

In Singapore, Calls for Poverty Line Amid Rising Inequality

By CHUN HAN WONG
November 11, 2013, 10:02 AM



A worker cuts tiles as he puts finishing touches on the common area of a newly completed condominium project in Singapore on Oct. 24. A group of researchers is calling for a poverty line to be implemented in the city-state to better account for a widening wealth gap.

As Singapore's decades-long rise in prosperity increasingly shows a widening wealth gap, this affluent city-state must do more to face up to the plight of its poor, a group of leading poverty researchers say.

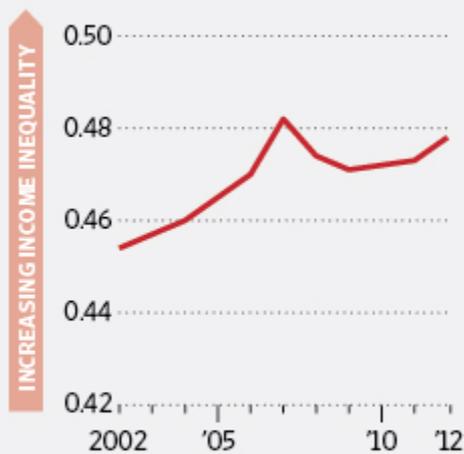
Already, the government is stepping up social spending to help low-income citizens squeezed by stagnant wages and rising costs. But policy makers should go further, the researchers say, and better define what it means to be poor in one of Asia's leading financial centers.

"Singapore does not have an official poverty line ... Most Singaporeans are not aware of the scale and depth of poverty in Singapore," the Singapore Management University's Lien Center for Social Innovation said in a report published Monday. "It is time for Singapore to join comparably developed nations in officially defining and measuring poverty."

Today, Singapore is the second-most unequal economy in the developed world, behind Hong Kong, having pulled in wealth over the past decade with investor-friendly and liberal immigration policies, according to United Nations data. More than 17% of the city-state's resident households have at least US\$1 million in disposable wealth, while its Gini coefficient—an income-inequality measure in which zero indicates total equality and one represents complete inequality—had risen to 0.478 last year from 0.442 in 2000, a faster increase than in other developed nations.

Income Disparity

Gini coefficient among resident employed households



Note: Zero indicates that all income is shared equally and 1.0 indicates complete concentration of income

Source: Statistics Singapore
 The Wall Street Journal

Meanwhile, the poor have been left behind. About 110,000 to 140,000 families in Singapore—between 10% to 12% of total resident households comprising citizens and permanent residents—earn less than 1,250 Singapore dollars a month (US\$1,000) and are “unable to meet basic needs in the form of clothing, food, shelter and other essential expenditures,” the Lien Center researchers estimated using government data from 2011.

The situation appears worse when the Lien Center researchers applied a relative measure of poverty—set at 50% of median monthly income for Singapore resident families. By this indicator, the researchers estimate that between 20% to 22% of all households could be considered poor, earning less than S\$2,500 a month, based on 2008 government data.

“The living conditions and incomes of the poorest amongst the Singapore resident population, while not reaching the level of destitution experienced in developing countries, nonetheless suggest that Singapore needs to reassess the way in which poverty is acknowledged, defined and addressed,” said the report, which summarizes key findings of a poverty study due to be published in January.

Their prescription is a fairly radical one for Singapore, where the long-ruling People's Action Party has championed a platform of individual responsibility, lean social security and growth over redistribution of the wealth.

The PAP has long spurned what it sees as extravagant Western-style welfare systems, designing instead modest social-support schemes to encourage employment and boost

household savings. It has also staunchly refused to set a minimum wage, favoring instead a wage-supplement scheme to lift low-end salaries.

The ruling party, which has suffered a slide in support in recent elections, has relented slightly on its anti-welfare stance in recent months. For instance, the government has cranked up social spending to boost low-end incomes, expanded a state-backed health-care insurance scheme to provide lifetime coverage for all residents, and promised a broader and far-reaching review of its health-care system.

But the government remains resistant to certain proposals, including defining an official poverty line. Hong Kong, in many ways a comparably developed city, adopted such a measure in September amid public pressure on the government to do more to help poorer residents.

“A poverty line does not fully reflect the severity and complexity of the issues faced by poor families, which could include ill health, lack of housing or weak family relationships,” Minister for Social and Family Development Chan Chun Sing wrote last month in response to a lawmaker’s question.

“If we use a single poverty line to assess the family, we also risk a ‘cliff effect,’ where those below the poverty line receive all forms of assistance, while other genuinely needy citizens outside the poverty line are excluded,” Mr. Chan said.

The Lien Center researchers say that despite their limitations, monetary measures of poverty “are still a simple and effective way to assess the depth of need in the population as a whole,” and identify vulnerable groups of people.

The closest Singapore has to an official indicator of absolute poverty is a measure of “average household expenditure on basic needs,” which tallies essential spending by a typical low-income household living in a one to two-room state-built apartment.

But this indicator is relatively unsophisticated and isn’t easily available in the public domain, according to the Lien Center researchers. Instead, they propose that the government should set a poverty line and complement it with a broad range of non-monetary indicators.

By tracking outcomes such as living standards, nutrition levels, child mortality, access to education, and social exclusion, policy makers can glean “a more nuanced understanding of poverty” and better tackle root causes of the phenomenon.



Publication: Wall Street Journal

Date: 11 November 2013

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“The process of identifying a poverty line, and discussing how it is measured, will generate greater public support for efforts to address the needs of vulnerable communities,” the researchers said.