households of which 11.2% are above middle class and 34.3% are below middle class. Moreover, the countryside has 22.2% of total households, of which only 7% are above middle class and more than half of which are below middle class. Ulaanbaatar, the

capital, has 44 % of households and almost half of those households belong to the middle class, with the remainder evenly split above and below middle class.

Brief Literature Review

Researches:

- Although relatively deficient research has been done on the Mongolian middle class in last three decades, the following few studies have been conducted on this topics. These include:
- “MONGOLIA’S SOCIAL STRUCTURE, STATUS AND TRENDS” commissioned by the Ministry of Foreign Affairs of Mongolia in 1992-1998 / sample 3000 people/
  - “INTERNAL DIFFERENCES OF MONGOLIA’S SOCIETY” 1998-2000 / sample 1500 people / by the order of the Ministry of Enlightenment of Mongolia
  - STFM. CHALLENGES OF SOCIAL, POLITICAL AND ECONOMIC REFORM. Baseline research project. 2002-2006
  - NUM, DEPARTMENT OF SOCIOLOGY AND SOCIAL WORK. CHANGES IN MONGOLIA’S SOCIAL RELATIONS. Practical research 2010-2012
  - NUM, NSUS (formerly) Departments. CHANGES AND ATTITUDES OF MONGOLIA’S SOCIAL RELATIONS IN THE XXI CENTURY. Internal project of basic research. 2013- 2016

Journal articles:

Also, there were several foreign and national authors who analyzed social classes and social mobility in Mongolia. There are:

Ines Stolpe (Stolpe, 2016), a Mongolian study scholar, in his paper “Social versus Spatial Mobility? Mongolia’s Pastoralists in the Educational Development Discourse,” claimed, “When it comes to education for mobile pastoralists, Mongolia is an exceptional case.” The author comparing socialist and post-socialist pastoralism, came to the conclusion that during socialist time ‘..herders were not constructed as social outcasts” and policy-makers aimed to combine spatial with social mobility by building schools further and further out in the grasslands, employing locals as teachers, and fostering interplay between modern formal education and extensive animal husbandry. However, according to the author, after 1990, when development discourse post-socialist Mongolia as a Third World country, the so-called

shock therapy led to severe cuts in education. Herders were essentialized as ‘nomads,’ which caused donor-driven policies of educational planning to construe pastoralists as challenges. Ironically, during the initial decade of *Education for All*, the younger generation had—for the first time in Mongolia’s history— fewer educational opportunities than their parents.

The researcher Christopher M. Finch (M. Finch, 2002), in his journal article “Mongolia in 2001: Political Consolidation and Continued Economic Reform,” considered social mobility in light of the concept that “Mongolians should “stop being nomads”. The author cited Mr. N. Enkhbayar who was prime minister of Mongolia during 2000s, who had long-term vision to urbanize 90% of Mongolia. According to that vision, it supposed to move people in regional cities, privatizing pastureland, which would reduce the mobility that herders need to adapt to the vagaries of the Mongolian climate.

Mr Fox, in his fieldwork, in example of Mongolian cashmere factory’s female workers, analyzed social mobility and concluded that “moving into the capital city for university was an overwhelmingly common experience among the young women” and if they had not moved for their own education, then their families had often moved for the education of their older siblings (Fox, 2015).

The anthropologist David Sneath studied and published a number of papers on pastoralism and land use in Mongolian society. The author paid attention to modern pastoralism in the country and how it influences social, economic, political system. In one of his papers named “Lost in the Post: Technologies of the Imagination, and the Soviet Legacy in Post-Socialist Mongolia”, D.Sneath describes Mongolia as “post-colonial nation” and “junior status of Mongolia has been replaced “with the implicitinfantilisation of western-led Developmentalism”. According to him, social stratification, mobility defends where people live :urban or rural area (D.Sneath, 2003).

