



Inequality in Singapore: The Hidden Poor.

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Abstract

Over the last half a century, Singapore has risen from under British control, gained independence and is considered one of the world's most competitive economies. The country's GDP growth has been on "average of 7.7% since independence and topping 9.2% in the first 25 years" (World Bank, 2020). In 2020, the Department of Statistics claimed an all-time low in income inequality, with a GINI coefficient of 0.375. However, there is another side to this story. Singapore's approach to social needs has been the subject of various debates. Singapore has adopted a Confucian view towards its welfare system, with a focus on family and individual capability. The government refuses to enforce a minimum wage and instead leaves it to the people to ensure their own social security. Although, this may be beneficial in some contexts, the country's welfare system is letting parts of its population slip through the cracks. Recent research has shown it may be time for Singapore to adapt. With COVID-19 causing more people to face a period of instability, social scientists are questioning if Singapore is taking the correct approach or if it is time to reevaluate. Is it time for Singapore to create a new approach to its social needs? This article aims to look at the current inequalities within Singapore and the role the current welfare state plays there. It will explore some of the current policies and question what else can be done to reduce the still evident inequality in the newly developed country.

Keywords: Singapore; Inequality; Welfare; Retirement; Employment.

Introduction:

To the modern eye, Singapore can be viewed as a country that is thriving. The streets are spotless, there are towering skyscrapers wherever the eye can see and it's quickly grown to become one of the world's largest trading ports. Singapore as an economy is flourishing, as it has quickly become one of the fastest growing in the world. However, it is not until you look through the cracks that you see it is still a country struggling to keep up in other areas. The speed at which the country has been able to develop has meant that there are demographic groups who are losing out in this development. Inequality can be defined as an economic or social gap between the varying social classes within society. Therefore, when a country is aiming to reduce this gap, they must confront both sides of the scale. With the growing economy, Singapore has been influential at increasing the top half of society; however, in this essay we will be assessing the impact on the bottom half. As those who have not been able to benefit from the growing economy can be seen to be losing out.

This essay will begin by assessing inequality within Singapore. It will be looking at data put forward by the Department of Statistics in Singapore in relevance to the Gini coefficient and assessing what this means for inequality in Singapore. Next, we will be looking at four policies the government has enforced these are the Central Provident Fund, the Progressive Wage Model, the Workfare Income Supplement Scheme, and the Subsidies HDB Flats. We will then go on to assess how effective the government's battle against inequality has been and consequently whether they have taken the correct approach. We will conclude by assessing what the government needs to change in order to reduce the inequality levels within the country, and which policies they could enforce.

Inequality in Singapore:

In order to assess inequality within Singapore, one must refer to the data to allow a comparison to be drawn not only within the country but also on a global comparative scale. There has been little data to show inequality within Singapore (Ng, 2015) from an external viewpoint, instead a large amount of research that has been conducted within the subject has relied upon extensive estimates and analysis. The data that has been collected has been gathered from Singapore itself. Consequently, this makes the topic of inequality within Singapore a seemingly harder subject to analyse. This is because it could be argued that data may be biased when singularly produced internally. In this essay we will be looking at the data which has been released by the Singapore Department of Statistics. In particular, the GINI coefficient, which can be used to analyse inequality within a country, can be seen as a basis for an analysis of inequality within Singapore.

Global organisations such as the World Bank have zero data online about Singapore. Hence, this causes one to question why this is. If the Department of Statistics in Singapore is able to collate data to produce a GINI coefficient, why was the World Bank unable to do so and the CIA Factbook only able to gather data as recently as 2017? The World Bank also has no data concerning poverty headcount ratio, at neither the national poverty line or at the global line of \$1.90 a day. This reveals an area of data that is missing from Singapore.

