

**Policy Paper Series**

# **BEYOND THE POVERTY LINE: FIVE CORE MESSAGES ON VULNERABILITY, INEQUALITY, AND SOCIAL RESILIENCE IN BANGLADESH**

Selim Raihan



**Policy Paper Series**

# **Beyond the Poverty Line: Five Core Messages on Vulnerability, Inequality, and Social Resilience in Bangladesh**

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## Abstract

Bangladesh has made substantial progress in reducing poverty over the past few decades, supported by sustained economic growth, expansion of the ready-made garments sector, remittances, rural transformation, women's economic participation, and improvements in human development. Yet this progress remains incomplete and increasingly fragile. This paper argues that Bangladesh's next poverty challenge is not only to reduce the poverty headcount further, but to address the wider problem of vulnerability among households living just above the poverty line. Many of these households lack savings, secure employment, insurance, and reliable social protection, making them highly exposed to illness, job loss, food inflation, climate disasters, and other shocks.

The paper develops five core messages. First, poverty has declined, but vulnerability remains a central development concern, particularly among the near-poor. Second, persistent poverty is closely linked to weak labour-market transformation, informal employment, low wages, and the limited expansion of productive non-farm and medium-sized enterprise sectors. Third, rising inequality is reducing the inclusiveness of poverty reduction and weakening the poverty-reducing effect of growth. Fourth, marginalised groups, including women-headed households, persons with disabilities, elderly people, children, ethnic minorities, urban slum residents, migrants, and climate-exposed communities, face overlapping disadvantages that generic poverty programmes often fail to address. Fifth, climate change, inflation, and repeated economic shocks are creating a new poverty landscape in which households face simultaneous pressures on income, consumption, health, assets, and livelihoods.

The paper calls for a shift from a narrow poverty-reduction framework to a broader resilience-building agenda. This requires shock-responsive social protection, decent employment creation, redistributive public investment, inclusive programme design, climate-resilient livelihoods, inflation-sensitive transfers, and stronger institutional capacity. Bangladesh's achievement remains significant, but the harder task ahead is to ensure that those who have escaped poverty can remain above the poverty line with dignity, security, and real prospects for upward mobility.

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## 1. Introduction and Background

Bangladesh's development experience over the past five decades presents a complex story of achievement, adaptation and unresolved vulnerability. At independence in 1971, the country faced extreme poverty, weak institutions, limited infrastructure, and repeated exposure to natural disasters. Since then, it has made substantial progress in income growth, poverty reduction, human development, women's economic participation and integration into global export markets. The ready-made garments sector, remittances, microfinance, public health gains, and rural transformation all contributed to this shift. Yet the progress was neither linear nor evenly shared. Behind the aggregate gains remained persistent inequality, informal employment, regional deprivation, weak social protection, and growing exposure to macroeconomic and climate shocks.

Bangladesh's poverty reduction record between 2000 and 2022 remains striking by any reasonable global benchmark. According to the Household Income and Expenditure Survey 2022 (BBS, 2024), the national poverty rate fell to 18.7 percent, down from 48.9 percent in 2000 and 24.3 percent in 2016. Extreme poverty declined even more sharply, reaching 5.6 percent in 2022 compared with 34.3 percent in 2000. Roughly 32 million Bangladeshis had been lifted out of poverty between 2000 and 2022. In 2015, the country moved into lower-middle-income status from low-income status as per the World Bank's categorization.

Yet success stories, not told with the associated concerns, can be misleading (Raihan, 2024a). Bangladesh's poverty reduction is real, but it is also incomplete. The central question today is no longer simply whether poverty declined over the long run. It did. The harder question is whether those who escaped poverty have become economically secure. For many households, the answer appears to be no.

The distinction between being non-poor and being secure is crucial. A household may sit just above the poverty line and still have no savings, no formal employment contract, no health insurance, no reliable access to social protection, and no meaningful buffer against price shocks, illness, job loss or flood damage. Such households are not poor in a statistical sense today, but they remain highly exposed. One shock can push them back below the poverty line.

This is where Bangladesh's development challenge becomes more complicated. According to World Bank estimates, around 62 million Bangladeshis remain vulnerable to poverty (World Bank, 2025). They have moved out of destitution, but their position is thin and uncertain. Many work in informal services, small farms, construction, transport, petty trade, or low-paid wage labour. Their livelihoods depend on daily earnings, seasonal demand, migration income, or unstable urban work. For them, development has brought movement, but not yet security.

