

**SPEECH BY PRIME MINISTER LEE HSIEN LOONG AT THE
PARLIAMENTARY DEBATE ON MINISTERIAL SALARY
REVISIONS, 17 JAN 2011, 4PM**

INTRODUCTION

1. We have discussed ministerial salaries many times over the years
2. Very difficult and emotional issue
 - a. To do with pay, which is always sensitive
 - b. To do with what look like large sums to ordinary Singaporeans
 - c. To do with what elected Ministers are earning
 - d. People have strong views on what is right and fair
 - e. Issue is not just whether salary is “correct” or “incorrect”, but whether the basis is proper and legitimate
3. At heart, two radically different approaches:
 - a. One, public service is its own reward
 - i. Person entering public service should not even think about the pay
 - ii. All his sacrifices and hard work will ultimately benefit the general good of the public
 - iii. That by itself should be greater satisfaction than any salary package

- b. Two, pay whatever is necessary to assemble the best team for Singapore
 - i. Consider importance and difficulty of the job of ministers, and quality of people we are looking for to be ministers
 - ii. Look at what capable Singaporeans are earning in the private sector and pay commensurately to get the best team possible
 - c. Key is to find the right balance between these conflicting considerations:
 - i. The right combination of idealism and pragmatism
 - ii. A formula that citizens will accept and that will work well
4. Vital to get a pay system which works
- a. Not just about how much money ministers will get
 - b. About Singapore's future
 - c. Ensuring that Singapore always has good government
 - i. Leaders who care for our people and our country
 - ii. Have strong abilities
 - iii. More than that the character to handle pressure, and provide steady leadership in a crisis
 - d. Protecting what we have achieved, building better lives for all

CHALLENGE OF BUILDING GOOD TEAMS

5. Have been handling this for many years
 - a. First by helping ex-MM and ESM build teams of MPs and ministers
 - b. As minister and DPM, working on successive salary revisions
 - c. Now as PM, focusing on assembling the best team and sustaining system for long-term
6. Overriding priority: To build the best team for Singapore
 - a. Looking for the ablest and most committed to serve
 - b. Unwavering commitment to country
 - c. With a passion to serve Singaporeans
 - d. Aptitude for politics, cares for people, able to develop good feel of the ground
 - e. High abilities and potential: Must be a good MP, but more than a good MP
7. Extensive search process
 - a. Tea sessions, to trawl systematically for potential MPs
 - b. But also targeted search, to find potential office holders
 - c. Looking for Singaporeans in their prime, i.e. 30s or early 40s

- i. So they can learn what job involves, serve during the best years of their lives
 - ii. When their minds are flexible
 - iii. When they have energy and vigour
 - iv. Can connect with younger generation
 - v. With time to build bonds with Singaporeans, grassroots, fellow politicians
 - vi. With long runway to develop and mature over several terms of office, so that they can eventually become good ministers
8. Take a look at the present office holders: Whom have we brought in and how did we get them?
9. Several from private sector
 - a. e.g. Shanmugam (top lawyer), Ng Eng Hen (very successful surgeon), Gan Kim Yong (Natsteel; formerly Admin Service), Grace Fu (PSA)
 - b. All doing well in their careers in private sector
 - c. All accepted substantial pay cuts when they entered politics
 - d. In Cabinet, making a bigger contribution to all Singaporeans
10. Others from civil service and SAF
 - a. e.g. Teo Chee Hean, Tharman Shanmugaratnam, Lim Hng Kiang, Lim Swee Say, Khaw Boon Wan, Heng Swee Keat

- b. Had they stayed on in civil service or SAF, likely to have risen high
- c. Brought them in, and now making bigger contributions to Singapore
- d. Talent pool was there in first place because civil service pays properly, from junior officers all the way to Permanent Secretary
- e. If civil service did not pay properly, would have lost many good officers to private sector (as happened in the past, each time civil service pay fell behind the private sector)

