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**DRAFT**

**Country Overview Paper No. 6**  
**Singapore: Growing Wealth, Poverty**  
**Avoidance and Management**

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prepared for the UNRISD project on  
**Poverty Reduction and Policy Regimes**

July 2008 • Geneva



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Singapore is a very new nation, gaining political independence from British colonial government and subsequently separation from Malaysia in 1965. However, in the short forty-years as a city-state-nation, it has elevated itself from a declining trading post in the twilight of the British Empire to a first world, capital exporting economy. The nation's economic success is indubitable and globally recognized, giving this city-nation a voice in the global economy beyond its small size. It would be too easy to dismiss Singapore's economic success to its size; an entirely urban economy without the drag of a rural hinterland. Smallness has its disadvantages; for example, Singapore is completely devoid of natural resources, including land and population, and thus dependent on the global market for all its needs, from food to imported labor to the materials that are necessary to feed its complex capitalist economy.

Detractors may also dismiss Singapore's economic success on account of its authoritarian political regimes, particularly during the more than twenty years the first Prime Minister, Lee Kuan Yew. The People's Action Party (PAP), under Lee's leadership had ruthlessly suppressed dissent and opposition in the early days of its ascendancy to absolute political power. By the early 1970s, the Party had eliminated all effective political opposition and has since then governed without any opposition in parliament. It has also over the years, modified election rules and procedures which will practically ensure the return of the Party to power in the five-yearly general elections. Undoubtedly, the absolute hold on power contributes to the economic success, as the absence of oppositions shields the public service, enables the government ministries and bureaucracies to set long term plans and manage their implementations without intermittent disruptions caused by changes in government. However, one should note that during the early 1960s till the end of the 1970s, when political repression was most intense in Singapore, there were many authoritarian regimes in the Third World and economic failures far exceeded successes in these authoritarian regimes. Given the history of most authoritarian regimes in Asia and Africa, one might rightly argue that absolute political power had a greater tendency to lead to corruption and economic disaster than to economic success, as the case of Singapore, among a handful of other Asian nations. It is precisely this tendency of authoritarian regimes to failure that it is necessary to examine and explain Singapore's economic success in terms of the continuity and changes in policies the long-governing PAP had put in place since the inception of its rule.

### **Export Oriented Industrialization**

The history of the political economy of Singapore's rapid industrialization has already been well documented (Rodan 1989, Tremewan 1994). Therefore, only a skeletal sketch of it is necessary here. Singapore did not embark on export-oriented industrialization until mid-1960s. In the late 1950s, the PAP leadership believed that an independent city-state economy would not be viable. They hoped to build on 'import-substitution' industrialization in an enlarged market with its membership in Malaysia in 1963. Membership was short-lived. It separated from Malaysia in 1965, where upon the leaders immediately recast their economic orientation towards export-oriented industrialization, declaring itself a 'global city' where the world is its hinterland and market.<sup>1</sup> Export-oriented industrialization, a process pioneered by Japan in its transformation from an economy devastated by war to the second largest economy of

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<sup>1</sup> Rajaratnam (2006), 'Singapore: Global City'.

the world, had been adopted by all the successful East Asian newly industrializing economies, namely, Hong Kong, South Korea, Taiwan and Singapore.

These East Asian locations entered the export-oriented industrialization at a propitious time when the manufacturing enterprises from developed economies of the West and Japan moved low-end manufacturing to low-production cost/cheap labor locations abroad to escape high labor costs at home. Significantly, at the time, three of the largest pools of surplus labor in Asia were unavailable for capitalist exploitation: the People's Republic of China (PRC) was simply not interested in capitalism; India was engaged in its own form of 'socialism' based on state enterprises and import substitution and, Indonesia was caught up in political turmoil of the 1965 coup-and-massacre, and by the 1970s it had come into oil wealth. The result was that Singapore, along with Hong Kong, Taiwan and South Korea, had very little competition for foreign investments from the mid 1960s till the early 1980s. Had any of these locations come into the market for foreign investments at the same time or later than the PRC in the early 1980s, its ability to attract foreign investment would have been seriously in doubt. As it is by the 1980s, industrialization was well on its way in the newly industrializing economies. Singapore had been able to capitalize on the momentum and keeps transforming its economy in pace with the speed of globalization of capitalism. (Figure 1) By the beginning of the 21<sup>st</sup> century, the major export sectors of the economy are: petrochemicals, pharmaceuticals, electronics, transport and logistics and financial services. Singapore has also become a capital exporting economy. Its public and private sectors invest globally, with an increasingly complex portfolio of equities, properties and industries.

### **The Primacy of Employment**

In addition to adopting a trial and tested model of industrialization at the right time, undoubtedly, political leadership had a significant role to Singapore's economic success. The leadership and the political system it built were most significant in the management of domestic conditions that favors capitalist investments and economic growth: pacification of domestic politics, job creation and expansion of standard of living and improved material life for the population. One of the obstacles to economic development in the 1950s was a restive labor movement, in part fanned by the PAP itself, in its fight for decolonization. Upon assuming legislative power in 1959, when Singapore was granted domestic self-government, Lee Kuan Yew and his English-educated colleagues began to marginalize the Party's left-wing members, culminating in the political detention without trial of several of the latter who were union leaders in 1963.<sup>2</sup> The left-wing of the Party was eventually purged.

The government set up its own pliant unions under the umbrella of the National Trades Union Congress (NTUC) in 1964. Since then, the Secretary General of the NTUC has always been concurrently a PAP member of parliament; beginning in the 1980s, the Secretary General was also made a cabinet minister. The close relations between the NTUC and the PAP are dubbed as a binding 'symbiotic' relation of mutual benefits; any elected leader of an NTUC affiliated union who joins another political party is deemed to have 'violated' this relation and is compelled to resign from the elected post. That the 'symbiotic' relations is an unequal one is without doubt: According to Lee Kuan Yew, 'Political leaders must triumph (over unions), if necessary, by changing the ground rules

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<sup>2</sup> In February, a raid code named Operation Cold Store detained more than 100 radicals (Clutterback 1984: 158).

to thwart the challenge (by unions), using legislative and administrative powers, and, when necessary, backed by the mandate of the electorate' (quoted in Wong, 1983:265).

In 1968, labor legislations were amended to prohibit strikes and lock-outs, while compulsory conciliation and arbitration were instituted. The collective bargaining role of unions was reduced, in 1972, with the establishment of a tripartite –government, employer and labor- National Wage Council which recommends annual wage increase guidelines which are largely followed by employers and unions. In 1982, legislation further emphasized co-operative industrial relations by defining union activities as promoting 'good' industrial relations, improving work conditions and helping to increase productivity. In 1984, legislation gave the employer greater discretion in scheduling of work, and in hiring and firing. With these strings of legislations that direct industrial relations away from labor-employer confrontation to one of 'mutual trust and cooperation' (Wong, 1983:267). An industrial 'peace' was established; there has not be a strike since the end of the 1960s. Foreign capital flowed in, generating and sustaining employment for labor. In the early phase of industrialization, the largely low-wage, low skill employment quickly mopped up the unemployed. Unemployment rate declined steadily from 8.3% in 1966 to 3.9% in mid-1970s and 3.5% in 1980 (Table 1) and to 2.7% in 1984 (Krause, Koh and Lee-Tsao 1987:190). The GNP grew from US\$643 million in 1959, the first year the PAP government took office, to US\$5,773 million in 1975 (Goh 1976:77). (Figure 2)

