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Reclaiming Singapore's 'Growth with Equity' Social Compact

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Abstract

Singapore's long-serving People's Action Party (PAP) government suffered from a major electoral setback in the 2011 general election and subsequent by-elections. The high-growth population policy, underpinned by the influx of migrants and foreign workers, has strongly fuelled the groundswell of public discontent and is commonly perceived to have contributed to widening income disparities, wage stagnation, and cost of living pressures. This article attempts to make sense of the PAP leadership's dogged commitment to the high-growth population policy despite the electoral backlashes and policy criticisms by prominent public intellectuals and others closely connected to the PAP establishment. It considers Singapore's high-growth population policy and widening income disparity within the context of the authoritarian developmental state's shift away from the 'growth with equity' social compact. The article also examines the impact of widening income inequality and other policy lapses on the legitimacy of the PAP government as the clamor for a renewed social compact based on 'growth with equity' gathers momentum in the repoliticized polity.

Whither the social compact of the developmental state?

The 2011 election represents a critical juncture in Singapore politics. The PAP suffered its worst electoral performance since independence in 1965 and was trounced in two subsequent by-elections. Protest rallies, internet campaigns, and political petitions are indicative of a repoliticized populace that is disenchanted with key government policies perceived to have contributed to cost-of-living pressures. Other manifestations of this 'Orchid Awakening' include spirited critiques of government policies by prominent establishment figures, bloggers, opposition parties, and civil society. After decades of depoliticization, systematically cultivated by the PAP government, a bottom-up repoliticization akin to the late colonial and post-colonial era has emerged – particularly amongst younger generation Singaporeans.

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The PAP government has the dubious distinction of being one of the longest-serving elected regimes – having governed uninterruptedly since 1959 or more than 50 years. Its longevity has been strongly underpinned by the city-state's considerable economic achievements, including the transition from Third World to First World status and the emergence of a largely middle-class society – all within one generation. The city-state has been repeatedly ranked as one of the most competitive economies by the World Economic Forum's 'World Competitiveness Report', consistently recognized as one of the least corrupt states by Transparency International, and is regarded by the World Bank and Forbes as one of the wealthiest countries in GDP per capita terms. It also boasts one of the largest national reserves in per capita terms. More than 80% of Singaporeans own their own homes – a major feat even by OECD standards.

The PAP government's economic achievements, underpinned by strong state institutions that have until the 1990s delivered growth with relative social equity, can be strongly attributed to its emulation of key aspects of the Northeast Asian developmental state model (Rahim, 1998/2001). This model has not only played a pivotal role in promoting industrial and technological upgrading but also delivered affordable social services such as health, housing, and education – generating relatively socially mobile societies (Leftwich, 2008: 12). Economic progress, affordable social services, rapid social mobility, referred to in this paper as the 'growth with equity' social compact, is commonly perceived in East Asian developmental states as the basis of good governance. The Asia Barometer Survey index (2010–12) suggests that good governance constitutes a powerful explanation for regime support across Southeast Asia, particularly in authoritarian polities (Chang *et al.*, 2013: 154). The survey also suggests that longstanding authoritarian regimes in Southeast Asia have remained in power because of public perceptions that they have delivered economic prosperity and curbed corruption (Chang *et al.*, 2013: 154). However, by about the 1980s, the Singaporean 'growth with equity' compact had begun to unravel following the selective implementation of neo-liberal policies. These include the 'privatization' and corporatization of social services such as hospitals, public transport, education, and other essential services. Many of these social services are now managed by corporatized government-linked companies (GLCs) that are strongly driven by profit-making rather than public interest considerations tied to subsidizing social services (Liow, 2011: 249). This goes some way towards explaining the rising costs of 'privatized' hospitals, public transport, electricity, and other essential services that formerly contributed to the 'growth with equity' social compact in the initial decades of Singapore's post-independence nation-building .

Even though neoliberal policies have been accommodated, GLCs continue to dominate key sectors. Masquerading as private companies, GLCs benefit from privileges not extended to other private companies. The state's simultaneous retreat and expansion has prompted some to refer to Singapore as a hybrid between the developmental and neo-liberal state (Liow, 2011: 242–9). Like South Korea, Singapore's hybrid developmental state appears to have responded to the vagaries of the global economy by adapting, dismantling, innovating rather than converging to the Anglo-American

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economic model. Exhibiting multiple tendencies, it is neo-liberal in some spheres yet developmental in others – promoting open trade in some sectors but remaining mercantilist and quasi-developmental in others (Weiss, 2012: 38). However, unlike the Taiwanese and South Korean hybrid developmental states, the Singaporean state has not made significant progress towards democratization nor deployed flexible social policy mixes to improve social welfare.

