Economic sociology in Singapore: Meritocracy and the missing embeddedness

Vincent Chua

"Once you are not corrupt and you have a meritocracy, then it's mostly administration."

George Yeo, former Foreign Minister of Singapore, President's Speaker Series Public Lecture, Yale-NUS College, March 10, 2021

Singapore can be described as a "developmental state," defined by Chalmers Johnson as a state focused on economic development and which takes necessary policy actions to accomplish this objective. He writes specifically about Japan and the role of the economic agency MITI (Ministry of International Trade and Industry) in ushering in the Japanese miracle, but there are striking parallels to the four Asian tigers: South Korea, Taiwan, Singapore, and Hong Kong. Johnson says, "In states that were late to industrialize, the state itself led the industrialization drive, that is, it took on developmental functions" (Johnson 1982, 19).

Like other Asian tigers, Singapore is known for its exceptional economic growth, and the state played a critical role in this growth. What distinguishes it from the other Asian economies, however, is the singular focus the state has placed on *meritocracy* to achieve it.

In a study of thirty-five countries, Peter Evans and James Rauch (1999) devised a "Weberian scale" to describe the extent to which formal mechanisms and meritocratic procedures are applied to the recruitment of government officials, with special attention to the selection of public sector bureaucrats through a national examination system. They put meritocracy scores on the x-axis and correlate them with a measure of GDP to represent economic growth on the y-axis. The graph, which I reproduce here but with GDP scores updated to reflect 2019 conditions (Figure 1), shows an upward sloping line, suggesting a positive relationship between meritocracy and economic growth. Of special interest to me, Singapore is situated at the upper right-hand corner of this graph, indicating that its high levels of meritocracy play a substantial role in its exceptional economic growth.

Meritocracy increases economic growth through a system of talent spotting. Each national examination identifies the best talents and develops their potential through a scholarship system (Quah 2010). The best performers are tried and tested and put to matters of national importance, including the responsibility of governance and public administration. As George Yeo points out (see above), meritocracy is a

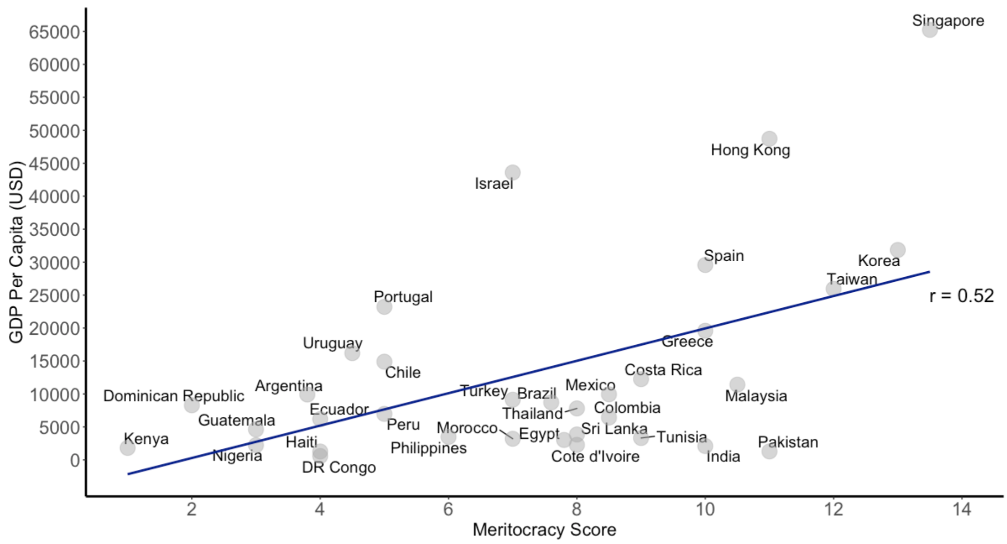

Figure 1: Singapore exceptionalism: Relationship between score on meritocracy and GDP per capita (USD); Sources: Meritocracy scores (Evans and Rauch 1999), GDP per capita 2019 (based on World Bank database)

system of administration run by technocrats and experts. The system replaces politics with bureaucratic predictability (Woo-Cumings 1994), causing Chan (1975) to ask: "Where has the politics gone?"