By the early 1980s, it became obvious that with the shortage of labor, Singapore could not possibly compete in the low wage low skill economic sector, with other developing countries with much larger populations. The government then actively transformed the hitherto labor intensive economy to one that is capital and skills intensive by radically increasing wages for three successive years, from 1979 to 1981. At the end of which wages went up by more than 40%. Low-end manufacturing industries, such as consumer electronics and textile, dependent on low-wage foreign workers had to either moved out into the neighboring countries or invested in higher technology, reducing labor input. The capital/labor ratio improved from 2.8 for the decade of 1970-1980, before the wage increased, to 3.7 in the following decade, and the value added per worker in manufacturing improved from 4% to 4.7% per annum, respectively. (Table 2)

In the early 1990s, the development of service sector, including international financial industries, was added to the mix. This was followed by the promotion of information-base, high technology industries by the mid 2000s, especially in bio-sciences and pharmaceuticals. (Table 3) In this successive series of explicit governmental interventions in selecting, aiding and abetting new industries, the economy kept expanding, with a brief recession in the mid 1980s, until the 1997 Asian Financial Crisis. For our purpose at hand, it is not necessary to deal in detail with the impact of the Crisis, only a brief summary of the consequences will suffice. The effects have been summarized in the following points:

“First, Singapore’s exports to the crisis-hit economies were badly affected as a result of severely diminished regional demand, due in part to the collapse of their currencies”.<sup>3</sup> Although there were no speculative attacks on the Singapore dollar, nevertheless, it fell 18% against the US dollar from July 1997 to January 1998. However, it appreciated against the currencies of the other ASEAN countries which had fallen even more

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<sup>3</sup> Ngiam Kee Jin, 'Coping with the Asian Financial Crisis: the Singapore experience'. Singapore: Institute of Southeast Asia, Visiting Researchers Series No. 8 (2000).

precipitously. “As a result, Singapore’s nominal and real effective exchange rates were relatively stable both before and during the crisis”.<sup>4</sup> (Figure 3)

“Second, Singapore’s export became less competitive against these economies in third-country markets”.<sup>5</sup> In response, the government immediately adjusted the currency exchange rate to prevent erosion of competitiveness.

“Third, Singapore’s banks were weakened by their sizeable lending exposure to these countries. Fourth, the large outflow of Singapore’s investment to the region in the early 1990s, in response to the government-led regionalization drive, suffered a severe setback”.<sup>6</sup>

In addition, the stock market fell more than 60% in a fourteen month period from January 1997, and property market fell by 40% from first quarter of 1997 to fourth quarter 1998. Finally, the GDP fell from 8.9% in 1997 to 0.3% for 1998, which nevertheless remained ‘among the highest in Asia’ then.<sup>7</sup>

By mid 1998, the Singapore government moved to reduce business costs with tax rebates on property, rental and utilities by government agencies; speed up development projects, stabilize the property market by suspending land sales and deferring stamp duty on uncompleted properties, which “helped prevent more bankruptcies and an increase in non-performing loans”.<sup>8</sup> Further cost cutting measures were undertaken at the end of 1998: wages were cut radically; in addition to a real wage cut of 5 to 8%, 10% cut on the employer’s monthly contribution to employee’s compulsory social security savings (see CPF below). Finally, a 10% rebate on corporate tax was provided for 1999. All these cost cuttings measures improved Singapore’s competitiveness, “unit business cost of the manufacturing sector [fell] sharply in the first nine months of 1999”.<sup>9</sup>

At the household level, rebates on conservancy charges and rentals were given to the 90% of the population who lived in public housing flats. For households whose income earners had become unemployed as a consequence of the Crisis, mortgage rescheduling, including suspension of payment if necessary. However, consistent with its long standing policy of not assisting income declines of individuals and families, only a minimum of targeted assistance distributed through voluntary welfare organizations were added to the general housing assistance. Fortunately for those who lost their employment, the Crisis was short lived. The economy recovered by second quarter of 1999 with more than 6% growth, reaching 7.1% in the fourth quarter; growth for the whole of 1999 was 5.4%. Unemployment rate hit a high of 4.5% in December 1998 dropped to 2.9% in December 1999.<sup>10</sup>

The PAP government never wavers from the determination in job creation. In the words of the first finance minister, Goh Keng Swee, the aim from the start was ‘to achieve a society where all citizens could have a decent living’, ‘to provide jobs for everybody who was willing and able to work’ and, ‘to give workers rising incomes and improved

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<sup>4</sup> Ngiam, p. 6.

<sup>5</sup> Ngiam, p. 5.

<sup>6</sup> Ngiam, p. 5.

<sup>7</sup> Ngiam, p. 8.

<sup>8</sup> Ngiam, p. 17.

<sup>9</sup> Ngiam, p. 17.

<sup>10</sup> Ngiam, p. 17.

standard of living over the years', through continuous and rapid economic growth (Goh 1976:81). As a consequence labor shortage that was first experienced in the mid 1970s has become a perennial condition.

In 2006, more than one in four of the population of 4.5 million people is a foreigner, of which, three quarters are temporary work permit holders on short-term, two-year renewable contracts in low end occupations, including female domestic services. In 2007, a record number of jobs were created; 172,400 by the third quarter and expected to reach 200,000, and more than 30,000 low-end service jobs remained unfilled by year end.<sup>11</sup> The unemployment rate stood at 1.5%, practically full employment.

There are two corollaries to the emphasis on job creation. First, the primary focus of government development strategies may be said to be wealth creation through employment. It consistently emphasizes the importance of human capital investment in engendering a productive and competitive labor force. The conventional strategy of investment in education is clearly stressed; primary and secondary education is practically free, tertiary education – polytechnics and universities – is heavily subsidized of up to three quarters of the operational costs of tertiary institutions. The education system is constantly repositioned “to the ‘needs’ of the economy, as education is perceived to be the key form of contribution to the developing of individuals’ productivity rates, which in return improves the country’s economic growth” (Chua 2006:217). Singapore’s use of education policy as human capital investment is not exceptional, except perhaps its economic single-mindedness.

Second, the series of strategic restructuring of the national economy over the years, coupled with the globalization of capitalism, have inevitably led to displacement and dislocations of the less-educated workers. In the face of this, the government, with the assistance of the NTUC, redoubles its effort to encourage, with generous monetary incentives, skills retraining for the lowly educated individuals/workers at risk of being left behind in low-wage employment or worse, unemployed by the migration of low-skilled jobs to other low-age economies. The displaced industrial workers are being retrained for the expanding service sector in which personalized services are needed, such as in retail and hospitality trades.

The drive to retraining is symptomatic of the Singapore government’s overall view that employment is the best means for alleviation of poverty persisted is constantly reinforced and. the government is equally tenacious in its anti-social welfare stance, specifically cash provisions for the needy. However, no amount of job retraining will erase unemployment of the older and lowly educated. Poverty remains an unavoidably product of capitalist economic development. Consequently, the PAP government has been, by force of circumstance, developing different poverty alleviation welfare program without apparently giving up its anti-welfarist ideology.

### **Anti-Welfarism**

The PAP began as a social democratic party; the political leaders who inherited the Party after the purging of the left were mostly British university educated in the immediate post-war years and had been heavily influenced by the politics of the then British Labor Party. The leadership had strenuously defended its democratic socialist stance as late as 1976, when the Party faced being expelled from the Socialist

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<sup>11</sup> Zuraidah Ibrahim, ‘Politics in numbers’, *Straits Times* 29 December 2007.