There is also little data to analyse poverty levels within Singapore. The country has no absolute poverty line, instead analysis must be conducted based on The Minimum Household Expenditure (Asher & Nandy, 2008). A research article conducted by the Lee Kuan Yew School of Public Policy claimed that "a reasonable starting point' for a living wage in Singapore is S\$2,906 a month'. We will be comparing this value to some of the policies that are in action within the Singapore welfare state, later on in this essay. The lack of an absolute poverty line

in Singapore shows the attitude the government takes in context to those who are vulnerable or in need of additional help. Without an absolute poverty line, the government is unable to evaluate who is stuck in poverty and requires additional resources from the government. By ensuring there is no line to fall under, the government may be said to be effectively ignoring a proportion of the population. The government cannot enforce policies that can effectively reduce inequality and help lift its population out of poverty without an effective line to measure what proportion of the population is in poverty.

Analysis of Data from Department of Statistics, Singapore

The Department of Statistics in Singapore has released a series of data that can be used to analyse inequality levels within Singapore and how this has changed across the past 20 years. The Gini coefficient can be used to analyse inequality within Singapore as it is a number that refers to 'the distribution of income among individuals or households within an economy' (World Bank, 2022). A Gini coefficient of zero represents a country that has perfect equality whilst a Gini coefficient of 100 represents a country with perfect inequality.

Firstly, the Department of Statistics released data referring to the Gini coefficient of the Household Income from work per household member (including employer CPF contributions). This data showed that in 2000 Singapore had a GINI coefficient of 0.442. In 2010, this rose to 0.472, however in 2021 it fell back to 0.444. This shows that Singapore has struggled to reduce inequality within the country, instead it rose to 0.472 in 2010. However, they have been able to reduce it to the equivalent levels of 2000. This shows that there has not been a decrease in the gap of household income from work per household member within the country over the past 20 years; consequently this makes one question the effectiveness of the policies which are in place already. Instead, the rise of the inequality in 2010 shows that the policies were having an opposite effect.

However, when you look at the data collected which looks at the Household Income from work per household member (including employer CPF contributions) after accounting for government transfers and taxes. You are able to see that the contribution government transfers, and taxes attribute play a larger factor in decreasing inequality in Singapore. When Deputy Prime Minister Heng Swee Keat claimed in an interview that the Gini coefficient had fallen to an all time low of 0.375 in 2020, he was referring to this number after government transfers and taxes (Min, 2021). Previously in 2000 this number had been at 0.414, although in 2021 the number rose again to 0.386. However, an argument can be made that this was due to Covid-19, as the effects of the pandemic notably had a larger effect on those on a lower income and within vulnerable families. This results in increasing the gap between high-income and low-income households.

In 2017, the UK recorded a Gini index of 35.1 that in comparison to the coefficient of Singapore at the time when referring to the Household Income from work per household member (including employer CPF contributions) after accounting for government transfers and taxes was 0.402. Therefore, showing that Singapore still has a larger gap within its inequality. This allows a comparison to be drawn between the policies that are applied in Singapore and the United Kingdom. As will be explored later on in this essay, the United Kingdom can be seen to be applying a universalistic approach in comparison to Singapore's targeted policy approach.

The data drawn from the Department of Statistics, Singapore shows that there is still a large issue of inequality within Singapore and that there is much to be discussed within this topic. We will continue be looking at some of the policies the Singapore government has

implemented in an effort to combat this inequality and help those who are in low-income households.

Policies to reduce Inequality:

Current welfare policies within Singapore follows the *laissez faire* approach. The government's approach has been to reward citizens in alignment with the work that is done. Policies aim to ensure that its citizens are able to protect themselves at a later stage or when they are put in a vulnerable position however they do this by encouraging citizens to do it themselves. This ensures that citizens are self-reliant in the future. Very little social security within Singapore is provided through government provision and taxation. The government aims for the population to be dependent on themselves and encouraging the population to reach 100% maximum employment. This is partly why the country has been able to reach such a high standard of economic growth.

