

A Global City on Singaporean Soil: Growing the Economy, not the Gap?

Laying the economic infrastructure of a Global City may turn out to be the easiest of the many tasks involved in creating such a city. But the political, social and cultural adjustments such a city would require to enable men to live happy and useful lives in them may demand a measure of courage, imagination and intelligence which may or may not be beyond the capacity of its citizens.

S. Rajaratnam, Minister for Foreign Affairs, February 6, 1972¹

Introduction

As a small, resource-scarce island state without a natural hinterland or a large domestic market to generate sufficient jobs and economic sustainability, Singapore's only chance for long-term survival and prosperity hinged on its ability to integrate into a global economic system. This was an observation solemnly repeated by politicians, academics and other commentators since the nation's early years of independence.² Responding to these constrained circumstances, generations of policy-makers formulated, revised and implemented economic strategies designed to steer Singapore towards greater integration into a regional and global network, and to mould it into a 'Global City'.

Singapore's response to the demands of globalisation was not unique. Many countries and cities had similarly sought to leverage globalisation for economic growth and better living standards. However, globalisation proved not to be a 'cure-all' panacea. Instead, it came with its share of side effects, such as increases in inequality and greater vulnerability to global booms and busts.

This case examines how Singapore's 'global city' strategies affected equality outcomes in the country, and seeks to facilitate a discussion about how, or even whether, Singapore's policy-makers should adjust these long-held strategies to safeguard equality in the country.

What is Globalisation and what is a 'Global City'?

Broadly, **globalisation** refers to the greater integration of national and local economies into the world economy, through the lowering of barriers to international flows of goods, capital, labour, technology and ideas. Policy reforms, such as trade and capital account liberalisation, as well as technological change, such as improvements in information-communications technology and infrastructure, have facilitated globalisation.³

Globalisation contributed to the rise of globalised cities. Global, or world cities, were described by renowned planner and urbanist Sir Peter Hall as centres of national and international political power;

¹ "Address by S. Rajaratnam to the Singapore Press Club, February 6, 1972",

<http://www.nas.gov.sg/archivesonline/data/pdfdoc/PressR19720206a.pdf>

² Example of such an observation: "the survival and economic future of the small resource-poor island republic is inextricably intertwined with its integration into the rapidly expanding global economic system" by Thomas Menkhoff and Jochen Wirtz, "Local responses to Globalisation—the Case of Singapore", *Working Papers Series, National University of Singapore*, 1999

³ Richard Kohl, *Development Centre Seminars: Globalisation, Poverty and Inequality*, OCED, 2003

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of government organisations; of trade, banking, insurance and finance services; of advanced professional activity of all kinds; of conspicuous consumption; and of the arts, culture and entertainment.⁴ New York, London, Tokyo, Paris, Frankfurt, Chicago, Seoul, Hong Kong, Shanghai, Singapore, Sao Paulo, Mumbai, and Zurich were a few oft-cited examples of global cities.

Modern global cities were characterised as **'control and command centres'** in global networks because they were where transnational corporations located their headquarters.⁵ These cities were thus perceived to be nodes from which multinational companies exercised control over the world economy.

Beyond accommodating headquarters, global cities were also seen as nexuses of control in a globalised world because they served as important **production sites and market places for finance and specialised services**. According to sociologist and globalisation expert Saskia Sassen, the growth of international investment and trade, and the need to finance these, fed the growth of these functions in major cities. As global firms extended their operations over more localities, the management, coordination, servicing and financing of these operations grew more and more complex. Increasingly, global firms outsourced some of their previously internal central headquarter functions, like legal services and accounting, to specialised service firms. Specialised services in turn tended towards high levels of agglomeration in cities, because cities provided the necessary infrastructure, resources and talent pools for these sectors to thrive. Thus, even if the headquarters themselves were located away from global cities—a trend observed in the United States—a portion of complex headquarters' functions would still be outsourced to the specialised service sector in global cities.⁶

Views on the benefits of globalisation diverged. Proponents argued that governments should proactively facilitate globalisation, to help poorer nations close the global inequality gap. Domestic liberalisation, they argued, eliminated rents, increased transparency, and weakened the economic and political power of privileged groups.⁷ However, others argued that while trade liberalisation could be good for growth, growth in itself might not always lower poverty. Rather, complementary supply-side and social policies had to be implemented in tandem to achieve equitable growth. Domestic financial market liberalisation, especially with inadequate governance, could prove destabilising, while trade liberalisation hurt workers, small enterprises and import-competing sectors struggling to compete with transnational corporations.⁸

In particular, urban theorists noted that rise of inequality within global cities, and attributed the widening divide to the growing number of high-level professionals and high profit-making, specialised service firms in global cities. As the **strategic role of specialised services as inputs raised the value of top-level professionals and their numbers**, spatial and socio-economic inequality increased. Firms also tended to compete fiercely in order to attract proven talent from each other, which created upward pressure on the salaries of the top professionals.⁹

Furthermore, successful cities in the global competition for talent seemed to be those with **just the right mix of amenities, leisure and lifestyle options that appealed to the 'creative class'**, to borrow a term coined by urban theorist Richard Florida. According to Florida, "Creative-minded people enjoy a mix of influences. They want to hear different kinds of music and try different kinds

⁴ Peter Hall, *Globalization and the World Cities*, UNU/ IAS Working Paper, 1996, http://archive.ias.unu.edu/resource_centre/UNU-IAS%20Working%20Paper%20No.12.pdf (cited Oct 3 2014)

⁵ P.J. Taylor and G. Csomós, *Cities as Control and Command Centres: Analysis and Interpretation*, Volume 29, Issue 6, December 2012, Pages 408–411

⁶ Saskia Sassen, *Cities in a World Economy*, Sage Publications 2011, pp5, 34-38

⁷ Richard Kohl, *Development Centre Seminars: Globalisation, Poverty and Inequality*, OCED, 2003

⁸ Richard Kohl

⁹ Saskia Sassen, "Whither Global Cities: The analytics and the debates" *The Handbook of Service Industries*, edited John R. Bryson and Peter W Daniels, Edward Elgar Publishing (2007), 186-206

of food. They want to meet and socialize with people unlike themselves, trade views and spar over issues [...]The people I talked to also desired nightlife with a wide mix of options. The most highly valued options were experiential ones---interesting music venues, neighborhood art galleries, performance spaces, and theaters. A vibrant, varied nightlife was viewed by many as another signal that a city ‘gets it’”¹⁰ However, even while some like Florida extolled the virtues of a ‘creative city’, others countered that the pursuit of global talent was problematic, as it **increased gentrification, elite consumerism and displacement of poorer locals.**¹¹

On the other end of the spectrum, **low wage, low skill workers formed a large demographic group in global cities**, as they were needed to provide consumer and other supportive services for knowledge workers.¹² Sassen evocatively described how, “[e]ven the most advanced professionals will require clerical, cleaning and repair workers for their state-of-the-art offices, and they will require truckers to bring in the software but also the toilet paper.”¹³ Beyond supporting the work of high-skilled workers, low-wage workers also provided an essential amenity attractive to knowledge workers: cheap services that maintained elite lifestyles¹⁴

Some cities, in their transition towards providing global finance and service centre functions, experienced a corresponding drop in industrial activities. For instance, in Hong Kong, the number of workers in manufacturing sector dropped from close to 900,000 workers in 1980 to less than 400,000 in 1995, while the number of services workers ballooned from about 800,000 in 1980 to over 2.5 million in 1999. These sectorial changes in turn led to increasing polarisation within the city as **skilled working-class jobs in manufacturing ebbed away.**¹⁵

Globalisation also precipitated the growth of **an informal, smaller-scale production economy** in large cities of highly developed countries because of the proliferation of high-income workers with elevated demand for customised rather than mass-produced goods. Their demand in turn led to smaller-scale, more customised, labour-intensive production of speciality items.¹⁶ On the other end, the expanding low-income population increased demand for extremely low-cost services, like gypsy cabs, and products, such as those made by small, family operated manufacturing and retail establishments that often fell below minimum safety and health standards.¹⁷ Another compounding factor was increasing costs, due to rising rents, production costs, and more stringent regulations associated with global cities, which in turn increased difficulties for firms with low profit rates to survive formally.¹⁸ Such informal, niche producers were not easy to unionise, unlike mass-production and distribution operations, and their growing presence had been linked to a deterioration of wages.¹⁹

Another outcome of globalisation was the **development of an international property market**, where real estate prices of major cities such as New York, London and Tokyo became more closely connected to each other than to the rest of the cities’ home countries. International investors channelling investments into these major cities forced real estate prices up,²⁰ which intensified the difference between prime and non-prime space, and also priced the middle and lower-wage locals out of their cities.

¹⁰ Richard Florida, “Rise of the Creative Class”, *Washington Monthly*, May 2002

¹¹James B. Stewart, “Globalization, Cities and Racial Inequality at the Dawn of the 21st Century” *The Review of Black Political Economy/ Winter 2004*

¹² Ibid

¹³ Saskia Sassen, *Cities in a World Economy*, Pine Forge Press, 2012, pp247

¹⁴James B. Stewart

¹⁵ Alvin Y. So, “Hong Kong’s pathway to becoming a global city”, *World Cities Beyond The West*, Cambridge University Press, 2004, pp225

¹⁶ Saskia Sassen, 2012, pp268

¹⁷ Saskia Sassen, 2012, pp269

¹⁸ Saskia Sassen, 2012, pp259

¹⁹ Saskia Sassen, 2012, pp255-256; 268-269

²⁰ Saskia Sassen, 2012, pp10

A history of Singapore's global city aspirations

In the 1800s, Singapore was already established as a busy port and hub for international trade and migration under British colonial rule. It gained self-rule from the British in 1961 and independence as a sovereign nation in 1965.

During Singapore's initial years of independence, unemployment rates were high, housing shortage severe, and the population poorly educated and divided.²¹ In those early, trying years, Singapore's leaders stressed the need for the nation to integrate with the global economy. In a 1972 speech entitled "Singapore: Global City", Singapore's first Foreign Minister S Rajaratnam emphasised that Singapore's survival rested on its ability to be a 'Global City', with the world as its hinterland. He explained that Singapore had to continue being an international hub plugged into an international system, through its port, airport and technological systems. It also had to rely on multi-national corporations (MNCs) and build up its role as a centre in the international financial network.²²

In line with this overarching strategy to integrate into global markets, Singapore embarked on an export-oriented, industrialisation strategy in the early 1960s. To attract foreign investors needed to build up manufacturing and finance in Singapore, the government launched a concerted effort, anchored by the formation of the Economic Development Board (EDB) in 1961.²³ The EDB coordinated the creation of 'free-trade zones' and 'export processing zones', which were industrial sites with ready infrastructure available at highly subsidised rates, as well as tax incentives to lure investors to Singapore.²⁴ The Singapore Tourism Board was also created to grow tourism as an industry.²⁵

In the 1980s and 1990s, policy-makers sought to shift Singapore's economy from labour-intensive industries to high-technology ones, and build its capabilities as a business service gateway to firms operating in the region.²⁶ This shift marked the start of Singapore's transformation into the archetype of a global city—home to MNC headquarters, finance and business services, and global talent.

