

Chapter 4:

Capitalist Development, Inequality and Class

Like other classes, the working class of advanced capitalist societies has always been, and remains, highly diversified; and there are also important differences in the internal composition of the working class of one country as compared to another. Yet, and notwithstanding these differences, inside countries and between them, the working class remains everywhere a distinct and specific social formation by virtue of a combination of characteristics which affect its members in comparison with the members of other classes. The most obvious of these characteristics is that here are the people who, generally, 'get least of what there is to get', and who have to work hardest for it.

Ralph Miliband (1969, p. 16)

4.1 Defining inequality

So far much of the discussion has been concerned with demonstrating that the treatment of inequality by mainstream practitioners of economics is typically rather limited. In this chapter, the conceptual framework introduced towards the end of Chapter 1 is given more detailed attention, and inequality is defined for the purposes of this thesis.

The distribution of economic rewards between different groups in society is an important determinant of that society's social structure. For this reason, it is inappropriate to view inequality strictly in terms of income and wealth distribution. Economic inequality is inextricably intertwined with social inequality. Income and wealth determine the extent of poverty or privilege which, in turn, determine the opportunities one has to accumulate income and wealth. Failure to acknowledge this fact is to allow a serious deficiency to enter one's theorising. In short, inequalities in income and wealth reinforce

and are reinforced by inequalities in areas like educational provision, health care, housing, and conditions in the workplace.

Furthermore, inequality goes beyond material rewards. Inequality is the expression of a social relation as well as a pattern of distribution. There is a strong causal connection between material advantage and social esteem, or 'status', as Weber described it, which has a direct bearing on access to power, the capacity to influence decisions, and, crucially, the opportunity to fare better in the future. Thus, left untempered, inequality becomes self-perpetuating, and what emerges thereafter is a distinctive social structure as society is stratified into a number of different classes.

While the study of social class is not synonymous with the study of inequality, a sound class theory should generate explanations for some of the facts associated with inequality. Obviously, different theories will present different explanations. The aim of this chapter, therefore, is to survey the evolution of the principal theories on class, in order to arrive at an appropriate theoretical framework for the analysis of inequality in Singapore in the chapters that follow.

4.2 Marxist class theory

The analysis of social structure has provoked intense debate among social scientists who cannot agree on the basis of class divisions, and the importance of class as opposed to other social divisions. Karl Marx is generally recognised as the individual most responsible for the introduction and usage of class analysis,¹⁶⁸ but nowhere in his writings did he provide a really clear definition

¹⁶⁸ Class analysis is defined here as social analysis that seeks to identify class, and to trace its social, political and ideological consequences.

of class.¹⁶⁹ The popular interpretation is that class, according to Marx, is essentially a question of one's relationship to the means of production; that is, one either owns it, or does not own it. Thus, capitalist society can be split into two basic classes: the bourgeoisie, the owners of the means of production, and the proletariat, comprising those excluded from ownership of the means of production. What the proletariat do own is the capacity to provide labour power which they must sell in the market in return for wages. This is something the bourgeoisie are able to exploit, because as the owners of the means of production, the proletariat are dependent upon them as employers of labour.

Marx's conception of class is commonly understood, therefore, in terms of social relationships. Importantly, the classes are antagonistic to one another. Their conflicting positions in the social organisation of production ensure that they have different interests and attitudes which, ultimately, provides the impetus for social change. However, for this social change to occur, the proletariat must become class conscious. In other words, it has to become aware of its position as a distinct class with very distinct interests; interests diametrically opposed to those of the bourgeoisie.

Critics of Marxist class theory have queried whether it is typical for classes to develop a class consciousness. Max Weber, for example, has argued that class consciousness is something that may arise in certain circumstances, but it does not materialise as a matter of course. Given the experience of capitalist societies since Marx, this view would appear to have some validity. Marxists have responded, however, by arguing that class consciousness is not something which materialises automatically. To be aware of itself as a distinct class, the proletariat must first win the ideological battle with the bourgeoisie, who deny

¹⁶⁹ This may have been more unusual had Marx been the 'discoverer' or 'inventor' of class, but as Fischer (1972, p. 61) has noted, classes and class struggle were 'already known to Livy, Machiavelli, Adam Smith, Sismondi,

the existence or importance of class divisions. As it dominates economically, the bourgeoisie also dominates politically; it is the ruling class, the purveyor of ideas.¹⁷⁰

A bigger problem for contemporary Marxists has been the enormous increase in the numbers of people in the middle classes. The traditional petty bourgeoisie (small, self-employed businesses) has remained, and been joined by a new middle class of people in managerial, professional and service jobs which are comparatively well-paid. As a result, these people enjoy a high standard of living with sufficient disposable income to acquire a wide portfolio of assets including real estate, superannuation, life insurance and company shares. In addition, the earnings of some manual workers have increased to the extent that they are above those of many clerical workers. These developments have caused there to be a re-examination of some aspects of traditional Marxist class theory.

Rattansi (1985), for example, examines Marx's later work and compares it to his earlier writings. Importantly, argues Rattansi, many interpretations of Marx tend to be simplistic, stereotypical views which draw on his earlier work, and it is these views that have drawn the heaviest criticism. After the failed European revolutions in 1848,¹⁷¹ Marx changed his position in a number of respects. In particular, he acknowledged the growth of middle class occupations like managers and administrators, as well as the increase in the number of unproductive workers such as domestic servants. He also acknowledged that there was a segmentation of the proletariat according to skill, gender, nationality and regional location. In other words, Marx recognised that there were a number of factors determining political and ideological responses. As a consequence of this realisation, he attached greater

Thierry, Guizot, Thiers, Carlyle and many other historians, economists and sociologists'.

¹⁷⁰ See Przeworski (1977) for example.

importance to uncertain nature of class formation and the associated politics.¹⁷² This, concludes Rattansi, legitimates a range of theoretical developments which are commonly thought to contradict Marx's views.

To this end, an important contribution is to be found in the work of Wright (1977, 1978a and 1985) who attempts to explain the middle classes, and why it is they tend to exhibit contradictory and conflicting views, aspirations and behaviour. Drawing on the work of Poulantzas (1975), Cardechi (1977) and others, Wright restates that there are basically three classes in capitalist society (those which Marx identified as bourgeoisie, petty bourgeoisie and proletariat), but notes that in modern economies it is common for ownership of companies to be spread across a range of individual and institutional shareholders. Meanwhile, top management has effective control of production by delegating this control to lower levels of management who supervise the workers. Wright concludes from this that many people are in class positions which are objectively contradictory. Apart from managers controlling without ownership, the petty bourgeoisie may own but not employ any labour, skilled workers may exercise a sizeable degree of control over their labour, but nevertheless remain employees, and small employers may own sufficient capital to hire workers, but they may have to work themselves.

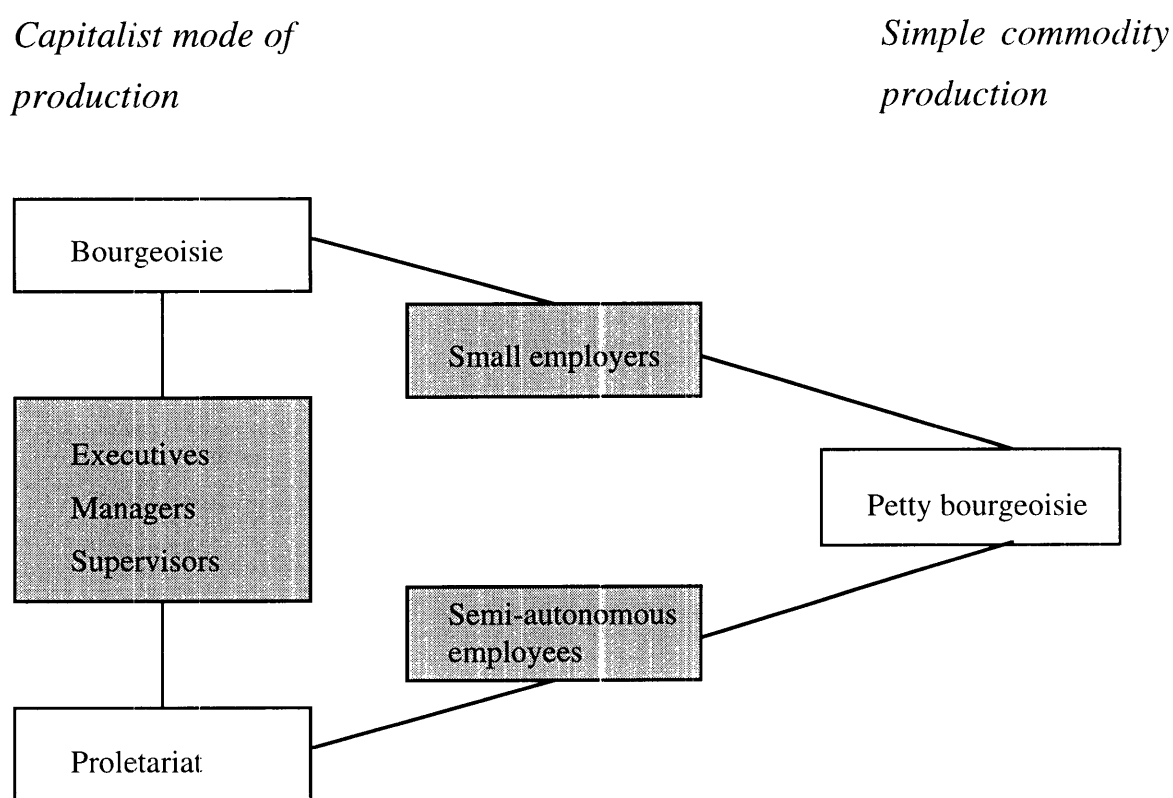
What emerges as a consequence of these contradictory class relations is a situation where there are multiple dimensions of domination or subservience. In his earlier work, Wright (1978a) illustrates this by mapping out a class

¹⁷¹ The failed revolutions took place in France, Germany, Hungary and Austria.

¹⁷² Marx began Chapter 52 (Volume III) of *Das Kapital*, entitled 'Classes', but died before he was able to complete it. In this unfinished chapter he states, in reference to England, that 'the stratification of society does not appear in its pure form' despite the fact that English society is 'indisputably most highly and classically developed in economic structure'. Indeed, notes Marx, 'middle and intermediate strata' serve to 'obliterate lines of demarcation everywhere' (Fischer 1972, p. 69). According to Fischer, this is not untypical of Marx who was 'not a lover of rigid formulas' and who 'never overlooked the individual and the specific in his search for general trends of social development' (1972, p. 70).

structure with three discrete class locations, two of which lie within the capitalist mode of production in its pure form, namely, the bourgeoisie and the proletariat; the third being the petty bourgeoisie, identified according to its simple commodity production. In between are the contradictory class locations of managers, small employers and semi-autonomous employees (see figure 4.1).

Figure 4.1 Wright's class map of capitalist society



(Adapted from Wright 1978a, p. 84)

The managerial group occupies a contradictory location between the bourgeoisie and the proletariat. Only the senior management (top executives) have any degree of control over the means of production and the labour of others, the middle managers exercise control to a moderate degree, while junior management (supervisors) exercise still lesser control. Between the bourgeoisie and the petty bourgeoisie, Wright identifies the small employer

who has control over investment and the means of production but only limited control over the labour of others. It follows, therefore, that in relation to the surplus value the petty bourgeoisie can produce itself, the amount it extracts from labour as an employer is minimal. Finally, between the petty bourgeoisie and the proletariat, Wright identifies what he calls semi-autonomous wage earners. This group does not control the means of production or the labour of others, and its members sell their labour to an employer, but they display a high degree of autonomy.

Wright's ingenious theorisation of the middle classes was to meet with criticism, however, when Roemer (1982) argued that by emphasising aspects of control, Wright had mistakenly separated domination from exploitation.¹⁷³ In an effort to restore exploitation as the basis of class differentiation, Roemer embarked on what is arguably the most fundamental reconstruction of the foundations of Marxist class theory. The essence of Roemer's thesis is that capitalist exploitation needs to be defined in terms of possession of an excessive share of productive assets rather than how it had been traditionally conceived; namely, the control of the labour process and appropriation of surplus value.¹⁷⁴ It is the inequality in productive assets, according to Roemer, that gives greater or less power in apparently free markets. If people had equal shares of assets, he argues, then they could bargain equally in commodity, credit and labour markets (Roemer 1982, pp. 12-23).

Roemer goes on to identify different forms of exploitation according to different kinds of society. Under a feudal system, exploitation takes the form of direct appropriation of labour in return for military protection, while under a capitalist system, ownership of saleable assets is defined as the characteristic form of exploitation. In a state socialist society, on the other hand, while feudal

¹⁷³ Exploitation is defined by Burris (1987, p. 79) as the capacity of an individual or class to appropriate the labour of another, whereas domination refers to the ability to command the obedience of another.

and capitalist exploitation are not in evidence, there is exploitation based upon the uneven distribution of skills and credentials (something Roemer refers to as ‘socialist exploitation’), and exploitation resulting from unequal access to official positions (through party membership, for example, a phenomenon he refers to as ‘status exploitation’). Reflecting on these pure modes of production, Roemer then contends that in present day capitalist societies, there will be elements of capitalist, socialist and status exploitation, to varying degrees.

Wright accepted Roemer’s theory on exploitation, and makes use of it to refine his class map of capitalist society, to produce his ‘principal assets model’ (Wright 1985, p. 88). In this model, the concept of class is extended so that unequal distribution of assets other than the means of production become a defining feature. The fundamental division is still that of ownership or non-ownership of the means of production, but this ownership is cross-classified with other productive assets; namely, what Wright identifies as organisational assets and skill/credential assets.¹⁷⁵ Owners of the means of production are differentiated according to the extent to which they exploit the labour of others (the class locations of bourgeoisie, small employers and petty bourgeoisie), and non-owners are differentiated according to the control they are afforded through their ownership of organisational assets and skill/credential assets. Within this framework, three levels of control are distinguished for each set of assets (positive/neutral/negative), generating a further nine class locations, of which eight are non-proletarian, intermediate classes (see figure 4.2).

The notion of organisational assets acknowledges that it is possible to control productive resources without actually owning them. Owners and senior

¹⁷⁴ Roemer treats the traditional Marxist surplus labour theory of exploitation as a special instance of a more general theory, expressed in terms of property relations.

¹⁷⁵ By skill/credential assets, Wright is referring to skills artificially restricted in supply through credentialist mechanisms.

management possess the means of production and the large part of the organisational assets, although some of these are to be found further down the hierarchy. Skill/credential assets also permit exploitation in that certain forms of labour will be in short supply, allowing workers to appropriate a surplus through monopolistic control. In summary, according to Wright (1985, p. 87), a disproportionate share of one (or both) of these assets, allows a worker, through the mechanism of market exchange, to exploit the labour of other workers, while they are simultaneously exploited by capitalists.

Figure 4.2 Wright's principal assets model of capitalist society

	Owners of means of production	Non-owners (wage labourers)			
Owns sufficient capital to hire workers and not work	1 Bourgeoisie	4 Expert managers	7 Semi-credentialled managers	10 Uncredentialled managers	+
Owns sufficient capital to hire workers but must work	2 Small employers	5 Expert supervisors	6 Semi-credentialled supervisors	11 Uncredentialled supervisors	>0
Owns sufficient capital to work for self but not to hire workers	3 Petty bourgeoisie	8 Expert non-managers	9 Semi-credentialled workers	12 Proletarians	-
		+	>0	-	Skill/credential assets

(Wright, 1985, p. 88)

Whether Wright's reconceptualisation of class is successful in reasserting exploitation over domination as the basis of the Marxist definition of class is a moot point.¹⁷⁶ What is certain is that by introducing organisational assets and by elevating the importance of social relations in the marketplace, Wright has taken Marxist class theory a step in the direction of its Weberian counterpart — a point we return to later in this chapter.

¹⁷⁶ Wright (1985, p. 80) himself acknowledges that the ownership of organisational assets is difficult to distinguish from the exercise of hierarchical authority.

4.3 Weberian class theory

Max Weber, like Marx, did not provide a single unambiguous statement of his views on class. References to the concept are found in many of his writings, and as a consequence of this, rather like Marx before him, some interpretations of his conception of class have been selective, and subject to oversimplification.

The clearest summary appears in Weber (1970) where he defines the concepts of class, status and party. He begins by stating that property, or lack thereof, constitute the basic categories of class. He then goes on to say how, within these broad categories, there is further differentiation according to the market situation of the individual which, in turn, determines 'life-chances' (Weber 1970, p. 181). That is, a person is differentiated according to the types of property used to secure a return in the market or, in the case of the propertyless, according to the types of services they offer for sale. Thus, a property owner might obtain income in the form of rent or interest, while those without property might earn an income through their supply of specialised services, or it might be earned through the supply of unskilled labour. In summary, Weber's analysis is similar to that of Marx in the sense that both agree capitalists and workers occupy different class situations, and that the principal source of capitalist profit is the labour of the working class. A significant difference, however, is that Weber finds class differences within what Marx would define as a single class.

Another defining feature of Weber's analysis is that while individuals may find themselves in common or related class situations, unlike Marx, he does not see classes as collective actors or social forces. For Weber, a class is a group of people who share in common the same life-chances, determined by market power, or lack thereof, which is a function of the resources they control or provide in the market. But according to Weber, where there are markets, a

variety of distinct economic interests will emerge which may or may not provide a basis for collective action. It is misleading, he insists, to treat classes as being conceptually equivalent to communities (Weber 1970, p. 184).

