

Inequality and the City

THE SINGAPORE STORY

Income inequality is widely acknowledged as a growing challenge in many countries. However, the urban and spatial dimensions of this issue are less well understood. Researchers from the **Centre for Liveable Cities** have studied this topic, focusing on Singapore's experience. This essay carries some of their findings, including possible solutions that urban planners and policymakers could consider adopting.

In recent decades, rising income and wealth inequality has emerged as a widespread source of social and policy concern in both advanced and developing economies. So far, much of the scholarly literature and policy discourse on inequality focuses on the nation state. However, it is also important to examine the patterns of inequality within and between cities.

The trend of rising inequality appears to be an overwhelmingly urban phenomenon. Cities typically have higher levels of inequality compared to rural areas, while larger cities tend to be more unequal than smaller cities. Moreover, urban inequality encompasses deeply spatial dimensions. Not only do economic differences manifest across space, they are further compounded by variations in infrastructure investment and public service provision in different areas.



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⁰¹ Convenient retail outlets situated within an HDB estate in Toa Payoh.

Why do Cities Tend to Be More Unequal?

By definition, cities have higher concentrations of people and economic activity; and higher flows of capital, goods and services, and information. Consequently, they tend to attract highly educated, higher-earning individuals as well as low-wage workers seeking a better life. By some accounts, the clustering of skilled workers in cities

lowers transaction costs in business services and fuels productivity and technological innovation, which raises upper-tail inequality. Others attribute these outcomes to local assets specific to cities but unrelated to urban agglomeration, such as access to ports and harbours, and good government. Hence, rising inequality in many cities may be an unintended consequence of efforts by aspiring cities to promote the growth of an advanced knowledge and services economy, complete with “superstar” compensation structures on the one hand, and a plethora of low-wage service sector jobs on the other.

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How do Urban Policy and Planning Affect Inequality?

To some extent, there is a natural tendency for people to live in close proximity to others of similar socio-economic status. Over time, this could result in enclaves or “gated communities”, and growing social stratification across different areas. This process can be perpetuated or even exacerbated by urban policy and planning decisions. Such policies often allocate funding and access to housing, public transport, job opportunities, amenities and other public goods. On a more intangible level, this can raise or reduce social and cultural capital, such as valuable contacts, status and prestige, associated with living in particular areas.

Take the specific example of zoning rules limiting the plot ratio or planning density of residential buildings in a popular district. This limits the supply of housing units that can be constructed, keeping their prices high and preventing lower-income households from living there. Over time, residents of these exclusive neighbourhoods might accumulate further socio-economic advantage through attending higher-performing schools, access to expansive parks and green spaces, and informal social networks allowing the sharing of valuable information and contacts. Their close proximity to high-paying work and reduced commute times also yields time savings that can be invested in personal and career development.

In contrast, low-income groups may be subject to various disadvantages as a result of their living environments. In the extreme, spatial inequalities could be the result of deliberate and systematic segregation policies. However, they could also be due to less obvious factors. For instance, market forces could limit the available housing areas for the poor, and minority groups may choose to self-segregate to draw upon common cultural resources, or for greater political empowerment. Regardless of the cause, locational disadvantages exert pernicious effects on low-income groups, as well as society at large. Residents of spatially disadvantaged areas typically pay higher relative housing costs (adjusted for quality and proportion of disposable income), and spend more time commuting to work and to run essential errands. They may lack access to quality public goods, while suffering greater exposure to environmental hazards, including pollution and violence. What’s more, their children may inherit undeserved disadvantages. At the societal level, inequality raises anxiety, stress and other poor health outcomes, and destabilises social cohesion and meritocracy.



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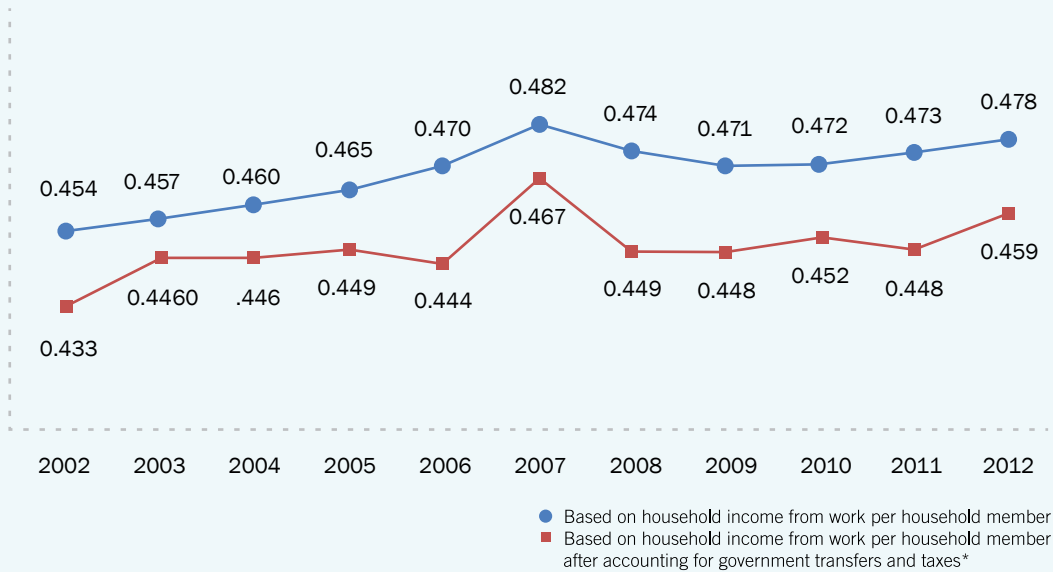