Some Mongolian philosophers such as Dr. B. Dash-Yondon and Dr. G.Chuluunbat (G.Chuluunbaatar, 2013) suggest studying social class and strata, on the one hand, how traditional classes formed and change, and how new social groups form on the other hand. They consider Mongolian social structure as 1) Herders, 2) Working class, 3) Private sector employee 4) intellectuals, 5) Businessmen, 6) Managerial people. According to them, social stratification of Mongolia consists upper class, middle class and lower class. Social mobility occurs, they claim, defending on income inequality between social classes.

Mongolian sociologist Ts. Tsetsenbileg, in her book “Changes of rural lifestyle of

Mongolia” (Tsetsenbileg, 2018), analyzed rural lifestyle of Mongolians and learned rural employment, social mobility, inequality, culture and communication and rural household tradition and reforms.

In accordance with the authors, internal migration from rural areas to big cities is conditioned by unemployment, poor educational options, underdeveloped infrastructure, and climate change /dzud, gan, etc. While moving to urban area, people meet huge problems such as unemployment, housing, lack of adjustment skills which bring them to lower social status. The common denominator of these studies was to determine the current ratio of the middle class, but the quality level has not been studied.

However, according to a long-term sample survey conducted by O. Munkhbat, others and the Department of Sociology of the National University of Mongolia, the state of classify ourselves as middle class of the general population is as follows:

	1992	1994	1996	1998	2011	2012	2013	2014	2021
Upper	4,7	1,11	2,14	-	3.4	3.5	1.9	1.8	2.2
Upper Middle	-	11,19	11,82	10,5	12.1	12.4	13.4	11.5	10.4
Middle	40,6	49,9	60,83	66,0	64.8	66.5	61.9	69.1	59.7
lower Middle	-	14,9	15,95	12,25	13.4	13.8	9.1	12.1	20.8
Lower	49,9	5,25	2,41	6,26	3.7	3.8	3.3	4.4	6.8

This shows that Mongolia, like other post-communist countries, has been slowly but steadily improving its living standards during the difficult social and economic transition period during the last decades. Харин After a significant increase in foreign investment due to rising mining investment and increasing world market prices in 2012-2014, the economy improved dramatically, and the middle class expanded. However, after the COVID-19 pandemic and quarantine situation, the middle-class group is projected to decrease by 10 points in 2020 and 2021.

These results have verified the reliability on the basis of their adequacy and asked double-checked questions. According to a 2021 national survey, the answer is as follows.

Adequacy of household income

		count	Percent
1	Not enough for basic daily needs / food, etc.	223	11.9
2	We barely meet our basic daily needs	608	32.5
3	It is enough for daily needs and immediate needs	689	36.8
4	In addition to these, you get valuable things	145	7.7
5	<u>You can save more than you need</u>	<u>207</u>	<u>11.1</u>
	Total	1894	100

From the above, 32.5 percent of the respondents estimated that their household income is barely enough to meet their basic daily needs. 36.8 percent said they had enough for daily needs and immediate needs. This is similar to the middle class, indicating a decline in people’s incomes. However, the middle class is a social group with a special role in society. It can be considered as a vital role of social development and democratic transition in our country. To summarize the role of the middle class in a few words:

- The individuals who belong to the middle class may hold the key to a country’s prosperity, strengthening prospects for economic growth and poverty reduction.
- The basic income, skills, and values that characterize the middle class may enable them to improve not only their own standards of living, but also that of others .
- In effect, the focus of the middle class, as opposed to the poor, is a valuable base that contributes significantly to the economic, social and political life of a country.
- The middle class could also be defined as having peaceful, contented lives free from worry about meeting basic needs. Having a family and children, being wise, striving to live well, having specific goals, and being hard-working are also seen as primary characteristics of the middle class. (Andrianjaka, 2017)
- In Mongolia, the percentage of the population living in poverty has remained around 30 percent over the last decade.
- Inequality, as measured by the Gini Index, showed that the gap between the rich and poor has widened, with a coefficient of 0.33 in 2017. The richest 20% of the population consumes 5 times the amount consumed by the poorest 20% of the population.

