

RSOG SEMINAR

The Future of Middle Class in Malaysia

with

YBhg. Emeritus Professor Datuk Dr. Abdul Rahman Embong

When : 28 July 2016

Where : Razak School of Government

Speakers : YBhg. Emeritus Professor Datuk Dr. Abdul Rahman Embong

About the Seminar

“Middle-class societies don’t emerge automatically as an economy mature, they have to be created through political action.” The said statement by a Nobel Laureate many years back may have a lot of truth and reflect developments in Malaysia as far as policy initiatives are concerned. The Malaysian Government, through its pro-business policies, created a stable and peaceful environment conducive to economic and social development, and has also been a major source of business opportunities. At the same time, the government has also played a major role in accelerating social mobility, especially among the *Bumiputera* community, through education. All these contributed to growth and expansion of the middle class, especially among the *Bumiputera*. Whilst the pro-business policies are likely to continue in the 21st century, constraints on resources and changing strategies may result in the government no longer being a major source of business and educational opportunities. Will this affect the future of the middle class? If so, in what way and what will be the likely outcome? This seminar will first trace the evolution and expansion of the middle class in Malaysia and the orientation and aspirations of its members, before proceeding to an exploration of their future in light of developments at home and abroad.

Summary

There are many ways to categorise a specific segment of society. Some use colours of collars such as blue or white to distinguish the types of labour one is involved in. Some are identified by income. Others use standards of living such as wealth, home ownership or homelessness, and education attainment. Nevertheless, a simplified understanding of society could perhaps be divided into two, with a buffer in between the two polarities – the middle. The study of middle class as a segment of society has attracted many, from economic, consumer, and sociological perspective.

Emeritus Professor Datuk Dr. Abdul Rahman Embong had explored and analysed the middle class phenomenon in Malaysia in early 2000, specifically on state-led initiatives of the creation and maintenance of this segment. 14 years on, he provided a historical-sociological approach on middle class and some inkling of what it may look like in the future before an

audience that comprise of public sector leaders and young leaders at Razak School of Government.

Prior to further discussion on middle class, the terminology utilised was clarified by making the difference between the categorical term utilised for policymaking purposes (mainly by economists) and definition utilised from sociological approach. For pragmatic purposes, policy plans and programmes of most countries and those purported by multilateral agencies would utilise income criteria to define middle class. Therefore, these definitions are largely to indicate income class rather than social class.

In sociology, there are objective and subjective definition of middle class. The former is a socioeconomic position in social hierarchy where occupations such as administrators, professionals or semi-professionals, executives, small entrepreneurs, and some service workers are used as proxy for middle class. The latter is more subjective, referring to the consciousness of class – whether they think they belong to the specific class. More importantly class is a relational concept – situated above lower class thus creating this ideal and aspiration to climb up a social class through social mobility.

The importance of middle class cannot be more understated as this segment somehow provides some indicator of a nation. For instance, it serves as a measure of social mobility (openness of society) and the size and strength of this segment is an indication of a country's economic strength, as per ascribed by some multilateral agencies. Considering the size, its social and cultural habits and value system may also determine the course of a country's history, and its social and political stability. Thus from the Government's perspective, the M40 as highlighted in the 11th Malaysia Plan, is central to the nation's consumption spending and private investments, serving as a critical pool for talent and entrepreneurship.

Moving further back in time, in comparison to other classes such as aristocracy, peasantry, and artisans, middle class is seen as a relatively new social class of at least 250 years of history. The rise of middle class can be clustered into three distinct phases – From 1800 onwards (in Europe after Industrial Revolution), Post World War 2 (in Europe, North America, and Japan), and from 1970s to present (in Asia as centre of growth). The shift is expected to sustain geographically while expanding its base. For instance it is projected that by 2030, 64% of middle class would be in Asia (total projected 4.9 billion). This expansion is likely to lead to another consumerist revolution, with Asia's penchant for consumption of goods and services.

Closer to home, the middle class in Malaysia's turning point was in the 1970s where there was rapid expansion of the market that had both state intervention and capitalistic influence. Nevertheless, the phenomenon of rapid urbanisation has somehow led to nostalgia of the good old days. Thus, the speaker coins the creation of *surau* as a reconstruction of kampong community in the city by first generation middle class as folk urbanites.

Currently there are two generations of middle class, with a third coming. Interestingly the first two generations have some similarities and differences in terms of their characteristics. For instance, the first generation are mostly affluent as they have newfound prosperity and are likely to be highly educated compared to their elders. They are also likely to be family

oriented, with concerns over middle class reproduction (“*will my children remain in this class?*”) and fear of falling down a class. This generation are also more likely to be state dependent (considering that the creation of this class is largely state-led) but yet can be disgruntled with the state and have high religious orientation. Many of the second generation on the other hand, are economically challenged due to rising cost of living, inability to secure housing and managing loans. Politically they are more vocal as compared to the first generation. Whilst ambitious by venturing into businesses and entrepreneurship, some are also cautiously optimistic as the status anxiety prevalent in the first generation persists. A shift from the first generation is that their lifestyle choices indicate more consumptive behaviour.

