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Income growth alone won't sustain social mobility here

Modest wealth increasingly determines whether mobility endures across life's shocks.

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Across many developed societies, social mobility is harder to sustain. Children's prospects remain strongly shaped by family background, even as educational levels have risen.

In the US, a highly cited study by Harvard economist Raj Chetty and colleagues found that absolute income mobility – defined as the share of children earning more than their parents – fell from about 90 per cent for those born in 1940 to around 50 per cent for those born in the 1980s.

In many advanced economies, the "entry costs" of opportunity – especially housing in high-opportunity areas and the private costs of education and training – have risen or shifted more onto households. Thus, even when incomes rise, families must commit more resources up front to secure the same advantages for their children. Social mobility depends not only on earnings, but also on whether households can absorb risk along the way.

It is against this backdrop that the Ministry of Finance's (MOF) Occasional Paper on Income Growth, Inequality and Social Mobility in Singapore offers a comparative healthier picture. Here, intergenerational mobility remains strong, yet the data carries a quiet warning: of mobility potentially softening over time.

About three in four children born to fathers in the bottom income bracket still move into a higher income tier in adulthood. Yet a slightly larger share now remains at the bottom. Among those born between 1978 and 1982 to fathers in the bottom 20 per cent of earners, 24.2 per cent remained in the bottom income quintile as adults. This rose to 25.3 per cent among those born between 1985 and 1989.

These indicators raise pertinent questions: Can social mobility be sustained over time? Or does it inevitably erode as a country becomes wealthier?

HOW WEALTH SHAPES OPPORTUNITIES

The global literature points to wealth as the channel through which family background continues to shape life outcomes, even when incomes rise and education expands.

In Singapore, the MOF findings show that wealth inequality is higher than income inequality, mirroring the experience of many advanced economies.

Wealth is usually defined as net worth. In Singapore, this includes not only private savings and investments, but also Central Provident Fund balances and housing equity, which together shape households' capacity to invest in opportunity. Households with assets can take calculated risks – weathering periods of lower income, or investing steadily in children's education, enrichment and tutoring – without fearing that a single setback will unravel years of progress.

By contrast, families without buffers must prioritise short-term security, even when longer-term investments would yield higher returns. Over time, these differences in risk tolerance and planning horizons translate into divergent mobility outcomes, even among families with similar incomes.

WHAT THE RESEARCH SAYS ABOUT MODEST AMOUNTS OF WEALTH

Income determines how families live month to month. Wealth determines whether progress can be sustained when circumstances change.

Not all forms of wealth are equally liquid. But even relatively illiquid assets like CPF balances and ownership of residential homes can provide stability if families are confident they will not be forced to give them up during temporary setbacks. This distinction helps explain why progress can remain fragile even when incomes improve. Without buffers, a single episode of job loss, illness or caregiving can undo years of incremental gains.

Importantly, the effects of wealth are not confined to large fortunes. Research shows that even modest asset holdings are associated with better outcomes for children.

An early study by scholars Min Zhan and Michael Sherraden, using longitudinal data from the National Survey of Families and Households in the US, finds that children from low-income families with savings of around US$3,000 (S$3,800) or more are significantly more likely to complete high school, and that their parents report higher educational expectations for them.

In contrast, children growing up in households with little or no wealth may temper their aspirations if higher education appears financially risky or unattainable, even when their academic ability is similar.

While these estimates come from US longitudinal data, the underlying behavioural channel of perceived affordability and risk of investing in education is relevant in any high-cost, developed society, including Singapore.

REINFORCING SOCIAL MOBILITY

Singapore's social mobility story has long been anchored in education, employment and home ownership. These pillars have enabled many families to move up across generations, and the MOF paper shows they still work. But in a high-cost environment, they require families to commit earlier and more decisively to housing loans, education spending and career investments, making the absence of buffers more consequential than in the past.

Today, investments in skills upgrading through SkillsFuture and wage support through Workfare have helped raise incomes at the lower end, while public housing has facilitated broad access to home ownership. But as growth moderates, the nature of inequality is shifting. Wealth differences, especially those tied to housing equity and CPF accumulation, are becoming more salient.

Middle- and higher-income households tend to accumulate assets steadily over time. Lower-income households, by contrast, often face more interruptions, whether due to health issues, caregiving responsibilities or less stable employment. This makes asset accumulation slower and more vulnerable. If income gains are not accompanied by opportunities to build buffers, mobility may become less durable across time.

Social mobility depends not only on earnings, but also on whether households can absorb risk along the way, says the writer. PHOTO: LIANHE ZAOBAO

WHAT SUPPORTING WEALTH-BUILDING COULD INVOLVE

Over the past decade, Singapore has enhanced various schemes to enable lower-income workers to build wealth, through public housing ownership and CPF accumulation.

In housing, the Enhanced CPF Housing Grant introduced in 2019 and subsequently enhanced has strengthened access to home ownership for lower-income first-timers. About 80 per cent of low-income Singapore households today own their HDB homes. In CPF, the Government has expanded matching schemes to build retirement balances for those with less, and extended CPF coverage to platform workers.

As working lives become less linear and incomes more volatile, a further practical extension could be time-limited CPF or mortgage-support bridges during involuntary unemployment, conditional on active job search. This could build on the new SkillsFuture Jobseeker Support Scheme, which already provides temporary, time-bound payouts tied to job-search activities. Such measures would help families that are making progress avoid losing their foothold because of short-term disruptions.

A QUESTION OF RESILIENCE

Singapore's record on social mobility remains relatively strong, but sustaining requires closer attention to if and how households accumulate wealth. Helping lower-income families accumulate even modest assets may make a disproportionate difference, both to individual outcomes and to whether mobility remains a credible lived experience.

Even where opportunities exist, lower-income households may hesitate to take them up for practical reasons. Home ownership can feel risky when income is uncertain, and saving can feel unattainable when daily needs are pressing. In such circumstances, caution is often a rational response rather than a lack of effort.

This is why policy design alone is not enough. Asset-building also depends on whether families feel supported and confident enough to stay the course.

Reducing both perceived and actual risks can make a difference in reducing the likelihood that families abandon savings or asset-building efforts at the first sign of difficulty. This could include moves to cushion households during temporary setbacks, lower the cost of essential support such as individual tuition through community-based initiatives, or provide sustained guidance through family coaches and mentors.

It is understandable that proposals to tilt more support towards lower-income groups raise questions of fairness. Yet wealth accumulation already favours those who start with assets, through compounding returns, family transfers and early access to opportunities.

The question, then, is not whether policy should be neutral, but whether it can keep opportunity credible for those who start with fewer buffers.

In the next phase of Singapore's mobility story, the frontier is not only higher incomes, but the ability for more families to build and protect modest wealth, and maintain social mobility in Singapore.

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