The period between 2016 and 2022 also reveals a less familiar part of Bangladesh's poverty story. Rural areas recorded faster improvement than urban areas, although poverty remained higher in rural Bangladesh. In 2022, the rural poverty rate stood at 20.5 percent, compared with 14.7 percent in urban areas. Extreme poverty was also higher in rural areas, at 6.5 percent against 3.8 percent in urban areas. Even so, the HIES 2022

shows that both the poverty headcount ratio and the poverty gap improved faster in rural areas than in urban areas during this period.

Urban poverty, by contrast, has become more stubborn and fragile. The old assumption that migration to towns and cities automatically leads to upward mobility now looks increasingly questionable. Many urban migrants find themselves in low-paid, insecure jobs in informal services, construction, transport, small manufacturing, and domestic work. They face rising rents, high transport costs, expensive food, and weak access to public services. When inflation rises, urban households feel the pressure quickly because they buy most of what they consume. A rural household may have partial access to land, homestead production, or kinship networks. The urban poor often have fewer such buffers.

Inequality has deepened alongside falling poverty. While the national poverty rate declined between 2016 and 2022, the Gini coefficient increased from 0.482 to 0.499. This suggests that growth and poverty reduction have not translated into a more equal distribution of income. The gains have been uneven. Regional disparities remain equally troubling. The 2019 Multidimensional Poverty Index shows poverty ranging from 15.22 percent in Khulna to 37.70 percent in Sylhet (GED, 2025a). Such variation is not a statistical footnote. It reflects unequal access to jobs, markets, education, public services, infrastructure, climate resilience and local institutional capacity.

Recent years have made these weaknesses far more visible. After decades of steady decline, Bangladesh's poverty trajectory appears to have reversed (Raihan, 2025a). According to the World Bank, the national poverty rate might have risen to 21.2 percent in 2025, up 0.7 percentage points from 2024, reaching its highest level since the post-COVID period (World Bank, 2025). The World Bank has linked this deterioration to high inflation and labour market stress, particularly the decline in real wages. Low-wage earners have been hit hardest, with real wages falling by around 2 percent in fiscal year 2025. For households already close to the poverty line, even a small fall in real income can be devastating.

Household-level surveys reinforce this concern. A Bangladesh Institute of Development Studies survey conducted between October and November 2024 found that the proportion of poor households increased to 26.43 percent in 2024 from 24.73 percent in 2022, while the proportion of the extreme poor also rose from 6.06 percent to 6.63 percent during the same period.<sup>2</sup> The Power and Participation Research Centre estimated that poverty rose to 27.93 percent in 2025, up from 18.7 percent in 2022. The same study showed that extreme poverty increased from 5.6 percent in 2022 to 9.35 percent in 2025 (PPRC, 2025). These figures suggest that the shock has not been marginal. Food inflation, declining purchasing power, uncertain employment, and climate-related disruptions have together weakened the fragile gains made by many low-income households.

The aforementioned analysis suggests that, despite success, the story of poverty reduction in Bangladesh is one of vulnerability. Bangladesh reduced poverty during a period when several growth engines worked at the same time: garments expanded, remittances grew, and agriculture continued to support rural livelihoods. But the next

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<sup>2</sup> See <https://www.thedailystar.net/business/news/poverty-rises-sharply-multiple-districts-3856316>

phase will be harder. The easier gains from labour-intensive export growth and rural income expansion may no longer be enough. External economic shocks, such as global trade shocks, wars, regional conflicts, and supply-side disruptions, are real and affect the growth engines of Bangladesh. Climate shocks are also more frequent. Urban poverty is more complex. Food and energy prices quickly translate into household hardship. Inequality is no longer a secondary concern; it shapes who can withstand shocks and who cannot.

Bangladesh's story, therefore, should be read with both recognition and caution. The country has achieved a great deal, but many of the gains remain fragile. The policy challenge is no longer only to reduce poverty rates further. It is to ensure that those who have crossed the poverty line do not fall back below it, and that growth creates a stronger foundation of security, dignity and resilience for households still living close to the edge.