A status group, on the other hand, does possess the inherent properties of a community. According to Weber, a status group has certain rights, privileges and opportunities which are determined, not by market position, but through the possession of certain characteristics that equate with worth, prestige, admirability, and so on. Thus, if employment opportunities, access to education or type of housing, for example, are restricted according to one's ethnicity, kinship or birthright, then one has a status group rather than a class.

In Weber's view, the major social differences in a society can be organised around social classes, around status groups, or some combination of the two, and he suggests various ways in which class and status differences may be interconnected, especially in relation to the conditions for class action. Money, for example, is a central determinant of life-styles, so membership of certain status groups may crucially depend on one's class position. On the other hand, class position, in terms of wealth and property, can be of secondary importance. Status, defined in terms of birth, for example, may take precedence, depending on how and when wealth was acquired.

Weber was also of the view that while classes and status groups influence one another, they influence the legal order and are, in turn, influenced by it. This is where Weber makes reference to the concept of 'party' which he defines, in a very broad sense, to mean any grouping concerned to influence the exercise of power in society. A party, in most cases, is associated with a class or status group, but invariably it will comprise some combination of the two.¹⁷⁷

¹⁷⁷ Weber also states that sometimes they are neither. Presumably, this is because parties, in the Weberian sense, are predicated on any social division, and may be ethnic, racial, or religious, for example. In other words, he

According to Weber, the acquisition of social power is for a 'cause' (for some ideal or material gain), or the goal may be 'personal' (honour for the leader or followers of the party), but usually a party will be about both. The main requisite condition for communal action is 'some rational order and a staff of persons available who are ready to enforce it' (Weber 1970, p. 194).

Parties will differ according to the kind of communal action they are pursuing, and they will differ according to whether they are stratified by class or status. These differences, in turn, will have a bearing on the kind of legal privileges that a party is aiming to secure for its constituents. Importantly, once secured, these privileges have the effect of cementing membership of a class or status group, as people are legally entitled to (or prohibited from) certain benefits. In other words, Weber suggests that economic class needs be viewed as an outcome of 'the legal order', rather than purely in terms of a cause of social division.

The concepts of class, status group and party devised by Weber have served to encourage theorists to analyse societal stratification in multi-dimensional terms. Some are content to view 'life chances' according to occupation or income, and take this as a convenient indicator of class, while others examine the multiple underlying components of differentiation to demonstrate how lower classes are dominated by higher classes.

Lockwood (1958) was one of the first to take the former route. Drawing on Weber's concepts, he analysed the class position of office workers by making reference to their market situation and their status situation. To these, he added the concept of 'work situation', ostensibly to address the Marxist concern with the social relations of production. According to Lockwood (1958, p. 12), market situation refers to the source and size of income, degree of job

suggests that there are features of the exercise of power that simply cannot be explained in terms of the interests

security, and opportunity for upward social mobility, while work situation refers to the set of social relationships in which the individual is involved at work by virtue of their position in the division of labour. In other words, Lockwood argued that life chances are influenced, not only by one's income, but also by the availability of career opportunities, and the degree of autonomy within the workplace hierarchy. To this end, Lockwood's analysis was adjudged a success in that it justified why clerical workers could be identified as middle class, despite the fact their incomes were comparable with manual workers.¹⁷⁸

Following in the tradition of Lockwood, Giddens views class as a social grouping with broadly similar life chances in the market. Giddens notes that in a complex industrial society with its highly developed division of labour, there would be innumerable classes in the Weberian sense, so he concerns himself with the abstraction of a manageable range of classes. He sets out to define what he calls 'social class' as opposed to an economically defined category. It is not so much a question of finding a set of criteria which permit the precise demarcation of distinct classes, asserts Giddens, it is about characterising the processes whereby economic classes become social classes; something he refers to as the 'structuration' of class relationships (Giddens, 1973, pp. 104-5).

According to Giddens, structuration is a complex process whereupon a range of factors affect outcomes in terms of class affiliations, including the division of labour, authority relations in the workplace, distributive groupings

of a class or status group.

¹⁷⁸ Lockwood's attempted synthesis of the work of Weber and Marx did not meet with the unquestioning approval of Marxist scholars. His work was roundly criticised by Crompton and Gubbay (1977, p. 22), for example, who argue that Lockwood takes the structure of workplace relations for granted in the same way as Weber's analysis of 'class situation' takes the existence and structure of the market for granted. Crompton and Gubbay argue, on the other hand, that 'the structure of workplace relations cannot be treated as unproblematical, but must be systematically derived from the nature and development of specifically *capitalist* [their italics] production relations'. (The significance of this criticism is dealt with later in this chapter.)

(according to common patterns of consumption),¹⁷⁹ and longer term expectations with respect to social mobility; that is, the 'openness' or 'closure' of a class. These processes combine, according to Giddens, to produce three broad classes: an upper class, a middle class, and a working class (Giddens 1973, p. 107). In effect, Lockwood's framework for analysing the class position of office workers is transformed into a general explanatory framework to analyse the processes of class formation.

Whereas Giddens's discussion is essentially theoretical in character, John Goldthorpe's work on social mobility in Britain is more empirical, attempting to identify what classes exist demographically. Claiming descent from Marx and Weber, Goldthorpe (1980) insists that class formation is not simply a matter of differentiated class situations existing, and he concerns himself with the pattern of social mobility and what this means in terms of political action. Goldthorpe is therefore interested in the social conditions that foster or inhibit mobility, in particular, the 'shared beliefs, attitudes and sentiments that are required for concerted class action' (Goldthorpe 1980, p. 263). However, in this and subsequent work (Goldthorpe 1982, Erikson and Goldthorpe 1992), he employs distinctively Weberian criteria for his analysis of social mobility in that the emphasis is on the market situation and work situation, and how these are crucially affected by the authority factor.

Goldthorpe starts with the employment relationship, whereupon individuals are divided according to those who exercise authority, those who do not, and those who are in between. Further sub-divisions are made on the basis of skill level, and whether one is employed in the industrial or the agricultural sector. This

¹⁷⁹ Giddens argues that distributive groupings are not based only upon income differentials. He gives the example of access to housing mortgages where those in manual labour are denied loans when those in non-manual labour may experience little difficulty. According to Giddens (1973, p. 109), this promotes the creation of 'working-class neighbourhoods' and 'middle-class neighbourhoods'.

yields a schema of seven classes.¹⁸⁰ Equipped with a schema of the class structure, Goldthorpe then proceeded to test for mobility using data for the UK, and reached the following conclusions. First, intergenerational solidity at the top of the class structure was quite pronounced, in that there was only a small chance those with professional/managerial origins would end up in a dissimilar location. Meanwhile, the lower the class location, the less likely it became that a person would end up in class I. Second, while this high degree of solidity declines the further down the hierarchy one goes, it does so in an irregular fashion. The petty bourgeois class, for example, displays a high level of solidity. Third, while working class mobility has increased over time, it is typically rather limited, amounting to a significant barrier between white and blue-collar occupations.

For Goldthorpe, like Lockwood and Giddens before him, the market framework and an emphasis on status become the all important features in the analysis of class. Thus, insofar as these authors claim to descend from both Marx and Weber, their respective contributions merely modify the Weberian scheme. Dahrendorf (1959) and Parkin (1979), on the other hand, are far less circumspect about the rejection of Marxist class theory. Their approaches, though quite different, are unabashedly Weberian.

Dahrendorf puts forward a structural theory of conflict through an analysis of classes as interest groups emerging from structural conditions and effecting structural social changes through their actions (Dahrendorf 1959, p. ix).

¹⁸⁰ By aggregating categories from the thirty-six category occupational scale devised by Hope and Goldthorpe (1974), Goldthorpe arrived at a sevenfold class schema. These classes are as follows: **class I**: large proprietors and higher grade professionals (self-employed and salaried), administrators and managers; **class II**: lower grade professionals, administrators and managers, higher grade technicians, and supervisors of non-manual employees; **class III**: routine non-manual workers (largely clerical workers and sales personnel); **class IV**: petty bourgeoisie (farmers, small proprietors, self-employed workers); **class V**: lower grade technicians and supervisors of manual workers; **class VI**: skilled manual workers; and **class VII**: semi- and unskilled manual

Commenting on the separation of ownership and control, Dahrendorf argues that this demonstrates it is not legal ownership which confers advantage, but the ability to control people and events. The central issue, according to Dahrendorf, is the Weberian concept of authority,¹⁸¹ and classes are dichotomous interest groups defined by exclusion from, or participation in, the exercise of this authority. It is a 'structural' theory of conflict in the sense that the conflicting interests are represented as 'structurally generated orientations' which may be quite independent of the conscious orientations of individuals (Dahrendorf 1959, p. 173). In other words, class interests are structurally determined, and these may or may not be recognised by the individuals whose interests they represent.¹⁸²

According to Dahrendorf, whether class conflict emerges or not depends not on class relations alone, but on the social conditions that cause individuals to recognise their structurally determined interests. Unfortunately, Dahrendorf proffers little in the way of systematic analysis as to what these social conditions might be, although he does observe that two kinds of class division are of particular importance in industrial society; namely, those relating to the exercise of state power on the one hand, and those relating to control within industry on the other. He argues that with the growth of democracy and parliamentary institutions, power in the economic sphere does not guarantee power in the political sphere. As a result, class conflict is largely confined to the industrial sphere, but here radical class consciousness is largely defused because of the institutionalisation of class conflict via collective bargaining and arbitration procedures.¹⁸³

workers in industry and agricultural workers. This classification is not a simple hierarchy, as classes III to VI are considered to be on the same level (Goldthorpe 1980, pp. 39-42).

¹⁸¹ Authority is assumed to be an independent dimension in relation to the class structure.

¹⁸² Dahrendorf's theory is similar to Marxist theory in the respect.

¹⁸³ It is in this context that Dahrendorf refers to industrial society as 'post-capitalist' society; that is, society that is no longer truly capitalist in the classic, nineteenth century sense.

Unlike Dahrendorf, Parkin's approach to the identification of classes as socially significant collectivities does not experience any difficulty coming to terms with the disjunction between structurally defined classes and the consciousness of the individuals who constitute these classes, because he simply avoids defining classes in structural terms. Instead, he argues that it is more important to deal with classes in their mode of collective action than to construct formal structural models of the effects of production relations (Parkin 1979, p. 113).¹⁸⁴

Parkin adopts Weber's concept of social closure as the centre-piece of his analysis, whereupon 'social collectivities seek to maximise rewards by restricting access to resources and opportunities to a limited circle of eligibles' (Parkin 1979, p. 44). In short, classes are formed by closure. The most powerful groups maintain their position by excluding those below them, while those at the other end of the social spectrum get what they can through collective action. The primary division in society, therefore, is between the dominant class, operating primarily through exclusion, and the subordinate class, whose main strategy is one of usurpation. Divisions within these two classes are then analysed in terms of secondary practices of exclusion and usurpation. Indeed, some groups may practice 'dual closure'; that is, usurpation to break into higher positions and exclusion to resist encroachment from below.

The great merit of this approach, according to Parkin, is that the processes of exclusion and usurpation are more general than the capitalist mode of production. The exclusionary rights attached to productive property, for example, are 'a prominent feature of capitalist, socialist, feudal, slave and caste societies and their associated modes of production', and 'collective social

¹⁸⁴ Indeed, Parkin questions whether class divisions have been historically more important than other kinds of division in society such as race, culture and gender. He also challenges the notion that there can be an objective

closure on the basis of sex and ethnicity shows a similar indifference to the type and quality of the material substructure' (Parkin 1979, p. 113). In other words, it is quite possible, according to Parkin, for patterns of social closure to cut across property and market cleavages, giving rise to a complex pattern of exclusionary and usurpatory group formations.

Parkin also claims that state powers can be harnessed in support of many forms of social closure, and not only those which promote and sustain class exploitation. According to Parkin (1979, p. 138), the state may be conceptualised as 'an agency that buttresses and consolidates the rules and institutions of exclusion governing all relations of domination and subjection'. and that 'a class, race, sex, or ethnic group only accomplishes domination to the extent that its exclusionary prerogatives are backed up by the persuasive instrument of the state'.

The weakness in Parkin's analysis is similar to that found in the work of others who have followed in the Weberian tradition, in that it fails to examine underlying causal forces.¹⁸⁵ According to Parkin, classes are grounded, not in the social relationships of production, but purely in the exclusionary endeavours of human actors. He acknowledges the role of the state, but there is no theorisation with regard to the mechanisms by which institutions and their practices are created and reproduced. In short, the Parkin's concept of closure merely deals with how status groups struggle for advantage. It does not account for the existence of these groups, it simply assumes their historical pre-existence. What eventuates, therefore, is a circular argument in which class relations are seen as providing the bases of power, that are mobilised in exclusionary actions which, in turn, produce social classes.

analysis of class positions, asserting that all class theories are, by definition, morally laden conceptual models (Parkin 1979, p. 4).

¹⁸⁵ To be fair to Giddens, his theory of structuration at least attempts to combine structure and human agency. However, as some of his critics have pointed out, his conception of social structure does tend to coalesce with his conception of social action which receives more authoritative treatment (see Callinicos 1985, for example).

Parkin's refusal to consider any form of structural explanation has drawn criticism from other Weberian theorists.¹⁸⁶ Murphy (1986, pp. 252-53), for example, argues that to base class theory entirely on conscious collective action is unwarranted. He points out that Weber himself recognised that the economic class situation was predominant in modern societies, and that he formulated the concept of status in such a way that it meets with Parkin's concern to explain racial and gender divisions, while at the same time acknowledging the underlying structure of class positions. This is a factor that has not been lost on the likes of Crompton and Gubbay (1977) who, in critiquing the work of 'three of the most influential neo-Weberian class theorists',¹⁸⁷ restate their conviction that 'a class analysis derived from Marxian principles is likely to prove a superior theoretical and analytical tool', but emphasise that their criticism of these approaches does not imply that they should be discarded. The problem, they say, is that they are 'not so much incorrect as incomplete' (Crompton and Gubbay 1977, p. 39). They conclude by putting forward what amounts to a case for a neo-Marxist synthesis of Marx and Weber on class:

Given the dominance of the market, ... it would be futile to deny that much overt conflict is centred around access to the market, or that the sophisticated analyses of 'closure' and 'structuration' give valuable insights into the analysis of such market conflicts. Such insights can still be retained, however, ... if class analysis, ... is shifted away from the all-prevailing neo-Weberian orthodoxy of contemporary class theory and towards an analysis grounded in an examination of relationships of production.

(Crompton and Gubbay 1977, pp. 38-39.)

¹⁸⁶ Not to mention many theorists of a Marxian persuasion. See Burris (1983) for example.

¹⁸⁷ Lockwood, Giddens and Parkin.

In the following section, the notion of neo-Marxist theory of class is explored in some detail as the preferred theoretical framework in this thesis.¹⁸⁸

4.4 A neo-Marxist synthesis of Marx and Weber on class theory

As the discussion in the previous sections has demonstrated, the concept of social class can be very problematic. It can be viewed in Weberian terms, an approach that makes distinctions between social classes according to wealth, income, or occupation, for example, or it can be viewed in Marxist terms, an approach which makes a fundamental distinction between those who own the means of production and those who do not. The weakness of the former approach is that its conceptualisation of class is rather arbitrary, while the latter approach suffers from a lack of versatility. In particular it fails to handle questions about a middle class which is not primarily motivated by the extraction of surplus value, but is, nevertheless, party to it.

In this thesis, class is not viewed in the classic Marxist sense for reasons explained below. It does, nevertheless, conceive of class in a way that is fundamentally compatible with Marx's original formulation; namely, that class is defined according to exploitative relations. Of equal importance, however,

¹⁸⁸ Before proceeding it is worth clarifying what it is meant by neo-Marxist, and how it differs from a neo-Weberian perspective. Crompton and Gubbay (1977) use the term neo-Weberian to describe the likes of Lockwood, Giddens and Parkin, presumably on the grounds their work involves a significant extension and elaboration of the approach adopted by Weber himself. Interestingly, Goldthorpe refers to the analyses of Giddens and Parkin (but not his own) as 'post-Marxist'. As far as Goldthorpe is concerned, his own work on class is basically compatible with Marx's original formulation (Goldthorpe 1980, p. 38). Most commentators would likely disagree with Goldthorpe's claim on account of the emphasis he attaches to the market and work situations. Indeed, Pakulski and Waters (1996, p. 9) describe him as the 'most influential contemporary neo-Weberian class theorist'. Roemer and Wright, by comparison, show a greater concern for the retention of the Marxist principle whereupon class is defined according to exploitative relations. It is not to be assumed, however, that this is the defining feature of a neo-Marxist perspective. As the discussion below will reveal, the term neo-Marxist is reserved here to describe a perspective that occupies the middle ground between the classical Marxist position and Weberian theories of class (or what Crompton and Gubbay describe as neo-Weberian).

are the relations of political and ideological domination, something that features more prominently in Weberian theory. At the risk of oversimplification, the logic employed here is that the conditions for economic exploitation are only secured and preserved through political and ideological domination. This point will be clarified later. It is appropriate first, however, to delineate further the notion of a neo-Marxist theory of class. This is an objective best achieved through a detailed comparison of Marxist critiques of Weberian theory, and Weberian critiques of Marxism.

