# The uncomfortable truths about inclusive growth in Singapore

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The Straits Times, Page 1, Section: OPINION
Wednesday 11 February 2026
1217 words, 1155cm² in size
386,100 circulation



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# The uncomfortable truths about inclusive growth in Singapore

The Ministry of Finance's Occasional Paper provides food for thought on the way forward on social mobility, growth and redistribution.

Singapore should expect structural pressures pushing inequality upwards. As the economy moves towards the global technology frontier, says the writer, skill-based technological change will disproportionately reward highly skilled workers, innovative firms and first movers. ST PHOTO: LIM YAOHUI

The recent Ministry of Finance Occasional Paper on Income Growth, Inequality and Social Mobility Trends in Singapore paints a broadly reassuring picture.

It shows inclusive growth in employment income, falling Gini coefficients for both employment and market income of households over the past decade and, for the first time, provides an estimate of Singapore's wealth Gini coefficient, broadly comparable to that of other advanced economies.

Across generations, both absolute mobility and relative mobility remain strong, with relative mobility comparable to or even better than other advanced countries. However, there are some early signs of gradual moderation in relative mobility for recent cohorts born in the bottom quintile as Singapore's economy matures.

Taken as a whole, these macro statistics suggest Singapore's socioeconomic compact has performed well, and suggests that sustaining inclusive growth is a multifaceted effort that cannot be boiled down to one single metric – whether income, wealth, inequality or mobility. Instead, having a comprehensive dataset provides us with early warning indications of trouble on the horizon.

## THE CHALLENGES WITH TACKLING MARKET INCOME INEQUALITY

Take income inequality, for example. The employment income growth rate over the past decade by income-deciles is rather even, with lower income-deciles growing at rates comparable to or even higher than the upper income-deciles. This pattern explains the decline in Gini coefficients and reflects a labour market that has broadly shared gains.

At the same time, the paper highlights analytical gaps that matter for policy design. A clearer decomposition of market income inequality into employment and non-employment components and how inequality evolves within and between these components over time can help distinguish structural shifts from cyclical or policy-driven effects and enable future government interventions to be more targeted.

International comparisons also need careful interpretation. Singapore's Gini coefficient, before taxes and transfers, is the lowest among advanced economies, second only to South Korea.

Our Gini, post taxes and transfers, is modest compared with some Nordic countries, because of deliberate social preferences, a low tax-to-income ratio and the constraints of a highly globalised economy. This reflects a different balance between redistribution and growth.

The real question isn't whether inequality should be pushed lower but whether it remains within a socially and economically sustainable range.

Inequality must be low enough to avoid the social pathologies observed in highly unequal societies, from crime to poor health outcomes, yet competitive economies will have a level of inequality that preserves incentives for effort, innovation and risk-taking. Pursuing ever-lower Gini coefficients through heavy regulation risks deadweight losses without guaranteeing better mobility outcomes.

## THE CHALLENGES WITH TACKLING WEALTH INEQUALITY

Looking ahead, Singapore should also expect structural pressures pushing inequality upwards. As the economy moves towards the global technology frontier, skill-based technological change will disproportionately reward highly skilled workers, innovative firms and first movers. As a small, open economy competing for global talent and capital, Singapore cannot insulate itself from these forces without undermining its own competitiveness.

This is where wealth and how it is built will matter more than income snapshots. The data shows that property equity is the dominant source of wealth across all income quintiles, with Central Provident Fund (CPF) balances the second most important contributor up till the 80th percentile, and other financial equity becoming important only for the top quintile.

This underscores the centrality of public housing and CPF in anchoring wealth accumulation and retirement adequacy for the majority of Singaporeans.

Yet, Singapore's public housing system is not merely an asset policy but a social institution. Heavily subsidised, well maintained and ethnically integrated, HDB housing supports community cohesion and national identity alongside asset building.

Ensuring that housing prices move broadly in tandem with income growth remains critical, especially in a land-scarce city exposed to speculative capital flows. Cooling measures, tighter mortgage rules and higher property taxes – particularly on foreign and multiple-property purchases – serve not just to stabilise prices, but also to prevent wealth inequality from being driven by asset bubbles.

## PRESERVING SOCIAL MOBILITY

Beyond financial wealth, public investment in human and health capital plays an equally decisive role in shaping mobility. Government-funded research, SkillsFuture programmes and lifelong learning initiatives contribute to the accumulation of knowledge capital with positive spillovers across society.

However, participation in skills upgrading is uneven, constrained by childcare, eldercare and time pressures, especially for lower-income households. Rigorous evaluation of training programmes is therefore essential to ensure the benefit of training is not skill-biased, or not enjoyed by those facing barriers in access.

Education remains one of Singapore's strongest equalising forces. Students from lower socio-economic backgrounds consistently outperform the OECD average in PISA assessments, a rare achievement internationally.

**The rapid diffusion of artificial intelligence into learning and work risks introducing new divides, particularly for children from households with fewer digital resources or less parental support.**

Yet the rapid diffusion of artificial intelligence into learning and work risks introducing new divides, particularly for children from households with fewer digital resources or less parental support. Targeted early interventions, especially in pre-school and primary education, will matter more in this environment.

Public healthcare, especially primary and preventive healthcare, is another underappreciated pillar of mobility. By reducing disparities in health stock early in life, it limits the extent to which parental background translates into long-term disadvantage.

Together, these public goods help explain why relative mobility in Singapore remains high despite rising wealth inequality globally. While financial wealth disparities may exert a dampening effect on income mobility, the accumulation of human, health and knowledge capital through public provision counteracts this force.

That said, the observed moderation in relative mobility for individuals born into the bottom quintile between 1985 and 1989 deserves closer attention. The change is not dramatic, but it signals potential friction points – whether in aspirations, access to networks, or new skill demands – that merit deeper investigation.

Equally important is the experience of the broad middle-income group. My own empirical work using National Youth Survey data suggests that relative mobility remains robust among middle-income Singaporean youth. Validating this finding using comprehensive Ministry of Finance data would help assess whether inclusive policies are effectively supporting the aspirations of the middle class – a group that anchors social stability and whose confidence in upward progress matters politically and economically.

Finally, all interventions must be weighed against Singapore's longstanding commitment to fiscal prudence. Constitutionally mandated balanced budgets within each term of government impose discipline, ensuring that redistribution today does not become an intergenerational burden tomorrow. Policy effectiveness, cost efficiency and long-term sustainability must therefore remain central evaluation criteria.

In sum, Singapore's approach – tempering market-driven inequality while investing heavily in housing, education, healthcare and skills – has delivered strong mobility outcomes so far. The challenge ahead is not to abandon this model, but to adapt it thoughtfully to new technological, demographic and global pressures, ensuring that opportunity remains broad-based even as inequality pressures intensify.


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