

**IPS POPS (1)
FEBRUARY 2009
'RESILIENCE IN THE ECONOMIC CRISIS'**

REPORT (July 2009)

A New Survey Series

The Institute of Policy Studies has launched a new series of short surveys on issues of public interest. Called the 'Perceptions of Policies in Singapore Survey' or POPS for short, it seeks to provide timely snap-shots of how stakeholders are affected, would be affected by, or perceive the impact of the policy area being investigated. The first round of study entitled, 'POPS (1): Resilience in the Economic Crisis' examined how Singaporeans had been affected by the economic crisis, how they were coping with the challenges and what help they might need if the crisis worsened.

2. POPS (1) was conducted between 16 to 26 February 2009, shortly after the 2009 Government Budget was announced and debated in Parliament.

Context

3. In the second half of 2008, Singapore like many other countries in the Asian region, was in the throes of a recession that was a second order effect of the financial turmoil originating in the United States (US). The turmoil that reached full force in the second half of 2008 caused global credit to freeze up, which also meant that economic uncertainty eroded consumer confidence in Singapore's main export markets of the US, Europe and Japan. Very quickly, orders dried up, economic activity slowed and banks and businesses struggled to survive. Some had to close business units, cut wages and bonuses, and as a final act, headcount.

4. In response, in December 2008, the Government expanded its funding-support scheme for re-skilling of unemployed workers and those facing retrenchment ('SPUR'). In February 2009, it unveiled a \$20.5 billion 'Resilience Budget' that included a new scheme of cash grants to incentivise employers to retain or hire Singaporeans and permanent residents called the Job Credit Scheme. There was also a scheme to expand government guarantees of trade loans called the Special Risk Sharing Initiative. Cash handouts to the elderly and low-wage workers were increased to tide them over the difficult times anticipated. Rebates on utilities, service and conservancy charges in public housing, personal and property taxes were also announced.

Objectives of POPS (1)

5. IPS decided to conduct a survey of Singaporeans and Permanent Residents, aged 21 and above, to find out the following:

1. how individuals had been impacted by the economic crisis;
2. in what ways and how long they would be able to cope if the situation worsened;
3. how the government measures had impacted them; and
4. how much they depended on the government to help them cope.

In essence, we wanted to establish how self-sufficient and resilient the resident population was. 'Resilience' is defined as the capacity of individuals and families to hold together, body, mind and spirit, in the face of adversity. This is subject to first, a sense of preparedness for the uncertain; second, the level of resources available to rely on in difficult times, and third, the willingness, extent, and proactiveness of individuals in adapting to new situations. Our questions cover the last two aspects given that the crisis has already unfolded. In the light of highly uncertain economic conditions, we hoped the survey could tell us if there were groups of people outside those usually targeted for social support that would be vulnerable if the situation worsened, and how long different groups could cope before further intervention would be necessary. The analysis would not focus on any specific disadvantaged group within the population, but instead provide a comparative view of how the crisis affected people primarily along age and income segmentations.

Methodology

6. The survey instrument comprising 11 questions was developed by key members of IPS research staff. It was conducted through telephone interviews as part of The Nielsen Company's monthly Omnibus Survey. A total of 1,003 respondents completed the survey on the full range of questions in the Omnibus Survey. Age, gender and ethnic quotas were implemented to ensure that the sample was representative of the total population in Singapore (i.e., it included Singapore residents and non-residents). The quota sampling method was consistent with the conventional practices in all market survey research. The refusal rate for the Omnibus study was 28%.

7. Out of the total of 1,003 respondents in the Omnibus Survey, only the answers of the 817 respondents who met IPS' sample criteria of being either a Singapore citizen or permanent resident and being aged 21 years and above, were taken into account. In the analysis, the result for each item was weighted against the profile of Singapore's resident population i.e., Singapore permanent residents and citizens, on age, gender, ethnicity and the percentage of women who work to obtain adjusted estimates in line with the demographic proportions of the population. The findings of POPS(1) are considered to be indicative, although not generalisable, of the resident population of Singapore (citizens and permanent residents) as with all well-conducted quota samples. The *prima facie* differences in proportions between segments and the average scores are useful indicators of differences in the resident population.

Findings – Highlights

Impact on Livelihood

The majority was not affected, but more in their prime years and those with low household income were affected.

8. The first question focused on how the economic crisis had affected respondents' livelihood. Specifically, they were asked if they were 'worse off', 'better off' or unaffected with regard to their savings, income and employment situation. Respondents could also indicate where the question was 'not applicable' to them. What was important was to ascertain how many were 'worse off', which groups were particularly affected, and if there were any surprises about this.