A 1991 government report, *The Next Lap*²⁷ painted precisely this vision of Singapore as a competitive global and regional city. The report emphasised that "Singapore will continue to attract talent from abroad. Our doors are open to anyone with talent or skills, and who can fit into our way of life. As talent is highly mobile, we should capitalise on our advantage as a cosmopolitan Asian city to attract Asian talent in large numbers".²⁸ To achieve these goals, *The Next Lap* described a slew of strategies such as improving labour productivity, building up the research and development sector, as well as nurturing Singapore's creative and cultural sectors. Additionally, Singapore's quality of living had to be 'upscaled' to offer 'world-class' standards that met higher aspirations.²⁹

²¹ Henri Ghesquiere, *Singapore's Success- Engineering Economic Growth*, Thomson Publishing, Sep 2006, pp 40

²² Heng Yee Kuang, "Rajaratnam's global city vision for Singapore vindicated 40 years on", *The Straits Times*, Feb 06 2012, <http://newshub.nus.edu.sg/news/1202/PDF/GLOBAL-st-6feb-pA17.pdf>; "Address by S. Rajaratnam to the Singapore Press Club, February 6, 1972", <http://www.nas.gov.sg/archivesonline/data/pdfdoc/PressR19720206a.pdf> (cited Oct 3 2014)

²³ Chao Wei Lin, *Singapore's Export Promotion Strategy and Economic Growth (1965-84)*, Working Paper No. 116, University College London, The Bartlett Development Planning Unit, <http://www.bartlett.ucl.ac.uk/dpu/latest/publications/dpu-working-papers/wp116.pdf> (cited Nov 10 2014)

²⁴ Economic Development Board, "Our History", <http://www.edb.gov.sg/content/edb/en/about-edb/company-information/our-history.html>, (cited 14 Oct 2014.)

²⁵ Singapore Tourism Board, History, <https://www.stb.gov.sg/about-stb>, (cited 14 Oct 2014)

²⁶ "Singapore's Changing Economic Model", *Management of Success*, pg 124

²⁷ "The Next Lap", Infopedia, http://eresources.nlb.gov.sg/infopedia/articles/SIP_165_2004-12-23.html (cited Nov 10 2014)

²⁸ *Singapore: The Next Lap*, 25-27

²⁹ *Singapore: The Next Lap*, 57-72

Many strategies in The Next Lap, such as the formulation of a generously funded National Technology Plan to promote R&D—the first of many—were quickly implemented.³⁰

The later part of the 1990s saw Singapore deregulating its financial sector,³¹ to compete with Hong Kong and other financial hubs. Capital markets were also liberalised, allowing foreigners freer access to stock and futures exchanges. Tax exemption schemes were introduced to attract risk management firms and specialised insurance companies while MNCs were encouraged to set up regional treasury centres in Singapore.³²

Even as economic downturns, sparked by regional and global events, hit the nation in 1997/1998, 2001 and 2008/2009³³, Singapore's commitment to achieve greater global integration remained unwavering. Subsequent economic strategy reviews in 2001³⁴ and 2009³⁵ reinforced the vision for Singapore already set in 1991: Singapore was to be a global and regional hub with high-skilled industries, R&D, exportable services, vibrant creative and arts clusters, and ample global talent.

The 2000s also saw Singapore's urban planning authority, the Urban Redevelopment Authority (URA) taking a more outward looking approach. It revised its mission in 2002 to "To make Singapore a great city to live, work and play in", in order to reflect its support of the broader government intent to make Singapore more competitive among other cities in vying for talent and investments.³⁶ This focus was also clearly reflected in the URA's efforts to develop and market Marina Bay to global investors, by creating a "24/7 live-work-play environment, one that encapsulates the essence of the global city that Singapore can be" and raise Singapore's international profile the way London's Canary Wharf and Shanghai's Pudong did.³⁷

As testament to the government's commitment to attracting global talent, a multi-agency Nightbuzz committee was formed in 2006, to help "raise the hip quotient of Singapore by night"³⁸. The chair of the committee, then CEO of the URA, Cheong Koon Hean explained the impetus for forming the committee, "A great nightlife is a differentiating factor for Singapore [...] Cities compete against one another and lifestyle is a major consideration when people make choices of where to live and work"³⁹ The Formula One (F1) night race, an annual event the government first undertook to host from 2008 till 2012, at a cost of \$150 million, was another example of policy-makers' attentiveness to boosting Singapore's global image as an urban playground. When announcing the decision to continue hosting the F1 race from 2012 till 2017, Second Minister for Trade and Industry S Iswaran

³⁰ National Research Foundation, "Overview", <http://www.nrf.gov.sg/research/r-d-ecosystem/overview> (cited Oct 13 2014).

³¹ Monetary Authority of Singapore, "Growing the Singapore Financial Sector - Attracting and Nurturing Financial Sector Talent" Financial Awards 1999, Speech by Mr Lim Hng Kiang, Minister For Health and Second Minister For Finance, at the Ritz-Carlton Millenia Singapore", 27 Aug 2014, <http://www.mas.gov.sg/news-and-publications/speeches-and-monetary-policy-statements/speeches/1999/growing-the-singapore-financial-sector-attracting-and-nurturing-financial-sector-talent--27-aug-1999.aspx> (cited Nov 10 2014)

³² Choy Keen Meng, "Singapore's Changing Economic Model" *Management of Success, Singapore revisited*, ed. Terence Chong, ISEAS Publishing, 2010, pp127

³³ See Annex B for details on the impact of the various economic downturns on Singapore.

³⁴ Choy Keen Meng, pp128

³⁵ Report of the Economic Strategies Committee, Feb 2010, <http://app.mof.gov.sg/data/cmsresource/ESC%20Report/ESC%20Full%20Report.pdf> (cited Oct 20 2014)

³⁶ Lee Kwong Weng, "Shaping URA to shape Singapore", *Skyline March-April 2009*, <http://www.ura.gov.sg/skyline/skyline09/skyline09-02/text/06.htm> (cited Nov 10 2014)

³⁷ Ching Tuan Yee, Benjamin Ng, "Realising the Marina Bay Vision", *Skyline Jul-Aug 2008*, <https://www.ura.gov.sg/skyline/skyline08/skyline08-04/text/07.htm> (cited Nov 10 2014)

³⁸ Tong Yoke Tho, "Let There Be Night!", *Skyline Sept-Oct 2008*, <https://www.ura.gov.sg/skyline/skyline08/skyline08-05/text/07.htm> (cited Nov 10 2014)

³⁹ Ibid

first stressed that the race “strengthen[ed] Singapore’s standing as a global city with a vibrant lifestyle”, before highlighting other economic benefits from the event.⁴⁰

Annex A provides additional details about Singapore’s globalisation strategies.

Singapore’s linkages to the world

The government’s concerted and consistent efforts to make Singapore a global city paid off, as Singapore made its presence felt on international indices that measured global city performances. The Economist Intelligence Unit (EIU’s) 2012 Global City Competitiveness Index⁴¹ ranked Singapore as the third most competitive city in the world, after New York and London. In Mastercard’s Worldwide Centers of Commerce Index 2008, Singapore ranked 4th, after London, New York, Tokyo. The 2008 Comparative Business Connectivity of Cities, which examined the density of business transactions linking a city to other cities, placed Singapore at 5th, after New York, London, Hong Kong, and Paris⁴².

Well-established air and sea networks formed a cornerstone in Singapore’s global connectedness. In 2013, the Singapore port was one of the busiest in the world, second just to Shanghai’s port⁴³, while its much lauded airport⁴⁴ was the 15th busiest in the world in 2012, in terms of passenger volumes.⁴⁵ Singapore also established a wide network of Free Trade Agreements (FTAs). As of 2014, this network covered 20 regional and bilateral FTAs with 31 trading partners such as the United States, India, Japan, Australia, China and ASEAN, even as Singapore continued on-going negotiations with additional partners.⁴⁶

Foreign involvement in Singapore’s economy grew tremendously over the years. Foreign Direct Investment (FDI) accounted for almost 30 % of Singapore’s gross fixed capital formation during 1985 to 89⁴⁷, while the foreign share of GDP increased from 9% in 1966 to 20% in 1973, then 28% by 1980s, till around 40% in 2010.⁴⁸ Recent estimates indicated that over 7000 MNCs had a presence in Singapore⁴⁹, while a 2012 estimate by the American Chambers of Commerce indicated that 59% of Fortune 500 companies had their regional headquarters in Singapore.⁵⁰

The number of foreigners in Singapore also increased significantly, from around 3.2% of the labour force in 1970 to 7.4% in 1980, then 29% in 2000.⁵¹ By 2013, the non-resident, foreign workforce in

⁴⁰ Ministry of Trade and Industry, “Opening Remarks by Mr S Iswaran on 22 September 2012 at F1 Pit Building Press Conference Room”, <http://www.mti.gov.sg/NewsRoom/Pages/Opening-Remarks-by-Mr-S-Iswaran-on-22-September-2012-at-F1-Pit-Building-Press-Conference-Room.aspx> (cited Nov 10 2014)

⁴¹ Han Yingyue, “Singapore as a Global City”, *The Diplomat*, March 16 2012, <http://thediplomat.com/2012/03/singapore-as-a-global-city/> (cited Nov 10 2014)

⁴² Saskia Sassen, 2012,

⁴³ Ministry of Transport, “What makes Singapore’s port one of the world’s busiest?”, <http://www.mot.gov.sg/Transport-Matters/Sea/What-makes-Singapore-s-port-one-of-the-world-s-busiest-/> (cited 24 Oct 2014)

⁴⁴ Changi Airport Singapore, “Singapore Changi Airport named the World's Best Airport for 5th time at the 2014 Skytrax World Airport Awards” *March 27 2014* <http://www.changiairport.com/our-business/media#/pressreleases/singapore-changi-airport-named-the-world-s-best-airport-for-5th-time-at-the-2014-skytrax-world-airport-awards-976718> (cited 24 Oct 2014)

⁴⁵ World top 30 Airports, <http://www.world-airport-codes.com/world-top-30-airports.html> (cited 24 Oct 2014)

⁴⁶ IE Singapore, “About FTAs” http://www.fta.gov.sg/sg_fta.asp, (cited Oct 24 2014)

⁴⁷ Henri Ghesquiere, pp72

⁴⁸ Linda Y.C. Lim and Lee Soo Ann, “Globalizing State, Disappearing Nation: the impact of foreign participation in the Singapore economy”, *Management of Success, ISEAS Publishing, 2010, pp 141-146*

⁴⁹ United Kingdom Trade and Investment (UKTI), “Doing Business in Singapore”, http://www.britcham.org.sg/images/uploads/Doing_Business_in_Singapore_Guide_2012.pdf (cited Nov 10 2014)

⁵⁰ Andreas Raharso and Shakifur Chowdhury, “What we should do to keep Singapore attractive for MNCs”, *Singapore Business Review*, 21 Oct 2014, <http://sbr.com.sg/economy/commentary/what-we-should-do-keep-singapore-attractive-mncs#sthash.Lv4CyNxV.dpuf> (Cited Oct 27 2014)