Against this background, this policy paper is organised around five core messages. Section 2 develops the first core message, arguing that poverty has declined substantially, yet vulnerability remains widespread, particularly among near-poor households whose livelihoods are easily disrupted by illness, price shocks, job loss or climate events. Section 3 turns to the labour market and shows that persistent poverty is closely linked to weak structural transformation, the dominance of informal and low-productivity work, the absence of a stronger "missing middle" of firms and jobs, and uneven rural non-farm opportunities. Section 4 examines the rise in inequality and explains why poverty reduction is becoming less inclusive, with unequal access to assets, education, services, decent employment, and regional opportunities weakening the poverty-reducing power of growth. Section 5 focuses on marginalised groups and argues that generic poverty programmes often fail to address overlapping disadvantages faced by women, persons with disabilities, ethnic and religious minorities, elderly people, children, climate migrants and other excluded communities. Section 6 analyses how climate change, inflation and repeated economic shocks are reshaping the poverty landscape, making resilience no longer a peripheral concern but a core part of poverty policy. The concluding section brings these arguments together and suggests that Bangladesh's harder task ahead is not simply to reduce poverty further, but to build a development model that protects households from falling back, expands decent work, reduces inequality and makes social protection more inclusive and shock-responsive.

## **2. The First Core Message: "Poverty has declined, but vulnerability remains the central development challenge"**

### ***2.1. Who Is Vulnerable and Why***

The concept of vulnerability in development economics refers to the probability that a household, currently above the poverty line, will fall below it in a given period due to exposure to risk, limited assets, and inadequate coping mechanisms. In Bangladesh's context, vulnerability is not a marginal concern affecting a small fringe of the population. It is, as the World Bank's most recent country assessment underscores, a mass phenomenon, one that affects an estimated one-third of the country's 170 million people (World Bank, 2025).

*"Vulnerability in Bangladesh reflects the high risk that households just above poverty will fall below it due to low incomes, limited assets, and repeated shocks. One-third of the population faces threats from illness, job loss, disasters, and weak institutions, which force harmful coping strategies and deepen long-term insecurity."*

What makes a household vulnerable? The answer typically involves some combination of the following (Raihan et al., 2021; Raihan et al., 2025): low and irregular income from informal employment; absence of savings or productive assets; dependence on a single livelihood source; residence in flood-prone, cyclone-exposed, or erosion-affected areas; limited access to quality healthcare; high out-of-pocket health expenditure risks; presence of young children or elderly dependents without pensions; and lack of access to credit on reasonable terms. The specific shocks that tip households from precarious stability into poverty are well documented: illness or medical emergencies that wipe out household savings; sudden job loss with no unemployment protection to bridge the gap; food price spikes that consume an ever-larger share of already-thin household budgets; climate disasters that destroy crops, homes, and livelihoods in a matter of hours; and debt distress from high-interest informal loans taken out to survive previous shocks. These are not occasional misfortunes. For millions of Bangladeshi households, they are recurring features of economic life, and without adequate protection, each one carries the risk of a slide back into poverty.

The crucial insight is that vulnerability is not just an economic condition; it is also a function of institutional failure. When social protection systems are too thin to provide meaningful support during shocks, when health systems impose catastrophic costs on the poor, when labour markets offer no security or insurance, and when climate risk is met with no collective response, individual households are left to absorb risks that are systemic in origin. They cope by selling assets, withdrawing children from school, cutting food consumption, or borrowing at exploitative rates; all of which deepen their long-run vulnerability even as they survive the immediate shock.

## **2.2. The Near-Poor: Bangladesh's Overlooked Majority**

One of the most important and underappreciated features of Bangladesh's poverty landscape is the enormous mass of households clustered just above the poverty line (Raihan et al., 2025). These are the so-called "near-poor", not technically poor by official definitions, but earning so little above the threshold that any adverse event can tip them back below it. In a country where the national poverty line is set at a bare-minimum consumption level, "not poor" and "economically secure" are very different things.

*"Bangladesh has a vast "near-poor" population living just above the poverty line, highly vulnerable to shocks. Binary poverty measures mask this fragility, grouping households with very different risks. A shift toward a risk-based model is needed to recognise insecurity and design policies that address vulnerability, not just poverty status."*

Poverty measurement, because it relies on a binary classification, is inherently poor at capturing this reality. A household earning ten taka per day above the poverty line is counted in the same category as one earning five hundred taka above it. But their actual

risk profiles are nothing alike. This calls for a shift in how Bangladesh conceptualises and measures the poverty problem, from a binary model (poor vs. non-poor) toward a risk-gradient model that places vulnerability at the centre of both analysis and policy design.