9. Overall, the crisis did not have a large-scale impact on the sources of livelihood for our sampled group; more than half said that it had no impact on their savings, income or employment situation at the point of the survey. On the other hand, it had impacted those in their 30s and 40s and those in the low income groups the hardest, with increasing proportions from the 21 to 29 group up to the 40-49 group indicating they were 'worse off' on savings and income. This would suggest that more in their prime years had been affected. A disproportionate group in the lower household income category reported that they were now 'worse off', but this is not surprising.

Impact on Life Choices

While the greatest impact was and would be on leisure choices, more in the 30-39 age and low household income segments had and could make a significant number of adjustments

10. Next, we asked respondents if the crisis had impacted or was likely to impact significant life choices by checking-off a list of ten possible decisions. This would indicate the type of changes that were being made or could be made, and help us infer the medium term impact of the crisis. Respondents could also indicate 'not applicable' where appropriate and these responses were excluded in calculating the findings.

11. Overall, discretionary spending as represented by 'Leisure Choices' topped the decisions that had been affected. This was followed by 'Business or Career Plans', 'Retirement Plans' and 'Personal Education and Training Plans'. There was a higher than average response in the 30-39 age bracket and among the low household income group on the most number of life choices selected. This would suggest that there were more people in these groups that made significant sacrifices to cope with the downturn.

12. A greater proportion of those in their 20s indicated they had adjusted plans relating to marriage. A higher than average proportion of those in their 30s indicated

they had adjusted plans to have children. A higher than average proportion among the respondents in the child-bearing and child-rearing ages of 30s to 40s, as well as those in the low household income bracket indicated that 'Children's Education Plans' had been adjusted. Compared to other age groups, a greater proportion of respondents who were 50 years and above indicated that they had adjusted or were likely to adjust their plans with regard to 'Medical Treatment'.

Coping with Loss of Main Source of Income

On average, respondents could cope for 8.5 months if they were to lose their main source of income but those in the 21-29 years and low household income segments had the shortest average time for being able to cope.

13. "How long could you cope if you lost your main source of income?" Respondents were asked to indicate the time limit of their resilience.

14. On average, respondents indicated that they could cope for 8.5 months if they were to lose their main source of income. Those in the youngest age bracket of 21-29, and in the \$0 to \$2500 household income bracket were able to cope for the shortest periods of time, at 7.6 months and 6.3 months respectively. What is important to note is that those in the 30-39 bracket would fare only marginally better by coping for 7.8 months on average. There were more within these two age brackets – 21 to 39 – who could cope for only up to 6 months. It is hoped that these findings would provide some guidance on future calibration of policies on social support for retrenched individuals.

Sources of Resilience

83% would rely on savings, 31% would take any job and 28% would lean on friends and family to cope with loss of their main source of income.

15. To follow-up, we asked respondents how they would cope during that time. We were curious to understand the relative importance of personal, social and government resources for them.

16. Overall, a majority of the respondents indicated that they would rely on savings to cope, at 83% of the sample, and this was followed by the strategy of taking any job regardless of the pay at 31% of the sample, indicating a high level of self-reliance. A small group also indicated that they would consider starting their own business to cope – 8% of the sample. Turning to resources beyond the individual, a significant group, 28% indicated that they would also rely on family and friends for help.

17. More of those in the higher income brackets indicated that they would rely on savings. More than the average proportion of those with household incomes above

\$8000 would consider starting their own businesses. Compared to all other age groups, the younger twenty-somethings indicated that they would take any other job to cope – they would make the sacrifice of pay for the job. This should help inform discussions about how resilience young people are likely to be.

18. Figures for reliance on government and welfare agencies were relatively low, at an average of 7% and 5%, respectively. Not surprisingly, compared to the middle and higher income groups, the lower household income group indicated greater dependence at 11% and 10%, respectively.

A Pay-Cut for the Survival Job

On average, respondents said they would need 58% of their previous pay in a survival job to cope, and those in the older age segments and those in the low household income segments would need the most, at 63% and 66% respectively.

19. To make the question of personal sacrifice and resilience even more pointed, we asked respondents to indicate the greatest pay-cut they could tolerate if they needed to do so. Of course, this question and its findings are not to suggest that people should be pushed to the limits even if the economic crisis were to persist. Specifically, they were asked what percentage of their previous pay they would be willing to accept in their next job if they were to lose their main source of income.