⁵¹ Henri Ghesquiere, pp 73

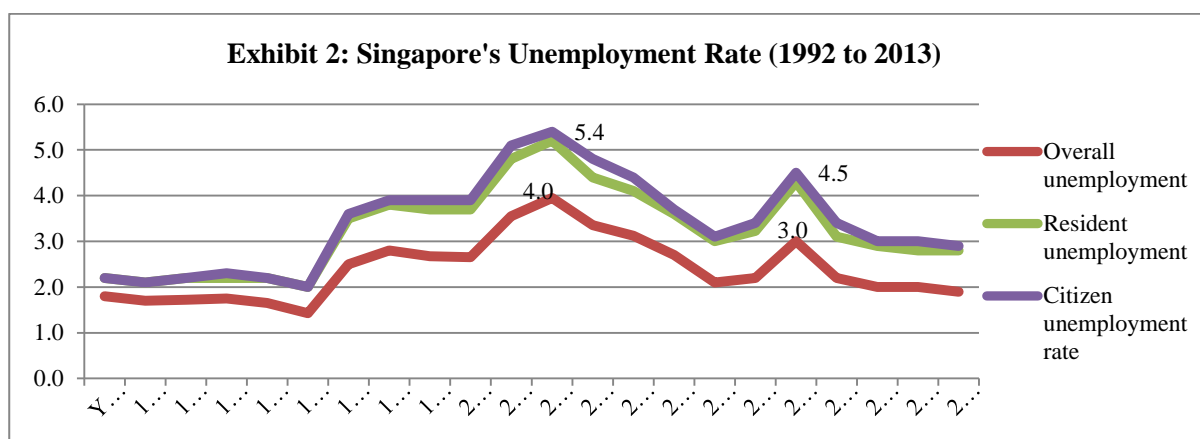
Singapore was 1.3 million strong, hovering around the 40% mark of total labour force.⁵² The bulk of the foreign workforce were made up of those on work permits, which were typically issued to less skilled workers such as construction workers and domestic helpers. (see Exhibit 1⁵³)

Exhibit 1: Split of Pass Types	% of Total Foreign Workforce					
	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Jun 2014
Pass Type ⁵⁴						
Employment Pass (EP)	10.85%	12.87%	14.64%	13.70%	13.25%	13.21%
S Pass	7.86%	8.87%	9.51%	11.23%	12.17%	12.32%
Work Permit	80.80%	77.72%	75.21%	74.34%	73.73%	73.37%

Impact of Global City Strategies in Singapore

Economic Growth & Job Creation

By and large, the government's strategies to enhance Singapore's global integration generated economic growth and employment. The introduction of MNCs to Singapore in the 1960s create jobs for Singaporeans. By 1973, MNCs absorbed 10% of the labour force, which created a rapid decline in unemployment rates.⁵⁵ All in all, unemployment fell from 10% in 1965 to under 2% in the 1990s⁵⁶, and stayed below 6% for the past 20 years—a testament to the success of Singapore's globally oriented economic strategies. (see Exhibit 2⁵⁷ below) Real GDP also doubled between 1960 and 1969, and annual growth was double-digit between 1966 to 1973.⁵⁸



At the same time, Singapore's open economy and integration into global and regional financial markets meant that it was vulnerable to regional and global economic instability. For instance, the devaluation of the Thai Baht in 1997 under speculative pressure sparked off a chain reaction which plunged the region, including Singapore, into economic recession.⁵⁹ Similarly, the 2001-2003 U.S.

⁵² Ministry Of Manpower, *Labour Force In Singapore 2013*, <http://stats.mom.gov.sg/Pages/Labour-Force-In-Singapore-2013.aspx> pp2 (cited Nov 4 2014)

⁵³ Ministry of Manpower, "Foreign Workforce Numbers" Sept 25 2014, <http://www.mom.gov.sg/statistics-publications/others/statistics/Pages/ForeignWorkforceNumbers.aspx> (cited Nov 4 2014)

⁵⁴ Employment passes are work passes issued to foreign professionals working in managerial, executive or specialised jobs, S-passes are for mid-level skilled foreigners (e.g. technicians), while Work Permits are generally issued to unskilled workers (e.g. construction workers, domestic helpers). Source: Ministry of Manpower, <http://www.mom.gov.sg/foreign-manpower/passes-visas/Pages/default.aspx#fuw> (cited Nov 10 2014)

⁵⁵ Henri Ghesquiere, pp44

⁵⁶ Henri Ghesquiere, pp 76

⁵⁷ Data accessed from Ministry of Manpower's website, Oct 2014.

<http://stats.mom.gov.sg/Pages/UnemploymentTimeSeries.aspx> (cited Oct 20 2014)

⁵⁸ Linda Y.C. Lim and Lee Soo Ann, pp 141-146

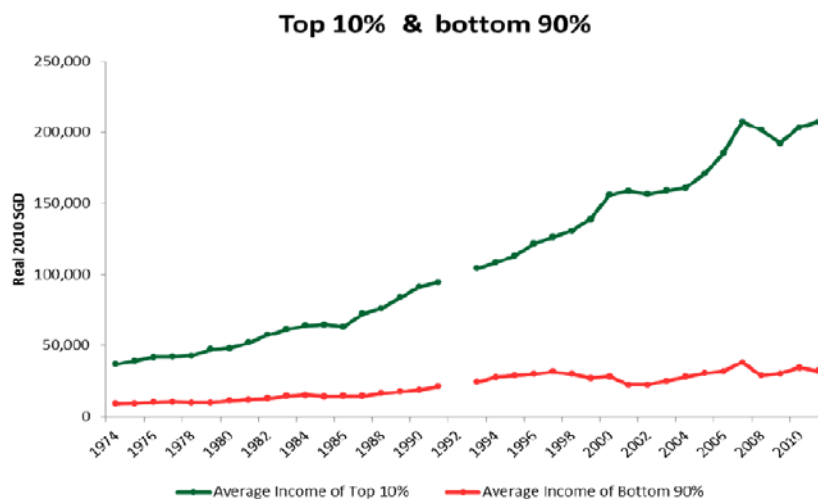
⁵⁹ Henri Ghesquiere, pp 84-85

tech recession and the more recent 2008 financial crisis, triggered by defaults on subprime mortgages in the U.S both affected Singapore adversely.⁶⁰ (Please refer to **Annex B** for details)

Over time, employment in Singapore shifted towards the services sector. In 2013, approximately 80% of the resident labour force was employed in services, compared to 67% in 1990. In the same period, manufacturing's share of employment dropped significantly from 26% in 1990 to under 14% in 2013. More specifically, the financial and business industries' share of the labour force increased from 12% in 1990 to 21% in 2013⁶¹. However, the corresponding increase in these two industries' share of GDP were more modest, rising from 23% of GDP in 1985 to 27% in 2013.⁶²

Fall and Rise of Income Inequality

The substantial reduction of unemployment, thanks to Singapore's initial phase of employment-oriented, export-led economic strategies, led to a modest drop in income inequality as measured by the Gini Coefficient⁶³, from 0.498 in 1966 to 0.448 in 1975.⁶⁴ However, inequality in Singapore had since increased. Wages of top earners increased steadily even while those of low-income workers stagnated. (see Exhibit 3⁶⁵ and 4⁶⁶). Furthermore, while the top income shares of the top 5% and 1% of income earners remained fairly constant from 1974 to 1997, these increased in more recent decades. (see Exhibit 5⁶⁷)



⁶⁰ Linda Y.C. Lim and Lee Soo Ann, *pp 145-152*

⁶¹ For 1985-2005 data, source: Choy Cheng Meng. For 2010-2013 employment figures, data was accessed from Department of Statistics, Singapore's Singstat Table Builder:
<http://www.tablebuilder.singstat.gov.sg/publicfacing/mainMenu.action>

⁶² For 1985-2005 data, source: Choy Cheng Meng. For 2010-2013 data GDP data, figures were extracted from the following publication by the Department of Statistics, Singapore,

http://www.singstat.gov.sg/publications/publications_and_papers/national_accounts/ip-e40.pdf. (cited Nov 4 2014)

⁶³ The Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index of zero represents perfect equality and 100, perfect inequality. Source: OCED Glossary of Statistical Terms, <http://stats.oecd.org/glossary/detail.asp?ID=4842> (cited Nov 4 2014)

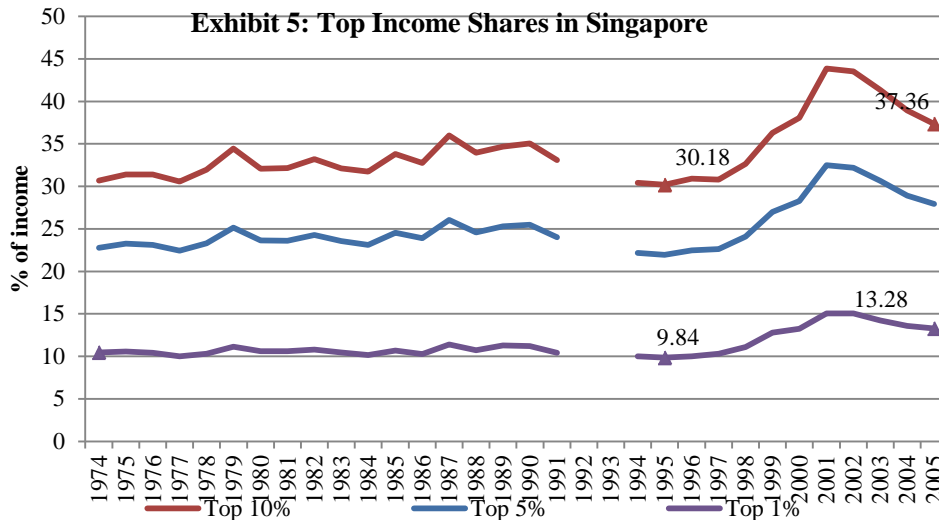
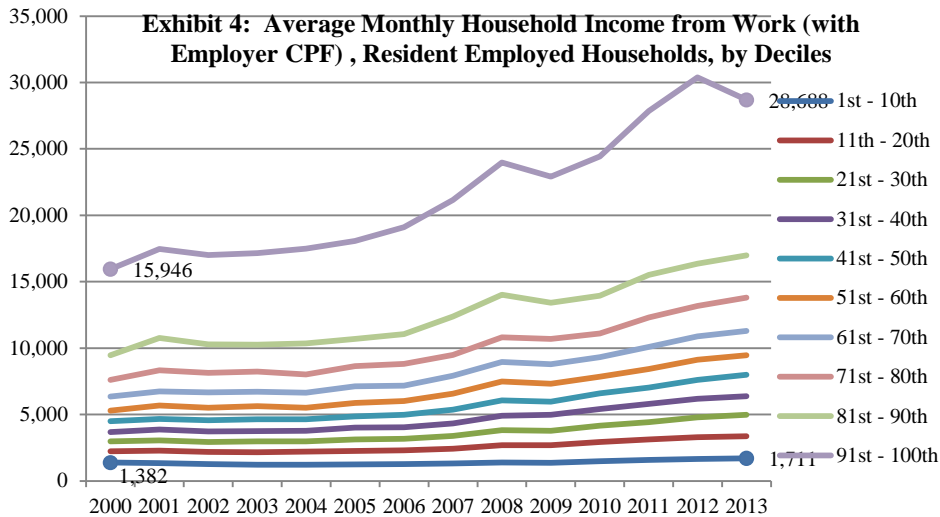
⁶⁴ V.V. Bhanoji Rao and M. Ramakrishnan, *Income inequality in Singapore*, Singapore University Press, 1980, pp25-26

⁶⁵ Leslie Teo, Presentation "Divergence : The Paradox of Global Convergence", Singapore Perspectives 2014, Jan 28 2014, http://lkyspp.nus.edu.sg/ips/wp-content/uploads/sites/2/2013/12/Leslie-Teo-Slides_website.pdf (cited Nov 4 2014)

⁶⁶ Department of Statistics, "Household Income by Work",

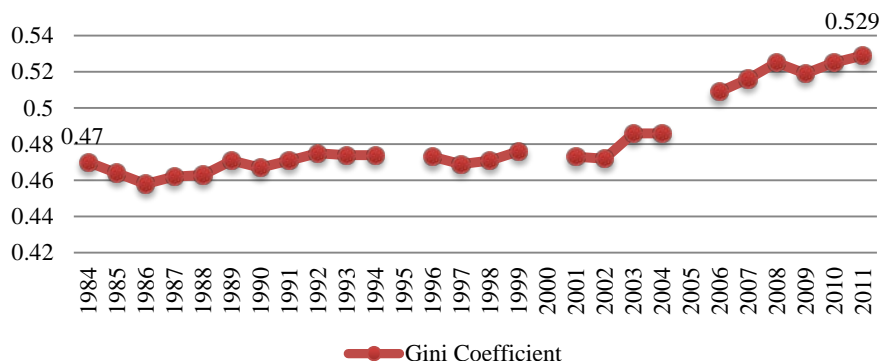
http://www.singstat.gov.sg/statistics/browse_by_theme/population/time_series/hhinc.xls (cited Nov 4 2014)

⁶⁷ A.B. Atkinson, "Top Incomes in Singapore", *Top Incomes: A Global Perspective*, edited by A.B. Atkinson, T. Piketty, Oxford University Press, 2010



Estimates of Singapore's Gini coefficient over the years based on labor force survey data⁶⁸ also indicated a steady upward trend. (see Exhibit 6⁶⁹).