International.<sup>12</sup> Of the belief in economic socialism, Lee Kuan Yew remains categorical, ‘We believed in socialism, in fair shares for all’ (2000: 116). The ideal typical definition of social democratic welfare regime is where ‘all citizens are entitled to a wide range of universal and decommodifying benefits and services...granted as right and free people from the necessity to participate in the labor market by offering high levels of compensation in relation to market earnings’, with the aim of ‘to achieve a high degree of equality of both incomes and opportunities’ (Timonen 2003: 2).<sup>13</sup> In spite of their declared belief in socialism, the redistributive implications of social democracy have been radically reformulated by the PAP government by the Party in subsequent years.

In the 1960s, Lee Kuan Yew visited Hong Kong regularly, ‘to study and to understand why Hong Kong people work with so much drive and vigor than the people of Singapore, and to learn something from them’:

Through Hong Kong watching, I concluded that state welfare and subsidies blunted the individual’s drive to succeed. I watched with amazement the ease with which Hong Kong workers adjusted their salaries upwards in boom times and downwards in recessions. I resolved to reverse course on the welfare policies which my Party had inherited or copied from British Labor Party policies. I scaled back on subsidies except where they made the person more productive through better education, better health and better housing’ (1997:6-7).

As he sees it, “The Singapore worker is not psychologically geared to be as independent-minded and resilient as the Hong Kong worker [who expected nothing from the colonial government]. Singapore worker votes for his Government and then expect his Ministers to take care of his livelihood and his children’s future”. He speculates, “Had there been party politics in Hong Kong competing for the right to form the government, economic and social interest groupings and trade unions would have emerged. Then pressures for redistribution of wealth and subsidies for welfare would have been irresistible” (1997:7).

The decision to scale back subsidies and redistribution was further reinforced by the economic and moral ‘crisis of the welfare state’ in Britain and Western Europe during the 1970s and 1980s. According to Lee Kuan Yew, ‘Watching the ever increasing costs of the welfare state in Britain and Sweden, we [the PAP government] decided to avoid this debilitating system. We noted by the 1970s that when governments undertook primary responsibility for the basic duties of the head of a family, the drive in people weakened. Welfare undermined self-reliance. People did not have to work for their families’ wellbeing. The handout became a way of life. The downward spiral was relentless as motivation and productivity went down. People lost the drive to achieve because they paid too much in taxes. They became dependent on the state for their basic needs’ (2000:126).

The government’s resistance to increase welfare provisions was met with severe criticisms at home and abroad, as the “failure of the European welfare state was not yet self-evident”. Meanwhile, the government “needed time to build up substantial CPF

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<sup>12</sup> Their defense is elaborated in a collection of essays by the PAP leaders, edited by C.V. Devan Nair, then Secretary General of the NTUS, entitled *Socialism that Works: the Singapore way*. Singapore: Federal Publications (1975).

<sup>13</sup> This ideal typical characterization is provided by Gøsta Esping-Andersen (1990).



(Central Provident Fund, discussed in the next section) savings, and have many own their homes. Only then would people not want their individual savings put into a common pool for everyone to have the same welfare ‘entitlement’, own the same kind of home or enjoy the same level of comfort in hospitals. I [Lee] was certain they would prefer to make that additional effort to pay for the extras they sought, either in the size and quality of their homes or in the level of comfort in hospitals” (Lee Kuan Yew 2000: 127).

It is apparent that the PAP government had, even in the early stages of its ascendancy to political dominance, eschewed state-initiated welfare program, choosing instead to emphasis individual and/or family self-reliance, with the government providing the enabling environment for the latter to arrive at their own achievements. To each according to his/her effort, i.e. meritocracy is a central ideology of the PAP government. The ‘enabling’ role of the state has been reformulated by the current generation of PAP ideologue, George Yeo, as ‘supply-side socialism’, in which state subsidies are used “to maximize the ability of all human beings,” which in turn improves the economic competitiveness of the nation (Straits Times 17 June 1994). Government subsidies are found in provision of public housing to help maintain the social security and stability of families, in education as human capital investment, in provision of superior infrastructure to support efficiency and market competitiveness and finally, in voluntary welfare organizations that assist the various constituencies of the socially disadvantaged. (Tables 12 and 13) The PAP government’s domestic economic strategy is thus one of generating self-sufficiency and wealth accumulation through employment. It is one of preventing, i.e. reduction of, the incidence of poverty, rather than one of providing a social-safety net for those who are impoverished.

In sum, the PAP government’s position on poverty alleviation is to (i) subsidize items which will potentially made an individual more productive, i.e. human capital investment through better education, better health and better housing; (ii) eschew any social pooling of funds to provide a common standard of welfare entitlement, especially if it means higher taxation, as the latter is seen as disincentive for strive; (iii) instead of the ‘social risk pooling’ practices of developed nations to meet welfare needs, it adopts a system of individual savings account for social security, the Central Provident Fund (CPF) for housing, health care, education and retirement. The CPF is consequently the central institution in the poverty reduction strategies of the government.

### **Central Provident Fund**

The CPF was instituted in 1955, just before the British colonial administration handed power over to local elected government, in lieu of a national pension or social insurance system: every Singaporean wage earner is compelled to save a portion of his/her monthly income in an individualized CPF account as social security savings, with proportional contribution from the employer. Employers can voluntarily opt for savings for themselves in the scheme and are attracted to do so because of the savings are tax-exempt. There is no social insurance, no social risk sharing nor redistributive element in the scheme. The CPF is managed as a statutory board of the government, which provides a fixed annual interest to each savings account.

The percentage of monthly income saved by each worker started modestly at 5% but kept increasing in tandem with economic expansion and rising wages, throughout the 1960s till mid 1980s. The savings rate reached a peak in 1984, with savings of 25% of

the monthly wage with equivalent contribution from the employer, with a wage ceiling of S\$6000 (US\$ 4000) per month. As a result of a brief economic downturn in 1985, the rate was subsequently reduced to 20% from each party in 1987, a level which the government professes to want to maintain. However, the employer's contribution was radically reduced to 10% during the 1997 Asian Financial Crisis.

Since then, the saving rates for both parties have been radically changed and graduated according to age. For employees who are fifty years old and younger, the compulsory savings remains at 20% but the employer's contribution is 14.5%, with the monthly wage ceiling reduced from S\$6000 (US\$4000) to S\$4500 (US\$3000). For those between 50 and 55 years old, worker's savings rate is reduced to 18%, and employer's contribution rate to 10.5%. For those 55-60, worker's savings rate is reduced to 7.5%, employer's contribution rate is reduced to 12.5%. Finally, for worker who are 65 and above, the savings and contribution rates are the same, 5% (Table 4). This progressive reduction of savings and contribution rates for workers above 50 years of age was introduced ostensibly to encourage retention of older workers by employers.

It should be obvious that the CPF has evolved into an instrument of wage control. It is adjusted periodically in response to macro national economic condition to regulate wages, to maintain national competitiveness in the global market. The overall effects of these adjustments have been to the disadvantages of the work force. The government's declared intention of restoring employer's contribution to 20% has become more and more elusive.