In the authoritarian East Asian states such as China, Vietnam, and Singapore, neo-liberalism appears not to have replaced but interacted with developmentalism. The state remains actively involved in the economy, particularly in areas such as high technology promotion, investment in sovereign wealth funds, and the finance sector (Weiss, 2012). Importantly, this selective adoption of neo-liberal policies has left intact the core structures and institutions of the authoritarian state – allowing authoritarian developmental regimes to control large swaths of the national economy, thereby fortifying their political hegemony.

In many respects, Singapore's hybrid developmental state now more strongly resembles other authoritarian states such as China rather than the more democratic Northeast Asian states of Japan, South Korea, and Taiwan. The latter have nurtured the rise of dynamic local private enterprises, many of which have become international brands. In these Northeast Asian developmental states, repression of labor rights and weak social protection systems became untenable as workers and citizens became increasingly empowered by the democratic process (Chang, 2012: 70). Singapore's selective adoption of neo-liberalism resembles that of the PRC – where state enterprises and GLCs remain dominant economic actors and run like private profit making enterprises and local private capital remains relatively weak and dependent on the state. Bellin (2000: 175–205) has characterized the latter as insecure 'contingent democrats' who focus on protecting their narrow economic interests and thus oppose pro-democracy movements.

Singapore's peak labor movement, the NTUC (National Trade Union Congress), prides itself in participating in a tripartite social compact based on close cooperation between labor, employers, and the state. This tripartite compact has delivered growth, low unemployment, and political stability. However, from the last decade or so, the tripartite compact has come under considerable pressure with the influx of foreign labor and the onset of wage stagnation. Not surprisingly, the influx of foreign workers has contributed to Singaporean workers and organized labor having weak solidarity with non-Singaporean workers. Widening income inequality has also reinforced the perception that the symbiotic relationship between the PAP and the NTUC has served to undermine worker's rights and conditions whilst strengthening the clout of employers and business groups. It is worth noting that robust labor unions in mature economies are strongly correlated with lower levels of inequality and more generous social services. By contrast, weak labor unions often contribute to the dilution of the state's commitment to social services (Huber and Stephens, 2001). The standing of the NTUC, headed by a PAP Minister, has also rendered it vulnerable to criticism due to the union movement's

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preoccupation with running businesses such as a supermarket chain, clinics, insurance schemes, taxis, executive condominiums, and country clubs rather than rigorously protecting worker's rights and conditions.

Instructively, the authoritarian states of China and Singapore exhibit levels of income inequality (Chongvilavian, 2013) that are more acute than the democratic Northeast Asian states of Japan, South Korea, and Taiwan. Conscious of the power of the ballot box, opposition parties and governments from East Asian democracies tend to be more sensitive and responsive to widening income disparities. Even the authoritarian state of China has not been immune from public backlash in the face of widening income inequality. In China, workers, peasants, and intellectuals have been actively involved in social movements protesting against widening income inequalities (Soh and Chu, 2012: 176).

The unraveling of Singapore's 'growth with equity' social compact is exemplified by the education system's early streaming policy (introduced from the early 1980s) and over-representation of students from privileged backgrounds in the enrolment of prestigious schools (Chew, 2012: 227). Disproportionate resources have been channeled into elite schools catering to 'outstanding' students who are also from socially privileged family backgrounds and recipients of state scholarships at a disproportionate level.

In an attempt to placate deepening public concerns with the unraveling of the 'growth with equity' compact, the PAP government has promised to provide greater support to lower-income families. In 2006, PM Lee Hsien Loong assured Singaporeans that the government would 'tilt the balance in favor of lower-income Singaporeans because globalisation is going to strain our social compact' (Tan, 2010: 84). In the following year, the Workfare Income Supplement Scheme (Workfare) was introduced to supplement the income of the working poor by a meager S$100 per month. A major limitation of Workfare and other minimalist social security support schemes is that they are essentially piecemeal initiatives that do not substantively alleviate the economic pressures of the working poor. As their superannuation savings are too low to cope with the high cost of living, many Singaporeans have had to continue working long after their retirement years (Chew, 2012: 219). It is commonly recognized that the Central Provident Fund (CPF) superannuation scheme does not adequately provide for retirement. Four out of every five CPF contributors who turned 55 in 2009 did not have sufficient cash to meet their basic needs in old age if they only relied on the CPF as a source of financial support (Low, 2014a: 122).

Widening income disparity: global and local manifestations

In many respects, the electoral backlash against the PAP resonates with the broader global civil society struggle for economic justice in the face of widening economic disparities. For example, the global reverberation of the Occupy Movement in the aftermath of the 2008/09 global financial crisis resulted in thousands of Americans losing their homes and jobs. At the same time, bankers and corporate CEOs continued to enjoy extravagant bonuses even as the US government bailed

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out major corporations with public funds. The global social justice movement has contributed to the destabilization of governments in Europe, the Middle East, and Asia, many complying with the neo-liberal austerity prescriptions of international financial institutions. The severity of widening economic disparities at the global and national levels since the 1980s has prompted the World Economic Forum in 2014 to pronounce that the widening gap between the rich and poor represents a serious risk to the global community and is likely to have a major impact on the international economy in the coming decade. This alarming phenomenon has led to a growing number of countries adopting national minimum wage legislation to help narrow the economic gap.