Exhibit 6: Singapore's Gini Coefficient



Local scholars offered possible explanations of growing wage inequality in Singapore. They pointed to the global trend of middle-skilled jobs in white and blue collar occupations being squeezed by automation and advances in IT. In contrast, higher skilled individuals engaged in more

⁶⁸ This excludes all income from rents, interest, dividends, royalties—could be higher if included.

⁶⁹ Pundarik Mukhopadhaya, *Income Inequality in Singapore*, Routledge, 2014, pp 65.

abstract and analytical work enjoyed higher rate of wage increases. Furthermore, technological change created ‘winner-takes-all’ markets where a small pool of top performers translated their skills into extraordinary returns and became super-rich.⁷⁰

Scholars also emphasised the role of Singapore government’s deliberate policies to promote more capital and skill-intensive industries in response to such global forces.⁷¹ Henri Ghesquiere, in *Singapore’s Success-Engineering Economic Growth* explained, “The upgrading of manufacturing and the development of high-value added services from the 1980s reduced the demand for unskilled workers and increased wage differentials in favour of professional and skilled workers.”⁷²

Specific domestic policies aimed at achieving ‘global city’ outcomes were seen to have contributed to rising inequality. For instance, the restructuring of taxation to increase GST and reduce personal tax rates, which was a recommendation by the 2001 Economic Review Committee to ensure Singapore remained competitive and attractive to foreign investment,⁷³ resulted in a more regressive taxation regime that accentuated inequality.⁷⁴ Singapore’s policy towards foreign labour, some also argued, created an influx of foreign workers on one end, which eroded the wages of lower-skilled local workers, as well as a flood of highly skilled foreign talent in well-paid fields like finance, which pushed up wages on the other end of the spectrum. Furthermore, recent economic strategies to prioritise sectors such as life-sciences, R&D, finance and other highly skilled sectors created disproportionately more jobs for foreigners than locals, at all skill levels.⁷⁵

Other commenters observed that government policies to attract MNCs and grow government-linked companies had resulted in local enterprises being squeezed out.⁷⁶ Local graduates also seemed to prefer seeking employment with MNCs rather than with local small and medium enterprises (SMEs). A 2010 poll of 4,500 undergraduates and graduates of three local universities, Singapore Management University (SMU), National University of Singapore (NUS) and Nanyang Technological University (NTU), indicated that MNCs, as a whole, were their preferred employer, compared to SMEs.⁷⁷ While SMEs still made up a sizeable portion of the local economy, its share has been decreasing over the years. In 1997, SMEs accounted for about 72% of employment, and 58% of value-added⁷⁸. In 2009, SMEs’ employment and value-added shares fell to 69% and 55% respectively, and to 66% and 49% in 2013.⁷⁹

While urban theorists observed that global cities often possessed a burgeoning informal sector, Singapore’s informal sector remained small in recent years. Singapore’s Department of Statistics estimated that Singapore’s informal sector⁸⁰ made up about 2.3 % of its nominal GDP in 2000⁸¹,

⁷⁰ Manu Bhaskaran et al, “Background Paper: Inequality and the Need for a New Social Compact”, Singapore Perspectives 2012, Institute of Policy Studies, http://lkyspp.nus.edu.sg/wp-content/uploads/2013/04/SP2012_Bkgd-Pa.pdf(cited Oct 20 2014)

⁷¹ Linda Y.C. Lim and Lee Soo Ann, *pp 146*

⁷² Henri Ghesquiere, 17

⁷³ Ibid

⁷⁴ Manu Bhaskaran et al.

⁷⁵ Linda Y.C. Lim and Lee Soo Ann, *pp 153*

⁷⁶ Razeen Sally, “Letting loose wild ideas,” *Global-is-Asian Oct 2013-Jan 2014*, <http://lkyspp.nus.edu.sg/wp-content/uploads/2013/03/GIA-19-final.pdf> (cited Oct 25 2014)

⁷⁷ Singapore Management University, “A challenge to SMEs: creating creative ways to attract talent”, Oct 3 2010, <http://www.smu.edu.sg/perspectives/2012/06/26/challenge-smes-creating-creative-ways-attract-talent#.VE24EBZkz2N> (cited Oct 25 2014)

⁷⁸ Tan Wee-Liang, “Entrepreneurship challenges ahead for Singapore”, http://www.mansfieldfdn.org/backup/programs/program_pdfs/ent_singapore.pdf (cited Oct 25 2014)

⁷⁹ Department of Statistics, Singapore, “Singstat Table Building”, <http://www.tablebuilder.singstat.gov.sg/publicfacing/mainMenu.action> (cited Oct 25 2014)

⁸⁰ DOS’s definition of ‘Informal Sector’ refers to unincorporated businesses which are exempted from the Business Registration Act, such as hawkers, real estate agents, driving instructors, private tutors, tourist guides, taxi drivers, remisiers, and freelance real estate and insurance agents etc.

and was even lower in 2010, at 1.6%.⁸² Other estimates of Singapore's informal sector pegged it at around 14% of the total Gross National Product in 1999/2000⁸³, which was still low compared to an average of 41% in developing countries and 18% in OECD countries then.⁸⁴ Singapore's relative lack of an informal sector had been attributed to its low corporate tax rates, relative ease of registering and operating a business legally, and the threat of punishment due to non-compliance.⁸⁵ However, the development of a nascent 'sharing economy' in Singapore, through companies like AirBnB and RentTycoon that enabled individuals to offer services, short-term rental of space and other assets, signalled a possible shift in the near future.⁸⁶

Polarisation of Society: Rich vs Poor, Foreign Talent vs Foreign Worker

Singapore's efforts to attract the global talent, foreign expenditure and investments pushed the city to the top of international liveability surveys geared towards expatriates, such as Monocle Magazine's Quality of Life Survey, EIU's Global Liveability Survey, and Mercer Quality of Living Survey.⁸⁷ However, these efforts also coincided with a similar, much-less celebrated climb up the ranks of cost of living surveys. In 2014, EIU named Singapore the world's most expensive city to live in,⁸⁸ while Mercer placed Singapore at fourth most expensive.⁸⁹ Local government leaders were quick to point out that such rankings focused primarily on expatriates' costs of living, and that other surveys showed local residents enjoying a relatively more moderate cost of living.⁹⁰ For instance, the 2012 Asia Competitiveness Institute (ACI) report estimated that, while cost of living for an expatriate in Singapore was the fifth highest out of 109 cities, an average resident's was only 61 out of 109.⁹¹ Nevertheless, the observable disparity in living costs between expatriates and locals, as captured in ACI's study, hinted at the polarisation of local and expatriate lifestyles.

In recent years, Singapore had also become a key destination for ultra-high-net-worth individuals worth more than USD\$30million. A 2013 report estimated that Singapore had 3,154 such individuals on its shores, behind only Tokyo (3525) and London (4,224)⁹². Unsurprisingly, Singapore was also assessed to be a key destination where the 'superrich' preferred purchase luxury

⁸¹ "OECD/UNESCAP/ ADB Workshop on Assessing and Improving Statistical Quality : Measuring the Non-Observed Economy, http://www.singstat.gov.sg/publications/publications_and_papers/national_accounts/cp-noe.pdf (cited Oct 25 2014)

⁸² "Rebasing of Singapore's National Accounts to Reference Year 2010" http://www.singstat.gov.sg/publications/publications_and_papers/national_accounts/ip-e40.pdf

⁸³ Friedrich Schneider, "Size and Measurement of the Informal Economy in 110 Countries Around the World" Paper at Workshop of Australian National Tax Centre, July 17 2002, http://www.davidmlast.org/Supervisions/Gousienov_files/schneider,%20size%20and%20measurement%20of%20informal%20economy,%202002.pdf; and Suresh N. Shende, "Informal Economy. The Special Tax Regime for Small and Micro Businesses: Design and Implementation", <http://unpan1.un.org/intradoc/groups/public/documents/un/unpan006632.pdf> (both accessed Oct 27 2014)

⁸⁴ Friedrich Schneider

⁸⁵ Bruno S. Fey and Fredrick Schneider, "Informal and Underground Economy", <http://www.economics.jku.at/members/Schneider/files/publications/informal.PDF> (cited Oct 30, 2014)

⁸⁶ Linette Lim, "Singapore's sharing economy is on the rise" *Channel News Asia*, 11 Aug 2014, <http://www.channelnewsasia.com/news/business/singapore/singapore-s-sharing/1307194.html> (cited Nov 1, 2014)

⁸⁷ "About Singapore, Awards & Rankings", <http://app.singapore.sg/about-singapore/awards-and-rankings>

⁸⁸ "Singapore named the world's most expensive city" BBC News, March 3 2014, <http://www.bbc.com/news/business-26412821> (cited Nov 1 2014)

⁸⁹ Mercer, "2014 Cost of Living Rankings", July 10 2014, <http://www.mercer.com/newsroom/cost-of-living-survey.html> (cited Nov 1 2014)

⁹⁰ Janice Heng, "Singapore Budget 2014: Expatriate living costs survey do not reflect locals' costs: Tharman" *The Straits Times*, Mar 5 2014, <http://www.straitstimes.com/the-big-story/budget-2014/story/singapore-budget-2014-expatriate-living-costs-survey-do-not-reflect-> (cited Nov 1 2014)

⁹¹ Grace Aw, Vu Minh Khuong, Tan Khee Giap, Tan Kong Yam, Cost of Living, Wages and Purchasing Power, 31 July 2012 http://lkyspp.nus.edu.sg/aci/wp-content/uploads/sites/4/2013/08/PPT_Cost-of-Living-2012.pdf

⁹² Strutt and Parker, "Super-prime Property Journal, London and global insights" 2013, http://www.struttandparker.com/media/651021/super-prime_property_journal.pdf (cited Nov 4 2014)

homes, alongside Monaco, London, Paris, Moscow, Shanghai, Dubai and Hong Kong. In 2012, 31% of superprime housing in Singapore, defined as properties priced over 8.3 million US dollars, was estimated to have been bought by foreign buyers—a sizeable increase from 24% in 2007.⁹³

