

## **PRIME MINISTER LEE HSIEN LOONG'S SPEECH ON MINISTERIAL SALARIES IN PARLIAMENT**

**17 JANUARY 2012**

Mr Speaker, Sir, we have discussed the issue of ministerial salaries many times over the years in this House. It is always a very difficult and very emotional issue for completely understandable reasons.

First, because you are talking about pay, which is always sensitive. Second, you are talking about significant amounts of money, especially as it would appear to the ordinary man in the street - millions of dollars. And thirdly, because you are talking about what elected ministers are earning - representatives of the people, serving the people and being paid out of the taxes of the people. So, it is a subject on which people have strong views – strong views not only on what is the correct or incorrect salary, but also strong views on what is right and fair for ministers to be paid, and whether the basis is proper and legitimate.

One of the reasons the debate is never finally settled is because there are two radically different approaches to this problem. One is as argued by the Workers' Party, at least in principle, though not in their sums, that public service has its own reward. People entering public service should not even think about the pay, and all the sacrifices and hard work would ultimately benefit the general good of the public, and that by itself should be greater satisfaction than any salary package. The alternative view is that we should pay whatever is necessary to assemble the best team for Singapore, to consider the difficulty and the importance of the job of ministers, to think what quality of people you are looking for to be ministers and to look at what capable Singaporeans are earning in the private sector and pay commensurately to get the best team possible for Singapore.

So, an idealist approach versus a pragmatic one. Each has its merits; neither can be pushed to its limits. The key is to find the right balance between these conflicting considerations, the right combination of idealism and pragmatism, and a formula that will work well and that our citizens will accept. And it is vital for us to get a pay system which works for us. Because this is not just about how much money ministers will get, but it is about Singapore's future. It is about ensuring that Singapore always has a good government, leaders who care for our people and our country, who have strong abilities to carry out the responsibilities of ministers and to have more than that, the character to handle pressure and the mettle to provide steady leadership in a crisis. If we can get that right, then we can protect what we have achieved and build better lives for all. If not, then the little red dot will become the little black spot.

I have been involved in this issue for many years, first helping Mr Lee Kuan Yew, then Mr Goh Chok Tong, build their teams of Members of Parliament and Ministers: meeting people, interviewing people, trying to persuade people to come in. As a Minister and DPM, I have also been working on successive salary

revisions. And now as Prime Minister, I am focused on assembling the best team to run Singapore today and sustaining the system for the long term, for the future.

The overriding priority is to build the best team for Singapore. We are looking for the most committed and able people to serve, with an unwavering commitment to their country, with a passion to serve Singaporeans, and the aptitude for politics, a feel and a care for people, and able to get a good sense of the ground, what people need and how to look after these needs. We want high ability and potential because we are looking for a good MP, but also much more than a good MP. The search process is extensive. You have read about it in the newspapers, we have talked about it: tea sessions trawling systematically for potential talent; beyond the general trawl, we also go rifle-shooting, talent spotting individuals, specifically seeking out people with the abilities, with the right combination of background and skills and aptitudes to be potential office-holders, because we found from experience that if you just do a general trawl, you do not catch the whales.

We are looking for Singaporeans in their prime - 30s or early 40s. Because we want people who are still young, still flexible, able to learn what the job involves, having the best years of their lives ahead of them, able to have a long runway in order to master their job, to get the feel of it and to serve in their prime years when they have energy and vigour, when they can connect with the younger generation, when they still have time to build bonds with Singaporeans, with the grassroots, with fellow politicians. And eventually become good ministers while they are still vigorous and have energy to do things for Singapore.

If you look at my present office-holders, ask yourself: Whom have we brought in? From where? We have got several from the private sector. We have brought in Shanmugam, top lawyer, he was an MP for many years, eventually we persuaded him to come in his late 40s at the peak of his earning powers, when he took a very substantial pay cut to come in, even at our pre-Committee salaries. Dr Ng Eng Hen, a very successful surgeon, also coming in with a significant pay cut. Mr Gan Kim Yong from NatSteel, previously in the Administrative Service. Grace Fu in PSA. People who were successful, proven, now making a leap into what for them must be an uncertain new path and into not just a (new) career, but their mission. In Cabinet, they are all making a far bigger contribution than they were making in any of their previous jobs. But in Cabinet, they are all earning much less than they were before they entered politics. I wish I could find more of them. I have not succeeded, I did not find it easy and I will not find it easy either.

Others have come in from the public sector, from the civil service, from the Singapore Armed Forces: Teo Chee Hean, Tharman Shanmugaratnam, Lim Hng Kiang, Lim Swee Say, Khaw Boon Wan, Heng Swee Keat and many other younger ones brought in this recent general election. Had they stayed on either in the civil service or the SAF, they would most probably have risen high and gone far. We looked for the most promising ones, and we raided the civil service and the SAF knowing that they would leave the service weaker, but understanding that unless you have a good government and a good set of ministers, however strong your civil service is, it is not going to be able to perform. And we have to make this balance, make this choice and take them out. And now they are in (Cabinet), and making bigger contributions to Singapore.