In many countries, politicians are prone to attribute the widening economic disparities at the national level to the forces of globalization, thereby claiming that this phenomenon is beyond their control. In this way, the role of politics in shaping public policy and structural shifts in the national economy is under-appreciated. However, a growing number of researchers (Bartels, 2008; Hacker and Pierson, 2010; Stiglitz, 2013) have highlighted the importance of politics in profoundly shaping economics and how economic inequality is very much a political phenomenon. Bartels (2008) and Hacker and Pierson's (2010) studies of rising economic inequality in the US emphasize the role of government policies in rendering the US a less socially mobile society relative to the mature economies in Western Europe. Bartels (2008) and Stiglitz (2013) also assert that rising economic inequality has reinforced political inequality and allowed the privileged to exercise disproportionate influence in promoting their narrow interests. In line with this perspective, Krugman (2006) observes that 'the growth of inequality may have as much to do with power relations as it does market forces'. Importantly, widening economic inequality has sharpened public perceptions that fairness and justice have been sacrificed to serve elite interests (Stiglitz, 2013: xxxviii).

In Singapore, public policy shifts from about the 1980s facilitated a raft of social, education, and economic policies engineered by an increasingly technocratic PAP government narrowly preoccupied with economic growth. The single-minded focus on growth has come at a high social cost – widening income inequality. By the 1990s, median wages in Singapore were no longer rising but began to stagnate, despite robust growth. Between 1996 and 2006, the median monthly pay for cleaners and laborers fell by nearly 30% (Yeoh, 2007). Nearly 40% of Singaporean workers earn less than S$2,000 per month and 17% less than S$1000 per month (Chew, 2012: 222). In the absence of a national minimum wage, the phenomenon of wage stagnation and regression has left the bottom 10% of working households struggling to make ends meet whilst the bottom 30% contend with little discretionary savings (Yeoh and Low, 2012: 1–2).

Singapore is considered First World in GDP per capita terms, but possesses the wage structure of a Third World economy – much like neighboring Southeast Asian economies where economic growth has also been accompanied by widening income disparities. Higgott and Nesadurai (2002) have referred to this phenomenon as the Southeast Asian Development Model (SEADM), where growth rather than equity is prioritized. Singapore's post-1980s shift towards the 'growth without equity' paradigm

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is somewhat ironic as the PAP government has long projected the city-state as being markedly different (and implicitly superior) from its less affluent regional neighbors. Ironically, the less affluent but more democratic states of Indonesia and the Philippines have adopted national minimum wage policies.

While the earnings of the poorest 20% in Singapore have stagnated or even regressed (Seah, 2012a), those of the richest 20% of households have soared.[1] Reflective of this trend, the Gini coefficient (measure of income inequality, 0 representing complete equality) has regressed: from 0.428 in 2002 to 0.471 in 2007, 0.473 in 2011, and 0.478 in 2012.[2] This compares unfavorably with the democratic developmental states of Japan, S. Korea, and Taiwan, where Gini coefficients are comparable to the mature European economies (Tan, 2011). Consistent with its alarming Gini coefficient, Singapore has one of the lowest public expenditures on education and health (as a proportion of GDP) among the developed economies.

Singapore's worsening Gini coefficient has been reinforced by its promotion as a regional hub for the super-rich, with multi-millionaires and billionaires from around the world calling it home. The city-state boasts the highest percentage of millionaire households in the world, at 17% of resident households (Mahtani, 2012). The mega rich have been lured to Singapore by personal and corporate taxes that are among the lowest in the world, tight bank secrecy laws, and exclusive residential estates.

Public concerns with widening income disparity have been aggravated further by the extravagant salaries of Ministers. Cabinet Ministers are among the highest paid in the world, with annual bonuses linked to GDP. In 2011, Prime Minister Lee's annual salary of S$3.8 million was six times higher than that of the President of the United States.[3] When his hefty 24-month bonus is included, Lee earned a massive S$11.4 million that year. According to the PAP leadership, these enormous salaries are required to discourage Ministers and senior civil servants from being corrupt and to attract the most capable.[4] However, critics contend that public office should be driven by public service rather than financial remuneration considerations.

In a parliamentary debate in 2009, a non-PAP Nominated Member of Parliament urged the government to affirm the principles of equality enshrined in the Singapore anthem in view of widespread perceptions of discrimination. Irritated by this unscripted call for equality, former Minister Lee Kuan Yew asserted, in a rare parliamentary address, that the principle of equal treatment of all ethnic groups was 'flawed' and little more than a 'high faluting' ideal. He also downplayed the principle of equality and justice embodied in the national pledge as merely aspirational, effectively trivializing the significance of government policies in impeding the realization of this aspiration.