Singapore had also gained an international reputation as a playground for the wealthy.⁹⁴ Tourism products targeting the ultra-wealthy, such as the glitzy Formula 1 night races around the city, accentuated this impression, as did Singapore's new down-town, Marina Bay. Urban geographer, Pow Choon Piew described the district as an “awe-inspiring spectacle of towering skyscrapers and ultraluxurious spaces accentuated by ‘world-class’ designs” and an “ideal *pedagogical* site where the state may impart to the people important lessons on nation-building and the need to stay globally competitive”.⁹⁵ Critics of URA's efforts to plan, develop and market Marina Bay argued that the place-marketing strategies for the district aimed at attracting young, rich professionals, and marginalised the old, disabled and poor.⁹⁶

Outside of the new Downtown, traditional neighbourhoods experienced gentrification. Local and foreign developers would purchase older, middle-class private residential properties in locations closer to the city centre and replace them with expensive, luxury developments affordable to only a small elite or wealthy foreigners.⁹⁷ Old residential estates like Tiong Bahru⁹⁸ witnessed burgeoning flat prices and rentals rates⁹⁹, as well as the displacement of traditional businesses and long-time residents by hip cafes, boutique hotels and upwardly mobile professionals and expatriates.¹⁰⁰

Conversely, low-wage foreign workers suffered from poor treatment in Singapore. A 2010 study on Chinese migrant workers in Singapore revealed that many of those surveyed felt discriminated against and were afraid of pursuing their claims despite the abuse and exploitation they experienced.¹⁰¹ Urban scholar Susan Fainstein weighed in on the issue with pointed observations on the inherent inequity in the treatment of migrant workers in Singapore, and commented that these workers seemed to exist only to “sweep your floors or clean your parks, but they don't exist in terms of having places to live”¹⁰²

In December 2013, a riot broke out in Little India after a fatal accident involving a migrant construction worker escalated into violence by over 400 foreign workers. While the official

⁹³ Saskia Sassen, *Expulsions: brutality and complexity in the global economy*, the Belknap Press of Harvard University, 2014, pp134-135

⁹⁴ Ruchika Tulshyan, “Billionaire's Playground: Singapore Is The Most Expensive City Globally” <http://www.forbes.com/sites/ruchikatulshyan/2014/03/04/billionaires-playground-singapore/> (cited Nov 4 2014)

⁹⁵ Poon Choon-Piew, “Remaking of Singapore as a Global City” *Management of Success*, edited by Terence Chong, p 402

⁹⁶ Ibid

⁹⁷ Linda Y.C. Lim and Lee Soo Ann, pp 151

⁹⁸ Bridgette See, “Tiong Bahru Tales”, *Challenge July/ August 2013*, <http://issuu.com/challengeonline/docs/challenge-july2013-single>

⁹⁹ Shibani Mahtani, “Residents—and Some Developers—Push for Preservation” *Wall Street Journal*, Oct 4 2012, <http://online.wsj.com/news/articles/SB10000872396390443507204578020920007985656> (cited Nov 10 2014)

¹⁰⁰ Expatriates' accounts of living in Tiong Bahru, featured in *Expat Living Magazine*: <http://www.expatliving.sg/> http://www.expatliving.sg/living_in_sg/neighbourhood_guide/Tiong-Bahru-Singapore-A-residents-guide-to-living-eating-and-shopping-5425.ece /http://www.expatliving.sg/moving_to_sg/Street-talk-Neighbourhood-guide-to-Tiong-Bahru-Singapore-26569.ece

¹⁰¹ The study drew from approximately 400 case records of Chinese migrant workers, focus group discussions that involved 36 workers and several face-to-face interviews. Source: Humanitarian Organisation for Migration Economics, “The Exploitation of Migrant Chinese Workers in Singapore”, 2011, <http://www.home.org.sg/research/downloads/2011-Exploitation-of-Migrant-Chinese-Construction-Workers-Singapore.pdf> (cited Oct 3 2014)

¹⁰² Centre for Liveable Cities, “Can We Make The Cities We Want”, 22 Feb 2013, <http://www.clc.gov.sg/documents/lectures/2013/fainsteinreport.pdf> (cited Oct 31 2014)

government diagnosis pinned the riot on an “emotional outburst” fuelled by alcohol¹⁰³, other commentators suggested that workers’ unhappiness with working and living conditions in Singapore may have also contributed to the events.¹⁰⁴

Local Reactions & Policy Responses

[T]he logic of the global city runs counter to that of the "normal country". Normal countries are more ambivalent about the market and less open to the world. Their citizens probably want to lead settled, secure lives rather than constantly having to adapt to changing global market conditions.

Razeen Sally
Director of the European Centre for International Political Economy¹⁰⁵

Over the years, the tensions associated with being a globalised city bubbled to the surface, as local residents grew unhappy with competition posed by foreign talent. For instance, in 1997, a *Singapore 21* committee involving members from ‘all walks of life’ was set up by then Prime Minister Goh Chok Tong to discuss issues that Singaporeans would have to face in the new century.¹⁰⁶ The report highlighted Singaporeans’ concerns that foreigners would “compete with them for jobs, flats and even places in schools” and that “the government’s policy of bringing in foreigners pushes them to work harder against their will. They perceive some of the ‘talent’ that is imported not as real talent, but ‘cheap labour’”.¹⁰⁷ The 2013 Our Singapore Conversation—a large scale consultation process involving more than 50,000 participants –showed that these same concerns remained alive more than fifteen years on.¹⁰⁸

The growing presence of wealthy expatriates in Singapore also proved a sore spot with locals. In 2013, British expatriate Anton Casey described commuters on the subway as “poor people”, disparagingly commented on “the stench of public transport” and flaunted his Porsche in a series of online posts. These comments caused a public uproar; Casey received death threats, lost his job and eventually left the country.¹⁰⁹ While much of the public’s anger was directed at Casey specifically, the incident also sparked vitriol against rich foreigners and the government for its open door policy. A contributor to a Singaporean news-site *The Independent* hypothesised that, “One of the causes of resentment [against foreigners] is the fact that many expats enjoy first class services; a glamorous nightlife, shopping at renowned boutiques and staying in luxury hotels. Not all Singaporeans can afford the same high cost of living.”¹¹⁰

As for lower wage migrant workers, Singaporeans generally seemed reluctant to associate with them. While many Singaporeans valued the services foreign workers perform, they also griped

¹⁰³ Lim Yan Liang, “Little India Riot: Violence sparked by accident, alcohol ‘major factor’, says COI” *The Straits Times*, June 30 2014, <http://www.straitstimes.com/the-big-story/little-india-riot-two-months/story/little-india-riot-violence-sparked-accident-alcohol#sthash.PBr2Yd1S.dpuf> (cited Nov 3 2014)

¹⁰⁴ Eugene KB Tan, “The Little India Riot: the dog that did not bark”, *Today Online*, Dec 31 2013 <http://www.todayonline.com/singapore/little-india-riot-dog-did-not-bark?singlepage=true> (cited Nov 3 2014)

¹⁰⁵ Razeen Sally, “Challenges of the Global City”, *The Straits Times*, May 31 2014, <http://www.straitstimes.com/st/print/2445120> (cited Oct 17 2014)

¹⁰⁶ Derrick Ho, “A primer on national conversations”, *The Straits Times*, Aug 23 2012, <http://www.singapolitics.sg/fast-facts/primer-national-conversations;>

<http://marklsl.tripod.com/Writings/singapore21.htm>

¹⁰⁷ Singapore 21 Committee, “Singapore 21 : together, we make the difference” 1999, pp31-32

¹⁰⁸ “Reflections of Our Singapore Conversation”, http://www.reach.gov.sg/Portals/0/Microsite/osc/OSC_Reflection.pdf

¹⁰⁹ “British businessman receives death threats in Singapore over Facebook comments”

<http://www.telegraph.co.uk/news/worldnews/asia/singapore/10589193/British-businessman-receives-death-threats-in-Singapore-over-Facebook-comments.html>

¹¹⁰ Roshni Kapur “Post-Casey, what expats must do”, Feb 24 2014, <http://theindependent.sg/blog/2014/02/24/post-casey-what-expats-must-do/>

about increased congestion created by an increased population¹¹¹, and expressed fears that the large numbers of foreign workers would lead to higher crime rates.¹¹² An incident that demonstrated the tensions between locals and foreign construction workers occurred in 2008, when Serangoon Gardens residents objected to a new foreign worker dormitory in their neighbourhood. While the government did not relocate the dormitory, it struck a compromise with the residents by offering to seal certain exits from the old dormitory compound, and restricting worker movement in the neighbourhood.¹¹³ On a national-level, the 2013 Little India riot sparked a stream of xenophobic, racist comments online targeted at foreign workers. These, however, in turn precipitated counter-efforts by individuals urging greater respect, accommodation, and tolerance.¹¹⁴

Policy-makers and politicians acknowledged local unhappiness, and started tightening restrictions on permits, and implemented requirements for firms to prove they tried to hire Singaporeans first.¹¹⁵ In an effort to dampen foreign enthusiasm for Singaporean properties, the government imposed additional stamp duties on the purchase of property by foreigners in 2011¹¹⁶ and 2013,¹¹⁷ albeit as temporary measures to tame rising housing prices. However, analysts predicted that these restrictions on foreigner inflows and property purchases would reduce Singapore's attractiveness to foreign companies and thus growth^{118 119}.

To tackle inequality, the government rolled out more generous social transfers and programmes to the less well-off. Deputy Prime Minister Tharman Shanmugaratnam shared in a 2013 speech, "The Government is playing a more active role in redistribution. We began tilting our policies in favour of the lower income group in 2007, and have expanded support for the middle income group in the last few years."¹²⁰ Recent efforts to enhance social mobility and equity are summarised in **Annex C**. These social transfer schemes, subsidies and grants worked, to some extent, to counteract the increase in Singapore's household Gini Coefficient. (see Exhibit 7)¹²¹

Beyond measures for the local population, the government also made efforts to improve foreign worker welfare, through enhanced measures to penalise errant employers, and enhanced laws to

¹¹¹ Rani Rubdy and Sandra Lee McKay "Foreign workers" in Singapore: conflicting discourses, language politics and the negotiation of immigrant identities, *International Journal of the Sociology of Language* (July 2013): p157.

¹¹² Suhaimi, N.D. and Sudderudin, S. "Foreign workers at void decks leave residents seething", *The Sunday Times*, 25 November 2007 http://forums.sgclub.com/singapore/foreign_workers_void_37345.html

¹¹³ Hopewell Radebe, "Concerns about migrant workers that hit home" *Business Day*, Nov 17 2008.

