

3-2015

A handbook on inequality, poverty and unmet social needs in Singapore

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Citation

Smith, Catherine J.; Donaldson, John A.; Mudaliar, Sanushka; Md Kadir, Mumtaz; and Yeoh, Lam Keong. A handbook on inequality, poverty and unmet social needs in Singapore. (2015). *Social Insight Research Series*. 1-86. Lien Centre for Social Innovation: Research. **Available at:** https://ink.library.smu.edu.sg/lien_reports/10

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Lien Centre for Social Innovation
Social Insight Research Series

A Handbook on
**Inequality, Poverty and
Unmet Social Needs**
in Singapore



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Unmet Social Needs**
in Singapore

Lien Centre for Social Innovation

CATHERINE J. SMITH

(Additional research and writing by John Donaldson,
Sanushka Mudaliar, Mumtaz Md Kadir and Yeoh Lam Keong)

As this handbook is intended to provide an overview of the arguments of others, the role of the authors largely consisted of compiling, arranging, and contextualizing. Further, the ideas expressed herein, which are various and often contradictory, do not necessarily represent the views of the handbook's authors, or of the staff and Board of the Lien Centre for Social Innovation.



LIEN Centre for Social Innovation
SINGAPORE MANAGEMENT UNIVERSITY

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Published by the Lien Centre for Social Innovation

Singapore Management University,

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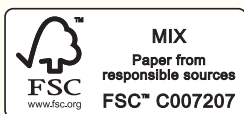
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Cover and text design by Typewriter Media

ISSN: 2010-3417

ISBN: 978-981-09-4135-2

Printed by C.O.S. Printers Pte Ltd



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Foreword

On behalf of the Lien Centre for Social Innovation, I have great pleasure in introducing what we think is an unprecedented publication—one that reviews the growing body of research that leads to the understanding of poverty and socio-economic inequality in Singapore.

We are gratified that there has been increasing recognition and positive actions by government and the civil sector to address the challenges faced by low-income Singaporeans—a diverse group of people with a diverse set of needs. Without taking anything away from these good efforts, the fact remains that these problems are still poorly understood. We have heard from leaders of voluntary welfare organisations, teachers, students, members of the media, government partners and members of the public that they wish for a publication that collects, summarises and analyses some of the latest research and debates regarding poverty and inequality here in Singapore. I am delighted to say that we now have it.

It is the vision of the Lien Centre for Social Innovation to be a thought leader and catalyst for positive social change in Singapore and beyond. We hope this publication is informative and serves as a guide for the on-going discussions and planning for how together, we can manage these vital issues in Singapore.

Dr Tan Chi Chiu
Chairman



Dr Tan Chi Chiu

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Acknowledgements

A Handbook on Inequality, Poverty and Unmet Social Needs in Singapore was written by Dr Catherine J. Smith for the Lien Centre for Social Innovation (LCSI), with additional research and writing by Mumtaz Md Kadir (LCSI Assistant Manager – Research and Programmes), Sanushka Mudaliar (LCSI Senior Manager, 2012 – 2014), Associate Professor John Donaldson (LCSI Senior Research Fellow) and Yeoh Lam Keong who contributed at every stage to the writing and reviewing of this handbook. The handbook was further designed and developed by the team of authors over the course of 2014.

Special thanks to LCSI Director Jonathan Chang, and LCSI staff Jenny Huq, Carol Candler, Shirley Pong and Jared Tham, as well as the LCSI Board for their support and assistance from their inception of this research project; Yeoh Lam Keong for his original research and overall contribution to this handbook; Wu Biqi for her research assistance to our initial publication on the related topic *Measuring Poverty in Singapore – Frameworks for Consideration* (*Social Space*, Issue 6, 2013/2014, LCSI); and Jacqueline Loh (LCSI Director, 2010 – 2013) for initiating LCSI's research into poverty in Singapore.

We are very grateful for the detailed comments and suggestions provided by:

- our roundtable participants, including Au Yong Haw Yee, Bernadette Lau, Vignesh Naidu, Tang Lay Lee and Vivienne Wee;
- our team of reviewers, including Mukul G. Asher, Au Yong Haw Yee, Crystal Hayling, Hui Weng Tat, Donald Low, Steve Miller, Vignesh Naidu, Irene Ng, Tim Oei, Vernie Oliveiro, Tan Chi Chiu, Tan Meng Wah, Tang Lay Lee and Teo You Yenn;
- and a group of experts who provided advice along the way, through various interviews and other correspondence, including Au Yong Haw Yee, Donald Low, Vignesh Naidu and Soh Tze Min.

List of Abbreviations

AHEBN: Average Household Expenditure on Basic Needs
AWARE: Association for Women for Action and Research
CPF: Central Provident Fund
DOS: Department of Statistics, Singapore
EIU: The Economist Intelligence Unit
FSC: Family Service Centre
FDW: foreign domestic worker
GIC: formerly Government Investment Corporation, now GIC Private Limited
GST: Goods and Services Tax
HDB: Housing and Development Board
HES: Household Expenditure Survey
LCSI / Lien Centre: Lien Centre for Social Innovation
MOE: Ministry of Education
MOF: Ministry of Finance
MOM: Ministry of Manpower
MSF: Ministry of Social and Family Development
NPO: non-profit organisation
OECD: Organisation for Economic Co-operation and Development
PMETs: Professionals, managers, executives and technicians
PR: permanent resident
PSLE: Primary School Leaving Examination
SSO: Social Service Office
VWO: voluntary welfare organisation
WIS: Workfare Income Supplement

‘ In reviewing and compiling the literature, the authors hope to make such research more accessible to a wider audience, which includes policy-makers, social service organisations, social enterprises, journalists, academics, advocates and the community at large.

EXECUTIVE SUMMARY

A Handbook on Inequality, Poverty and Unmet Social Needs in Singapore reviews existing research on the topic. While it does not claim to be a comprehensive compilation, the handbook features major writers and important discussions on the subject. The authors have chosen not to include analyses of Singapore’s economy and economic development, since comprehensive reviews of this literature are readily available. The handbook also deliberately focuses on forms of poverty experienced domestically, rather than pay attention to global poverty in the context of Singapore.

Although the focus of this handbook is on long-term trends, as well as recent debates about social policy, the authors have attempted to provide the most updated and current statistics and information available. However, with many issues discussed here, the situation is fluid and dynamic. Government policy on a range of social issues has been changing rapidly, and therefore there might be some specific policies, issues or data that have changed since the original sections were written. In such cases, we regret that some information might not be as current as we might like. We would refer readers to government websites for up-to-date information on government policy and the most current publicly available statistics.

In reviewing and compiling the literature, the authors hope to make such research more accessible to a wider audience, which

includes policy-makers, social service organisations, social enterprises, journalists, academics, advocates and the community at large. In addition to the organisation and classification of the analyses and arguments, the handbook also seeks to clarify the distinctions between terms such as inequality and poverty, concepts that are sometimes conflated in the literature. Throughout, the authors have tried to present the arguments neutrally, letting the contributions of others stand on their own terms to the extent possible. Mere inclusion in the handbook does not constitute an endorsement of any argument cited here. Arguments and counter-arguments are presented in order to allow the reader to make their own assessment as to the merits of each position. The authors’ views on key areas for reform are found in the final section of the paper.

The review of literature in this handbook is organised into five parts; the following explains what each of these parts entails.

Part I: The Current Situation

The concepts of inequality, absolute poverty and relative poverty are often misunderstood, or used interchangeably, even though they refer to distinct concepts. We understand “inequality” to refer to the gap, either in terms of income or capital, that separates different strata of a society. Income inequality is

commonly expressed by the Gini coefficient, which is the ratio of the highest to lowest incomes in a society, and expressed as a number between zero and one.

The Gini coefficient is a helpful method for comparing the various levels of inequality in different cities or countries, but it does not represent the complete picture; there is no international standard for its calculation, so international comparisons are inexact. Calculating the Gini coefficient depends upon choices such as a) whether to include mandatory savings, such as CPF, as part of income; b) whose incomes are included in the calculations (e.g., only citizens or all residents of a country); and c) which equivalence scale is used (a measure that allows for comparison of differently sized households).

Singapore's Gini coefficient has risen quite rapidly over the last two decades, which has generated much discussion about inequality in the city-state: it has for some time been above 0.4, the level that the UN-Habitat describes as "the international alert line for income inequality." Debates about Singapore's Gini coefficient, as well as the level of inequality it represents, include a range of topics. For one, there has been much discussion as to whether Singapore's Gini coefficient should be compared to city Gini coefficients or country Gini coefficients. Others have debated whether Singapore's Gini coefficient should include the non-working population, an addition that would certainly make it more substantial, as its inclusion would increase the distance from the high to the low end of the spectrum.

There are also several debates concerning the idea of inequality itself, and its role within a robust economy. The relationship between inequality and growth is understood in various ways: one side argues that high levels of growth naturally lead to inequality, and the other shows evidence that many countries have experienced high growth with far lower levels of inequality than that of Singapore. Others have debated the relationship between inequality and productivity, with some arguing that wages are simply a reflection of productivity, and that inequality is the natural offshoot of this relationship, while others point to other factors that affect wages, and argue that they are more significant. Finally, there has recently been more discussion of whether income or capital inequality poses a more serious threat to social cohesion.

Capital inequality

Capital inequality has recently become a vogue topic with the publication of Thomas Piketty's *Capital in the 21st Century*. Capital inequality refers here to the gap between the capital that different strata of society control, as well as the income earned from that capital. Piketty, and many others, have ar-

gued that capital inequality poses a much bigger threat in the 21st century than income inequality. The central thesis of *Capital* is that capital inequality becomes a problem when the rate of return on capital (r) exceeds the rate of economic growth (g). While the 20th century saw a sustained period of $g > r$, Piketty demonstrates that this relationship was due to several anomalies (the outbreak of and recovery from major wars, combined with progressive tax policies) that are unlikely to recur in the 21st century. Apart from brief periods throughout history, like the 20th century, Piketty demonstrates that $r > g$ is the normal state of affairs. Based on long trends and recent policies, he argues that the 21st century is likely to see high rates of capital inequality.

Piketty describes four contexts in which the threat of high levels of capital inequality is particularly potent: low demographic growth, slowing of economic growth, capital markets becoming more "perfect", and the absence of estate tax to break up inherited wealth. All of these contexts pertain to Singapore to some degree, and some have noted that, although the relevant statistics are not available for a thorough study, there are signs that capital inequality may be a bigger problem than income inequality for Singapore.

Discussions about income and capital inequality are not simply academic debates. It has been argued at length in the literature that high levels of inequality bring negative repercussions to all strata of society. These include heightened levels of violence, increased drug use, health problems, erosion of social trust, etc. Importantly, the Singapore government has begun to acknowledge the existence of and problems related to inequality, and has taken steps to address these issues in Singapore. Over the past two years, Singapore's Gini coefficient has begun to decrease, and the government has pledged to continue to curb the trend of rising inequality.

Absolute and relative poverty

The state of inequality in Singapore tells us little about the incidence of poverty, and poverty itself is a concept that can be interpreted in various ways. Absolute poverty is understood in this handbook as income levels low enough to prevent people from meeting basic needs. In Singapore, it is generally agreed that there is comparatively little incidence of absolute poverty, although it is difficult to know exactly where this level is without the existence of a formal way of measuring it. There have been discussions in policy circles about adopting a poverty line; the Singapore government has come out against the idea, arguing that it is too simplistic a measure to capture the complexity of the situation. Others have argued that a poverty line, or a collection of measures, would go a long way towards understanding trends and changes in poverty in Singapore.

‘ The Gini coefficient indicates that Singapore has become an increasingly unequal society, but does not tell the story of how this happened. There are several factors that are commonly identified as having potentially increased inequality levels in Singapore; two of the most common are, broadly, economic strategies designed to achieve high rates of growth, and Singapore’s system of meritocracy.

Without such a line, interested parties, such as voluntary welfare organisations (VWOs), academics and so on, often use measurements based on criteria used by MSF, or data from the Singapore Department of Statistics (e.g., the Average Household Expenditure on Basic Needs [AHEBN] measure and the Household Expenditure Survey [HES]). To take an example of a measurement based on these data sources, former GIC chief economist Yeoh Lam Keong has estimated that there are 110,000 to 140,000 households in Singapore who fit the definition of absolute poverty, and that these include the “working poor,” “unemployed poor” and “poor retiree” households.

Besides understanding poverty according to absolute measures, most countries also consider the concept of relative poverty. This measure provides a different view from that of absolute poverty, as it takes into account the standard of living in a society as well as social exclusion. Relative poverty is often considered with respect to the median wage of a society, and an unofficial “relative poverty line” can be set around 50 or 60 per cent of the median wage. In Singapore, it has been estimated that around 20 to 35 per cent of households live in relative poverty.

The state of Singapore’s middle class

Besides studying the populations in Singapore who are considered “poor” by one measure or another, it is also important to consider how the middle class is faring. Apart from the last two years, over which the trend for the middle class has improved, Singapore’s middle class has experienced a long period of time over which they saw stagnating wages and an increased cost of living in Singapore. Various studies, international and local, have suggested that Singapore has become increasingly expensive during this period as well, which has added to the pressure on middle-class Singaporeans who are already coping with wage stagnation. While recent improvements for lower- and middle-class Singaporeans are promising, it is too soon to tell

whether the longer term trends have reversed or have merely slowed for a time.

Part II: Literature on the Causes of Inequality and Poverty

The Gini coefficient indicates that Singapore has become an increasingly unequal society, but does not tell the story of how this happened. There are several factors that are commonly identified as having potentially increased inequality levels in Singapore; two of the most common are, broadly, economic strategies designed to achieve high rates of growth, and Singapore’s system of meritocracy.

Ambitious growth rates

Since its inception, Singapore has famously experienced long periods of impressive growth rates. The Singapore government made the most out of Singapore’s strategic location on a major sea route, and through strategic economic restructurings, over a few decades managed to evolve into one of the financial centres of Southeast Asia.

For decades, the Singapore government focused on upgrading their economy to keep up with international markets and to maintain a competitive edge. This largely involved moving to higher value-added manufacturing, eventually shifting to a knowledge-based economy in the 1990s. While these upgrades undoubtedly contributed to Singapore’s economic success, some have suggested that the pace and ambition of these restructurings have not necessarily benefited all strata of the local population. Many have argued that Singapore’s economy was forced to grow more quickly than local workers could upgrade their skills (in spite of the efforts the Singapore government made to support skills upgrades), and that some were left in a state of unemployment because of their outdated skill sets.

Meanwhile, as Singapore's economy continued to move up the value-added ladder, emerging sectors needed more workers with relevant skills. Since much of the local population could not supply a labour force appropriate to the economic upgrades, businesses had to look internationally. Thus Singapore began to see high numbers of foreign workers at both ends of the income spectrum: so-called "foreign talents" at the high end, and "low-skilled foreign workers" to do jobs at the lower end, for which many Singaporean workers would have required higher wages.

Although the foreign workforce enabled Singapore to meet its economic goals and to sustain its high rates of growth, some have claimed that this inflow of high numbers of foreign workers has led to unfortunate externalities. For example, some have argued that workers at the lower end of the economic spectrum have driven down wages for the local workforce. Further, there are signs that some Singaporeans feel that workers at the high end of the economic spectrum have driven up housing prices, taken too many spots at local schools, and occupied jobs that should be available to Singaporeans. Indeed, on some occasions this discontent among segments of Singaporeans has become public, such as three protests held in Hong Lim Park during 2013.

The Singapore government has, over the past few years, taken steps to cut back Singapore's reliance on the foreign workforce at both ends of the spectrum. These steps include enforcing existing guidelines and putting in place harsher penalties for employers who do not adhere to the rules regarding foreign workers, and placing stricter limits on the workforce. The rates of foreign workers entering Singapore have begun to ebb although there are still jobs to be filled at both ends. This has created friction, and a balance between the needs of businesses and that of Singaporean workers and professionals is being sought.

Tax policies

Besides developing strategic plans to achieve high economic growth and remain competitive, the Singapore government has also designed their taxation policy to support growth. Tax policy in Singapore, broadly, involves low levels of corporate tax rates, no capital gains tax and low personal income tax.

Taken on its own, Singapore's personal income tax is progressive—many employed Singaporeans do not pay any income tax, and tax rates increase directly with income. However, when personal income tax is considered alongside indirect taxation, some have argued that the net result is a regressive tax system. Indirect taxation—most notably, the Goods and Services Tax (GST)—disproportionately targets lower income groups, as it is the same rate for all groups and so takes a larger percentage from people at the bottom of the income spectrum. The argu-

ment that Singapore's taxation system is regressive is especially compelling if one takes Central Provident Fund (CPF) contributions as part of the equation, which some scholars do. While not technically a form of taxation, it has been argued that CPF contributions function as a tax, as they are withdrawn from income and are not available for household needs.

Besides the argument that Singapore's tax system is inherently regressive, others have pointed out that, at the very least, the system has become gradually more regressive. For example, between the years 2000 and 2007, the highest rate of personal income tax decreased from 28 to 20 per cent, at the same time as the corporate tax rate fell from 26 to 18 per cent, and is down to 17 per cent today. The GST, however, has increased from 3 per cent, at its introduction in 1994, to 7 per cent today.

On the other side of the argument, the Singapore government points out that the GST is offset by permanent GST vouchers, which are means-tested to ensure that Singapore's lower-income groups are not overburdened by this regressive tax. Furthermore, Deputy Prime Minister Tharman Shanmugaratnam has argued that the tax system is best considered within the framework of taxation and social benefits, in which case it begins to appear far more progressive. There have also been recent changes that counter the longer trend of increasingly regressive taxation policies. For one, the cut-off bands for high-income earners have been lowered. In the 2013 Budget, it was announced that the Workfare Income Supplement (WIS) was to be expanded, and that a more progressive tax system for properties and cars would be put in place. As with the more general situations facing the lower- and middle-classes in Singapore, many have argued that long-term trends have favoured the higher income groups, but recent changes in government policy appear to be moving in a different direction.

Meritocracy

In addition to Singapore's growth strategies and economic policies, it has also been suggested that cultural reasons may have influenced the rising levels of inequality in Singapore. Singapore famously values meritocracy, which is understood here as the belief that individual merit *should* determine one's success level. First, several have argued that any meritocratic system comes with inherent difficulties. For one, if a meritocracy is to be fair, it requires a system of equalising opportunities and correcting for structural inequalities. Otherwise, factors unrelated to merit will play a significant part in determining outcomes. Secondly, if a society believes in the value of the meritocratic system, but has not taken adequate steps to correct unequal starting points, then successes and failures of individuals, and occasionally of groups of people, may be unjustly ascribed to merit rather than to social advantage or disadvantage.

A meritocratic system naturally relies upon education as a primary pathway for social mobility. A fair educational system should, in theory, allow those with the strongest intellectual ability to climb to the top. Some have suggested, however, that there are barriers to this ideal in Singapore's system. First, some have argued that the system of streaming, determined by the Primary School Leaving Examination (PSLE), may be an inexact way of identifying merit and deciding a student's future. While the concept of streaming was designed primarily to stem the dropout rate in Singapore's schools, and was quite successful in doing so, it has gone on to play an enormous role in determining the futures of Singaporean students. Many have pointed out that some students may end up in academic streams where they do not necessarily belong, particularly as their placement is based on one test, which is taken when they are fairly young. For this reason, many have argued that the results of streaming are too dependent on a single examination.

Further, some have made the case that there are “educational handicaps” that disadvantage less affluent students. For example, wealthier parents can afford to enroll their children in better preschools, which means that these children start primary schools at an advantage over their peers. Moreover, higher-income parents can afford private tuition for their children, which further increases their advantage over their peers. Although the government has argued that the benefits of tuition are exaggerated, and that they are taking steps to ensure that “every school is a good school,” many claim that there is still some distance to go in the effort to combat educational handicaps.

Some have also expressed doubt as to the opportunities for mobility through education. On the one hand, Singaporean schools consistently score very well on the Programme for International Student Assessment (PISA) test, and notably, underprivileged students also perform well, relative to their counterparts in comparable countries. The Ministry of Education (MOE) also points to the number of students of lower economic status who go on to attend post-secondary schools. On the other hand, studies have demonstrated that social mobility is slowing down in Singapore—more and more, the benefits, or lack thereof, of one generation are passed down to the next.

In sum, it has been argued that Singapore's commitment to meritocracy may have paradoxically contributed to growing levels of inequality, insofar as a belief in meritocracy may be somewhat at odds with reality. In such a situation, some have argued, the poor become stigmatised, and it becomes even more difficult for the disadvantaged to find a way out of poverty. Some groups are more vulnerable to poverty, and the stigma associated with it, than others—for this reason, there has been much written about intersections between poverty, and gender and race.

Part III: Intersections with Poverty

Poverty and gender

Many scholars have argued that women are typically more at risk than men of falling into poverty at some point in their lives. The specific circumstances that put women at risk differ according to society, but they usually have to do with women having more caregiving responsibilities than men. This is not only the case for full-time homemakers but also for women who are employed on a full-time basis—they still spend more time on household duties than men.

The fact that women are usually held responsible for caregiving and other household responsibilities means that they have less opportunity to build their savings, which leaves them more vulnerable to poverty than men. Even if women are married, and their husbands' incomes are sufficient for their families, they are merely a divorce or widowhood away from poverty. This precarious situation may force women to make dangerous decisions, such as staying in an unhealthy relationship to avoid poverty.

The two groups who are particularly at risk of falling into poverty are unmarried elderly women and single mothers. For one, elderly women usually have less in the way of savings to support them in retirement than men have, because they have often spent time outside the workforce. Secondly, women typically live longer than men, so elderly women are likely to have their final, most difficult years, on their own. For single mothers, the situation is particularly difficult because they have only one income to support themselves and their children, and they are solely responsible for the care of their children.

In many respects, the situation for women in Singapore is better than in many other countries. Women are well represented in the workplace, and enjoy many of the same opportunities that men have; there is still a significant wage gap between the genders, and women are under-represented in management positions.

According to some studies, Singapore's declining fertility rate and the policies that are designed to reverse it affect women in a variety of ways. On the one hand, the government offers several incentives to women to have children, including the Baby Bonus and various subsidies to help with the costs of child-rearing. On the other hand, many of these policies are tied to supporting the “traditional family,” so single parents are not always eligible for some types of government assistance. Single mothers face particular challenges in finding housing, as they do not receive the housing benefits for which married couples are eligible, yet

‘ ... the government has acknowledged over the past few years that greater support is needed, and that there is a greater role for the government to play.

they need a stable home to maintain a career and to keep some consistency in their children’s education.

Single elderly women also face some challenges in Singapore, as some scholars suggest. Many single elderly women have low CPF balances or none at all, and therefore must rely on their families to cover many of their needs. Because retirement coverage is tied to employment in Singapore, many elderly women arrive at this stage of life with little in the way of savings, and no CPF to sustain them.

The Singapore government has made changes over the past few years that have improved the situation for women in Singapore. With the recent introduction of the Pioneer Generation Package (PGP), for example, many single elderly women now have their healthcare payments covered by the government for life. Further, the government has begun to encourage businesses to allow flexible work schedules, so that employed women might have an easier time balancing family and work. The government has also allowed more time for working women to take off work to care for sick children, enjoy longer maternity leave, and they continue to make childcare more affordable.

Poverty and race

Since Singapore’s founding, the government has taken steps to achieve harmony among the races in the city-state. These attempts have largely involved forming ethnic self-help groups, assigning quotas to various types of housing provided by the Housing and Development Board (HDB), and offering the same educational opportunities to people of all races.

Singapore’s ethnic self-help groups are set up in such a way that each group is funded by members of their own ethnicity, via CPF contributions, as well as by matched donations from the government. While this system was designed to allow each ethnic group to be responsible for its own well-being, some have argued that self-funding may actually be perpetuating inequality among the groups. For example, the Chinese Development Assistance Council (CDAC) has a large number of high-income earners whose CPF contributions are higher than average, and so CDAC ends up with more money and greater resources to help their community than the other ethnic self-help groups. In this sense, it has been argued that the populations who started out in the lead are able to maintain that advantage through the current system.

While the ethnic self-help groups have contributed greatly to each group’s success in Singapore, there is still some debate as to whether this is the best system. Some have suggested that Singapore abandon the ethnic self-help group model and move towards a more racially unified Singapore. Similarly, it has been argued that, even if the self-help groups are successful in improving the lives of their members, they are doing little to achieve greater equality, and greater unity, among different ethnicities.

Part IV: Existing policies

Singapore’s social system is based on the ideal of “many helping hands.” In brief, “many helping hands” stresses individual responsibility; if further assistance is needed, the individual’s family will be first to help, then the greater community, and finally the government. This philosophy is evolving, however,

By producing this publication, we aim to play a constructive role in supporting government, society and the business community to understand and address Singapore’s key new social challenges.

and the government has acknowledged over the past few years that greater support is needed, and that there is a greater role for them to play. As it stands now, however, the following are some of the primary avenues for social support in Singapore. Rather than provide lengthy descriptions of each scheme, which are found in the body of this paper, brief descriptions of the debates and discussions about the schemes are listed below:

Central Provident Fund

- Does CPF provide adequate support in retirement?
- Is CPF’s link to home purchases beneficial or harmful, as this depletes retirement savings and was not CPF’s original purpose?
- Is CPF’s link to employment the best policy for all Singaporeans, as many groups are excluded from CPF participation entirely, and are therefore excluded from various facets of life in Singapore?

Housing and Development Board

- Does the incidence of poverty go unnoticed because disadvantaged Singaporeans are mingled with affluent Singaporeans in HDB developments?
- Is monetizing HDB flats an efficient way to finance retirement?
- Are HDB flats becoming less affordable?
- Should HDB flats be included in prime area housing developments, such as Marina South and Kampong Bugis?

Health financing

- Should there be more risk-pooling?
- Is Medisave adequate to pay for medical needs?

Workfare Income Supplement (WIS) Scheme

- Does WIS have the unintended side effect of keeping wages low?

Tax incentives

- Do such policies disproportionately benefit the wealthy?

Non-profit organisations (NPOs)

- Does government involvement stifle innovation?
- Are resources used efficiently by NPOs, given the amount of bureaucracy involved in their management?
- Is the current model the best way to provide assistance to the disadvantaged in Singapore?

Part V: Suggested avenues for reform

Many of the policy experts and social commentators discussed in this handbook have proposed policy changes that might help to lower the incidence of poverty in Singapore, and/or combat growing inequality. These potential policy changes range from minor adjustments to the existing system to a significant overhaul of Singapore’s approach to social policy:

- Move to an opt-out system of assistance.
- Expand CPF, including unemployment insurance and/or wage insurance, and permission to women who have worked as homemakers to access their husbands’ CPF accounts.
- Change the tax system to include an earned income tax credit, or develop a “means based tax” system.
- Make adjustments to wages: wage shock therapy, minimum wage, higher wages for certain low-wage industries.
- Increase WIS.
- Further limit the number of foreign workers in Singapore.
- Reform the education system, particularly with respect to the significance of the PSLE.

Introduction

The story of Singapore's triumphant rise from an underdeveloped to a developed economy in the space of a few decades is well known and appropriately lauded. As Singapore has settled into its position amongst the world's wealthy countries, it now faces new economic and social challenges.

Foremost among these are issues related to inequality, poverty, and unmet social needs. Much has been written on these issues—yet to date, there has been no thorough review of contributions to the discussion by the academic and policy communities. Moreover, it is clear that such a review is necessary. Organisations at the coalface of social service provision in Singapore have little time to review and digest the huge pile of research that has been conducted so far. Yet, these are the very people that such literature can help as they design, refine and implement programs intended to deal with the challenges facing Singaporeans today. A compilation of recent research on poverty, inequality and unmet social needs in Singapore can also help clarify the debate currently taking place within policy-making circles and in the public domain. It can spur more useful and productive discussion—and action—on what can be done better or differently.