### **2.3. Recommendations: From Poverty Reduction to Resilience Building**

A vulnerability-centred approach to poverty policy has concrete implications. This involves a paradigm shift: away from traditional poverty reduction, towards vulnerability reduction, social protection, employment policy, and macroeconomic management that work to defend households against downward mobility. Key elements should include:

- Developing shock-responsive social protection systems that can scale up rapidly during crises without waiting for emergency legislation or ad hoc administrative decisions.
- Expanding household-level risk protection through health insurance, agricultural insurance, disaster compensation schemes, and other mechanisms that reduce exposure to sudden income and livelihood shocks.
- Promoting decent and secure employment, with policy attention not only to the number of jobs created but also to job quality, income stability, workplace protection, and security for households trapped in precarious informal work.
- Treating price stability, particularly food price stability, as a distributional concern as well as a macroeconomic objective, since inflation directly affects the welfare of poor and near-poor households.
- Providing targeted support for near-poor households who remain just above the poverty line, are often excluded from social programmes, and face a high risk of falling back into poverty during economic, health, climate, or livelihood shocks.

## **3. The Second Core Message: “Persistent poverty is linked to weak labour-market transformation”**

### **3.1. Labour Market Structure and Poverty**

Understanding why poverty has proved so persistent despite rapid economic growth requires understanding the structure of Bangladesh's labour market. Growth has been real, but it has not been universally translated into decent work, the kind of employment that provides stable wages, some degree of income security, access to social insurance, and a degree of predictability that allows households to plan and invest in themselves (Raihan and Khan, 2026).

*"Poverty persists because most Bangladeshi workers remain in insecure, low-paid informal jobs. Agriculture is unstable and climate-exposed, urban informal work lacks contracts and protection, and even formal sectors like RMG offer low wages and fragile security. Growth has not translated into the decent, predictable employment households need for stability."*

The vast majority of Bangladeshi workers remain in the informal economy. Agriculture, which employs around 40 percent of the labour force, is characterised by fragmented landholdings, climate exposure, seasonal unemployment, and falling real wages in many regions. The urban informal sector, encompassing small trade, domestic work, transport,

construction, and low-end manufacturing outside of formal factories, absorbs millions more, typically without contracts, benefits, or labour protections (Raihan, 2022).

Even within the formal economy, conditions are often precarious. The ready-made garment (RMG) sector, Bangladesh's export engine and the employer of roughly four million workers, has improved significantly in physical safety since the Rana Plaza disaster of 2013, but wages remain low in absolute terms, union representation is limited, and job security for many workers is fragile (Raihan, 2024b). Workers displaced from the RMG sector, as it automates and upgrades, have few alternative formal-sector options.

### **3.2. The Missing Middle**

A particularly striking feature of Bangladesh's labour market is the weakness of what economists call the "missing middle", medium-sized firms that typically drive productive employment and wages in emerging economies (Farole et al, 2021; Kapoor, 2026). Bangladesh has a large number of micro and small enterprises and a relatively small number of large garment exporters. What is largely absent are medium-sized, domestically-oriented manufacturing and service firms with sufficient capital and management capacity to absorb workers, train them, and pay higher wages.

*"Bangladesh's labour market lacks medium-sized firms that typically generate productive, better-paid jobs. The economy is dominated by micro enterprises and large garment exporters, leaving few pathways to higher-quality employment and limiting inclusive growth beyond the garment sector."*

This structural gap has important implications for poverty reduction. Economic diversification beyond garments is not just a question of export competitiveness; it is a question of whether growth can become more inclusive. An economy that depends on a single sector for formal employment is an economy in which millions of workers have no realistic pathway to better jobs (Raihan, 2022).

### **3.3. Rural Non-Farm Employment and Regional Inequality**

Outside the garment clusters of Dhaka and Chattogram, rural non-farm employment is the critical frontier for poverty reduction. Studies consistently show that households with access to non-farm income, from small businesses, agro-processing, rural services, digital platforms, or remittances, are significantly more resilient than those dependent on agriculture alone (Genoni et al, 2021; Raihan et al., 2021). Yet the rural non-farm economy remains underdeveloped in many lagging districts, particularly in the northwest and the coastal belt.

*"Rural non-farm jobs are essential for reducing poverty, as households with diversified income are far more resilient than those reliant on agriculture. Yet many regions lag behind, deepening spatial inequality and limiting inclusive employment opportunities across Bangladesh."*

Regional inequality is a real and growing concern (GED, 2025b). The pace of poverty reduction in division-level data masks sharp disparities between, say, Dhaka city and a

char community in Jamalpur, or between an RMG-connected garment worker and a subsistence farmer in Rangpur. Any serious employment strategy must grapple with these spatial dimensions of economic exclusion.