The public savings in the CPF is used to purchase non-marketable government bonds. (Table 5) The savings attracted a mere 2% annual interest to the savers which was reluctantly increased to 3%, beginning in 2008. While the government might have needed this large sum of capital with low interest to finance the building of infrastructure and other administrative expenditures in the early years of independence, it is certain not the case since the mid 1970s. Indeed, Asher and Nandy (2008: 15) have argued that given that the Singapore national budget has consistently reported very significant annual surpluses,<sup>14</sup> one can assumed that the CPF funds have not been used for government expenditure. 'Instead, through complex procedures, they are turned over to one of Singapore's holding companies, Government of Singapore Investment Corporation' (GSIC).<sup>15</sup> The government maintains that the transactions of the GSIC are highly market sensitive and therefore provides only the minimum disclosure standard required by international trading community (Rodan 2004:54-55). Accordingly, one does not have data on the breakdown of the proportion of the CPF savings going to infrastructure investment and that which is transferred to and used by the GSIC for investment.

Established in 1981, GSIC is a pioneer sovereign wealth fund, which has become the investment model for nations with huge foreign reserves.<sup>16</sup> The GSIC has a very significant quantum of fund at its disposal and a world wide investment portfolio. For

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<sup>14</sup> Asher and Nandy (2008) cites a 2006 IMF report that estimated the total accumulated surpluses, as at March 2004, to be S\$3999.1 billion (approx. US\$270 billion).

<sup>15</sup> Singapore's Central Provident Scheme: an overview and a comparison with US Social Security System. <http://www.vandine.com/cpfa.htm>

<sup>16</sup> Singapore is recognized as a pioneer in the establishment of sovereign investment funds. By 2007, every East Asian economies which has accumulated large foreign reserves that used to be conservatively invested in US government securities was following Singapore's example of investing the reserves in the market in search of greater returns. The investment power of these sovereign funds has caused unease among European countries which fear the political implication of such investments in their industries and financial institutions.

example, in the 2007 global ‘credit-crunch’ caused by the bad debts incurred by financial institutions for sub-prime mortgages in the US, SGIC bought into and baled out the world’s largest wealth management firm, UBS, with US\$9.5 billion. Temasek Holdings, another Singapore sovereign wealth fund, paid US\$4.4 billion for a stake in the American investment bank, Merrill-Lynch.<sup>17</sup> Asher and Nandy argue, ‘To the extent GSIC obtain higher return than those credited to the CPF members, the difference is a tax on CPF wealth’. To this the government’s response is that the 2%, and from 2008 3%, guaranteed returned to the CPF saver is well above the 1% market rate that the government can obtain if it were to issue securities in the open market.<sup>18</sup>

As it is the most important part of the life savings for the overwhelming majority of Singapore workers, the CPF has evolved to be the most important instrument for individual’s self-financing of health, housing and education. The largest portion of the savings, designated as the ‘Ordinary Account’, can be drawn down to finance monthly mortgages for housing, tertiary education for children and private investments in CPF selected companies listed on the local stock market. Of these the most significant draw-down of the fund is for housing mortgage because it consumes the largest amount of the total savings.<sup>19</sup> (Table 5) A smallest portion is earmarked initially as hospitalization fund but has been extended to cover long-term and catastrophic illnesses needs, designated the Medisave (Asher and Nandy 2006). Finally, the ‘Special Account’ is designated for old age pension and cannot be withdrawn by individuals upon retirement. Furthermore, in the offing, a compulsory annuity fund for individuals above 85 years of age is being drawn up. In all these schemes, the tax-exempt CPF system has a regressive tendency as tax savings are far greater for the higher income groups. Furthermore, gains in assets such as housing and personalized investments are greater also for the higher income groups.

With all the social and economic functions evolving out of the original intention of social security savings, the CPF has become the government’s central instrument for housing, retirement financing, healthcare, education, wealth enhancement and any objectives which the government may think of to unburden itself of social and economic responsibilities. Its centrality is reflected in the rather excessively celebratory title of an analysis of the CPF on its 40 years anniversary, *Housing a Healthy, Educated and Wealthy Nation through the CPF* (Low and Aw 1997). Understandably, with all these programs which withdraw savings way before retirement, the CPF has become woefully inadequate for retirement purpose; according to Asher and Nandy, ‘In 2006, the average balance per member [of the CPF] of S\$40,598 was less than per capital GDP of S\$46,832. This is obviously quite inadequate as an average person will require financing for at least two decades during retirement’ (2008: 13). The government has come to accept this conclusion reluctantly, in view of the fact that it has view the CPF as a way ‘to avoid placing the burden of the present generation’s welfare costs onto the next generation’ (Lee Kuan Yew, 2000:118). It might have found a solution in the public housing scheme, as we shall see later.

## **Public Housing**

Again, as the Lee Kuan Yew’s statement above makes plain, a unique feature of the PAP government is the promotion of home-ownership, to make Singapore a ‘home-

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<sup>17</sup> Gabriel Chen, ‘Merrill has strong growth potential, says Temasek’, *Straits Times* 27 December 2007.

<sup>18</sup> Tharman Shanmugaratnam, Second Minister of Finance, *Straits Times* 2007.

<sup>19</sup> In line with the government’s general policy of family-as-the-first-line-of-welfare-support, individuals can voluntarily contribute to their parent’s CPF, as a ‘topping-up’ of the latter’s savings.

owning democracy'. Near universal home-ownership has been largely achieved through the national public housing program; by early 1990s, about 85% of the citizens and permanent residents live in public housing, of these more than 90% owned a 99-year lease on their flats. Only the lowest 10% of the income strata, which include aged-single households, are in rental housing provided by the public housing authority, the Housing and Development Board (HDB).

The spectacular home-ownership rate is made possible by the CPF. As the size of an individual wage-earner's CPF savings tend to accumulate very quickly, and as the interest gain is minimal, every Singaporean worker is keen to use as much of the savings before retirement as possible. Housing mortgage enables the greatest amount to be drawn. Consequently, public housing home-ownership became instantly popular, when in 1968 households were permitted to use their CPF for down-payment and monthly mortgage. In 1981, CPF was allowed to be used for mortgage in the private-sector housing. This not only added to the expansion of home-ownership but also provided an avenue for the households in public to upgrade their housing consumption and social status.

Public housing flats are sold according to a household's ability to consume not according to its housing needs; large family with low income will have to buy a small flat that they can afford in spite of its space requirements. Consequently, the government maintains that at any time 90% of Singaporean households are able to meet their monthly mortgage payment for public housing flats. Until early 2000, the HDB holds the mortgage for all public housing units sold. Monthly mortgage payments of the households are paid directly from their CPF accounts. The entire process constitutes a closed circuit of monetary transactions without involving any commercial financial instruments or institutions. With the CPF facility, a family can thus own a public housing flat without affecting their monthly disposable income.

Public housing home-ownership is made even more attractive by the resale policy. Each household has the privilege of purchase two new subsidized flats sequentially from the HDB. After five-years of residing in a purchased flat, the household can sell it in the open market to other eligible households. It can then purchase a second new, subsidized HDB flat and retain almost all the capital gains from the sale of the first flat. Or, it can use the proceeds of the sale and upgrade its accommodation to a private-sector, preferably freehold housing, improving simultaneously the family's social status. Through the public housing program, property ownership has been truly 'democratized' as it is available to all the citizens but the lowest 10% of the social strata, transforming the entire nation into not only home-owners but often excessive consumers of housing (Lim *et al.*, 1986). To curb this tendency of excess, severe limits have been placed on the quantum that can be drawn from the CPF for housing. Until the late 1990s, an individual could use his/her CPF for the purchased value of the property. Under current rules, one is only allowed to withdraw up to the valuation of the property and foot the difference between actual price and valuation with cash. This has reduced both consumption and selling price of resale flats.