The Lien Centre for Social Innovation (LCSI), a partnership between the Lien Foundation and Singapore Management University (SMU), undertakes research and capacity-building projects that catalyse positive social change in Singapore and beyond. From our position as a Centre within SMU, and through our strong connections with the social sector, LCSI is a bridge between the academic, policy-making, and social service arenas. By producing this publication, we aim to play a constructive role in supporting government, society and the business community to understand and address Singapore's key new social challenges.

How to Read this Handbook

A Handbook for Inequality, Poverty and Unmet Social Needs in Singapore has been designed to engage audiences with different backgrounds and experiences. Readers unfamiliar with either this topic or with the debates regarding the definitions of poverty and inequality can read it sequentially so as to receive an overview of the entire debate, including pointers to additional material and detailed background on important issues through graphics and boxes throughout the text.

Experts on the subject matter are invited to focus on sections most relevant to their interests. Each of the sections in the handbook has been written as a standalone paper, and as such can be read independently.

Part I
The Current Situation



Section A: Defining terms and relationships between concepts

A review of the literature on inequality, poverty and unmet social needs in Singapore has to start with a discussion of definitions and of the complex relationship between inequality and poverty. These definitions are not clear-cut; even in the academic literature, these terms are sometimes used interchangeably.

- **Inequality** is understood in this handbook as the income gap between people at different strata of society, though this definition is much more complex than this simple explanation. Inequality is often measured by the Gini coefficient, which calculates the gap between incomes. All societies have inequality, and to a certain extent, some inequality is necessary and considered by some to be desirable, in that it might promote competition. However there are many consequences associated with high levels of inequality. This has led the United Nations (UN), and others, to develop measures that indicate the point at which inequality becomes a threat to society. The negative effects of inequality are discussed further below.
- **Absolute poverty** is the inability to access resources sufficient to meet basic needs. This is usually measured by calculating a poverty line. In developing countries, the poverty line of USD 1.25 per person per day (adjusted for purchasing power) is accepted as a rule of thumb poverty line. This is not applicable to developed countries, such as Singapore, where the cost of meeting basic needs is much higher.¹ Thus, countries such as the United States have devised other measures of domestic absolute poverty. The absolute poverty lines adopted in many developed countries—while higher than those in developing countries—nevertheless are attempts to quantify and measure the same issue: an individual's financial ability to attain basic human needs.
- **Relative poverty** is the inability to access sufficient resources to meet needs that a particular society regards as necessary. Many developed countries have designated a poverty line based on a measure of relative poverty. For in-

stance, many countries of the Organisation for Economic Co-operation and Development (OECD) define as “poor” those people with incomes below 50 per cent of median income.

- **Unmet social needs** refers to other social needs that could be related to, but are distinct from, poverty. For instance, many social service organisations are concerned with social isolation among the elderly, mental health among single parents, access to health care, equitable education opportunities, good public transportation, etc. While these issues often relate in some way to poverty, they are also distinct. That is, it is possible to experience one or more unmet needs, while not being “poor” in the traditional sense.

As this discussion demonstrates, the relationships between these terms can be complex. For example, it is theoretically possible for a society to experience high levels of inequality with no absolute poverty, and it is possible to have a perfectly equal society where everyone, by traditional standards of absolute poverty, is poor. The relationship between inequality and relative poverty, however, is somewhat closer. Relative poverty refers to a measurement of poverty in the context of existing living standards and incomes in a specific society, and provides much more context regarding which needs define what it means to be “poor” in that society.

Discussions of relative poverty also focus on its implications for social inclusion. While people who are identified as “relatively poor” within a society may not experience extreme deprivation, they are nonetheless affected in significant ways. As the Nobel Prize winning economist Amartya Sen argues, wealthy countries have higher “commodity requirements” for social participation than poorer countries. That is, experiencing relative deprivation compared to others in a wealthier society can have important effects on one's ability to participate in that society, particularly if one experiences some degree of exclusion from the education system, political process, or civic or cultural organisations.² Sen illustrates this idea with the following example: “While the rural Indian may have little problem in appearing in public without shame with relatively modest clothing and can take part in the life of the community without a telephone or television, the commodity requirements of these general functioning are much more demanding in a country where people standardly use a bigger basket of diverse commodities.”³

The Gini Coefficient Measure of Inequality

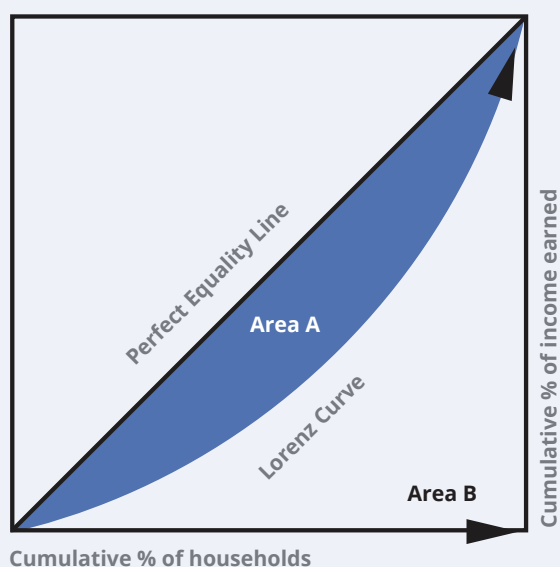


Figure 1.1 The Lorenz Curve

The Gini coefficient can be understood by using the Lorenz curve. As the Singapore Department of Statistics (DOS) explains, “The Lorenz curve is a plot of the cumulative percentage of households in ascending order of income and the cumulative shares of the income of the households.”⁴ Looking at Figure 1.1, the straight, diagonal line represents *perfect equality*; that is, if income were distributed equally among all households, such a scenario would be represented by that line. The curved line in this type of graph represents the way income is actually distributed among households; the more unequally income is distributed, the further the curved line will move from the straight, diagonal line. The Gini coefficient is the ratio of the area contained within the two lines (area A) to the area under the straight line (area A plus area B).⁵ Looking at the illustration, it becomes clear that, in a case of near-to-perfect equality, the ratio would approach zero, whereas in a situation of greater inequality, the ratio would approach one.

Equivalence scale

There is no international standard for calculating the Gini coefficient. One of the most significant differences among the approaches is the equivalence scale that is used for the calculation. An equivalence scale is a means that allows for the comparison of households of different sizes; for example, in order to compare households consisting of one adult to those comprising two

adults and four children, there must be a scale that makes these equivalent for the purposes of comparison.

As with the general computation of the Gini coefficient, there is no internationally accepted equivalence scale. One equivalence approach involves merely dividing the household income by the number of people in the household, so that one ends up comparing income on a per household member basis; Hong Kong and Japan use this method.⁶ Slightly more complicated is the modified OECD scale, which is used by Eurostat, the UK, Australia and others.⁷ According to this scale, the first adult in a household is assigned a weight of one point, each additional adult is assigned a weight of 0.5 points, and each child is allocated 0.3 points. Following which, the total household income is divided by the sum of the points allocated to household members.

The DOS does not release the equivalence scale used for calculating Singapore’s Gini coefficient, but does calculate what Singapore’s figure would be according to other scales, such as the modified OECD.

What and whom to include

Beyond choosing or developing an equivalence scale to measure a country’s Gini, there is also the question of what components of income, and which people, to include in the computation. For example, if a part of a person’s income is set aside for mandatory savings or a pension, is this still considered income for the purposes of inclusions within the calculations? In Singapore’s case, this question translates to whether CPF should be included in the Gini coefficient.

Secondly, whom should it include? Only citizens of a country, or also permanent residents (PRs)? What about migrant workers or people with temporary residence permits? Finally, should citizens, PRs, and others who are outside the work force still be included?

These questions and others are considered when determining the methodology for computing a Gini coefficient, and the answers can have significant effects on the degree to which inequality is represented in a society. The exclusion of a large group of people at one or the other end of the income distribution would clearly have a significant bearing on the appearance of inequality in a society.

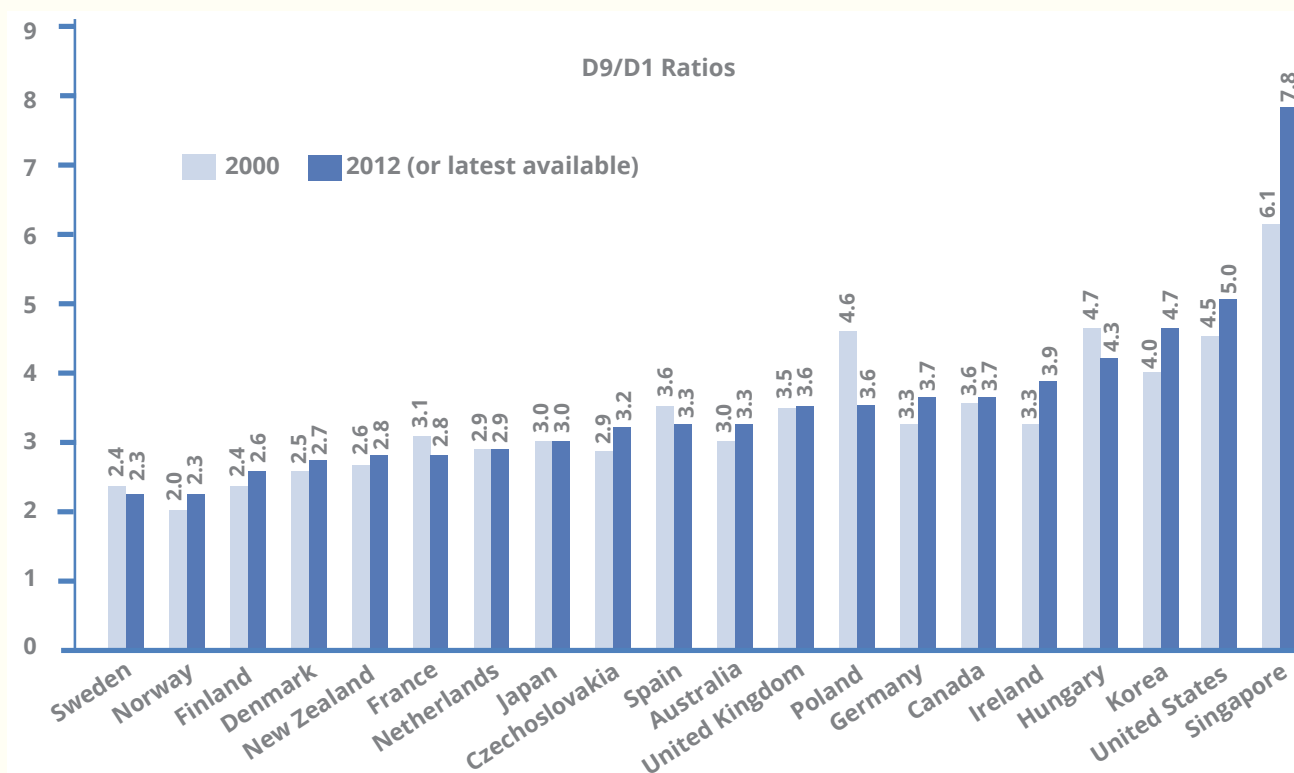


Figure 1.2: International Comparison of Wage Disparity

Source: Hui W. T., “Working Poor in Singapore,” FASS Forum on Building an Inclusive Society: Understanding and Empowering the Poor in Singapore.

Measuring the extent of inequality in Singapore

Much of the research on Singapore focuses on inequality rather than absolute poverty. Authors do this for a number of reasons, the most significant being that the incidence of absolute poverty in Singapore is relatively low (and indeed there are some that deny Singapore has any poverty at all in an absolute sense, which is discussed further below) when compared to most other Asian countries. There is no doubt, however, that inequality has risen rapidly in Singapore since the year 2000.

The increase of inequality in Singapore since 2000 is evident across all measures, including those that focus on wage disparity and the Gini coefficient. The disparity in wages between those in the 90th percentile of Singapore’s workforce and those in the 10th percentile is one of the highest in developed countries (see Figure 1.2). The ratio of distribution in wages from the 90th percentile to the 10th has risen from 6.1 in 2000 to 7.8 in 2012.

Singapore’s Gini coefficient has seen a comparable increase. As explained (see page 5), the Gini coefficient is a ratio of the highest to the lowest incomes in a given society and is expressed as a number between zero and one; the closer the coefficient is to one, the higher the level of income inequality in a society.

Before taking into account government transfers and taxes, Singapore’s Gini coefficient rose quite rapidly from 0.43 in 2000 to 0.478 in 2012.⁸ While Singapore is just one of many countries around the world that have experienced rapidly rising inequality in recent years, its experience is exceptional for two reasons: the level it has reached, and the speed at which it has attained that level of inequality.⁹ Figure 1.3 shows the change in Gini coefficients in selected countries from the mid-1980s through the mid-2000s. The average increase of their Gini coefficients over this 20-year period was 0.02, which is the same increase that Singapore experienced within a mere decade, rising from 0.430 in 2000 to 0.452 in 2010.¹⁰

Not only is Singapore’s inequality high relative to other countries, it has, at times, reached problematic levels, according to international indicators. UN-Habitat, the United Nations programme for human settlements, sets 0.4 as the “international alert line for income inequality;” Singapore is currently well above this line. Further, UN-Habitat defines Gini coefficients between 0.45 to 0.49, a range that Singapore’s Gini coefficient has occasionally entered, as follows:

Inequality approaching dangerously high levels. If no remedial actions are taken, could discourage investment and lead to sporadic protests and riots. Often denotes weak functioning of labour markets or inadequate investment in public services and lack of pro-poor social programmes.¹¹

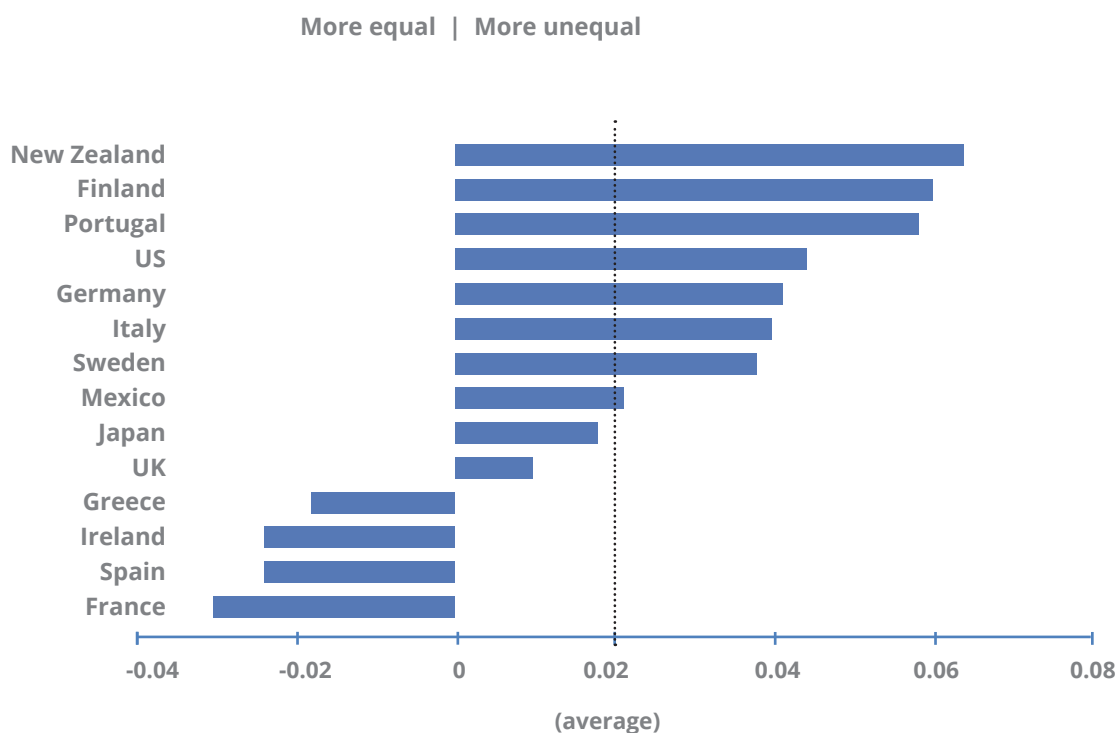


Figure 1.3: Changes in Gini coefficient in selected countries, mid 1980s to mid 2000s

Source: M. Bhaskaran, et al., *Background Paper: Inequality and the Need for a New Social Compact*. Singapore, Institute of Policy Studies (IPS), Lee Kuan Yew School of Public Policy; 5, (2012).

Recent decrease in Singapore's Gini coefficient

In 2013, Singapore's Gini coefficient fell significantly from 0.478 in 2012 to 0.463, according to the *2013 Key Household Income Trends* report. After accounting for government transfers and taxes, the Gini coefficient declined from 0.434 in 2012 to 0.412 for 2013.¹² The DOS reports that enhanced government schemes and transfers explain most of this drop. As the report noted, "the provision of the government's various schemes improved the income situation of households, with households staying in smaller types of dwelling receiving more Government transfers. This reduced household income disparities, reflected by a lower Gini coefficient after adjusting for Government transfers and taxes."¹³ These programmes will be discussed in Part IV of this handbook. The lower Gini coefficient in 2013 should be viewed within the context of other economic improvements.

While this number is sharply lower than in the past, it is still within the range considered to be "approaching dangerously

high levels" of inequality by the UN-Habitat. It is also well above this UN programme's "international alert line" or inequality threshold of 0.40.¹⁴ The decline in the Gini coefficient is a good sign regarding inequality in Singapore.

Pre- and post-transfer Gini coefficients

Another factor to be considered in relation to this discussion is the difference between the Gini coefficient before taxes and transfers, and the figure after these are taken into account. Comparing these coefficients provides a measure of the impact of government policy in reducing income inequality. The difference between these two coefficients in Singapore is the lowest when compared to other developed countries. For example, Singapore typically lowers its Gini coefficient by 8 per cent to 12 per cent through taxes and transfers. The post-transfer Gini coefficient is 30 per cent lower than the pre-transfer figure in northern Europe, and 15 per cent lower in the US. This indicates that changes to taxes and transfers could be effectively used to reduce income inequality in Singapore.

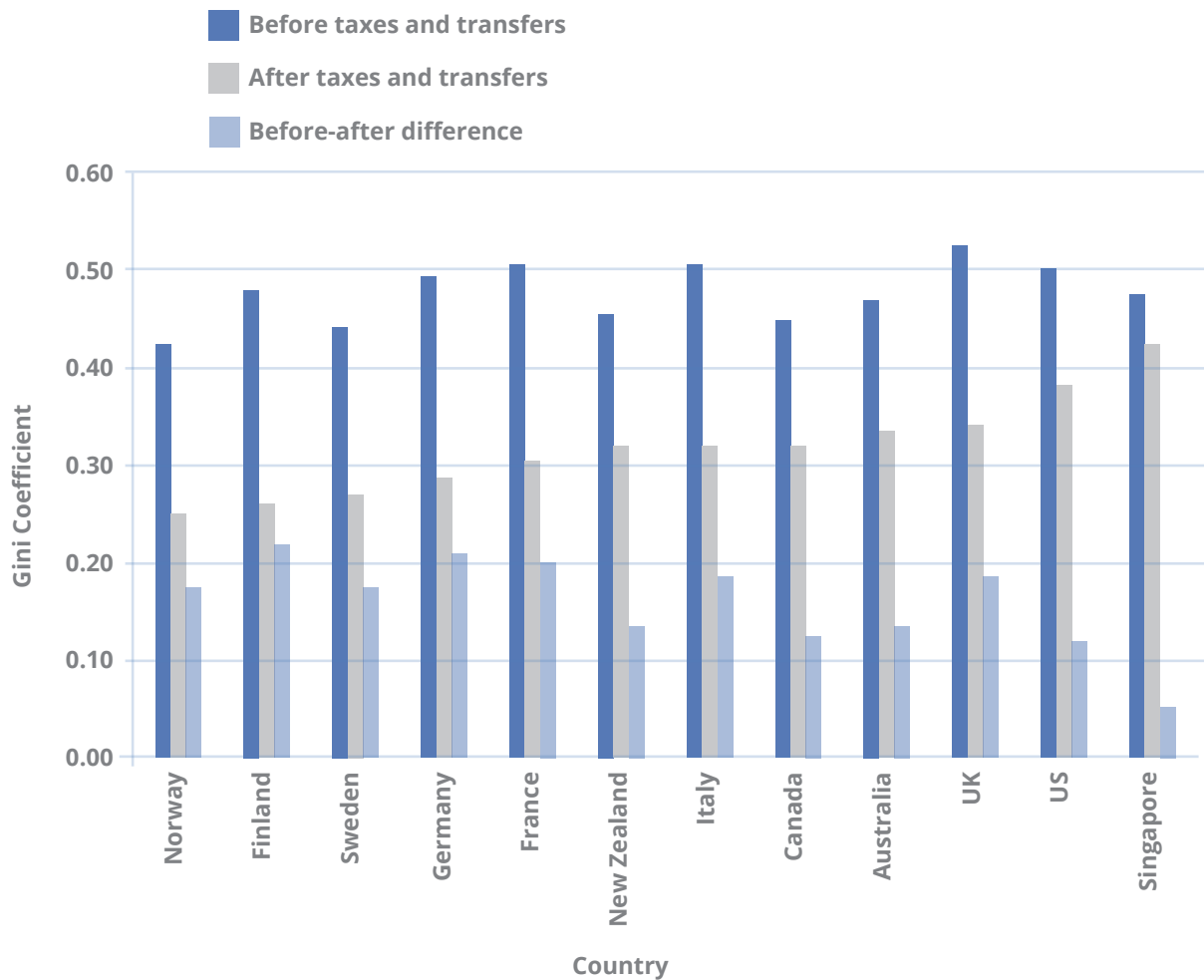


Figure 1.4: Gini Coefficients by Country, Before and After Taxes and Transfers, 2010 (ordered by “After Taxes and Transfers” Gini, smallest to largest).

Adapted from the chart by OECD reproduced in Russell Sage Foundation, <http://www.russellsage.org/research/chartbook/gini-coefficients-country-total-population-and-after-taxes-and-transfers-late-200>

City vs. country Gini coefficient comparisons

The Singapore government has suggested that Singapore’s Gini coefficient appears less severe when compared with that of other cities rather than countries. The former Acting Minister of Culture, Community and Youth Lawrence Wong noted that Singapore’s Gini coefficient is “not high for a city, which we are.” He added, “If you look at cities... the Gini in New York is higher than the Gini for America.”¹⁵

This is a useful point to consider: cities tend to have much higher Gini coefficients than entire countries. Large groups of people from both ends of the income spectrums tend to live in urban centres—the wealthiest in societies often live in cities, as do the least advantaged. Singapore is in the unique situation of being a city-state, which lacks the hinterland that most

countries have. The level of inequality in a country’s less urban areas is much lower, and so tends to reduce a country’s overall Gini coefficient. The argument, then, is that Singapore’s level of inequality should be compared to that of New York or Hong Kong, which are similar urban centres. It is then often argued that, since Singapore’s Gini coefficient is below those of cities such as these, the incidence of inequality in Singapore is actually not the crisis that some claim it to be.

The counterview is that while Singapore’s Gini coefficient is lower than some other large cities, it does not necessarily follow that inequality is not as big a problem as the measurement suggests it is. First, if Singapore’s Gini coefficient is to be compared to those of other cities, then the calculation of the coefficient should include the same groups of people as these cities do. Much of the reason that New York and Hong Kong have such high Gini coefficients is because their calculations include their

entire populations. Singapore excludes large parts of both ends of the income spectrum in its Gini coefficient calculations: the domestic calculation includes citizens and PRs, but excludes the 1.6 million non-resident population of Singapore, including migrant workers at the low end of the economic scale and so-called “foreign talents” at the high end. As the Gini coefficient measures inequality in incomes, these incomes would surely increase Singapore’s Gini coefficient significantly. Other cities, such as New York and Hong Kong, do incorporate these segments of the populations in their Gini calculations.

The typical arrangement of households in a city also affects Gini coefficients. To take an extreme example, in an imaginary city where all families live together in large households, and the average family includes four adults (two parents, two grandparents) and four children, there will be fewer “poor” households, because individuals with less income (the grandparents) are incorporated into households that have stable incomes from other adults. If such a city were compared to another imaginary city with the same population, but where all elderly poor lived separately from their children, these two cities would end up with dramatically different Gini coefficients.

The critics of the “Singapore qua city” argument say that it obscures the reality that the central issue is not the Gini coefficient itself, but rather the inequality that it represents. The fact that Singapore lacks a middle-class hinterland is not only an issue that affects the computation of the Gini coefficient, it is an actual problem that affects the less advantaged of society. Whereas in a city such as Hong Kong or New York, low-income residents have the option of moving outside the city to an area where the cost of living would be significantly lower, there is no such options for Singaporeans. As is discussed further in Part I Section D (page 17), the cost of living has increased dramatically in Singapore in recent years, and this increase disproportionately affects low-income Singaporeans, who have no hinterland to which they might escape.

Exclusion of non-working population

In addition to excluding the non-resident population from the calculation of the Gini coefficient, the Singapore government also excludes the non-working population. Due to this exclusion, Tan Khay Boon argues that while 2012 reported Gini coefficient—at 0.478 before taxes and transfers—was quite high according to UN-Habitat alert levels, it may still have underrepresented the income gap. In *Global-is-Asian*, the journal by the Lee Kuan Yew School of Public Policy, Tan K. B. writes:

The reported Gini is also derived using data from households with at least one working individual. In Singapore,

9.2 per cent [of] households are not in the labour market and are excluded from calculation. They cover the spectrum from households dependent on working adult children, transfers from the government or their pension payouts to those who enjoy accrued savings from capital, rental or other non-labour incomes. The unexplained omission of both non-labour and households with no labour force participation and non-labour income presents a less than representative picture. Intuition suggests that the Gini coefficient may, in fact, be larger than what was reported.¹⁶

A further critical view often raised is that the Singapore government chooses to calculate the Gini coefficient with CPF employer contributions included. The argument in favour of including CPF as income is a valid one: employer CPF contributions make up a part of income, a portion that people will not have access to until they retire. Still, incorporating CPF contributions serves to narrow the Gini coefficient. This is because CPF contributions are capped, and therefore are higher at the low end and lower at the high end. This narrows the gap between income levels by increasing wages at the bottom by more than it increases them at the top.

Value to the debate of the Gini coefficient: Conclusion

Many decisions go into the calculation of a country’s Gini coefficient and, as discussed in the beginning of this section, there is no international standard. Choices such as which segments of the population are included, what part of income is included, and many other variables can have a significant impact on the outcome of Gini calculations. Singapore’s Gini coefficient, therefore, when used in debates about Singapore’s level of inequality, should be considered carefully in the context of the choices that went into its calculations, as well as the choices made in the countries or cities to which it is being compared.

Common debates surrounding inequality

In debating the severity of income inequality, its potential effects on society, and responses to it, some arguments are frequently raised that bear discussion in the context of Singapore. These include the relationship between inequality and economic growth; whether inequality is just or unjust (i.e. do the poor deserve to be poor?); if inequality matters, apart from its relationship with poverty; and so on. This section introduces a few of the most common debates in this vein, but, in keeping with the goal of this handbook as an introduction to key debates of relevance to the domestic context, it does not attempt to cover all arguments comprehensively.

Inequality and growth

The relationship between inequality and growth is a vexed one, and the mainstream view is that inequality will result naturally from periods of rapid growth before lessening. Others counter that international evidence suggests this is not necessarily the case.

According to the economist, Simon Kuznets's classic thesis,¹⁷ inequality can be expected to increase rapidly for a time, before decreasing as wealth spreads throughout a population. More recently, however, Kuznets's thesis has been called into question as his inverted "U" pattern has failed to materialise in modern economies.¹⁸ Just as former World Bank economist Ravi Kanbur finds little empirical support for the thesis in other countries;¹⁹ likewise Pundarik Mukhopadhaya notes that Singapore's case does not seem to adhere to Kuznets's predictions.²⁰ This suggests that wealth has not begun to spread throughout all sectors during later stages of economic growth, and inequality does not appear to be correcting itself naturally. Countering the expectation that growth leads to inequality, Donald Low points out that the northern European countries have managed to sustain periods of impressive economic growth while keeping inequality in check. He argues that the belief in the relationship between growth and inequality is far from proven.²¹

Another widely held view in economic policy circles globally is that economic growth is important to helping the less advantaged in a society, and that even unequal growth benefits the poor, although less so than the wealthy. In short, supply-side economics is a macroeconomic theory that supports minimising barriers to economic activity; this usually involves cutting taxes and reducing government regulation.