An important contribution in this area is to found in the work of Burris (1987), who makes four important distinctions between Marxist and Weberian theories on class:

...(1) Marx conceptualises class as an objective *structure* of social positions, whereas Weber's analysis of class is constructed in the form of a theory of social *action*. (2) Marx holds to a *unidimensional* conception of social stratification and cleavage, with class relations being paramount, whereas Weber holds to a *multidimensional* view in which class relations intersect with and are often outweighed by other (nonclass) bases of association, notably status and party. (3) In Marx's theory, the essential logic of class relations and class conflict is one of *exploitation*, where political and ideological domination are interpreted as merely the means by which exploitation is secured, whereas for Weber *domination* is conceived as an end in itself, with its own independent force and logic. (4) For Marx, classes are an expression of the social relations of *production*, whereas Weber conceptualises classes as common positions within the *market*.¹⁸⁹

(Burris 1987, p. 68.)

The first of these areas lies at the heart of the Weberian critique of Marxist class theory. For the majority of Weberian theorists it is the structuralist aspect of the theory which renders it impotent (see Giddens 1995, for example). They argue that a theory rooted in the relations that surround the mode of the production is an unnecessary form of functionalism, which assigns human

¹⁸⁹ The italics appear in the original.

agency with an insignificant role. But to conceive of recent Marxist class theory in a straight-jacket of this kind is to interpret it very crudely.

Indeed, with the exception of some extreme structuralist versions of Marxism (see Althusser 1977, for example), it would be difficult to argue the case that contemporary class theory discounts the role of human actors. Recent developments in Marxist theory have been such that the intentionality of human agency is considered of central importance in accounting for the functionality, maintenance and reproduction of certain institutions and practices within capitalism. A case in point is the work that has been undertaken on the state in capitalist society, and how the state functions in the interests of the privileged classes. Social structure remains central to this analysis, but crucially, it is the human agency within the state that is instrumental in protecting the interests and capacity for action of contending social classes.

The extent to which human agency is considered of consequence by Marxist theorists is particularly evident in the area of class analysis, where, in some cases, agency is given primacy over structure. The Marxist historian E.P. Thompson provides ample evidence of this in his classic work *The Making of the English Working Class* in which he defines class an 'historical phenomenon', not a structure or category, but 'something which in fact happens (and can be shown to have happened) in human relationships ... when some men, as a result of common experiences ... feel and articulate the identity of interests as between themselves, and as against other men whose interests are different from ... theirs' (Thompson 1980, pp. 8-9).

Przeworski (1977), on the other hand, does not go as far as Thompson, but views objective structure and human agency as affecting and being affected by, each other. For him, classes must be viewed as 'effects of struggles structured by objective conditions that are simultaneously economic, political, and ideological' (Przeworski, p. 343). The processes involved in forming workers

into a class, he notes, are inextricably linked to the ‘totality of processes through which collectivities appear in struggles at particular moments in history’, and the outcomes of these processes, ‘while not arbitrary, are not determined uniquely by the structure of social relations. More than one outcome lies within the limits set by those relations’ (Przeworski, p. 399).

Many other Marxist scholars take a similar line to Przeworski. Burriss (1980), for example, looks at social development trends in advanced capitalist societies, and concludes that objective structures determine the general direction of social development, while the shape and pace of this development is down to human agency. In other words, structural factors are fundamental, and it is the influence of human agency which explains the variance in the patterns of societal developmental between nations. This represents a big difference between neo-Marxist class theorists and their precursors. Whereas classical Marxism views class formation as a relatively uncomplicated process, this is quite at odds with the contemporary view, which it considers it to be much more indeterminate. Wright (1989, p. 29), for example, argues that class structure itself does not generate a unique pattern of class formation, and only through the specific historical analysis of given societies is it possible to explain what kind of formation is built around this foundation. In short, rather than determine actual class formation, a model of class structure ‘determines the underlying probabilities of different kinds of class formations’.

One might contend, given the basic thrust of neo-Marxist class theory, that as it is unable to arrive at a precise theorisation with regard to the role of structure and agency, it is, to use the Lakatosian term, a degenerative scientific research programme.¹⁹⁰ It is argued here, however, that if a problem exists anywhere, it resides with those within the Weberian camp who are quite resolute in their rejection of any form of structural explanation. The Weberian influence has

¹⁹⁰ Some authors argue that Wright, for example, has shed virtually all of his Marxist credentials (see Pakulski and Waters 1996, pp. 13-15).

caused contemporary Marxists to become much less doctrinaire in their approach. The same cannot be said of their Weberian counterparts.¹⁹¹

A second distinction between the Marxist and Weberian theories of class identified by Burriss (1987) concerns the relative importance of class. For Marx, class relations are paramount, whereas Weber sees class relations intersecting with other (non-class) bases of association, such as race and gender. Parkin (1979, p. 9), for example, is particularly scathing in his criticism of the Marxist insistence over the primacy of class and states that given 'racial, ethnic, and religious conflicts have moved toward the centre of the political stage in many industrial societies, any general model of class or stratification that does not incorporate this fact must forfeit all credibility'. This criticism is unwarranted, however, as while most contemporary Marxists continue to defend some notion of the primacy of class relations, they are not class reductionists. In short, the neo-Marxist position is not as unidimensional as the traditional Marxist position.¹⁹²

In recent work by contemporary Marxists, inequality arising from race and gender has received a great deal of attention. There is general agreement that gender relations and race relations are relatively autonomous of the production relations that define social classes, and in this sense, Marxist analyses are no different from the Weberian analyses. The main issue for the Marxist theorists

¹⁹¹ Parkin leads the field in this respect.

¹⁹² The conventional Marxist position (see Poulantzas (1975) or Westergaard and Resler (1975), for example,) is to view race and gender as having minor and secondary effects. Race is looked upon as retarding the emergence of a self-conscious working class, with divisions between workers of different races serving to prevent recognition of their objective identity of interest. In other words, race is accorded importance only in the sense that it affects the process of class formation. Gender relations, on the other hand, are considered secondary because class structure is a structure of households rather than individuals. In short, a person's class situation depends not simply upon his or her own life chances, but also on the class situation of their family of origin, and on the life chances of their current family.

has been how to conceptualise the forms of oppression creating this inequality, and how they might be articulated with capitalist class relations.

Some authors have attempted to incorporate race and gender into the class paradigm. On the question of race, Castles and Kosack (1973), for example, interpreted the massive influx of migrant workers into Western Europe as capitalism drawing on an international 'reserve army of labour'. The fact that the majority of these workers came from former colonies, went into manual work with poor pay and conditions, and did not enjoy European citizenship, led them to argue that these people were objectively a lower division of the working class. Others, such as Phizacklea and Miles (1980), for example, identify these immigrants as working class, but because of a range of differences between them and the native working class, they prefer to think of these people as belonging to a 'racialised class fraction', for whom the ideological category of race produces different treatment, attitudes and political behaviour.

Attempts at the integration of gender into the class paradigm have proved more difficult. As Michele Barrett explains:

[Marxism] is grounded in concepts that do not and could not address directly the gender of the exploiters and those whose labour is appropriated. A Marxist analysis of capitalism is therefore conceived around a primary contradiction between labour and capital and operates with categories that ... can be termed 'sex-blind'. Feminism, however, points in a different direction, emphasising precisely the relations of gender — largely speaking, of the oppression of women by men — that Marxism has tended to pass over in silence.

(Barrett 1980, p. 9)

Contemporary class analysts such as Marshall *et al* (1988) and Baxter *et al* (1991) acknowledge this deficiency in traditional Marxist class analysis, and

attempt to reconcile the problem by adding a theory of patriarchy.¹⁹³ What emerges is a form of analysis where a person's class position is graded separately, which raises the possibility of 'cross-class families'.¹⁹⁴ Unfortunately, this is a theoretical development which raises more questions than it answers. The difficulty is that the theory of patriarchy offers one explanatory principle, and the Marxist analysis of capitalism offers another. In short, they are two analytically distinct systems.¹⁹⁵

As a consequence of difficulties like those mentioned above, there is now a trend among contemporary Marxists to adopt more of a multidimensional approach — an approach that is embraced in this thesis. Edwards (1979, p. 195), for example, notes that the histories of racism and sexism, 'intimately linked though they are to that of capitalism, are not subsets of the latter'. For this reason, states Edwards, 'the dynamics of racial and sexual divisions require separate analyses'. This is a conclusion shared by Wright (1978b, p. 1368), who, writing on the relationship between race and class, noted that 'while the diverse dimensions of social inequality cannot be reduced to class inequality, class relations nevertheless play a decisive role in shaping other forms of inequality'. The challenge, states Wright, is 'to sort out the complex interplay of racism and class relations, not to absorb the former into the latter'. In other words, the important question is the bearing one has on the other, and where, and in what form, contradictions take place.

¹⁹³ Patriarchy is defined here as 'a set of social relations between men, which have a material base, and which though hierarchical, establish or create interdependence and solidarity among men that enable them to dominate women' (Hartmann 1981, pp. 14-15).

¹⁹⁴ The idea that patriarchal 'class' relations between men and women cut across the system of capitalist class relations.

¹⁹⁵ To support this view, one could argue that as patriarchy pre-dates capitalism, it is only logical that the two should receive separate analyses. This is not to ignore the fact that the sexual division of labour may take specific forms in different modes of production (Game and Pringle 1984).

By accepting the significance and relative autonomy of the various non-class bases of association, it does beg the question, however, as to how contemporary Marxists can still insist upon the primacy of class. The likely response from the majority of neo-Marxist theorists would be that, in the final analysis, it is control of the means of production which remains the most basic source of power in society. Thus, whatever the goal of political struggle, these struggles will ultimately be looking to restructure access to, and control of, the means of production. In this sense, therefore, political struggle must assume a class form. But as Burris (1987, p. 78) points out, this defence of the primacy of class is roundly rejected by Weberians on the grounds that access to material resources is not necessarily more important than access to political or ideological resources. This is the third distinction between the Marxist and Weberian theories of class identified by Burris (1987); namely, that for Marx, the essential logic of class relations and class conflict is one of exploitation, whereas for Weber, it is domination.

For Weber, authority may be traditional, it might be legal, it could be the result of charisma, or some combination of these factors. The important point to note, however, is that whatever the reason for the existence of authority, when it is exercised, while it may be to exploit the labour of others, it might equally be a result of a desire for the social prestige it brings, or it might be exercised purely for its own sake. The point is, that domination is conceived as an end in itself, with its own independent force and logic. Exploitation is but a subset of the more general phenomenon of domination. For Marx, on the other hand, domination is an important variable in class relations, but only in the sense that it is a vehicle for exploitation. As Val Burris puts it:

Relations of political and ideological domination are secondary in the sense that they arise either as a means of securing the conditions for exploitation (as in the laws that guarantee the rights of private property), as a means of realising or intensifying the degree of exploitation (as in the various forms of capitalist domination over workers at the point of production), or as a means of stabilising and reproducing the

relations of exploitation (as in the powers that capitalists exercise through the state, the media, etc.).

(Burris 1987, p. 79)

It is along these lines that this thesis proceeds. Non-economic practices (in particular, political and ideological domination) are of critical significance to the functioning and transformation of class society, but it is difficult to conceive of a situation where power is exercised for power's sake as the Weberian theorists contend. The neo-Marxist position, as stated earlier, is that whatever the goal of political struggle, ultimately, access to and control of the means of production are what really matter. Inequalities may be identified according to ethnicity, race or gender, or even kinship or birthright, but in the final analysis, without a restructuring of access to, and control of, the means of production, the conditions for exploitation will persist, and the inequalities will remain.

As it was pointed out in section 4.2, the problem for contemporary Marxists has been how to conceptualise exploitative relations when, with the growth of middle classes, many people are in class positions which are objectively contradictory. Managers control without ownership, the petty bourgeoisie may own property but not employ any labour, skilled workers may exercise a sizeable degree of control over their labour, and so on. Wright's answer was to come up with a case for the existence of multiple strands of exploitation. What his principal assets model suggests is that the fundamental division is still that of ownership or non-ownership of the means of production, but this ownership is cross-classified with other productive assets — organisational assets and skill/credential assets. Importantly, a disproportionate share of one (or both) of these assets allows a worker, through the mechanism of market exchange, to exploit the labour of other workers, while they are simultaneously exploited by capitalists (Wright 1985). This is an important development because it represents a tacit acknowledgement of the Weberian belief in the importance of

market relations. The orthodox Marxist position is that class divisions are rooted in the social relations of production.

This is the fourth and final distinction between the Marxist and Weberian theories of class identified by Burris (1987). For Marx, classes are an expression of the social relations of production, whereas Weber conceptualises classes as common positions within the market. Many contemporary Marxists would likely still defend the primacy of production relations over market relations, but there is considerable doubt over this if one accepts the arguments put forward by Roemer (1982) and Wright (1985), that class relations are defined in terms of exploitation rather than domination. If this is the case, then market relations must, by definition, be elevated in importance because it is only in the marketplace that skill/credential or organisation-asset exploiters appropriate a surplus (Wright 1985, p. 81).¹⁹⁶

4.5 Analysing class and inequality in Singapore

As it was noted in Chapter 1, the class structure in Singapore is not easily summarised on account of the fact that class formation in Singapore has occurred along lines rather different from those in Western Europe, for example. The major axis of reference is the capitalist sector, but given the autonomy and influence of the state in Singapore, it would be fatuous to treat this sector as a subset of the capitalist sector.

Roemer (1982, pp. 70-82) argues that on the basis of ownership of assets and sale of heterogeneous labour, there are five classes. Of these, the pure capitalist class and the propertyless working class are clear extremes. The traditional

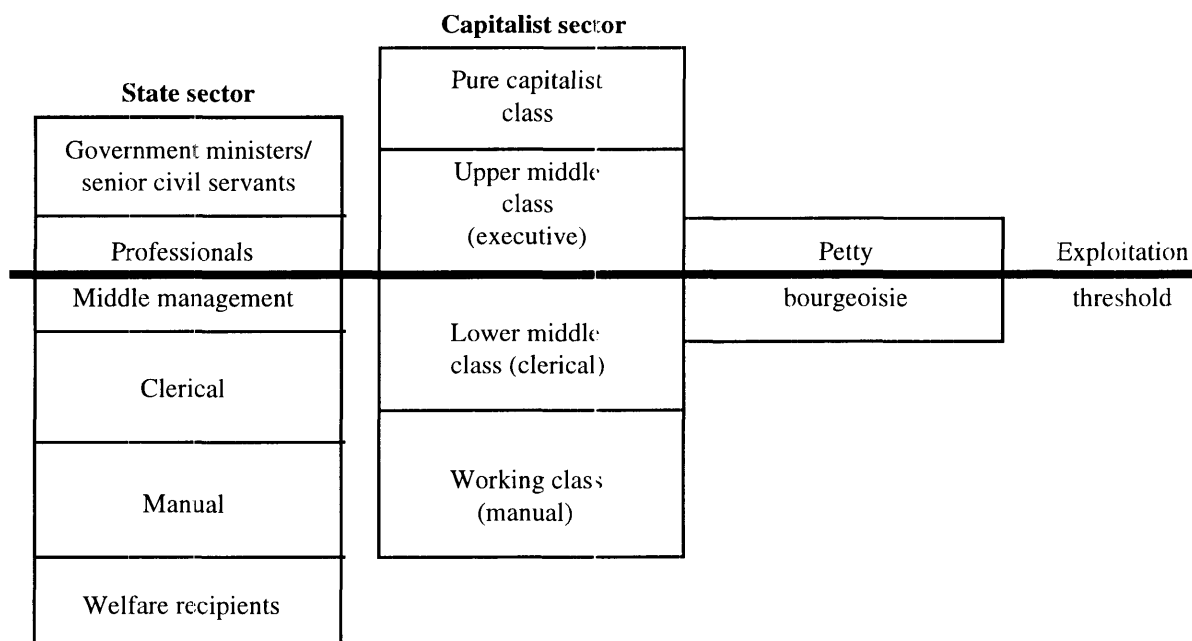
¹⁹⁶ This is clear from Roemer's definition of exploitation which states that 'an agent is exploited when the amount of labour embodied in *any* [original italics] bundle of goods he could receive, in a feasible distribution of society's net product, is less than the labour he expended. Similarly, an exploiter is one whose revenues unambiguously command goods embodying more labour time than he worked (Roemer 1982, p. 122).

petty bourgeoisie then provide a mid-point on the exploitation scale, separating an upper middle class (a group with sufficient assets and control to be identified, on balance, as exploiters), from a lower middle class (a group with some assets and autonomy but, on balance, exploited).

It is useful, however, to conceive of the state sector as a secondary axis of reference, and consider a matrix of class differentiations on the basis of organisational and skill/credential assets. At the top are government ministers and senior civil servants, who are on a par with the upper middle class, and may partially overlap the pure capitalist class. Below these, in descending order, are professionals, middle managers, clerical staff and manual workers. Right at the bottom are the unemployed and other welfare recipients; the group in society which is not exploited in the traditional Marxist sense (through labour transfer), but which is materially worse off than the lowest class of workers. In this instance, their exploiter is the state which oversees and controls the allocation of welfare benefits, which (to use Roemer's terms) amounts to possession of less than the per capita share of assets.

The two hierarchies may be held together by the recruitment of top decision makers and senior managers from families in the pure capitalist class and/or elite educational institutions, and the existence of credentialed groups like expert managers who can move between state and capitalist sectors. Meanwhile, a profession like teaching, for example, which falls primarily within the state sector, will lag behind professions like accountancy and law which have extensive private sector roles. A schematic structure of class positions is shown in figure 4.3.

Figure 4.3 Relations between class positions in capitalist society



(Adapted from Hamnett *et al*, 1989, p. 91)

This structure illustrated in figure 4.3 is versatile in the sense that it could apply to any capitalist society; the balance between sectors varying in accordance with the respective histories, cultures and class struggles of different societies. In the case of Singapore, it is an especially useful framework for analysing class structure, given the high profile of the state sector in this country, and the position of what might be described as the 'technocratic class', in particular. In short, inequality in Singapore is class generated in the same way as it is in other capitalist societies. The clerks and office cleaners of the working class are exploited by the managers and accountants of the middle class, who themselves are exploited by the owners of capital and the government technocrats of the upper class.