Meanwhile, the government continues to find ways to increase direct and indirect subsidies to households in the lowest income strata to enable them to own their own flats. Overall, universal home-ownership has transformed the population into a conservative electorate that supports the political status quo in the interest of protecting

their real estate investments (Chua 2000). Universal provision has therefore paid the PAP government massive political dividend in the legitimacy to rule.<sup>20</sup>

The various effects of the public housing home-ownership program in the economic well being of Singaporeans, at both the individual and national levels, can be summarized as follows:

1. Home-ownership has helped to transform and discipline the population into an industrial labor force. Regular mortgage payments through the CPF can be met only by regular income earned from the formal sector of the economy. (Table 6) Home-ownership thus contributes to the shaping of work ethics and discourages intentional unemployment.
2. Housing prices tends to increase historically, enabling the home-owner to not only conserve but improve his/her capital, thus promote economic and social security. From the inception of the public housing home-ownership scheme in 1964 till the onset of the Asian Regional Financial Crisis in 1997, prices of HDB flats rose steadily, generating profit for the home-owners and kept the real estate market busy with resale and upgrading into larger HDB flats or into private condominiums and houses.

In hind sight, the government appeared to have been carried away by the success of the home-ownership and the upgrading processes. Instead of slowing down these processes, the government ‘accommodated the voters by increasing the number of flats built. That aggravated the real estate bubble and made it more painful when the currency crisis struck in 1997’ (Lee Kun Yew 2000:121). During the crisis, some HDB flat prices fell by as much as 40%, creating negative equity, where the mortgage owing was higher than the market price of the flat, among many home-owners. Resale prices for HDB only began to make slow recovery in 2007.

3. Ownership of the flat constitutes a major asset that can be unlocked for economic returns. The government’s ongoing drive to encourage in-migration of foreign workers has created pressure for rental accommodation. The HDB has thus liberalized the rights of the home-owners to sublet their flats. Rooms or the entire flat can be let for a steady source of income. This is particularly significant for older home-owners and less-educated, unskilled lower income households who face increasingly higher costs of living and also risk structural unemployment.
4. Another way to unlock the asset is the government’s intention to institute a ‘lease-buy-back’ scheme. Under this scheme, at any point beyond retirement age of 65, a household may sell back all but 30 years of the remaining lease on the flat to the government, at prevailing market price; the 30 years remaining lease is to enable the home-owner to live out his/her life in the flat without relocation. The scheme will allow homeowners to realize the capital locked up in the flats to finance retirement years.<sup>21</sup> This appears to be the government’s tailor-made

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<sup>20</sup> For detail discussion of the social, cultural and political effects of the public housing program see Chua (1995, 2000, 2003).

<sup>21</sup> This ‘lease buy back’ scheme was announced by the Prime Minister, Lee Hsien Loong, in his 2007 National Rally Speech, *Straits Times* 20 August 2007.

solution to the earlier mentioned emerging problem of individuals having less than enough money in their CPF for retirement.

5. For the 10% that are renting public housing, the government continues to find ways to help them to become home-owners: augmenting the households' CPF savings and reducing the prices which improve affordability of refurbished older flats. For example, young (35 years and below) low-income (below S\$1500 monthly household income), a housing grant of S\$50,00 (US\$ 33,000) may be given to help the family with monthly mortgage payments, disbursed in annual installments into the mother's CPF account.

In instances where ownership is completely out of the question and rent arrears common, as in single-destitute aged individuals, rent is often left uncollected. Eviction is not an option where no alternative housing is available.

6. The national public housing program radically reduces the visibility of income inequalities and poverty. Different categories of flats, including rental flats, are evenly distributed within a public housing estate. Public services such as mass rapid transit and polyclinics serve the residents equally. These planning processes result in homogenizing daily life of all residents, reducing the visibility of social and economic differences.

In sum, the universal home-ownership program is an institution that disciplines the labor force while providing social security to the home-owners. It can also be a source of steady rental income to home-owners, particularly in the retirement years. It is therefore an institution that, like job creation and employment, aims at avoiding poverty.

### **Invisibility of Poverty**

Universal provision has also practically erases instances of homelessness, a visual expression of poverty. Whenever an instance of homelessness is reported in the media, the HDB will readily rent a flat to the family. Visible homelessness would be very negative publicity for a government whose very projection of itself to the governed and the world is one that is economically supremely successful. This economic success is the PAP's claim to continuous right to govern as a single-party dominant government, in spite of many less than democratic political practices.<sup>22</sup> This economic success not only draws the world's attention to Singapore but has made Singapore a 'model' of economic development for some countries; for example, the late Deng Xiao Peng, who initiated the transformation the post-Mao PRC into a market economy, suggested in early 1980s, that the PRC should learn from Singapore.

Domestic economic growth has translated into massive improvements in the material life of the entire population. This massive expansion of consumer culture overwhelms instances of poverty in its midst - the handicapped or elderly selling packages of paper towels at inflated prices in food centers and shopping areas, which customers obliged out of charity rather than of need. Indeed, success has become the pride of being Singaporean. It has become part of Singapore's national identity; several local analyses

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<sup>22</sup> Among the anti-democratic practices are: detention without trial for alleged subversion, legal constraint on the media to support government's development efforts and, legal constraints on the right of assembly.

of Singapore's history bear the word success in their titles.<sup>23</sup> Consequently, poverty has received scant public attention, except for the occasional journalistic accounts of specific families or individuals in distress.

However, invisibility does not mean absence. Although abject poverty while not completely erased is statistically not significant, being a capitalist economy income inequalities and relative poverty is unavoidable. Income inequality has been rising. According to official statistics, nearly 40% of the households at the bottom experienced decline in real income between 2000 and 2005, partly because of higher unemployment during the early part of this period due to global economic slowdown. The Singapore economy has recovered since the end of 2003 and is again growing at an enviable rate of more than 7%; the Economist dubbed it as 'a developed country that grows as developing-country rates'.<sup>24</sup>

A more worrying contribution to increased unemployment is the effect of economic restructuring towards the so-called 'knowledge-base economy, where higher education is required of workers, leaving older and lesser educated behind in low wage service sector or worse, perennially unemployed. Currently, there are still about 500,000 workers in Singapore who has less than secondary education.<sup>25</sup> The restructuring has contributed to the expansion of income inequality (Table 6); the Gini coefficient, a measure of income inequality, has increased from 0.43 in 1990 to 0.52 in 2005, making Singapore one of the most income unequal economies in the developed world (Table 7).

With the worsening of income inequality, it would be logical to conclude that there will be increasing incidents of poverty. Unfortunately, the PAP government has always treats national social statistics as strategic information and therefore unwilling to release such data. It is therefore impossible to obtain accurate statistics on incidence of poverty. Parenthetically, the absence of national quantitative data has arguably created obstacles for any political organization for and of the poor. Thus, while there is an increasing number of civil society organizations that contest the government on different issues, such as gender equality, environment and gay rights, there is no organization dedicated to the amelioration of poverty. The poor is managed in a very diffuse manner through a network of voluntary welfare organizations.

Officially, the government takes the monthly household income of S\$1500 (US\$1000) as the point below which financial assistance to the family is necessary. This works out to be, according to the government, approximately the bottom twenty percent of the household income strata. (Table 8) The median monthly income of individual worker is S\$2300 in 2007.<sup>26</sup> Clearly, we are looking largely as the situation of relative rather than abject poverty. The following sections will examine poverty amelioration programs, with only fragmentary statistical information that are indicative of the depth and success/failure of the programs.