[1] *Straits Times*, 14 February, 2011.
[2] The CIA World Factbook, *Country Comparison: Distribution of Family Income – Gini Index*, http://www.cia.gov/libraby/publications/the-world-factbook.
[3] Singapore Democratic Party, Policy Unit, 'Ethical salaries for a Public Service Centered Government', 2011, http://yoursdp.org.
[4] Ibid.

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The 2013 White Paper on population: upholding the high-growth population policy

Public hostility towards the influx of new immigrants and foreign labor has been aggravated further by the adoption of the 2013 White Paper on Population – without rigorous public consultation and debate. Recommending a population increase to 6 million in 2020 and 6.9 million in 2030, the White Paper ensures the perpetual diminution of the Singaporean population (citizens and permanent residents) from 93% in 1970, 74% in 2000, 71% in 2005, 62% in 2012, and a bare majority of 55% (or 3.8 million) in 2030 (White Paper on Population, 2013).

The White Paper's projected annual population increase of 15,000 to 25,000 immigrants constitutes a significant increase over the pre-2013 period and contradicts the 2008 Economic Strategies Committee report, which recommended that the share of foreign workers be limited to no more than one-third of the overall workforce and immigration levels should be tightened (Yap, 2013: 280). Alarmingly, the White Paper's proposed population expansion has been imposed without a clear program on how to better integrate new immigrants – in terms of their English communication skills and cultural adaptability. There appears to be no comprehensive policy initiative to address these issues, other than rudimentary English courses offered by the Peoples Association and the NTUC. Despite the existence of data and analysis, which point to the correlation between the over-reliance on low-wage foreign workers and wage stagnation of less-skilled Singaporean workers, the White Paper recommended an increase in the intake of low-wage foreign workers. Moreover, the White Paper did not consider how the labor rights of low-wage Singaporean and foreign workers could be safeguarded by policy instruments such as a national minimum wage policy.

Systematic critiques of the White Paper have been issued by the opposition parties, with the Worker's Party's 'A Dynamic Population for a Sustainable Singapore' and Singapore Democratic Party's 'Building a People: Sound Policies for a Secure Future' providing some cogent analyses. The Workers Party and Singapore Democratic Party reports not only maintain that the White Paper's population projections are unsustainable in economic terms, but caution that the high-growth population policy will further dilute and undermine national cohesion and identity.

Opposition parties uniformly contend that the city-state's labor deficit, due to low fertility rates and emigration, can be offset by including more women, seniors, and resident foreign spouses in the labor market. They have urged businesses to pay local workers higher wages that are consistent with a tight labor market and restructure to be become more innovative. The PAP government is advised to assist businesses restructure by addressing rental, utilities, and capital costs, which would reduce overall business costs. The government has also been urged to address the structural obstacles which hinder higher fertility levels, including the lack of work–life balance, escalating housing costs, rising income inequality, stressful education system, and government policies which privilege higher-income families.

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Public anger against the White Paper was evidenced by the gathering of 4,000 protesters at Hong Lim Park in February 2013. Two other anti-White Paper rallies were held that year. Protesters waved placards such as 'We want to be heard, not herded' and 'Waiting for 2016' and cheered the speeches by opposition politicians, civil society activists, and former presidential candidates. The PAP's defeat in the Ponggol East by-election in 2013, held shortly after the unveiling of the White Paper, can be attributed to public perceptions that the PAP government had not made good on its post-2011 election promise to scale back the influx of immigrants and foreign labor. Despite strong public resistance to its high-growth population policy, the PAP government remains committed to it. Lee Kuan Yew and other PAP leaders have repeatedly maintained that the city-state's continued economic growth necessitates high population growth, ignoring the constraints of land area. This assertion contradicts the experience of many mature economies in the West and Northeast Asia that have maintained economic growth with a relatively small population base without relying on huge injections of immigrants and foreign labor.

The high-growth population policy's reliance on low-wage foreign labor has not only been opposed by Singaporeans but also by frustrated low-wage foreign workers. These foreign workers earn meager wages that are as low as US$1.60 per hour. The charges of recruitment agents, which can amount to more than five months wages, have left many foreign laborers deep in debt.[5] Foreign laborers are commonly housed in crowded dormitories, crammed rooms, or illegally camp on constructions sites which do not have adequate toilet facilities. In 2012, more than 170 mainland Chinese bus drivers went on a two-day strike over their meager wages and harsh work conditions – ending the authoritarian state's more than two decade strike-free record. A year later, South Asian workers rioted after an Indian foreign worker was hit by a bus.[6] The strike and riot have sparked considerable debate about the economic and social sustainability of Singapore's high-growth population policy – strongly reliant on employing low-wage workers from neighboring Third World countries.