11. Very tough decisions for both groups

- a. For those in private sector:
 - i. Give up promising, secure and well paying careers
 - ii. Embark on a new course with no certainty of success
 - iii. Lose job-specific skills
 - iv. No turning back
 - v. Family and privacy considerations, especially if children are still young
- b. Similarly for those in public sector:
 - i. Have to resign from civil service
 - ii. No assurance that they would succeed in politics

iii. Must start afresh in completely new industry if unsuccessful in politics

iv. Those who become backbenchers must immediately find new jobs outside government

12. I never discussed salaries with them, whether from private or public sector

a. If money had been their main consideration, we would not even have fielded them as MPs, let alone brought them into government

b. I asked them to join politics because they had the right values, were capable and could make meaningful contributions

c. They agreed to come in because they wanted to serve Singapore

d. Do not believe salaries were the make or break issue for any of them

e. But no doubt proper salaries have made it a little easier for me to build a strong team of ministers and MPs

13. Recognise that there were also others who could have contributed, but declined when asked

a. Cite desire for privacy, or say that politics is not for them, or offer to contribute in other ways

b. Nobody will ever say sorry, the pay is too low

c. But we need to be honest

- d. For some it must have been a consideration, especially those who say their husband or wife is not keen
 - e. Even if they do not worry for themselves, they must think about the financial impact on their spouse and children
 - f. Especially if they are in their 30s and 40s, entering their prime working and earning years
14. Have so far been more successful bringing in people from public sector than private sector
- a. Civil servants more familiar with public policy and work closely with ministers; easier to assess their quality
 - b. More difficult for private sector to adjust due to greater difference between business/professional and ministerial skill sets
 - c. Civil service pay, though competitive, is not as high as the private sector
 - i. But even then senior officers like Heng Swee Keat would take a substantial pay cut, and now a further reduction

EVOLUTION OF SALARY FRAMEWORK

15. I have grappled with this issue my entire career
16. First involvement while in SAF in early 1980s
- a. Argued against a major salary increase (20%) being proposed

b. Thought it was too much, too fast

17. Later watched ex-MM defend pay policy, e.g. arguing case against JBJ in Parliament in 1985 – but even ex-MM could not settle matter conclusively

18. In early 1990s, as DPM, was responsible for Public Service Division

a. Saw how civil service pay and promotions lagged private sector, and service progressively got depleted

b. Convinced we needed a major revision

c. Decided we needed a benchmark so that we would not continually fall behind

d. Hence in 1993, conducted major revision to pay for ministers, as well as civil service, especially Administrative Service and Legal Service (took effect 1 Jan 1994)

e. Then adopted White Paper in 1994 – $2/3AVE24$ formula, later modified to $2/3M48$

f. Successive revisions to improve and adapt, each time explained fully to Parliament and people of Singapore

g. Applied principle of benchmarking to private sector throughout civil service and SAF – teachers, nurses, administrators

h. As a result civil service much stronger today

- i. But process continues – legal service, doctors and nurses, etc. all need continuing revisions
19. But ministerial pay remained an issue for many Singaporeans
- a. Disagree with principle or formula of pegging to private sector
 - b. Feel ministerial salaries are just too high
 - c. Unhappy that ministers were deciding their own salaries
 - d. Concerned that highly-paid political leaders would:
 - i. Lose ethos of caring for Singaporeans first as their main motivation
 - ii. Lose touch with the problems faced by average income families
 - e. Came to a head in GE2011
 - f. These are reasonable concerns
 - i. No government can function if it does not have the interest of its citizens at heart
 - ii. But PAP's track record as a caring government can stand up to scrutiny – we have looked after the interests of all Singaporeans, especially the poor
 - g. But not easily settled in heat of campaign (certainly do not want an auction to the lowest bidder)