The speaker identified five trends of the middle class. First, a positive economic growth would stimulate environment that is conducive for entrepreneurial middle class growth (those who are young, innovative, and risk takers wanting to make a difference), growing professional and managerial middle class, rise of small and medium entrepreneurs, opportunities for social innovation and private sector as source of growth and expansion. This trend could be driven by those with the urge to upgrade (the opposite of fear of falling). The second trend is a continuation of the current trend of intake into state bureaucracy as government officials. However, this will reach a plateau as the administrative middle class are not likely to expand as it has in the past considering its ratio with population. The third trend sees middle class and outflow of talents (brain drain) to continue. The fourth trend is the *seamless middle class* (Hukuhodo Institute of Life and Living ASEAN (HILL ASEAN) (2015)) perceive themselves as middle class regardless of income. This shifts from the traditional middle class – *living the life they can afford to find ways to afford the life they want*. The fifth trend is the emergence and expansion of a class of educated and disgruntled *precariat* (new social class consisting of people suffering from a condition of existence without predictability or security which affects their material or psychological welfare). The fifth trend is largely due to the difficulty for graduates to compete in job market – being educated but with incommensurable income, largely leading to unfulfilled aspirations, thus policymakers must look at this area as one to be addressed.

The speaker also raised six areas of concerns to be addressed - sociocultural issues, socioeconomic issues, globalisation impact on resiliency, managing ethnic relations, addressing conflict resolution, and managing middle class socio-psychological trap (sense of pessimism, disconnectedness, and fear of falling). How these concerns are addressed would largely shape what characteristics of middle class the country will have in the future, and more importantly shape what the nation looks in the coming generation. While the dependence on whether middle class will be a social force for modernisation, consumption, prosperity and innovation is essentially based on the country’s economic growth, how values are inculcated into the society as a base for social capital and solidarity are equally as crucial, if not more.

Without doubt, middle class is important to the society. Nevertheless, its relational and dynamic nature make its future difficult to predict. A pragmatic and agile policymaking seems like a natural choice in years to come. The state should assist the society in building up its resiliency by providing the space for them to *grow*. As rightly pointed by a prominent

statesman hundreds of years ago – “*you cannot escape the responsibility of tomorrow by evading it today*”.

Key Issues Raised

1. A resilient society relates to the type of value system that is in place, of which the latter is a by-product of social education. Thus, middle class’ prevalence of *de-schooling* (i.e. home-schooling) could lead to a lack of social reproduction of cohesive value system. Conversely, there is a limit to what the state can do; it is up for us to prepare ourselves.
2. Challenges of social policies is that they need to address an issue that affects a large segment of society with different dimensions of needs. Thus, policies introduced are often from an economic perspective, as it appears more pragmatic. Readjusting the lens and providing input from information derived in sociological perspective may be needed.
3. In addressing any challenges or areas of concerns, engagement is a crucial component that has to be conducted meaningfully and holistically. The speaker uses the term ‘*selami isi hati mereka*’, to highlight that there is a need for deeper understanding instead of scratching the surface.
4. The trend of brain drain is worrying and efforts undertaken whether through brain gain, talent retention or brain/talents returning must also ensure the creation of environment where minds can grow as is more crucial than monetary compensation. It is likely that talents seek opportunities elsewhere due to space and limits of control, not due to the lack of patriotism.
5. Whilst striving for modernisation and development, appreciation of the past whether through artefacts, history, architecture, or clusters of community, is needed, as it is what shapes us as a society and as a nation. Some preservation amidst modernity shouldn’t just be solely for touristic purposes but also for value sustenance, appreciation for pioneers, and layering our multifaceted identity.

About the Speaker

Professor Dato’ Dr. Abdul Rahman Embong is Emeritus Professor in Sociology of Development, and serves as a Principal Research Fellow at the Institute of Malaysian and International Studies (IKMAS), Universiti Kebangsaan Malaysia. His research focus is on development, middle class, ethnicity, corruption and integrity, nation-state and globalisation. He has written many books, journal articles and chapters in books. Some of his important works include: *Southeast Asian Middle Classes: Prospects for Social Change and Democratisation*, *State-led Modernisation and the New Middle Class in Malaysia*, and *The Nation-state: Processes and Debates*. He was President of the Malaysian Social Science Association between 2000 and 2010, and has been the Association’s advisor since then. He was lead researcher responsible for formulating the National Integrity Plan in April 2004, and a number of other policy studies. He has been appointed Board Member of the Sultan

Mizan Royal Foundation since its formation in 2005, and also Principal Fellow at the Malaysian Institute of Integrity (IIM) (2015 – 2016).

Contact

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