20. The average for the sample was 58% of the previous pay; in other words, they could suffer no more than a 42% pay-cut to cope. The older workers required no less than 63% of their previous pay, and in other words, a pay-cut of no more than 37%. The low household income respondents required no less than 66% of their previous pay or a pay-cut of no more than 34%. It is important to note that workers in the other age and household income brackets could not go much further either, hovering between 53% to 59% of previous pay across the groups. Taken together, it would appear that the tolerance for the pay-cut was the lowest among the older, and lower-paid workers.

21. The findings in the last two sections indicate to us the time and financial limits of resilience in the face of the crisis.

Taking Personal Initiative

82% of respondents said that people should rely more on personal initiative and sacrifice than the government to cope with the crisis, with the highest level of agreement to this coming from within the 30-39 and high household income segments.

22. As a way to track the values of Singapore residents, we asked respondents to respond to the statement: "In an economic crisis, people should take personal initiative and make sacrifices to cope, rather than rely on government help." Respondents had to indicate if they strongly disagreed, disagreed, agreed or strongly agreed with the statement.

23. Regardless of age group or income level, the large majority agreed that taking personal initiative was more important than relying on government to cope with the crisis. On average, 82% of the respondents agreed with the statement, and 18% disagreed with it. The highest level of agreement came from those in the 30-39 age group, at 86%, and those in the highest household income band at 89%. The lowest level of agreement came from the 50+ age group at 80%, and among respondents in the low household income bracket at 77%.

24. More women, compared to men agreed with the statement. Those who agreed with it were also more likely to have said in the first question that they had experienced less impact to their livelihoods as a result of the crisis. A disproportionate number of Chinese were found among those who agreed to the statement.

25. Overall, based on the respondents' reactions to the crisis, their preferred coping strategies, and willingness to take a part-cut if they were to lose their main source of income, it is evident that Singaporeans are ready to adapt to the changed economic realities. Also, the majority demonstrated the desire to be self-reliant in facing the challenges ahead by cutting leisure choice spending, taking on a job regardless of pay, and relying on family and friends as social institutions of support as opposed to government and welfare. Clearly the more needy low household income segment seemed to have suffered greater impact and public policy has been geared increasingly to understanding the needs and concerns of this group.

Government Measures of Most Benefit

Rebates and direct financial assistance were the most important forms of help from the government and the young were more enthusiastic about training.

26. Respondents were asked to indicate which type of government measures best helped them cope, if at all, with the impact of the crisis. They were given a list of five types of measures.

27. Across all age groups, the rebates on taxes and government charges and direct financial assistance were considered of most benefit. It was the old age segment and those in the middle income bracket that considered the rebates of most benefit. A larger than average proportion among those in the low household income group found

the government's financial assistance the most useful among all the possible measures listed.

28. About one third, that is 34% of the respondents with household income of more than \$8,000 indicated tax cuts as an important measure in helping them to cope. The perceived utility of job training and re-training declined with age, with the greatest endorsement at 20% among the 20-29 year-olds. This finding would seem to reinforce the observation from trade unions and Ministry of Manpower that older workers were less receptive to job re-training schemes when compared to younger people.

Overall Impact of Government Measures

33% said they were 'better off' personally and 52% said the country on the whole was 'better off' with the government measures, with more in the 20-29 age segment saying they made 'no difference'.

29. We wished to know if respondents felt that they were 'better off' or 'worse off' by the government measures introduced to help Singapore residents cope with the crisis.

30. 33% of the sample said that they were 'better off' while 62% said that the measures had no impact on them personally. A higher than average proportion in the 50+ age segment said they were 'better off'. We note that a much larger than average proportion of respondents in the 20-29 age segment said that they were 'no different'. Until the most recent announcements about government support for internship programmes for young graduates, fewer government measures had been targeted at this segment of the population.

31. However, when the question of whether Singapore as a country benefitted from the government measures, the proportion of those who said the country was 'better off' increased to 52%. A greater than average proportion of those in the 21- 29 years felt that there was no difference to the country. Overall, respondents felt that the country had benefitted from these measures more than the case at the personal level.

Foreigners in Singapore

70% said they were personally, 'no different' with having foreigners in Singapore and 26% said they were 'worse off', particularly those in 20-29 and the low household group segments. 34% felt that the country was 'better off' with foreigners around, with 24% saying it was 'worse off'.