We see the realization of the social role of the middle class and the strengthening of mutual trust in business and other social sectors as the key to solving many of the problems facing Mongolian society today. The role of the middle class in society can be summarized in many ways. In general, the socio-economic and political spheres have the following roles. These include:

*For society:*

- A major driving force, able to promote social sustainability
- An exemplar of family, including family stability
- Able to afford children's education
- Actively involved in charitable activities
- Driving society in all aspects; if society were imagined as a car, they would be the engine

*For economics:*

- As forming the work space and labor force;
- Largely contributing to tax income;
- Largely involved in bank loans to support banking;
- Able to make investments and to create workspaces;
- Make earnings or profit through purchases in any sector;
- Private business people pay significant amounts of tax, largely involved in loan acquisitions.

*For politics:*

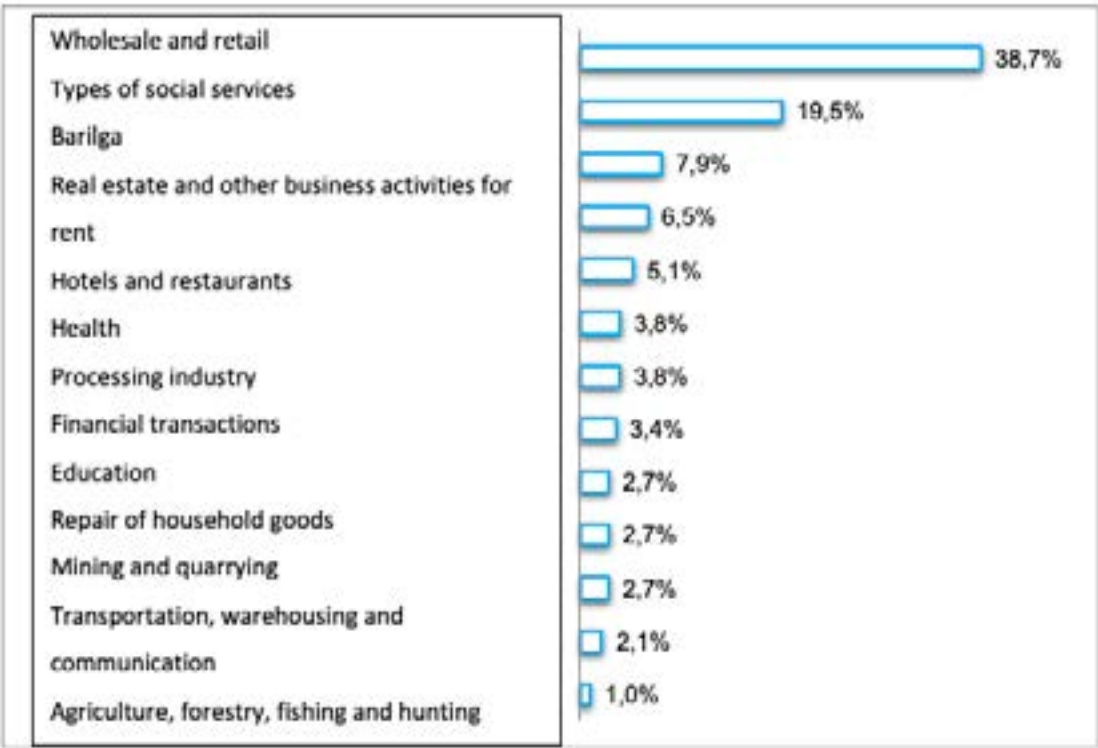
- Actively involved in elections and political activities with their own agenda
- Capable of electing candidates who cater to their interests
- Constituting the majority of the mass of voters
- Capable of having their voice heard; citizens are easily fed up with parties and politicians in election campaigns, etc... However, the middle class is actively involved in elections and in the realization of their duties and responsibilities
- Involved in bagh-level and public meetings, however, this is less true for employed people with hectic schedules

In addition to these roles, the middle class in today's Mongolia plays a particularly important role in the development sector. Given the general nature of the Mongolian middle class, a significant proportion of the middle class is made up of households and individuals working in the public sector / inherited from a previous society/ and in the private sector small and medium businesses. Our current study focuses on small and medium-sized businesses operating in the private sector. They are a group at particular economic risk in the current COVID-19 situation.