According to adherents of supply-side economics (also known as the Washington Consensus) the wealthy help to generate jobs, investment and growth—promoting economic conditions that will ultimately help the less advantaged.²²

Martin Ravillion of the World Bank has looked at several studies conducted in a variety of countries investigating empirical evidence concerning the relationship between economic growth and inequality. He has found that there is little evidence that growth naturally brings with it a redistributive effect in favour of poor populations within these countries.²³ Low also argues there is little evidence that this dynamic works, and suggests that in Singapore there is much evidence that the poor have not reaped the benefits of supply-side policies of the last several decades.²⁴

Inequality as a reflection of productivity

It is not uncommon to hear the argument that inequality in a society is merely the reflection of different people deserving different levels of wages, based on their relative productivity and skills. Joseph Stiglitz, former chief economist of the World Bank and Nobel Prize winner for Economics, is a strong proponent of the counter-view that "inequality at the top can't be justified as 'just deserts' for the large contributions that these individuals have made."²⁵ Low similarly argues that productivity on its own does not dictate wages, and proceeds to reference other factors that have affected wage levels at both the top and bottom end of the wage-spectrum in Singapore. At the bottom end of the spectrum, Low further argues that the inflow of low-skilled foreign workers has caused a depression in wages across the board for low-skilled workers; at the other end, high-wage earners benefit from living in a country whose technologies and infrastructure allow these high-wage earners to flourish. On this point, Low quotes Warren Buffet: "If you stick me down in the middle of Bangladesh or Peru or someplace, you'll find out how much this talent is going to produce in the wrong kind of soil... I work in a market system that happens to reward what I do very well – disproportionately well."²⁶ In short, Low's position is that wages are a poor reflection of talent, effort, motivation or productivity.

Inequality and absolute poverty

Many have also argued that inequality does not matter so long as there is very little absolute poverty in a society.²⁷ However, high levels of inequality have been demonstrated to be correlated with an increase in a wide array of social problems that affect people at all levels of society, including rising crime, mental health problems, drug use, teenage child-bearing, levels of violence, levels of incarceration, and reductions in life expectancy, educational performance, and social mobility.²⁸

International literature also indicates that the erosion of trust is a serious impact of rising inequality. Countries with high levels of inequality have correspondingly low levels of social trust. Since the writings of Alexis de Tocqueville, it has been generally accepted that civic engagement and social trust are necessary for a democratic society to function effectively. Robert Putnam's much more recent work, *Bowling Alone*, underscores the ways in which society becomes less safe and less happy as civic bonds begin to disintegrate, and social cohesion begins to unravel, as he argues is the case in America.

Figure 1.5 shows levels of inequality charted against the belief that "most people can be trusted." Note Singapore's position,

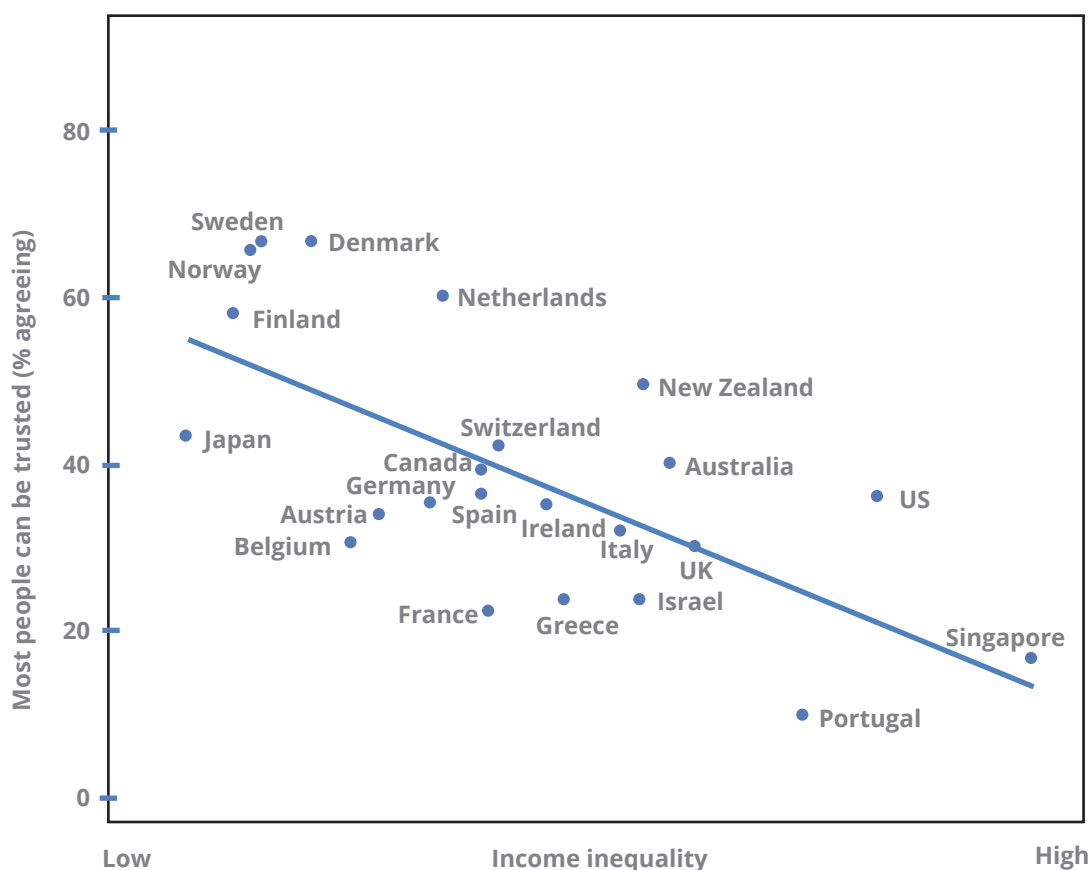


Figure 1.5: Relationship between levels of income inequality and the belief that “most people can be trusted”

Source: European and World Values Survey as referenced in *The Spirit Level*, Figure 4.1.²⁹

indicating high levels of inequality and correspondingly low levels of social trust.

Low and Vadaketh emphasise that while a lack of trust in any society is certainly unfavourable (e.g., people feel less secure, are less likely to help one another, and fare far worse in times of national crises), it is even more detrimental to a country such as Singapore, for the following reasons.³⁰ First, social welfare relies on a certain level of trust. One of the five pillars of Singapore’s Total Defence strategy is “living harmoniously and looking out for one another.”³¹ If inequality leads to an erosion of social trust, this might begin to undermine the social capital on which Total Defence relies. As former Minister of Foreign Affairs George Yeo noted, “A tsunami can destroy buildings, an earthquake can kill people, but social capital—if we have it—is indestructible.”³²

In other words, high levels of inequality and the erosion of social trust may pose significant problems in the Singapore context, particularly in key areas that require a high degree of social cohesion, such as national identity, resilience in crisis, or Total Defence. So far, it does not appear that Singaporeans’ trust in the government has eroded dramatically. The Edelman “Trust

Barometer,” an annual online survey that measured degrees of trust in 27 countries in 2014, demonstrated that the level of trust in Singapore’s government had decreased from 82 per cent to 75 per cent. This is not particularly worrying, as Singapore still ranks third among the 27 countries surveyed. Nevertheless, the relative decrease in trust of both government and business is still meaningful in a country that relies heavily on both institutions to play major roles.³³

Besides, high levels of inequality could undermine people’s faith in meritocracy, which is one of the driving ideologies in Singapore, and indeed erode the actual functioning of the meritocratic system. A Credit Suisse study published in late 2013 showed that Singapore’s levels of wealth inequality are among the highest in the developed world.³⁴ In fact, the wealthiest 1 per cent hold over 25 per cent of Singapore’s wealth.³⁵ As Robin Chan, Assistant Political Editor for *The Straits Times*, writes, “...an increase in wealth, unlike incomes, is not necessarily directly a result of work. This raises questions about how truly meritocratic Singapore can be.”³⁶ The issues surrounding Singapore’s commitment to meritocracy are discussed at greater length in Part II of this paper.

Capital inequality

The discussion so far has largely involved income inequality, and indeed most studies of inequality have focused on disparities in income, because that is where it is easiest to find available data. Capital, however, is always distributed less equally than labour, and so capital inequality is arguably a more significant problem than income inequality.³⁷ Capital inequality refers broadly to the difference in the value of capital as well as the income derived from that capital.³⁸

The recent publication of Thomas Piketty's *Capital in the 21st Century* has dramatically changed the way inequality is understood and raised important new issues for Singaporeans to consider. While Piketty addresses income inequality in the book, and makes the traditional arguments concerning its negative effects, his major contribution—and what is new in his work—are his theses concerning wealth inequality. Piketty's central thesis is that capital inequality is a problem when the rate of return on capital, known as r , is greater than the speed at which an economy is growing, often known as g .³⁹ While the rate of economic growth exceeded the rate of return on capital in the 20th century, there are many reasons to think that such a state of affairs is unlikely to happen again; these are discussed further below.

Piketty argues that it is not a case of logical necessity, that r should naturally be greater than g . It is certainly possible to envision a situation where that is not the case, but Piketty demonstrates that r has been greater than g throughout most of human history. He attempts to show that, for the most part, the return on investment in land is between 4 and 5 per cent, and the rate of growth of an economy is around 0.1 to 0.2 per cent.⁴⁰

Many of Piketty's arguments concerning inequality, and the ways in which people's perceptions of it are mistaken, are related to the specific conditions of the 20th century. As noted above, it was once thought that as societies matured, inequality would also begin to even out to levels that were acceptable. Indeed the 20th century saw very low levels of inequality, leading many to assume that inequality would naturally stay manageable. According to Piketty, however, the 20th century was an aberration, and that it was the first time in history that economic growth exceeded return on capital. He ascribes this situation to the following circumstances: wartime destruction, progressive tax policies, and unusually high growth following World War II.⁴¹

Much of Piketty's work focuses on predicting the situation regarding wealth inequality in the 21st century. In his view, the 21st century will be unlikely to see the specific circumstances that drove economic growth in the 20th century, and that the

rising levels of inequality could lead to too much political influence being held in the hands of the wealthy few. Piketty admits that the simple equation of $r > g$ is subject to many variables, particularly when it comes to the gap between the rate of return on capital and economic growth. He lists various factors that contribute to the width of this gap:

- Low demographic growth: In a situation in which demographic growth is negative, the rate of economic growth could plummet to below 19th-century rates, which would “give unprecedented importance to inherited wealth.”⁴²
- Slowing of economic growth: In countries where economic growth has begun to slow, the importance of inherited wealth overshadows the importance of savings. As Piketty puts it, “the past tends to devour the future.”⁴³
- Capital markets becoming more “perfect” in the sense that return on capital has little to do with the owner of the capital, undoing a meritocratic system.⁴⁴
- The absence of an estate tax to break up inherited wealth.⁴⁵

It is important to note that Singapore meets all of these criteria: While the economy is still growing impressively, average annual growth has decreased from the levels experienced previously (see Fig. 2.1 on page 23);⁴⁶ Singapore's Total Fertility Rate is well below replacement levels;⁴⁷ Singapore's tax policies allow large estates to remain largely intact (See Part II Section B) and, while data on Singapore's return on capital is not released for public consumption,⁴⁸ returns on it are unrelated to the merit or efforts of its owner.

Many have argued that wealth inequality, rather than income inequality, is the greater threat in the 21st century.⁴⁹ Famously, Oxfam released a paper in January 2014 claiming that the world's wealthiest 85 individuals hold the same amount of wealth as the poorest half of the population.⁵⁰ Further, given the high levels of wealth contained within some estates, it is not possible for individual incomes to be high enough to allow for an acceptable level of social mobility for the vast majority of people.⁵¹

Piketty makes the case that income inequality and capital inequality complement each other in problematic ways. Quite unlike the Belle Epoque of France, an age the Piketty describes at length in his book, people today are not clearly divided into the categories of either labourers and rentiers. Rather, it is perfectly acceptable to enjoy huge quantities of wealth in the form of capital at the same time as continuing to add to one's fortune through being a “supermanager.”⁵²

Piketty's work, of course, has its critics. One branch of criticism, launched most notably by *The Economist* magazine, holds that Piketty stretched his evidence too far and drew conclusions that reached beyond the evidence he has.⁵³ Tyler Cowen, writing for *Foreign Affairs*, suggests that Piketty overlooks the role of risk-taking behaviour.⁵⁴ Another line of criticism holds that Piketty underestimates growth and overestimates the return on capital.⁵⁵ The debate about Piketty's arguments will likely continue to rage for some time. Piketty has actually encouraged this debate by releasing his data and publicly inviting debate on the basis that he aims to begin, rather than conclude, a discussion about the future of global wealth inequality.⁵⁶ For the purposes of this handbook, Piketty's central argument, regarding the dangers inherent to a situation where return on capital exceeds the rate of economic growth, as well as his arguments about the contexts where wealth inequality is most dangerous, are most relevant. While it may be difficult to quantify the degree that wealth inequality could reach, or the speed at which it might hit such levels, it is important to note that Singapore meets the criteria described by Piketty as alarming with respect to wealth inequality.

Government response to Singapore's rising level of inequality

In a 2013 opinion piece, Stiglitz praised the Singapore government's efforts to curb inequality. He argued that "Singapore has had the distinction of having prioritised social and economic equity while achieving very high rates of growth over the past 30 years—an example par excellence that inequality is not just a matter of social justice but of economic performance."⁵⁷ The piece was criticised by many Singaporean writers and organisations as lacking insight into the reality of the way government policies operate in practice,⁵⁸ though it serves to highlight the bona fide intention of the government to acknowledge and address the issue of inequality.

Indeed, the Singapore government has acknowledged the need to reduce income inequality. In the 2012 budget speech, Minister for Finance and Deputy Prime Minister Tharman Shanmugaratnam⁵⁹ addressed rising inequality in Singapore and pledged significant budgetary changes to address this issue. Then in March of 2014, Minister for Culture, Community, and Youth Lawrence Wong pointed to the recent decrease in Singapore's Gini coefficient as evidence that the government has indeed been successful in beginning to rein in the rising inequality level in Singapore.

The government acknowledges inequality in Singapore.

"We are seeing our society stratifying, which means that children of successful people are doing better while the children of less successful people are doing less well."

- Prime Minister Lee Hsien Loong, 2011⁶⁰

"Before, I think [the government] were emphasising that we do have mobility. Now, I think there's recognition that mobility is limited for the people at the bottom."

- Member of Parliament Irene Ng P.H, also Assistant Professor at the Institute of Southeast Asian Studies (ISEAS), 2011⁶¹

Section B: Absolute poverty

As noted above, knowing that there is a high level of income inequality in Singapore tells us very little about the incidence of poverty in the city-state. If absolute poverty is defined as the level of income below which a person is incapable of meeting basic needs then it is possible for an economy to have no poor, despite highly unequal income levels. Indeed, it is theoretically possible to have high levels of inequality with relatively low incidence of absolute poverty. It has been suggested that this possibility in fact describes Singapore's situation, though as noted in "A Growing Acknowledgement" on page 16, this view is less prevalent today. At the same time, when compared to the levels of absolute poverty experienced in the poorest countries in the world, it is clear why PM Lee commented in an interview at the World Economic Forum at Davos in 2012 that the poor in Singapore are "less badly off" than those in other countries.⁶² Speaking to reporters at the Commonwealth Heads of Government Meeting (CHOGM) in Colombo in 2013, the Prime Minister also noted that Singapore had moved past the point of "extreme poverty" as it is defined by the UN (SGD 1.90 per day).⁶³ The question for Singapore is whether comparisons to absolute poverty in poor developing countries is the most effective way of assessing absolute poverty in Singapore.

The debate over a poverty line

At the same time, absolute poverty is difficult to analyse and measure in Singapore's context, as there is no official poverty line and the government does not measure or report trends in poverty reduction. Furthermore, the Singapore government rejects the notion of a poverty line due to fear of the "cliff effect," by which those just above such a line might not receive the assistance they require.⁶⁴ PM Lee added at the CHOGM that he believed it was more helpful to embrace an approach that took into account the various levels and types of needs of Singaporean citizens.⁶⁵ This approach to addressing unmet needs in Singapore is discussed at length in Part IV of this handbook; briefly, Minister for Social and Family Development Chan Chun Sing has termed Singapore's multi-faceted strategy for poverty alleviation "*kuih lapis*," which is a traditional Malay cake known for its many layers.⁶⁶

Some have suggested, by contrast, that a poverty line is necessary. In 2013, Non-constituency Member of Parliament (NCMP) Yee Jenn Jong (Workers' Party) directed a question to Minister Chan Chun Sing, asking whether Singapore might adopt an official poverty line.⁶⁷ The NCMP argued that an official poverty line would help "to identify at-risk households and to measure the performance of governmental and non-governmental efforts in helping them leave the poverty cycle."⁶⁸ When

Minister Chan rejected the idea, citing the "cliff effect," some Singaporeans on social media pointed out that a poverty line is just one of many tools that might be used to understand and address poverty in Singapore.⁶⁹ Nominated Member of Parliament (NMP) Laurence Lien was also in favour of the government reconsidering its stance on adopting a poverty line⁷⁰, and he noted that "we should also recognise that poverty is a complex issue. Different poverty thresholds for households with different circumstances would be needed."⁷¹

Additionally, an article written by scholars and staff from the LCSi at SMU argued that there are reasons to "define and measure poverty." The report listed numerous ways to do this and the advantages and disadvantages of each approach—including both monetary and non-monetary poverty lines.⁷² More recently, Radha Basu a reporter for *The Sunday Times* discussed various approaches to measuring poverty without a single line, as part of her coverage of the most recent Household Expenditure Survey (HES); her piece is discussed in more detail in the conclusion to this handbook (see page 60).⁷³

Current estimates of absolute poverty, and their implications⁷⁴

The DOS only gathers household income and expenditure information for resident households headed by Singaporean citizens or PRs. As such, these indicators and measures, and the literature review presented in this handbook, do not reflect the overall picture of poverty in Singapore, but are confined to poverty among these resident households only. Information on poverty among foreign workers in Singapore, including close to a million foreign domestic workers (FDWs) and construction workers,⁷⁵ can be found in materials produced by various civil society organisations and academic institutions.⁷⁶ Later sections of this handbook discuss the relationship between immigration policy and poverty in Singapore.

MSF measurements

In the absence of an official absolute poverty line, there have been a few attempts to identify potential measures of poverty and unmet needs, which may give some indication of Singapore's situation in relation to people who cannot adequately meet basic needs. First, the Ministry of Social and Family Development (MSF) cites the number of families who benefit from the long-term Public Assistance Scheme as an indicator of Singapore's most disadvantaged. This number is quite low, usually numbering about 3,000.⁷⁷

Jacqueline Loh, former Director of the Lien Centre for Social Innovation, developed another way of estimating the incidence

of absolute poverty in Singapore based on the policies of the then Ministry of Community, Youth and Sports (MCYS), the predecessor of MSF. In her article, “Bottom Fifth in Singapore,” in 2011, the eligibility criteria for many of the support schemes was a household income of less than SGD 1,500 per month. Loh used the 2007/2008 HES to estimate that around 12 per cent to 14 per cent of all Singapore households exist under this poverty line.⁷⁸ She noted that since a household income of SGD 1,500 per month was a conservative measure of poverty, this estimate must also be considered *conservative*.

AHEBN Measure

The Average Household Expenditure on Basic Needs (AHEBN) is a figure calculated by the DOS. This is a measure of minimum household expenditure on essential needs such as food, clothing, and shelter for a household in a one- or two-room HDB rental flat. The resulting figure is then multiplied by 1.25 to account for other household needs (e.g., transport, education). The most recent available⁷⁹ AHEBN estimate, as of this writing, is from 2011, and calculated to be SGD 1,250 per month for a four-person household.⁸⁰

Yeoh Lam Keong, former chief economist of the Government of Singapore Investment Corporation (now known as GIC Private Limited), argues, based on internal reviews of the AHEBN measure, that the measure provides a conservative estimate of absolute poverty.⁸¹ According to him, the costs are not explicitly accounted for by the AHEBN measure, but are included in the multiplier of 1.25 (e.g., transport, education, medical costs). They tend not only to increase more quickly than the expenditures on food, clothing and shelter, but are also necessary for work, school and social activities. Take for instance the mobile phone: it is a very helpful item to have when seeking employment, but such an expenditure is only one of many for which the multiplier of 1.25 is meant to account. Furthermore, Yeoh points out that actual transport and medical costs are taken into account for similar measurements in countries such as Hong Kong and Canada, indicating that there are precedents for their inclusion.⁸²

He discusses other problems in Singapore’s AHEBN calculation. First, it does not take into account costs related to investments in human capital, in that there are no out-of-pocket education expenditures, or costs related to continuing education, training, and access to information and communication technologies.⁸³ Such educational endeavors are necessary for minimal social mobility and so have a significant bearing on poverty. For example, if people lack the means to increase their levels of education, because they cannot afford the costs of education itself, or the related costs of transport, materials, etc., it

is far more difficult to climb out of the poverty trap. Finally, by only including families in one- or two-room flats, the AHEBN calculation does not account for those families living in three- or four-room flats who are receiving social assistance. Overall, according to Yeoh,⁸⁴ the AHEBN calculation likely accounts for only a fraction of those Singaporean families living in poverty.

Yeoh used the AHEBN range of SGD 1,250 to 1,500 per month, applied it to the 2011 DOS Key Household Characteristics and Household Income Trends 2011 report, and found that there were approximately 110,000 to 140,000 resident households that have great difficulty meeting basic needs.⁸⁵

According to Yeoh, if the AHEBN calculation were adjusted to include the costs of transport, education, health care, and the training necessary for social inclusion, it would likely reveal that the bottom 10 to 20 per cent of working households are struggling to make ends meet in a way that could be defined as a form of absolute poverty. The bottom 20 to 30 per cent of working households, according to Yeoh, are probably barely able to meet basic consumption and human capital investment needs but have little in the way of retirement savings, leaving them vulnerable to falling into poverty in their lifetime.⁸⁶

2014 HES

The HES is conducted every five years, and is more comprehensive than the annual Key Household and Income Trends report; the HES includes all resident households, whereas the Key Household and Income Trends report only includes employed households.⁸⁷

Using the 2014 HES to fill in details, Yeoh estimates that the 110,000 to 140,000 resident households mentioned above most likely consist of the following groups:

- *Approximately 70,000 to 90,000 households with at least one fully employed member.* These could be described as the “working poor;” they are households in which the wage of the full-time worker is insufficient to meet the basic needs of the household without financial assistance.
- *Approximately 20,000 households without employment.* These could be described as the “unemployed poor.”
- *Approximately 20,000 to 30,000 “poor retiree” households.* These are households in which the residents are older than 60, have low incomes, and are likely facing serious financial hardship. This group of elderly poor is growing quickly in Singapore, and is addressed by the Pioneer Generation Package, discussed further in Part IV.⁸⁸

A GROWING ACKNOWLEDGEMENT

For years, many observers had argued that Singapore does not have absolute poverty. For instance Kishore Mahbubani, formerly Singapore's Ambassador to the United Nations and current Dean of the Lee Kuan Yew School of Public Policy, wrote in 2001, "There are no homeless, destitute or starving people in Singapore. Poverty has been eradicated, not through an entitlements programme (there are virtually none) but through a unique partnership between the gov-

ernment, corporate citizens, self-help groups and voluntary initiatives."⁸⁹ Views on this topic have changed over the past decade, as is represented in greater social spending. First, according to Singapore's 2013 Budget, 46 per cent of the Budget went towards social development.⁹⁰ Secondly, it is now not unusual to hear government officials openly acknowledge the presence of poverty in Singapore as well as to announce strategies to address it.

"You can be poor from one generation but you must not be poor in every generation... We are not talking about a one-year or two-year problem. These are the people that require five to 10 years of assistance to get them out of the dark valleys."

- Minister for Social and Family Development Chan Chun Sing, 2013.⁹¹

"Inevitably, you have people who say, my case is unique, and you need good men and women to sit down with good sense to assess, say, 'We give temporary support here', or 'No, I can't do this one, you sort it out'. On that approach, we can help to address what we broadly call the problem of poverty, and we can make sure that we, in Singapore, if you are needy, in difficulty, you will get the right help. I think that is feasible."

**- Prime Minister Lee Hsien Loong,
Commonwealth Heads of Government Meeting, 2013.**⁹²

"What we used to do we will continue to do, to provide core public services, housing, education, health care. But at the same time we will make three important shifts in our approach. First, we will do more to give every citizen a fair share in the nation's success, raise the incomes and the wealth of the low-income Singaporeans."

- Prime Minister Lee Hsien Loong, National Day Rally, 2013.⁹³

"We must... help those who, due to personal circumstances or through no fault of their own, are unable to help themselves..."

**- Former Minister of State for Community Development,
Youth and Sports Halimah Jacob, August 2012.**⁹⁴

Section C: Relative poverty

While measurements such as AHEBN and the estimates based on low-income wages provide valuable insight into the experience of the lowest wage earners and the unemployed, they do not take into account the incidence of “relative poverty” in Singapore. Most developed countries measure poverty using not only absolute measures, such as those discussed above, but also relative measures. These take into account the standards of living of the country they are measuring as well as those factors that influence social inclusion in that society.⁹⁵ A comprehensive review of literature on social exclusion conducted by the University of Bristol recommended the following definition:

Social exclusion is a complex and multi-dimensional process. It involves the lack or denial of resources, rights, goods and services, and the inability to participate in the normal relationships and activities, available to the majority of people in a society, whether in economic, social, cultural or political arenas. It affects both the quality of life of individuals and the equity and cohesion of society as a whole.⁹⁶

As such, relative measures of poverty take into account an individual’s relative position in society. As Sen noted in *Development as Freedom*, “relative deprivation can mean absolute deprivation, if it means that an individual is unable to participate in society.”⁹⁷ In sum, relative poverty reflects social exclusion which has significant bearing on an individual’s experience of poverty and opportunities to escape it.

While it is no doubt true that the poor in Singapore are “less badly off” than those in other countries, this does not account for the impact of relative poverty.⁹⁸ For example, access to education in a way that is socially inclusive is very dependent on context. To take an example, socially inclusive access to education in India might be met simply through access to a place in a local school. For access to education to meet a social inclusion level in Singapore, it might involve a place in a local school, sufficient money for books, transportation to and from school, additional tuition, and so on. (The relationship between inequality and Singapore’s education system is discussed at greater length in Part II, page 27.) In other words, it is important to look at “relative deprivation” in the Singapore context as well as absolute poverty.

Levels of relative poverty can be estimated in various ways. A common way of estimating the incidence of relative poverty involves using the median wage as a benchmark, and those whose income is less than half the median wage are considered poor in the relative sense.⁹⁹ Irene Ng suggests that using this meas-

ure to estimate relative poverty in Singapore is difficult, because income distribution is reported in deciles.¹⁰⁰ Nevertheless, Ng proceeds by assuming that the reported mean incomes fall at the midpoint of each decile, and estimates that around 20 per cent of Singaporean households are poor by these standards.¹⁰¹

Hui Weng Tat provides a different estimate of households living in relative poverty in Singapore, using a similar way of measuring it. Hui understands this relative poverty line to be set at 60 per cent of the national median equivalised income.¹⁰² According to his measure, the incidence of relative poverty is around 35 per cent in Singapore. Both Hui and Ng argue that the number of Singaporeans living in poverty, according to relative measures, is in general increasing. However, some of this trend may be currently reversing, with the introduction of the Progressive Wage Model, which is discussed in both Parts IV and V of the handbook.