Spirited policy debates: critical citizens and intra-elite divisions

In the last decade or so, public policies have been intensively interrogated by academics, opposition politicians, public intellectuals, establishment figures, civil society actors, and bloggers. They are a key component of a growing number of critical citizens who are willing to challenge the efficacy of government policies and, in the process, test the political boundaries. There is now a growing body of well-researched policy papers and reports that have had the effect of deflating the PAP's policy credentials. Ironically, many of these critical citizens who are inclined to challenge the PAP government's policies are those from the educated upper and middle class – those who have benefitted most from the PAP governance (Low and Vadaketh,

[5] 'Singapore's Angry Migrant Workers', Editorial, *The New York Times*, 28 December, 2013.
[6] 'Singapore Riot Signals Foreign Labour Strains', *The Wall Street Journal*, 9 December, 2013.

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2014: 5). For these critical citizens, political legitimacy is no longer strongly tied to narrow economic indicators but also incorporates economic justice, greater democratic space, and transparent governance (Low, 2014b: 185).

A comprehensive policy document authored by former senior civil servant and opposition politician, Tan (2011), ignited much debate during the 2011 election. Tan's 'National Regeneration Program' envisioned a Singapore economy that is more strongly oriented towards sophisticated service industries, greater investment in healthcare and education, stronger support of local private enterprise, and less reliance on foreign workers. He asserted that Singapore's GDP growth has been unsustainably generated, not through efficient inputs of technology, capital, or labor, but largely by the influx of cheap foreign labor. As a result, productivity has grown by a meager average of 1% per annum in the last decade. To rectify the reliance on low-wage foreign labor in the manufacturing and services sectors, Tan recommended the imposition of a national minimum wage. Inter alia, Tan (2011) maintained that the wage stagnation problem could be addressed by the implementation of a minimum wage policy. Many of Tan's proposals resonate with the policy platforms of the major opposition parties. Importantly, these policies are reminiscent of the 'growth with equity' compact that underpinned Singapore's developmental state in the 1960s and 1970s. Threatened by the veracity of Tan's comprehensive program, the mainstream media portrayed Tan's regeneration program as impractical and akin to a raid on the country's national reserves. The systematic smear campaign against Tan and another SDP politician contesting in the Holland-Bukit Timah Group Representative Constituency (GRC) contributed to their defeat in the 2011 election.

Singapore's heavy reliance on foreign labor has been repeatedly questioned by prominent establishment economist and former National Wages Council Chairman, Lim Chong Yah. In 2012, Lim called for a narrowing of the wage gap, arguing that the Gini coefficient is unsustainable and at a 'dangerous level' (Seah, 2012). He recommended that the salary of workers who earn less than S$1,500 a month be raised by about 50% for a period of three years. Lim also asserted that Singapore's lowest paid workers were underpaid by more than 100% compared to their counterparts in Hong Kong, Japan, and Australia, and that the relatively low wages of Singaporean workers was made possible by the influx of low-wage foreign workers (Lim, 2014; Seah, 2012).

Augmenting Lim's assertions, prominent economists Linda Lim and Lee Soo Ann (2010) posit that the widening income disparity is not so much a consequence of Singapore's globalized economy but an outcome of government policies. They have also pointed to the labor movement's failure to effectively negotiate wage increases in more recent times. They remain critical of the state's targeting of industries such as life sciences which rely strongly on foreign labor and enterprises and are reliant on generous state funding to produce medical breakthroughs. Significantly, Lim and Lee (2010: 145–50) criticize the PAP government for pursuing a staid policy orientation of 'more of the same' – continued dominance of GLCs, importing foreign labor and technology, and heavy reliance on foreign multinationals.

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Former Government of Singapore Investment Corporation (GIC) Senior Economist, Yeoh Lam Keong, has consistently called for a renewed social compact in response to the stagnation of median real wages and rising income inequality. Like the economists noted above, Yeoh (2007) attributes the challenge of wage stagnation to the influx of immigrants and low-wage foreign workers. He has recommended a reversal of the high-growth population policy in favor of restricting the intake of low-wage foreign labor. Without this policy reversal, Yeoh cautions that Singapore will drift perilously towards the Dubai economic model – based on foreign labor, huge income disparities, social tensions, and weak national cohesion. In contrast to the Dubai model, Yeoh purports that mature economies in Scandinavian countries and Switzerland have not relied on high workforce growth yet maintain vibrant economies that are relatively egalitarian.[7] Additionally, Yeoh calls for a comprehensive strategic vision, 'rather than a series of piecemeal, reactive responses' to public demands. Urging a return to the 'founding virtues of people-oriented policy innovation' and the need for the PAP leadership to discard its aversion to increased welfare and government spending, Yeoh (2007) maintains that the PAP government's policy rigidity stems from ideologically driven 'mindsets [which] constitute the greatest barrier to the constructive remaking of our social compact'.