After the democratic revolution in Mongolia in the 1990s, the entire social structure changed dramatically and became a social tectonic movement. As a result, the economic tradition, which is unattached from common development standards, has been preserved for a while, the transition has been significant, and its labeling is still ongoing. For example, in the early years of the transition from a centrally planned economy to a market economy, a large social class, the stilt traders, emerged, and the first savings were made by entrepreneurs who laid the groundwork for a radical change in the trade and services sector. Therefore, small and medium enterprises and service providers are still an important component of social stability in the formation of the Mongolian middle class, and they remain the core of today's middle class in Mongolian society. However, in the steadily developed societies of the West, small traders are below the middle middle class.

Another feature, as identified by the late Gundsambuu, a researcher of social stratification (Gundsambuu, 2021): "Today, In Mongolia during the transition years, Oaken's law, which shows the relationship between unemployment and gross domestic product, and the resulting Phillips curve, are distorted This may be the case. In addition, the two-sector theory of development economic theorist A. Lewis is presented in a twisted way. To take a simple example, in 1989, 135.4 thousand herders from 68.9 thousand households provided the population with livestock products, light food industry with raw materials, and exports with certain resources. Today, 421.4 thousand herders from 268.7 thousand households work in animal husbandry (COMMITTEE, 2001). In other words, is it a coincidence that during the transition years, livestock privatization is accompanied by a shift from the first agricultural sector to the second or third service sector, rather than from the second to the third? or a distortion of Lewis's theory? " (Gundsambuu, Mongolian social Stratification: Trend and Development. Second Edition., 2021)

Today, private sector small and medium-sized businesses in terms of economic activity (Munkhbat, 2021):



If we look at the majority of general indicators of business organizations, 56.3 percent have worked for 2-10 years and 71.9 percent have 1-9 employees. When asked, “How many people do you think support one employee in your family?”, 64.6 percent of respondents said 4-6 people. In other words, an employee of a business supports the livelihood of an average of 4-6 people in their family (Munkhbat, 2021)

Mongolia has a free market economy, but is one of the most government influential at economy countries. For example, according to the Heritage Foundation’s Index of Economic Freedom, Mongolia is ranked as a “moderately free” country with a score of 62.4 out of 100 (Heritage foundation, 2021).

Government involvement plays an important role in ensuring economic freedom, and according to the index, Mongolia scored 35.6 out of 100 on the “Government Involvement” criterion, which is very poor.

Middle Class Participation in Development Sectors

The important driving force of the country’s development is the middle class, and on the other hand, the important suppliers of services and manufacturing are the middle class’s small and medium enterprises. According to the study, the use of the middle class is as follows.

ULAANBAATAR			
Sectors	Owners	Major	Consumption/circumstance
Construction /apartment/ housing	International investors, rich people	Middle	The buyers of the majority of newly built apartments/housing projects are middle class. Fail to afford to purchase with liquid assets, but obtain loans or rent for a while to repay their loan
Service /restaurant/	Foreigners Rich	Middle	Largely served, often by chain restaurants and middle class restaurants
Trade /Larger super market	Middle Rich	Middle	Majority of customers are middle class
Trade /Mobile Banking	Rich	Middle	Majority of pre-paid service are consumed by middle class
/ Loan	Middle International investors, rich	Middle	Majority are indebted, often repay with salary or private earnings

The Mongolian government has taken a number of steps, similar to those in many parts of the world, to reduce the economic impact of covid-19.