### **3.4. Recommendations: An Employment-Centred Development Strategy**

Bangladesh needs a more deliberate and better-resourced employment strategy, one that treats job quality, not just job quantity, as a development outcome. Key elements should include:

- Increasing rural non-farm employment by investing in agro-processing, rural infrastructure and digital connectivity and supporting small enterprises in lagging regions.
- Advancing sectoral industrial policy for diversification beyond RMG, selective development of export-based factories/ zones, skills training in high-growth sectors (pharmaceuticals, light engineering, electronics).
- Enhancing social insurance for informal employees, such as accident insurance, sickness benefits and contributory pension schemes suited to irregular income patterns.
- Better governance of urban labour markets; enforcement of the minimum wage; regulation of occupational health; protection from abusive patterns in labour contracting.
- Investing in skills through reforms to technical and vocational education (TVET), links between institutions and employers, and recognition of prior learning for informal-sector workers.

## **4. The Third Core Message: “Inequality is rising, and poverty reduction is becoming less inclusive”**

### **4.1. The Inequality Data**

Alongside poverty reduction, Bangladesh has experienced a troubling and accelerating rise in inequality. The income Gini coefficient, a standard measure of income distribution in which zero represents perfect equality and one represents perfect inequality, rose from 0.458 in 2010 to 0.482 in 2016 and then to 0.499 in 2022 (BBS, 2024). This is a significant and worrying trend. Bangladesh now has higher income inequality than most of its South Asian neighbours at similar income levels.

*“Income and consumption inequality are rising in Bangladesh, with the Gini index worsening and the top quintile capturing an increasing share of total spending while the bottom quintile stagnates.”*

Consumption inequality, which is generally lower than income inequality because poor households tend to spend most of what they earn, has also increased, though more slowly. But even consumption data reveal a growing gap between the spending power of the top and bottom of the distribution. Inequality is escalating due to unaddressed structural challenges, limited social safety nets, and uneven access to opportunities (Raihan and Khan, 2022).

## **4.2. Why Rising Inequality Matters for Poverty Reduction**

Rising inequality matters for poverty reduction in a fundamental mathematical sense: when inequality rises, a given rate of economic growth produces smaller reductions in poverty than it would if growth were distributed more evenly. This is called the "growth-inequality-poverty" triangle. In Bangladesh's case, there is growing evidence that the poverty-reducing effect of growth has been weakening as inequality has increased, meaning that the country must grow faster and faster just to maintain the same rate of poverty reduction (World Bank, 2025).

*"Rising inequality weakens how effectively growth reduces poverty and restricts mobility, as unequal access to education, healthcare, and opportunities allows the wealthy to entrench advantages across generations."*

But the problem is not only mathematical. Inequality also shapes people's chances in life. A child born into a poor household does not begin from the same starting point as a child born into an affluent family. Access to good schools, private tutoring, quality healthcare, digital tools, safe housing, social networks, and formal job opportunities is deeply uneven. Over time, these differences accumulate. They allow advantages to reproduce themselves across generations, while poverty becomes harder to escape. Bangladesh's human capital outcomes already show this pattern. The gap in learning quality between public and private schools, between rural and urban areas, and between richer and poorer households remains a serious barrier to equal opportunity.

High inequality also weakens social mobility in less visible ways. Families with resources can absorb shocks, invest in education, influence institutions, and take risks. Poor and lower-middle-income families often cannot. A medical emergency, a failed crop, job loss, or a spike in food prices can force them to borrow, sell assets, withdraw children from school, or reduce food consumption. In such a setting, inequality is not just about who earns more. It is about who gets to plan for the future and who is forced to survive the present.

## **4.3. The Multiple Faces of Inequality**

Income inequality is only one part of Bangladesh's wider pattern of unequal advantage. Gender inequality remains deeply embedded. Women continue to face disadvantages in wages, asset ownership, land rights, formal employment, workplace safety, and decision-making power within households. Female-headed households are also more likely to be found among the poor and near-poor, particularly when they lack stable earnings, remittance support, or access to land (Raihan, 2022).

Regional inequality is another persistent fault line. Poverty rates and human development outcomes vary sharply across divisions and districts. The Chittagong Hill Tracts, coastal belt communities, haor areas, and northern chars often lag behind the national average. These places are not disadvantaged only because incomes are low. They are disadvantaged because roads, schools, health facilities, markets, electricity reliability, digital connectivity, and public administration are often weaker. Geography, in this sense, becomes an economic constraint.