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<sup>23</sup> In addition to Lee Kuan Yew's memoirs, there is John Drysdale's semi-official political history of Singapore (1984) and Sandhu and Wheatley (1989), a collection of academic essays that analyze different aspects of Singapore's development in the first thirty years of independence.

<sup>24</sup> Quoted in the Zuraidah Ibrahim, 'Politics in numbers', Straits Times 29 December 2007.

<sup>25</sup> These are individuals who had very low education due to the neglect of the British colonial government and missed out on the mass education program of the independent government, which did not institute compulsory minimum ten years of education until mid 1990s.

<sup>26</sup> [http://www.mom.gov.sg/publish/momportal/en/press\\_room/press\\_release/2007/20071](http://www.mom.gov.sg/publish/momportal/en/press_room/press_release/2007/20071)

## Many Helping Hands

The PAP government is ideologically against any form of direct cash hand-out as a means of ameliorating poverty, although reducing poverty is an unavoidable state responsibility. After the 1985 economic recession, then Deputy Prime Minister, Ong Teng Chong, declared a 'war on poverty'.<sup>27</sup> The 'solution' was for the government to 'partner' private initiatives in developing care agencies and programs to manage all forms of welfare needs, including poverty. In this 'many helping hands'<sup>28</sup> strategy – 'co-funding from Government and public donations, and services rendered by volunteers and members of the community'<sup>29</sup> - the government is prepared to pay up to the total capital cost and up to 50% of operational cost for any institution. Almost all the voluntary welfare organizations are significantly aided by government grants. There are more than 1800 registered charities<sup>30</sup> that provide assistance to more than 100,000 households, which supplement the woefully inadequate and harshly stringent state public assistance program, which only assisted 2777 cases in 2005.<sup>31</sup>

## Community Development Council

Government responsibility in coordinating some of the activities of voluntary welfare organizations is decentralized into five regional Community Development Councils, constituted by elected PAP Members of Parliament, one of whom is appointed the 'mayor' of the council; acting as council members enhances their political visibility of the MPs in the constituencies. The Councils are supported by an initial government endowment of S\$500 million which will be progressively top-up to S\$1 billion eventually. In addition to assisting other ministries, such as Ministry of Education and Ministry of Community Development, Youth and Sport in administering the latter's programs, the CDCs have their own assistance programs for families with monthly income below S\$1500. Financial assistance is provided for kindergarten and subsidies for childcare for children placed in childcare centers. For family's whose unemployed adult members are willing to seek employment or accept job training – "demonstrate the willingness to take steps to become self reliant" - depending on the circumstances, assistance are provided in rental, utilities and conservancy charges, monthly cash grants to meet basic needs, childcare and student care subsidies, training grant for approved courses, educational assistance and medical assistance.

## Ethnic Self-Help Organizatio

Within the 'many helping hands' framework is the so-called 'ethnic self-help organization'. The Singapore population is constituted by three visible ethnic, or 'racial' groups; namely, 75% ethnic Chinese, 18% Malays and 7% Indians, with a very small presence of other groups.<sup>32</sup> The government believes that state bureaucracies are too impersonal to provide assistance to needy and that members of different racial groups

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<sup>27</sup> Straits Times 4 November 1988, quoted in Liew (1993), p.44.

<sup>28</sup> The 'many helping hands' ideology was spelt out in a government manifesto, *Singapore: The Next Lap* (1991).

<sup>29</sup> Then Deputy Prime Minister, Lee Hsien Loong, in his 1998 Budget Speech, quoted in Lim (2006).

<sup>30</sup> Singapore Social Statistics, [www.mcys.sg](http://www.mcys.sg).

<sup>31</sup> [http://www.perspectives.singaporeangle.com/2007/05/fineturning\\_state\\_support\\_for\\_1.html](http://www.perspectives.singaporeangle.com/2007/05/fineturning_state_support_for_1.html)

<sup>32</sup> It should be noted that these racial categories homogenized differences within each category; for example, the 'Indian' category includes all South Asians, such as those of Pakistani or Sri Lankan ancestries, as well as those hewed from India.



are more open to giving and receiving from fellow members: ‘Trying to solve individual social problems through a centralized government department will not be as effective as the community taking an interest in them’, as the community ‘can give warm, emotional support much better than an impersonal, efficient bureaucracy’.<sup>33</sup> So, it promoted what the ethnic self-help organizations.

The initiative for such organizations was undertaken in the early 1980s by Malay PAP MPs, who were alarmed by the disadvantaged social, economic and educational position of Malays, relative to Chinese and Indians.<sup>34</sup> With governmental financial support and Malay-Muslim community organizations collaboration, the Malay MPs established the *Majlis Pendidikan Anak-anak Islam* (Mendaki), the Council on Education of Islamic Children, dedicated to helping Malay children from lower income families who are falling behind educationally.<sup>35</sup> What is innovative about Mendaki is the way it is funded. With an initial start-up fund from the government, it is funded by the Malay-Muslim community. A small sum of S\$1 is deducted from the monthly CPF of every working Malay person, of which half is donated to Mendaki; the other half is donated to a mosque building fund. Contribution is presumed, unless one specifically writes to the CPF to opt-out. Given the monthly contribution is so small, few would opt-out. The collected funds go to provide assistance for students who are financially and educationally needy. Beyond providing remedial classes, other financial assistance in loans, bursaries and scholarships, for tuition and expenses at all levels of education of needy students are available. The efforts of Mendaki have been supplemented by similar undertakings by the Association of Muslim Professionals, which was established in 1990s. These self-help educational programs have contributed significantly to the educational and economic advancement of the Malay community (Table 9), although it remains behind relative to the Chinese and Indian communities. (Table 10)

Subsequent to Mendaki, the Chinese Development Assistance Council and Singapore Indian Development Agency were established to similarly serve their respective communities.<sup>36</sup> The same mass funding mechanism is used. However, Indian professionals are requested to contribute more because of the smallness of the ethnic Indian population. On the other hand, as the largest community with relatively more rich entrepreneurs, the Chinese organization is far better funded than the other two organizations. Inequality of resources among the three organizations has led to sharing of resources in ‘collaborative tuition programs’, which will take in any needy primary school students for remedial lessons regardless of race. Nevertheless, the inequalities have given rise to criticisms and calls for the establishment of a government bureaucracy that will treat all needy citizens equally (Lily Zubaidah Rahim Ishak, 1994). The government has never considered this proposal seriously, so as to place some distance between itself and problems of poverty, in order to maintain its anti-welfare stance.

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<sup>33</sup> Prime Minister, Goh Chok Tong (1991).

<sup>34</sup> The Malay community has stayed disproportionately higher representation in the lower income strata since colonial days, although there is now an increasingly middle class. For analysis of the relatively disadvantaged economic position of the Malays, see Lily Zubaidah Rahim Ishak (1998) and Tania Li (1989).

<sup>35</sup> For the background to the establishment of Mendaki, see Zoohri (1990).

<sup>36</sup> Space limitation does not permit discussion of all the programs provided by these agencies, see the respective websites for details; [www.mendaki.com.sg](http://www.mendaki.com.sg); [www.cdac.org.sg](http://www.cdac.org.sg); [www.sinda.org.sg](http://www.sinda.org.sg).