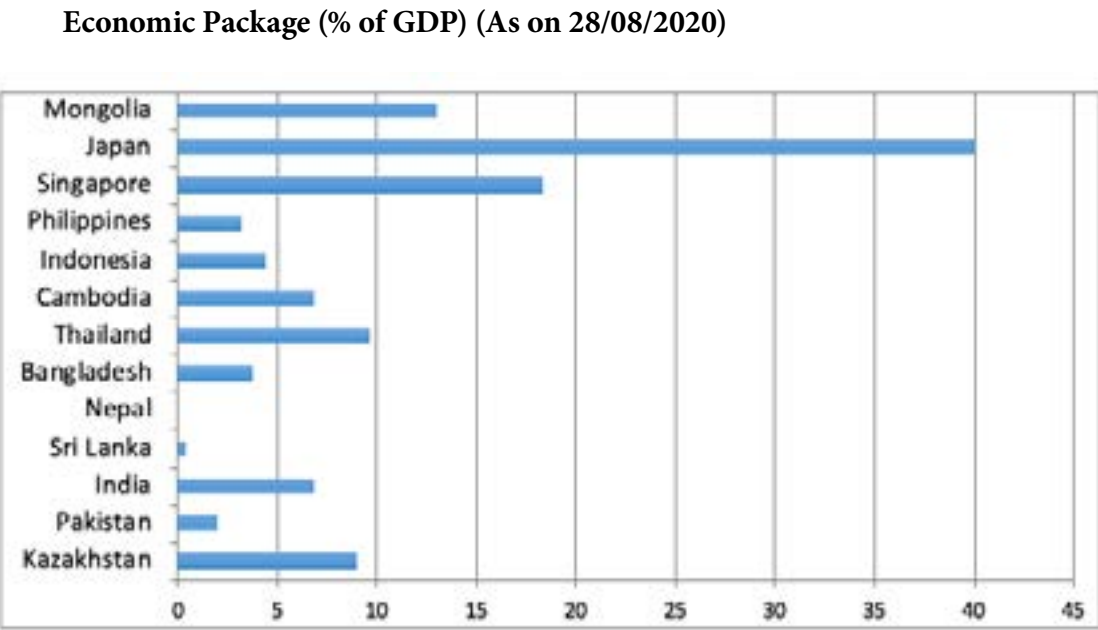
Government Actions to Reduce KOVID-19 Impacts

The Government of Mongolia has taken a number of measures /course of action/ to prevent and combat the KOVID-19 pandemic and reduce its negative social and economic impacts.

- 10 trillion comprehensive plan to revive the economy
- Children allowance/benefit
- Infant/ child care allowance
- Elderly allowance
- Exemption policy from electricity and consumption costs



However, compared to other countries in the region, the amount of money spent on this policy differed from country to country in terms of GDP, and in 2020 it was highest in Japan and Singapore, while in Mongolia it was about 13 percent.



Fighting Inequality in the Time of COVID 19, Oct. 2020. <https://oxfamlibrary.openrepository.com/handle/10546/621061>

Fiscal, monetary, trade related and support to SMEs: food and cash doles, tax exemptions and subsidies, insurance cover to health workers aiming at social protection, job creation and economic revival. At the same time, international organizations around the world have taken parallel action and implemented many relief programs at the same time. For example, some organizations, including the World Bank, have implemented programs and activities (<https://www.worldbank.org/mn>, 2021):

- In the health sector, Mongolia was included in the WBG’s first batch of COVID-19 health emergency support operations. The Mongolia COVID-19 Emergency Response and Health System Preparedness project, with a total financing of US\$26.9 million, helped the country meet emergency needs in the face of the pandemic and better prepare for health crises.

- In addition, US\$2.2 million had been mobilized under the ongoing E-Health project to purchase the most needed medical diagnostic equipment.
- Under the Strengthening Governance in Mongolia Project, funded by the European Union, US\$750,000 (€ 680,000) had been reprioritized to enable the government to take more targeted just-in-time measures to mitigate the effects of COVID-19, such as assessing the potential economic impact of the pandemic, planning and monitoring of fiscal resources, and better tracking the allocation and expenditure on response measures.
- Resources under the Employment Support Project have also been reprioritized to support the government’s economic stimulus package in response to COVID-19. This includes US\$15 million towards providing social insurance contributions relief for an estimated 120,000 individuals enrolled in the voluntary scheme—including the self-employed, micro-entrepreneurs, and those informally employed—for a period of five months. The microloan program with US\$2.6 million financing under the project also provided temporary interest rate relief for borrowers during the time of crisis.
- Mongolia Emergency Relief and Employment Support Project, financed with US\$20 million IDA credit, provided temporary relief to eligible workers and employers in response to the COVID-19 crisis and help provide the country’s jobseekers and micro-entrepreneurs with improved access to labor market opportunities. In particular, US\$10 million from the project will be transferred to the Social Insurance Fund to partially compensate the contribution relief for eligible employers and their workers under the mandatory SI scheme.
- To minimize the secondary impacts of COVID-19 on children’s health and nutrition, US\$5 million has been mobilized under the Education Quality Reform Project. The funding will top up payments to the government’s Child Money Program benefitting approximately 1.19 million children. The transfer will use the existing government system of social assistance for children thus reaching households quickly, with minimal administrative costs.
- The World Bank provided US\$1 million grant from the Pandemic Emergency Financing Facility to strengthen Mongolia’s capacity to respond to the COVID-19. The funding help purchase essential medical and personal protective equipment to