In this section, I will be referring to a paper released by the Ministry of Social and Family Development (Ministry of Social and Family Development, 2018) entitled 'Improving the Lives of Low-Income and Vulnerable Families in Singapore'. This outlined five separate categories which the welfare system is focused around, each of which involves a series of policies that are designed to ensure that the population is able to meet their needs. These categories are focused on Home Ownership, Education, Healthcare, Employment and Retirement Needs. Furthermore, the policies this paper refers to can be categorised into three separate levels. Firstly there are the policies that focus on broad based transfers and subsidies by the government. Next there are those that are more of a targeted assistance and finally there are those that are categorised under Institutional support to encourage work and employment. Each of these levels presents a separate angle Singapore takes towards tackling inequality.

1. Central Provident Fund (CPF)

The CPF is a broad-based transfer scheme which is aimed at helping citizens when they reach the age of retirement. Effectively, the scheme is a pension fund that is created throughout a citizen or permanent resident's career, which can then be withdrawn after the age of 55 years old or upon retirement. Asher and Nancy (2018) describe the contributions as:

"Channelled to three accounts: two-thirds to the Ordinary Account (OA), which can be used for housing and investment schemes; 19 per cent to the Medisave Account (MA), which can be used for hospitalisation expenses and catastrophic health insurance; and the remaining 14 per cent to the Special Account (SA), which can be used for retirement and other purposes."

The CPF is a part of the government's efforts to combat an ageing population and the increase in an ageing labour force. The CPF is focused around a self-regulated and enforced pension scheme which ensures that citizens are able to access a pension scheme which is dependent on their previous earnings.

2. The Progressive Wage Model (PWM)

The PWM aims to help workers to improve their skills through subsidised training and education. The purpose of this is to encourage those within low-income jobs or those who are unemployed to improve their productivity. Consequently, this allows them to access alternative

jobs and increase their income, which ultimately can be used to improve their social security through the CPF contributions. The PWM is focused on ensuring employment and is done via institutional support. This means support is provided through the government, rather than done privately. It is a targeted approach which aims to increase citizens skills to improve their wellbeing, however does not take into account other issues citizens may face when attempting to improve their income or productivity. The Ministry of Social and Family Development (2018) claims that 'The PWMs have benefitted 70,000 resident workers in the cleaning, security and landscaping sectors with higher wages and better career progression'.

3. Workfare Income Supplement Scheme (WIS)

The WIS scheme is aimed at improving employment via institutional support. The WIS ensures that citizens are earning enough money to support themselves but only when they continuously employed. It is aimed towards low-income workers and helps to boost CPF top-ups. The scheme allows workers to boost their payments in order to ensure that they can access healthcare and retirement savings. Singapore citizens are able to access the WIS scheme when they are over the age of 35 years and are earning less than S\$2,300 a month. The scheme is complemented by the Workfare Training Support (WTS) Scheme that complements the WIS by 'encouraging workers to upgrade their skills and improve their employability, and supporting employers to send their workers for training' (Ministry of Social and Family Development, 2018).

4. Subsidised HDB (Housing and Development Board) Flats

Subsidised HDB Flats are provided by the government for Singapore citizens over the age of 21 years old who fall under the correct income ceiling for the flat they intend to buy. This allows for those of a lower income bracket to gain access to the housing market. The subsidies are offered via 'concessionary loan interest rates (and) CPF savings for home ownership.... With extensive housing subsidies, a family earning \$1,500 can pay less than \$100 per month for a 2-room Build-To-Order flat in a non- mature estate, entirely out of their CPF and with no cash outlay required' (Ministry of Social and Family Development, 2018). HDB flats are only accessible to those who qualify under one of the schemes; public scheme, finance scheme or orphan scheme.

The policies mentioned above are just a select few of the policies that are implemented by the Singapore government in order to combat poverty and inequality within the country. Each is based upon the government taking direct or broad action for the population. The policies are meant to help those of a lower income or in a vulnerable state to be able to survive.