## Workfare Income Supplement

Assistance to the children's education is an investment in the future which does not solve the immediate financial situations of their needy families. Long term formal 'solution' to the problem of sustained low-income condition of the bottom 20% of the work force is necessary. The government recognizes the need to provide direct financial assistance to these workers and their families. However, it is also reluctant to forego its anti-welfare ideological commitment. A compromise solution has been worked out in the form of the Workfare Income Supplement scheme.

The unavoidable presence of low-wage workers or the 'working poor' in the future became obvious when income inequality expanded during the rapid economic recovery from the international economic slowdown in the early 2000s (Table 7). A Ministerial Committee on Low Wage Workers was convened in 2005. The Committee's brief estimates that about 20% of the full time local workforce, or about 300,000 are low wage workers, who are "at risk for retrenchment and structural unemployment", "might find it difficult to meet daily expense for household needs including housing, food and transport", and "unlikely to put aside enough for their medical and retirement needs". Furthermore, "Their children may not take advantage of educational opportunities to improve their lives and are at higher risk of being amongst low wage workers when they enter the workforce. This will perpetuate a growing underclass which will undermine our social cohesion". In short, this bottom 20% is "at risk of being caught in a poverty trap, with its attendant problems". The Committee's work is: 'To help low wage workers and their families break out of their poverty trap and achieve self reliance over the long term', through 'integrated and holistic measures'.<sup>37</sup>

The Committee's recommendations contained two direct financial assistance programs. First is the continuation of government's initiative, since 2001, in 'sharing' the annual national budget surplus when the economy is doing well. A portion of the surplus is distributed, in cash, to all citizens as a 'bonus' of citizenship.<sup>38</sup> Then, 'New Singapore Shares' were distributed, which were not tied to any enterprise and can be converted into cash immediately or saved in the CPF account to attract annual dividends in the form of bonus shares over a five-year period. In these early instances, every adult citizen with a CPF account, regardless of income, receives similar amount of shares. However, progressive distribution was subsequently introduced. In 2006, depending on the value of their residential property, all individuals with annual assessable income of S\$24,000 or less were given S\$800 or S\$600 while those with higher assessable incomes were given S\$200, S\$400 or S\$600.<sup>39</sup> The level of this annual bonus is contingent upon national economic growth - 'growth dividends' - and will fluctuate accordingly.

The second was a new 'Workfare Bonus Scheme'. Workers whose income is S\$900 or less is to be given a 'Workfare bonus capped at the equivalent of one month's salary' and those earning between S\$900-S\$1200, 'a bonus of capped at half a month's salary', if the worker had worked three in six months or six in twelve months in the previous year and if 'national surpluses allow'. The bonus is not to be entirely given in cash; a much larger portion is to be deposited in the individual worker's CPF account. In 2006,

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<sup>37</sup> All quotes from: [http://www.mom.gov.sg/publish/momportal/en/press\\_room/press\\_releases/2005/200506](http://www.mom.gov.sg/publish/momportal/en/press_room/press_releases/2005/200506)

<sup>38</sup> Before this, shares in Singapore Telecoms were given to citizens when this government owned companies were privatized.

<sup>39</sup> [http://www.mof.gov.sg/budget\\_2006/key\\_initiatives/sharing.html](http://www.mof.gov.sg/budget_2006/key_initiatives/sharing.html)

340,000 workers received the Workfare Bonus and in 2007, 362,000 did so. By 2008, the 'national surpluses allow' clause was erased and the Workfare Bonus, renamed Workfare Income Supplement, has become a permanent scheme, with the minimum wage level raised to S\$1400 (Table 11). The cash to CPF deposit ratio is pegged at 1 to 2.5, for now. Obviously, direct cash to the recipients remains the smaller portion of the bonus, with the rest going to CPF savings for housing and medical costs. Significantly, as a result of improved employment conditions in 2007, the estimated number of recipients for 2008 has shrunk to 287,000 (Straits Times 30 December 2007).

### **The Lived Condition of the Poor**

The Workfare Income Supplement remains essentially an anti-cash welfare scheme. The emphasis is still on helping the poor to build up their CPF accounts for the long haul, for all the above mentioned social and economic purposes that the CPF is meant to be used. The portion that goes to meet immediate needs is very small. At maximum payout of S\$2400 for those who are 55 years or older and whose monthly income are between S\$400 to S\$1200, the actual cash in hand amounts to S\$800 per year, a little more than S\$60 per month, or S\$2 per day, which in current purchasing power is not even enough for a return bus trip to anywhere on the island. However, for aging, part-time, low-wage workers, all the savings for the future is cold comfort and does not making life in the present easier. The daily living condition of the poor, especially those who are unemployed or unable to work, is one of extreme hardship.

An indicator of economic success frequently used by the government is the prevalence of household appliances in Singapore homes; as of 2003, 98% of the households at the bottom 20% income strata owned a television and a refrigerator and 50% had air-conditioning. Ironically, possession of these appliances has been turned into a quantitative measure of poverty by the poor themselves; possession has become a dividing line used by the lowest of the same bottom 20% to distinguish those who are 'really very poor' among them. Two respondents who were receiving rent and utilities assistance from the government were quoted in one of the few sociological studies of the poor: 'At least we can still afford a television you know? Some families here don't even have one. They are the Really-Very-Poor'; 'I think we are not among the poorest because there are people even poorer than us. They are those who don't have anything in their house – no radio, no fan, no washing machine. Then there are also some who don't even have a house' (quoted in Lim 2004:68). We have no official statistical data on poverty, however, as mentioned above there are more than 1800 registered charities provide assistance to more than 100,000 households, and 2777 public assistance cases in 2005, receiving a monthly assistance of S\$290 per person, which has been increased to S\$320 in 2008. So, the number of the Really-Very-Poor would no doubt include all the public assistance cases and a significant portion of the 10,000 households.

A clear category of the Really-Very-Poor are the single destitute: 'Ah Phong would fall under the category of the 'Really-Very-Poor. A beggar [although it is illegal to beg] by day, he returns home to a rented one-room flat that has no electricity, no furniture, no electrical appliances and nobody else at night. He scavenges through garbage, sleeps on old newspapers and survives on a diet of instant noodles and two boiled eggs daily. Occasionally, kind hearted stall-owners at the nearby food-center would feed him with leftovers and pack some food for him to bring home' (Lim 2004:69). Living without electricity is not uncommon in Singapore. Subsidizing public utility cost is one of the major help packages given by the government; in 2008, all households in public

housing estates will receive a ‘utilities rebate’, ranging from S\$220 for the smallest rental 1-room flat to S\$90 for those in large executive flats. Such rebates have been promised for a five-year period, beginning 2008.<sup>40</sup>

Ah Phong’s hunger is ironic against a Singapore that touts itself in tourist brochures as a ‘food paradise’, where eating is a national pastime. This is a world not for the poor. As a young single mother of a teenage boy said, ‘We seldom eat outside. Usually we just cook something simple at home. You will need to spend at least \$3 to \$4 each person if you eat outside. That is about \$6 to \$8 for two. But if you cook at home, \$6 to \$8 can feed us for two days. And the food is healthier too’ (Lim 2004:70). Even the home-cooked meal has to be financially-strategically purchased. Supermarket is to be avoided absolutely. Instead of buying vegetables, fish and meat early in the morning while the produce are fresh in the local market, these should be bought in the late morning because by then, vendors are packing up and calling it a day and therefore, happy to sell the perishable items at much reduced price. ‘Sometimes when they’re in a good mood, they may even give you the leftovers for free. But of course, those are the ones that are not so fresh anymore. Nobody wants them, but it’s okay for me’. Furthermore, such food should be bought daily, not only because of financial constraint, but also because ‘Food that is not fresh spoils very fast. So it’s better to buy and eat on the same day. You won’t need to throw away spoiled food then’ (Lim 2004:74).