- public officers at high-risk screening points and health care providers in selected areas.
- Under the Export Development Project, US\$1.5 million was reprioritized to support the Government’s COVID-19 relief measures which provide temporary unemployment insurance contribution relief for the eligible employers and their workers under the mandatory social insurance scheme. The project indirectly support the non-mining sector SMEs that had protected their jobs despite facing a significant drop in sales (50% or more decline in sales) due to the impact of COVID-19 and as such, help them to stay in business. It is expected that it benefit at least 300 non-mining SMEs with 7,000 insured employees.
  - Under the Smart Government Project, approximately US\$0.5 million was allocated to strengthen the Government ICT capabilities to respond to COVID-19 crisis. This funding was used for acquiring videoconferencing licenses, tracking system for emergency service vehicles, wireless internet access stations, and cybersecurity strengthening to secure systems protecting public services from cyberattacks.
  - An additional financing of US\$50.7 million for the Mongolia COVID-19 Emergency Response and Health System Preparedness Project was provided affordable and equitable access to COVID-19 vaccines and to further strengthen preparedness and response activities under the parent project. It would cover the cost of purchasing and deploying the COVID-19 vaccines (cold chain upgrade, logistics, training of staff, public information, monitoring, etc.) for 60% of Mongolia’s total population.

**Impact of Covid-19 Pandemic on Mongolian Middle Class**

The measures taken by the Mongolian government and authorities in connection with Sovid-19, especially the strict embargo imposed on Mongolia, had many negative consequences. For example, economic relations have come to a complete standstill, foreign debt has risen sharply, small and medium enterprises have been shut down, welfare has been expanded, employment has been significantly reduced, a generation-long education backlog has been created, and the today’s authorities have retreated from democracy (WB, 2021). (Mongolia was the strictest country in the world, with a curfew /harsh regime/ of almost 100 percent.)

There are historical conditions and features that led to the formation of the Mongolian

middle class. The situation in KOVID 19 undermines not only the role of the middle class in today’s society, but also its vital role in future development.

Recently, the prices of consumer goods have increased and have put substantial financial pressure on the population. Although salary, pension and other allowances, which constitute the majority of earnings for the middle class, have increased over time, inflation has also increased concurrently.

There are many priority issues regarding access to loans, and loan conditions. High loan interests, short terms of repayment, and limits on amounts of collateral for loan repayments lead many middle-class individuals, particularly those in private business, into a debt trap. The middle class is the primary users of the banking system through the acquisition of different types of loans such as pension loans, salary loans, long-term housing loans, etc... Although the middle class tend to have regular income, they are also the ones who live from one paycheck to the next in Mongolia. Government bureaucracy, corruption, bribes, and discrimination among government employees (e.g., hiring acquaintances or party belongingness to work, or enrolling them in a “good job”). *Public and basic services*. For example, despite the fact that schools and kindergartens are seen as poor quality, rates are very high and much cost is incurred by the middle class.