32. If the crisis were to wear on, how might Singapore residents view the contributions of foreigners to the Singapore economy and their own livelihoods? In order to set a benchmark for comparison over time, we asked respondents two

questions: how does the presence of foreigners affect you economically during this crisis, and how does the presence of foreigners affect the economic prospects of Singapore?

33. Overall, 70% said that they were 'no different' while 26% said they were 'worse off' personally. Almost a third, or 32% of the 21-29 year olds echoed the latter. Also at 39%, there was a higher than average percentage for those in the low household income group that indicated that they were 'worse off' as a result of having foreigners working in Singapore. Those in the older age and higher household income segments felt less negative. No more than 6% of each of the age and income bands felt they were 'better off'.

34. Yet when viewing this from a national perspective, respondents were more likely to say that Singapore was 'better off' with 34% saying that the country was 'better off' with the 30-39 year olds slightly more likely to say this. It was the youngest and the low household income groups that were more likely to say the country was 'worse off' for having the foreigners working in Singapore at 29% and 30% respectively.

Typology of Resilience

35. A typology of resilience was constructed through cluster analysis and the results were published in an essay in *The Straits Times* on 18 May 2009. Four variables were identified as proxy measures of resilience and consequently used for cluster development. They comprised the Impact to Livelihood, Impact on Life Choices, Average Monthly Household Income, and the Number of Months of Coping if the main source of income ended abruptly. The analysis generated four clusters of Singaporeans where each had a unique profile of cluster loadings on the four dimensions. The four clusters were labeled as: *The Resourced*, *The Resourceful*, *The Pinched*, and *The Unprepared*. In further analysis since the essay, some changes have been made to the profile, the representation levels of each cluster. In this second round of analysis cases where respondents did not indicate their household income were removed from the computation. This comprised a total of 208 cases that were excluded. The four-cluster typology remained somewhat stable demonstrated the same taxonomy of residents although there were some deviations in the percentage of representation and on cluster positioning. A graphic depiction on the corrected cluster loadings can be found in Annex 1.

36. *The Resourced*, in the latest analysis, comprised 31%, not 33% of the sample. The people in this cluster, tended to be among those in the sample with higher levels of household income and therefore personal financial resources to rely on. They had been relatively unscathed by the crisis and would certainly last out the threat of job loss. A disproportionate number in this group were at least 50 years old, were tertiary educated, and lived in private housing.

37. *The Resourceful*, in the latest analysis comprised 23% and not 22% of the sample. The people in this cluster had made some adjustments to their livelihood and life plans as a consequence of the economic crisis. While they were relatively poor, surprisingly, they reported the almost the same ability to cope as *The Resourced* should they lose the main source of income. This suggests that they know how to make the most of what little they have wherever they can find it. A disproportionate number were at least 50 years old, people with only a primary or secondary school education, residing in 3-room HDB flats (rather than 4-room flats as previously recorded).

38. *The Pinched*, in this latest analysis comprised only 18% and not 23% of the sample. The people in this cluster had been the most affected, or 'pinched' by the crisis and made the highest level of adjustments to their lives because of it, among all the groups. Even though they were in the middle household income bracket, they and their dependents were among the least able to cope with a loss of their main source of income. A disproportionate number were people in their 30s with only secondary school education.

39. *The Unprepared*, in this latest analysis comprised 28% and not 23% of the sample, and like *The Resourced*, suffered relatively less impact on their livelihoods from the crisis, and had made some adjustments to their lives like *The Resourceful*. While they were people among the highest household income bands like *The Resourced*, they would cope poorly if they were to lose their main source of income. Simply put, this group would be unprepared for it. A disproportionate number were tertiary educated, middle-aged, and single.

40. Different groups would respond differently to the crisis but the following was noted: while *The Pinched* were adapting as much as they could, they would still require external assistance to cope with life under the acute circumstances of job loss. *The Resourceful* were affected by the crisis but seemed very adaptive and made the most of what little they had. *The Unprepared* were surprisingly vulnerable and unprotected, given their household income levels where they would cope only slightly better than *The Pinched* in the situation when they were to lose their main source of income. They may have too many burdens to make any adjustments or alternative arrangements to cope. Given the profile of some of them, they would ostensibly be less likely to attract 'regular' forms of social assistance from government or welfare agencies if that should happen.

41. In spite of the changes, the conclusions in the cluster analysis remain the same as the ones published in the essay. The underlying profiles were broadly similar between the two sets of analyses and there was no empirical evidence to suggest that the typologies have systematically changed.