That ‘poor people cannot afford to get sick’ applies quite literally to the lowest income people. New technologies of medicine are of no assistance to them: ‘They told me to go for a CT scan. But how am I going to pay for it? It will cost around \$900. Where am I going to find the money?’ Illness gets the minimal and cheapest solution, ‘I just take a Panadol whenever I feel sick’, or no attention at all, ‘I used to have bad stomachaches and I always tried to ignore them. Then one day, a doctor checked and told me that I have serious gastric problems that might require surgery if I don’t treat it with the correct medicine’ (Lim 2004:77-78). Given their low income earning capability, their Medisave account is likely very limited; furthermore it is of little use for everyday illnesses as it is reserved for hospitalization purpose.

The government had set up a Medifund, in 1993, with an initial endowment of S\$200 million to assist those who are unable to pay medical bills, literally ‘after exhausting all other avenues’. Applicants ‘typically have to show that they and their family members have little or no money left in their Medisave and bank accounts’<sup>41</sup> before assistance are granted. This has led a hospice to pull out of the Medifund scheme because, according to the medical director, “Some of our patients are so ill...it is distressing enough for families to deal with this, without the added burden of these [financial] investigations”; indeed, in the three years that it has joined the fund, it has never apply or receive any money from the fund to help needy patients to pay medical bills.<sup>42</sup> In spite of the stringency of eligibility, in 2006, “a record S\$39.6 million” was given by Medifund “to 20,000 to 30,000 patients, who made a record 301,126 successful applications”.<sup>43</sup> This is indicative of the depth and plight of poverty in affluent Singapore.

Against these hardships, many among the poor continue to struggle to find work, as poverty and unemployment. With their lack of education, the only low wage, often temporary, jobs without any job security are: ‘baby sitters, store assistants, waiters and

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<sup>40</sup> Lynn Lee, ‘\$138m in utilities rebates for families’, Straits Times 28 December 2008.

<sup>41</sup> Lee Hui Chieh, ‘Hospice pulls out of Medifund’, Straits Times 27 December 2007.

<sup>42</sup> Quoted in Lee Hui Chieh, Straits Times 27 December 2007.

<sup>43</sup> Lee Hui Chieh, Straits Times 27 December 2007.

waitresses, cleaners, car-park attendants, security guards, factory girls, construction laborers, porters, drivers, junk collectors, distributors of pamphlets, road-sweepers, newspaper delivery and illegal hawkers' (Lim 2004: 85). The NTUC has since 2005 undertaken to 'redesign' some of these jobs to increase both wages and job security for those so employed. A notable success is the job of security officers for buildings, which saw a doubling of monthly wages, from S\$800 to S\$900 to S\$1300 to S\$1600 in 2007, in three years.<sup>44</sup> Employment opportunities have also expanded, attracting younger male and female worker; from 2004-2007, the number of security officers grew from 14,000 to 26,000.<sup>45</sup> The government has also provide very generous schemes of up to S\$10,000 training grants to be divided equally between a married couple for skills training.<sup>46</sup>

One final observation: with more than four decades of rapid economic growth consumerism as a way of life for most Singaporeans. Indeed, former Prime Minister, Goh Chok Tong quipped, 'For Singaporeans, life is not complete without shopping'. Shopping has indeed become a major national pastime, and some have added shopping as part of Singapore character and identity. However, this middle-class defined consume culture leaves the poor cold and isolated: "Witnessing the colorful diversity and vibrancy of the modern consumer paradise [Singapore], yet being unable to participate in that culture of consumption, my respondents [the poor] are effectively isolated and made 'lonely'; in this consumer society, the poor are 'unneeded, unwanted, forsaken'" (Lim 2004:67).

## Conclusion

The economic transformation of Singapore, in four decades from 1960s to 1990s, into a globally connected complex industrial and financial economy has exceeded anyone's imagination. The long-ruling PAP government, which has governed Singapore continuously since 1959, would attribute this to its own leadership and to the uncompromising stance it takes on its economic and social policies. Among these policies are: (i) wealth creation, for the nation and the individual, through job creation and employment; (ii) an individualized social security savings system, the CPF, that eschewed any redistribution, sharing of social risk or social insurance; (iii) universal home-ownership which disciplines the labor force but simultaneously provides social security and gives the home-owners a stake in the nation worth defending; (iv) the subsidized public housing flat is an asset that the home-owner can ultimately convert into a source of sustained income, either through capital gains from its sale or through collection of rent. All these policies are aimed at reduction, if not avoidance, of poverty. Given the national economic growth track record and the rising level of home-ownership scheme with rising property prices, it is obvious that the PAP government has been very successful in achieving its social and economic policy objectives.

All the policies had been and continue to be guided by an ideological commitment against direct handout of cash to any individual, except as a last resort and under the most stringent criteria, to avoid undermining the work ethics of the people and decline of national competitiveness in the global market. Here the government position is unyielding. The immediate past Prime Minister, Goh Chok Tong, reiterated this during the last term in office:

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<sup>44</sup> Lynn Lee, 'Upgrading jobs – the security sector way', *Straits Times* 2 January 2008.

<sup>45</sup> Yeo Ghim Lay, 'More women opting to work in security industry', *Straits Times* 2 January 2007.

<sup>46</sup> <http://www.cdc.org.sg/1169433071305/1162796276360.html>; see HOPE scheme.

‘Would I like every Singaporean to be just as rich? Sure I would. But it is simply not possible. If we introduce policies to force an equal society, we will end up being equally poor. Other societies have tried and failed...Societies which try too hard to equalize the incomes of their people invariably reduce the incentives for their people to better themselves. Why should they when the fruits of their labor will be taken away and redistributed to others?’ (quoted in Lim 2004:128).

After close to fifty years of unbroken rule, the PAP government appears to have succeeded in socializing Singaporeans into this adversity of any sharing of wealth. In the most recent attempt to institute a social insurance scheme for individuals who lived beyond 85 years old, the National Longevity Insurance Scheme, the committee charged with working out implementation details reported that there were much unhappiness about the possibility of the unspent part of an individual’s annuity being channeled into a common fund to reduce the cost of insurance to all. Instead Singaporeans would prefer the unspent portion to be ‘returned’ to the family of the deceased.<sup>47</sup>

In spite of the policy successes, of course, poverty still happens and with greater frequency as income inequality continues to expand. However, it only affects a minority segment of the society. The government sees no necessity or reason to embark on policies that affect the entire population, where the majority is economically progressing. The issue of poverty and its attendant social and economic problems are thus to be treated as ‘residual’ problems to be managed by a network of both government agencies and voluntary welfare organizations, in partnership or individually. The ad hoc manner in which the government provides additional financial assistance through its distribution of a portion of the nation’s annual surpluses suggests that it is handing out cash to the needy very reluctantly, as it wants to leave the work ethics, economic interest and well being of the rest of the population unaffected. Under such circumstances, woe to those who are unemployed or unemployable poor who must depend on the vagaries of private charity and philanthropy and the annual macro economic performance of the national economy and government surpluses.

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<sup>47</sup> *Straits Times*, ?? December 2007.

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