*"Bangladesh faces layered inequalities—gender, regional, rural-urban, digital, and environmental - where women, remote regions, rural households, and climate-exposed communities experience persistent disadvantages that reinforce unequal opportunities and outcomes."*

Other forms of inequality reinforce these divides. Although the rural-urban gap has narrowed in some areas, rural households still face weaker access to quality services, formal employment, infrastructure, and market opportunities. Digital inequality is creating a newer layer of exclusion, as access to information, jobs, finance, education, and public services increasingly depends on connectivity and digital literacy (Raihan et al., 2021b). Environmental inequality adds yet another burden. The poorest communities often live in the areas most exposed to floods, cyclones, river erosion, salinity intrusion and heat stress, even though they have contributed least to the emissions driving climate change.

These inequalities do not operate separately. They overlap. A woman from a char area, a person with disability in a poor rural household, an elderly widow in a coastal village, or a young migrant in an urban slum may face several layers of disadvantage at once. This is why inequality in Bangladesh should not be seen only as a gap between the rich and the poor. It is also a gap in voice, protection, mobility, and access to the basic conditions needed for a secure life.

#### **4.4. Recommendations: A Redistributive Agenda**

Addressing inequality in Bangladesh requires a genuine redistributive agenda, not simply faster economic growth. This means using tax policy, public spending, and service delivery to reduce unequal advantage and expand opportunities for poorer and lower-middle-income households (Raihan and Khan, 2022; Raihan, 2025b; Raihan and Khan, 2026). Key elements should include:

- Raising Bangladesh's tax-to-GDP ratio from its current very low level of less than 7 percent of GDP. Without stronger revenue mobilisation, the state will not have the fiscal capacity to finance quality public services, social protection and investments that reduce inequality.
- Broadening the tax base while reducing excessive dependence on indirect consumption taxes, which tend to place a heavier burden on poorer households.
- Making the tax system more progressive through stronger taxation of high incomes, corporate profits, property, and wealth, alongside better enforcement and reduced exemptions for privileged groups.
- Reorienting public spending towards universal quality primary and secondary education, community health centres, rural infrastructure, and public transport in secondary cities.
- Treating redistributive public investment as a tool for equalising access to services, productivity, and mobility, not only as a mechanism for delivering cash transfers to the poor.

## 5. The Fourth Core Message: “Marginalized groups face overlapping vulnerabilities”

### 5.1. Who Is Left Behind

Aggregate poverty and inequality data, however useful, can obscure the specific circumstances of groups who face particularly severe and compounding disadvantages. In Bangladesh, several categories of the population consistently appear at the bottom of development indicators and at the margins of public policy attention. Understanding who these groups are and why they are systematically disadvantaged is essential to designing responses that actually reach them (Akram et al., 2024).

*“Several groups in Bangladesh face compounded disadvantages - including women-headed households, children, persons with disabilities, the elderly, minorities, migrants, slum residents, and climate-exposed communities - requiring targeted, inclusive policy attention.”*

Among the most consistently marginalised are women-headed households, particularly those without male earners due to widowhood, abandonment, or migration; children in households without access to adequate nutrition, healthcare, and quality schooling; persons with disabilities, who face both income poverty and exclusion from public services and employment; elderly people without pension coverage or family support; ethnic and religious minority communities, including indigenous groups in the Chittagong Hill Tracts and elsewhere; char and haor communities facing chronic geographic isolation and flood exposure; residents of urban slums, who often lack tenure security, sanitation, and access to formal services; internal migrants, who fall between the cracks of rural and urban social protection systems; and communities affected by river erosion and climate displacement.

### 5.2. The Problem with Generic Poverty Programmes

Mainstream poverty programmes in Bangladesh, cash transfers, food assistance, and public works are designed around an implicitly homogeneous conception of “the poor.” But the poor are not homogeneous. A widow in a coastal district managing three children while facing annual cyclone risk has a very different vulnerability profile from a young male migrant worker in Dhaka, who has a different profile from an elderly man in a char area without any family support.

*“Poverty programmes overlook diverse vulnerabilities; uniform designs, documentation demands, and local gatekeeping often exclude the most marginalised with distinct needs and constraints.”*

Generic programmes, unless designed with awareness of these differences, will systematically underserve the most marginalised. They may require documentation that undocumented populations lack. They may have conditions - school enrolment, health check-ups - that are difficult to meet in areas without schools or clinics. They may be administered by local gatekeepers who have incentives to exclude the truly marginalized in favour of those with social connections.