Not everyone is persuaded by this approach, and there is a growing band of post-modernist theorists who argue that classes are dissolving and that most

advanced capitalist societies are no longer class societies. This group is scornful of class theory because of what they identify as its inherent economic reductionism. Pakulski and Waters (1996), for example, are representative of this view.¹⁹⁷ Commenting on the evolution of theories of the class structure, they argue that the process has been one of ‘intellectual gyrations’, ‘rhetorical claims’ and ‘complex elaborations’, and beyond the early capitalist period, class theory fails to explain inequality (Pakulski and Waters 1996, pp. 44-45). This is a position strongly opposed in this thesis for a number of reasons.

First, the post-modernists claim that class theory is incapable of incorporating the power and interventionist aspirations of the state because of the centrality of the relations of production. Citizens’ rights, they argue, restrain the impact of social class by legal restriction, civil rights, broad enfranchisement, and the extension of welfare entitlements (Pakulski and Waters 1996, p. 45). However, as the preceding discussion has argued and as the following chapters will demonstrate, a neo-Marxist approach to class is not only up to the task of incorporating the role of the state, it also dispenses with the notion that the existence of citizens’ rights should somehow disqualify class theory as a tool of analysis. In Singapore, the state is highly instrumental in ensuring that class divisions remain firm.

A second justification for the rejection of class theory according to the post-modernists is that organisational complexity, bureaucratisation and the increasing division of labour, have elevated the standing of education, knowledge and skills, none of which can be reduced to production relationships. But as the discussion in this chapter makes clear, neo-Marxist class theory has addressed this development. Furthermore, there is no place for the sanguine assumption that the ‘distribution and acquisition of education have become increasingly autonomous relative to class location’ (Pakulski and

¹⁹⁷ Also, see, for example, Clark *et al* (1993), Crook *et al* (1992), Clark and Lipset (1991), Pahl (1989) and

Waters 1996, p. 45). As the case study of Singapore will reveal, despite the authorities' professed attachment to meritocratic principles, educational opportunity is highly dependent on one's class location (see Chapter 6).

Finally, the post-modernists contend that class theory ignores the 'salience of ethnicity, race, gender, lifestyles and consumption patterns' (Pakulski and Waters 1996, p. 45). Once again, while cultural factors have an epiphenomenal rather than salient status, this is something adequately accounted for within a neo-Marxist approach. As Chapter 6 will reveal, the ruling class in Singapore makes good use of non-class factors to ensure that the conditions for exploitation persist, and that inequality remains.

In summary, inequality in Singapore is best understood in terms of the neo-Marxist analysis of class. Social structure is central to this analysis, but crucially, it is the human agency within the PAP-state that is instrumental in protecting the interests and capacity for action of contending social classes. As the discussion in Chapter 2 has demonstrated, the economic history of Singapore shows the formation of these classes to have been a complicated process. This, however, is quite consistent with the neo-Marxist conception of class. Structural factors are fundamental, and it is the influence of human agency which explains the variance in the patterns of societal developmental between nations. Class structure itself does not generate a unique pattern of class formation — this is the foundation. What kind of formation is built around this foundation depends upon the specific historical circumstances of a society.

At the beginning of this chapter it was noted that the study of social class is not synonymous with the study of inequality. This is also consistent with the neo-Marxist approach. Contemporary Marxists continue to defend some notion of the primacy of class relations, but they are not class reductionists. There is

Harvey (1989). The seeds of the debate go back to Nisbøt (1959).

inequality in Singapore arising from race and gender and this receives a great deal of attention within Singapore.¹⁹⁸ But it is not necessary to incorporate race and gender into the class paradigm. Although intimately linked to capitalism, racism and sexism require separate analyses. Class relations do play a decisive role in shaping race relations and gender relations, but this does not mean that the latter should be absorbed into the former. In analysing inequality in Singapore, the important point is to examine the interplay of racism and sexism with class relations. This will be a feature of the discussion in Chapters 5 and 6, but at this juncture it is worth noting that the neo-Marxist position is simply that no matter how inequality manifests itself, ultimately, without a restructuring of access to, and control of, the means of production, the conditions for exploitation will persist, and inequalities will remain.

The neo-Marxist conceptualisation of exploitative relations is highly appropriate for the analysis of the Singapore political economy. In recent years, there has been plenty of commentary on the authoritarianism of the PAP Government, but comparatively little on the exploitative nature of this authoritarianism. That the PAP dominates life in Singapore is beyond question, but it is erroneous to conceive of this domination as an end in itself. As Chapter 6 will demonstrate, domination is an important variable in class relations, but only in the sense that it is a vehicle for exploitation. In short, the hegemonical rule of the PAP-state is of secondary importance in the sense that it secures the conditions for exploitation.

For classical Marxists exploitation is rooted in the social relations of production, but as the discussion earlier in this chapter has revealed, this is problematic when people are in class positions which are objectively contradictory. The trend in recent thinking among contemporary Marxists, therefore, is to broaden the focus of their analysis to devote greater attention

¹⁹⁸ Cursory reading of the *Straits Times* supports this. There are frequent references to the plight of female guest

to the social relations of the marketplace. As will be evident from the nature of the discussion in Chapter 5, this is a trend formally acknowledged in this thesis with respect to Singapore.

Chapter 5:

The Dimensions of Socio-Economic Inequality in Singapore

'Equality' possesses more than one meaning, ... On the one hand, it may affirm that men are, on the whole, very similar in their natural endowments of character and intelligence. On the other hand, it may assert that, while they differ profoundly as individuals in capacity and character, they are equally entitled as human beings to consideration and respect, and that the well-being of a society is likely to be increased if it so plans its organisation that, whether their powers are great or small, all its members may be equally enabled to make the best of such powers as they possess.

R.H. Tawney (1964, pp. 46-47).

5.1 Introduction

Matthew Arnold, writing at the turn of the century, believed the shortcomings of British society were due to its 'religion of inequality'. The 'great inequality of classes and property' he wrote, had the 'natural and necessary effect' of 'materialising' the upper class and 'brutalising' the lower class (Arnold 1903, p. 87). This insightful comment, as appropriate now as it was then, provides a useful introduction to any survey of inequality because it communicates that inequality is inherently relational, that the deprivation and powerlessness of one group is but a necessary consequence of the endowment and power of another.

The social relations of inequality do not by-pass those who fall between the upper and the lower classes. Arnold also noted that inequality had the effect of 'vulgarising' the middle class; that in its striving for a more privileged position in society, and the trappings that go with it, the *nouveau riche* are generally untroubled by the plight of others, especially if there is a possibility that showing concern might adversely affect their own position in society. This is a

very real phenomenon in Singapore, and is something covered in more detail in the chapter that follows. In this chapter, however, the focus of discussion is the experience of those individuals located in the upper echelons of Singaporean society and how this experience relates to that of the least privileged.

Importantly, in contrast to the orthodox approach described earlier in this thesis (see section 3.5), the discourse here will examine aspects of inequality which are not readily amenable to quantitative measurement. Inequality is conceived of in distributional terms and, to this end, consideration is given to empirically measurable types of inequality, but while the analysis of the neo-classical economist would end here, the analysis of the political economist does not. Put simply, while empirically measurable types of inequality are useful, it is important not to lose sight of social class behind the 'income brackets' and 'deciles', or treat class simply as aggregates of occupations. As the discussion in the previous chapter made clear, inequality is the expression of a social relation as well as a pattern of distribution. The distributional concept of inequality is rooted in survey work. By contrast, the methodological orientation of class theory emphasises the relational nature of inequality, where, paradigmatically, the subordinate position of one class is the necessary condition of the advantaged position of another. The two concepts are not incompatible; the former assists with the description of inequality, the latter with its explanation.

The emphasis in this chapter, therefore, is on the way in which inequality works in Singapore, not just in terms of distribution of income and wealth, but in terms of opportunity and access to resources. It will be concerned to show how this inequality is an outcome of relations between social groups; relations characterised by conflicts of interests and the unequal distribution of economic and political power. That is, it will show how the poor are the victims of their

relation to the powerful and the privileged, who are able to realise their interests at the expense of those of the poor.

In summary, this chapter goes beyond the narrow neo-classical definition of inequality to present evidence which shows that, counter to claims made by the World Bank and others, capitalist development in Singapore is not producing a more equal society. The following section will examine the ways in which inequality is ‘materialising’ the upper class; how it is benefiting from wealth effects, from the restructuring of the economy which has significantly altered pay differentials, and from the Government stance on civil service and ministerial salaries. This is followed by a section examining the ways in which inequality is ‘brutalising’ the lower class; how it is adversely affected by low wages, the increasing cost of living, and by a government ideologically opposed to the notion of a welfare state.¹⁹⁹

In surveying this evidence, there is an implicit consideration of the ideological and political determinants of inequality in Singapore. These other dimensions of inequality (which are given more explicit treatment in Chapter 6) cannot, ultimately, be understood independently of economic inequalities but neither can they be treated as the unmediated consequences of them.

5.2 At the top...

Anyone visiting Singapore is immediately confronted with some quite obvious shows of wealth; the modern-looking condominiums, the sleek Mercedes-Benz cars and the lavish shopping centres. However, this is the perception. Visibility is one thing, its measurement another. Wealth, and change in its distribution, is

¹⁹⁹ The rationale for the PAP’s ideological opposition to a ‘Western-style’ welfare state is discussed in more detail in the chapter that follows. Nevertheless, it is worth pointing out at this early stage that the PAP tends not to discriminate between the welfare state of one country and that of another, despite the fact there may be considerable differences in the pattern of social expenditures, and the fact that some of these expenditures are quite similar to its own (in the area of public housing, for example).

notoriously difficult to monitor, not least because of the paucity of statistics that are available to social scientists. This has been the lament of generations of researchers looking to examine the pattern of inequality in one society or another, and many opt, instead, to concentrate on the statistics that are readily available, *viz.* data on wages and salaries. The problem with this approach is that it inevitably understates the degree of inequality. In short, it ignores the fact that people with an appreciably large amount of assets are in a position to arrange their current expenditures without strict regard to their incomes. As Lydall and Tipping have noted:

This freedom of manoeuvre is important not only to those who persistently overspend their incomes but also to that much larger class of persons who are able to use their capital to finance heavy temporary expenditures — such as on the education of their children — which may be of great long-term importance in maintaining their (or their children's) standard of living and status in society. Wealth gives power; indeed, it gives more power than income, because it is largely free of current commitment (and of current taxation).

(Lydall and Tipping 1973, p. 243)

At this juncture, it is appropriate to note that, despite their limitations, the available indicators would seem to point to a rapid increase in wealth in Singapore without the same rate of increase in its dispersal. Wealth can, of course, take many forms, but an examination of the general trends with respect to the Singapore stock and property markets is instructive, because these are assets which are held mostly, but not exclusively, by the upper classes.

According to a recent survey, around 16 per cent of Singaporeans own shares,²⁰⁰ a group that is likely to have benefited considerably from the huge growth in East Asian stock markets and the Singapore market in particular. Ariff and Johnson (1990, p. 26) document that the share market grew from S\$13.2 billion in 1973 to around S\$136.4 billion in 1989 (an increase in size of

²⁰⁰ This was a finding of the 1992-93 Household Expenditure Survey. See 'Survey shows Singaporeans to be an asset rich lot' in the *Business Times*, 23 April 1993, p. 2.

more than 1000 per cent in nominal terms). A more recent study shows that between 1985 and 1991, for example, activity in the Singapore share market was such that annual turnover (as a proportion of GDP) increased from 24 per cent to 89 per cent (Asian Development Bank 1993, p. 49). In June 1995, the market was valued at around S\$221.76 billion, 63 per cent higher than its value in 1989, despite the fact that Malaysian shares were delisted in 1990.²⁰¹

As for property, all types have experienced large price increases. Indeed, the rising cost of public housing provoked the most intense debate among the members of the CRC.²⁰² However, it is the price of the larger HDB flats and private property that has increased most dramatically in recent years. Between 1988 and 1992, the average price of an 4-room 'model A' flat increased by 59 per cent (from S\$65,021 to S\$103,387), the average price of a 5-room 'improved' flat went up by 79 per cent (from S\$80,098 to S\$143,400), while the average price of an executive apartment rose by 97 per cent (from S\$114,216 to S\$224,960) (Republic of Singapore 1993a, p. 53). In the same period, the average price of residential private property as a whole increased by about 80 per cent. The CRC did not produce any detailed data on private property prices, but there was some concern that prices may be pushed up further because of a 'spate of speculative activity in the private residential property market' (Republic of Singapore 1993a, p. 63). On the basis of indices produced by the Urban Redevelopment Board, it would appear as though these fears were well founded. Over 1993-94, the average price of all private property went up by 84 per cent, but it was at the upper end of the market where prices increased most dramatically. In this two-year period, semi-detached houses increased in price by 107 per cent while the price of detached houses went up by 152 per cent (Republic of Singapore 1995a, p. 128).

²⁰¹ Some 130 firms (constituting around 40 per cent of capitalisation in Singapore) switched to Kuala Lumpur at the instruction of the Malaysian authorities, (personal communication with Mohamed Ariff, 21 September 1995).

²⁰² See Fernandez (1993).

Another interesting statistic (especially in the light of rapidly increasing property prices) is the number of HDB households that now own private residential properties. In 1993, 10,134 households (1.7 per cent) owned property other than their private residence. Of this group, 33.5 per cent owned apartments, 20 per cent terraced houses, 4.8 per cent semi-detached houses, 1.9 per cent detached houses/bungalows, 0.5 per cent shop-houses, and 39.3 per cent property outside Singapore (mostly in Malaysia and China) (Republic of Singapore 1995b, pp. 61-62).²⁰³

The above data are instructive because, as the discussion in the previous chapter noted, the ownership of saleable assets is one of the characteristic forms of exploitation within a capitalist system (Roemer 1982, pp. 12-23). If one group has an excessive share of these assets, this rules out the possibility of equal bargaining in commodity, credit and labour markets, which creates the conditions for exploitation.

While wealth is the most obvious determinant of one's position in society, a second factor of some significance is knowledge. According to the neo-Marxist analysis of class, the uneven distribution of skills and credentials constitutes another basis for exploitation. Indeed, it is probably fair to say that knowledge is becoming an increasingly important determinant of power as societies enter the technological age, when skills and know-how constitute the most important element of one's earning potential.

Singapore is an economy entering this phase of capitalist development, not least because the Government is making a determined effort to position the country as the leading high-technology service economy in the region (see Williams

²⁰³ The author has not been able to procure data that would put these figures into historical context. The HDB report cited here draws on the Sample Household Survey (SHS) for 1993, and makes reference throughout to the

1996). Like other nations at the same level of development, the pace of technological change is being matched by the rate at which the income gap is widening in favour of skilled technicians and managers. A disaggregation of average basic monthly wages by workforce category (but especially occupation, which show the differences to be even more pronounced) reveals this phenomenon. Table 5.1 provides an indication of the progress made by selected occupations characterising the various echelons of a typical firm, particularly within the commercial and business sectors, which have been the fastest growing over the last decade (Republic of Singapore 1994a, p. 7).²⁰⁴

Table 5.1

MEAN MONTHLY BASIC PAY (S\$)									
FOR SELECTED OCCUPATIONS 1986-1993²⁰⁵									
	1986	1987	1988	1989	1990	1991	1992	1993	% change 1986-93
Administration manager	3124	3146	3246	3482	3610	3644	3860	4132	32
Accountant	2535	2839	2926	3063	3164	3540	3501	3638	44
Clerical supervisor	1454	1425	1483	1515	1578	1476	1539	1568	8
Office clerk	786	776	808	867	938	903	932	987	26
Office cleaner	433	393	405	412	450	560	576	552	27

(Republic of Singapore, various years, *Report on Wages in Singapore*, Ministry of Labour.)

last SHS in 1987 for the purpose of comparison. As there is no such comparison in this instance, one might surmise that the ownership of a second property is a comparatively recent phenomenon.

²⁰⁴ The basic wage refers to payment before income tax and CPF deductions. It is also worth noting that these figures exclude all forms of bonus payments which have a tendency to be larger and more frequent in the upper echelons of the work-force.

²⁰⁵ Data is not available in this format prior to 1986.

Analysis of these statistics show that in absolute and relative terms, the gap between the skilled and the non-skilled is widening. Between 1986 and 1993, the average salary of an accountant increased by 44 per cent and that of an administration manager increased by 32 per cent, whereas the pay of an office cleaner increased by 27 per cent and an office clerk by 26 per cent over the same period. However, pay relativities will differ according to the base year used and the period under consideration. Of more interest (especially to those receiving the wages) is the income gap in absolute terms. In 1986, an administration manager earned, on average, S\$2691 more each month than an office cleaner. By 1993, this pay differential had increased to S\$3580. Another interesting observation is that in the case of the lesser skilled supervisors, clerks and cleaners, their average remuneration dipped in the aftermath of the 1985-86 recession. This is not so in the case of the skilled administration managers and accountants.

While it is possible that a different picture could emerge if an alternative cross-section of occupations were observed, it would be difficult to argue that this case study is atypical of the general trend. Table 5.2 which shows household income by flat type rather than occupation supports this assertion. In relative terms, the mean monthly income of the poorest households (1-room flats) increases between 1987 and 1993 by 44 per cent, which is comparable to the richest households (the Housing and Urban Development Corporation (HUDC) dwellers).²⁰⁶ In absolute terms, however, the gap between the two household types has widened significantly. In 1987, the average monthly income difference between rich and poor household was S\$4211. By 1993, this gap had widened to S\$6057. In short, to match the poor household's dollar increase in income over the period, the income of the rich household would have had to increase by only 7 per cent.