For many years, Singapore's high profile Ambassador-at-large, former head of the Institute of Policy Studies and Law Professor, Tommy Koh, has championed the implementation of a national minimum wage to strengthen the economic status of low-wage Singaporean workers, to address the growing income inequality, and to promote inclusive growth and social cohesion. Koh has also singled out the issue of growing income inequality as one of Singapore's 'socially unconscionable' challenges (Miller, 2012). Contradicting Minister Lee Yi Shyan's claim in 2010 that the government preferred to let market forces decide wages, Koh rhetorically asked 'is it not true that the market is not infallible? Is it not true that, when there is a market failure, the state should intervene in order to make the world a fairer one?' Koh reminded the PAP government that in every advanced economy, including those in East Asia such as Japan, South Korea, Taiwan, and Hong Kong, minimum wage policies are in place (Hussain, 2010).

Donald Low and Sudhir Vadaketh's (2014) bold policy critique of the PAP government is indicative of the growing disenchantment amongst critical citizens located in academic and policy circles that are embedded within the PAP establishment. They advocate policy alternatives beyond the 'stunted' and narrow 'binary framing' of issues, the need to overcome 'the inertia of the status quo, and the tyranny of old ideas' (Low and Vadaketh, 2014: 10–11), the importance of greater political pluralism and stronger social welfare support in order to cultivate a more equitable and dynamic Singaporean knowledge society and economy. Concerned with overturning

[7] Fann Sim, 'Fury Over 6.9 million population target for Singapore', *Yahoo! Newsroom*, 30 January, 2013, http://sg.news.yahoo.com.

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government policies that have led to rising levels of income inequality, they make a powerful case for the renewal of a social compact based on Singapore's foundational 'growth with equity' principle.

Deepening policy divisions within the PAP establishment and brewing intra-elite tensions are exemplified by the growing number of senior public servants, some of whom were government scholars, who have run as opposition party candidates in parliamentary and presidential elections. In the 2011 presidential election, all three candidates who contested against the PAP supported candidate, former Cabinet Minister Tony Tan, were closely aligned to the PAP establishment. They include a former senior civil servant Tan Jee Say, NTUC executive Tan Kin Lian, and PAP MP Tan Cheng Bok. They alleged that as the PAP had lost its moral compass, it is imperative for the President to steer the country back to the 'growth with equity' social compact of the 1960s and 1970s. Instructively, the *de facto* PAP candidate, Tony Tan, won only by a slim margin of 0.3%. Tan Jee Say has since formed the Singapore First Party (SFP) and was elected the party's Secretary General in 2014. The SFP boasts a line-up of former senior civil servants, government scholars, and successful entrepreneurs – indicative of the deepening intra-elite tensions.

Piecemeal policy reforms

In his first parliamentary address after the PAP's demoralizing May 2011 election performance, a seemingly humbled Lee Hsien Loong assured Singaporeans that he would promote a more transparent style of governance, reach out to diverse groups, and engage more closely with the populace.[8] In his National Day rally speech in August that year, Lee appealed to Singaporeans to join him in writing the 'next chapter' of the 'Singapore Story'. Lee's reformist rhetoric was accorded a measure of credibility when a committee to review the highly unpopular Ministerial salaries was formed shortly after the elections. In line with the commission's recommendations, the Prime Minister's salary was cut by 36%, reduced to S$2.2million per year, and the salary of Cabinet Minister's by 37%, or to S$1.1 million per annum. However, the committee's recommendation of removing the existing annual bonus pegged to Singapore's GDP growth was overlooked on the grounds that the terms of reference was benchmarked against comparable jobs in the private sector.[9] Augmenting Lee's reformist rhetoric, Deputy Prime Minister and Finance Minister Tharman Shanmugaratnam (2012) announced in mid-2012 that the government would be reducing the foreign workforce and called on employers to scale back their dependence on foreign workers, focus on improving productivity, or relocate out of Singapore if they cannot restructure.

Placating complaints of discrimination against Singaporeans in the workforce, the government has tightened rules for firms hiring both skilled and less semi-skilled

[8] 'PM Vows More Open Government', *Agence France Presse*, 21 October, 2011 (Singapore).

[9] Singapore Democratic Party, Policy Unit, 'Ethical salaries for a Public Service Centered Government', 2011. http://yoursdp.org.

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workers. From 2014, firms with more than 24 employees must advertise vacancies for professional and managerial jobs paying less than S$12,000 (US$9600) a month. The qualifying salary for foreign worker employment pass holders has, from January 2014, been increased to at least S$3,300 a month – from S$3,000 a month. Moreover, the levy firms must pay to hire low-wage foreign workers has also been increased. The employment privilege of firms under investigation for job discrimination is now withheld by the Manpower Ministry.[10] Despite these reforms, the long-standing call for the establishment of an Ombudsman's Office or Anti-Discrimination Board to monitor workplace discrimination continues to be resisted by the PAP leadership.