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01 Unlike gated private condominiums, Singapore's public housing blocks typically have open 'void deck' spaces on the ground level, which can be used for communal activities such as this bird singing competition.



Gini Among Resident Employed Household



The Case of Singapore

Over the past decade, Singapore has seen a sharp rise in income inequality. Its Gini coefficient (a global measure of income inequality) increased from 0.430 in 2000 to 0.478 in 2012. The ratio of incomes between the top and bottom deciles has also increased: in 2012, even after removing imputed rentals from the Consumer Price Index, real household income from work for the bottom 10% of households rose by just 0.8%, compared with 5.6% for households in the top 10%.

Aside from the general increase in income inequality, there has been some concern over wage stagnation and declining social mobility for lower-income groups. As a densely populated city lacking land and other natural resources, Singapore is

vulnerable to the negative impact of inequality. On the other hand, Singapore's unique institutional levers as a city-state have enabled its government to play an activist, redistributive role at both the urban and national levels.

Like most nation states, the government uses fiscal transfers and redistributive policies to narrow the income gap in Singapore. Critically, it tries to do so while preserving the incentives for work and entrepreneurship. Examples include wage top-ups for lower-income jobs; consumption tax rebates; transfers to the individual retirement accounts of lower-income workers; and progressive rebates on utilities, rental and conservancy charges. In recent years, the government has also shifted to



a more progressive property tax structure and raised the administrative charges and tax for purchasers of more expensive cars. Singapore further seeks to address income inequality and increase intergenerational income mobility through human capital and productivity measures such as continuing education and training.

The Singapore government has also addressed income inequality through good urban planning. From independence in 1965, the government undertook rapid public housing and new town development through the Housing & Development Board (HDB).

Enactment of the Land Acquisition Act and Foreshores Act provided the state with broad powers of eminent domain, and limited the scope for private stockpiling and speculation in scarce land. Today, over 80% of Singapore's resident population live in HDB public housing. To prevent the formation of ethnic enclaves or low-income slums, the HDB introduced detailed eligibility criteria based on household income and ethnicity.

Through the design of neighbourhoods and apartment blocks, the HDB has ensured a mix of housing for different income groups in relatively close proximity to each other, including low-income rental housing, a range of owner-occupied public housing, as well as private condominiums. Using similar design themes and colour schemes within HDB precincts and neighbourhoods enhanced continuity while reducing visual markers of wealth and income difference.

When designing new towns, the HDB understood the importance of easy access to jobs, goods and services, amenities and public goods such as parks. Each HDB housing estate includes green spaces and exercise facilities, multiple affordable food options such as open-air cooked food centres (known as hawker centres), traditional fresh

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01 An HDB estate in Sin Ming Avenue features similar design schemes



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01 HDB towns such as Commonwealth are situated close to MRT stations.

food markets (or wet markets) and supermarkets. There is an extensive network of well-maintained and well-stocked libraries open to the public. Finally, the Urban Redevelopment Authority (URA) carefully allocates zoning categories to situate residential neighbourhoods near to regional malls and light industrial parks, while minimising negative externalities from commercial and industrial activities.

The availability and quality of public transport, pedestrian walkways and bicycle paths can reduce time and monetary costs required to reach employment clusters, seek medical treatment and purchase goods and services. This in turn can alleviate the lived experience of urban inequity.



Higher-value residential areas with houses (termed “landed” housing in Singapore, as distinct from apartments) are concentrated in the Central and Northeast regions and Bedok in the east, with the 39 exclusive Good Class Bungalow zones (areas designated for landed homes of at least 1,400-square-metre plot size) clustered in a five-kilometre radius circle near the central city core.

Most private and landed housing residents in these areas have better access to the Central Business District, Marina Bay Financial Centre, major retail and dining areas such as Orchard Road, and large, popular recreational green spaces including the MacRitchie Reservoir and the Singapore Botanic Gardens. In part owing to colonial-era planning decisions and other historical factors, residential areas in Singapore have significant disparities in accessibility to subsidised medical treatment, both in terms of the physical distance to the nearest hospital, as well as the number of hospital beds in each region. New public hospitals are being built or have been planned, but with continuing population growth it is uncertain whether they will be sufficient to correct these inherited disparities.

