The fact most families in the bottom 20 per cent income bracket in the US – and the country's homeless – have no health insurance, unlike in other industrialised countries, must change.
PHOTO: AFP

Greater inclusion will boost resilience to disasters

Investing more in capabilities of low-income groups – and channelling this spending beyond enhancing safety nets – should be part of the policy mix to revive economies. BY VINOD THOMAS

A LESSON from Covid-19 is that inclusive growth and greater income equality will help build stronger resilience to catastrophes. People on low incomes and facing vast disparities are unduly hurt by these shocks. Their ability to withstand them is vital not only for their own well-being but also that of the entire society. During recoveries from such disasters, countries with varying but relatively high inequality of income, like the United States, India and Singapore, would do well to invest more in low-income populations – aside from having social safety nets – to build defences to shocks.

Part of the reason that the US is registering the highest Covid-19 infections, at 2.5 per 1,000 people, is that it has the highest income inequality in the industrialised world. Low-income communities, with a high share of African-Americans and Hispanics, are at a particularly high risk. One study finds that in the city of St Louis, postal codes can be predictors of a likely high incidence of positive tests for the virus. A cloud on Singapore's otherwise effective fight against Covid-19 is that its migrant workers are showing extremely high numbers of infections.

Differing levels of socio-economic inclusion and disaster resilience across India's 29 states is having a bearing on the Covid-19 fight. The southern state of Kerala has recorded the country's lowest death rate (two out of 437 confirmed cases) and the highest recovery rate (308 of 437). It has also set up more community kitchens and relief camps for migrant workers in response to Covid-19 than any other state. Decades of investments in health and education meant, for example, that it had twice the number of hospital beds per person as the nation's. It recruited over 300 doctors and 400 health inspectors within a day of the first case and swiftly implemented a "break the chain" campaign for hand washing, sanitising, and social distancing.

In strengthening economic and social systems as the pandemic passes, governments need to recognise how disasters aggravate inequality and how inequality hurts responses to build resilience. Policy response would need two components: safety nets during the crisis, and investments that promote inclusion.

First, on social protection, as disasters worsen income disparities and poverty, stronger safety nets are needed to ensure that low-income groups are not left even further behind. In the US, by one estimate, the bottom 20 per cent of the income distribution has only 3.1 per cent of total income, while the top 20 per cent has 52 per cent. Singapore's income inequality is among the highest in Asia, even as recent estimates show important improvements. In East Asia, the World Bank forecasts that instead of 35 million people being lifted out of poverty in 2020, 11 million will fall back into poverty because of the pandemic – a swing of 46 million.

Singapore's efforts to improve the living standards of vulnerable communities – for example, the measures in the Voluntary National Review Report – are welcome. A total of close to S$60 billion was announced in three budgets over seven weeks to support the Covid-19 fight. (The US has added US$484 billion to the previous US$2 trillion package, making these two nations' spending among the largest as percentage of gross domestic product.)

With these outlays, Singapore is focusing on saving jobs and protecting livelihoods, helping enterprises stay afloat, and strengthening disaster resilience.

INSUFFICIENT EFFORTS

In the United States' US$2 trillion stimulus package, the biggest share, 44 per cent, will help businesses, big and small, to recover, while parts of the spending will go to improving the health system and social safety nets.

India, which has imposed the toughest lockdown measures, has so far announced a relatively small budget, focusing US$23 billion for health insurance for health workers, cash transfers, free food and gas distribution, and additional social security measures for workers.

Second, on inclusive growth, since a society is only as strong as its weakest link, investing in inclusion is vital for building resilience to the threats. The effectiveness of the responses to Covid-19 society-wide in the US, India and Singapore has been hurt by insufficient efforts going to lessening inequality and for advancing inclusion.

All countries are being hit hard by the pandemic – and one credit rating agency warns that the world is heading for a recession on an "unprecedented" scale over the last several decades. The International Monetary Fund projects the economies of the US and Singapore contracting 5.9 per cent and 3.5 percent, respectively in 2020, and India growing at only 1.9 per cent. These governments should make greater inclusion part of their recovery. Economic growth generated by all segments will make countries better prepared for the next shock.

A misconception is that striving for inclusive growth is the same as providing social safety nets for vulnerable groups. Safety nets are needed to immediately protect the vulnerable, while investment in lower-income groups makes for a stronger economy over time.

A greater priority in all three economies needs to be directing government spending and other resources to increase the economic opportunities of lower-income strata through education and skills training – and in a way that meets the needs of employers. A considerable body of research shows that reducing inequality is associated with faster and more durable growth.

For many economies, this will mean a greater focus on government spending on education and health in their recovery plans. This has been a longstanding policy in Singapore, but more emphasis is needed on social investments and ensuring that this spending strengthens the skills of those at the lower end of the income ladder. Migrant workers, too, should gain from these investments.

The to-do list for inclusive growth in the US is long and starts with strengthening a public health care system that failed miserably during Covid-19. A leitmotif for the disparity in access to health services during the pandemic has been the images of long queues to get medical attention in public hospitals and clinics. That most families in the bottom 20 per cent income bracket in the US – and the country's homeless – have no health insurance, unlike in other industrialised countries, must change.

India's to-do list to advance inclusive growth is even longer. Government health spending is more or less stuck at about 1.5 per cent of GDP, which is low for a country classified by the World Bank as middle income. Spending at that level was largely the cause of a shortage of health professionals to tackle the pandemic. According to the World Health Organization, India has just 80 doctors per 100,000 people. The share of public and private investment in health and education must rise to meet the growing needs of an emerging economy.

Investing more in the capabilities of people at low incomes – and channelling this spending beyond strengthening safety nets – needs to be part of the policy mix to revive economies battered by the pandemic. In the new world of recurring shocks, a decisive push for inclusive growth enabled by less income inequality will provide a critical buffer.

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