By prioritizing economic growth, the Singaporean state has envisaged a socially stable and prosperous Singapore (Pereira 2008; Chua 2017). The goal of the People's Action Party (PAP) has always been a broadly middle-class society to contain the extremisms of a polarized society that the Communists, in the 1950s and 60s, claimed to be challenging. And the economic growth, in turn, has legitimated the state's pre-eminent role in the markets.

Economic sociology has sought to explain the sources and consequences of this developmental orientation with two kinds of studies: those seeking an account of the rise of the Singaporean economy (Rowen 1998; Old and Yeung 2004; Tong 2005; Pereira 2008; Shatkin 2014) and those underscoring the close coupling of state and market expressed through state-driven capitalism (Castells 1987; Hamilton-Hart 2000; Chua 2017). Elsewhere, Singapore's developmental state is called the "hard state" (Huff 1999), with a focus on the nexus between state and market and the soft side – the people in their everyday relationships within markets – often being obscured in the process.

A glaring omission in critical studies of Singapore is the hesitation to accord a place to the role of informal relationships in shaping economic outcomes because of meritocracy. This stands in sharp contrast to a core concept within economic sociology, which is Granovetter's notion of "embeddedness": the idea that markets should be analyzed in terms of the informal relationships that make them, because "to construe them as independent is a grievous misunderstanding" (Granovetter 1985, 481–82).

This embeddedness approach has not figured more prominently in the academic discourse on Singapore's economy, I believe, due to significant cultural tensions between meritocracy and social capital. On the one hand, meritocracy promotes individual efforts. On the other, social capital implies the use of connections, invoking the specter of nepotism.

The suggestion that social capital may shape outcomes can seem jarring when set against the larger edifice of the neoliberal turn towards individuality and productivity, giving rise to social capital's "legitimacy crisis" under meritocracy.

Economic sociologists, particularly those who study the nexus between social relations and labor market outcomes, are often concerned about estimating – *precisely* – the impact of "job contacts" on outcomes such as salaries, wages, and promotions (Marsden and Hurlburt 1988; Erickson 2001; Lin 2001; Obukhova 2013; Fernandez and Galperin 2014; Shen and Bian 2018; Krug, Schmelzer, and Trappmann 2020). These studies converge in posing a question of central importance: "Do job contacts matter?" (Mouw 2003).

I ask that same question in Singapore, where I examine the role and value of job contacts against the backdrop of its three labor markets: the state sector, the multinational (MNC) sector, and the small business sector. The state sector employs 20 percent of the workforce and comprises the civil service, the statutory boards, and the government-linked companies (GLCs). The MNC sector employs 20 percent of the workforce and comprises foreign companies such as Unilever, a Netherlands/United Kingdom-based consumer goods company, and Novartis, a Switzerland-based pharmaceuticals company. The small business sector employs 60 percent of the workforce and includes numerous local enterprises of small and medium size.

My analysis of these sectors reveals that job contacts are practically worthless when it comes to landing a good job within the state sector and that academic grades matter much more. I find a *negative* relationship between job contacts and personal earnings, with this negative effect particularly steep in the state sector as compared to the multinational and small business sectors, suggesting that ties are not always useful under meritocracy (Chua 2011). In instances when job seekers have used a *high-status* job contact, I observe the same patterns: high-status contacts yield no comparative advantage, and the downward impact on earnings is steepest in the meritocratic state sector.

In contrast, job contacts are much more useful in the other two sectors: the multinational and small business sectors. For example, while 18 percent of respondents in one of my studies found jobs in the state sector via job contacts, 43 percent found jobs in the private sector through job contacts. People in small

Vincent Chua is an associate professor in the Department of Sociology at the National University of Singapore (NUS) and co-director of the Centre for Family and Population Research (CFPR). He obtained his PhD in sociology from the University of Toronto. His research areas are in social networks, education, and ethnic stratification. His work has appeared in publications such as *Social Networks, Social Science Research, Sociological Perspectives, Current Sociology, Sociology of Education,* and *The Sage Handbook of Social Network Analysis.* His latest work is a book entitled *Social Capital in Singapore: The Power of Network Diversity* (Routledge, 2021). *socckhv@nus.edu.sg*

business enterprises were especially likely to use job contacts (Chua 2011).