### **5.3. Recommendations: Building Inclusive Social Protection**

The social protection architecture for Bangladesh needs to be much more inclusive (Raihan, 2026). Key issues include:

- **Child-sensitive social protection:** In the form of cash transfers that are conditional on being followed by an approach to prevent malnutrition and that promote the use of early childhood development services, and quality schooling, which will ensure that intergenerational transmission of poverty is impossible.
- **Disability-inclusive programming:** harmonised disability allowances with community-based rehabilitation and employment assistance services.
- **Old-age income security:** Centralization of the old-age allowance programme to attain near-universal coverage for older individuals 60 years or older without pension income.
- **Urban social protection:** A differentiated urban social protection framework that acknowledges the particular risks faced by slum residents, informal workers and migrants.
- **Support for maternity and childcare:** Maternity allowances and access to low-cost, free choice of day care centers, particularly for women workers from the lower stratum, so that child-rearing is not a measure of poverty and gender disparities can be addressed.
- **A credible, dynamic social registry:** A harmonized social registry that allows better identification and targeting of the poor, minimizes inclusion/exclusion errors by ensuring robust mechanisms for verification and rescission from social programs, and maintains resilience against political capture through independent oversight

## **6. The Fifth Core Message: “Climate change, inflation, and economic shocks are creating a new poverty landscape”**

### **6.1. Climate Risk as a Structural Driver of Poverty**

Climate change is not a future threat to Bangladesh. It is a present reality that is already reshaping the country's poverty and vulnerability landscape. Bangladesh is one of the world's most climate-exposed countries, facing annual risks from monsoon flooding, cyclones, river erosion, rising sea levels, salinity intrusion, and increasingly severe heat. These are not occasional disruptions to an otherwise stable environment. For millions of households in low-lying coastal areas, char islands, haor basins, and urban flood plains, climate risk is the defining feature of their economic lives.

*"Climate change already reshapes poverty in Bangladesh, with floods, cyclones, heat, and erosion driving rising losses, displacement, and household vulnerability."*

The 2024 flood season illustrated the scale of the challenge. Major flooding affected around 6 million people across Bangladesh, destroying crops, homes, and livelihoods at a moment when households were already under pressure from food price inflation.<sup>3</sup> Meanwhile, a World Bank-related estimate calculated that rising heat costs Bangladesh as

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<sup>3</sup> See <https://www.helpage.org/news/older-people-in-bangladesh-face-a-humanitarian-crisis-of-unprecedented-scale/>

much as US\$1.78 billion in 2024, partly through productivity losses and health impacts from extreme temperatures.<sup>4</sup> These figures will only grow as global warming continues.

## **6.2. The Inflation-Climate Nexus**

Climate shocks interact with economic shocks in ways that compound their poverty impact. A flood that destroys crops drives up food prices, which disproportionately affects poor and near-poor households who spend 50 to 70 percent of their income on food. A heat wave that reduces agricultural yields also reduces the daily wage earnings of informal workers who cannot work in extreme temperatures. The same event, a climate shock, thus hits poor households through multiple channels simultaneously: lost income, higher food costs, increased health expenditure, and potential asset loss.

*"Climate and economic shocks compound poverty in Bangladesh, hitting poor households through lost income, higher food costs, health expenses, and inflation-driven erosion of real earnings."*

Inflation, even when not directly climate-induced, operates as a regressive tax on poor households (Raihan, 2025c). Bangladesh has experienced a sharp, persistent surge in consumer prices since 2022, transforming from a moderate-inflation economy into one burdened by double-digit living costs. Driven by a sharply depreciating Taka, rising global commodity prices, and domestic supply bottlenecks, annual average inflation climbed from 7.70 percent in 2022 to 9.88 percent in 2023, eventually peaking at an annual average of 10.47 percent in 2024. While central bank monetary tightening and government austerity measures successfully cooled year-on-year inflation down toward the mid-8 percent range by late 2025, this relief was temporary. Moving into 2026, severe Middle East geopolitical tensions disrupted energy import lines and shipping costs, pushing the annual inflation rate back up to a 16-month high of 9.42 percent as of May 2026, keeping daily essentials highly expensive for the average consumer. For a family spending 60 percent of its budget on food, a 10 percent increase in food prices is equivalent to a 6 percent reduction in real income. This is the arithmetic of vulnerability that aggregate macroeconomic indicators tend to conceal.

## **6.3. Recommendations: Building Shock-Resilient Poverty Policy**

Integrating shock resilience into poverty policy is no longer optional. The following elements are essential:

- Shock-responsive social protection: Social protection programmes must be designed with built-in mechanisms to scale up delivery rapidly when a shock occurs, without requiring new legislation or emergency budget processes that take months.
- Inflation-indexed transfers: Cash transfers, old-age allowances, disability allowances, child benefits and other poverty-focused payments should be periodically adjusted for inflation. When food prices rise sharply, fixed nominal benefits quickly lose value, leaving poor households formally “covered” but materially unprotected.