Section D: The squeezed middle class

So far, we have looked at absolute poverty, which concerns the least advantaged in Singapore, and relative poverty, which concerns this group’s relationship to the more advantaged. The trend discussed in those sections also, more or less, apply to Singapore’s middle class. We define the middle class here as those earning approximately the median wage. Like the least advantaged Singaporeans, the middle class saw a lengthy decrease in wages followed by a very recent reversal of this trend. Although Singapore’s economy continued to grow at the same pace that it had for decades (averaging 7.3 per cent per year in the 1990s and 5.1 per cent in the 2000s), median wages slowed, and in some recent years reversed, after the year 2000.¹⁰³ From 2000 to 2010, taking inflation into account, wages grew only 1.3 per cent per year, rather than the average rate of growth of seven or nine per cent in previous decades.¹⁰⁴ In mid-2013, it was reported that, when inflation was taken into account, wage levels actually decreased in 2012.¹⁰⁵

Second, as economic restructuring moved to higher value-added industries, lay-offs have begun to affect professionals, managers, executives, and technicians (PMETs) at higher rates than low-skilled workers. *The Straits Times* reported that PMETs made up more than half of the workers who lost their jobs in 2013, at 56 per cent. This is a significant increase from the 35 per cent of PMET job-losses in 2010.¹⁰⁶ In addition, the manufacturing and construction sectors also laid off more workers in 2013 than in 2012, while the service sector let go fewer workers in 2013 than in 2012.¹⁰⁷ Again, this suggests that the situation

began to improve for the lowest deciles before the trend affected the middle class.

Finally, two recent studies suggest that the backdrop for Singapore's high Gini coefficient and lengthy period of wage stagnation is a city that is becoming increasingly less affordable. The Economic Intelligence Unit (EIU) ranked Singapore as the world's most expensive city in 2013.¹⁰⁸ Singapore was positioned sixth in the previous year, but its appreciating dollar has since pushed it to number one in the world. The EIU report looks at the prices of various goods and services in different countries (e.g., food, clothing, and transport) and uses New York City as a baseline. Around the same time that the EIU released its report, the National University of Singapore (NUS) economics don, Tilak Abeysinghe, published a study and extrapolated from data from the DOS, which found that 30 per cent of Singapore's households have had to cut back on "flexible expenditures," based most likely on the rising costs of big ticket items such as housing and health care.¹⁰⁹ His study, quoted in *Today*, suggests that the bottom 30 per cent of households require "extra attention in the government's welfare programmes."

The Singapore government has responded to both of these reports with skepticism. Regarding the EIU ranking, DPM Tharman stated that the study had little relevance for locals, as expatriates in Singapore were far more affected by exchange rates. DPM Tharman explained that when Singapore's currency is strong, the city becomes far less affordable for expatriates, but the economic situation for locals does not change dramatically.¹¹⁰ Further, the EIU ranking largely concerned expenditures that are frequently more relevant to expatriates than to locals.¹¹¹

In response to Abeysinghe's study, the Ministry of Finance (MOF) took issue with two methodological points. Firstly, the MOF points out that retirees are co-mingled with other populations in the bottom 30 per cent of households, and that since retirees typically rely more on savings and assets than on income, it is a reality that this group spends more than it receives in income.¹¹² According to MOF, housing expenditures are actually "far lower" than the imputed rentals that Abeysinghe uses in his study to determine spending, as the study does not take into account the government grants that support mortgage payments.¹¹³

While there have been improvements over the years for the lower and middle classes, it is as yet unclear whether the longer trends have really reversed, or whether we are seeing an anomaly. Even if the trends are reversing, are the changes sufficient to undo the lengthy period of stagnation and wage decreases?

Conclusion

In Part I, we have looked at Singapore's high level of income inequality and potential levels of poverty, both on an absolute and relative basis. Moreover, we have reviewed research on the squeezing of the middle class, and increasing costs of living, as well as material that contests the views presented by different sources. It is clear that the debates on whether or how to define poverty, the actual impact of inequality, and the general benchmark for a standard of living appropriate to the Singaporean context are far from over. In Part II, the discussion shifts to the possible causes of current levels of inequality and poverty in Singapore.

Part II Literature on the Causes of Inequality and Poverty

No less hotly debated than the levels and impact of inequality are the causes of poverty and inequality in Singapore. This situation has clearly been influenced by historical and contextual factors; there is no consensus as to its primary causes. While the debate on causes is complex and nuanced, the explanations presented by various authors can be broadly categorised into three sets of factors: Singapore's economic history, Singapore's tax policies, and the meritocratic system and political culture of Singapore. The following section reviews each of these points and provides analysis of the arguments that have been advanced on how each of these factors has contributed to or reinforced poverty and inequality in Singapore.



Section A: Tracing the roots of inequality and poverty in Singapore

The Singapore Story

Over the last several decades, Singapore has become a model example of development due to its rapid growth, its rapid shift from a developing to developed nation, and its very low levels of official corruption and crime. Against all odds, and with few natural or agricultural resources, the city-state evolved from a trading port at the time of its independence in 1965, to the major international hub that it is today.¹

Much of this was accomplished by exploiting Singapore's primary resource—its geographical position on the Straits of Malacca—and by developing and upgrading trade and economic strategies to remain competitive on the international playing field.² The development of a well-educated, competitive population, endowed with values of diligence and quality work became one of the foundations of its successful growth.

Over the past several decades, Singapore has experienced impressive economic growth; the GDP averaged 12.9 per cent growth from 1965 to 1970, 9 per cent in the 1970s, 7.3 per cent in the 1980s and 7.8 per cent in the 1990s.³ In addition to its economic success, the country has earned international acclaim for many of its political, social and environmental policies. Singapore has become a model for countries around the world to emulate.⁴

To achieve its remarkable rate of economic growth, Singapore embraced state-led, market-based economic policies based on export-focused industrialisation.⁵ Economist Linda Lim broadly describes Singapore's growth strategy as being based initially on exports of more labour-intensive manufactured goods and over time shifting focus towards higher value-added industries.⁶

As Singapore developed, the government strived actively to shift up the global production chain. The leadership was under pressure to do so with the emergence of countries such as China and Mexico that could compete for manufacturing jobs by producing goods faster and at a lower cost. As low-skilled manufacturing jobs shifted to other nations, Singapore aspired to attract higher-tech manufacturing by retraining workers, and designing the education system to develop a workforce with strong technical skills. While this helped the nation maintain a high level of economic growth, it also meant that the economy became increasingly capital-intensive, which often reduced the need for low-skilled labour in certain sectors. In this section,

we describe the various economic upgrades in greater detail, as well as what effects these had on employment and wages.⁷

In this way, following independence, the Singapore government focused on growing its economy as quickly as possible.⁸ A number of scholars suggest that this aggressive focus on growth might have overshadowed other concerns and led to Singapore's strategy being widely referred to—sometimes derisively—as “growth at all costs.”⁹ Pang Eng Fong, for example, argues that “single-minded devotion to growth has resulted in a relative neglect of the distributional aspects of development.”¹⁰ Similarly, Lim points out that “[f]ocusing on ‘how much’ does not necessarily tell us ‘how good’ or ‘for whom,’” and suggests that Singapore's rapid growth has left some segments of the population behind.¹¹

In addition, Pang suggests that Singapore's emphasis on growth over equitable distribution was a conscious choice on the part of the government. He cites then Prime Minister Lee Kuan Yew, stating in 1974 that “growth must come before sharing;”¹² in other words, it was acknowledged that Singapore's particular model of economic growth included few measures to avoid inequality, but that inequality could be addressed at later stages of development. This was a strategy pursued by many developing countries in Asia.¹³ Tan Meng Wah, like Pang, argues that the Singapore government chose to focus on absolute growth rather than on equitable growth in order to achieve full employment. He explains:

Singapore's government actions all along appear to have been guided more by the absolute definition of inclusive growth... Instead of worrying about bringing down the [Gini coefficient], the government should focus on providing everybody with a job. Opting for slower growth for the sake of achieving equality would have ended up hitting those at the bottom the hardest. In contrast, by allowing the economy to grow beyond its potential for a few years when external environment permits, everybody benefits although those in the higher income groups benefit more.¹⁴

According to Tan M. W., the government placed its focus on achieving full employment without giving adequate attention to the growing disparity in wages, which has contributed to a widening income gap.

Regular recalibration of the economy

As the global economic situation was frequently changing, and as new challenges faced Singapore, the government met these by upgrading its economy to remain competitive. Tan M. W.

characterises this as an “Incessant Upgrading of Singapore’s Economy since the 1970s”.¹⁵ See Figure 2.1 (page 23) cataloguing the details of Singapore’s economic transitions since its independence.

Shift to knowledge-based economy

Concerted efforts to shift Singapore from basic manufacturing to higher value-added manufacturing and services were also successful. The 1998 Report of the Committee on Singapore’s Competitiveness and the Economic Development Board’s Industry 21 Master Plan includes among its goals that Singapore re-focus certain sectors to shift towards a knowledge-based economy. Following the Asian Financial Crisis, the goal has been to move Singapore towards a knowledge-based economy with the two primary engines of growth continuing to be services and high-value-added manufacturing.¹⁶

There is no doubt that the strategy of frequent upgrades contributed to Singapore’s impressive economic growth figures. However, Tan M. W. and Yap Mui Teng argue that these upgrading efforts, combined with forces of globalisation, have led to two segments of Singapore’s labour force finding themselves with an obsolete skill set. They argue that because of the rapid pace at which the transition to the knowledge-based economy occurred, older and middle-aged workers with modest formal education have been left with neither the opportunity nor time to adapt to the changing economic situation.¹⁷

Tan M. W. further argues that, with Singapore’s ageing population, many companies have chosen to hire “foreign talents,” discussed further below, rather than upgrade the skills of Singaporean workers. This has occurred in spite of the many programmes that the Singapore government offered for retraining of workers.¹⁸ Thus, middle-aged Singaporeans with below secondary education,¹⁹ and older workers²⁰ have found it harder to maintain steady employment due to their lack of relevant skill sets.

Globalisation: Trade and Technology

Beyond the deliberate strategies that the Singapore government has employed to direct the economy, external forces have affected both wages and employment opportunities. The expansion of international trade has reduced costs by internationalising the production of goods and services. Yet, as Bhaskaran et al. argue, in highly developed countries such as Singapore, the benefits of globalisation and trade are distributed across the economy, while the disadvantages are felt predominantly by low-skilled workers with limited earning capacity.²¹ The global labour supply has increased by approximately 70 per cent as a result of the entry of Chinese and Indian workers alone.²² These

lower-cost workers predominantly compete for work currently conducted by the lower end of the wage scale in developed economies.²³

At the same time, technological change has led to the polarisation of job opportunities.²⁴ Since the late 1980s, job opportunities have expanded in the US and parts of the EU²⁵ in both high wage high-education professional, technical and managerial occupations as well as in low-wage low-education occupations in areas such as food service, personal care and protective services. At the same time, however, job opportunities have declined in middle-skill, white-collar clerical, administrative, and sales occupations as well as in middle skill, blue-collar production, craft and operative occupations. This shift could be explained by the impact of technology on employer demand. Ruby Toh and Hui Weng Tat have argued that automation and outsourcing have replaced routine middle-skill jobs, but not those that require personal interaction or abstract thinking.²⁶ In sum, the last two decades have seen job opportunities shrink for the middle-skill workforce due to automation and the shift of low-skilled manufacturing jobs.

Inflow of foreign labour

The previous section has covered arguments that the changing economic situation in recent decades has led to a mismatch between Singapore’s economic needs and segments of its workforce, with focus on the effects of this mismatch on the local workforce. The demand for foreign labour is both a matter of quantity and quality.²⁷ Recently, this demand has been driven by a combination of the changing global economy and the skills of Singapore’s domestic workforce—specific types of workers are needed at different rungs of the economic ladder. Many are demanded at lower-levels of skills (quantity), while a much smaller, though still substantial, number are needed with the highest-levels of skills.

As discussed above, due to its previous focus on labour-intensive manufacturing, Singapore lacks the necessary number of professionals who have the skills and experience for knowledge-intensive industries.²⁸ (See Figure 2.1 from Tan M. W. for the time frame of various economic upgrades.) Singapore’s government has encouraged employers to upgrade the skills of their employees through various programmes, such as the Productivity and Innovation Credit programme, which offers various credits and/or bonuses for training employees.²⁹ While programmes such as these attempt to keep more Singaporeans in these roles, Tan M. W. argues that many companies have opted to take the easier route of employing foreign workers. The Singapore government has adopted a flexible approach to the hiring of high-skilled foreign workers to allow companies to adapt quickly to new conditions, as well as to enable economic

restructuring to happen as quickly as possible to remain internationally competitive.³⁰

Meanwhile, immigration policy also enabled a significant number of low-cost foreign labour to be brought in to do jobs that, Tan argues, are often shunned by the less educated Singaporeans.³¹ Ishita Dhamini points out that the wage level for these jobs in Singapore, while low, is still much higher than what low-skilled foreign labour could expect in their home countries; they therefore have more incentive and ability than Singaporeans to accept these jobs, and consequently, Singaporeans are priced out of these roles.³²

It has been well-documented that the increase in foreign labour at both ends of the economic spectrum has been substantial over the last few decades.³³ According to Dhamini, the number of foreign workers on all rungs of the economic ladder in Singapore has tripled between 1990 and 2005 to comprise almost 30 per cent of the labour force. Further, Hui notes that between 1998 and 2010, the number of non-resident workers in Singapore increased by 494,000; these workers filled 47 per cent of the jobs created during that period.³⁴

Impact of the low-skilled migration

This inflow of foreign labour has had both positive and negative consequences. On one hand, as Tan M. W. has argued, foreign labour provides the support Singapore needs to remain economically competitive on a global scale, in that it has helped the state to maintain its impressive pace of growth and to upgrade its economy when the situation allowed. Further, low-skilled foreign labour has contributed to a lower cost of living for many higher-income Singaporeans.³⁵ On the other hand, the combination of the changing economic situation and the inflow of foreign labour has had negative effects on wages in the lower and middle deciles.

Hui argues that lower wages at the bottom of the economic ladder, driven down by the inflow of foreign workers, have likely dissuaded many local workers from seeking full-time employment.³⁶ Data from 1999 and 2010 demonstrate that the number of Singaporeans of working age who did not participate full-time in labour market activities increased over that period from 167,400 to 1,044,300, making up to 33.8 per cent of the working-age population.³⁷ Further, the bottom quintile in the wage distribution of resident workers saw a decrease in real wages between 1998 and 2010.³⁸ As discussed in Part V (see page 56), the government has recently begun to focus on scaling back the annual increase in foreign workers.

As discussed in the introduction, middle-income workers have started to be affected as well. Recently, there have been

signs that wages among these workers have stagnated. Like the decrease in wages among the bottom deciles, this has been attributed, at least in part, to the presence of high numbers of foreign employees.³⁹

Tan M. W. and Hui argue that the high number of foreign workers in Singapore, in addition to affecting employment opportunities and wages, has also led to a growing sense of discontent among Singaporeans.⁴⁰ This has become a more significant issue, as there is evidence that in addition to occupying jobs at the top and bottom rungs of Singapore's economic ladder, foreigners are now competing with Singaporeans for jobs in the middle rungs as well.⁴¹ K. P. Tan argues that middle-income Singaporeans feel frustrated that they are losing economic opportunities to foreigners whom they deem "second-rate."⁴² Further, Tan M. W. suggests that Singaporeans are also growing increasingly aggravated by non-Singaporeans working in the country, exerting pressure on Singapore's infrastructure, particularly in the areas of housing and public transport, as well as taking some of the limited spaces in Singapore's public schools.

Regarding the high levels of immigration, Tan M. W. notes that the "voices of discontent" have begun to grow. He says that Singaporeans are increasingly blaming foreigners for taking jobs, occupying places in schools, pushing up housing prices, and for a variety of other perceived problems. These issues have been widely covered in popular publications as well. *The Economist* acknowledged this tension in a 2009 piece entitled, "Singapore and immigration: a PR problem," in which they argue that the growing number of foreign workers in Singapore had led to increasing feelings of discontent among locals. According to the article, some of this frustration is due to the fact that "anti-immigrant sentiment cannot easily gain a strong political voice" because of the political dominance of the PAP.⁴³

Nonetheless, Singaporeans have been finding opportunities to make their voices heard on this issue. For example, the Singapore government released the Population White Paper in January 2013, which, as part of its immigration policy, projected a population of between 6.5 and 6.9 million by 2030, of which only between 3.6 and 3.8 million will be citizens.⁴⁴ This announcement caused some disquiet amongst members of the population who were concerned about overcrowding and the protection of Singapore's identity. Three protests were held at Hong Lim Park, in February, May and October of 2013. As Tan M. W. notes, between the importance of remaining globally competitive and the importance of employing the local population, "There is no simple solution."⁴⁵

In the last few years, the government has taken steps to reduce reliance on foreign manpower and to ensure that Singaporeans remain the foundation of the workforce. For example, in

Textiles, garments, furniture, electrical household appliances, shipbuilding/repair, consumer electronics, petroleum refining, chemicals, Tourism

Electronics (disk drives, PC, wafer fabrication), chemicals, pharmaceuticals, precision instruments + Financial & business services, Tourism

Manufacturing: Four key clusters—**Electronics** (semiconductor, IC designed, HDD and network storage systems, PC, mobile handsets, computer peripherals), **Biomedical** (pharmaceuticals, medical technology), **Chemicals**, **Engineering** (Transport, Precision), **Services**, Financial & Business services, Education, Medical, Transport & Storage, Infocomm, Digital Media & Entertainment, Tourism, Management of overseas IT & industrial parks

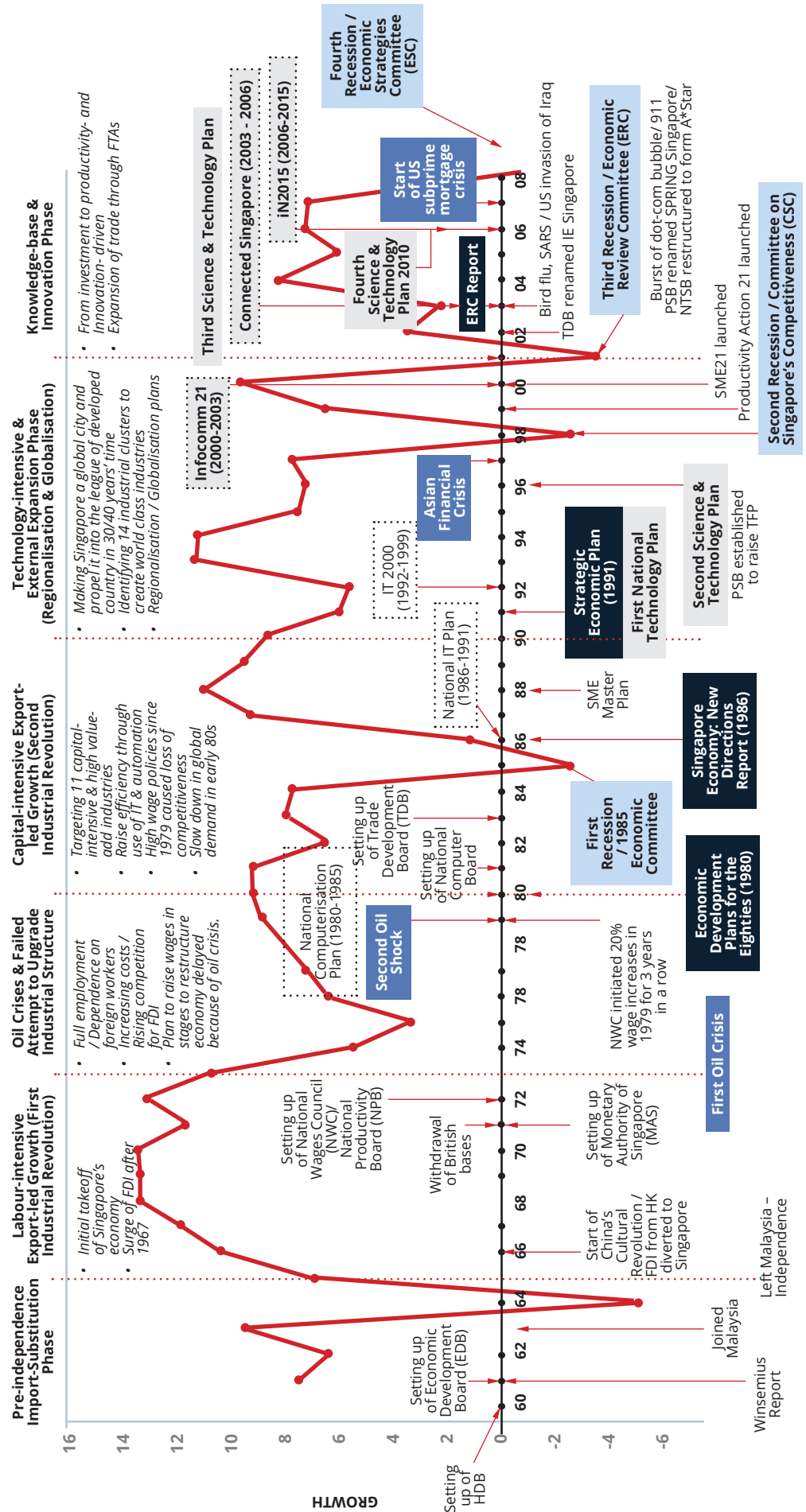


Figure 2.1: Various economic upgrades in Singapore since 1959
 Source: Tan, M. W. "Singapore's Rising Income Inequality and a Strategy to Address it." ASEAN Economic Bulletin 29, no. 2 (2012): 132, Figure 1.

2012, Parliament passed amendments to the Employment of Foreign Manpower Act, which attempts to deter employers from hiring foreign workers outside the work pass framework by imposing new penalties.⁴⁶ In early 2014, the Ministry of Manpower (MOM) released a report on the labour market from 2013, showing that employment rates of foreign workers had continued to slow, growing only 2.3 per cent in 2013, down from 4.6 per cent in 2012 (excluding FDWs and construction workers).⁴⁷ It reads, “The Ministry of Manpower will monitor the impact of previously announced foreign workforce policy measures on employment, productivity, and incomes, and continue to take progressive steps to moderate foreign workforce growth to more sustainable levels.”⁴⁸

Section B: Tax policies to support growth

It is widely agreed that Singapore’s taxation policies, particularly reflected in the trends over the last two decades, are largely designed to support its economic strategy of rapid growth.⁴⁹ For example, the government has steadily reduced the corporate income tax, from over 40 per cent in the 1960s to 17 per cent today.⁵⁰ This low rate encourages corporations to locate in Singapore. Further, Singapore has no capital gains tax; this policy encourages the wealthy to keep their wealth in Singapore rather than transfer it to other countries.⁵¹ Although Singapore is able to boast low rates of personal income tax across the board, many have argued that Singapore’s taxation system—including direct and indirect taxation, as well as the Central Provident Fund (CPF) scheme—benefits the higher income brackets disproportionately, and has heavily contributed to Singapore’s rising level of inequality.

Broad overview

Those who debate Singapore’s tax policies largely focus on categories of taxation that affect the complex relationship between taxation and inequality.⁵² First, there is the direct income tax, which has generally been praised for being among the lowest in the world among developed economies. Secondly, there is indirect taxation, which includes the Goods and Services Tax (GST), property taxes, stamp taxes, Electronic Road Pricing (ERP) or tolls that relate to Singapore’s traffic management scheme, and so on. Finally, Mukul Asher, among others, argues that the CPF system should be included in a discussion of taxation. CPF is a social security system, not a tax; however, Asher argues that the CPF also functions as a tax insofar as the system has an impact on both wages and purchasing power, and affects Singaporeans in the higher and lower income groups in different ways.⁵³ Further, Asher argues, “... if the distinguishing characteristic of a tax is the use of compulsory powers of the

state to finance an activity, then they should appropriately be regarded as taxes.”⁵⁴

Direct and indirect taxes

A number of economists have noted that since the year 2000, direct taxation has been decreased in most categories.⁵⁵ The top rate of personal income tax has fallen from 28 per cent in 2000 to 20 per cent in 2007, which is quite low with respect to comparable countries or regions (see Table 2.1).⁵⁶ Over the same period, the corporate tax rate has fallen from 26 to 18 per cent, and it is currently 17 per cent.⁵⁷ Furthermore, as mentioned earlier, Singapore has never taxed capital gains and, as of 2008, it abolished the estate duty.⁵⁸ These changes have made the tax system more regressive than it was, as the reduced tax burden affects the wealthy more than the less advantaged. As discussed in the section on wealth inequality, the absence of the estate tax and capital gains tax also serves to reinforce the existing social hierarchy, as each generation can transfer wealth to the following.

COUNTRY	TOP INCOME TAX
Hong Kong SAR	15 per cent
Singapore	20 per cent
Asia Average	27.57 per cent
Canada	29 per cent
South Korea	38 per cent
United States	39.6 per cent
Taiwan	40 per cent
OECD Average	41.59 per cent
United Kingdom	45 per cent
Australia	45 per cent
France (2011)	45 per cent
Japan	50.84 per cent

Table 2.1: Top personal income tax rates in several comparable countries or regions. All figures are from 2014, unless otherwise stated.

Source: KPMG (<http://www.kpmg.com/GLOBAL/EN/SERVICES/TAX/TAX-TOOLS-AND-RESOURCES/Pages/individual-income-tax-rates-table.aspx>)

As government leaders have stated on several occasions, the Singapore government strives to have low income tax rates in order to stay competitive with other countries or regions⁵⁹ and in order to retain top talent.⁶⁰ Singapore’s highest personal income tax rate is indeed five percentage points higher than Hong Kong’s. On the other hand, it is lower than most other wealthy, comparable countries. Table 2.1 compares the rates among several relevant countries or regions.

At the same time as direct taxation rates have decreased, indirect taxation rates have risen, a burden that, according to Ishita Dhamani, those Singaporeans with lower income disproportionately bear. The GST, the most common form of indirect taxation, has risen from the rate of 3 per cent when it was introduced in 1994 to its current rate of 7 per cent.⁶¹ Since the GST is an across-the-board consumption tax, it is by nature regressive, a point which the Singapore government acknowledges as well.⁶² All levels of society pay the same rate, and this rate hits the lowest income groups the hardest as they have less disposable income. Some of this burden is offset by GST vouchers offered by the government to low-income households.⁶³ DPM Tharman argues that the regressive nature of the GST should be considered within the framework of the larger system of taxes and benefits, in which social assistance is given to the less advantaged: “The GST Voucher is one part of the permanent offsets for the GST. It is part of a larger system of means-tested benefits that ensures that our lower-income group gets back far more benefits than the taxes they pay.”⁶⁴

Over the past few years, the Singapore government has begun to move in the direction of making the tax system more progressive. In addition to lowering the cut-off rates for tax bands among high-income earners, there were also several changes announced in Budget 2013 that moved the tax system in a progressive direction; for example, the DPM announced an expansion of the Workfare Income Supplement (WIS) as well as a more progressive tax system for properties and cars.⁶⁵ These changes may be a sign of things to come in future budgets, as many have suggested.⁶⁶ This has the potential to balance the increases in income inequality that has, as Dhamani and others have argued, been propelled in part by the current tax system.⁶⁷

CPF

The CPF is a government policy designed to ensure retirement income, among other uses. This is discussed in detail in Part IV which underscores the various benefits of CPF, most notably its role in providing for retirement and housing. This section deals with the argument that CPF also functions as a form of taxation.

Mukul Asher argues that CPF can be seen as a form of taxation because these contributions impact the amount of money people can retain from their wages, and have an effect on wage levels themselves. CPF contributions affect low-income earners much more than high-income earners. First, while everyone parts with the same percentage of their income in CPF contributions, those on lower incomes are left with less disposable income to meet the fixed cost of necessities than higher wage earners. Further, CPF contributions are capped at SGD 5,000, so the highest income earners end up paying a far lower per-

centage of their incomes into it. Asher acknowledges, however, that CPF contributions are not considered a tax according to “conventional international practice.”⁶⁸

Conclusion: Taxation and the lowest income earners

A number of scholars argue that when Singapore’s various indirect taxes are added to direct taxes, there is still a significant burden on the lowest-income earners.⁶⁹ While Singapore has a low rate of personal income tax—in some cases none at all—indirect taxes make up a large portion of Singapore’s taxation system, and these taxes are applied across the board equally. Some scholars conclude that combined with CPF contributions, these taxes can make it difficult for low-income families to meet basic expenses. The range and rules of social assistance schemes, such as GST vouchers offered to low-income families, make it difficult to estimate the extent to which this tax burden is offset.