²⁰⁶ The HUDC is a statutory board which caters for the needs of the middle class (Minchin 1990, p. 249).

The existence of widening income gap should be of no surprise to those who subscribe to neo-classical marginal productivity theory. Those individuals producing a higher marginal revenue product will receive higher remuneration for the supply of their labour than those producing a lower marginal revenue product, and in an age when the creation of wealth has become so contingent on knowledge-intensive industry, the income gap between the skilled, educated workers and the unskilled, less educated workers is becoming more pronounced.²⁰⁷ It should also come as little surprise to those who place more emphasis on social structural factors. As this thesis aims to demonstrate, the ruling authorities in Singapore are quite comfortable with inequality. In a society supposedly driven by meritocracy, there are frequent reminders to upgrade one's skills or be left behind,²⁰⁸ but nothing is done to undermine the structure of class relations. In other words, it is acceptable for the least well-off to earn more, but it must not be at the expense of those in the upper echelons of society.

Table 5.2

MEAN MONTHLY HOUSEHOLD INCOME (S\$) BY FLAT TYPE (1987 AND 1993)			
Flat Type	1987	1993	% change 1987-93
1-room	768	1102	44
2-room	987	1348	37
3-room	1237	2043	65
4-room	1805	2733	51
5-room	2769	4042	46
Executive	3483	5239	50
HUDC	4979	7159	44

(Republic of Singapore 1995b, p. 54.)

²⁰⁷ Non-professional middle-management fall within this latter category. Witness the trend with respect to clerical supervisors' pay in table 5.1, for example.

²⁰⁸ This was a point that was emphasised in the CRC report. Also see, for example, 'When jobs avoid the unskilled' in the *Business Times*, 17 August 1993, p. 26, and 'Do more to train and retrain unskilled workers' in the *Straits Times*, 14 March 1995, p. 17.

A recent labour force survey shows that close to 40 per cent of the working population earn a gross monthly salary of less than S\$1000, while just over 3 per cent earn S\$6000 or more (Republic of Singapore 1994a, p. 71). Although this presents quite a striking contrast, the latter statistic disguises the fact that Singapore business executives are among the highest paid in the world. Indeed, Employment Conditions Abroad Limited (ECA), a non-profit making body which provides information on salary costs to its 700 member companies operating in 150 countries, published statistics in 1992 that showed Singapore managers ranked fourth among the 24 countries surveyed, ahead of Australia, New Zealand and the United Kingdom.²⁰⁹ More recently, a report has shown Singapore's senior managers to be the third highest paid in the world after Tokyo and Hong Kong. Their gross salaries, which averaged S\$186,813 (US\$133,744) in 1994, were 11 per cent higher than those earned by their counterparts in Paris, almost 50 per cent higher than those in London, and 66 per cent higher than senior managers in Sydney. The figures (which did not consider expatriate salaries) were originally produced in the June 1995 issue of *Intersect Japan-Asia*, a publication of the PHP Institute of Asia, and were republished in *NTUC News Weekly*, the magazine of the National Trades Union Congress. Elaborating on the original article, the NTUC calculated that, in terms of purchasing power, Singapore's senior managers ranked second after their counterparts in Hong Kong.²¹⁰

Few commentators have given consideration to the earning power of Singapore's élite, although Noeleen Heyzer, writing in 1983, did draw attention to the pattern of employment in Singapore and its ramifications for social stratification. Making reference to the preponderance of foreign enterprise in Singapore and the bureaucratic network that has grown up

²⁰⁹ Reported in Tan S. S. (1993, p. 27).

alongside it, she describes how a technocratic élite has been formed by senior civil servants ‘given power positions in the new industrial bureaucracy’, and by ‘professionals, particularly economists and social scientists, seen to have a stock of national, transnational and scientific knowledge regarded as useful for the country’s developmental efforts via the multinational corporations’ (Heyzer 1983, p. 116). While Heyzer does not go into details with respect to the proportion of the population that fall into this category and the rewards that come their way, she does comment on the inter-generational mobility in these positions, and how this is highly visible because of the country’s small population (1983, p. 120).

This phenomenon, referred to as ‘status exploitation’ by Roemer (1982) (see Chapter 4), is documented in the work of another author who has had cause to reflect upon the position of the powerful and privileged in Singapore. Although the primary focus of his work is to theorise the workings of the state enterprise system (which is not strictly relevant to the context of this study), Vennewald (1994) produces some very useful data in terms of the number of people occupying positions of influence in Singapore.²¹¹ Importantly, his empirical research corroborates Heyzer’s point about the powerful role of senior civil servants in Singapore.

Vennewald begins by explaining why the state enterprise system has assumed such importance and how, essentially, it is a product of the PAP’s quest for political survival, or, more precisely, the survival of Lee Kuan Yew and the group of professionals around him. He makes the point that the political leadership in Singapore ‘created’ the state enterprise system without entering into alliances with other strategic groups, and in contrast to the likes of Burma

²¹⁰ See ‘Singapore senior managers 3rd highest paid in world’ in the *Straits Times Weekly Edition*, 17 June 1995, p. 3. Interestingly, the same study shows the wages of middle-level and junior managers to be more modest by international standards.

²¹¹ Vennewald’s sources are wide and varied, but much of the information stems from Temasek Management Service and Datapool Pte. Ltd (see Vennewald 1994 for details).

and Vietnam, it has managed the system in accordance with Western entrepreneurial standards. This state of affairs arose, according to Vennewald, out of the belief that state enterprises could play a 'catalytic and pivotal role' in the economic development of the country, but also out of political considerations. In short, the PAP leadership did not want to be completely beholden to foreign capital, nor did it wish to align itself with local capital (1994, p. 18).

Vennewald argues that the decision not to enter into an alliance with the local Chinese bourgeoisie was based upon the perception that the latter would be 'unable to adjust their traditional short term investment habits away from trade towards long term investment [in] industrial production' (1994, pp. 18-19). Subsequent to this, the assumption was that the Chinese-educated business class would be hostile towards the English-educated professionals, and a group that should not be provided with any political power.²¹² Given this scenario, the PAP leadership felt compelled to develop their own economic resource base, and this they did by setting up the state enterprise system (1994, p. 16).

The state enterprise sector has grown considerably since its inception in the early 1960s. The statutory boards have become huge concerns, which collectively produce large operating surpluses that constitute a significant contribution to the government budget. In terms of total assets, the largest 15 statutory boards had, by 1991, accumulated wealth valued at more than S\$97 billion, up from around S\$22 billion in 1980. Meanwhile, the so-called government-linked companies (GLCs) have also experienced tremendous growth. At the end of the 1960s, 47 such companies had been established with assets totaling S\$220,048 million. By 1972, the ranks of GLCs had swelled to 183 with assets worth S\$969,600 million, by 1983 there were 450 companies

²¹² Vennewald might also have made the observation that as the PAP came to power on the back of the trade union movement, there was unlikely to be a natural allegiance with local capital.

worth S\$6.5 billion, and by 1990 the number had climbed to 566 with assets worth S\$10.6 billion (Vennewald 1994, pp. 20-29).

These statistics have to be viewed in the context of the original plan where the state was to withdraw its participation once private investors were in sufficient supply to take over the responsibility.²¹³ It is true that many of the so-called government-linked companies (GLCs) are partially rather than wholly owned government companies, but in practice the distinction is purely academic because as Vennewald (1994, p. 24) points out, irrespective of its shareholding, the Government ultimately retains control of these companies. Thus, while these companies may give the appearance of being at least ‘quasi-private’, the reins of power rest with the state, or more precisely, a small group of ‘technocratic mandarins’ anointed by the PAP leadership.

It is here that the data compiled by Vennewald becomes of relevance to this study, his research findings demonstrating that power in the state enterprise system is vested in the hands of relatively few individuals. By disentangling a complex web of interlocking directorships, Vennewald is able to show that around 47 people control approximately 600 state enterprises — the economic equivalent of half the assets of the local economy and more than half of its realised profits (1994, p. 59).²¹⁴

Vennewald identifies several ‘rings of control’, the first and most important of which is the Directorship and Consultancy Appointments Council (DCAC). Established in 1971, DCAC (made up of ministers and top civil servants)

²¹³ Vennewald (1994, p. 25) refers to the Economic Development Board (EDB) Annual Report for 1966 which noted that it was the EDB’s intention to divest itself of equity participation as soon as a suitable private purchaser was willing to take over the Board’s commitment.

²¹⁴ It should be noted, however, that this data does not extend beyond 1991. As Vennewald himself observes, there was a strong upward trend in the growth of GLCs at the time his research was being conducted (1994, p. 27), and given the rapid turnover of personnel within the state enterprise (1994, p. 44), this data becomes quickly outdated.

constitutes the executive arm of the even more powerful Co-ordinating Board chaired by the Prime Minister. The main responsibility of this Council is to appoint the directors and chairs of the GLCs and decide their fees.²¹⁵ The second ring of control rests with the ministries. Most of the GLCs are controlled by the Ministry of Finance as the four Government holding companies (Temasek-Holdings, Singapore Technology Holdings, MND-Holdings and the Singapore Health Corporation), along with their 396 companies and 1550 directors, are answerable to the Minister of Finance. Similarly, the companies of the statutory boards are controlled by the ministers they fall under. The third ring of control lies with the directors of the four holding companies, who represent the link between the latter and the so-called first-tier companies. Nearly all of them are to be found on the boards of the largest GLCs. A fourth ring of control sits with the directors of the first-tier companies, who are also directors of second- and third-tier companies (Vennewald 1994, pp. 30-41).

Vennewald's close scrutiny of these various spheres of influences reveals that, at the time of his research, there were 13 people within the second and third rings of control whose overlapping directorships linked the most important statutory boards, the holding companies and the large GLCs. This group, according to Vennewald, commands the trust of the DCAC and the Prime Minister, and forms the main subset within a group of 42 technocrats whose influence extends to some 332 GLCs and 13 statutory boards in Singapore (1994, p. 42-47). He then goes on to document how, if anything, there is a trend towards increasing concentration of control and power. 'More directors are in control of more directorships. In 1991, 15.2 per cent of all GLC directors had three or more directorships (*cf.* 1971, 12.8 per cent; 1988, 13.1 per cent). On average each of these 138 directors (*cf.* 1971, 24; 1988, 69) had

²¹⁵ Vennewald notes that very few people are aware of the existence of DCAC, including journalists at Singapore's *Business Times*. None of the people he interviewed could say for sure which individuals sat on the Council (1994, p. 68).

5.8 directorships (*cf.* 1971, 3.9; 1988, 5.2). More directors also hold more than 10 directorships. In 1971, only one held more than 10 ... whereas in 1988 there were 3 and by 1991, only three years later, the number had risen to 21' (Vennewald 1994, p. 50).

As the discussion below will reveal, the people that Vennewald identifies are among the super-rich in Singapore. It is an unusual group in that there can be few public servants in the world whose earning capacity is quite as great, but considering the power and influence that these leading technocrats wield, and given the PAP leadership's strong commitment to meritocracy, it is most unlikely that they will go about their daily business and do so purely out of loyalty to their country. Vennewald produces no data on remuneration packages, but as it will be shown shortly, high salaries are integral to the smooth functioning of this system.

Vennewald does comment, however, on the secrecy that surrounds the operation of the state enterprise sector, whereupon it is virtually impossible to determine the exact magnitude of the financial compensation that these technocrats receive for their services. Parliamentary control of statutory boards and GLCs is minimal. Ministers have the right to appoint directors to the statutory boards, the power to approve capital expenditure and the capacity to issue directives, but while Members of Parliament have access to the annual reports and are allowed to question ministers about their content, the latter are not obliged to respond. In addition, all the Government holding companies are exempt from filing reports and accounts with the Registrar of Companies. Meanwhile, as Lawrence *et al* (1982, p. 8, cited in Vennewald 1994, p. 31) have noted, judicial control is even weaker than parliamentary control as there exists a 'blanket immunity of the corporation(s) and its employees from any defamation or libel suits on loss or damage caused as a result of error, omission or inaccuracy'. The end result is that little is known about the day-to-

day operations of these institutions, and the remuneration received by their directors.²¹⁶

Of late, however, the Government has been a lot less circumspect about the fees its top officials can expect to command. Starting in late 1993, there has been a very public debate (by Singaporean standards) over what constitutes a 'fair day's pay' for Singapore's ministers and senior public officers, largely because of a growing perception on the Government's part that there is a shortage of 'quality people' prepared to enter public life. In fact, the debate has been so public that the Government took the unprecedented step of citing Inland Revenue Authority of Singapore (IRAS) data on the earnings of Singapore's top professionals in an attempt to bolster its argument.

In December 1993, following a revamping of the pay scales for ministers and civil servants, which saw those at the top end receive an increase in their monthly salary of around 20 per cent (compared to an increase of 6 per cent for those at the lower end),²¹⁷ with some superscale officers now having the opportunity of picking up an extra half year's pay 'on merit',²¹⁸ Prime Minister Goh Chok Tong expressed concern over the number of people electing to leave public office, and the problems he was experiencing persuading potential successors to take up the challenge. To this end, he explained that the pay rises were an attempt to make public service more attractive *vis à vis* the private sector. On the issue of the diminishing size of his Cabinet, Goh stated that: 'If

²¹⁶ The Statutory Bodies and Government Companies (Protection of Secrecy) Act introduced in 1983 (and amended five times since) states in Chapter 319, Section 3, Subsection (1) and (3) (1987) that: 'No person who is or has been a member, officer, employee or agent of a specified organisation shall, without authority of that organisation, disclose to any other person any secret or confidential document or information which he has obtained or to which he has access by virtue of his position as such a member, officer, employee or agent. ... Any person who contravenes subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$2000 or to imprisonment for a term not exceeding one year or to both.' (Cited in Vennewald 1994, p. 67.)

²¹⁷ Those at the lower end received an increase of 6 per cent in 1994 (reported in Dhaliwal 1995).

we do not pay ministers adequately, we will get inadequate ministers. If you pay peanuts, you will get monkeys for your ministers'.²¹⁹

The debate continued into the following year, and in January, Senior Minister (SM) Lee suggested that a formula be devised that would peg ministerial salaries to market rates. This suggestion and the discussion that followed led to the production of a White Paper entitled *Competitive Salaries for Competent & Honest Government: Benchmarks for Ministers and Senior Public Officers*, which was presented to Parliament in October of 1994. In this White Paper there were four key recommendations, namely, that (i) public sector salaries ought be pegged to the six professions — banking, accounting, engineering, law, local manufacturing and MNCs; (ii) ministers' pay at entry level (Staff Grade I) should be equal to two-thirds the average income of the top four people in the six fields (see Table 5.4); (iii) administrative officers' pay at Superscale G (the first Superscale level beyond the Timescale salary grades) ought be equal to the average income of the 15th best-paid 32-year-olds in the same six professions (see Table 5.5); and (iv) starting in 1995, all public sector salaries should be reviewed annually using the above two benchmarks.

Significantly, in support of the case for paying ministers and top civil servants higher, market-oriented salaries, the White Paper makes reference to some of the findings of the *Miracle* report. It reproduces (as an annex) the section in Chapter 4 of the report entitled 'Building a Reputable Civil Service', drawing attention to the fact that Singapore is cited as having 'the region's most competent and upright bureaucracy' largely because it 'pays its bureaucrats best' (Republic of Singapore 1994b, p. 3, referring to World Bank 1993, pp. 175-76). The authors of the White Paper endorse this finding then repudiate the World Bank's statistical analysis which shows public sector salaries exceeding private sector salaries. This occurs, say the authors, because 'the

²¹⁸ See 'Time to consider co-opted ministers' in the *Business Times*, 7 December 1993, p. 14.

²¹⁹ See 'Cabinet posts harder to fill if pay not competitive' in the *Straits Times*, 4 December 1993, p. 1.

Table 5.3

PAY RISES FOR POLITICAL, JUDICIAL AND OTHER STATUTORY APPOINTMENTS (EFFECTIVE 1 JANUARY 1994)			
Grade	Basic Monthly Salary (S\$) (not including annual wage supplement, variable payments/bonuses and other allowances)		
	Current	New	% increase
President	39,425	47,326	20.0
Prime Minister	38,275	45,867	19.8
Senior Minister, Prime Minister's Office	37,775	45,415	20.2
Deputy Prime Minister	28,950	35,265	21.8
Chief Justice	28,950	34,268	19.6
Speaker	28,100	33,579	19.5
Minister	27,825	33,216	19.5
Minister	22,100	26,938	21.9
Attorney-General	22,100	26,456	19.7
Chairman, Public Service Commission	21,100	26,456	25.4
Judge of Appeal	21,100	25,252	19.6
Judge	19,550	23,411	19.7
Senior Minister of State	17,025	20,359	19.6
Senior Minister of State	14,550	17,392	19.5
Senior Minister of State	12,300	14,658	19.2
Minister of State	12,300	14,658	19.2
Minister of State	10,175	12,187	19.8
Auditor-General	10,175	12,187	19.8
Minister of State	9,100	10,205	12.2
Senior Parliamentary Secretary	8,100	9,302	14.8
Senior Parliamentary Secretary	7,550	8,614	14.1
Parliamentary Secretary	7,000	7,927	13.2
Political Secretary	6,450	7,290	13.0
Member of Parliament	4,000	4,516	12.9

(Adapted from a table included in 'Pay issue: Balance between service and compensation', *Straits Times*, 4 December 1993, p. 29.)