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<sup>4</sup> See <https://www.worldbank.org/en/news/press-release/2025/09/16/bangladesh-faces-health-and-economic-risks-from-rising-temperature-world-bank>

- Targeted food and nutrition support during price spikes: During periods of high food inflation, poverty policy should include temporary, targeted support through subsidised food distribution, school feeding, nutrition support for pregnant women and children, and open-market sales in low-income urban and climate-vulnerable areas.
- Agricultural insurance: Affordable index-based crop insurance, linked to satellite data on rainfall and flood levels, can protect smallholder farmers from catastrophic income loss following climate events.
- Climate-smart public works: Labour-intensive public works programmes, such as embankment rehabilitation, community pond excavation and flood shelter construction, should be explicitly designed to serve both social protection and climate adaptation functions.
- Early warning and evacuation systems: Community-level early warning systems, linked to improved meteorological forecasting and pre-positioned emergency supplies, can reduce the human and economic cost of climate events.
- Resilient housing programmes: Targeted support for climate-vulnerable households is needed to upgrade to flood-resistant housing, particularly in coastal and char areas.
- Livelihood diversification: Active support for households in high-risk areas to develop climate-resilient income sources, such as aquaculture, non-timber forest products, eco-tourism and service work, can provide income even when agricultural production fails.
- Emergency livelihood and credit support: Poor and near-poor households often cope with shocks by borrowing at high interest, selling assets, reducing food intake or pulling children out of school. Rapid access to low-interest emergency credit, temporary wage support and livelihood recovery grants can prevent short-term shocks from becoming long-term poverty traps.

## 7. Conclusion: The Harder Work Ahead

Bangladesh's poverty reduction record deserves recognition. Few countries with such severe initial constraints have managed to reduce income poverty substantially within a few decades. Growth, garments, remittances, rural transformation, women's work, microfinance, and public investments in health and education all played their part. But the central argument of this paper is that the next phase will be harder. The easier narrative of steady poverty decline no longer fits the evidence. Poverty has fallen, but vulnerability remains widespread. Millions of people have crossed the poverty line without acquiring the security needed to withstand illness, unemployment, food inflation, climate disasters, or sudden income loss.

This calls for a different development lens. Bangladesh cannot rely only on aggregate GDP growth and assume that poverty will continue to decline automatically. Growth still matters, but its composition, distribution, and resilience matter more than before. A growth process that leaves most workers in informal, low-paid, and insecure employment will not provide a durable route out of poverty. Similarly, poverty reduction that takes place alongside rising inequality, uneven regional development, and weak social protection will remain fragile. The problem is not only that some people remain poor. It is also that many who are counted as non-poor live close to the edge.

The paper has argued that poverty policy must therefore move from a narrow poverty-reduction approach to a broader resilience-building agenda. This means protecting near-poor households before they fall back into poverty. It means treating decent employment as a core anti-poverty instrument, not just a labour-market issue. It means confronting inequality through tax reform, redistributive public spending, and equal access to quality services. It also means designing social protection around the real lives of marginalised groups, whose disadvantages often overlap rather than being singular.

Climate change, inflation and repeated economic shocks make this shift even more urgent. Poor and near-poor households do not experience these shocks separately. A flood may destroy crops, raise food prices, reduce wage work, increase health costs, and force distress borrowing all at once. A period of high inflation may quietly undo years of income gains. For this reason, Bangladesh's poverty strategy must become shock-responsive by design. Inflation-indexed transfers, targeted food support, climate-smart public works, agricultural insurance, resilient housing, early warning systems and emergency livelihood support should not be treated as temporary crisis measures. They should become part of the regular architecture of poverty policy.

The harder work ahead is, therefore, institutional and political, not merely technical. Bangladesh needs a state that can identify vulnerable households accurately, deliver support quickly, finance redistributive programmes sustainably, and coordinate employment, social protection, climate adaptation and macroeconomic policy. This will require stronger public systems, better data, more accountable local delivery, and a clearer fiscal commitment to those living close to poverty.

Bangladesh has shown that rapid progress is possible. The task now is to make that progress harder to reverse. The real measure of the next development phase will not be only how many people move above the poverty line, but how many can remain there with dignity, security, and a credible chance of upward mobility. That is the unfinished agenda.

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