Discussion:

Inequality within Singapore is an issue that many are oblivious to (Lee, 2001). The premiere of Crazy Rich Asians in 2018 portrayed the country as a playground for the rich and wealthy. However, even within everyday life the struggles of parts of the population are hidden behind the scenes. Whilst the government has implemented schemes that are aimed to help those of a lower income, there are still those who are unable to meet these standards. This is because the policies mentioned previously place a large reliance on citizens have a job. This leaves several demographics out and subject to poverty and the issues of inequality. Furthermore, the government takes a preference towards policies that are targeted rather than universal.

One of the issues that can be found within the Singapore welfare system is that many of the policies appear to be targeted at specific problems; however there is no universal policy to help everyone. This means that policies are not able to help those who are often most in need, as they are hidden behind these larger demographic groups such as low-income workers. For example, the CPF scheme is beneficial to those who are in low-income jobs. However, it does not consider those who are disabled or have unstable work. This is because they do not have a steady income; therefore they cannot continuously contribute towards their own CPF contributions. Instead, assistance is provided when it is needed and only on the basis that the participant is working or will be working soon. The reliance on the labour force goes hand in hand with the provision of social security. Vadaketh & Low (2014) puts forward the question of what type of policies are best to be implemented. Should we be taking a targeted approach or should we be taking a more universalistic approach? They refer to the Northern European states where a universalistic approach appears to be more successful. They also refer to the housing programmes implemented in Singapore that took a universalistic approach and appeared to be successful. However, the implementation of a universalistic approach scares the Singapore government. A government who is focused on ensuring that social security is only provided when they can see that participants are still working hard, and social security is only provided in accordance to how much you are working.

Singapore places a large focus on participation in the labour market. Similar to other economies, they are keen to gain a 100% employment rate. As a result, they have been able to achieve this to a certain extent. As the non-employment rate reached 11.8% in 2021 according to the Department of Statistics, despite the problems the pandemic caused within the labour market. Although this has gone up by 3.2% since 2000. However, the percentage of unemployed persons over the age of 65 years old is only at 7.1%. This shows the high reliance of the elderly is on both the working family or by continuing working. Furthermore, it is hardest for those over the age of 65 to find work, in particular for women who find it hard to maintain work, as they are often the first to be made redundant. It is hard to continue doing manual labour at an elderly age and these are often the jobs that are still being done by those over the retirement age. These are often the lower income jobs as well. Women are also continuously paid a lower wage than that of their male counterparts of an equivalent age (Lee, 2001).

Another of the issues Singapore is facing is an ageing population. It is a country that places a large emphasis on the role of the family. The culture encourages a reliance on family, meaning a large percentage of social welfare is expected to be provided through the family. It is common for several generations of a family to live together. This removes issues within the society such as looking after the elderly and childcare. However, what has become an increasingly larger issue is that there are becoming a larger number of people above the age of retirement. This is an issue because many of these people spent the majority of their working careers prior to the introduction of the CPF scheme, therefore the money which they have saved from this is minimum (Lee, 2001). This leaves a large proportion of the population without a steady income or savings. In particular, this is focused on those with low-income jobs, as previously, they would have had the least amount of time to contribute towards their CPF pension. This has consequently led to an increase in the number of elderly who are participating in the Labour Market.

The CPF scheme is also not an effective measure because it does not consider the role of inflation. The CPF scheme relies on savings throughout the working career of an individual, which is then put aside for use when the individual retires. However, this money does not adjust to inflation. The money that has been earned previously is not equal to the money that the participant has access to when they retire or reach the age of 55 years old. This creates a gap in the system, particularly for those on a lower income, as it leaves them vulnerable.