¹¹⁴ Woo Sian Boon, "Little India riot: Netizens combat racism on social media" *Today Online*, Dec 10 2013, <http://www.todayonline.com/singapore/little-india-riot-netizens-combat-racism-social-media?singlepage=true> (cited Nov 3 2014)

¹¹⁵ Toh Yong Chuan, "Firms must show they tried to hire Singaporeans first", Sep 23 2014, <http://www.straitstimes.com/breaking-news/singapore/story/firms-must-advertise-singaporeans-hiring-foreign-professionals-2013092>

¹¹⁶ Singapore hits foreign property buyers with an extra 10% stamp duty, *Property Wire*, Dec 16 2011, <http://www.propertywire.com/news/asia/singapore-property-tax-foreigners-201112165889.html>

¹¹⁷ Inland Revenue Authority of Singapore, "Additional Measures to Ensure a Stable and Sustainable Property Market", Jan 11 2013, <http://www.iras.gov.sg/irasHome/page03a.aspx?id=14342> (cited Nov 4 2014)

¹¹⁸ Robin Chan and Janice Heng, "Has Singapore gone too far in tightening tap on foreign manpower", *The Straits Times*, Nov 5 2012, <http://news.asiaone.com/News/Latest+News/Singapore/Story/A1Story20121105-381524.html>

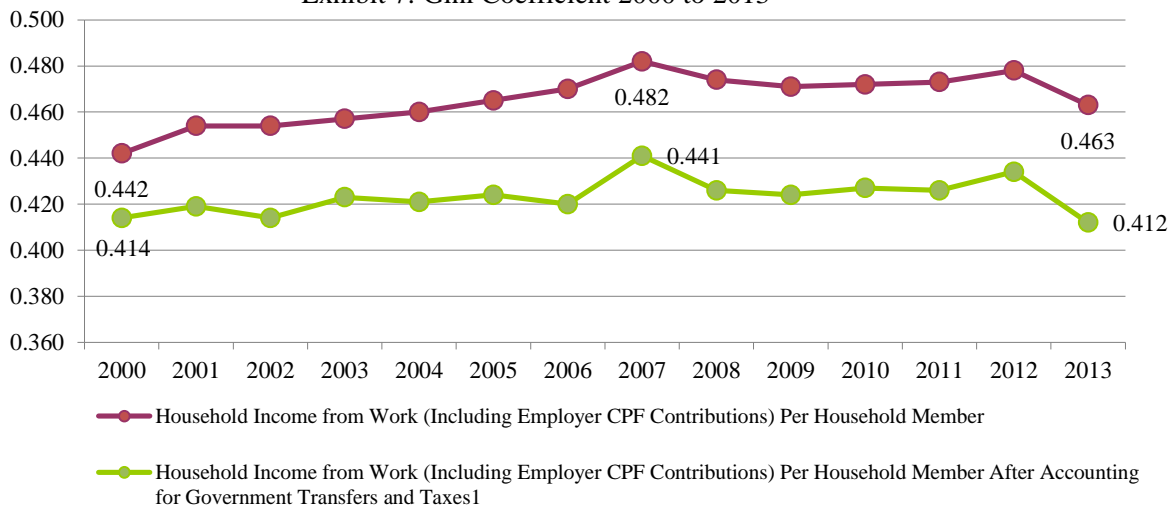
¹¹⁹ Home prices 'to fall 20% by 2016 on restructuring, curbs': report, *Today Online*, Sept 10 2014, <http://www.channelnewsasia.com/news/business/singapore/home-prices-to-fall-20-by/1354620.html>

¹²⁰ Ministry of Finance, "The Invisible Hand of Social Culture: The 6th S Rajaratnam Lecture by Mr Tharman Shanmugaratnam, Deputy Prime Minister & Minister for Finance" http://app.mof.gov.sg/newsroom_details.aspx?type=speech&cmpar_year=2013&news_sid=20131202454584831558 (cited Nov 3 2014)

¹²¹ Source of data: Singstat, "Household Income from Work", 2000-2013, https://www.google.com/url?q=http://www.singstat.gov.sg/statistics/browse_by_theme/population/time_series/hhinc.xls&sa=U&ei=O31EVLqFLOjHmAWIs4D4Aw&ved=0CAUQFjAA&client=internal-uds-cse&usg=AFQjCNGyFof7SclwQ0KUMVSQLZ30vvJQnQ (accessed Oct 20 2014)

protect workers from exploitation.¹²² Nevertheless, others argued that much more should be done, such as regulating overseas employment agencies, mandating the provision of terms of employment, and broadening the set of criteria used to assess the performance of companies employing foreign workers to include considerations of workplace safety and living conditions offered to workers¹²³.

Exhibit 7: Gini Coefficient 2000 to 2013



What Next?

The need to preserve international competitiveness may well mean that workers from both the upper and lower ends of the income scale will be attracted to Singapore. Thus, international competitiveness and rapid economic growth are not compatible with the objective of lowering the income inequality.

Pundarik Mukhopadhaya,
Author of *Income Inequality in Singapore*¹²⁴,

Never mind your Gini coefficient. If you don't have a job you get zero against those with jobs. So our first priority is jobs for everybody

Lee Kuan Yew, Minister Mentor, 2009¹²⁵.

In “The Average is Over”, economist Tyler Cowen predicted that regions, countries, cities, businesses, families and the individual would experience greater split in material outcomes, and that the average, mid-wage occupations would further thin out, continuing a trend already observed today. He attributed this occurrence to “basic and hard-to-reverse forces: the increasing productivity of intelligent machines, economic globalization, and the split of modern economies into both very stagnant sectors and some very dynamic sectors”. Cowen concluded that skilled workers able to work with intelligent machines would benefit while the rest would struggle with lower wages and lower standards of living.¹²⁶

¹²² Imelda Said “More can be done to address foreign workers' social, emotional needs: NGOs” *Channel News Asia*, Jan 20 2014, http://lkyspp.nus.edu.sg/ips/wp-content/uploads/sites/2/2013/04/CNA_More-Can-be-Done-to-Address-Foreign-Workers-Social-Emotional-Needs-NGOs_200114.pdf (cited Nov 1 2014)

¹²³ Muthhukumar Palaniyapan, “Improving the welfare of Singapore’s migrant workers”, *Today Online*, June 3 2014, <http://www.todayonline.com/singapore/improving-welfare-singapores-migrant-workers?singlepage=true> (cited Oct 17 2014)

¹²⁴ Pundarik Mukhopadhaya, pp74

¹²⁵ Jeremy Au Yong, “MM Lee: Social divide inevitable”, Oct 20 2009, http://www.smu.edu.sg/sites/default/files/smu/news_room/smu_in_the_news/2009/sources/ST_20091020_3.pdf

¹²⁶ Tyler Cowen, *Average is Over*, Dutton Penguin Group, 2013

If Tyler's prediction proves accurate, Singapore may find itself falling on the 'wrong' side of the global split, should it fail to upgrade its labour force and widen its talent pool. How can Singapore thrive in a globalised world of 'hyper meritocracy'¹²⁷, without exacerbating inequality within its borders?

Case Questions

Imagine you are the current chair of Singapore's Economic Strategies Committee. You have been tasked to set the economic vision for Singapore for the next two decades. More specifically, you will have to draw up a feasible plan that spells out the next steps for Singapore's 'global city' strategies, bearing in mind its potential impact on inequality in Singapore.

What would you recommend, and how would it affect inequality in Singapore?

In drawing up your proposal, you may wish to consider the following:

- How has Singapore benefited or suffered from globalisation?
- How much of inequality present in Singapore today can be attributed to its drive towards becoming a global city?
- Does Singapore have a real alternative to being a global city? If so, what is it?
- What are the potential pitfalls of continuing Singapore's global city strategies?
- What can be done to temper the inequality created by globalisation?

¹²⁷ Tyler Cowen

Singapore's Strategies to Build a Global City

Early Decades of Independence: 1960s to 1980s

Singapore gained self-rule from the British in 1961, and later merged with Malaya, North Borneo and Sarawak to form the Federation of Malaysia in 1963. In those early days, unemployment rates were high, housing shortage severe, the population poorly educated and divided.¹²⁸ Singapore's early industrialisation efforts centred on import-substitution targeting the Malaysian common market. These efforts soon shifted towards an export-oriented strategy when Singapore separated from Malaysia in 1965 and became a sovereign nation. Singapore focused on attracting foreign investors to develop manufacturing and finance.¹²⁹

Even in the initial years of independence, Singapore's leaders already stressed that Singapore needed to integrate with the global economy. In a 1972 speech entitled "Singapore: Global City", Singapore's first Foreign Minister S Rajaratnam emphasised that Singapore's survival rested on its ability to be a 'Global City', with the world as its hinterland. This means Singapore had to continue being an international hub plugged into an international system, through its port, airport and technological systems. It also had to rely on multi-national corporations (MNCs) and build up its role as a centre in the international financial network.¹³⁰

To attract foreign investors, Singapore government established Economic Development Board (EDB) in 1961, which coordinated efforts to government adopted a free-trade regime, and proactively created 'free trade zones' and 'export processing zones' (EPZ) that were industrial sites with first-rate physical infrastructure readily available at highly subsidised rates. EPZs also allowed the duty-free entry of goods destined for re-export. Tax incentives were also offered to lure investors while labour costs were also controlled, so they remained low, stable, and thus competitiveness.¹³¹

A parallel economic growth strategy was to pursue the tourist dollar. In 1964, the government established the Singapore Tourism Promotion Board (STPB) to promote Singapore as a tourist destination.¹³² STPB pursued tourism strategies that were 'modernist', focusing on developing 'garden attractions and modern hotels'¹³³

In 1968, immigration policies were liberalised to allow migrant workers to enter Singapore on temporary work permits¹³⁴, as Singapore moved towards full local employment. In 1970, this group accounted for 3.2 % of the labor force.¹³⁵

1980s-1990s

¹²⁸ Henri Ghesquiere, *Singapore's Success- Engineering Economic Growth*, Thomson Publishing, Sep 2006, pp40

¹²⁹ Chao Wei Lin, Singapore's Export Promotion Strategy and Economic Growth (1965-84), Working Paper No. 116, University College London, The Bartlett Development Planning Unit, <http://www.bartlett.ucl.ac.uk/dpu/latest/publications/dpu-working-papers/wp116.pdf>

¹³⁰ Heng Yee Kuang, "Rajaratnam's global city vision for Singapore vindicated 40 years on", *The Straits Times*, Feb 06 2012, <http://newshub.nus.edu.sg/news/1202/PDF/GLOBAL-st-6feb-pA17.pdf>; "Address by S. Rajaratnam to the Singapore Press Club, February 6, 1972", <http://www.nas.gov.sg/archivesonline/data/pdfdoc/PressR19720206a.pdf>

¹³¹ Economic Development Board, "Our History, <http://www.edb.gov.sg/content/edb/en/about-edb/company-information/our-history.html>, cited 14 Oct 2014.

¹³² Singapore Tourism Board, History, <https://www.stb.gov.sg/about-stb>, cited 14 Oct 2014

¹³³ Brenda Yeoh et al, "Tourism in Singapore: An overview of policies and issues"

<http://fama2.us.es:8080/turismo/turisonet1/economia%20del%20turismo/turismo%20zonal/lejano%20oriente/tourism%20in%20Singapore.pdf>

¹³⁴ Noorashikin Abdul Rahman, "Managing Labour Flows", *Management of Success, Singapore revisited*, ed. Terence Chong, ISEAS Publishing, 2010, pp202-203

¹³⁵ Henri Ghesquiere, pp 73

The 1980s marked a concerted effort to move Singapore's economy from labour-intensive industries towards high-technology industries, and the start of a longer-term reorientation towards becoming a business services gateway to firms operating in the region, not just a manufacturing outlet for MNCs.¹³⁶ While policy-makers flirted with a high-wage policy in 1979 to push firms to restructure towards more capital intensive and productive industries, the increased costs deepened an economic slump in 1985. The 1985 economic crisis in turn prompted a reversal of the high-wage policy, and substantial cuts to mandatory employer contributions to workers' retirement funds¹³⁷.