“Meritocracy has to remain the fundamental organising principle in our society. We have to recognise people for their contributions and effort, not backgrounds or status or wealth or connections.”

**– PM Lee Hsien Loong,
National Day Rally 2013⁷⁰**



Picture credit: Brian Smith

Section C: Meritocracy

Many scholars have discussed the ways in which the goal of creating a meritocratic society has informed Singapore’s development policies, how it has had an important impact on the way society is structured, and how it has helped to shape the way that various populations view one another and society as a whole. As such, the ideal of meritocracy has impacted significantly on economic policy, the structure of the education system and the expectations of the citizenry.⁷¹

Broadly speaking, meritocracy is the idea that individual merit will determine one’s level of success, whether in terms of education, career, mobility, recognition or prestige.⁷² It is an ideology that many believe ensures equal opportunities for individuals coming from all levels of society, as it suggests that the inher-

ently deserving and hardworking are rewarded accordingly.⁷³ However, several scholars have indicated that Singapore’s meritocratic structure has crippled some segments of society, whether because the concept itself is flawed or because it has not been implemented in Singapore in an effective way.⁷⁴

K. P. Tan, for example, has argued that the concept of meritocracy has internal contradictions.⁷⁵ He contends that meritocracy has two mutually contradictory goals in its definition: elitism and egalitarianism. On the one hand, a meritocratic system is meant to provide equal opportunities to all citizens; on the other, it naturally favours members of the elite, who are destined, as a result of wealth and status in society, to arrive at the top of the ladder. This tension within the concept of meritocracy leads to a competition between elitism and egalitarianism that can be difficult for any society to reconcile.⁷⁶

In addition to pointing out its internal contradictions, Tan also argues that meritocracy, particularly in Singapore, faces barriers to effective implementation: namely, meritocracy is only “fair” if everyone in a society begins at the same starting point. That is, for a society to be structured according to “fair” meritocracy, all races, ages, sexualities, genders and so on, must begin to climb the social and economic ladder from an equal starting place.⁷⁷ As much as any government might try to level the playing field—and, as discussed at length below, Singapore has social schemes in place to do this—K. P. Tan suggests that it is simply not possible to undo generations of structural inequalities.

Economist R. Quinn Moore offers similar observations about possible failings of meritocratic systems. He distinguishes between a “fair” and “cruel” meritocracy. A “fair” meritocracy is one that attempts to compensate for “inherited advantages or disadvantages.”⁷⁸ Employing a meritocratic system without considering the advantages of the privileged groups in a society will lead to what some have called a “cruel” meritocracy, which Moore describes as not accurately representing talents and hard work of individuals, particularly those who are held back by systemic inequality. While Moore applauds Singapore’s attempt at a pragmatic application of a “fair” meritocracy, he argues that “ethnic favouritism and entrenched social advantage” impede this attempt.⁷⁹

In spite of the government’s efforts to create equality of opportunity for all Singaporeans, some have argued that the culture of meritocracy has contributed to growing inequality and the increased vulnerability of certain populations within the city-state. In “Meritocracy and Elitism in a Global City,” K. P. Tan fleshes out how inequality is exacerbated in a meritocratic system:

Meritocracy, in trying to “isolate” merit by treating people with fundamentally unequal background as superficially the same, can be a practice that ignores and even conceals the real advantages and disadvantages that are unevenly distributed to different segments of an inherently unequal society, a practice that in fact perpetuates this fundamental inequality. In this way, those who are picked by meritocracy as having merit may already have enjoyed unfair advantages from the very beginning, ignored according to the principle of nondiscrimination.⁸⁰

In other words, if a society believes that the meritocratic system is the great determiner of who attains success, the result is that achievements or failures may be incorrectly ascribed to the merit or work ethic of a group. According to K. P. Tan and Moore, however, successes that are ascribed to merit may in reality be largely due to social advantage; this effect is discussed further.⁸¹

Goals of meritocracy

K. P. Tan, Moore and others have framed the discussion of meritocracy in terms of its effect on the way that society interprets the success of individuals—namely, meritocratic societies often ascribe success to merit rather than to privilege or advantages that might have contributed to one’s success. Low frames the discussion of meritocracy in terms of who in a society benefits the most, as well as what the goals of the meritocratic system appear to be.⁸² He identifies two types of meritocracy, “trickle-up” and “trickle-down.” Low explains that the world view of a “trickle-up” meritocracy “sees government redistribution and fair outcomes as necessary corollaries to market-friendly, pro-capital policies and the meritocratic system.”⁸³ “Trickle-down” meritocracy, according to Low, is interested in developing a national elite, because only the “best and brightest” in a society will be the key to economic success and general development, which will then “trickle down” to the rest. Such a society is more concerned with investing in and opening opportunities for its elite, and far less concerned about social equity and how its benefits are distributed.

The assumption is that “the poor are best served by providing the best and brightest with maximum opportunities to succeed as they are the ones who create jobs for the rest.”⁸⁴ Low suggests that Singapore is very likely such a society, as the goal of Singapore’s meritocratic system appears to be to develop a national elite. Similarly, Dhamani argues that Singapore “strongly upholds meritocracy, and only provides education and growth opportunities to its deserving citizens so that they achieve greater goals for the society.”⁸⁵ The following section looks at arguments regarding how Singapore’s education system upholds its meritocratic system without necessarily levelling the playing field in a sufficiently fair way.

Meritocracy, streaming and Singapore’s education system

Education is often considered to be one of the primary paths available for social mobility. It has been widely noted that Singapore places a strong emphasis on educational attainment, as it ties in well with the ideas of meritocracy: education should allow those with greater intellectual merit to find their way to the top, regardless of where they started.⁸⁶ However, while Singapore’s education system is touted as being designed to allow anyone with intellectual merit to succeed,⁸⁷ many have argued that there are various barriers that hinder certain populations from attaining this success.⁸⁸

Singapore’s education system was designed with the specific goal of creating a competitive workforce. Therefore, the education system has been structured in such a way as to identify

the best and brightest students and to provide them with the resources and faculty attention to make the most of their abilities, i.e., “cultivating an elite.”⁸⁹ This is accomplished through streaming, a process by which students are periodically tested, first with the Primary School Leaving Examination (PSLE), and secondly with the qualifying exams for the Gifted Education Programme (GEP), and then placed in certain academic tracks, or streams, according to their abilities. The most significant of these tests is the PSLE, which is administered to students at the end of their sixth year of primary school.

The streaming system was developed under the former Minister of Education, Goh Keng Swee, and the ideas behind it made up part of the seminal “Goh Report” in 1979.⁹⁰ Streaming was developed largely to slow the high dropout rate at the time and to allow students to learn at their own pace.⁹¹ The Singapore government acknowledged that not every student was destined for university, and early streaming would help to identify students who are more vocationally inclined. The system of streaming was successful in dramatically reducing the dropout rate from 19 per cent in 1980 to 4.4 per cent in 1997.⁹² The potential failing of such a system is, of course, is that the testing might not identify students accurately.

Making room to allow a society’s best and brightest to excel is undoubtedly an important goal if a country wishes to remain economically competitive in an increasingly globalised world. Streaming may help to achieve this goal, as certain students are identified as being particularly gifted, and they can then be placed in an academic stream where they can get the resources and attention they need. However, it has been noted that this system is far from ideal. For example, Low has suggested that the PSLE tests are an imperfect way of measuring merit, insofar as they are administered when individuals are quite young, and the tests are not proven to measure ability accurately.⁹³ At the same time, however, the PSLE is given an important role in determining the future of these students. Low argues that these consequences are too great for tests that may not be accurate indicators of talent, and that this benefits neither society nor the individuals taking the test. For one, Singapore’s goal of identifying the most talented may not be met; many gifted students may not have excelled on the test, after which they may not be noticed. On an individual level, it is also not fair to students who end up in a stream where they may not belong, particularly as their placement is based on only one examination.⁹⁴

Moore points out that the practice of streaming also furthers inequality by channelling resources to the elite. Once students are streamed, and the best and brightest among them have been identified, the state is then able to provide greater funding for the higher achieving students. As Moore illustrates, “Elite-

oriented funding continues at all levels of the system and is particularly concentrated on tertiary education, which is, for practical purposes, only available to those initially channelled to the high streams.”⁹⁵ The system of streaming then, according to Moore, allows the state to provide more funding to some students than to others, which runs counter to the egalitarian goals of meritocracy.

In the National Day speech of 2013, PM Lee Hsien Loong announced that the government planned to make changes to PSLE. First, rather than giving precise numerical scores for the test, students will be given letter grades. The intention behind this shift is to remove the pressure that students often experience to fight for every point on the test so that they might attain the highest relative position. Further, the results of the PSLEs will place students into “wider bands,” like those following the Ordinary (‘O’) and Advanced (‘A’) level examinations, and students in the various streams will be offered a wider range of courses than under the current system.⁹⁶ Both of these changes will lessen the overwhelming significance of students’ PSLE results.

Advantaging the affluent

This literature review identifies another group of scholars who argue that Singapore’s education system is set up in a way that benefits the affluent. Maryam Binte Mohamed Mokhtar et al., for example, suggest that an “educational handicap” begins in early education with parents who can afford opting to send their children to private pre-schools, which are the dominant providers of early education.⁹⁷

Those from the lower income group have to struggle to educate their children before they are enrolled in primary school in order to bring them to the same starting line. As a result, children coming from parents of different income groups have a different level of educational development and capability by the time they enter formal education. Carl Trocki argues that “by [the year] 2000, it was necessary for a toddler to enter the right preschool, so that they could be prepared for kindergarten, gain entrance into the right primary school and thereby qualify for the best secondary school.”⁹⁸ In other words, once the educational advantage is set in motion in preschool, it tends to continue into the later stages of education. Further, alumni of certain schools are given priority for spaces in these schools, which reinforces the status quo rather than allowing the system of meritocracy to determine who may attend which school.

Moore also points to the importance of private tuition in Singapore; since the education system is so competitive, and in many ways structured as a zero-sum game, parents are prepared to

invest in extra tuition to give their children whatever advantage they can.⁹⁹ Wealthy Singaporeans have both the means to enrol their children in extra tuition and the ability to spend a greater amount of time helping to prepare them for exams; less advantaged Singaporeans tend to struggle more on both fronts. In addition, Low points out that the concentration of good schools in well-to-do neighbourhoods, alongside the ability to afford higher tuition programmes, offers the rich a two-fold edge over the less wealthy.¹⁰⁰

The Singapore government has responded to criticisms pertaining to the advantages gained from attending neighbourhood schools and private tuition. In June 2012, Minister for Education Heng Swee Keat outlined the government's intention of providing support to schools to ensure that, one day soon, every school will be a "good" school.¹⁰¹ He elaborated on the four-prong approach to make this a reality, which involves "giving schools resources to offer customised programmes that best fit their students' needs; raising teachers' professional standards; encouraging learning and innovation across schools; and promoting partnerships between the schools and community."¹⁰² As far as private tuition is concerned, the government has pointed out that, understandably, they cannot regulate this type of "shadow education."¹⁰³ In a parliamentary reply, Minister Heng also argued that the advantages gained through tuition are overstated, and that such an approach can actually lead to negative consequences, such as too much stress for students.¹⁰⁴

Mobility through education

Education is traditionally believed to be an important avenue for intergenerational social and economic mobility. The extent to which it continues to function this way in Singapore is a topic of some debate.

The Ministry of Education (MOE) points to evidence that Singapore's education system plays an important role in lifting families out of poverty. For instance, the 2009 Programme for International Student Assessment (PISA) test, which is administered to students in 65 countries, showed that Singapore's less advantaged students were performing better in the reading category than would otherwise be expected. Specifically, about half the students in the bottom socio-economic quarter earned higher scores in reading than would be expected given their background.¹⁰⁵ The MOE press release ascribes this result to Singapore's meritocratic system.¹⁰⁶

The MOE also points to the high levels of post-secondary attendance among less advantaged Singaporeans as evidence of social mobility through education. About half of students who grew up in one- to three-room HDB flats, a typical marker of a lower economic status, ended up attending either publicly

funded universities or polytechnics.¹⁰⁷ The MOE, in a 2011 press release, pointed out that this rate had remained consistent over the last decade.¹⁰⁸ The data cited by them certainly indicates that a significant number of less advantaged students are able, through Singapore's education system, to move beyond their economic background with respect to educational outcomes.

Despite the statistics presented, it is less clear how well these students are performing with respect to their more advantaged peers, or what impact their educational attainment has on their future income prospects. Many scholars have suggested that there are significant mediating factors limiting the effect of education on intergenerational mobility. While there was greater opportunity for intergenerational mobility during the period of Singapore's faster growth, there is also evidence that this mobility has slowed down more recently.¹⁰⁹ Irene Ng Y. H. analysed the results of a 2002 youth survey in order to measure the odds of someone moving to a different income group from his or her parents'. She found that Singapore had an "intergenerational income elasticity" of 58 per cent. Tan Hui Yee, a correspondent from *The Straits Times* explains that this means that "58 per cent of the income advantage of parents was being handed down to their children," which suggests that Singapore's income mobility is close to that of the USA, which is considered rather low.¹¹⁰

Yip Chun Seng has also conducted a study of intergenerational mobility in Singapore, but his findings differ from Ng's. Yip's study suggests that Singapore's level of intergenerational mobility is better than that of other countries with high levels of inequality, particularly the United States.¹¹¹ His study suggests that there is a low correlation between the income of "Generation X" (individuals between the ages of 30 and 39 years old in the year 2008) and that of their fathers. The correlations of his groups are between 0.22 and 0.30, with 0 being no correlation between incomes and 1 being identical incomes.¹¹² However, Yip has acknowledged that his study is not representative. He compares only first-born sons to their fathers, and takes incomes from the beginning of the sons' careers (when incomes are likely to be at their lowest) and compares them to incomes from the ends of the fathers' careers (when incomes are likely to be at their highest).¹¹³

In terms of how well children of lower-income families perform with respect to their peers, Ho Kong Weng argues that parental background greatly influences the quality of education that children receive, which in turn affects the children's opportunities post-education.¹¹⁴ Similarly, Ng describes the findings of recent studies, "Those [children] whose parents were less educated were more likely to be less educated relative to their peers, while those whose parents were more educated were more

likely to remain the most highly educated of their peers.”¹¹⁵ It has also been suggested that children of high-achieving parents have better opportunities than children of low-achieving parents, in no small part because these parents have the extra time and resources to devote to their children’s education.¹¹⁶

Post education

According to Miriam Ee, the advantages of an elite background continue post-education, through employment and into old age.¹¹⁷ Since employment opportunities are tied to educational attainment, students that have “less merit,” as determined by the education system, will have fewer employment options in the future. Less advantaged Singaporeans can also rely on less help from their parents as they begin their careers. Ee, based on her study of elderly Singaporeans, states that parents from upper class families often support their children in a variety of ways even after they have started working.¹¹⁸ For example, wealthier parents are in a position to provide their children with money or assets to get them started on their careers. On the other hand, children from less advantaged families have to accumulate their assets from scratch, as their parents can rarely afford to supply them.

Ee also points out that the repayment of student loans is more likely to affect less advantaged students, and further increases their unequal starting points post-education. Economic differences and preferential treatment such as these that start from a young age and accumulate over a lifetime are almost certain to create different experiences of old age between elite and non-elite, as CPF balances, personal savings, etc., are naturally affected by these opportunities.¹¹⁹

Stratification and reduced social mobility

Some authors have argued that if a meritocratic system permits the creation of an elite class, then it is difficult to overcome the class divisions that are in place. K. P. Tan, citing Klitgaard, describes succinctly how this happens:

Elitism sets in when the elite class develops an exaggerated “in-group” sense of superiority, a dismissive attitude

toward the abilities of those who are excluded from this in-group, a heroic sense of responsibility for the well-being of what the in-group “laments” as the “foolish” and “dangerous” masses, and a repertoire of self-congratulatory public gestures to maintain what is sometimes merely a delusion of superiority. So “winners” will go on winning, and “losers”... go on losing. All the while, the egalitarian aspects of meritocracy are further obscured.¹²⁰

K. P. Tan argues that the discourse of meritocracy permits the “winners” to remain in power. Firstly, the wealthy are able to claim that they ascended to the top of a fair, meritocratic system because of their innately superior abilities, and are therefore entitled to their status. Next, there is no incentive for them to acknowledge that the system may be flawed, as to do so would mean risking both their status and that of their children. Finally, if they are the meritocratic “winners,” this has implications for the “losers.”

Blaming the victim

Ee argues that Singapore’s meritocratic system also leads to a “high tolerance for social inequality.”¹²¹ She points out that if a “fair” meritocratic system is in place, as many believe is the case, then it is assumed everyone deserves the status they manage to attain. This not only goes for the elite, with individuals who are able to claim that they deserve their status by virtue of their superior merit, but can also be applied to the lower classes as a way of blaming the disadvantaged for their situation.

Many have argued that this “blame the victim” attitude results in a culture that sees poverty as a problem with the individual rather than one that is structural.¹²² The result is a stigma attached to those who are less affluent. As William Lee puts it, “Some even think that the poor only have themselves to blame. They think that the poor are poor because of laziness and other personal defects...”¹²³ It has also been suggested that struggling segments of the population also end up internalising this perspective. Local playwright Alfian Sa’at argues that meritocracy in Singapore “is so glorified, people don’t see the poverty as something which is systematic. They don’t blame the institution, they blame themselves.”¹²⁴

Part III

Intersections with Poverty

Any discussion of unmet needs, poverty and inequality must include the various ways that these concepts intersect with gender and race. These intersections will be different within every society, depending upon variables such as social norms, legislation, historical context, etc. This section provides a brief overview of the literature and debates surrounding gender and poverty, and race and poverty, in Singapore, as well as the contexts that produce and influence these intersections.



Section A: Gender

Singapore is far from unique in facing concerns at the intersection of gender and poverty. There is ample international literature on the issues that push women into poverty in various cultures, often having to do with caregiving expectations and responsibilities, which are discussed further below.¹ Although female Singaporean citizens and PRs experience few official barriers to education and work, there are still social norms which prevent women from enjoying the same economic privileges as men. This section canvasses international literature, presenting reasons why it is necessary to consider the specific needs of women experiencing poverty and unmet social needs. It then presents literature and commentary on gender and poverty in Singapore, and views on how existing social assistance policies and practices impact women and men differently.

Women do more caregiving

Women's roles within the family have traditionally had a negative impact on their ability to participate in the workforce and to become economically independent. Women are typically responsible for more household duties than men; this is the case whether or not women are engaged in the workforce.² Welfare commentator, Gøsta Esping-Andersen, estimates that women in the UK, Italy, Sweden, Germany and the US, who are employed on a full-time basis, still spend from 1.7 to 3.6 times as much time as their partners on household tasks.³ Further, caregiving duties fall to women more frequently than to men; these duties involve both the care of children in the family as well as the care of elderly relatives. Women are also far more likely than men to take time outside the workforce to care for children, which can have a significant impact on their career advancement opportunities;⁴ that is, whether they are perceived within their work environment as "management material," or imagined to be on the "mommy track." As Mayra Buvinic et al. argue, "In sum, women make large non-monetary contributions to their families, but are in turn more dependent on them for support."⁵

Although caregiving serves an important role in society, it is traditionally under-respected and vastly under-rewarded.⁶ Diane Elson has argued that caregiving is "vital in developing and maintaining the health and skills of the labour force; and in developing and maintaining the social framework; the sense of community; of civic responsibility; the rules, norms and values that maintain trust, goodwill and social order."⁷ In spite of this enormous impact, however, caregiving is rarely paid when it is done within the family, and is typically not highly paid when it is performed by someone outside the family.⁸

Scholars have argued that treating caregiving in this way has myriad negative effects. For one, when the government assigns caregiving responsibilities to the realm of the family and outside of formal social policy, this tends to reify women's roles as caregivers and thereby reinforce "traditional" divisions of labour.⁹ That is, women end up with more responsibility within the home than men in the home have, even when these women are working outside the home.

Next, in situations where women continue to bear undue burden in the home at the same time as they are participating in the workforce, Elson contends that this will lead to negative effects on productivity and costs in the commodity and public service economies.¹⁰ This is partly because women will miss work more frequently because of caregiving responsibilities, and partly because they are more likely to experience poor mental and physical health due to the same responsibilities.

Lastly, as women's time and health are increasingly stressed between home and work, there will be greater need to address these problems through social workers, policing, private spending on insurance, and so on.¹¹ In short, there are very real effects to be felt from keeping the care economy as a private matter.

Lower lifetime earnings and savings

Beyond household commitments affecting women's levels of participation in the workforce, there are significant monetary effects as well. First, the time spent outside the workforce limits the amount of a woman's lifetime earnings. This has an effect on her personal savings as well as on any pension available to her in her retirement years,¹² which is discussed further in the section "Singapore context." (See page 33.)

Secondly, women's wages are typically lower than men's, even when women participate in the workforce on a comparable level to men. Measuring the pensions of women who have had a full working life against those of men who worked for a comparable amount of time, women's are 35 per cent less.¹³

Finally, because of women's disproportionate amount of responsibility as caregivers, they often take on part-time work rather than full-time employment.¹⁴ Working in a part-time rather than a full-time capacity limits earnings in a number of ways. Most obviously, of course, one works fewer hours. Secondly, the salaries from part-time jobs are often a fraction of those from full-time employment.¹⁵ Finally, there is less opportunity for skill-development and advancement, both of which affect earnings.¹⁶ Again, because women disproportionately take on part-time work to enable them to act as primary caregivers within

their families, women are also disproportionately affected by the limited savings and skill building that come with this type of employment.

Particularly vulnerable groups of women

Given these issues, some groups of women are particularly vulnerable: namely, unmarried female elderly, and single mothers.¹⁷ Unmarried female elderly face unique challenges because of the scenarios described above: they often have little in the way of savings, their pensions are limited due to the nature of their participation in the workforce over their lifetimes, and they do not have a husband in the household whose pension might supplement their own.¹⁸

Demographics also work against elderly women. Women are expected to live longer than men, and therefore will spend a greater amount of time in a period of life when their needs will be greater and they will have less financial support to meet those needs.¹⁹ In the case of elderly married women, this means that they are likely to outlive their husbands, who are likely a source of support in both financial and other aspects, and spend the final period of their lives with less access to assistance. As Daly and Rake argue, “sex differences in longevity mean that it is women who are affected most by the income risks associated with the loss of a partner.”²⁰

Single mothers also face unique challenges. All too apparent, they are raising children with only one income to support their family. They are doubly burdened by being the primary caregivers for their children at the same time as having to provide all financial support for their families. Therefore, the level of poverty experienced by a single mother depends very much on her ability to find affordable childcare.²¹ In countries where childcare tends to be more expensive, or at least tends to cost more than a single mother’s potential earnings, it often makes more financial sense for single mothers to remain outside the workforce and care for their children themselves.²² Withdrawal from the workforce has long-term implications, as it means that they will amass little or no savings, have no opportunity to improve skills to improve their employability at a later date, and they have no way to contribute to pensions if they live in a country where pensions are employment-dependent rather than citizenship-dependent. Finally, in addition to the financial challenges that single mothers face, they frequently experience social stigma, particularly in more traditional societies, or those where social programmes are designed in such a way as to mark out single mothers as “immoral and parasitic.”²³

While unmarried female elderly and single mothers are arguably the most vulnerable classes of women, the “potential poor”

should not be overlooked. These are women who are married and remain outside the workforce—that is, they depend upon their husbands’ incomes for financial stability for both themselves and their children. While these women are not living in poverty, they are merely a divorce or widowhood away from it.²⁴ This precarious situation has serious implications for their decisions: Women may feel pressure, for example, to remain in an unstable or dangerous relationship due to fear of the financial ruin that may result from a divorce. Further, women in this situation are more likely to find themselves among the elderly poor later in life, as they do not have their own savings or social security to fall back on.

Women in the Singapore context

By some measures, women in Singapore are doing quite well, particularly in terms of employment: There are more women in the workforce in Singapore than there are in other Asian countries.²⁵ A study entitled “Women, Power, and Economic Growth in Asia,” conducted by Mastercard, indicates that Singapore is performing best in the region in terms of women in the workplace making the best use of their high levels of education.²⁶

However, while women are well represented in the workplace and are capitalising on Singapore’s education system, they do not enjoy high-level positions to the same degree as women in other countries. The Grant Thornton International Business Report demonstrated that the representation of women in senior roles dropped from 27 per cent in 2012 to 23 per cent in 2013.²⁷ This level is not only slightly below the global average of 24 per cent, but it also leaves Singapore trailing behind Thailand, Vietnam, Indonesia and Malaysia.²⁸ This is a significant gap, as one of the major issues concerning women in the workforce is that women are too often confined to lower-level positions due to perceptions that they may need to take time out for caregiving responsibilities.²⁹

There is also still a significant gender gap in wages in Singapore. In 2011, the MOM estimated that, in blue-collar industries, men out-earn their female colleagues by around 30 per cent. Further, this gap widens with age.³⁰ The gender gap also appears to continue as new generations of workers enter the workforce. Chia and Tsui’s 2013 study, discussed in Part IV (page 45), argues that, of recent entrants to the Singaporean workforce who are earning in the median range, males should be able to replace 70 per cent of their wages when they enter retirement, and women should be able to replace only 64 per cent.³¹

Like women’s employment opportunities in Singapore, there are also contrasting reviews on the experience of motherhood in Singapore. In 2014, Save the Children Foundation ranked Singapore the best country in Asia to be a mother, and the 15th

best country overall.³² Their rankings were based on statistics concerning women's health, child's well-being, women's economic status and women's political status. For mothers to rank so well in these important issues is a clear endorsement of Singapore's approach to certain factors concerning gender equality.

In one of the discussions of this study published in *The Straits Times*, however, it was pointed out that, in spite of some broad indicators of well-being, there was still too little data concerning specific issues facing mothers and women in the workplace. For example, Radha Basu points out that "there is no data on the proportion of working mothers here, for instance, although there is an imperfect proxy. Around 61 per cent of married women here work. But it is not known how many of them have children."³³ This type of more specific data would go a great distance to understanding both the experience of motherhood in Singapore as well as the experience of women in the workplace.

Fertility

Work-life balance is a central concern with respect to another gender issue that is unique in its importance to Singapore: namely a woman's choice to have children. The Singapore government has been clear that it is attempting to boost fertility rates through social policy. In this attempt, the government is investigating ways to make women's participation in the labour force fairer and with less of an opportunity cost. As PM Lee said in a Dialogue with Women Professionals in 2009, "we must persevere to make adjustments in our society to persuade organisations to adopt flexi-work schemes so that it is easier on the employees and women employees, to encourage the men to share the responsibility for housework and responsibility for bringing up the kids in the next generation and progressively to move to a truly shared parenting arrangement and a more positive environment for families to have more children, because we would like you to have to take good care of your kids but we also like you, by which I mean both the men and the women, to have more kids."³⁴ In other words, the Singapore government is encouraging changes in the workforce that attempt to help women balance work and family life, in the hope that women will continue to be productive workers at the same time as they begin to build larger families.

The Singapore government also provides benefits to defray some of the costs of child-rearing. To start with, there is the Baby Bonus, which is a payment that a couple receives when they have a child, spread out through three payments throughout the child's first year of life.³⁵ This bonus is dependent upon how many children the couple already has, offering SGD 6,000 for the first and second child and SGD 8,000 for the third and fourth.³⁶ Designing it this way speaks to the government's interest in encouraging couples to procreate, preferably having

multiple children, but not more than they can afford without assistance. However, only married couples are eligible for the Baby Bonus, which again reflects the government's interest in encouraging the "traditional" family unit.