- h. Best to consider carefully and thoroughly, with Singapore's best interests at heart
20. Hence appointed Gerard Ee's committee after GE
- a. Put together competent and respected team, with broad experience
 - b. They consulted widely
 - c. Analysed issues thoroughly and with fresh perspective
21. Committee has submitted a well-judged report
- a. Major reduction in quantum: More than 1/3 reduction for ministers, no more pensions, revised formula
 - b. Reflects Committee's judgement of the balance between paying competitively to assemble a good team and a reasonable discount for political service
 - i. Balance is significantly different from judgement of previous government when benchmark last revised 12 years ago
 - ii. But situation has changed since then
 - c. Equally importantly, Committee reviewed fundamental principle of setting salaries for political leaders
 - i. Many alternatives proposed by public during Committee's consultation and online, in Forum pages etc
 - ii. Committee considered them all carefully, but ultimately decided that the basis should be what able Singaporeans

can earn in the private sector, minus a discount for public service

iii. i.e. reaffirmed basis which the government has adopted all along, although with a new formula and a bigger discount

- d. My government accepts Committee's recommendations
- e. Will do our best to make them work
- f. Hope public will accept Committee's proposals as fair and right for Singapore's future

IMPORTANCE OF PROPER SALARIES

22. Why is pay critical?

23. Because this is ultimately about our ability to assemble the best team to serve Singapore

- a. As PM, this is my constant worry
- b. Less concerned about impact of salary revisions on our current ministers
 - i. Already committed themselves
 - ii. Pay cut will not affect their dedication to serve
- c. My bigger concern is for long term: for future Cabinets and potential office holders
 - i. Can a future PM continue to get the best and most committed people to serve as his ministers?
 - ii. How can our pay system support this goal?

iii. Will Singaporeans accept the system?

24. Ethos of service is crucial

a. Ideally: Public service inherently different from private sector, and public service is its own reward, so set salaries sufficient to support ministers at a reasonable standard of living, independent of what private sector earns

i. Bigger monetary sacrifice will not deter more public-spirited Singaporeans from serving

ii. No shortage of talent

b. I respect this view

i. But even though in our hearts we want and wish this to be true, in reality, not so simple

ii. Our own experience and that of many other political systems provide a reality check

iii. Agree there will be some able Singaporeans willing to serve regardless of how we set political salaries – we treasure people like that, and will field them whenever we find them

iv. But will there be enough of them to produce a whole team of ministers, equal to the task, of the standards that we have come to expect?

v. Can we afford to risk our country's future on the assumption that salaries do not matter?

25. Even without competitive pay, will still get some people to come forward

- a. Singaporeans who do not care about money
 - i. There will be some
 - ii. See them doing good work in society and thank them for their contributions
 - iii. But will there be enough of them, to form a top-notch Cabinet?
- b. Singaporeans who come from wealthy backgrounds
 - i. Happening in other countries where politics dominated by those who can afford not to get paid
 - ii. e.g. US, where politicians tend to be of means, e.g. Mitt Romney, Michael Bloomberg
 - iii. And UK Cabinet too, as Alvin Yeo pointed out
- c. Older Singaporeans who have been successful in their careers, become financially secure, and are finally ready to do public service
 - i. e.g. Dr Richard Hu, Shanmugam
 - ii. Can make good ministers, but will be older: 50s
 - iii. Can serve one or two terms
 - iv. Cabinet as a whole would be less future oriented
 - v. Less energetic, less in touch with new generation

26. We have nothing against Singaporeans who have wealthy backgrounds, or who have made a successful private sector career
- a. All of them have meaningful contributions to make
 - b. But cannot afford to have our entire system based on this
 - c. We need a mix of talent, of different ages and backgrounds
 - d. Who will represent the diverse needs and aspirations of our population
 - e. But can we build a whole system around them?
 - i. e.g. Denise Phua's experience gathering a team for Pathlight School – could not rely solely on volunteers who did not need a salary
 - f. Can we afford to risk our country's future on the assumption that salaries do not matter?
27. Overall, our approach has worked well for Singapore
- a. Enabled us to assemble a strong, committed team
 - b. Governed effectively, cleanly and fairly
 - c. Fostered a harmonious, multi-racial society
 - d. Improved lives, transformed Singapore from Third World to First
 - e. Earned Singapore, and Singapore ministers, respect and admiration worldwide