Another issue with the CPF scheme is that it does not take into account the life expectancy of a citizen. The CPF scheme would be beneficial for those who only live a short life after retirement; however the life expectancy of citizens is consistently increasing. In 2021, the average life expectancy at birth in Singapore was 83 years old. This is 28 years of reliance on the CPF scheme. The government has enforced a CPF Life scheme, which ensures that provides monthly payouts no matter what age you live up to. However, this scheme is only available to those who are able to save at least \$60,000 before they reach the age of 65 years old, otherwise monthly payments after retirement will simply stop when they have used up all of their CPF contributions. This policy does not take into account those on a low income who are unable to contribute this much throughout their career and consequently have to continue working after their retirement period. This policy can still be viewed as contributing to the inequality which exists within Singapore.

Changes that need to be made:

In order to combat the inequality that is evident within Singapore, we need to try to understand how Singapore can change. It currently focuses on the aspect of welfare that focuses on the employment of individuals. The social security system is in place to ensure that as long as every individual has a job, they are able to provide for themselves. However, the recent pandemic has spread light on the fact that those who are unemployed are the ones at risk. This is not a new issue; there have been citizens who have been forgotten within the welfare state for decades. This includes those with disabilities, those with part time jobs or those who are unable to work. Ultimately, the welfare system needs to adapt to include these citizens.

A solution that has often been offered is put forward by Hui (2013). He argues that Singapore needs to consider the introduction of the minimum wage. Whilst this is a contrast to Singaporean attitude of increasing the labour force, it can be viewed as having other benefits. Hui (2013) argues that this is because it can actually help boost productivity and reduce the reliance the Singapore government has on foreign labour. He argues that the introduction of a minimum wage within Singapore would be effective because the current high volume of foreign labour within Singapore is firstly very popular because it is cheaper than employing nationals. Consequently, the influx of foreign labour has made the volume of workers in the lower-income bracket higher, which reduces the bargaining power of workers within this bracket. The introduction of a minimum wage would not result in the loss of jobs for many Singapore citizens. Instead, it would gain their position back within the labour market and ultimately lead to a higher net employment. This is because the minimum wage would ensure that there is a higher wage ensured for all workers, meaning that employers are forced to not employ the lower earning foreign workers, creating more space for local workers. Consequently, this would then increase productivity in the labour market, as this would mean that these low-income workers are able to increase their participation in the labour market and take advantage of the increased training and education directly provided by the government.

This example of the implementation of a minimum wage is an example a policy that takes a universalistic approach in comparison to a more targeted approach. This is the route which previous policies can be seen to have taken.

“Successful policy intervention to break the cycle requires holistic multi-pronged approaches that recognise that each family unit experiences the various economic-social-psychosocial challenges together as one unit, and not as separate individual entities.” (Ng, 2015)

In order to reduce the inequality within Singapore, the government must view every household as one unit and not treat every individual separately. In order to do this, they must follow a

universalistic approach, offering every individual equal opportunities to improve their lifestyle and access some of the opportunities the government is able to give them. Whilst the government has in place many policies that are greatly beneficial to the population, they must take into account that they have set heavy barriers to those beneath the income lines to allow them access to these. In order to reduce inequality within Singapore, the government must allow every individual an equal start to improve their productivity and ultimately their individual standard of living.

Conclusion:

Ultimately, I conclude that inequality within Singapore is still a major issue within the country. Whilst the government have successfully reduced inequality in 2020, there are still hidden factors behind these numbers. The fact that the lowest Gini coefficient is based on government taxes and transfers shows that the government is still able to play a larger role in reducing this number. The policies I have mentioned previously including the CPF scheme and the WIS are examples of how the government is able to provide policies that are essential to providing some form of social security to its citizens. However, there is still more work to be done in ensuring that there is a reduction in income inequality within the country. I believe that by taking a universal approach, the country would be able to make an effective dent in the levels of inequality. Policies such as the minimum wage would provide a sustainable stepping-stone for citizens on a low-income wage to be able to participate in the economy and improve their monthly income. Ultimately, whilst there is no absolute poverty level to compare this to, this would ensure that citizens are able to improve not only their living standards but also contribute to current policies and make the most of these policies further, such as the CPF.

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