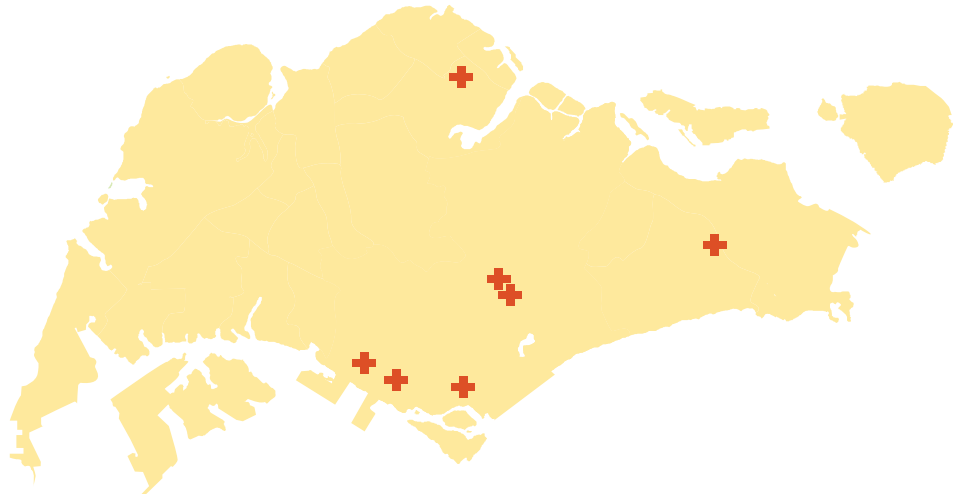
Finally, balloting and admission to primary school is partly determined by a child’s residential proximity to that school, while many popular schools are located near landed housing and Good Class Bungalow zones.

Starting in the early 1970s, the authorities modernised and expanded the public transport system, merging several bus companies and consolidating services, enforcing taxi licensing and eradicating pirate taxi fleets, and investing in a substantial rail transit system. Sheltered pedestrian walkways and dedicated bicycle lanes are also being extended to promote walking and cycling.

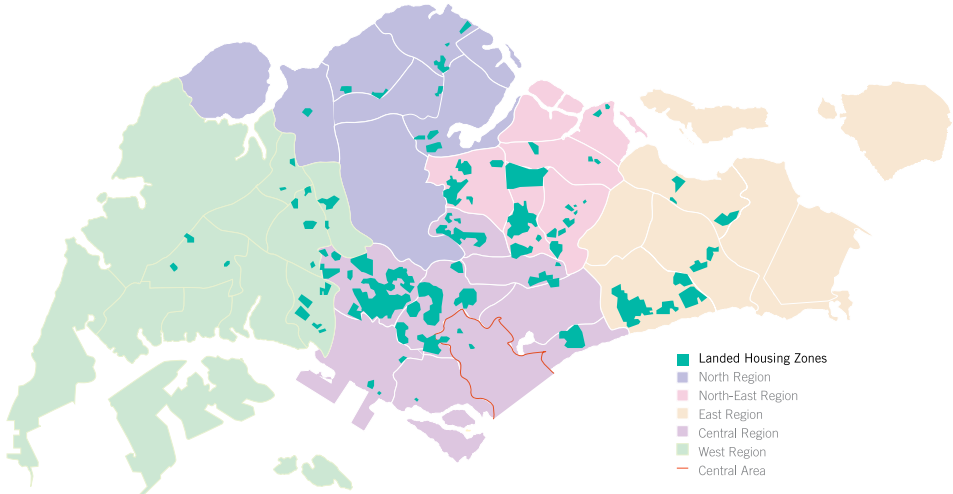
Room for Improvement

Notwithstanding these significant achievements, there appears to be considerable scope for improving spatial equity in Singapore. A detailed spatial analysis is beyond our current scope, but some observations can be made.