- i. e.g. DPM Tharman chairing IMF International Monetary and Financial Committee

28. Getting the best possible leadership is vital for Singapore, because Singapore's circumstances are different from other countries

- a. Our survival and success will always be based on our ability to be extra-ordinary
- b. We are a little red dot with limited resources, unlike US
- c. No one owes us a living, no one will bail us out if we fail, unlike Greece or Portugal
- d. Have to protect ourselves in turbulent and uncertain region, unlike Hong Kong which is protected by China
- e. Or Switzerland or Belgium which can survive with "invisible" or "low key" government
- f. Diverse, young, multi-ethnic country, unlike Scandinavia which is more stable and homogeneous

29. Hence, need a highly competent government to make up for all our other disadvantages

- a. Run a high-functioning system whose whole is more than sum of its parts
- b. Constantly adjusting and responding to changes
- c. Meet the needs of a diverse population, including the lower income group

d. Has been so up to now, will continue so in future, in a more challenging external environment

30. Some still say: Follow how other countries pay their ministers, many alternatives to choose from

a. Other countries are not in the same situation as Singapore

b. Do not depend as critically on an exceptional government

c. Many of their systems are not working well, e.g. financial scandals, frequent resignations, unstable governments

d. In fact, foreign leaders privately admit they wished they could follow Singapore, but cannot do it because of their politics

e. Other foreign visitors tell me how impressed they are with Singapore ministers, compared to ministers in any other country

31. Pay reflects these differences in philosophies and structures of government, e.g.

a. US

i. President has lower salary, but enjoys many perks, e.g. travel in Air Force One, live in White House, vacation at Camp David

ii. Earns many times salary from lectures after stepping down

(1) George Bush – US\$15 million since leaving three years ago

(2) Bill Clinton – US\$75 million since 2001

iii. Revolving door system: leaders and top officials often serve short periods in office, then go out to become lobbyists or consultants (often for policies they passed while in office), leading to conflicts of interest

b. UK

i. Lower official salaries topped up by generous benefits, e.g. claims for expenses: 2nd house in London, travel, etc

ii. Abused by MPs (2009 scandal)

iii. Now swinging the other way: PM Cameron recently proposed to raise ministers' co-payment for pension benefits to show solidarity with public over spending cuts

iv. Accused by a minister of "gesture politics"; another minister said "we all know what sort of earning potential Cameron will have after he leaves office and it won't be small"

32. Good government will remain critical to Singapore in future

a. Important domestic challenges, e.g.

i. Sustaining growth in a more mature economy

ii. Maintaining security in a volatile and uncertain world

iii. Strengthening social bonds and racial harmony in our diverse society

b. More challenging external environment, e.g. competition from China and India, fragile global economy

- c. Rapid change caused by globalisation and technology
- d. Government must constantly adapt and respond, to seek new opportunities and address challenges
- e. Cannot go on autopilot, e.g. Japan

33. It will not become easier to get good potential ministers in future: in fact the contrary, quite apart from salaries

- a. Singapore politics is more complicated and uncertain
- b. On other hand, many more exciting career opportunities for able and ambitious young Singaporeans, here and abroad
- c. Many are taking up these opportunities
- d. They will take a lot of persuading to give up the exciting opportunities and enter politics, whatever ministers are paid
- e. If ministers' salaries are uncompetitive, it will just add another obstacle to people who have something to contribute to Singapore
 - i. Grace Fu was right on this point
 - ii. Got flamed online, but she was honest to point this out

34. But we must maintain a high quality of government

- a. Else Singapore will become a mediocre country
- b. Singaporeans will be worse off, especially those unable to fend for themselves

ACCOUNTABILITY

35. Argument: since ministers are paid so well, they must be held accountable to perform

- a. Agree ministers should be accountable, but they should be accountable, whatever the pay
- b. We are elected by Singaporeans
- c. Our duty to uphold their trust and serve them to the best of our ability
- d. If unable to perform to expectations, then must give way to a better person, or better team

36. As PM, ultimately my responsibility to ensure that individually each minister is performing up to expectation and collectively the Cabinet delivers the best government for Singapore

- a. My duty to set objectives for ministers, assess them and hold them to account
- b. Do so carefully and comprehensively
- c. Take into account performance in main portfolio, but also broader contributions to my overall team and Singapore
- d. Not always a simplistic formula or set of KPIs
 - i. Ministers have responsibilities in many dimensions, many intangible, e.g.