Summary and Conclusions on Resilience

Preparedness and Adaptability

42. While the livelihood of more than half of the respondents had not been adversely affected by the crisis, it is nevertheless important to pay attention to the groups that have been affected. Those in their prime ages, 30s and 40s were more likely to have been affected than those in the 50+ group. They also seemed to have made significantly more and were likely to make more adjustments to lifestyle and life choices to cope with the crisis when compared to other groups. This certainly speaks to the adaptability of these groups under the current circumstances. While the government has targeted the older and lower-wage workers in existing social support programmes, one value of this survey is to suggest the need to examine how people in the productive ages, who constitute the backbone of the economy are preparing themselves for further adversity, otherwise, the medium term strength of families and society may be compromised.

Resources

43. The study suggests that on average people could cope beyond the rule of thumb of 6 months (as suggested by insurance companies) should they lose their main source of income. The young and the low household income segments would cope less well. On the resources they would tap, respondents said they would depend on savings, friends and family but more notable was that 31% of them would take up a 'survival job', regardless of pay to cope. Extra support for the younger and low-waged workers has already been planned and implemented by the government. On average, those in the prime ages would fare only marginally better and again, this may be something stakeholders may want to keep an eye out for.

More on Adaptability

44. On the whole, there was a notable willingness to make personal sacrifices and accept pay-cuts in the worst case scenario, but there were clearly limits to how far they could go before life for respondents and dependents would be unbearable. The tolerance for a pay-cut ranged from the lowest average of 34% of previous pay, for those in the low household income bracket, to an average of 47% of previous pay for those in the high household income group. The younger residents were willing to accept an average pay cut of up to 46% whilst those who were 50 years old and above reported they could cope with an average of 37% pay reduction only. Comparatively speaking, the older people would be less able to cope with larger pay-cuts. This could provide a further gauge to government and civic groups providing social support for Singapore residents for when intervention may be crucial.

Profiles of Resilience

45. The revised cluster analysis indicated four typologies of Singaporeans with different prognosis of resilience: *The Resourced*, *The Resourceful*, *The Pinched*, and *The Unprepared*. Each of the four categories is characterised by a unique profile of social and demographic attributes. The conventional yardstick used in appropriating social assistance may invariably exclude some who might otherwise deserve greater public assistance and attention, like the young, educated middle class Singaporeans that fell under *The Unprepared* category.

Ethic of Self-Reliance

46. More than 80% of our sample said that they would rather rely on themselves than on any government assistance to tide through the difficult times. There were more in the 50+ age and the low household income segments that felt that government help was integral to coping with the crisis. If at all, then rebates would be most welcomed along with financial assistance and tax cuts. Financial assistance by the government would be most appreciated by the youngest and the seniors and those in the low household income brackets.

47. Given that 8% of the sample indicated that they were willing to start their own business to cope, with those in higher household income group more likely to think this way, we can expect that some entrepreneurial initiatives may be taken out of 'necessity'.

48. We offer a benchmark for sentiment towards the contributions of foreigners to the livelihoods of Singapore residents and the country as a whole and this is something that we can keep an eye on going forward. This should help us to ensure that Singapore continues to be viewed as a land of opportunities for all, and that social resilience and cohesion is maintained in the difficult times ahead.

49. On the whole, regardless of demographic background or the level of impact from the economic crisis, the respondents in the sample adopted a self-reliant attitude in coping with the recession, although it is also clear that there was a small group that would find the government's involvement in moderating the impact of the crisis to be helpful (e.g., in offering rebates and financial assistance). While social assistance may be needed by certain groups of people, it has not eroded the general sense of self-reliance and the level of resilience in the Singapore residents today.

50. To recap, the aim of POPS (1) is to suggest how the resident population of Singapore might be responding to the economic crisis and how they would continue to do so should the economic crisis worsen. Some limits of resilience have been suggested, and responses to types of government measures that have been introduced

to cope with the downturn have been explored. The limitations of the study are the sample size, and that because of the way the data was collected, we have had to segment the household incomes levels in a certain way. We also recognise that the survey was conducted soon after the Budget was announced. On the one hand, the full effects of the measures may not have been felt yet, or on the other hand, there may have been people who felt rather optimistic on various fronts with the announcement of government help. We welcome interest in further in-depth investigation, or a repeat study should it be warranted as the country does what it can to cope with these particularly challenging times.

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7 July 2009

Annex 1: Analysis on the Typology of Resilience (July 2009)

