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Decoding the social dynamics of Bangladesh's rising middle-class



The expansion of the middle-class is often regarded as a sign of development in a country, resulting in economic prosperity as well as a potential for more social security.

VISUAL:
REHNUMA PROSHOON

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However, despite having incomes above the poverty line, some middle-class segments are quite vulnerable. Many of them work in the informal sector, their education and skill levels do not permit them to move up to better occupations, and social protection systems fail to reach these vulnerable groups. Their susceptibility to economic shocks is striking. This vulnerability is especially worrying, since if they have vulnerable incomes and unstable employment, their consumption levels may not support sustainable

development and stable social progress.

Usually, the middle-class possesses rising expectations, which follow Hirschman's "tunnel effect". The tunnel effect highlights initial tolerance of increased inequality resulting from uneven economic growth processes on the part of relatively disadvantaged members of society, who, expecting to catch up and benefit in the near future, draw satisfaction from the improved income situation of others. If the moment of catching up does not arrive, initial tolerance may switch, giving way to feelings of falling behind, resulting in

social upheaval.

The government's role is to put policies in place to fight the vulnerabilities of the middle-class and benefit from middle-class support. These policies should promote upward social mobility such as quality education, and provide safety nets that protect the vulnerable segments when facing life risks. If high quality of publicly provided services can be ensured, a constituency for comprehensive contribution-based social protection system can be built with support from the middle-class. However, if publicly-provided services are of low quality, the middle-class

will perceive themselves as losers in the fiscal bargain and may not be willing to finance the public system.

INCLUSIVE DEVELOPMENT AND MIDDLE CLASS

While the middle-class is highly heterogeneous, its improved economic status could translate into greater ability for the middle-class to engage in public life, exercise their voice, and influence decision-making. However, the key issue is whether this middle-class, if truly empowered, will push for a policy agenda that is well-aligned with the interests of the poor and the vulnerable,

disadvantaged and socially excluded communities in Bangladesh.

A larger middle-class is more likely to be associated with more robust democratic institutions, control of corruption, as well as higher public expenditure on education and health. In Bangladesh, the middle-class is promoting increased aggregate demand for higher quality domestic products, in particular processed and diversified food products, thus progressively transforming the economy from a global manufacturing centre (e.g., readymade garments) to a "consumption powerhouse".

A look at the characteristics of the middle-class by measures such as number of children, level of education and incidence of informal employment shows that the middle-class is considerably closer to the poor and near-poor households than to affluent ones in Bangladesh.

This resemblance between middle-class and low-income groups could result in support from the former for a range of policies that would also benefit poorer segments of society. Investments in primary and secondary education, universal health coverage and the extension of social protection to the poor and informal workers are all policy areas where the interests of both the middle-class and those belonging to the bottom of the income distribution seem to converge. The question of social protection extension is particularly important, as low level of coverage in Bangladesh threatens large segments of the middle-class to fall back into poverty due to recurrent economic and social volatility.

There are, however, differences between the middle-class and poorer groups in

several areas. In particular, participation of the poor households in agriculture is significantly higher than among the middle-class households. Related to this, the difference in urbanisation rates is also high: middle-class individuals are more urban than poorer households. These differences suggest that a number of pro-poor policies, such as investments in rural infrastructure and agriculture and support for small-scale farmers and local food systems, may not get strong support from the middle-class and affluent households. Thus, although a positive association between the growth of the middle-class and a series of positive institutional outcomes is often expected, it is not enough to address rising inequalities to address the specific needs of poorer communities.

People also cite evidence for representatives of the middle-class who are more likely to guard their relative privileges against the incursions of poorer classes than champion alternatives that would help to reduce poverty. The middle-class is often branded as being more concerned with retaining its privileges and remaining loyal to the government that made its social advancement possible than in greater social justice and equality. In fact, the middle-class often helps a regime to maintain the status quo.

Despite these structural limitations of the middle-class, the rising expectations of the expanding middle-class in Bangladesh signal its awakening. The key question is: will this middle-class be the country's agent of change for inclusive development?

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