Table 5.4

AVERAGE PRINCIPAL EARNED INCOMES (S\$) OF TOP FOUR INDIVIDUALS IN 9 PROFESSIONS²²⁰ (1992 FIGURES)	
1. Bankers	2,135,000
2. Accountants	1,084,000
3. Engineers	618,000
4. Lawyers	1,493,000
5. Local Manufacturing Companies	1,254,000
6. MNCs	715,000
Average of above 6 professions	1,217,000
7. Oil companies	463,000
8. Architects	2,594,000
9. Doctors	1,269,000
Average of 9 professions	1,292,000

(Republic of Singapore 1994b, p. 9.)

Table 5.5

ANNUAL INCOME (S\$) OF 15TH HIGHEST EARNER IN 6 PROFESSIONS BY AGE (1992 FIGURES)	
30 year-olds	147,000
31 year-olds	170,000
32 year-olds	199,000
33 year-olds	234,000
34 year-olds	266,000

(Republic of Singapore 1994b, p. 13.)

²²⁰ Local manufacturing companies, MNCs and oil companies are not professions in the traditional sense, but they are defined as such by the PAP Government for this exercise.

World Bank report compared public sector salaries against private sector salaries at the upper quartile, mean and median, and not against the top echelon of the private sector...’ (Republic of Singapore 1994b, fn. 8, p. 19, referring to World Bank 1993, Table 5.4, p. 177). In short, the White Paper argues that only the *crème de la crème* in the private sector are comparable with ministers and senior civil servants.

The Singaporean Parliament approved the White Paper in November of 1994 (the Government exercising its huge majority), and in so doing, it ensured that the future remuneration of its ministers and senior civil servants (those on the Superscale and Staff grades) will be of a similar magnitude to their private sector counterparts. Bearing in mind that there are reports (cited earlier in this chapter) which independently identify Singapore’s private sector managers as being among the highest paid in the world, this confirms that Singapore’s leading politicians and bureaucrats may also be included in the super-rich bracket.

The salary increases for these public servants, to be phased in between 1995 and 1997, are quite substantial. Based on 1992 earnings (the salary benchmarks are to be calculated in year $x-2$), the average earnings of the top four earners in each of the six professions was S\$1,217,000. The Staff Grade I annual salary (after the January 1994 revision) of S\$587,000 has to increase by S\$224,333 (38 per cent) to reach the benchmark set in the White Paper, while the Superscale G salary (after the January 1994 revision) of S\$150,000 has to increase by S\$49,000 (33 per cent) to reach its benchmark. The new salaries apply to all civil servants in the administrative service, foreign service, the police and armed forces, to political and statutory appointments, but not the Prime Minister who elected to forego any pay increase for five years to allow him ‘the moral authority to argue the case for paying ministers well’.²²¹ Goh Chok Tong’s current salary of S\$1.148 million (approximately three times that

²²¹ Reported in Chua M. H. (1995, p. 24)

of the US President and six times that of the Australian Prime Minister) will increase to twice that of a junior minister (Staff Grade I) once his self-imposed pay-freeze is over. This works out to be S\$1.622 million, an increase of around 41 per cent. Meanwhile, all the pay increases also have to be viewed in the context of the IRAS data for 1993 which showed that the two benchmark pay levels rose by 14.8 per cent and 8.6 per cent respectively.²²²

Whatever the politics of the public servants' pay formula (which is discussed in some detail in Chapter 6), the economics of it is plain enough for all to see. By linking the pay of top public servants to that of their counterparts in the private sector, the Government is doing little to encourage greater equality in Singapore society. The rank and file (in the public and private sectors) receive adjustments to their pay not exceeding that recommended by the National Wage Council, while their superiors receive increments far in excess of these recommendations. Furthermore, there is good reason to hypothesise that these increments will become more excessive given the dynamism of the business environment. Evidence of this is to be found in the growing number of millionaires in Singapore which more than tripled between 1992 and 1994, from 74 to 229.²²³ In short, by making public sector salaries more competitive, the Government makes private sector salaries less competitive. If there is some transferability of skills (and given the numbers who have left the public service for the private sector in recent years, one can only assume there is), then logically, there will be some adjustment in the remuneration offered to the top private sector managers. It is here that the executive salary spiral begins.

²²² See 'Civil service salaries delinked' in the *Straits Times*, 9 March 1995, p. 2.

²²³ See 'Remisier with \$10.2m income tops list of 229 millionaire earners in 1994', *Straits Times*, 20 July 1996, p. 29. This article reports on millionaire salary-earners. Income in the form of dividends, rent, royalties or interest is not included which significantly understates their true incomes.

5.3 At the bottom...

To comprehend the position of the poor, the *sine qua non* is an understanding of the Singaporean system of welfare (or non-system as the case may be). The standard interpretation (embraced even by those critical of the development process in Singapore) is that state provision of collective consumption goods (housing, education and medical services) has been a boon for the lower classes,²²⁴ and that this has more than compensated for the lack of social welfare (transfers in cash or kind). Only a handful of commentators have been less sanguine in their appraisal (see Cheah (1977), Lim (1989), Liew (1992) Goh (1991) and Asher (1991 and 1994) for example), and it is in their tradition that this section of the chapter proceeds.

In examining the plight of the less well off in Singapore, it is most instructive to review the article written by Bilveer Singh that appeared in the *Jakarta Post* towards the end of 1994. In this article, which earned him the wrath of the Singapore Government, Singh declared, rather uncharacteristically,²²⁵ that ‘Singapore is a society faced with growing impoverishment’ and that ‘a majority of Singaporeans are basically living hand-to-mouth’ (Singh 1994, p. 4). The response, which followed two weeks later in a letter to the same newspaper, was filed by Simon De Cruz, the Government’s representative in Indonesia. This letter, which set out the Government’s case to the contrary,

²²⁴ There is, indeed, little doubt that the general population is better off today than it was at the time of independence. This is clearly demonstrated by the improvements in public health, the decreased infant mortality rates, better sanitation, the clean water supplies, and other public services. The proportion of government expenditure on public housing, for example, is among the highest in the world. Importantly, these improvements have ideological and political significance, the discussion of which is reserved for later in the thesis.

²²⁵ Singh, a Senior Lecturer in Political Science at the National University of Singapore, is not known for his criticism of the PAP and at one time harboured ambitions to represent the PAP in Parliament.

was sufficient to induce a grovelling apology from Singh, who retracted the offending comments without reservation.²²⁶

The reason Singh's article provides a useful introduction to a study of those at the bottom of Singapore's social strata is that, a few clumsily written sentences aside, he raises a number of points that warrant closer attention. He begins his piece with a brief economic history of Singapore with an emphasis on the issue of security (Singh's forte), and how the PAP has succeeded in containing a number of problems in the face of some quite adverse conditions. It has managed this, states Singh, because it has been able to deliver in areas such as employment, public housing, medical care and public education. However, he then goes on to document how the PAP's 'dream run' may now be under threat because the country appears to be suffering from "PAP fatigue", a state of affairs that has arisen as a result of the Government's long period of tenure and its belief that 'there is no need to respond to, or address the rising grievances of the populace' (Singh 1994).

According to Singh, these grievances centre around escalating costs within the context of 'an essentially anti-welfare state and anti-subsidy government', whereupon 'the leadership has passed on the bulk of the cost to the people'. Acknowledging that real wages have increased, Singh then concludes his sentence rather awkwardly with the ambiguous claim that 'real costs have also increased' (Singh 1994). Given that an increase in real wages implies an increase in one's purchasing power (income having risen faster than the general level of prices) and hence one's standard of living, Singh does not make his point very clearly. The usual convention when commenting on a change in the cost of living is to draw attention to the change in nominal wages *vis à vis* the change in the rate of inflation. Indeed, seizing on the opportunity, this is precisely what the Government does in its response to Singh's article, De

²²⁶ De Cruz's letter was published in the *Jakarta Post*, 20 December 1994, p. 4. Singh's letter of apology appeared two days later (p. 4).

Cruz pointing out that in recent years, Singapore's inflation rate has been around 2 to 3 per cent while in the same period nominal incomes have increased by 8 per cent a year.

However, had Singh stated, instead, that real wages have increased, but the real cost of 'certain key items of expenditure has also increased' then the Government would have been forced to respond differently. In Singh's defence he does include housing, medical care, and transport in a list of items which he identifies as having become much more expensive, but he does not argue convincingly the point one assumes he was trying to make, that despite an aggregate increase in real wages, the improvement will be diminished or non-existent for some people, if a significant portion of their incomes are allocated to those goods and services which have experienced the highest price rises. The Government certainly did not feel compelled to address the complaint if this is what Singh meant.

Without exonerating Singh, he may have been influenced by the media coverage of the CRC report (referred to in Chapter 3) which emphasised the finding that cost-of-living increases had been lower for low income groups than for the general population.²²⁷ However, there is reason to dispute this, not least because of the way that low-income and high-income groups are defined. To begin with, unlike the majority of countries which calculate the inflation rate by computing the change in the price of the 'shopping basket' of an average consumer (and by implication one with an average income),²²⁸ in Singapore, the Department of Statistics calculates the Consumer Price Index (CPI) according to expenditure group. This is justified on the grounds that there is a reasonable correlation between income and expenditure.²²⁹ But even

²²⁷ See, for example, 'Lower-income not hit as badly as those well-off', *Straits Times*, 28 September 1993, p. 18.

²²⁸ International Monetary Fund (1994b, p. xvii)

²²⁹ This is disputed by Low Thia Khiang, the Workers' Party MP. Low served on the CRC, but elected to submit his own report (Low 1993) on the grounds that his views differed substantially from those of the

if one were to accept this assumption, there are still grounds to dispute the validity of the expenditure-based CPIs cited by the CRC because of the way the Department of Statistics defines low-expenditure and high-expenditure.

The CRC states that it studied three CPIs calculated by the Department of Statistics since 1984 to analyse price trends; one to reflect price changes for the lower expenditure group, one for the higher expenditure group, and another for the general population. These three CPIs are accorded equal importance in the body of the CRC report (Republic of Singapore 1993a, pp. 29-31) and they serve as the basis for the CRC's finding that cost-of-living increases have not been as great for low income groups as they have for the well-off.

However, in the appendices of the report, the emphasis is quite different. Annex F (pp. 148-50) begins with the sentence: 'There are *two* CPIs commonly used in Singapore' [emphasis added]. It then goes on to document how the overall CPI uses the basket of goods and services consumed by the 90 per cent of households whose monthly expenditures were in the range S\$500-4900 during 1987-88, which is to be distinguished from the low-expenditure CPI, that uses the basket of goods and services consumed by the 40 per cent of households whose monthly expenditures were below S\$1000. 'Besides these two CPIs' notes the report, 'there is also a high-expenditure CPI that relates to the 8 per cent of households whose monthly expenditures were in the range S\$3000-5999'.

The three CPIs overlap in their coverage, according to the CRC, because the sample of households would be too small if one were to concentrate on the

majority of the Committee. In this report, which appears at the rear of the official report, Low notes that in the Household Expenditure Survey of 1987/88, 73 per cent of high income earners are in the middle expenditure range, while only 23 per cent are categorised as high spenders. Subsequently, this gives a distorted picture of the different income groups' experience of rising costs (1993, pp. 184-85). Interestingly, the Committee does not contest this point in the section of the official report that responds to Low's separate report (Republic of Singapore 1993a, pp. 155-71).

extreme ends of the distribution. The curious thing about this observation is that the report then goes on to cite the example of 442 households with expenditure below S\$500 out of a total of 5742 as being too small a sample to be representative, pronouncing that to generalise on the spending pattern of this group would have the effect of producing ‘inaccurate and misleading results’. This is interesting because while the CRC appears reluctant to generalise about the 442 households at the bottom (7.7 per cent), it does not have the same reservations about the 8 per cent of households on which the high-expenditure CPI is based (Republic of Singapore 1993a, p. 148).

To use a cricketing analogy, it is rather like comparing the scores of the top order batsmen with the lower order batsmen, but the top order defined as the opening batsman by himself, and the lower order, batsmen number 7 through to 11.²³⁰ Comparing the average scores over a given period of time, it might be possible to say, quite legitimately, that the lower order is performing equally as well (or better) than the top order, but this does not imply that all the lower order batsmen are doing equally as well. Batsman number 7, for example (who might even be defined as a middle order batsman), may be making all the runs while those below him are performing quite miserably. The point is, that by defining top order and lower order batsmen in this way, one is not comparing like with like, which amounts to poor methodology.

The CRC’s position on the accuracy and usefulness of the CPI is ambiguous to say the least. In its recommendations, the report states that ‘Singapore’s CPI is conceptually sound’ and that in the absence of alternatives, ‘the CPI is used as a proxy for changes in the cost of living’. The CRC acknowledges, however, that ‘it is important to bear in mind its limitations’ and that ‘several committee members felt that the tendency among some Singaporeans to refer to the CPI

²³⁰ The opening batsman constitutes roughly 9 per cent of the team, while batsmen number 7 through to 11 account for around 45 per cent. These percentages approximate with the 8 per cent of households used to calculate the high-expenditure CPI and the 40 per cent of households used as the basis for the low-expenditure CPI.

as a measure of the cost of living had contributed to misunderstanding about the nature of the index'. In other words, as a mechanism primarily designed to monitor changes in the 'overall price level over time' the CPI is sound enough, and public concern over the accuracy of government statistics is unfounded. But its 'loose usage' as a measure of the cost of living is another matter (Republic of Singapore 1993a, p. 117). To this end, the CRC report recommended that separate CPIs be calculated and published for different income groups (Republic of Singapore 1993a, p. 118).²³¹ Indeed, the CRC asked the Department of Statistics to do this retrospectively, but it was informed that this could not be done 'as the detailed data required to compute separate indices by income group had not been collected in the past' (Republic of Singapore 1993a, p. 158). It is at this juncture that the CRC's stance becomes a little hazy. Either the CPI is a good indicator of the cost of living as it affects different income groups or it is not. If it is not, then to use it at all is bad science.

Even the use of separate indices according to income group is highly questionable (or at least the way the indices are being used in Singapore). Acting on the CRC's recommendation, separate indices for different income groups were released for public consumption in July 1995. Carrying the headline 'Inflation hits top 20% income group hardest', the *Straits Times* reported that consumer prices for the lowest 20 per cent of the population had risen by only 2.4 per cent compared to 6.4 per cent for the top 20 per cent. The report concluded from this that 'the most vulnerable section of Singaporean society is the least hit by price increases'. It then notes, rather curiously, that financially this group was not 'too hard pressed' anyway, as 'average monthly household income in 1992-93 was S\$1,093' (Aggarwal 1995). Unfortunately, the journalist omits to mention that the top 20 per cent are better able to absorb price increases because of their higher incomes. In

²³¹ This would seem to imply that the CRC is effectively conceding that social mobility is not likely; that is, there are distinct socio-economic groups facing differential costs.

addition, while the poor spend the bulk of income on basic necessities, the items of expenditure causing the inflation for the rich (cars and the Certificates of Entitlement (COEs) which are required to purchase cars) are discretionary items which they could opt to avoid. In any case, the 'hardship' experienced by the upper income group is certainly not in evidence. In the same month, the *Straits Times* also reported that Mercedes cars were being sold in record numbers, despite the fact that Singapore has 'arguably the highest price tags for cars on earth' (Ng 1995).

Methodological flaws notwithstanding, the Government and media heaped praise on the CRC for its 'open and convincing' work,²³² and proceeded to concentrate on other aspects of the report, most notably, how Singaporeans are better off in absolute terms now than they used to be,²³³ the finding that the CPI was 'accurately calculated',²³⁴ and the fact that between 1980 and 1990 the nominal household income of the bottom 20 per cent of households grew faster than that of the top 20 per cent. This latter finding is contentious (see the Rao-Cheung debate referred to in Chapter 3), and the CRC does appear to undermine its argument somewhat, with the inclusion of the words 'from work' in parentheses when commenting on the growth of nominal household income. The implication is that income can be earned from other sources besides work; a point that was stressed at the beginning of the previous section. The CRC makes no further reference to this caveat and it is not surprising, therefore, that it does not rate a mention in the debate following the release of the report.

Another complaint filed by Bilveer Singh in his *Jakarta Post* article concerned the Goods and Services Tax (GST) which was introduced in April 1994. Singh claims that, as a result of this new tax, even the price of 'basic necessities have

²³² See, especially, the letter to Lim Boon Heng from the Prime Minister which prefaces the CRC report (Republic of Singapore 1993a).

²³³ See, for example, Leong (1993) and Yam (1993).

increased greatly' with many, including the government, profiteering from its introduction. As the CRC report was completed prior to the introduction of the GST, the committee could only speculate as to its potential effects, but it concluded that while there may be a once-and-for-all increase in the CPI, the compensation package that the Government was offering would alleviate the adverse effects. Furthermore, profiteering could be stamped out by extending greater powers to the Consumers' Association of Singapore (CASE) (Republic of Singapore 1993a, p. 101). The report also noted the proposed GST rate was to be 'among the lowest in the world' and that, as a result of this low rate, compensatory wage rises were unwarranted (Republic of Singapore 1993a, p. 98). The rationale for the introduction of the tax is not addressed at all,²³⁵ and there was certainly no reference to the notion of 'government profiteering'.