Due to Research conducted by O.Munkhbat and others in 2020 “BUSINESS ORGANIZATIONS AND BUSINESSMEN: LEGAL ENVIRONMENT, IMPLEMENTATION OF LEGISLATION AND CHALLENGES” Social research by Social research Institute of NUM. 2021. Covid-19 impacts on majority of middle class businesses:

- 70.3 percent decrease in revenue due to decreased sales
- Commodity prices increased by 68.8 percent
- Demand for goods / services decreased by 64.1 percent
- Supply decreased by 63.9 percent due to transportation and logistics failures
- Infection control costs increased by 51.8 percent
- 59-74 percent of businessmen fired, laid off and reduced their employees’ salaries to some extent

However, 25.8 percent of businesses believe that the Kovid-19 epidemic was “influenced” by the reduction of wages, 33.0 percent by layoffs, and 41.4 percent by layoffs.

COVID-19 Impacts on businesses					
	Impacts	high	midium	low	No effects
1	Demand for goods/services has declined	64.10%	23.70%	4.90%	7.30%
2	Supply declined due to transportation and logistics failures	63.90%	19.50%	6.10%	10.50%
3	Revenues declined due to declining sales	70.30%	15.90%	6.90%	6.90%
4	We had to lay off workers	34.10%	18.90%	14.10%	33.00%
5	Workers' wages fell	39.70%	21.00%	13.50%	25.80%
6	The cost of protection against infection has increased	51.80%	22.70%	9.00%	16.50%
7	There were difficulties in repaying the bank loan	60.00%	16.10%	8.80%	15.10%
8	Rental payments have increased	37.20%	21.60%	11.50%	29.70%
9	Commodity prices have risen	68.80%	13.50%	5.90%	11.80%
10	I had to fire my workers	26.00%	20.60%	12.20%	41.20%

The study also found that the unstable legal environment is a problem for small and medium-sized businesses.

25-28 percent of respondents believe that laws, regulations, and official decisions are sustainable. However, 75-72 percent say that these legal documents change to a certain extent (high, medium, low), which indicates that their legal acts are not stable. 75-78 percent of the local businesses surveyed said that regulations and decisions of officials change. This suggests that local regulations and official decisions are more unstable.

CONCLUSION

- The middle class is the basis of social stability in Mongolia. The impact of the epidemic on the global economy is particularly severe, especially for small and medium-sized businesses, according to international research. According to our research, the middle class in Mongolia has shrunk by about 10 points due to this Covid 19 pandemic situation and it's negative consequences.
- The survey found that the KOVID-19 pandemic caused problems for most enterprises, such as declining sales and revenue, rising commodity prices, declining demand

- for goods/ services, declining supply due to transportation and logistics failures, and increased infection control costs.
- When the problems encountered by the middle class were ranked, the issues related to employment were viewed as most important. Having a stable job, job security, and higher salary was ranked as important for those who work in state and public sectors while higher rental cost, safety of work, and higher rates of loans were as important for those who work in the private sector. “Certain obstacles are encountered to run private business including fewer discounts on loan and tax, work safety, those indebted to banks has higher risk if business goes bankrupt ”
  - Repeated, long-term curfews and changes in working hours have disrupted normal business operations. There are problems such as a decrease in the supply of goods, a certain increase in the price of goods with closed borders, and a decrease in the purchasing power of customers.
  - Measures taken to support SMEs within the framework of the 10 trillion comprehensive plan to protect health and revive the economy are “ineffective” for 70-83 percent of all surveyed businesses.
  - Many survey participants pointed out the current political situation; when a new government was elected many middle class employees lost their job. Job security is therefore very important for the middle class as many of the middle class work or worked in this sector. Middle class is mostly employed in civil service; however, due to election circumstance many have been unemployed upon the election”. Employment is significantly dependent upon the political membership which shall be ceased in Mongolia.
  - The middle class are the largest consumers of the real-estate market. However, participants noted that the bank rate for loans is high, collateral is required and there is much bureaucracy.
  - Eliminate instability and frequent changes in regulations and decisions /especially in local level/. Pay attention to the stability of legal acts. Vaguely worded provisions have potential to violate various freedoms and human rights.
  - There are many private business people who belong to middle class. According to them, it would be preferable if the tax system were more flexible to allow at least some initial exemptions.

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