In sum, in Singapore, the impact of job networks on labor market outcomes is highly contingent upon job sector characteristics. In the state sector, where meritocracy is pursued assiduously, job contacts are relatively redundant. The multinationals combine elements of formality with some flexibility, and there, job contacts matter a little more. But in the world of small business, job contacts matter much more (Chua 2011).

I also find a racial component to contact use: the Chinese use their job contacts more actively than any other racial group. Of course, the Singaporean small business sector grew out of Chinese migration. They came for trade (Chan 2000). Even today, the Chinese are disproportionately represented in the sector, more than their national proportion of 75 percent would suggest. I establish that the Chinese are more active network users, not because of culture *per se* (the so-called propensity to rely on "guanxi" – deep social connections – that several studies emphasize), but because history has created an institutional pathway into the economic sector through Chinese clan associations, and these particular employers have come to rely more on networks than academic credentials when hiring workers (Chua 2011). There is some work on Chinese businesses in Singapore (Tong and Yong 1998), with a few that focus on Chinese family business lineages, including its dark sides (Chan 2000; Tong 2005).

In other studies, I find correlations between formal industries and a resistance to contact use. Sectors such as public administration and defense, education, and health and social work are associated with lower contact use. In comparison, the wholesale and retail trade, hotel and restaurant, and construction sectors are associated with greater amounts of contact use: 61 percent in construction versus 16 percent in public administration and defense (Chua 2011). Above all, the evidence points to a central fact: that contextual factors, such as meritocracy, the public-private sector divide, and industrial differentiation, invariably shape the role and value of job contacts.

I ask a further question: If job contacts do not matter much in Singapore's meritocratic markets, *what types* of social capital do? Further analyses show that a broader swathe of ties – ties beyond job contacts per se – matter considerably; Nan Lin calls this the "invisible hand of social capital" (Lin and Ao 2008; McDonald 2010). These ties form an embedded part of our everyday lives: they represent relationships that are formed through serendipity, such as a casual conversation among partygoers (Granovetter 2002), a family member who gives unsolicited career advice that turns out extremely useful, an acquaintance who gives revelatory insights into emerging trends, and so on. These networks work on behalf of their beneficiaries without them actually asking or mobilizing.

In Singapore, I find a positive relationship between this "invisible hand of social capital" and job earnings. For example, general network effects are most salient in the state sector (Chua 2014), lending support to the idea of relational embeddedness within meritocracy. I conclude that while meritocratic structures do reduce the utility of job contacts, they do not – indeed cannot – curtail the role of more general forms of social capital. In truth, social networks are always at work. They are intrinsic to human society. They survive institutions and do not disappear despite meritocratic constraints.

Let me conclude with two general observations. First, it is my view that the idea of embeddedness will continue to be central to the discipline of economic sociology, not because social networks will always matter all the time or everywhere in shaping economic outcomes, but because communities have always coexisted alongside state and market (Rajan 2020). Markets do not stamp out the importance of social relationships. To the contrary, they have amplified the role and value of social relationships (Liu, McDonald, and Chua, forthcoming).

Second, as Granovetter (1985) has observed, "in classical and neoclassical economics … the fact that actors may have social relations with one another has been treated, if at all, as a frictional drag that impedes competitive markets" (pp. 484). In many ways, the meritocracy has tried to do precisely this – to make social networks increasingly irrelevant and to remove the role of social relationships from hiring decisions. Networks are viewed with suspicion in the context of meritocracy, not because they are inherently counter to human flourishing, but because social relations always have the potential to be misused, including for corruption.

Yet networks have always been a part of institutional life. The question ultimately is not whether networks matter, but how much and under what conditions.

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