However, in his response to Singh, De Cruz is most dismissive of the idea that the Government is profiteering from the new tax, stating that the GST plus the tax cuts and rebates will be 'revenue negative in the short run, and revenue neutral in the long run'. In these circumstances, the Government is clearly not profiteering and Singh is incorrect. But whether the introduction of the GST turns out to be revenue neutral or otherwise is less important than the redistributive effect of the initiative. Despite the Government's contention that no family will be worse off after the GST than before, it is difficult to see how this claim can be upheld when the compensation package for the less well off (subsidies on rentals and maintenance charges for HDB flats) expires after five years. Meanwhile, the 3 per cent reduction in corporate and top personal income tax rates and the income tax reliefs are permanent. As Singh noted in his original article, 'while in the past only high income earners were taxed,

²³⁴ See Teo (1993), for example.

²³⁵ Except on p. 169, when in response to Low Thia Kiang's separate report, the Committee notes that the GST allows 'reductions in direct taxes which in turn encourage Singaporeans to work hard and to venture into business' and that 'lower corporate taxes will also make Singapore more attractive to investors' (Republic of Singapore 1993a).

today everyone suffers in this regard...'. In short, the Singapore tax system has become more regressive in that it is now based less on the ability to pay.²³⁶

In his letter to the Editor of the *Jakarta Post*, De Cruz accuses Singh of making the 'preposterous allegation' that Singapore could be identified as a society facing growing impoverishment. To support this, De Cruz draws on the CRC finding that the incomes of lower and middle-income groups have risen faster than higher income groups, narrowing the gap between rich and poor. He also asserts that no one sleeps on the streets or goes hungry, and that the number of destitute households in need of public assistance has fallen dramatically. While there is some doubt over the first of his claims owing to the methodological problems discussed above, the other two warrant further investigation.

De Cruz is quite correct when he states that no one sleeps in the streets in Singapore. The fact is that, if a person does sleep in the streets, there is a strong likelihood he or she will fall foul of the Destitute Persons Act. Under this Act, a person can be forcibly admitted to a government welfare home if they are found begging in a public place. The same fate awaits 'any idle person found in a public place, whether or not he is begging, who has no visible means of subsistence or place of residence or is unable to give a satisfactory account of himself' (Republic of Singapore 1990, p. 2). Once a person has entered one of these homes, should they leave without permission, they are liable on conviction to imprisonment for a period of up to 6 months (Republic of Singapore 1990, p. 6).

If De Cruz is correct in asserting that no one goes hungry in Singapore (a claim which is very difficult to prove one way or the other), this too has to be viewed in the context of the law. There is a strong disincentive, as in the case

²³⁶ This trend has been in place for some time. Between 1977 and 1994 personal income taxes were reduced on no fewer than six occasions. As a result, the average tax burden has fallen from around S\$1,200 to S\$43 for those

of homelessness, to publicly display one's poorness through begging. The penalties for doing so are quite considerable. A habitual beggar (someone caught begging on more than two occasions) faces the punishment of a fine up to a maximum of S\$3000, or imprisonment for a period not exceeding 2 years (Republic of Singapore 1990, p. 3).

Interestingly, the Ministry of Community Development (MCD), which publishes statistics on the number of people picked up by the police and the Beggar Control Unit, has produced statistics recently which show a decline in the number of destitute people admitted to welfare homes, from 490 in 1991, compared to 370 in 1992, and 210 in 1993 (Republic of Singapore 1993b, p. 20). One might conclude, on the basis of these statistics, that the position of the poor is improving in Singapore. On the other hand, the figures may be an indication that the harsh penalties for 'being poor' are proving effective in persuading people to be less public about their plight.²³⁷ If the latter is true, this begs the question as to how 'poorness' is manifesting itself in Singaporean society. To this end, an examination of the data on those seeking assistance from VWOs is most instructive. It is these agencies, in the absence of a welfare state, which carry the bulk of responsibility for looking after the weak in society. As Table 5.6 indicates, government spending on social security and welfare as a proportion of GDP does not rate highly among any of the East Asian NICs,²³⁸ but it is particularly low in Singapore.

earning between S\$15,000 and S\$20,000, and from around S\$18,000 to S\$4,500 for those in the S\$50,000 to S\$100,000 bracket (Teo 1994, p. 2).

²³⁷ This issue will be dealt with in greater depth in Chapter 6.

²³⁸ The Asian Development Bank (1994, p. 58) argues that given the demographic structure of the populations in the region, it is inevitable that government spending on social security and welfare will rise. 'Rapid aging' note the authors, 'has its attendant high demand for social services' (p. 57), especially given the weakened family networks as a result of the emerging 'Asian middle class' (pp. 35-45). Changing attitudes, the report notes, favour 'greater public responsibility for social expenditures' (p. 56). The authors also make reference to the fact that welfare payments in East Asia have never been high by international standards (cf. around 26 per cent in the United States, 33 per cent in the UK, and 52 per cent in Sweden [International Monetary Fund, 1993, pp. 62-63]).

Table 5.6

SOCIAL SECURITY AND WELFARE EXPENDITURE		
(AS A PERCENTAGE OF GDP)		
FOR THE EAST ASIAN NICs: 1981-1992		
Hong Kong	1981-85	0.9
	1986-91	1.0
	1992	1.1
Republic of Korea	1981-85	1.1
	1986-91	1.3
	1992	1.8
Singapore	1981-85	2.9
	1986-89	0.7
	1991	...
Taiwan	1981-85	1.8
	1986-91	2.2
	1992	4.1

(Adapted from Table 1.8, Asian Development Bank 1994, p. 58)

According to statistics produced by the National Council of Social Service (NCSS),²³⁹ in the period 1984-93 there was a six fold increase in the number of people receiving benefits from the VWOs that fall within its jurisdiction. In absolute terms the number rose from 22,000 in 1984 to 129,601 in 1993 (NCSS 1993a, p. 2). To put these figures into perspective, in 1984 just under 1 per cent of the total population were seeking assistance from VWOs. By 1993, this figure had grown to just over 4 per cent (NCSS 1993a, pp. 2 and 6).

During this same period, nominal funding of these organisations has increased seven fold, from S\$3.5 million in 1984 to S\$24.4 million in 1993. However, after taking account of inflation, the NCSS funds allocation per head fell in real terms between 1984 and 1990²⁴⁰ and, even though funding has recovered

²³⁹ The NCSS came in to being in 1992, following the restructuring of the Singapore Council of Social Service which was founded in 1958. The NCSS, a statutory body, is the umbrella organisation for over 200 VWOs in Singapore.

²⁴⁰ Computed from NCSS 1993a, p. 2 and Republic of Singapore 1993a, p. 25.

in real terms since 1991, the evidence from some VWOs suggests that the pressure on their resources is increasing. On occasion, the frustration experienced by some welfare workers has even managed a line or two in the *Straits Times*,²⁴¹ but generally speaking, it is not in the interests of these people to complain too loudly. The 1987 arrest and detention without trial of 22 church and voluntary workers for their part in an alleged 'Marxist conspiracy',²⁴² is a stark reminder to those employed in the welfare sector that speaking out for the poor is a dangerous business.²⁴³

This notwithstanding, there are publicly available documents that contain useful primary data. Statistics produced by the Bukit Ho Swee Social Service Centre, for example, make interesting reading. The Centre, also known as the Nazareth Centre, came into being in 1969 with the aim of helping the community to overcome the problems associated with poverty and crowded living conditions. The Centre fulfils a similar role today, as Bukit Ho Swee

²⁴¹ See, for example, Tan S.S. (1993).

²⁴² On 26 May 1987, the Ministry for Home Affairs issued a statement which disclosed that the Internal Security Department (ISD) had discovered 'a Marxist conspiracy to subvert the existing social and political system in Singapore through communist united front tactics to establish a communist state'. Allegedly masterminded by Tan Wah Piow, a second-year law student at Oxford University (some 13,000km away), the plot was supposedly orchestrated at a local level by Vincent Cheng, a former seminarian and full-time Catholic lay worker. The arrest of Cheng and 21 other church and voluntary workers caused several eminent priests to speak out in their defence, and on 2 June 1987, a private meeting was called by Lee Kuan Yew which was attended by the Roman Catholic archbishop of Singapore, eight priests and a number of lay leaders. According to secret minutes taken that day, Lee claimed that he was 'not worried' by the activities of the so-called conspirators, who were actually 'do-gooders, who wanted to help the poor and the dispossessed' but they were 'getting perverted along the way to Marxism'. (See Seow (1994, pp. 67-80) for a detailed account of this episode.)

²⁴³ The author interviewed several individuals during February and March of 1995 who were affiliated to organisations that were members or associate members of the NCSS, and whose work focused primarily on the youth and family services sectors. This was a deliberate choice, given that these were the areas identified by the NCSS as having experienced the greatest increase in workload during recent times (NCSS 1993b, p. 5). It is to be noted that these individuals were generally quite reluctant at the outset to provide detailed information. However, once assured of anonymity, they provided valuable insights which provide some of the foundation for Chapter 6.

remains one of the most economically disadvantaged communities in Singapore.

According to 1990 census data, Kim Seng (the Centre's approximate target area) is significantly over-represented in terms of 1, 2 and 3-room flats (condominiums and private flats are non-existent), it has an ageing population, and the unemployment rate is higher than for the general population. Furthermore, the Centre's own data base shows there to be a high percentage of single parents and low-income families among its clientele (Nazareth Centre 1995, pp. 19-31). Indeed, as the Centre is apt to point out, it serves 'the poorest of the poor'. Only 16 per cent of all Singaporean households have a monthly income below S\$1000, while in Kim Seng, 56 per cent of households fall within this category. Moreover, 90 per cent of the Centre's clients are in this low income group, the average household income amounting to a paltry S\$531 (Nazareth Centre 1995, p. 27).

In light of these statistics, the Bukit Ho Swee community may be referred to, with some justification, as a good illustration of the existence of inequality in Singapore. It would be less significant, if it were not for the data on the Nazareth Centre's budget and staff-client ratios. These figures show, without doubt, that the problem of economic and social deprivation is not receding. While the Centre's funding increased from S\$105,583 in 1985 to S\$362,473 in 1994 (a 340 per cent increase), the number of clients the Centre has been required to service has increased markedly during the same period, from 290 in 1985 to 1125 (a 387 per cent increase). Importantly, the direct service staff-client ratio has increased from 1:68.2 in 1985 to 1:128.6 in 1994.²⁴⁴ According to the Centre, this increased ratio has implications for 'the intensity and quality of work' it can offer its clients, and that as a consequence, while 'many low-income multi-problem families need in-depth help', it 'can usually only attend

²⁴⁴ The ratio is much higher if the numbers include those receiving the Information and Referral Service (IRS) and the volunteer orientation programme, both of which were introduced in 1992.

to their pressing needs' (Nazareth Centre 1995, pp. 13-16). As one social worker put it: 'For some of them, it is difficult to break out of the cycle of poverty and dependency. Their only hope is that their children will do well and save the family'.²⁴⁵

Aside from the growing staff-client ratio, another item that warrants attention is the proportion of the Centre's funding which actually reaches the client. In 1994, of the S\$362,473 available, 80 per cent was spent on human resources, 13.4 per cent went on facilities and administration and 6.6 per cent on programme expenses. In short, while the community benefits from the services provided by the Centre, benefits in the form of direct financial assistance are quite spartan. This is not unusual in Singapore. Indeed, as Goh (1991, p. 65) has noted, even if one were to take the three main types of financial assistance together (Public Assistance, the Rent and Utilities Assistance Scheme (RUAS), and financial aid provided by VWOs) the 'average sum given under the three schemes is relatively small and usually insufficient to cover the minimum household expenditure'.²⁴⁶

While there is no readily available data on the financial aid provided by VWOs, the official statistics on public assistance payments and RUAS would tend to support the argument that direct financial assistance is rather meagre. The Social Assistance Section of the MCD provides assistance in the form of cash grants to families and individuals in financial distress and to those affected by civil calamities, but this is not meant to be overly generous (see Chapter 6 for a fuller discussion). In 1993, for example, the MCD disbursed S\$4.39

²⁴⁵ See 'A family survives hard times with help from government schemes', *Sunday Times* (Singapore) 18 September 1994, p. 7. This comment has to be viewed in the context of the education system in Singapore, a subject that receives attention in Chapter 6.

²⁴⁶ The Minimum Household Expenditure (MHE) is based on the consumption patterns of households for basic items as determined by the Household Expenditure Survey conducted by the Department of Statistics every five years. In 1991, the MHE (set by the Committee on Destitute Families) stood at S\$510.65 per month for a 4-person household living in a 1-room flat (Goh 1991, p. 75).

million in public assistance allowances to 2,220 families (S\$5.41 per day per family) and a further S\$0.67 million in supplementary grants to 596 families (S\$3.07 per day per family) (Republic of Singapore 1993b, p. 20). Meanwhile, RUAS (which comes under the auspices of the NCSS) dealt with 576 households in 1992/93, families receiving between S\$63 and S\$126 per month (NCSS 1993b, p. 17).²⁴⁷ In 'Third World' Singapore, this level of assistance may have been adequate.²⁴⁸ In modern Singapore, it amounts to a paltry level of assistance, and exploitation on a grand scale that is questioned even by those quite loyal to the PAP.²⁴⁹

To counter this negative perception, the Government has introduced measures like the Small Families Improvement (SFI). This initiative, announced in the Prime Minister's 1993 National Day Rally speech, provides bursaries for school-going children (from S\$200 per year for those in primary school to S\$800 per year for those in pre-university) and an annual housing grant of S\$800 (paid into the CPF account of the wife). However, as the title of the scheme suggests, the benefits only accrue to those families which are prepared to remain modest in size, the theory being that, by electing to do so, families will escape the poverty trap. Of the estimated 20,000 families living below the

²⁴⁷ RUAS was set up in 1990 to assist destitute families in arrears with rent and public utilities. No information is given in the NCSS annual reports as to the total amount of funds that RUAS has at its disposal.

²⁴⁸ In some speeches delivered overseas recently, Senior Minister Lee has referred to himself, somewhat wryly, as a 'Third World leader' (see, for example, speeches delivered at the National Press Club, Canberra on 20 April 1994, and the University of Queensland 20 March 1995). It is probably fair to say that few people in Lee's audience would use the term 'Third World' to describe modern Singapore. Lee's very deliberate reference to it has political connotations which are discussed in Chapter 6.

²⁴⁹ The issue of the low level of financial assistance to the poor has attracted commentary from *Straits Times* journalists (see, for example, Tan, S. 1993a), and it is a regular feature of debate among PAP back-benchers around Budget time, usually within the context of the large budget surpluses which have been posted with great consistency since 1968 (see, for example, 'Give more from surpluses to old, needy', *Straits Times*, 14 March 1995, p. 16). While the 'true' size of Singapore's reserves is not public information (see Asher 1991, p. 3 for a critical comment on the lack of transparency in published data) 'known' reserves amount to more than S\$70 billion (Fernandez 1995). Only a few of the oil-producing countries and the richest industrial countries can better this figure.

subsistence level,²⁵⁰ it was estimated that up to 9,000 could benefit from the SFI scheme on the grounds that this was the approximate number that fulfilled the eligibility criteria.²⁵¹

Predictably, the SFI scheme drew a favourable response from the newspaper columnists, but it did not meet with unanimous approval. A number of commentators (mainly social workers and sociologists) felt the criteria were too narrow. To qualify both husband and wife must have no N-level passes, they must earn less than S\$750 per month, the family must remain intact, they can have no more than two children, at least one spouse must be a Singaporean citizen, and they must agree to take part in a regular family planning programme. Those who expressed reservations about the scheme argued that these conditions were harsh on a woman who was forced to divorce an abusive husband, whereupon benefits would be withdrawn and she has to repay the housing grant with interest (Chiang and Snodgrass 1993).²⁵²

The Government's response, in a letter to the *Straits Times* from Khaw Boon Wan, the Prime Minister's Principal Private Secretary, was to announce that it would not be altering the details of the scheme before it began because it was satisfied that the scheme was 'fair and workable'.²⁵³ Interestingly, this was the Government's position a little over two months later, despite the fact that it

²⁵⁰ The figure of 20,000 is that cited in the Editorial, *Straits Times*, 30 December 1993, p. 24. This compares with the figure of 38,000 cited by Goh (1991).

²⁵¹ See 'Scheme to help poor families to start next year', *Straits Times*, 24 August 1993, p. 3.

²⁵² Apart from the quite blatant sexist connotations of this arrangement, statistical evidence would suggest there are strong grounds for these reservations. The number of divorces in Singapore increased from 2313 in 1984 to 3944 in 1992 (an increase of around 70 per cent) (NCSS 1993a, p. 68). There has also been a rise in the number of women reporting infidelity and abuse (see Lum (1995), for example). Meanwhile, a recent article in *The Economist* produced statistics showing that the divorce rate in the United States is falling. This is ironic given the United States is a nation frequently derided by the PAP leadership for failing to uphold traditional family values (Anon. 1994b).

²⁵³ See 'Small families scheme: Let people decide if it works or not', *Straits Times*, 31 August 1993, p. 28.

was revealed in Parliament that 4,000 families were now expected to benefit from the SFI scheme, less than half the figure originally expected.²⁵⁴

Undeterred by this, the *Straits Times* has continued to report that more than 8,000 families stand to benefit from the scheme.²⁵⁵ Six months after its commencement, it was then revealed that only 119 families (half of the 235 applicants) were actually receiving grants. According to social workers, families were shying away because they wanted to have more than two children or disliked discussing their finances with the civil servants who interviewed them. The MCD advised that it would be stepping up the publicity so that more families would come forward for help (Nirmala 1994), but in April 1995 (15 months into the scheme), a mere 162 families were being assisted by SFI — less than 2 per cent of the original estimate.²⁵⁶ This might come as a surprise to readers of the *Straits Times* who, in July 1995, were advised (under the headline ‘Government already does enough for the very poor’) that 8,000 families are ‘targeted’ for assistance under SFI, which may be true, but there was no mention of the number of families that have taken advantage of the scheme to date.²⁵⁷

RUAS is another instance where the Government is given unwarranted favourable publicity. In a similar vein to SFI, much is made of RUAS and how successful a scheme it has been,²⁵⁸ yet scant attention is given to the small amount of financial support that is actually given, and even less to the number of households which apply for assistance, but are turned away. An evaluation

²⁵⁴ See ‘4000 families stand to benefit’, *Straits Times*, 11 November 1993, p. 23. No reason was given for the change, either in Parliament or in the *Straits Times*.