In addition to the Baby Bonus, there are opportunities for subsidised childcare, often through the labour of a foreign domestic worker, as well as subsidised preschool.³⁷ All of these measures are intended to encourage people to have more children, and the latter schemes are designed to encourage women to stay in the workplace by taking advantage of affordable childcare.

Social assistance in Singapore

Singapore's approach to social assistance is discussed at length in Part IV. For now, let it suffice to say that Singaporeans are expected to rely on themselves and their family as their first line of support, and then to make use of government schemes when necessary.

While there are schemes available to meet the needs of vulnerable populations, the social protection index (SPI) in Singapore differs dramatically by gender compared to other countries. The SPI was developed from 2003-2006 to enable countries in Asia and the Pacific to record and compare social expenditures, as well as distribution and impact, through a database.³⁸ Since 2010, the Asian Development Bank has been updating and improving the database to make it more effective in policy analysis and development.³⁹ The SPI for Singaporean men is 0.095, whereas for Singaporean women, it is 0.074.⁴⁰ As a point of reference, Indonesia's SPIs for men and women are 0.024 and 0.020 respectively, and the SPIs in the Philippines are 0.045 for men and 0.040 for women.

Although women in Singapore are better off with respect to social protection than those in neighboring countries, this is to be expected given the wide development gap. In a context where Singapore is able to achieve an SPI of 0.095 for men, the gender gap in social protection spending in Singapore is significant, and is of concern to groups that advocate for gender equality.⁴¹

In addition, the fact that social assistance is often determined by household units tends to disadvantage women. Whereas means-testing for individuals equally assesses the needs of women and men, household means-testing creates a situation where no assistance is granted so long as the men in the household are earning adequate income. This again places the family as the first means of support and leaves women vulnerable to the vagaries of the working lives of other family members.⁴² Individual means-testing would go further to address the needs of women than household means-testing, and would leave fewer women vulnerable in their retirement years.

In their proposals for Budget 2014, AWARE recommends that the Singapore government move to individual means-testing, citing the practice of the Ministry of Law's Legal Aid Bureau (LAB).⁴³ As AWARE argues in AWARE Recommendations for Budget 2014, "Means testing should be done only for the individuals applying for public assistance, as with the Ministry of Law's LAB. Focus must be on their disposable income and disposable capital, not on the financial resources of the households where they live. Because family members living in the same household may not be supporting the individual concerned, their income and assets are irrelevant to the individual's application."⁴⁴

Vulnerable populations

Single mothers

Policies concerning single parents are best understood within the framework of the Singapore government's goal of encouraging the formation of "traditional" families, and that this is an important consideration in formulating policy is no secret. This policy goal was espoused by both Minister for Social and Family Development Chan Chun Sing and Second Minister for Foreign Affairs Grace Fu in the Parliamentary Debate on the Child Development Co-Savings (Amendment) Bill:

"On the one hand, we do not want to send the wrong signal on the kind of values we hold in society towards marriage and the institution of the family. On the other hand, whatever else has happened, we want to be able to take care of all children amongst us, and I think we can all agree on that."⁴⁵ – **Minister Chan Chun Sing**

"The Government believes that a stable, intact family structure provides a more conducive environment to raise a child."⁴⁶ – **Second Minister for Foreign Affairs Grace Fu Hai Yien**

Central to Singapore's efforts to encourage the formation of traditional families and childbearing is the Marriage and Parenthood Package (M&P).⁴⁷ This package covers a broad spectrum of "pro-family" policies, ranging from education, to health care, to reproductive assistance, etc.

While the M&P package has evolved over the years to include more benefits to single-parent households—notably, in 2013, single parents were given maternity leave and childcare leave⁴⁸—there are still areas in which single parents are excluded from some of the benefits to which married parents are entitled. Single mothers are only entitled to eight weeks of paid maternity leave and four weeks of unpaid maternity

leave rather than the 16 paid weeks to which married mothers are entitled.⁴⁹ They are not eligible for the Baby Bonus, as mentioned above; neither are they entitled to the parenthood tax rebate which married mothers enjoy, nor relief for disabled children, working mothers, and grandparent caregivers.⁵⁰ In a written answer from the MSF, it is explained that such benefits are intended to support marriages and births within the context of traditional families.⁵¹

Perhaps the most significant area in which single mothers lack the support given to their married counterparts is housing. Single-parent households are not eligible for the "housing grant to families" or for the "housing priority to families."⁵² This places both the mother and the child[ren] at greater risk of homelessness, particularly given their financial disadvantages.

Moving frequently between temporary homes, because a more permanent home cannot be obtained, likely makes it difficult for the single mother to maintain steady employment and for children to attend school without significant interruption. In November 2013, Speaker of Parliament Mdm Halimah Yacob, giving a talk at NUS, spoke in favour of providing housing for single mothers, largely in the interest of their children. She argued that in cases where single mothers are forced to wait until they are 35 years old to purchase an HDB flat (and even then, can only purchase it on the resale market), their children are unfairly victimised.⁵³

Mdm Halimah's argument applies equally well to the other types of support that are not offered to single mothers, discussed above. As she suggests, allowing these children to begin life at an unequal starting point with their peers is not in keeping with Singapore's meritocratic system, which strives for equality in opportunities.

Due to Singapore's commitment to maintaining its "traditional" values, the government is reluctant to provide special support for single mothers; even support that is available to married mothers. And, as Mdm Halimah acknowledged in her plea on behalf of single mothers, the government can only move as far as the Singaporean citizenry are prepared to go.⁵⁴ Nonetheless, there is clearly a risk of perpetuation of poverty in families led by single mothers, particularly given the relative disadvantages at which their children start their lives.

Single elderly women

Single elderly women make up another vulnerable population that faces specific problems in Singapore. As discussed in Part IV, Section A (page 42), the Singapore government closely ties social support to participation in the workforce. For the reasons

described above, a portion of Singapore's elderly women either have not participated in the workforce because they were occupied by caregiving responsibilities, or they participated so little and/or at lower incomes and thus have very little in the way of savings. Because Singapore's pension scheme is tied wholly to employment, this leaves elderly women at a distinct disadvantage.

The CPF, discussed at length in Part IV Section B (page 44), is designed to be a significant means of support for elderly Singaporeans. Throughout an individual's working life, both employee and employer make contributions into the fund, which can then be used to purchase a home, to pay for education, and to provide income for one's retirement. There is some debate as to whether CPF provides retirement adequacy, and that debate is covered in Part IV, but for now it is clear that the CPF system cannot provide adequate support for people who have had little or no participation in the workforce, as that is not part of its purpose. Some elderly women, then, reach their golden years with no CPF account to support them.⁵⁵

Further, the CPF Life scheme, CPF's only risk-pooling subpart, is set up in a way that places a high burden on women. CPF Life's premiums charged for the annuity are based on both age and gender. As women tend to live longer than men,⁵⁶ they pay a higher premium on average.⁵⁷ This is doubly burdensome when one considers the point made above, that they have lower balances to begin with.

One might argue that many of these women have the support of their husbands, who are likely to have some CPF savings, as well as their children, who are able to top up their parents' accounts using their own. However, the life expectancy of a Singaporean woman is 84.6 years, as of 2013, as compared to a man's expected 80.2 years,⁵⁸ so elderly women are likely to spend some portion of their lives without the support of their husbands. Further, depending on their children for support does not necessarily address all of their issues. After all, their children are also responsible for their own finances and for those of any children they might have, and may not be able to provide adequate support for aged parents.

Elderly women also face challenges in their pre-retirement years. The retirement age in Singapore is going up at the same time as life expectancy is rising. It is currently being raised from 62 to 65 years old under the Retirement and Re-employment Act,⁵⁹ and it is likely that there will be further extensions of the retirement age as life expectancy continues to increase. Without accompanying changes to the pension system, retraining schemes, or other structures that disproportionately affect the quality of life of ageing low-wage workers, this group will also become increasingly vulnerable.⁶⁰

Government efforts related to gender and poverty

Singapore has taken important steps to address the needs of certain groups of women. In an attempt to increase fertility, the government has sought to improve the work-life balance for working mothers. For example, policies encourage employers to adopt flexible work schedules to benefit women in their attempt to balance work and their private lives.⁶¹ Furthermore, in response to the rise in costs of infant care centres (ages 0-18 months) and childcare centres (18 months and above), the Singapore government offers a range of subsidies to working mothers to help defray these costs.⁶² Families with a monthly household income of SGD 2,500 or below will now receive a subsidy of up to SGD 740 per month.⁶³ When one considers that the median cost of a childcare centre is SGD 750 per month, this makes childcare quite affordable at SGD 10 per month.⁶⁴ However, as this discussion has demonstrated, there are other ways in which the costs of childbearing and child-rearing could be balanced more equally between men and women.

The government has also made improvements in the area of maternity benefits. So long as mothers have worked a total of 90 days in the calendar year up to when their child is born, they will receive the government-paid portion of maternity leave.⁶⁵ The government has also been increasing the number of days for childcare leave to which parents are entitled.⁶⁶

For elderly women, the government has taken steps to make it easier to remain employed for a longer part of their lives. Limits on foreign workers have encouraged employers to invest in equipment to enable older workers to perform jobs that might otherwise be physically taxing.⁶⁷ This helps to address some of the issues created by the later retirement age, insofar as at least some of the "young elderly" will be able to fill these roles. There is also the Pioneer Generation Package, discussed in Part IV (page 49), which has taken a significant part of the financial burden out of old age by covering healthcare costs for a large section of the population. While these are all important changes, and will go far to help various populations in Singapore, there is still some distance to go to support the least advantaged women cope with the expenses of child-rearing and old age.

Potential reforms

There has been much work done internationally on policies that improve the lives of women. Such work often includes general policies that are intended to alleviate poverty, and were not designed to be gender specific.⁶⁸ For instance, an increase in the minimum wage not only helps the poor, but also improves the situation of women who are more likely to be working at mini-

mum wage jobs.⁶⁹ Likewise, an increase in the minimum wage gives assistance to the elderly, who are also more likely to be working in these professions; policies such as full employment, on the other hand, end up helping women disproportionately, as women are more likely to be unemployed than men.⁷⁰

Laws that specifically help women include those that seek to achieve wage equity and forbid gender discrimination.⁷¹ Buvinic et al. point to Brazil and South America as successfully reducing poverty in old age by using non-contributory pensions—this removes the bias towards those who have spent more time participating in the workforce, and who therefore have more savings and less need for support from their pensions.⁷² In general, greater state support has tended to benefit women. As Sainsbury and Morissens argue, “Citizenship or residence as the basis of social entitlement has been to the advantage of women.”⁷³ In the case of Singapore, this suggests that dissociating CPF from employment, and providing HDB subsidies on the basis of citizenship, would both be to the benefit of women.

Goldberg et al. also argue that policies directed at single mothers have important implications for women in general. Sainsbury and Morissens write, “Mothers in two-parent families have increasingly become earners but still assume more caring responsibilities than fathers, so that their contribution to family income is generally lower. In this way policies supporting solo mothers have implications for equality within the family.”⁷⁴ In the case of Singapore, as discussed above, there are no such policies designed to help single mothers specifically. On the contrary, they are often excluded from policies that are designed to encourage traditional family structures. Nonetheless, policies that other states have designed to benefit single mothers, such as state-provided childcare, substantial maternity leave, etc., would likely benefit all women in the Singapore context, single or married.

Changes to fertility strategies

Buvinic et al. argue that it is easiest to increase fertility levels when there are policies in place that help women to remain in the labour force when they have children.⁷⁵ They cite public investment in childcare and pre-school education as examples of this. In Singapore, however, these are not universal rights, and the subsidies for them are based on need. Buvinic et al. also points out that public funding for maternity leave is often more effective than simply legally requiring employers to provide adequate leave—the latter approach leaves the door open to employers to avoid hiring women.⁷⁶

International experience has demonstrated that reducing the overall financial burden of raising children, not just a one-time cash offering when babies are born, but steady levels of support, actually does improve fertility rates.

Figure 3.1 demonstrates a clear correlation between public spending on children and fertility rates. Such spending includes substantial maternity and paternity leave, affordable childcare services, low costs of education etc.⁷⁷ When such support is provided by the government, couples often do make the decision to expand their family size, as the lifetime burden of raising children is heavily reduced.⁷⁸

Women and gender: Conclusion

The preceding literature suggests that increased and targeted state support would improve the situation for women in Singapore. Cultural norms related to the role of women as caregivers have an impact on women’s savings, both personal and CPF, and thus their retirement adequacy in the context of self-funding retirement schemes. Furthermore, these norms, when combined with gender equality in the workplace, creates an unsustainable burden on women’s time and abilities. This combination also inevitably leaves women at a financial disadvantage which is perpetuated over time, reinforcing gender inequalities and the cycle of poverty.⁷⁹

	Total Fertility Rate	Employment to population ratio (Women 15-64)	Employment rates of sole parents	Gender pay gap	Child poverty	Childcare enrolment (aged <6)	PISA reading scores	Public spending on family benefits
	2009	2009	2008	2008	Mid-late 2000s	2008	2009	% GDP, 2007
OECD average (intervals)	1.74 (+/- 0.183)	59.6 (+/- 5.52)	73 (+/- 6.5)	16 (+/- 4.1)	12.7 (+/- 3.06)	54.7 (+/- 7.38)	494 (+/- 11.4)	2.2 (+/- 0.46)
<i>Nordic Europe</i>								
Denmark	1.84	73.1	83.5	12	3.7	78.6	495	3.7
Finland	1.86	67.9	80	21	4.2	51	536	2.7
Iceland	2.22	77.2	-	13	8.3	74.9	500	3.5
Norway	1.98	74.4	72.5	9	5.5	72.8	503	2.9
Sweden	1.94	70.2	84.2	15	7	68.4	497	3.1
<i>Continental Europe</i>								
Austria	1.39	66.4	73.9	21	6.2	44.3	-	3.1
Belgium	1.83	56	54.7	10	10	73.6	506	3.1
France	1.99	60	77.8	12	8	70.8	496	3.7
Germany	1.36	65.2	56.9	25	8.3	60.2	497	2.8
Luxembourg	1.59	57	90.5	-	12.4	62.4	472	3
Netherlands	1.79	70.6	76.2	17	9.6	61.3	508	2.9
<i>Anglophone countries</i>								
Australia	1.9	66.2	47.9	12	11.8	39.6	515	2.7
Canada	1.66	69.1	79.8	20	14.8	40.4	524	1.4
Ireland	2.07	57.8	54.7	16	16.3	40.1	496	2.6
New Zealand	2.14	67.4	64.9	8	12.2	65	521	2.3
Switzerland	1.5	73.8	85.7	20	9.4	-	501	1.4
UK	1.94	65.6	47.7	21	10.1	64.4	494	3.6
USA	2.01	63.4	80.1	20	21.6	45.2	500	1.2
<i>Eastern Europe</i>								
Czech Rep	1.49	56.7	64.4	21	10.3	40.4	478	2.4
Hungary	1.33	49.9	69.5	2	7.2	48	494	3.3
Poland	1.4	52.8	63.5	14	21.5	26	500	1.5
Slovak Rep	1.41	52.8	-	-	10.9	37.3	477	2.2
<i>South Europe and Asia</i>								
Greece	1.53	48.9	86.5	10	13.2	30.2	483	1.3
Italy	1.41	46.4	86.5	1	15.3	63.6	486	1.4
Portugal	1.32	61.6	88.7	16	16.6	63.4	489	1.3
Spain	1.4	53.5	81.8	12	17.3	66.9	481	1.6
Japan	1.37	59.8	86	31	14.2	59.4	520	1.3
Korea	1.15	52.2	69	39	10.3	59.3	539	0.6

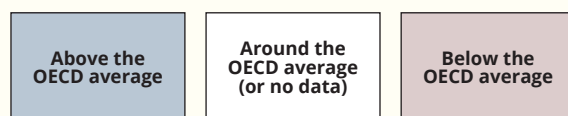


Figure 3.1: Countries' performance relative to OECD average

Source: Reconciling Work, Family and Child Outcomes: What Implications for Family Support Policies? Olivier Thevenon and Angela Luci

Section B: Race

Singapore has faced a number of challenges in its attempt to achieve racial harmony. At the time of Singapore's independence, the government opted not to adopt a policy of affirmative action to address the racial economic inequalities that existed, as this would have been at odds with its meritocratic system.⁸⁰ Instead, the government pursued other ways to create and achieve equality of opportunity. This process largely focused on three strategies: first, the formation of ethnic self-help groups; second, mandating through quotas that people of various races live together in public housing; and third, offering the same broad educational opportunities to everyone regardless of race.⁸¹ The philosophy was that these strategies would level the playing field sufficiently to allow the meritocratic system to work.

The ethnic self-help groups were set up in such a way so as to encourage each ethnic group to be responsible for its own success, and to encourage self-reliance.⁸² These groups were founded on the belief that each racial group would be best aware of the problems facing its community and best able to address them. The first of these groups was set up in the 1980s; the 1980 census revealed that there were significant income gaps among the races, and the government decided to take action by forming MENDAKI, the Malay self-help group.⁸³ Originally, this group was designed to reach Malay children and instill values in them that would allow them to achieve success in Singapore; MENDAKI's activities were mostly focused on education and tuition.⁸⁴

By the end of the 1980s, both the education and economic performance of the Malay community had improved to the degree that the government decided that the design of the ethnic self-help group might be applied to other races.⁸⁵ As a result, the Singapore Indian Development Association (SINDA) was formed in 1990; the Chinese Development Assistance Council (CDAC) was developed in 1992; and the Eurasian Association (EA), founded in 1919, was officially granted "Self-Help Group" status in 1994.⁸⁶

The funding from these groups primarily comes from their own communities via individual CPF donations. These donations vary according to income levels, with those earning the lowest income donating the least, and higher-income earners donating more. It is possible for workers to opt out of these contributions, and it is also possible to contribute more than the minimum required.⁸⁷ CDAC, Sinda, and the Eurasian Association have all announced that they will be raising their donation rates in 2015. MENDAKI is not following suit. As Minister-in-charge of Muslim Affairs Yaacob Ibrahim explained,

MENDAKI had last raised rates in 2009, and did not feel it was appropriate to ask more of the community only a few years later.⁸⁸ The government also contributes to these groups, with capped matching donations, which they have also announced will be raised in 2015.⁸⁹

While the funding system for ethnic self-help groups encourages ethnic groups to provide support for their own communities, R. Quinn Moore has argued that it may actually perpetuate inequality among the various groups.⁹⁰ Since funding is dependent upon CPF contributions from community members according to ethnicity, whatever communities start out in the lead might actually increase their advantage by virtue of having more to give.⁹¹ This is already the case in some ways: CDAC has expanded into new and better services since its inception, and provides greater extent and variety of activities to its community than the other groups are able to do.⁹²

Although the situation for Singaporean Malays has improved significantly since MENDAKI was formed in the 1980s, there is still some disparity of wealth among the various ethnic populations.

According to the Census of Population 2010: Statistical Release 2 – Households and Housing, the median income of Singaporean Malays, SGD 3,844 is well below the national average of SGD 5,000 SGD, and below that of Chinese and Indian Singaporeans, whose median incomes were SGD 7,432 and SGD 5,370 respectively.⁹³ Further, Singaporean Malay-headed households are underrepresented at the high end of the income spectrum. While just over 10 per cent of all Singaporeans and PR households have monthly incomes of SGD 15,000 and over, under two per cent of Singaporean Malay headed households earn such incomes. This is compared to approximately 11 per cent of Singaporean Chinese headed households and 11 per cent of Singaporean Indian headed households.⁹⁴

PM Lee has recently affirmed the government's view that ethnic self-help groups have an important role to play in Singapore's multicultural society.⁹⁵ However, it has been suggested that Singapore abandon the model of ethnic self-help groups in favour of a more cohesive, non-ethnicity-based model. For example, Presidential candidate Dr Tan Cheng Bock in 2011 included the abolishment of ethnic self-help groups within his presidential platform. He suggested that, if elected, he would promote greater unity among Singaporeans and a more racially unified Singapore.⁹⁶

All in all, ethnic self-help groups appear to bring mixed results. MENDAKI has clearly helped the Malay community considerably. They have made great strides, economically and educationally, since the 1980 census, and a large part of this is likely

due to MENDAKI's assistance. However, some have argued that while the various self-help groups may help their individual communities, they do not necessarily move society in the direction of greater equality. As Kamaludeen Bin Mohamed Nasir has argued, "No matter how much time is given to those lagging behind, the same amount of time is also allocated to those leading the race to move along in their progression... Hence, those who have had a head start in history will usually be leading the way, save in the event of a major upheaval."⁹⁷ (See Part I of this paper, for a detailed discussion of inequality in Singapore.)

Part IV Existing Policies

This section cites the same authors repeatedly, as each subtopic features debates that are often discussed by a limited number of researchers. We do not claim to have exhausted all commentators on these subjects, but have attempted to highlight the key ongoing discussions, debates, and policy suggestions. Wherever possible, we have used publicly available government sources, consisting of websites, studies and papers to present recent information on current policies and policy discussions. As also noted by many of the authors we cite, we have been limited by the inability to quote many government papers and by difficulties in obtaining approved quotes for publication from civil servants.



Section A: Many Helping Hands

In line with the principle of meritocracy discussed in the earlier section, Singapore's social structure is broadly designed in such a way as to encourage self-reliance, with various structures in place to help where support is needed.

Lim Xiuhui, a former Social Assistance Policy Officer in the ComCare and Social Support Division of the then Ministry of Community Development, Youth and Sports (MCYS), explains the philosophical underpinnings of Singapore's social policy "based on enabling self-reliance, supported by strong family and social networks."¹ Lim lists three principles at work in Singapore's social policy: self-reliance, family as first line of support, and Many Helping Hands. She sums up these principles as an overarching philosophy that "government help must be the last resort."

Lim explains some of the values inherent in the non-welfare state, including the belief that welfare diminishes incentives to work, a concern that high levels of childcare support could incentivize parents to have more children than they can reasonably afford, and a belief that strengthening social and family support benefits society by strengthening these ties. She emphasises that more support is given to children who are in greater need of help, particularly in the sphere of education, pointing out that Singapore's budget includes high spending in order to provide quality education at low cost. Finally, she acknowledges that the changing landscape means that Singapore's anti-welfare position is evolving to meet new social needs, a point which has been acknowledged in various government speeches in 2013 and 2014.

PM Lee voiced his commitment to the Many Helping Hands system at his National Day Rally speech in 2013. After describing the ways in which the individual, the community and the state worked together, with the government providing "conditions for a vibrant economy and good jobs,"² PM Lee pointed out that such an approach had served Singapore quite well. He went on to acknowledge, however, that the situation had changed,

and that the government was prepared to make changes to the system to meet the new economic realities facing Singaporeans.

Today, the situation has changed. If we rely too heavily on the individual, their efforts alone will not be enough, especially among the vulnerable like the low-income families, like the elderly. And there are some things which individuals cannot do on their own and there are other things which we can do much better together. So we must shift the balance. The community and the Government will have to do more to support individuals. The community can and must take more initiative, organising and mobilising ourselves, solving problems, getting things done.³

Amongst changes in the level of government support to which PM Lee referred in this speech were MediShield Life and, under it, the Pioneer Generation Package, which are discussed further in this section. DPM Tharman also mentioned in his 2014 Budget Speech that social spending was on the rise generally, not only for Singapore's seniors. He pointed specifically to an increase in the government's investment in Singapore's youth. More is now being spent on students at every level, from pre-school through tertiary education.⁴ It is clear that the Many Helping Hands approach to social welfare is not static, but provides a fluid approach to assistance that can, and does, shift with new economic situations.

Kuih Lapis

Besides the Many Helping Hands approach, which is understood to involve levels of support including the individual, family and government, the metaphor of *kuih lapis* is often used to describe the various levels of government assistance to disadvantaged Singaporeans.⁵ The bars in Figure 4.1 represent the various levels of support for Singaporeans based on needs. As Minister for Social and Family Development Chan Chun Sing commented when rejecting calls for Singapore to introduce a national poverty line, Singapore's approach involves having "multiple lines of assistance across the entire spectrum rather than having one line."⁶



Figure 4.1: Multiple lines of assistance⁷ (not drawn to scale)

Source: Ministry of Social and Family Development

Section B: CPF

One of the pillars of social security in Singapore is the CPF. It is also a core example of the way that the social structure is designed to allow Singaporeans to be self-reliant. As discussed briefly in Part I, both individuals and their employers contribute to these funds. Currently, the maximum rate for people under the age of 50 is 36 per cent of total wages, with 16 per cent coming from the employer, and 20 per cent from the employee.⁸ CPF contributions go into three accounts: the Ordinary Account (OA), the Medisave Account (MA) and the Special Account (SA).⁹ Funds from the OA can be used for housing purchases, education and certain approved investments and purchases; funds from the MA are to be used for hospital stays and certain approved outpatient treatments, subject to withdrawal limits; and funds from the SA are reserved for sustenance for old age and/or disabilities.

Brief history of CPF

The CPF Scheme was first introduced in 1955 as a means to provide Singaporeans and PRs a mechanism to save for their retirement years.¹⁰ Over time, though, its purpose shifted from providing security for one's retirement years, to providing security for one's life.¹¹

In 1968, the Singapore government began to allow individuals to withdraw CPF funds to use for mortgages. At the present time, it is not only permitted, but standard practice for Singaporeans and PRs to use funds from their OAs for this purpose. Over time, the government approved the withdrawal of CPF funds for an increasing number of purposes:

- 1978: for certain approved government investment schemes
- 1982: home insurance
- 1984 health care (compulsory Medisave Scheme)
- 1989: tertiary education.¹²

As the Singapore government expanded the permissible uses of CPF accounts, it also took steps to ensure that CPF could continue to provide for retirement in spite of these withdrawals. For this reason, in 1987 the "Minimum Sum" was introduced—this was the minimum amount that must remain in CPF accounts to fund retirement. As a significant portion of CPF funds are typically used for mortgages, the government has allowed 50 per cent of the Minimum Sum to come from pledged property—that is, if CPF funds are used to finance housing, then the property will automatically count towards the Minimum Sum.

This trajectory of the CPF system—evolving to meet the needs of a changing state—has earned international admiration. Jo-

seph Stiglitz writes, "Singapore realised that an economy could not succeed if most of its citizens were not participating in its growth or if large segments lacked adequate housing, access to health care and retirement security. By insisting that individuals contribute significantly toward their own social welfare accounts, it avoided charges of being a nanny state."¹³ In other words, the CPF system is recognised as not only seeking to meet an individual's financial needs over a lifetime, but also allowing Singaporeans and PRs to take responsibility for their well-being, a key element of the Many Helping Hands approach.

Scholarly discussion of impact

Several commentators have pointed to the benefits of the current structure of the CPF system. Low argues that combining the CPF and housing systems has benefited Singaporeans in a number of ways; for example, it has certainly increased levels of home ownership by providing another means by which families can purchase HDB flats.¹⁴ In addition, the integration of the two schemes provides greater retirement support through one's flat; as Low points out, homes bought using CPF monies are often "the most visible expression of social security... for lower and middle income Singaporeans."¹⁵ (See Section C on page 46 for a discussion of monetization of HDB flats for retirement security.)