This period also saw a significant shift in Singapore's tourism strategy towards greater preservation of Singapore's cultural heritage. Developments of significant heritage, such as shophouses, and even entire ethnic enclaves like Chinatown and little India were conserved and redeveloped.¹³⁸

The 1990s saw the growth of service industry as well as greater diversification of Singapore's economic structure. In a 1991 report, *The Next Lap*¹³⁹, which set out the government's vision for Singapore's long-term development trajectory, a clear end-goal was to have Singapore become a competitive global city. The report's summary chapter stated, "We live in an interdependent world. To compete effectively, we have to be international in our outlook"¹⁴⁰ and later reiterated that "No city which draws only on indigenous talent can maintain its excellence". The report also concluded that "Singapore will continue to attract talent from abroad. Our doors are open to anyone with talent or skills, and who can fit into our way of life. As talent is highly mobile, we should capitalize on our advantage as a cosmopolitan Asian city to attract Asian talent in large numbers."¹⁴¹

To achieve this, *The Next Lap* laid out a slew of strategies to grow Singapore into a 'Hub City' and "Total Business Centre" that would attract MNCs, international investors, traders and talent alike. These included a greater investment in improving labour productivity and a stronger move towards skill and knowledge intensive industries and services. Singapore would specialise in developing economic niches, and focus on building up its research and development (R&D) sector. At the same time, the creative sector, which includes communicative arts, design arts, fine arts, performing arts and others, would be nurtured. Singapore would solidify links with Malaysia and Indonesia, to develop a strong regional 'Growth Triangle', and also push local companies overseas to create stronger international linkages.¹⁴²

The Next Lap also described ways in which the urban environment had to be modified to make Singapore a global city. Firstly, infrastructure such as the airport, seaport, industrial parks and transit had to be developed to world-class standards, in order to compete with other cities. To attract highly mobile talent, the quality of living in Singapore had to be 'upscaled'. Sentosa and the Southern Islands would be transformed into "world-class resorts for both Singaporeans and tourists[...] Community clubs and the SAFRA clubs will be upgraded to meet higher aspirations". Marina Bay, "a new city hub, aesthetically designed, will be developed to cater to expanding business in the city".¹⁴³

Several of the strategies in *The Next Lap* were quickly implemented. In 1991, the first National Technology Plan worth \$2billion to promote R&D was announced, which kickstarted a long-term effort to upgrade local technological capabilities. Over the next few years, subsequent science and

¹³⁶ "Singapore's Changing Economic Model", *Management of Success*, pg 124

¹³⁷ Henri Ghesquiere, pp 87-88

¹³⁸ Brenda Yeoh et al.

¹³⁹ "The Next Lap", Infopedia, http://eresources.nlb.gov.sg/infopedia/articles/SIP_165_2004-12-23.html

¹⁴⁰ The Government of Singapore, *Singapore the Next Lap* Times Editions Pte Ltd, 1991

¹⁴¹ *Singapore: The Next Lap*, 25-27

¹⁴² *Singapore: The Next Lap*, 57-72

¹⁴³ *Singapore: The Next Lap*, 57-72

technology plans were rolled out with ever growing budgets¹⁴⁴. In 2011, the government announced a \$16.1 billion budget to be spent over the course of 2011 to 2015.¹⁴⁵

The government also rolled out incentives, tax concessions and equity financing of overseas ventures, to foster economic cooperation and integration with other ASEAN countries. The government also helped infrastructure development in the 'growth triangle'¹⁴⁶.

In 1994, STB's blueprint, *Tourism 21*, further fleshed out the strategy of promoting Singapore as a regional hub and business centre. Singapore would be a modern cosmopolis that provided the requisite networks and amenities and easy access to the region.¹⁴⁷

When the 1997/1998 Asian Financial Crisis roiled the region, policy-makers responded by implementing a comprehensive package of cost and tax cutting measures to keep companies competitive. This included property tax rebates, rental and utilities rebates, a 10 % point reduction to employer CPF contributions, wage cuts and corporate tax rebates¹⁴⁸.

As the Asian Financial Crisis raged on, the government redoubled efforts on investment promotion measures, and continued to deregulate its financial sector in the later part of the 1990s¹⁴⁹, in order to compete with Hong Kong and other financial hubs. This allowed greater competition in the domestic commercial and retail banking scene, and local banks were encouraged to merge and form global alliances. Capital markets were also liberalised, allowing foreigners freer access to stock and futures exchanges. The government also sought to develop Singapore's asset and fund management business by placing out some government surpluses to local fund managements for investment. Furthermore, it introduced tax exemption schemes to attract risk management firms and specialised insurance companies. MNCs were also encouraged to set up regional treasury centres in Singapore.¹⁵⁰

In 1999, the Ministry of Manpower launched the *Manpower 21 Plan*, a report which set out various strategies to make Singapore a 'talent capital'. This recommendation report, consistent with 1991's *The Next Lap*, again stressed that Singapore's local pool of talent was insufficient to enable the country to grow and compete globally, especially in the era of a knowledge based economy, and that augmenting this pool was critical. Strategies to attract foreign talent included setting up an internet-based international talent recruitment website, develop specific programmes to attract talents to work for overseas operations of Singapore companies, and develop a network of 'Friends of Singapore' through affinity programs.¹⁵¹

2000s to today

Two more economic downturns hit Singapore in the 2000s—one in 2001 after the bursting of the dotcom bubble, and another in 2008/2009 as the world suffered from the subprime meltdown. In the

¹⁴⁴ Choy Keen Meng, pp 125,126

¹⁴⁵ National Research Foundation, "Overview", <http://www.nrf.gov.sg/research/r-d-ecosystem/overview> (cited Oct 13 2014).

¹⁴⁶Brenda Yeoh et al

¹⁴⁷Ibid

¹⁴⁸ Ngiam Kee Jin, "Coping with the Asian Financial Crisis: The Singapore Experience", *Visiting Researchers Series No. 8 (2000)*, *Institute of Southeast Asian Studies*
<http://unpan1.un.org/intradoc/groups/public/documents/apcity/unpan033317.pdf>

¹⁴⁹ Monetary Authority of Singapore, "Growing the Singapore Financial Sector - Attracting and Nurturing Financial Sector Talent" Financial Awards 1999, Speech by Mr Lim Hng Kiang, Minister For Health and Second Minister For Finance, at the Ritz-Carlton Millenia Singapore", 27 Aug 2014, <http://www.mas.gov.sg/news-and-publications/speeches-and-monetary-policy-statements/speeches/1999/growing-the-singapore-financial-sector-attracting-and-nurturing-financial-sector-talent--27-aug-1999.aspx>

¹⁵⁰ Choy Keen Meng, pp127

¹⁵¹ Ministry of Manpower, *Manpower 21: Vision of a Talent Capital*, Aug 4 1999

aftermaths of both downturns, high level committees consisting public and private sector representatives were set up to review and chart Singapore's economic strategies.

Arguably, the 2001 and 2007/2008 economic slowdowns, both global in origin, hit Singapore hard because the city-state was so plugged into global flows of tourists, workers and money. Nevertheless, both the 2001 Economic Review Committee (ERC) and the 2009 Economic Strategies Committee (ESC) produced recommendations that held fast to the long-established and well-accepted understanding that Singapore had no viable alternative except to integrate into global flows, and thus offered no major departure from the broad strategies described in 1991's *The Next Lap*.

The **2001-Economic Review Committee**, was described as “a concerted attempt to find Singapore's place in a rapidly globalising world besieged by relentless technological change”¹⁵². Its recommendations included:

- Develop a ‘global brand name for Singapore’
- Develop Singapore as an R&D hub for MNCs¹⁵³, by incentivising MNCs to base their R&D and product design operations in Singapore¹⁵⁴
- Market exportable services aggressively.¹⁵⁵
- Continue attracting global talent since “the indigenous pool is too small to meet the needs of an increasingly sophisticated and global economy”¹⁵⁶.
- Keep the burden of taxes on the economy as low as possible, especially the burden of direct taxes on companies and individuals, to remain competitive, attract foreign investment, and encourage Singaporeans to create wealth¹⁵⁷. Corporate and personal income taxes should thus be lowered to 20%, and goods and services tax (GST) increased to make up the budget shortfall.¹⁵⁸

Similarly, the **2009 Economics Strategies Committee** recommended, as one of three key priorities, that policy-makers should “make Singapore a distinctive global city” by continuing to attract “top quality people from around the world”, while investing further to provide the best opportunities for Singaporean talents to grow and develop. Specific recommendations under this priority area include:

- Attract top quality people from the world, while reducing reliance on foreign labour
- Grow creative and arts clusters, which will add to the character of the city, and nurture new talents. Singapore should become the leading city in Asia to attract and grow signature lifestyle events and businesses in sports, arts, music, entertainment, cuisine, and fashion.
- Develop infrastructure to deliver high quality of living, by rejuvenating mature housing estates, developing eco-towns and regions with diverse lifestyle options, and making major improvements in transport connectivity¹⁵⁹

Recommendations from both the ERC and ESC were accepted and folded into national economic plans¹⁶⁰.

¹⁵² Choy Keen Meng, pp128

¹⁵³ Economic Review Committee's Main Report, Part 1,

http://www.mti.gov.sg/AboutMTI/Documents/app.mti.gov.sg/data/pages/507/doc/ERC_Comm_MainReport_Part1_v2.pdf Pg 57

¹⁵⁴ Choy Keen Meng, pp127

¹⁵⁵ Ibid

¹⁵⁶ Economic Review Committee's Main Report, Part 1,

http://www.mti.gov.sg/AboutMTI/Documents/app.mti.gov.sg/data/pages/507/doc/ERC_Comm_MainReport_Part1_v2.pdf Pg 59

¹⁵⁷ Economic Review Committee's Main Report, Part 2,

http://www.mti.gov.sg/AboutMTI/Documents/app.mti.gov.sg/data/pages/507/doc/ERC_Comm_MainReport_Part2_v2.pdf Pg 73

¹⁵⁸ Ibid

¹⁵⁹ Report of the Economic Strategies Committee, Feb 2010,

<http://app.mof.gov.sg/data/cmsresource/ESC%20Report/ESC%20Full%20Report.pdf>

In 2005, STB announced their Tourism 2015 Roadmap, which included plans to revitalise tourism after the 2002 SARS outbreak dampened enthusiasm for travel to South East Asia. The Tourism 2015 Roadmap focused on making Singapore 'fun and vibrant', and key projects include F1, Integrated Resorts at Marina Bay, Sentosa.¹⁶¹

The 2000s also saw Singapore's urban planning authority, the Urban Redevelopment Authority (URA) taking a more outward looking approach. It revised its mission in 2002 to "To make Singapore a great city to live, work and play in", in order to reflect its support of the broader government intent to make Singapore more competitive among other cities in vying for talent and investments.¹⁶² This focus was also clearly reflected in the URA's efforts to develop and market Marina Bay to global investors, to create a "24/7 live-work-play environment, one that encapsulates the essence of the global city that Singapore can be" and in raise Singapore's international profile the way London's Canary Wharf and Shanghai's Pudong did.¹⁶³

¹⁶⁰ <http://www.mti.gov.sg/AboutMTI/Pages/Economic-Strategies-Committee.aspx> ; Ministry of Finance, Budget Statement 2003, http://app.mof.gov.sg/data/download/2003/FY2003_Budget_Speech.pdf

¹⁶¹ http://www.clc.gov.sg/documents/Lectures/2013/tourism_report.pdf

¹⁶² Lee Kwong Weng, "Shaping URA to shape Singapore", *Skyline March –April 2009*, <http://www.ura.gov.sg/skyline/skyline09/skyline09-02/text/06.htm>

¹⁶³ Ching Tuan Yee, Benjamin Ng, "Realising the Marina Bay Vision", *Skyline Jul-Aug 2008*, <https://www.ura.gov.sg/skyline/skyline08/skyline08-04/text/07.htm>

Impact of Global and Regional Recessions on Singapore

Asian Financial Crisis¹⁶⁴

The devaluation of the Thai Baht in 1997 under speculative pressure triggered steep devaluations in the Rupiah and the Korean Won and led to a crisis of confidence in the region. Foreign investors and fund managers pulled out their investments from Asia.¹⁶⁵

As Singapore had close economic linkages with other Asian countries, it suffered negatively from the crisis. Its economy contracted by 1.4% in 1998 in terms of real gross domestic product (GDP). Many companies went out of business, while others retrenched staff, stopped new recruitment and cut wages. In the last quarter of 1997, 4,280 workers were retrenched, while quarterly retrenchments in 1998 averaged about 7,300. All in all, an estimated 32,800 workers were made redundant in 1998¹⁶⁶. Property prices, rentals yields and stock prices also plummeted.