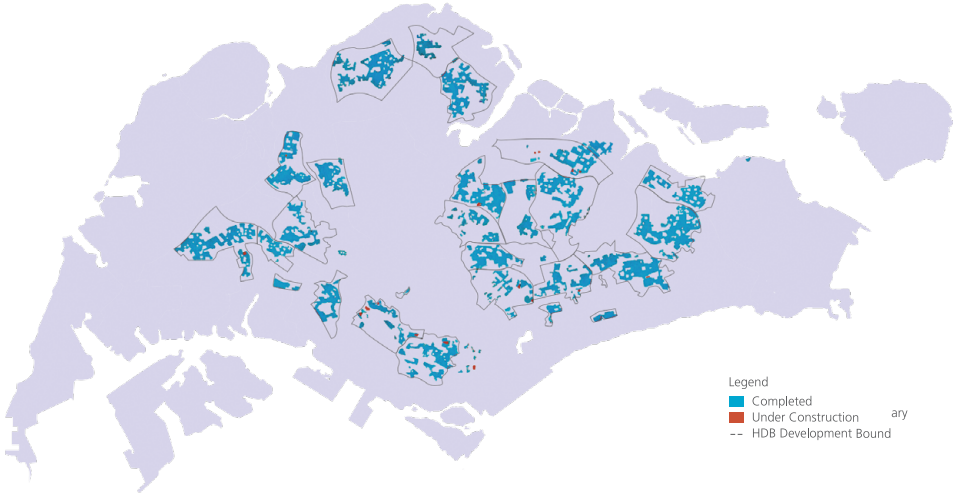
Location of Public Hospitals in Singapore



Landed Housing Zoning Areas



Public Housing Areas in Singapore



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In the early days of HDB construction, public housing estates were often built in central areas, well integrated with retail clusters and complexes, and within a short commute from the city centre. Today, older HDB estates in central areas such as Rochor are being redeveloped for other uses, while new HDB estates are mostly being constructed in the urban periphery (i.e., Bidadari, Punggol, Tampines North and Tengah).

Conversely, new residential and office complexes in central areas, which tend to be more expensive and prestigious (i.e., Marina Bay, Sentosa Cove, Duo@Bugis), are co-located with cosmopolitan dining and entertainment options and feature exceptional connectivity and convenience. For example, the premier housing, office and entertainment areas in the new Marina Bay Financial Centre will be served by six rail stations and a network of water taxis by 2018. This trend looks set to continue. State land parcels in the central area, or those with unique visual or location amenities such as proximity to large parks or beaches, are auctioned to private developers largely on the basis of the highest price. This will change Singapore's urban fabric. While spaces around and between HDB blocks and nearby amenities are open to public access and provide opportunities for diverse interactions and activities, many private housing

condominiums are gated. Aware of these concerns, the URA has promised that private residential developments in the prime Marina South and Kampong Bugis areas will feature public access, but almost no new public housing has been planned within the city centre since the 1980s.

Proposals for Policymakers

In every city, wealthier residents will tend to reside, work and spend leisure time in higher quality, more convenient and desirable locations. As with income inequality, some level of spatial inequality is therefore inevitable. However, growing spatial inequality is cause for policy concern, since a situation in which ethnic, income and wealth disparities manifest across spatial lines potentially increases volatility and instability, and reduces economic competitiveness and the potential for broad-based technocratic policymaking.

With this in mind, governments can focus on three questions. First, to what extent do spatial disparities impinge on the public interest, for instance, through falling social mobility or social cohesion? Second, which public policies (inadvertently or consciously) exacerbate or entrench spatial inequality, and why? Third, what are the opportunities for public policy to mitigate and reduce spatial inequality?

Clearly, policy cannot prevent the functioning of a market-based land market, for instance, by using regulatory measures to prevent high-income households from purchasing larger or more central properties. This would be unrealistic and unproductive. Governments should instead focus on removing policies that artificially entrench or perpetuate existing spatial inequality; improving the distribution of various amenities, infrastructure and resources, such as public hospitals and schools, as new population centres emerge; and maintaining quality shared spaces where urban inhabitants of different socio-economic backgrounds can come together.

Depending on the root causes of spatial inequality, some policy levers include:

- **Improving access** to key urban attractions and amenities by reducing the duration and cost of various transportation modes used by different income groups;
- **Modifying existing land use policies** that create or perpetuate rigidities in the ownership of locational advantage by higher-income groups (e.g., land-use zoning that artificially prices most households out of the zoned areas through prohibiting higher-density developments and sub-division of land lots);

• **Offsetting locational disadvantages** (e.g., pollution from zoned industrial sites or highways) through appropriate transfers or compensatory mechanisms such as subsidised health checkups for residents in those areas;

• **Generating shared locational benefits**, e.g., zoning central sites for public housing, so that the appreciation of central property values over time will benefit households of different income levels. This proposal is often criticised on the grounds that the lower-income households who successfully ballot for a centrally located HDB apartment would gain an unearned windfall. The implicit suggestion that all lower-income households should therefore reside in peripheral areas to enjoy the same limited level of property appreciation is no more satisfactory. Expanding public housing in central areas improves spatial equality; it is not mutually exclusive with other redistributive or progressive policies.

Ultimately, the causes of spatial inequality are often complex and rooted in history. This means that governments can no longer view income inequality simply as an economic problem, to be addressed by economic agencies. Urban inequality often has spatial causes, as this paper argues. Land use and urban planning agencies must therefore be part of the policy solution, in collaboration with other public and private stakeholders.



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