To placate the groundswell of public discontent, Prime Minister Lee's 2013 National Day rally speech focused on policy reforms to education, health, and housing. Singaporeans were promised that the government would undertake 'strategic shifts' in order to give every citizen a fair share of the nation's success, raise low-wage incomes, strengthen social safety nets, and promote a just society (Lee, 2013). Educational reforms are supposedly geared towards minimizing class discrimination, particularly in enrolments into prestigious schools. The unpopular early streaming system has been mildly reformed by the introduction of wider bands for grading. Healthcare coverage has been extended to those over 90 years of age and health services made more affordable. Housing subsidies are expected to assist working families purchase public flats.[11] Lee has assured Singaporeans that 'Singapore will have to tread a different path ... Our road ahead will be different from the road we have travelled ... So we must reassess our position, review our direction and refresh our strategies to thrive in this new world' (cited in Seah, 2013). Lee's rhetoric was reiterated by Emeritus Senior Minister, Goh Chok Tong, who pronounced that 'Some policies and programmes that had served us well in the past need updating, or maybe even an overhaul, to ensure that they continue to serve their intended purposes ... A new social compact between the people and the government will have to be forged. Otherwise, I fear that Singapore will begin to go downhill' (cited in Seah, 2013).

The PAP government has responded to repeated calls for the implementation of a universal/national minimum wage by cautiously implementing a targeted wage model – minimum wages restricted to cleaners and security workers. This piecemeal wage reform ensures that the entry-level wage for cleaners from 2014 has been set at S$1000 per month – almost 20% higher than the current median basic wage of S$850 per month. It is worth noting that this targeted wage model excludes low-wage workers across other sectors of the economy (Lee, 2014).

While the above-mentioned policy reforms could be construed as policy side-steps, paving the way for substantive reform in the future, they are essentially piecemeal reforms that do not directly address the structural factors which have impeded

[10] 'Singapore Announces Tighter Rules for Hiring Skilled Foreigners', *Reuters*, 23 September, 2013.

[11] Prime Minister Lee Hsien Loong's 2013 National Day Speech. http://www.pmo.gov.sg/content/pmsite/mediacentre/speechesninterviews/primeminister.

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social mobility. To what extent then does Prime Minister Lee Hsien Loong's reform rhetoric and agenda represent a return to the 'growth with equity' social compact of the 1960s and 1970s? Lee's commitment to the 'growth with equity' social compact has been less than consistent. He has dismissed the relevance of the Scandinavian comprehensive social security approach as counterproductive in economic and social terms even though Scandinavian economies remain highly competitive, export oriented, produce international brand-names and innovative thinkers, and have sustained relatively equitable societies. The Scandinavian experience suggests that comprehensive social welfare systems do not undermine national economic dynamism. Belying his conservative trickle-down theory worldview, Lee pronounced in July 2013 that he was happy to have another ten billionaires relocate to Singapore even if this resulted in higher income inequality. This trade-off, he pronounced, is acceptable 'because they will bring business, they will bring opportunities, they will open new doors, they will create new jobs' (cited in Chan, 2013). As Low (2014a: 135) observes, 'Creeping market fundamentalism and the belief in the virtues of small government and low taxes' have firmly supplanted the egalitarian ideals that guided the post-independence generation of PAP leaders.

Policy drift

Other than the implementation of piecemeal policy reforms since the 2011 elections, the PAP government has not been willing to undertake comprehensive structural reform. This 'policy drift' can be attributed to the role of policy-makers and other influential groups resisting substantive policy reform despite strong public pressure and empirical evidence supporting the case for substantive reform. As such, the viability of policy alternatives has been downplayed (Hacker and Pierson, 2010: 170). Typical of policy drift, piecemeal reforms that are low-cost but high-impact are introduced.

In Singapore, policy drift is evident in the fact that the key goals of the high-growth immigration policy have been maintained despite the passage of piecemeal reforms that minimally restrict the intake of foreign workers. These policy reforms are strongly geared towards placating public disquiet whilst retaining the high-growth population policy target of 6.9 million in 2030. Similarly, some education policies have been reformed but the early streaming system remains intact. Instructively, both policies reflect the conservative social (racial and eugenics) worldview of former Prime Minister Lee Kuan Yew. It is worth noting that in 2012, Lee Kuan Yew declared that the biggest challenge facing the country continued to be falling birth rates. Instructively, the Sino-centric Lee lamented the decline in the Chinese community's low fertility rate to 1.08 in contrast to the replacement rate of 2.1. 'In other words, the population of Chinese Singaporeans in the next generation, 18 to 20 years, will halve' (cited in Sreedharan, 2012). As the Malaysian and PRC Chinese make up the largest and second largest group of immigrants to Singapore (Chong, 2013: 3–4), the high-growth immigration policy is thus strongly geared towards perpetuating Chinese numerical dominance in the city-state. Attributing Japan's economic sluggishness and 'stroll into

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mediocrity' to its reluctance in accepting immigrants,[12] Lee Kuan Yew has repeatedly reminded Singaporeans that this fate could befall the city-state if the high Chinese immigrant intake were to be substantially cut. Affirming his father's longstanding preoccupation with supporting high-growth population policies based on Chinese numerical dominance, Prime Minister Lee Hsien Loong stated in September 2012 that Singapore's current population of more than five million could readily accommodate another million or so. 'In the future, six million of so should not be a problem.'[13] In a speech to the Economic Society on 8 June 2012, Lee Hsien Loong erroneously claimed that there is no country in the world where the population shrinks but income rises[14] – ignoring the experience of many developed economies such as Finland, Norway, Taiwan, and South Korea. Lee and the conservative PAP technocratic leadership appear to possess a mindset that does not recognize the need to initiate systemic changes despite the serious challenges confronting the city-state.