²⁵⁵ See, for example, ‘Family aid scheme applications open’, *Straits Times*, 21 December 1993, p. 1, and ‘More than 8,000 families may qualify for support’, *Straits Times*, 27 December 1993, p. 22.

²⁵⁶ This figure was obtained as a result of a personal communication with the Social Assistance Section of the Ministry of Community Development.

²⁵⁷ See Tan S.S. (1995).

²⁵⁸ See, for example, ‘Help with basics’, *Straits Times*, 22 April 1993, p. 4.

of the RUAS scheme produced in July 1993 (NCSS 1993c), found that of the 621 families referred over the period from October 1990 to December 1992, only 373 (60 per cent) were actually receiving assistance. Meanwhile, around 25 per cent of applicants either failed to meet the stringent eligibility criteria applied to RUAS, or elected to withdraw their application (1993c, p. 12). A particularly worrisome finding of the report was that many rejected (and successful) cases continue to have financial difficulties (1993c, p. i), a disclosure that is less surprising given that more than 85 per cent of the rejected cases had a net household monthly income of less than S\$750 (1993c, p. 35). Furthermore, only 58 per cent had ever received assistance from any social service agency (1993c, pp. 37-38). Generally speaking, these kind of statistics are seldom considered newsworthy items for the *Straits Times*.

The PAP's philosophy is that welfare is a matter of charity and not a right. This is all very well except that social consciousness among Singaporeans appears to be quite limited. This is the concern of Goh (1991 p. 67) who explains that it may have a lot to do with the fact that many consider the poor have only themselves to blame, or alternatively, the poor are poor because of an inferior genetic endowment and, therefore, nothing can be done. This apparent lack of social consciousness is also identified by Liew (1992, p. 87) who documents that in 1989 only 6 per cent of Singaporeans aged between 15 and 55 years were, or had ever been, involved with volunteer work, compared to 39 per cent in the United States and 25 per cent in Japan.²⁵⁹ This phenomenon is also evident in a recent survey on social ties conducted by the Housing and Development Board which found that more than 82.2 per cent of HDB residents had never participated in any activity organised by the three grassroots organisations; *viz.* community centres, residents' committees and the

²⁵⁹ According to the 1990 census, 7.5 per cent of Singaporeans were taking part in voluntary work (see 'Only 7.5% take part in activities for charity', *Straits Times*, 21 November 1994, p. 3). A more recent survey conducted by the NCSS put the figure at 10 per cent (albeit from a sample of 1,021). According to Sapawi (1994), this compares poorly to the level of voluntarism in the US (half the population) and Japan (one quarter of the population).

town councils (Republic of Singapore 1995c, p. 48). Table 5.7 presents an equally negative picture.

These statistics would appear to make a mockery of the ‘many helping hands’ approach proposed by the Government in its long term plan (*Singapore: The Next Lap*).²⁶⁰ This notwithstanding, the voluntary sector delivers the bulk of welfare services, including counselling and guidance, to disadvantaged families and children, the disabled, the elderly, youth, and the mentally ill. Their services also include special education and vocational training for casualties of the élitist education system.

Table 5.7

HDB RESIDENTS’ OPINION ON NEIGHBOURS AND SOCIAL RELATIONS				
(N = 5,188 HOUSEHOLDS)				
Respondents’ Opinion				
Statements about Human Relationships	Strongly Agree	Agree	Disagree	Strongly Disagree
These days, a person does not really know who he can count on.	11.1	56.2	30.3	2.4
Nowadays, neighbours are merely people who happen to live close; most of them do not really care what happens to one another.	8.6	41.2	45.4	4.8
What is lacking in this world is the old kind of friendship that lasts a lifetime.	16.4	62.1	20.0	1.5

(Republic of Singapore 1995c, p. 45).

The weight of responsibility falls upon the relatively small number of trained personnel, the vast majority of those working in VWOs being volunteers. Subsequently, there is a high attrition rate among these front-line workers.

²⁶⁰ On page 16, it reads: ‘In pursuing excellence, we should not forget the less fortunate in our midst. Our guiding principle is to help them stand on their own feet with dignity and pride, with many helping hands...’ (Republic of Singapore 1991b).

Goh (1991, p. 70) reports that only 47.2 per cent of social workers who graduated from the National University of Singapore between 1977 and 1987 still remain in the social worker field. Goh suggests a number of reasons for this state of affairs including low pay and low prestige, but identified 'burnout' as the leading cause of attrition. This is not altogether surprising given the resource constraints.²⁶¹ According to Thung (1991, p. 7), estimates were such that VWOs were meeting no more than 20 per cent of current needs.

The predicament of the poor is not made any easier by the fact that only a small proportion of the disadvantaged are actually receiving assistance. Based on statistics derived from MCD annual reports and an informal survey on VWOs providing financial assistance, Goh estimated that only 11 per cent of the total population of 38,000 disadvantaged households were receiving financial benefits.²⁶² Possible explanations for this will be advanced in the chapter that follows, but at this juncture, the main point to note is that poverty (while not as crushingly obvious as it is in other countries at a similar stage in their development) is 'alive and well' in Singapore. The only difference is that in Singapore, to use Goh's words, 'it is largely hidden behind the doors of the Housing Board flats' (1991, p. 62).

Bello and Rosenfeld (1990) also arrive at this conclusion. In one of the few publications in recent years that has dwelt upon some of the less desirable aspects of the East Asian 'miracle', these authors devote four chapters to Singapore, in which there is a general concern for the plight of the lower classes. Describing Singapore as an increasingly unequal society, Bello and

²⁶¹ The social workers interviewed by this researcher described their work as being analogous to 'continually putting out fires', a question of 'management-by-crisis as opposed to management-by-objective', and frustrating, not because of the job itself, but getting the resources to do the job (J.B. Williams, field notes 13 March 1995 and 18 March 1995).

²⁶² The survey was conducted by the NCSS (then known as the Singapore Council of Social Service). The figure of 38,000 disadvantaged households was produced by the Population Planning Unit, and includes all those households whose income falls below the MHE level (Goh pp. 62 and 75).

Rosenfeld note that poverty has become largely invisible in Singapore, ‘thanks to HDB policies that [have] unwittingly promoted “shelter poverty”, that is, poverty brought about when households ... deprive themselves of nonshelter basic necessities in order to meet the high cost of housing’ (1990, p. 331).

Particularly noteworthy, is the coverage Bello and Rosenfeld devote to the position of women in Singaporean society, and how they constitute, along with foreign guest workers, a ‘reserve army of labour’, a role which ensures their continuing low economic and social status. The guest workers remain, however, ‘the lowest of the low’; an underclass which does not even qualify for the meagre benefits described above.²⁶³ Indeed, foreign labour has been, and continues to be one of the key contributors to the economic growth of Singapore. According to government sources,²⁶⁴ there were, in 1994, more than 300,000 foreign workers in Singapore, corresponding to 18 per cent of the total workforce of 1.69 million.²⁶⁵ With the exception of Malaysia, where foreign workers constitute around 15 per cent of the labour force, no country in the region comes close to Singapore in this respect.²⁶⁶

Foreign workers in Singapore fall into two broad categories: employment pass holders and work permit holders. Employment passes are granted to foreign workers with particular skills, educational qualifications and remuneration of more than S\$2,000 per month. These workers are mainly professionals, entrepreneurs and expatriate employees of MNCs operating in Singapore. Work permits, on the other hand, are issued to unskilled foreign workers

²⁶³ These workers are not always terribly welcome in Singapore (see, for example, ‘Tough measures needed to curb overcrowding’, *Straits Times Weekly Edition*, 26 July 1997, p. 23.), and there are frequent reports of their mistreatment (see, for example, Chua, H.C., 1997).

²⁶⁴ See Then (1996, p. 4). The author is Director of the Work Permit and Employment Department in the Ministry of Labour, Singapore.

²⁶⁵ The unofficial figure is considerably greater owing to the number of illegal workers which goes undocumented.

²⁶⁶ Cf. 0.6 per cent in Thailand, 1.5 per cent in Japan, 0.3 per cent in the Republic of Korea, and 2.7 per cent in Taiwan, for example (Then 1996, p. 14).

earning less than S\$2,000 per month. A key feature of the latter is that they are valid for two years only, and are not transferable between occupations and employers. Furthermore, whereas employment pass holders can aspire to become permanent residents, work permit holders cannot. In other words, a ready supply of cheap labour is available on tap, which can be turned off relatively easily should there be an economic down turn.

The vast majority of foreign workers are, in fact, work permit holders. These workers are drawn from all over Southeast and South Asia, but mainly Malaysia, the Philippines, Indonesia, Thailand, India, and Sri Lanka. Their role in the Singapore economy and society at large is considerable, and yet they do not figure prominently in official surveys. Technically, the decennial censuses do include foreign workers, but as Shantakumar (1996, pp. 39-40) points out, only when it comes to the calculation of total population. Furthermore, there is a possibility that this may cease when the next census is conducted in 2000. This is because, for analytical purposes, the current official practice is to consider the resident population only (that is, Singapore citizens and permanent residents). Indeed, without any apparent explanation, the Department of Statistics has, since 1991, only published data on the resident population from 1980 onwards in its Yearbook of Statistics.

Foreign labour is also technically included in annual Labour Force Surveys. However, with further investigation it transpires that only foreign workers staying in private dwellings are included. That is, foreign workers residing in construction sites and labour quarters are excluded.²⁶⁷ It is impossible to estimate with any accuracy how many workers would be overlooked as a result of this practice, suffice to say that while the richer employment pass holders will be part of any national income distribution calculation, many poorer work permit holders will not. This obviously leads to a situation where the degree of

²⁶⁷ Personal communication with the Singapore Department of Statistics, 5 August 1997.

income inequality is understated, especially if the proportion of foreign workers within the labour force is increasing.²⁶⁸

The availability of cheap foreign labour not only serves to buffer the economy from cyclical factors, but also acts to depress the wages of local workers who are in competition with these foreign workers. The Government refutes this claim, and points to the foreign worker levy scheme it introduced in 1980 to regulate the flow of migrant workers (Then 1996, pp. 5-6). Under this scheme, employers are required to pay a levy equivalent to 30 per cent of a workers' salary. This might be a significant disincentive to employ foreign labour if it were not for the fact that the wages of foreign workers are so low.²⁶⁹ Even with the introduction of a revised levy scheme in 1992, placing ceilings on the number of foreign workers a company can employ, demand has continued to grow.²⁷⁰ In summary, the exploitation of this 'reserve army' of foreign labour provides conditions for the exploitation of the local working class. That so few commentators have arrived at this conclusion is testimony, perhaps, to the paucity of academic research on social welfare in Singapore. This is the lament of Liew (1992, p. 96), who along with Goh, is one of the few Singaporeans to publicly acknowledge that poverty is a serious problem.

This is not to detract from the valuable contributions made by Chua Beng Huat and Mukul Asher. The research work of these two respected academics has indeed examined the plight of the economically disadvantaged, but it has been more focused; Chua has concentrated on the question of housing and Asher on retirement income. While it is not possible to do full justice to their work within the context of this study, it is useful to survey their findings in relation to another of the contentions made by Bilveer Singh, namely that the PAP is an 'anti-subsidy government'. This was mentioned earlier, in the discussion

²⁶⁸ Recall that Rao's econometric studies rely on Labour Force Survey data (see Chapter 3).

²⁶⁹ The salary of a foreign maid working in Singapore, for example, is around S\$250 per month (see Tan 1994).

²⁷⁰ There was an increase of some 50,000 between 1993 and 1994 alone (Then 1996, p. 4 & p.14).

concerning the rising cost of living, but it is a point worth returning to, not least because subsidies on housing, education and health have been regularly cited as a major pillar of Singapore's economic success.

De Cruz in his response to Singh makes reference to the fact 87 per cent of households own their own home,²⁷¹ nearly all of which are 'heavily subsidised' HDB flats. This would appear to seriously undermine Singh's 'anti-subsidy' claim.²⁷² However, the work of Chua and Asher does cast a shadow over the PAP's achievements in public housing. In his most recent work, Asher produces data that show 27.4 per cent of CPF contributors had balances of less than S\$10,000 in 1991 (3.8 per cent of total balances), while 6.2 per cent had balances of more than S\$100,000 (28.7 per cent of total balances). Furthermore, 61.5 per cent of contributors had balances less than S\$30,000 which precludes them from participation in the various investment schemes to bolster their retirement 'nest-eggs' (Asher 1994, pp. 52-53).²⁷³ In conjunction with this point, Chua (1988, p. 22) has noted that in its drive for wider home ownership (by setting income ceilings for rentals at very low levels), the HDB is promoting 'over-consumption' of housing with some quite serious consequences. In short, while a policy aimed at 100 per cent home ownership may appear highly laudable, it has to be viewed, not only in terms of the 'sheltered poverty' it creates when people buying flats without CPF savings have to go without 'non-shelter necessities', but also in the context of the income inequalities it is likely to create into the future as those who use their CPF savings to purchase flats have lower (or negative) investible surpluses for retirement purposes.²⁷⁴

²⁷¹ According to a recent survey, this figure was 91.1 per cent in 1993 (Republic of Singapore 1995b, p. 61).

²⁷² De Cruz does not make any direct reference to Singh's 'anti-subsidy government' comment. This is because the Government has pursued an active privatisation policy in the aftermath of the 1985-86 recession (Lim 1989), and has been quite open about having been 'too generous with subsidies in the past' (see Teo, 1994).

²⁷³ For background information on the CPF scheme, see the footnotes to Chapter 2.

²⁷⁴ Asher has argued for some time that CPF savings alone are unlikely to deliver a financially secure retirement. See Beckerling (1994) and Ooi (1988), for example.

Whether Bilveer Singh was correct in his original assertion that ‘the majority of Singaporeans are basically living hand-to-mouth’ will continue to be a moot point, especially given the haste with which he retracted the statement. Perhaps, given a second chance to write his *Jakarta Post* article, Singh would choose his words a little more carefully. While the majority of Singaporeans may not necessarily live ‘hand-to-mouth’, many lead what might be described as a ‘day-to-day existence’.

5.4 Summary

Evidence has been presented in this chapter which shows that, despite claims to the contrary, capitalist development in Singapore is producing greater inequalities. The work of Bhanoji Rao and other econometricians has shown the Gini ratio in Singapore to have increased over the last decade or so, a trend also reflected in the disaggregated, small scale indicators preferred here. In his most recent work, Rao concludes that the Gini ratio appears to have stabilised. However, he does include a caveat that there may be pressures for widening income distribution in the future. To this end, he makes specific reference to the huge pay increases of the top civil servants and ministers while those at the lower end receive adjustments to their pay not exceeding that recommended by the National Wage Council. ‘*Ceteris paribus*’, notes Rao, ‘this increases the level of the Gini for 1994, although the raises for the top civil servants and ministers are well justified on the comparator earnings in the private sector and the need to attract the best talent to govern the nation’ (Rao 1995b, p. 8).

Whether Rao actually believes the civil service pay rises are justified or not is beside the point,²⁷⁵ what is important about this comment is that it encapsulates

²⁷⁵ Rao’s article is to be included in a volume edited by Lim Chong Yah who, coincidentally, is related to Lee Kuan Yew by marriage. Rao employs a tactic here used by many who write in to the Forum page of the *Straits*

a concept of inequality whereupon the pattern of distribution is viewed independently of social relations. By contrast, the argument advanced in this thesis is that the pattern of distribution is an outcome of social relations. In Singapore, these relations are characterised by an unequal distribution of economic and political power, whereby national economic competitiveness is defined in terms of big pay increases for the rich, and wage restraint for the poor.²⁷⁶

Theorising about inequality in this way clearly has political implications because progress towards greater equality entails transformation of the economic and political relations through which inequalities are constituted. The distributional concept of inequality, by contrast, tends to invite ‘blame-the-victim’ type explanations; that is, the poor are poor because they have failed to accumulate sufficient human capital, to upgrade their skills, or that they simply do not possess the inherent qualities to get on in life. Little or no consideration is given to the distribution of income and wealth in terms of its impact on equal opportunity and access to resources.

In the Singaporean context, the ideological rule of the PAP has, to date, ensured that this latter concept of inequality is the one that enjoys currency. This means that the leading technocrats within the PAP-state can join the growing number of millionaires, while the working class must struggle along with low wages, rising living costs and an unyielding welfare system. How this ideological rule is maintained is discussed in the next chapter.

Times; namely, if you wish to make anything resembling a negative comment about the Government and get it past the editor, be sure that it is sufficiently disguised by praise for the official line.

²⁷⁶ For a graphic illustration of this, compare Lee Kuan Yew’s comments on ministerial wages (‘Ministerial salaries ... It’s an emotional problem, says SM Lee’, *Straits Times*, 20 July 1996, p. 28) with those of Mathias Yao, Senior Parliamentary Secretary for Defence and National Development just four days later (‘Builders warned of effects of rising wages’ *Straits Times*, 24 July 1996, p. 21).