(1) Building SAF and Home Team is the work of decades, as is keeping Singapore safe from terrorism

(2) Education – not just providing school and university places today, but building educational system that prepares students to work in the economy of the future

(3) MND – building public housing, but also planning the city, creating the new Marina Bay, creating green corridors and spaces all over Singapore

(4) Good, entrepreneurial ministers expand the scope of their ministries; they do not just carry out what the PM tells them to do

ii. Hence not possible to have a pre-set formula to determine performance bonus

iii. I have to make an overall subjective judgment of the performance of each minister, after consulting my senior colleagues

e. Not every minister is equal

i. In terms of responsibilities, abilities, judgment, contributions

ii. Hence can be at different grades, and paid different performance bonuses

iii. But everyone is part of the same team

iv. Each one has a contribution to make, so the team as a whole functions well

f. I decide ministers' performance bonuses and grades

- i. Exhibit 1: Table showing emplacement on MR4-MR1 grades
 - (1) Presently nearly all ministers are on MR4 (the lowest grade), because Cabinet is new and still settling in
 - (2) Expect in a steady state to promote more ministers to higher grades
 - (3) Build strong team comprising three tiers of ministers across different grades in Cabinet
 - (a) Newer ministers being developed for heavier responsibilities in future
 - (b) More experienced ministers overseeing major ministries and areas of work
 - (c) Senior ministers who help me coordinate more than one ministry and oversee whole-of-government issues
- g. Ministers who do well will get heavier responsibilities or be promoted
- h. Singaporeans must evaluate ministers fairly, taking into account both their contributions and the shortcomings
- i. Those who make mistakes must take responsibility and put things right
 - i. Cannot expect never to make mistakes, or have no mistakes happen in their ministries

- ii. But must acknowledge errors and fix things
- j. Negligent or dishonest ministers will be sacked
- k. But ministers who do not perform well despite their best efforts will be moved to a less demanding portfolio or, if necessary, phased out discreetly
 - i. Apart from mistakes, not everyone will succeed as minister, given difficulty of task
 - ii. But exits are delicate matters, must be handled with dignity and decorously
 - (1) Must not turn this into a public spectacle, lest it deter even more good people from entering politics
 - iii. That is how all organisations handle personnel changes
 - iv. Hope Singaporeans understand this

37. Ultimately Cabinet is collectively responsible for what the government does, and Singaporeans will be the final judge of the government's record at elections

- a. Hope that voters will assess the government fairly, based on overall results over the whole term
- b. That is the ultimate form of accountability in our democratic system

CONCLUSION

38. Do not expect this to be the last word on ministerial salaries

39. My responsibility as PM to tackle this difficult issue
 - a. To find and prepare the best possible team of ministers, and next team, to take Singapore forward
 - b. To put in place the right system and structure to help the next team succeed and find more people

40. I hope Singaporeans understand this bigger picture
 - a. Getting in leaders who are passionate, committed and with the right values is key
 - b. Getting the pay system for ministers right is practical and essential
 - c. Hard for a new PM to do this
 - d. Hence taking this on my shoulders
 - e. Ask for your support to make the right decision for Singapore
 - f. And ensure that we will always have capable, public-spirited men and women in government to serve our people, and to secure our future

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**DISTRIBUTION OF SUBSTANTIVE GRADES FOR
POLITICAL APPOINTMENT HOLDERS**

GRADE	NUMBER AT GRADE
DPM	2
Ministers	
MR1	0
MR2	0
MR3	1
MR4	10
Senior Ministers of State / Ministers of State	
SR5	2
SR6	9
Senior Parliamentary Secretaries / Parliamentary Secretaries	
SR7	4