While there is no doubt that the CPF scheme has significantly improved the lives of Singaporeans, it has nonetheless been met with some criticism. (See the discussion briefly outlined in Part II regarding CPF *qua* tax, page 25) There have been various concerns raised about the operation of CPF as a savings scheme. Lee argues that, while CPF might help on a macro-level by allowing government investments and mandating individual savings, at a micro-level, it might reduce cash on hand that could otherwise be used for day-to-day emergencies.¹⁶ In addition, once individuals have retired and are relying on the CPF contributions, they can no longer share directly in the ongoing benefits of Singapore's economic successes.¹⁷

Many have commented that the CPF system excludes several categories of Singaporeans entirely as it only supports those who have been employed for a significant period of time. Lee provides a list of populations not automatically covered by CPF, including pensionable civil servants, the self-employed, those employed in low-paying jobs, and individuals who are employed part-time or irregularly.¹⁸ Many disadvantaged lower-income Singaporeans are captured in these categories. Lee points out that the percentage of the Singaporean workforce

not contributing to CPF accounts was 33 per cent by 1995. The numbers from December, 2014, indicate that there are 3.57 million people who have some savings in their CPF accounts, but only 1.92 million active members (i.e., people who have had at least one contribution made for them in the last month or any of the previous three).¹⁹ These numbers should be compared to an employed population of 3.58 million as of September, 2014.²⁰



Retirement adequacy

Several scholars have also suggested that CPF savings are in many cases inadequate to provide for retirement, even for those with active CPF accounts.²¹ The Income Replacement Rate (IRR) is usually used to measure retirement adequacy: the IRR is defined as “the percentage of pre-retirement working income earnings that an individual can obtain in retirement to maintain his/her pre-retirement consumption in retirement.”²² That is, the IRR is the percentage of an individual’s income that could theoretically provide the same standard of living in retirement that was enjoyed pre-retirement.

Hui explains that most experts place the necessary IRR between 60 and 80 per cent; Asher and Nandy place it between 66 and 75 per cent.²³ Hui ran a simulation in 2012 to assess how well CPF savings can cover expenses in retirement, in which he targets the IRR at 66 per cent.²⁴ He argues that the ability of CPF savings to provide for retirement is questionable for large groups of Singaporeans when factors such as wage stagnation, structural unemployment, housing purchases and rising housing costs are taken into account.²⁵ According to Hui’s calculations, CPF savings can sustain those in lower income groups through their retirement, but not if they have withdrawn from their accounts for major purchases such as housing or other significant investments.²⁶

These conclusions are disputed by another study that offers a more optimistic estimate of the retirement adequacy of CPF savings. In a 2013 study commissioned by the MOM, Chia and Tsui developed a simulation model that demonstrated that the CPF system is capable of providing retirement adequacy to those entering the workforce today, “as long as members work consistently and choose a housing type that is within the financial means.”²⁷ Their model includes certain assumptions such as a household having fewer expenditures in retirement than during working life, a typical couple purchasing their first flat around age 30 and not upgrading to a larger property, and CPF member(s) having typical earning paths or salary increments over a lifetime.²⁸

Several commentators have pointed to the benefits of the current structure of the CPF system. Low argues that combining the CPF and housing systems has benefited Singaporeans in a number of ways; for example, it has certainly increased levels of home ownership by providing another means by which families can purchase HDB flats.

Debates concerning CPF savings and retirement adequacy often touch on the many pre-retirement withdrawals made from CPF accounts for housing, education and other common needs through a working lifetime. In the years 2001 to 2006, it is estimated by Asher and Nandy that the average amount of CPF withdrawn pre-retirement was 82.7 per cent, leaving the balance to provide for retirement years.²⁹ The high percentage of money withdrawn can be largely attributed to the direction in which the CPF system has evolved since its inception, from a targeted retirement scheme to a savings scheme for retirement and large purchases, as discussed in the introduction to this section.

Beyond the question of how individuals use their CPF savings, Asher and Nandy have argued that the government’s management of the fund is another significant factor in determining its adequacy. In poor macroeconomic cycles, the government has occasionally reduced CPF contributions to correct the economy.³⁰ Though this strategy can provide a quick correction, it has a long-term effect on CPF savings and, consequently, the ability of these savings to sustain people through retirement years.

Retirement adequacy debates are complex because arguments depend upon myriad assumptions made by those involved, such as what sort of retirement expenditures are to be expected, what choices are made with respect to housing over one’s lifetime, how macroeconomic cycles might impact one’s employment opportunities, among several others. The debate about retirement adequacy, while inconclusive in one direction or the other, sheds light on important questions ranging from the role of CPF in retirement planning, to ideas about individual responsibility versus the responsibility of the state.

CPF discussions in 2014

In the middle of 2014, there was a series of conversations regarding the CPF system, and the issues included retirement adequacy, populations that are excluded based on unemployment, the minimum sum, transparency of CPF investments and other issues.

In different occasions, DPM Tharman has explained in greater detail than in the past how CPF monies were managed and invested.³¹ CPF, unlike most pay-as-you-go social security schemes, minimises risk for its contributors: the Singapore government guarantees the rate of return on CPF contributions, so CPF members are not exposed to risk. Further, in the interest of increasing transparency regarding CPF monies, these monies have been given to Singapore's sovereign wealth fund, GIC Pte Ltd, to invest, and not to support other projects in Singapore.

As part of the recent discussions about CPF, the Institute for Policy Studies (IPS) held a CPF Forum in July 2014. This forum was broadly organised into two discussions: goals of the CPF system against the backdrop of a rapidly ageing population, and

suggestions as to how to improve the system to attain those goals.³²

Among other topics, panelists spent a significant amount of time discussing retirement adequacy. Hui argued that the MOM's estimates of retirement adequacy were misleading, in that they do not take into account housing aspirations and income growth over the course of an individual's career.³³ Consequently, according to Hui, there was significant risk of inadequate income replacement for a "large majority" of middle-income earners.³⁴

Regardless of the position that various authors and commentators have taken in the debate about income replacement rates and retirement adequacy, they all agree that the revived conversation about directions that the CPF system might take is welcome and needed. With the combined threats of Singapore's rapidly ageing population, wage stagnation, increased housing prices, heightened levels of inequality, and longer life expectancy, most agree that some changes to the system will prove necessary. What these changes might be is discussed further in Part V.

Section C: Housing and Development Board (HDB)

It is widely agreed that the HDB plays an important role in Singapore's social policy. Chia Ngee Choon has argued that part of the goal in Singapore's approach to assistance is to create an asset-rich population, and the HDB is central to achieving that goal.³⁵ The HDB was created in 1960, initially to provide "emergency" public housing and address the housing shortage at that time. Over time, public housing became linked to CPF savings, and the HDB made the purchase of public housing increasingly accessible, at the same time as making the option of renting more unattractive.³⁶

Today, Singapore's public housing system is quite unique.³⁷ Over 80 per cent of Singapore's resident population live in public housing, which is a percentage unseen elsewhere in the world.³⁸ One of the aims of emphasising home ownership is to foster a sense of belonging by giving every citizen a stake in the nation. Because such a high percentage of Singaporeans live in public housing, it is not stigmatised in the way that it is in many other areas of the world. Indeed, HDB buildings tend to be more attractive than the public housing in other countries, and the ones here are meticulously maintained.³⁹ Singapore's hous-

ing policy also assists in social cohesion, as people from various ethnic and income groups live close to one another and interact frequently.⁴⁰ HDB also provides heavily subsidised rental housing for those who cannot afford to buy their own homes, starting from as low as SGD 26 per month for a one-room flat, for households whose monthly income is below SGD 800. This is intended to ensure that no Singaporean goes without shelter.

HDB home ownership provides not only shelter, but also a form of social security. An individual is encouraged to purchase a home early, live in it throughout his or her adult years, and retire having accumulated significant capital through his or her home.⁴¹ Once retired, there are several ways to monetize one's flat if the need should arise. First, the Enhanced Lease Buyback Scheme (LBS) allows some flat owners to sell back the end of their lease to the HDB, unlocking some equity.⁴² Secondly, the elderly may sublet rooms in their flats. Thirdly, the elderly can downsize by selling their existing flat and moving into a smaller one. Fourthly, the Ministry of National Development, as of 2014, has been considering ways to make the reverse mortgage a practical monetization option for the elderly.⁴³ All of these options are limited to certain types of HDB flats, with the general rule that the larger one's HDB flat, the more options are available for monetizing.

Scholarly discussion of impact

Some authors have argued that the HDB's encouragement of social cohesion, by housing people of various ethnicities and income levels in the same developments, has potentially resulted in some unfortunate externalities. For example, because almost every HDB estate includes residents at all levels on the economic ladder, some have suggested that the incidence of poverty in Singapore often goes unnoticed because the less advantaged are mingled with others in HDB developments.

In *Hard Choices*, Low questions the goal of the HDB system with respect to financing retirement. He states that if Singaporeans are intended to use their HDB flats to finance their retirements, then this entails their flats appreciating significantly over time. When the time comes to monetize the flats, either entirely or partially, this automatically means higher prices for those entering the housing market. Ultimately, then, the next generation of buyers has to pay higher prices for their first homes, which then also have to appreciate significantly, further pushing the burden onto the following generations. Since this means that the young are financing the retirements of the elderly, albeit in a roundabout way through housing appreciation, Low argues that there should be a policy discussion regarding whether this could be accomplished through the more direct means of taxation.⁴⁴

The rising cost of HDB units has been noted and addressed by the government. The Lee Kuan Yew School of Public Policy reported in 2012 that there are policies in place that have encouraged “more-than-a tenfold increase in the prices of HDB flats over the past 30 years.”⁴⁵ This has made it much more difficult for lower- and middle-income groups to afford housing.

The government has made efforts to cool the housing market since 2012, largely by increasing the supply of HDB flats to meet the high demand for them. In his 2013 National Day speech, PM Lee acknowledged that the prices of HDB flats have indeed risen, and assured Singaporeans that the government will “monitor closely how well people can afford housing in Singapore.” He added that an HDB flat will always be “within reach.”⁴⁶

In addition to issues of affordability, Low also points out that it is not always easy for people to rent or sell their HDB units at the right time. Given that the housing market fluctuates, it is far from certain that at the time it is necessary for one to monetize his or her flat, the market will be in the appropriate place to do so. Further, using housing as retirement security is highly re-

“ Because almost every HDB estate includes residents at all levels on the economic ladder, some have suggested that the incidence of poverty in Singapore often goes unnoticed because the less advantaged are mingled with others in HDB developments.

gressive and inequitable since it is, after all, the wealthier people who can buy more property and therefore have more in place for their retirement. According to Low, “[it] seems quite unfair that a citizen's retirement security should be so dependent on whether the individual had the resources and risk appetite to invest in housing at an earlier age.”⁴⁷

Finally, the fact that people can use their CPF accounts to finance their HDB flats has come under criticism. Clearly, the more one uses CPF funds to finance housing, the less he or she will have available for retirement support. The type and size of the HDB unit that one finances through CPF savings has serious repercussions for retirement adequacy. The Lee Kuan Yew School of Public Policy offers the example: “for a new entrant into the workforce in the 30th income percentile, buying a 4-room flat rather than a 3-room flat would decrease his net Income Replacement Ratio from 88 per cent to 56 per cent.”⁴⁸ This relates to Chia and Tsui's argument, discussed earlier, that retirement adequacy depends very much upon the housing choices that Singaporeans make.

Low suggests that the government should change its goals where HDB is concerned. Rather than using public housing to secure retirement adequacy, he argues that the government should focus on housing affordability. He refers to the Housing Affordability Index (HAI), which is the ratio of the price of a buyer's house to his or her annual income. Low argues that the government should strive for an HAI of below four.

Similarly, IPS economist Yeoh Lam Keong argues that the cost of one's home would preferably be closer to two to three times household annual income, and repayable out of CPF contributions over 10-15 years.⁴⁹ This would enable lifetime savings to be channeled into other big ticket needs like retirement adequacy, health care, education, and so on.⁵⁰ Instead of placing the

focus on housing appreciation, these authors suggest that the government should instead focus on housing being affordable for a larger group of people, and look to other means to ensure retirement adequacy.

The reality is that HDB flats have become increasingly more expensive over the last several years, although the market has begun to cool since 2013. The Department of Statistics found that the median cost of HDB flats nearly doubled over the ten-year-period between 2004 and 2014, with the cost beginning to decrease again in 2013 and 2014.⁵¹ It was reported in November 2014 that various policies have managed to cool the housing market somewhat, with the price ratio of all new flats being below 5.5 times median annual salary of the households applying for them.⁵² Most flats are still above the price ratio of four times annual salary of the households applying for them, though, which is National Development Minister Khaw Boon Wan's target ratio. Even with the positive changes over previous two years, it has become increasingly difficult for Singapore's high degree of home ownership to be sustained.

It is in this vein that Low argues it should not be assumed that everyone needs to own a home. The government, he proposes, should promote a stronger and wider low-cost public rental market. Given increased cyclical volatility in the economy, this could become most important for low-income families that often do not have the job security or savings to finance a long-term housing loan.⁵³



Other considerations related to HDB policies

Recently, there has been some debate as to whether HDB flats should have a presence in two new eco-friendly housing developments in prime downtown areas: Marina South and Kampong Bugis. Between the two areas, there are plans for 13,000 new homes, none of which are HDB flats. Many have argued that these areas will still be inclusive, as they will not be gated communities, but will be open for all to visit.⁵⁴ Some view the land as too expensive to justify the building of public housing, and, IPS's Tan M. W. has suggested, "It would be better if prices can be lowered in general for the new 500,000 upcoming public housing (flats) so that all new homeowners can benefit."⁵⁵

Yeoh has pointed out that without public housing, these two areas run the risk of becoming very "rich ghetto[es]." He adds

that this is "unhealthy in terms of national identity; people will feel that the best areas are not accessible to them."⁵⁶ Low (also Senior Fellow at IPS) is also in favour of an HDB presence in the central area, pointing to the Holland Village as a successful example of a neighborhood that has people of all ages and income brackets living side by side. In sum, some IPS economists argue that the social costs of this decision should be considered alongside the economic ramifications.⁵⁷

In addition to the increased segregation of types of housing in Singapore, it has been noted that some segments of the population are excluded from the government's assistance in buying public housing. Single Singaporeans under the age of 35 are not given the same access to HDB flats as married Singaporeans. Not only does this mean that they must live with their parents or buy more expensive housing, it also means that they do not begin reaping gains from their investment until much later in life, compared to their married counterparts.⁵⁸

Section D: Health financing

Singapore has set up its healthcare system based on a similar ethos to other social policies: with an emphasis on personal and family responsibility, supplemented by additional support from government funding. In practice, this translates to the pairing of government subsidies for public healthcare institutions and patient co-payment.

On top of government subsidies, the healthcare system has various tiers of government support depending upon need, with most citizens required to pay for a significant portion of their own health care. The healthcare system has three levels, commonly referred to as the 3Ms: Medisave, MediShield, and Medifund. Medisave is a compulsory saving programme, which is designed to allow people to pay for their own medical needs; MediShield is a mandatory insurance scheme intended to cover expensive treatments and/or hospital stays; Medifund is a government-funded means-tested scheme that is intended as a last resort for those who cannot pay for their health emergencies through the first two schemes.

Beyond these, Eldershield is a disability insurance scheme that is in place to provide coverage for disabled older Singaporeans,⁵⁹ and the Community Health Assist Scheme (CHAS) offers lower- and middle-income households, whose members are all Singaporean citizens, subsidies for medical and dental care. MSF also offers two schemes to low-income families that assist with or cover medical expenses: the Medical Fee Assistance Card (MFAC) and the Medical Fee Exemption Card (MFEC). The former subsidises medical treatment at government and

restructured hospitals and polyclinics, and the latter covers standard treatments at the same.⁶⁰ Both are means-tested, and MFEC is available only to those who are residents at VWO sheltered homes or disability homes.

Scholarly discussion of impact

Most commentators applaud this multi-tiered system, noting that it offers flexibility while steering clear of the hazard of citizens undergoing more treatments than necessary.⁶¹ According to Asher and Nandy, since the government owns public hospitals and acts as regulator and volume-purchaser, this helps to keep up good standards and to maintain low costs.⁶² Others have argued that, given Singapore's budget surpluses, the state could be paying a greater portion of the healthcare needs of its citizens.⁶³ The government increasing health spending would be particularly helpful given that, as Ramesh argues, Medisave is often inadequate to pay for medical needs because it is a part of CPF, and many Singaporeans and PRs have no account.⁶⁴

Low points out that most economists are in favour of risk-pooling or social insurance when it comes to health care. This is because many medical emergencies are both low-frequency and high-cost, so hedging these risks through individual savings makes little sense. Low argues that, since there is at present no universal health insurance in Singapore, and since most health-care spending is made out-of-pocket, it would be relatively easy to create a fairer system without becoming less efficient.⁶⁵



Recent changes: National Day 2013 and "Pioneer Generation" Package

In his National Day Speech in 2013, PM Lee addressed some of the issues noted above. Firstly, he announced an intention to shift MediShield to MediShield Life, and explained that this change entailed universal coverage for life. He added that the government was seeking to lower out-of-pocket expenses.⁶⁶

Soon after, in February of 2014, the Singapore government announced the "Pioneer Generation" package, which provides

extra benefits to many elderly Singaporeans. This package, according to the government, is intended to recognise the contribution of this generation in "the early years of [our] nation-building." In order to qualify, an individual must have been 16 years old by 1965, the year of Singapore's independence, and must have become a citizen by the end of 1986.⁶⁷ The Pioneer Generation package includes a subsidy for MediShield Life premiums, various types of assistance with outpatient care, and Medisave top-ups, with amounts varying positively with age.⁶⁸ This package goes far to address many of the concerns regarding the limitations of current assistance schemes for meeting the needs of Singapore's rapidly ageing population.

Section E: Workfare

In the spirit of encouraging self-reliance and participation in the workforce, Singapore has emphasised "workfare" rather than welfare. "Workfare" refers to the myriad policies that encourage work by supplementing wages, developing skills, encouraging social mobility through education, and providing social support to low-income Singaporeans who are participating in the workforce.⁶⁹ Besides the WIS, which is discussed here, the Singapore government offers the Workfare Skills Qualification (WSQ) and Employability Skills System (ESS), which are designed to improve skills and enhance employability for low-wage Singaporeans.

There are also several education schemes that are designed to break the cycle of poverty and encourage mobility: The Kindergarten Financial Assistance Scheme (KiFAS), for example, and Centre-based Financial Assistance Scheme for Child Care (CFAC) provide subsidies for preschool education and child-care. While KiFAS was originally intended to provide support to lower-income Singaporeans, it was announced in Budget 2014 that the scheme would be extended to cover middle-income Singaporeans as well.⁷⁰

Singapore's primary workfare scheme, WIS, is designed in such a way that Singaporeans receive government benefits providing they are participating in the workforce. WIS was introduced in the 2007 Budget speech and was initially intended to be in place for three years. It ultimately became a permanent scheme.⁷¹ Singaporean workers in the bottom 20 per cent are the target population for WIS. This is a means-tested scheme, and to be eligible one must have a monthly salary of not more than SGD 1,900; reside in a property of not more than SGD 13,000 in annual value; and he/she must be employed on a full-time basis for two out of three months. Individuals over the age of 60 can receive a maximum of SGD 3,500 per year.

Scholarly discussion of impact

Firstly, Hui compares Singapore's workfare scheme to similar schemes in other countries, specifically with respect to the populations they target. Singapore's WIS is designed to encourage unemployed individuals to seek work, as once employed, they will then receive additional payment from the government.⁷² This is not quite the same as schemes in other countries, which target welfare recipients, of which there are very few in Singapore, and require them to work or prove that they are seeking work in order to continue to receive welfare payments. Besides, unlike similar schemes elsewhere, Singapore's WIS is tied to wages rather than to household income. Hui argues that WIS might encourage employers to keep wages low, and might "perpetuate... sub-standard employment terms and sub-optimal production methods."⁷³

Secondly, Ng argues that international evidence has shown that helping families out of poverty requires more "than merely dishing out financial assistance and requiring that people work."⁷⁴ Specifically, she cites analysts' recommendation that workfare programmes do more to address the barriers to employment, which may include issues like health problems, a criminal record, lack of housing and so on.⁷⁵ Overall, she contends that Singapore's Workfare programme could benefit from greater engagement between case workers and recipients, and more intensive programmes.

Some of the criticisms noted above were broadly addressed in Singapore's budget for 2013. The government plans to introduce 20 new Social Service Offices (SSOs) that will act as "one stop shops."⁷⁶ These will be better coordinated and able to provide a more holistic approach to meeting the needs of vulnerable communities. They will not take the place of Family Service Centres (FSCs), but will be able to refer citizens to FSCs and other centres that would be best suited to address their needs. This plan speaks to the government's awareness of the complexity of these issues and their interest in addressing potential shortcomings.

Section F: Tax incentives

Singapore also offers assistance in the form of tax benefits. These include, but are not limited to, the Qualified Child Relief, Working Mother's Child Relief, Relief for Foreign Maid Levy,⁷⁷

various tax breaks for those supporting aged or disabled family members, and tax breaks for having children.⁷⁸ These tax breaks are designed to influence major decisions taken in the family, on caregiving, members working, having more children etc.

Scholarly discussion of impact

Asher and Nandy illustrate that tax incentives only benefit those who pay income tax, and this is typically less than half of the population in Singapore. The authors cite the statistics from 2005, which show that 31 per cent of Singapore's labour force paid income taxes in that year, and similar calculations for 2012 demonstrate that 40 per cent of the labour force paid income taxes in the reported year. Those who pay income tax are disproportionately from the higher income deciles, making tax incentives far more relevant to the more advantaged segments of the population.⁷⁹

Section G: Public assistance

So far, the discussion in Part IV of this handbook has referred to schemes that serve as layers of support in the Singapore government's *kuih lapis* approach to support. This combination of HDB subsidies, CPF contributions, healthcare assistance, Workfare support, and many other programmes provide various depths of support depending upon the needs that are being addressed.

In cases where people are unable to participate in the workforce for significant periods of time, or on a permanent basis, the Singapore government provides "public assistance." This is intended to help very disadvantaged Singaporeans or PRs. As ComCare indicates on their website, long-term public assistance is in place to help those who "are unable to work due to old age, illness or unfavourable family circumstances."⁸⁰ Public assistance, also known as "longterm assistance," makes up a small portion of the support that ComCare provides to less advantaged Singaporeans—in 2013, only 3,571⁸¹ families received this type of assistance.

Section H: Non-profit organisations (NPOs)

In addition to forms of support supplied directly by the Singapore government, NPOs manage much of the social assistance in Singapore. These agencies include VWOs, various religious charities, ethnic self-help groups and advocacy groups, among others. Many of these receive part of their funding from the state, often in matched donations.⁸²

Scholarly discussion of impact

Singapore is somewhat unusual in the close ties between the government and the non-profit welfare sector. Many NPOs support the work of the government rather than work partially or wholly according to their own agenda, as is often the case internationally.⁸³ In Singapore, the government provides a great deal of financial support to the sector and regulates it quite closely, especially through monitoring service delivery. This close relationship between NPOs and the government means that the amount of social support offered by the Singapore government is often underestimated. A great deal of funding is funnelled through NPOs rather than offered as part of government social programmes. That is, government assistance is not limited to those schemes discussed above—those that are directly managed by the government, such as CPF, ComCare schemes, and so on—it also includes significant funds from the government to Singapore's disadvantaged communities via NPOs.

While this supports the ideology of community-based assistance and “many helping hands,” some have argued that the dominance of the Singapore government in funding non-profit activities has stifled innovation and reduced the ability of these organisations to keep up with changing needs.⁸⁴ For example, funding for NPOs is largely output-based—FSCs are given strict key performance indicators (KPIs) to justify their funding from the government. These KPIs determine factors such as the amount of funding for administrative costs and the specific outputs of programmes that are implemented.⁸⁵ While it is necessary for government funding to be carefully managed and for the funds to be spent in line with government policy, many have argued that these broad KPIs result in non-profits focusing too many resources on meeting KPIs in order to se-

cure future funding, with negative consequences for the quality and fit of programmes to the needs of the target community.⁸⁶

With so much focus placed on KPIs, MP Mohamed Faisal Abdul Manap has argued that few resources are left for broader management and strategy of these NPOs. Several have commented that the high level of government involvement in the social sector has limited the space available for innovation and strategic thinking, and the sort of long-term planning necessary for adapting to the changing needs of the population.⁸⁷ As the social landscape is always changing, as with the current increase in the elderly population in Singapore, it is important for NPOs to be able to assess community needs and respond by adapting their strategy and programmes.

Finally, some have pointed out that administering funds through such a wide variety of community organisations, often highly specialised VWOs, creates a situation where it is difficult for the less advantaged to identify and access the specific type of assistance they need.⁸⁸ This is exacerbated by gaps in communication among these organisations, so people in need of assistance often fall through the cracks. Finally, having such a wide variety of organisations involved in service delivery naturally leads to higher administrative costs.⁸⁹

Regarding this final point, the government has recently taken steps to simplify the procedure for the disadvantaged to find support. The new Social Service Net (SSNet) will be a national case-management system that will enable the sharing of information among various service providers.⁹⁰ SSNet is designed to increase coordination among the various organisations in the social sector so that services and assistance can be delivered more rapidly and efficiently. The current estimated date for implementation at FSCs and SSOs is in the third quarter of 2015.⁹¹

General scholarly discussions about social policies

As has been highlighted in discussions of individual schemes, many of the existing policies may not reach key segments of the population. Further, Mendes argues that anti-welfare views in Singapore largely stem from a dogmatic commitment to this philosophy, and admits that these views are not based on evi-

dence. For example, international perspectives indicate that it is far from clear that the welfare state incentivizes unemployment.⁹²

New ways of thinking about poverty suggest that having a number of “opt-in” systems actually puts an unmanageable burden on the less advantaged. Recent studies in behavioural economics have suggested that poverty imposes a “bandwidth tax” on people trying to cope with the situation of living in poverty, and thereby makes it that much more difficult to climb out of poverty. (See “The Bandwidth Argument” below.)

Low and Gill have applied the “bandwidth argument” to Singapore’s situation, and have shown that the way the Singaporean system is designed imposes an unnecessary and overburdening bandwidth tax on those who need services. The *kuih lapis* ap-

proach to assistance, according to Low and Gill, places a great burden on the less advantaged to seek help. People experiencing this sense of “scarcity,” however, are already taxed in such a way that it is all the more difficult to seek help.

In addition to discussing the impact of this broad approach to welfare assistance in Singapore, Low and Gill also provide the specific example of public housing subsidies in Singapore. When middle- or high-income Singaporeans purchase flats, the subsidies that apply to them are provided automatically when they make their purchase.⁹³ In contrast, when low-income Singaporeans apply for their subsidies, they must provide a significant amount of paperwork proving their status, and they must meet a strict deadline. Low and Gill suggest, according to the bandwidth theory, that this places an unnecessary cognitive burden on the people who can least afford it.



The Bandwidth Argument

Harvard economist Sendhil Mullainathan and Princeton psychologist Eldar Shafir, in their book *Scarcity: Why Having Too Little Means So Much*, challenge many of the common perceptions about people living in poverty. They designed and implemented a series of experiments to demonstrate the effects the feeling of “scarcity” has on decision-making and cognitive flexibility. The authors use the term “bandwidth” to capture the idea of “fluid intelligence, a key resource that affects how we process information and make decisions.”⁹⁴

In one experiment, the researchers tested shoppers in an American mall, asking them to focus on paying different amounts for a car repair, and then administering an intelligence test immediately afterward. When participants were asked to think about paying USD 150 for a car repair, the advantaged and the less advantaged participants scored about the same on the intelligence test. When participants were asked to think about paying USD 1,500 on a car repair, however, less advantaged participants scored far below their more advantaged counterparts: they averaged between 13 and 14 IQ points lower.

The researchers argue that this difference indicates that the distraction of paying large amounts of money has a dramatic effect on people who are already in a position of scarcity. Comparing this study to similar sleep studies, the impact of poverty on bandwidth appears to be more significant than the impact of losing an entire night’s sleep.

Mullainathan and Shafir conducted a similar experiment on sugarcane farmers in India, testing their intelligence just before the harvest—the time of greatest scarcity—and immediately after the harvest. The same people scored between 9 and 10 IQ points higher after the harvest than they had scored before. Again, this is a significant difference in processing ability. The direction of cause and effect here is important: the poor in this study are not by nature less capable than the advantaged, but are more significantly affected by financial concerns. As the authors put it, “scarcity directly reduces bandwidth—not a person’s inherent capacity but how much of that capacity is currently available for use.”

Part V

Suggested Avenues for Reform

In addition to the efforts that the government is already undertaking to address the issues raised in the previous sections, there have been several suggestions regarding approaches that Singapore may take to improve the situation of the less advantaged. These suggestions range from tweaking existing structures to vastly overhauling the system. While it would not be possible to include every proposal regarding changes in policy towards the less advantaged in Singapore, what follows is a representative sampling.