The PAP government's policy drift can also be attributed to a technocratic leadership that is increasingly out of touch with the public mood for greater public consultation, transparent governance, political pluralism, and economic equity. However, the depth of this public mood may not be appreciated by the less than politically savvy technocrats parachuted into the PAP largely from state agencies such as the civil service, military, and statutory boards. Long used to policy-making based on superficial public consultation, promises of policy reform issued after the 2011 elections continue to be colored by the elitist 'I know what's best' mindset. Policy drift thus continues to be driven by technocratic governance that is reliant on the emasculation of an autonomous civil society, trade union movement, and media – forces that are critical watchdog bodies in democratic polities.

Policy drift has also been reinforced by the PAP's difficulty in attracting a critical mass of public intellectuals and civil society actors with a strong record of public service. The handful of public intellectuals that have been co-opted into the PAP appear to have embraced the PAP's technocratic political culture and conservative ideological worldview. Those who have exhibited independent mindedness and possess strong grassroots support have failed to rise up the ranks of the party beyond the status of MP or eventually suffered from marginalization in the Cabinet. However, the trajectory of current Deputy Prime Minister and Finance Minister, Tharman Shanmugaratnam, stands out as an outlier of sorts. His policy initiatives suggest that he may possess the skills and savvy to elevate the PAP government beyond the outdated and conservative socio-political and economic worldview framed by Lee Kuan Yew, particularly from the 1980s. However, Shanmugaratnam and the handful of reformists within the PAP establishment are at odds with the dominant conservative forces in the Cabinet, military, and bureaucracy. Speculation abounds about the likelihood of reformist PAP forces

[12] 'Singapore's Lee Says He Wants a Quick Death', *Agence France Press* (Singapore), 6 August, 2013.
[13] Cited in *Yahoo*, 23 September, 2012.
[14] See http://www.channel news asia.com/stories. Accessed on 9 June 2012.

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becoming more influential following the impending demise of the aged Lee Kuan Yew. Will Lee's demise deepen intra-elite tension and division akin to Taiwan's Kuomintang following the death of the party founder?

Conclusion

The post-2011 electoral backlash, intra-elite divisions, growing number of critical citizens supported by an energized civil society, and deepening social media activism are reflective of an increasingly sophisticated and repolitized Singaporean polity, after decades of depoliticization by the authoritarian developmental state. Cost of living pressures, deteriorating living standards, and widening income inequalities associated with the implementation of unpopular policies perceived to have breached the social compact based on 'growth with equity have all fuelled the groundswell of public discontent. Prominent academics and establishment figures, formerly closely associated with the PAP, have begun to question the relevance of key government policies and attributed the myriad of challenges confronting the city-state to policy failures of a technocratic elite. In particular, the strong reliance on foreign labor and influx of immigrants have been blamed for depressing wages, stifling productivity, restricting social mobility, and compromising sustainable economic growth.

Widening income inequality and the hyper-concentration of income at the top is a consequence not only of the forces of globalization. In particular, the 'growth at all cost' policy orientation has fuelled the worsening Gini coefficient and a whittling away of the developmental state's foundational social compact. Consequently, Singapore has now become one of the most inequitable countries in income distribution terms. The developmental state's 'growth with equity' compact of the post-independence era, based on equal opportunity and the provision of affordable social services, has been compromised. Widening income inequalities have undermined social cohesion and exacerbated other divisions – between ethnic communities, social classes, and between foreign and local workers. Importantly, these divisions are not only detrimental to nation-building but also to sustainable economic development.

The experience of other countries in addressing income inequality suggests that it is not an irreversible phenomenon. Some Latin American states have, in the last decade, reduced economic inequality by deepening progressive taxation, improving social services such as healthcare and education, strengthening social protection, and instituting fairer wages and work conditions. These policy reforms have gone some way towards dismantling the barriers to social mobility and equal opportunity (Oxfam, 2014). Importantly, these gains have been strongly driven by putting into place accountable and democratic institutions of governance that are sensitive to public concerns. In the context of Singapore, a dismantling of outdated technocratic and authoritarian governance structures and a commitment towards policy and political reforms geared towards 'growth with equity' are imperative. These are arguably Singapore's most pressing contemporary challenge.

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