Singapore's petrochemical industry that catered mainly to Asia, suffered from the lowered regional demand for Singapore's oil domestic exports, which fell by 15.3% in 1998. The manufacturing sector also contracted slightly by 0.6% in that year, because of weaker demand in regional and local markets.

The financial services sector was even worse hit, contracting by 7.4% in 1998 as banks pulled back on their local and offshore lending activities. Wholesale and retail trade sector and the hotels and restaurants sector were also badly hit, contracting by 4.1% and 7.5% respectively in 1998. Visitor arrivals fell due to the economic slowdown in the regional markets and the strengthening of the Singapore dollar against various regional currencies.

Dot-Com Bust 2000/2001

Between 1997 to 2000, a speculative bubble formed in United State's internet sector, where many new 'dot-coms' --internet-technology based companies --were founded, listed on the stock exchange and received large amounts of investment capital¹⁶⁷. This bubble burst in 1999/2000, where many internet companies folded and U.S. stock markets plunged.

As the electronic sector contributed close to two-thirds of Singapore's non-oil domestic exports in early 2000s, the 2000/2001 dot com bust hit Singapore's economy hard. This was because it led to a steep drop in demand from the United States, which was the largest market for Singapore's exports, especially for electronic components sector.

The Singapore economy shrank by 2% in 2001, while manufacturing contracted by 12% in the same year.¹⁶⁸ Unemployment also hit a high of 4% in 2003, 27,570 workers were made redundant in 2001¹⁶⁹, while its stock market plummeted 15.7% that year.¹⁷⁰

¹⁶⁴ "Asian financial crisis, 1997-1998", Singapore Infopedia,

http://eresources.nlb.gov.sg/infopedia/articles/SIP_1530_2009-06-09.html (cited Nov 10 2014)

¹⁶⁵ AsiaOne, "SM Goh recounted how the government handled past economic crises", Feb 01 2009,

<http://news.asiaone.com/News/AsiaOne+News/Singapore/Story/A1Story20090201-118593.html> (cited Nov 10 2014)

¹⁶⁶ Michael Lim Mah Hui and Jaya Maru, "Financial Liberalization and the Impact of the Financial Crisis on Singapore", *Third World Network*, 2010 <http://www.twinside.org.sg/title2/ge/ge24.pdf> (cited Nov 10 2014)

¹⁶⁷ Peter Schiff & Marc Faber, "Here's why the Dot Com bubble began and why it popped", Dec 15 2010,

<http://www.businessinsider.com/heres-why-the-dot-com-bubble-began-and-why-it-popped-2010-12> (cited Nov 10 2014)

¹⁶⁸ Singapore admits worst ever recession, *BBC*, 28 Feb 2002

¹⁶⁹ Michael Lim Mah Hui and Jaya Maru, "Financial Liberalization and the Impact of the Financial Crisis on Singapore", *Third World Network*, 2010 <http://www.twinside.org.sg/title2/ge/ge24.pdf> (cited Nov 10 2014)

2008 Subprime Financial crisis

During the 2007/2008 global financial crisis, triggered by a combination of poor securitisation and risk-management practices in the financial industry, lack of regulatory oversight and the bursting of the housing market bubble in the United States¹⁷¹, Singapore's stock market plummeted from a high of 3,500 points in December 2007 to 1,700 points in the last quarter of 2008, which in turn depressed domestic demand and investment in assets. Its economy contracted 1.3% in 2009 as a result of the global financial crisis¹⁷². Key sectors, chemicals and electronics, registered negative growth between 2008 to 2009, and business expectations fell. While employment was affected, it seemed less severe than previous recessions. Close to 17,000 workers were made redundant in 2008.¹⁷³

In response, the government announced a S\$20.5 billion Resilience Package in January 2009, and put in place measures to tide Singapore over the crisis, such as were the Jobs Credit Scheme, which provided businesses with a cash grant based on the wages of Singapore and PR employees, set at 12% on up to the first S\$2500 of wages per month.¹⁷⁴

¹⁷⁰David Armstrong, "A stormy ride for Singapore", *San Francisco Chronicle*, Jan 3 2002, <http://www.singapore-window.org/sw02/020103sf.htm> (cited Nov 10 2014)

¹⁷¹Thum Jie Liang "The Global Financial Crisis and Policy Responses", *ETHOS Oct 2010* <https://www.ccollege.gov.sg/Knowledge/Pages/The-Global-Financial-Crisis-and-Policy-Responses.aspx> (cited Nov 10 2014)

¹⁷²C.Y.-Y. Lin et al., National Intellectual Capital and the Financial Crisis in China, Hong Kong, Singapore, and Taiwan, SpringerBriefs in Economics 8, DOI 10.1007/978-1-4614-5984-2_2

¹⁷³Michael Lim Mah Hui and Jaya Maru

¹⁷⁴Thum Jie Liang

Recent Policies and Programmes to improve social equity in Singapore,
*Extracted from 2014 Budget “Budget in Brief: A Fair and Equitable Society” Ministry of Finance Singapore*¹⁷⁵

Our policies and programmes seek to:

- Provide stronger support for those who start off with less
- Strengthen our social safety nets
- Mitigate inequalities
- Keep quality healthcare affordable and strengthen community networks

Promoting Social Mobility

Our approach is to ensure that our students have every opportunity to advance through education, regardless of family background. We are committed to significant **upstream interventions** to give even greater support to students from lower- and middle-income families.

- **200** more childcare centres by 2017
- Increased support to pre-schools to **raise quality**
- **Improved affordability of childcare** for lower- and middle-income families
- Extended **bursaries for higher education** to 2/3 of Singaporean households
- **Increased financial assistance** to benefit about 65,000 needy students
- Raised the target for university cohort participation to **40%** by 2020

In Budget 2014

- **Enhance the Kindergarten Fee Assistance Scheme (KiFAS)**
 - Provide more fee assistance
 - Extend support to middle-income families
 - Extend to all Anchor Operators and MOE Kindergartens
- **Increase bursaries** for students in ITEs, polytechnics and universities
 - Raise qualifying per capita monthly household income threshold to \$1,900 to cover two-thirds of Singaporean households
 - More support for lower- and middle-income families

Enhancing Progressivity

In previous years, we have:

- Significantly enhanced the **Workfare Income Supplement (WIS)** to boost incomes and retirement savings of low wage workers
- Introduced the **Progressive Wage Model** in the cleaning sector to ensure that they enjoy significant upgrades in their basic pay and get more when they upgrade their skills
- Increased progressivity of Singapore's tax system through:
 - Higher **property tax rates** for high-end residential properties, especially investment properties
 - **Higher Additional Registration Fees** for more expensive cars

Improving Housing and Public Transport

To ensure quality, affordable housing for Singaporeans, we have:

- **Increased supply of Build-To-Order (BTO)** flats by more than 77,000 over the last three years
- **Enhanced housing grants and raised income ceilings** for BTOs and Executive Condominiums

¹⁷⁵ Ministry of Finance, “A Fair and Equitable Society”,
http://www.singaporebudget.gov.sg/budget_2014/budgetinbriefafairandequitablestociety.aspx (cited Nov 3 2014)

- Introduced several rounds of measures to cool the residential property market

We are improving our public transport system to benefit commuters:

- **Bus Service Enhancement Programme** to up frequency and add 40 new routes by 2014
- **Reliability has improved further** for trains and buses
- **Better last-mile connectivity** with 200km more sheltered walkways by 2018
- **New fare concessions** for WIS recipients and the disabled
- Inject **>100 new trains** from 2014 to reduce waiting time and ease overcrowding
- Double the rail networks; **5 new major lines by 2030**

Preparing for an Ageing Population

We are providing more support to older workers. We are also making healthcare more accessible and affordable.

- **Special Employment Credit (SEC)** encourages employment of older workers
- **CPF LIFE** provides lifelong monthly payouts
- Help seniors unlock their property savings with **Lease Buyback Scheme** and **Silver Housing Bonus**
- By 2020: 6 new polyclinics, 4 new community hospitals, 25 new and replacement nursing homes
- **MediShield Life** from 2015 for all Singaporeans with enhanced benefits
- Higher subsidies (up to 80%) for **intermediate and long-term care** for lower- and middle-income Singaporeans

In Budget 2014

- Higher subsidies for **Specialist Outpatient Clinic services** for lower- and middle-income Singaporeans, benefiting 400,000 patients
- **Annual Medisave top-ups of \$100 to \$200 over the next five years** for Singaporeans 55 years and above in 2014, excluding those already covered by the Pioneer Generation Package
- Allow elderly patients to use a **portion of Medisave more flexibly** across a range of outpatient treatments, above existing Medisave withdrawal limits
- From 2015, **increase CPF employer contribution rates** for all workers by 1 %age point to be allocated to the Medisave Account. In addition,
 - Workers above 50–55 years: +1 %age point to the Special Account
 - Workers above 55–65 years: +0.5 %age points to the Special Account
- To offset cost increases, Government will provide employers (for one year) with:
 - Temporary Employment Credit — 0.5 %age points
 - Special Employment Credit — up to 0.5 %age points more
- Workers above 50-55 years will also contribute an additional 0.5 %age points to their Ordinary Account
- Enhance **parent and handicapped parent reliefs** by up to \$3,000 from YA2015; individuals staying with parents, grandparents or great-grandparents get more

Supporting Vulnerable Groups

We introduced the permanent GST Voucher (GSTV) Scheme to help low-income families cope with the cost of living. For a typical elderly couple staying in a small HDB flat, the GSTV fully offsets the GST they pay. There are also new and enhanced schemes to support needy families and persons with disabilities (PWDs).

- Cash Benefits to **1.4 million** Singaporeans
- Medisave Helps **370,000** older Singaporeans
- U-Save Provides relief to **800,000** households

- Set up **20 Social Service Offices** by 2015 to coordinate social services
- Support PWDs through the **Enabling Masterplan**; extended **WIS** and **SEC** to them
- Enhanced **Public Assistance scheme** for 3,000 recipients
- Expand **GP outpatient subsidy scheme** to 520,000 households and include all ages

In Budget 2014

Greater Support for Persons with Disabilities

- Early intervention programmes for children with special needs:
 - Higher subsidies
 - Extend coverage to the upper-middle-income families
- Affordable transport:
 - New fare concessions (25% discount) on public transport
 - Higher subsidies (up to 80%) for dedicated transport services to schools and care centres, to also include upper-middle-income families
 - For those unable to take public transport or dedicated transport services, subsidies of up to 50% for taxi services
- Increase handicapped dependant reliefs by \$2,000 from YA2015

Additional Support for Singaporean Households

The following one-off measures will help Singaporeans, especially lower-income groups and retirees, cope with cost of living:

- **GST Voucher — Cash: Seniors' Bonus** of \$100 to \$250 for Singaporeans aged 55 years and above this year, based on annual value of home and assessable income
- **GST Voucher — U-Save Special Payment** of \$90 to \$260 to all HDB households, based on flat type
- **Service and Conservancy Charges Rebates** of one to three months for all HDB households, based on flat type