Section A: Tweaks to the system

1. Umbrella system / Opt-out

One of the more frequent suggestions is that Singapore combine the many and various assistance schemes under one umbrella system, or build closer connections between the schemes. Yap suggests that combining the currently ad hoc systems into a more coherent system, and thereby adopting a holistic approach to assisting the less advantaged, would not only make it easier for people to get the services they need, but would save money for the state.¹

At present, the top-heavy approach to helping the less advantaged means that much time and money is directed to paperwork, approvals, double-checking, and so on, whereas a holistic approach would greatly reduce the bureaucracy of the current system. The government's plan for SSOs goes some way to addressing this concern, as SSOs will be able to direct people to the appropriate scheme(s). Even with this added level of coordination though, there are still several organisations involved and a fair amount of paperwork.

Low and Gill, in their piece on “bandwidth tax,” suggest that grouping assistance schemes together and making them automatic would help reduce the currently heavy bandwidth tax on Singapore's less advantaged citizens. Some schemes are already automatic, such as the permanent GST vouchers, rolled out with the 2012 Budget.² The authors propose that other non-automatic assistance schemes could be linked to WIS, such that “an individual who currently qualifies for the WIS would automatically qualify for the full range of assistance—additional housing, childcare and student care, education, healthcare and eldercare subsidies—that someone with similar income and family circumstances would qualify for today.”³ Low and Gill suggest that payouts could be given in vouchers, so that the government could ensure that they were being used appropriately. Further, they point out that “moral hazard” is not a risk in this case, as all assistance is linked to WIS, which sends the message that remaining employed is the key to improving one's circumstances. Since WIS is automatic and involves little bureaucratic effort, the less advantaged would not be overburdened by paperwork and means-testing. In this way, the government would be able to “track more meaningful indicators of the well-being of the poor—both those requiring long-term aid as well as the temporary and working poor.”⁴

Recent policy changes

The Singapore government announced plans in 2014 to pilot a programme that would assign vulnerable families an individual social worker who would stay with them as they navigate the various agencies and potentially a multi-year process.⁵ This will go some distance in preserving the “bandwidth” of vulnerable families as they seek social assistance. In addition, the government plans to pilot a database that will share the data of aid-recipients across agencies to eliminate some of the bureaucracy involved in the process.⁶ These measures will ease the burden on Singapore's most vulnerable families as they seek social assistance.

2. Supplementing the CPF

Hui suggests that CPF might be expanded to include unemployment insurance for those who are suddenly and involuntarily rendered unemployed. His proposal includes a progressive funding structure (with the government matching contributions), the ability of individuals to withdraw 50 per cent of their salary for three months (or longer, in the case of a recession), the amount to be paid back when the individual is once again employed, and the account balance being repaid to the individual upon retirement.⁷ Hui argues that such a scheme allows an optimal amount of time to search for new employment, while not incentivizing unemployment.

Furthermore, Hui suggests a “wage insurance scheme” that would help people adjust to a new job with a lower salary.⁸ Such a scheme would last for up to 12 months, pay 50 per cent of the wage difference, and involve a contribution of about 1 per cent of monthly income of greater than SGD 1,500 to a maximum of SGD 6,000.⁹ He argues that this type of scheme would enable people to accept a job with lower wages rather than engage in a lengthy search for employment; this would help to “increase labour mobility [and] help to reduce the public cost of providing assistance to the more vulnerable lower income groups.”¹⁰

Chia suggests that women serving as homemakers and caregivers, who have not been able to build CPF savings, might be automatically given a share of their husbands' CPF accounts to sustain their retirement as well.¹¹ Similarly, Wee Ming Ting proposes further protection for another vulnerable group: single women. He points to the inequities inherent to Singapore's social investment strategy, such as exclusion of single women from HDB subsidies, and of single mothers from the “baby bonus,” and suggests that these might be corrected to provide equal access to benefits.¹²

“Hui, who is also in favour of a minimum wage in Singapore, argues that such a policy might actually increase the productivity levels of workers in this segment of the population.²⁰ He suggests that while wages are low, employers have little incentive to upgrade the skills of their workers. A minimum wage, however, “could provide the necessary impetus for the start of a positive, ongoing cycle of skills upgrading and wage increases, enabling workers to reach their full potential.”²¹

3. Specific changes to the tax system

Dhamini suggests that altering the tax structure may help to combat rising levels of inequality in Singapore. First, Singapore could reinstate a more progressive taxation system, including higher taxes than the current 20 per cent on the highest income earners, which would do more to battle inequality through redistribution than the current system. While the current rates of income taxation do not burden the lowest income earners, as discussed in Part II, they are also quite low for the wealthiest, which does not allow for a high level of redistribution.

Secondly, she explores the possibility of adopting a scheme like that which is used in the US, whereby those whose incomes have risen the fastest are taxed at a higher rate, while lower income groups might benefit from an earned income tax credit. She acknowledges that these options would require further research as to how feasible they would be in Singapore, but argues that in general, Singapore ought to be looking at policies adopted by countries that have also experienced a high rate of growth, but have managed to combat income inequality along the way.¹³

Finally, Dhamani also suggests that the government consider a “means based tax” system, whereby people are taxed according to assets and expenses rather than incomes.¹⁴ Such a system would go further to tackle inequality, as it would tax capital

rather than work, and therefore not interfere with the meritocratic system. She explains that this system would be similar to a progressive GST, in which taxes vary according to products; expensive products and services would be taxed at a higher rate than “essentials.” As the author points out, this concept is already familiar in Singapore, as there is a more than 100% tax rate on “vices” and cars. She acknowledges that a means-based tax is complicated and would make tax collection more difficult, and recommends that the government study the merits and costs of such a system.¹⁵

4. Adjustments to wages

Several authors have suggested that the government might step in to correct the issue of low wages. Perhaps most notably among the recent suggestions, Professor Lim Chong Yah gave a lecture in 2012 in which he proposed a second “shock therapy” to correct the vast difference in wages between the top and bottom earners, which would be, an immediate and dramatic change to policy rather than a gradual shift. He suggested lessening the number of low income earners in Singapore while at the same time putting a three-year moratorium on wages of top earners.¹⁶ He also proposed implementing a minimum wage in Singapore, and suggested that it be at SGD 1,000 per month, unless rates of inflation render that number too low.

Lim, in a chapter entitled “How Land and People Fit Together in Singapore’s Economy” in *Hard Choices*, proposes that there

be a significant wage increase for low-skilled occupations in the construction industry, the food and beverage industry, and the domestic service industry.¹⁷ These jobs are often shunned by Singaporeans and are consequently filled by low-skilled workers from other countries. Lim points out that these same roles in other developed countries have higher wages, and perhaps because of this, the jobs do not carry the same stigma. By paying a higher salary for these positions, it is likely that a greater number of Singaporeans would be willing to work in these roles, and that they would be better able to support families.¹⁸ Tan M. W. also supports increases in wages and makes the case that policies should allow workers to “reclaim the dignity and the full value of their labour” rather than merely reflecting their level of productivity.¹⁹

Hui, who is also in favour of a minimum wage in Singapore, argues that such a policy might actually increase the productivity levels of workers in this segment of the population.²⁰ He suggests that while wages are low, employers have little incentive to upgrade the skills of their workers. A minimum wage, however, “could provide the necessary impetus for the start of a positive, ongoing cycle of skills upgrading and wage increases, enabling workers to reach their full potential.”²¹ If such a minimum wage were also applied to foreign workers, it would attract higher skilled foreign workers to Singapore. Hui’s suggestion for the level of such a minimum wage is similar to that of Lim’s: He places it in the range of SGD 1,020 to SGD 1,460 per month, or 35 to 50 per cent of the median wage.²²

Dhamani also proposes that Singapore adopts a minimum wage policy. She argues that such a policy would bring about two benefits. It would combat the current levels of income inequality and, at the same time, allow this segment of the population to have savings in hand for retirement and any needs that may arise.²³ She acknowledges the primary counterargument to the minimum wage, which is that such a policy may actually lead to greater unemployment because employers may not hire unskilled or low-skilled workers at those wages. Dhamani argues, however, that the rate at which Singapore’s economy is growing, which clearly has increased the need for semi-skilled workers from overseas, and suggests that there is a need for labour in this segment in the workforce that a minimum wage is unlikely to offset.²⁴

Recent reforms in this direction

The minimum wage is another issue that the government has recently taken steps to address. In January of 2014 it was announced that, beginning in September of the same year, a

mandatory wage ladder would be put in place for cleaners.²⁵ According to these new requirements set for employers who have until September to comply, all cleaners must be paid a minimum of SGD 1,000 per month, with higher-skilled workers earning at least SGD 1,400, and supervisors earning at least SGD 1,600.²⁶

This Progressive Wage Model is also being put into effect for Singapore’s security industry.²⁷ As of September 2016, security agencies must pay a minimum of SGD 1,100 per month and ensure that their security officers are appropriately trained.²⁸ While the Progressive Wage Model does not guarantee a minimum wage for all low-income workers, it is an important step in the direction in combating poverty through wage increases, at least in two sectors.

5. Increases to WIS

Low suggests that substantially increasing the WIS would go a long way to ensure retirement adequacy. Specifically, he proposes increasing the WIS for the bottom three deciles across all age cohorts. Low argues that such a programme avoids the moral hazard of a work disincentive while at the same time addressing concerns about people’s ability to sustain themselves through retirement.²⁹

Yeoh has argued in favour of increasing WIS payouts so that all low-wage workers take home at least SGD 1,500 per month.³⁰ After this increase, Yeoh suggests that “gradually you can phase these out as productivity and real wages catch up in the longer run. So you solve the poverty problem first by the government paying for it, and over time you let employers pay for it when they upgrade productivity and can afford to.”³¹ He estimates the total annual cost of this would be around 0.5 per cent of GDP; an affordable budget commitment given the large impact on poverty.

6. Limiting foreign workers

Tan M. W. argues that, alongside wage adjustments, low-skilled foreign workers should be more limited.³² He suggests that their numbers be such that they are here merely to supplement Singapore’s workforce, but not to take the place of Singaporean workers who can do the same job. Low makes the same recommendation, and argues that reducing the number of foreign workers in Singapore will not only allow more Singaporeans to fill these roles, and at higher wages, but will also reduce the pressure on Singapore’s infrastructure.³³

Remedial interventions such as bursaries and peripheral interventions such as the regulation of early education or private tuition have limited effectiveness if the main system reinforces immobility.

Recent developments

Over the past few years, Singapore's government has begun to reduce the inflow of foreign labour into Singapore. DPM Tharman underscored in his Budget Speech for 2013 that limiting the presence of foreign workers in Singapore was a priority, and he listed several strategies to do so: more levies on hiring low-skilled foreign workers, lower quotas on foreign workers, stricter guidelines for qualifications of foreign workers, and encouragement for companies "to proactively develop the talents and skills of our Singaporean workforce."³⁴ The government has remained firm on the plan to limit these quotas. In May of 2014, under pressure from small and medium-sized enterprises (SMEs) that have been struggling to find enough workers, PM Lee stressed that he had no plans to ease the limits on foreign workers, saying, "We have to manage the inflow, we have to manage what we can accommodate in Singapore."³⁵

7. Education reform

Both Low and Ng have suggested that Singapore's educational system at present does not do enough to promote intergenerational income mobility, and have suggested that policy-makers should seriously reconsider the structure of the system. Both suggest that the system of streaming, as well as the increasing number of specialised schools, should be rethought with a view to promoting greater inclusivity and equality in the system.³⁶ Bhaskaran et al. have also proposed significantly higher teacher/pupil ratios in primary and secondary schools to benefit me-

dial and weaker students and to relieve the reliance on private tuition.³⁷

None of these analysts offers more specific reforms, but all suggest that the Singapore government look closely at ways that the system reinforces existing hierarchies and diminishes a meritocracy, and find ways to counteract this. Ng argues that making minor adjustments to the existing system is unlikely to effect major change or correct for intergenerational immobility; as she writes, "Remedial interventions such as bursaries and peripheral interventions such as the regulation of early education or private tuition have limited effectiveness if the main system reinforces immobility."³⁸

Recent developments

As noted above in Part II, in the discussion on meritocracy, the MOE has announced some changes to the system. These changes include giving letter grades for the PSLE rather than a numerical grade, which might remove some of the pressure that students tend to feel before this examination. Letter-grade results will place students into wider streams, where a wider range of courses will be available to them.³⁹

In addition, Education Minister Heng Swee Keat has pledged to make every school a "good" school by providing a greater level of support to primary schools.⁴⁰ While these changes do not constitute the sweeping changes that Ng suggests are necessary to promote greater mobility, they are nonetheless moving in the direction she proposes.

Section B: Recommendations for broader changes

1. New social compact

Besides suggesting minor enhancements to the existing social structures in Singapore, others have suggested the over-arching strategy of developing a new social compact. Bhaskaran et al. make a case that the social compact that has moved Singapore forward so successfully over its first 40 years and more may have run its course, and that it is time to develop a new one. The authors suggest that this involve not merely changing some policies to accommodate the changing demographics of Singapore, but also changing mindsets.⁴¹

2. Greater welfare state

Low suggests that Singapore's anti-welfare policy is more a result of "path dependency" thinking and not based on a careful study of the evidence.⁴² In fact, Low and Yeoh argue that the experience of many northern European countries actually demonstrates that strong welfare states can see high levels of inclusive growth. The authors suggest that when considering

the question of social spending, the Singapore government shift its focus to "cost effectiveness" rather than "cost containment." In other words, Low and Yeoh argue that some types of social spending might bring about benefits that would be well worth the cost.⁴³

3. More public debate

Thum Ping Tjin in *Hard Choices* argue that much of the greatness of Singapore grew out of lively debate and discussion in the 60s. Indeed, the broad organisation of the structures in Singapore that are most praiseworthy, such as the HDB and CPF, were results of this debate. As Thum points out, much of the debate during this period was led by the PAP. He suggests that a return to this tradition could develop relevant policies for the issues that face modern Singapore.⁴⁴

Importantly, laws and regulations giving the public access to data and information needed for empirically based policy research by academia, think tanks, or citizens, are important in this regard. Vadaketh also argues that a free mainstream media is critical in managing and developing a knowledge-based economy and an informed, responsible, and publicly active citizenry.⁴⁵

This handbook, as indicated at the outset, is intended and designed to be a compiled source of information on the various debates and discussions about the state of inequality, poverty and unmet needs in Singapore. As such, it does not include specific recommendations on individual policies, and the authors do not endorse a specific “side” in any debate. Indeed, the issues presented in this handbook are all complex; they often have long histories, and can be viewed from a variety of perspectives. As we hope we have demonstrated, the various suggestions for reform all come with their own arguments and counterarguments. Many of these suggestions also refer to broad changes in one policy area and clearly require further detailed analysis of their impact on other policies before implementation.

That said, there is one conclusion that appears to be inescapable in the realm of addressing unmet needs in the population: *There is a great need for more data on disadvantaged individuals and families and for much more sharing of the data that exists.* Studies on poverty and unmet needs in Singapore are conducted both by governmental agencies and NPOs, which include VWOs, academic institutions, civil society organisations and think tanks. Research by NPOs are no less relevant than government studies, and are useful in answering specific questions, but rarely have the scope of government studies. Studies from MSF and other ministries are often Singapore-wide, yield much larger and more representative data sets, and therefore can provide a bigger picture of demographic realities. It is therefore the availability of government data that would make the biggest impact on service design and delivery in Singapore.

Government studies and limitations of their data

Three of the major sources for government-collected data relevant to poverty, inequality and unmet social needs are the HES, the ComCare Annual Report, and the Key Household Income Trends report.

While all of these provide some insight into the occurrence of poverty, they are each designed to provide specific types of information, and so present a wealth of data only in the form of aggregated answers to specific questions. We mention these three reports specifically because they are of particular relevance to understanding the picture of inequality and poverty in Singapore. There are many other government studies whose data is presented in the same way. All such studies clearly yielded vast amounts of data on the experience of poverty and inequality in Singapore, but much is lost to the public, and more importantly to VWOs, in the process of aggregation.

Take for example the HES, conducted every five years. The HES collects information on the consumption expenditure, demographic and socio-economic characteristics and ownership of consumer durables of resident households in Singapore.¹ The results are typically organised and released according to economic quintiles and household type (e.g. one-bedroom flat, three-bedroom flat, etc.). This provides information on the average spending, income, and so on, of each fifth of the population, as well as the average income for each type of dwelling. From these categories, we can learn, for example, that each fifth of Singaporeans has a higher average income than in the previous survey, and that the bottom quintile continues to spend more than they earn, but by a smaller margin than before.

On the one hand, the data is helpful to the discussion on poverty, inequality and unmet social needs in Singapore, in that it demonstrates that people are, in general terms, doing better than they were doing five years ago. While this is good news, the data could be presented in other ways that would be more helpful to the organisations that provide services to particular groups. This could further enhance these broad improvements.

The data released has been aggregated to make specific, and usually very broad, points such as those related to income and spending averages of quintiles. This is entirely suited to the specific issues that are the focus of the HES report. However, it is difficult to also use the data in a way that may be more relevant to VWOs, which generally focuses on specific neighborhoods in Singapore and on specific communities within those neighborhoods. For example, it would be helpful to understand how much government transfers have driven the economic improvement of the bottom quintile, and how much impact other factors have had. Looking at the bottom quintile on Chart 2.3, the HES shows that their income averages 61.2 per cent from employment, and 26.5 per cent from non-work sources.² However, much of this quintile consists of retirees, who, according to Chart 2.6 of the HES, receive 26 per cent of their monthly income from family assistance.³ Based on the level to which retirees are represented in the bottom income quintile, it is possible to make guesses about the income sources of the many and various groups that make up this quintile. However, access to disaggregated data would turn these guesses into facts that could inform public debate and decisions made by VWOs in the implementation of service delivery programmes.

The Lien Centre is not the first organisation to comment on the lack of disaggregated data in the HES and other reports. Basu, a senior correspondent at *The Sunday Times*, cites a few scenarios in which access to disaggregated data would be helpful. She points out that it is unclear what kind of accommodation the people from the bottom quintile are living in. The HES

provides ample aggregated data about people living in 1- to 2-room HDB flats, often a proxy for the less advantaged, as well as data about the lowest economic quintile, but no explanation of how significant the overlap is. As Basu argues, many in the bottom quintile might be living in larger flats that they could monetize, which would suggest that they are in a much better financial position than others who are living in rental flats with no assets.⁴ The data clearly exist in disaggregated form, and would add valuable detail to our understanding of the situation.

VWOs and other researchers have been quite forthcoming about their desire for disaggregated government data. Basu's article cites two examples of NPOs (Hua Mei Centre for Successful Ageing and the Community Foundation of Singapore) whose staff have indicated that their specific questions cannot be answered by the aggregated statistics offered by the HES and the ComCare Annual Report.⁵ In writing this handbook, we were in contact with several people who work for VWOs, and the most frequent comment we heard from them was that they could use more information to improve their service delivery and strategise for the future.

Many of the academics and policy analysts cited throughout this handbook have also expressed a desire in their own work for the government to share more data. For instance, the Abeyasinghe study on affordability in Singapore, referred to in Part I, acknowledges the paucity of available relevant data, as do most of the studies attempting to measure poverty in Singapore. Additionally, studies on topics ranging from intergenerational social mobility, to the retirement adequacy of CPF, to the extent of capital and income inequality in Singapore, frequently acknowledge the lack of data, and discuss the ways in which the authors have attempted to make approximations to compensate for this absence. Informed and accurate analysis of these topics, based on raw data, would greatly enhance the contributions of these authors, as well as community understanding of poverty alleviation.

A further reason to support this point is that Singapore's approach to social assistance, whether understood with the *kuih lapis* metaphor or in terms of the Many Helping Hands approach, depends on matching families to the programmes that best meet their needs, and for which they meet the criteria. Such an approach necessitates the availability of relevant information to make sure that the people who need specific types of help are getting it, and that the available funding is reaching the right people. Because so much of Singapore's approach to social assistance relies upon coordination between government agencies and VWOs, it is important that all involved have access to the same data, and can use this data to have more informed conversations about policy design and implementation.

Our call for maximum transparency is framed in the context of the specific debates in this handbook, and the way in which access would improve the work of civil society and those engaged in community-based solutions. Others, such as Vadaketh, have framed this issue in terms of a "greater need for free information flows given the increasing complexity of policy making and economic development."⁶ His work, as well as others that include discussions of freedom of information in Singapore, is framed within a broader discussion of the type of democracy that Singapore enjoys.

Changing philosophies and practices

In the past few years, the government has made several significant shifts in its fundamental approach to poverty and welfare. This handbook includes myriad references to recent changes in government policy that are shifting Singapore in the direction of providing greater and more coordinated social assistance and support. The government has been quite open regarding this shift in position; it has been mentioned in various speeches, particularly those by DPM Tharman and Minister Chan Chun Sing, which are discussed earlier in the handbook. Further, when the HES was released, the Singapore government pointed out that an increase in government transfers is in part responsible for the increased well-being of the bottom quintile. That the government is pointing to the benefits of increasing transfers indicates that the anti-welfare position is not as strong as it once was.

Secondly, there have also been moves to improve access to certain types of data. As discussed above, the Singapore government is rolling out Social Service Net, which will enable greater collaboration among VWOs and between the non-profit sector and the government. While this is certainly a move towards better access to information for those providing services, it does not address the need for access to disaggregated statistics from the reports and surveys mentioned in the publication. Having greater access to individual case-histories is only part of the story; a greater understanding of the demographic landscape would enable stronger and more effective efforts to address poverty, inequality and unmet social needs. Part V of this Handbook, particularly the section on "Suggested Avenues for Reform," demonstrates that there are several policy options available to address various needs in Singapore, but it is difficult to assess reform options or to analyse the successes and failures of existing schemes when it is not clear how well programmes are working.

Finally, members of the Singapore government have talked more in recent years about their interest in feedback from the

public regarding solutions to address changing needs in modern Singapore. There has been greater acknowledgement that having a highly educated populace, and one that is politically engaged, will only benefit Singapore in the long run. Further, the free exchange of ideas, particularly about how the needs of Singaporeans can be addressed, will be of benefit to everyone involved. Minister Chan Chun Sing, in his Speech at Social Service Partners Conference in May of 2014, said:

From MSF perspective, it's not just about delivery of more services. We want to catalyse and enable the community and the partners to come forward to look for sustainable solutions and most importantly to develop local solutions to the local community challenges....

So all of you have diverse strengths and you will bring to us diverse perspectives. We want to tap on your capabilities to check on our blind spots and generate new ideas.⁷

Through our research on this topic, we have learnt that Singaporeans, particularly those involved in social service delivery, are eager to participate in finding new solutions and in innovating existing systems to meet changing needs. To do so requires the partnership between the government and the community to be further facilitated by greater access to data on the social landscape and combined efforts to gather and analyse information from existing, as well as new, sources.





ENDNOTES

Part I: The Current Situation

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Part II: Literature on the Causes of Inequality and Poverty in Singapore

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ERRATUM

Paragraph 3 on Page 6 currently reads:

“As explained (see page 5), the Gini coefficient is a ratio of the highest to the lowest incomes in a given society and is expressed as a number between zero and one...”

It should read:

“As explained (see page 5), the Gini coefficient is **the ratio of the statistical dispersions between actual and perfectly equal distributions of income in a society** and is expressed as a number between zero and one...”



Budget 2015 and Continued Policy Discussion

written on 10 March 2015

Policy in Singapore is always evolving as the government attempts to meet changing needs. The last few years have seen significant shifts in social policy, and Budget 2015 includes some of the biggest changes in the government's approach to date. This insert does not attempt to provide a comprehensive overview of Budget 2015; rather, it seeks to acknowledge a few recent shifts in policy that have occurred subsequent to the printing of the handbook, and which have bearing on some of the debates discussed within it.

First, as DPM Tharman noted in the Budget speech delivered on February 23, 2015, the government has strengthened its "redistributive role."¹ In an effort to promote "collective responsibility" for Singapore's future, the government will raise taxes on the highest income earners, which will, in part, be used to fund new social spending.² While DPM Tharman cautioned that this should not be understood as a "Robin Hood Budget," it nonetheless demonstrates a greater level of redistribution through taxation.

Of the new social schemes introduced in Budget 2015, the Silver Support Scheme perhaps represents the biggest shift in policy. This scheme represents a new approach to retirement support in Singapore, as it takes into account more than an individual's contributions in the formal workforce. The government will instead look at three factors to determine who qualifies for this scheme: lifetime wages, existing household support, and the type of housing the applicant lives in. The Silver Support Scheme is a permanent scheme, so it will cover both today's elderly and future elderly.

The Silver Support Scheme represents not only a shift in policy, but "a new compact." The DPM acknowledged that "Many

would have contributed in their own way during their prime years, whether at work or at home raising the family."³ The Silver Support Scheme, and DPM Tharman's comments, represent an important departure from traditional Singapore social policy. Whereas retirement support has largely been tied to employment, through CPF savings, this scheme acknowledges the value of contributions made by Singaporeans who have had little or no participation in the workforce.

The government has made the CPF system more progressive in other ways as well. Based on recommendations from both the NTUC and the CPF advisory board - a group tasked by the government in September of 2014 with reviewing the CPF system - the government has raised both the CPF salary ceiling and the contribution cap within the Supplementary Retirement Scheme. Contribution rates for workers aged 50 to 65 are also to be increased from 0.5 percentage points to 2 percentage points, varying inversely with age. These changes will take effect in January of 2016.

Beyond changes to retirement support, the Budget 2015 includes several initiatives to support Singapore's families. First, more will be done to offset the costs of childcare, as well as the costs associated with education at all levels.⁴ Further, greater support will be given for training throughout Singaporeans' careers. The SkillsFuture Credit is the most notable of these schemes, and perhaps the most frequently lauded since the Budget speech. This scheme will involve every Singaporean aged 25 and above receiving SGD 500 at the beginning of 2016, with top-ups expected to come at regular intervals.⁵ These credits can be used only for education and training, and will never expire. Importantly, this is a universal provision, which is not dependent upon one's career history or current employment

1 Transcript of Budget 2015 Speech by Deputy Prime Minister and Minister for Finance Minister Tharman Shanmugaratnam on February 23, 2015, Budget 2015, http://www.singaporebudget.gov.sg/budget_2015/home.aspx

2 Fiona Chan, "Singapore Budget 2015: Govt not going for 'Robin Hood' strategy, says Tharman," *The Straits Times*, 24 February, 2015.

3 Transcript of Budget 2015 Speech

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situation. As such, the SkillsFuture Credit scheme represents another significant shift in government philosophy; another move away from support that is tied to employment history.

As of the writing of this insert, budget debates continue. DPM Tharman's Budget 2015 speech has been met with both praise for its greater level of social support, and criticism for moving too far to the left in social spending.⁶ The broad spectrum of responses to these policy changes demonstrates the appetite for robust debate in Singapore, as well as the challenges that face the government in designing social policy against Singapore's traditionally conservative backdrop.

It is clearly not possible for a publication to stay on top of an ever-shifting landscape, but the recent changes and discussions represent what this handbook has sought to capture: the interest in vibrant discussion of policy in Singapore, and the evolving philosophical positions informing those policies.

6 For some discussion of the range of responses, see especially Donald Low, "Budget 2015: In deficit, yet very prudent at heart," *The Straits Times*, 7 March, 2015.



About the publication

A Handbook on Inequality, Poverty and Unmet Social Needs in Singapore is a compilation of recent research on the topic. This publication is essential reading for anyone interested in the existing debates on poverty and inequality in Singapore, as well as in contributing to the conversations and action in the field.

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Cover Design: Typewriter Media

Cover Photo: Brian Smith

The cover picture speaks of motion and possibility. The rooftop captures the idea of the levels of support available in Singapore, and the pigeon in flight evokes ideas of mobility. The pigeons that stand poised for their own flights suggest to us possibilities of change.



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