Of course, the talent pool was there (in the civil service) in the first place because the civil service pays properly, from junior officers all the way up to the Permanent Secretary. Had the civil service not paid properly, I think we would have lost many good officers to the private sector long ago. For both those coming in – from the private sector, and the civil service and SAF – these were very tough decisions. For those in the private sector, you are coming in from a career where you are known, where you are doing well, where you have your network, you are on the up, and if you stay on, you know what you are going to do.

It is not just the earning power, it is also the excitement, the challenge, the success, the thrill of being at the top of your career and your profession. You come in, you may succeed, you may fail. You cannot say for sure because however successful a person is in the private sector, public service as a minister is a different proposition. You need different aptitudes, different skills. If you do not have the right touch and you do not transfer from being a specialist doctor to being a policy-oriented minister, whatever your psychomotor skills, whatever your many years of learning and experience, it would have gone to waste. And you cannot go back to the private sector and rejoin your profession. Five years later or 10 years later, you are not as young, five more years of bright young people have come along, filled up the places, taken your clients or patients, and you go back out, you are in a different path. So, it is an irrevocable change of course.

And, of course, there are family and privacy considerations as well, especially if your family is still young. How will they be affected? Will I have time for them? Can they cope? Will their financial prospects be affected if I come in? Because I have to calculate the implications.

Similarly for those from the public sector. In a way, it is easier because policy-wise, they have been working on policies, contact-wise, they probably have more contact with the Ministers, so they know what their Ministers are doing and the Ministers know what they are doing. But for them, it is also a one-way ticket because you have to resign from the public service. You go out, it is diving into the ocean. The Chinese say “下海”, meaning the private sector, but here you are diving into the ocean, into politics.

And likewise, no assurance of success because writing policy papers for a Minister is quite different from standing up in Parliament and expounding and defending and persuading and carrying a policy which you have had to take the lead to set and to work out. If it does not work, they also have to start afresh, completely new in the private sector somewhere. Those who come into politics but did not become ministers straightaway - and sometimes that happens - have immediately to find new jobs outside of Government and make a living for themselves.

So it is not a simple matter to come in, from the point of view of their own calculation, from the point of view of the responsibility which they are taking on, it is not a simple matter either because you are going to be, as a Minister of State or Minister, responsible for the futures, the lives, the security, the prosperity, the education of several million Singaporeans and if you are not up to it, several million people are going to suffer the consequences. Quite apart from any mortification or

embarrassment which you may feel, but the responsibility which you are taking onto you to do this on behalf of Singaporeans, if you do not pause and take a deep breath and think it over for several days, you are not fit for this job.

So when people say, come in, I have the passion, I will proceed, if only life were so simple and passion was sufficient for everything. You need the passion, but you also need to be circumspect to think and consider carefully: Am I up to it? Can I really make that contribution? Therefore, you are not talking about huge numbers of people, you are talking about a few dozen possibilities in Singapore, finally when they boil it down in each election, we have never brought in more than six or seven.

I have never discussed salaries with the potential candidates who are coming in either from the private sector or from the public sector because if money had been their principal consideration, we would not even have fielded them as MPs, much less appointed them as Ministers. But I asked them to join politics because they have the right values, because they were capable and I believed that they could make meaningful contributions. And they agreed to come in because they wanted to serve and after searching their souls and consulting their families they felt: Yes, I think I can make a contribution. I do not believe that salaries were a make or break issue for any of them who have come in, but I have no doubt that proper salaries have made it easier for me to build the team which I have today and to provide the best service which we can to Singaporeans to govern the country.

But I also recognise that there were others too who might have been able to contribute but who declined when I asked them. They cited a desire for privacy, or they may say, 'Sorry, politics is not for me' or they say, 'Thank you very much, I will contribute but I will find my own ways to do it.' Nobody will ever say, 'Sorry, the pay is too low', but we need to be honest with ourselves. For some of them, it must have been a consideration, especially the younger ones with young families and young children. And when they say, 'I don't mind but my husband is not keen or my wife is not keen', well we know how to interpret what it means, because even if they do not worry for themselves, they must think about the financial impact on their spouse and children, and they must think what their responsibility is to their family, and to provide the best they can for the family, and what the impact will be, in terms of exposure, in terms of normal life as well as financially.

So far, I have been more successful in bringing in people from the public sector than the private sector. Partly as I have said, the civil servants are more familiar with the policies, but also it is more difficult for those from the private sector to adjust, to come in and to be a minister because there is a greater difference between ministerial and business/professional skills sets; from being a surgeon to being a decision-maker, from being a lawyer arguing a case for your client to being a minister deciding what are the right laws which should prevail in the land. And to change from being a very successful lawyer to being a very successful minister is not so easy, or a very successful banker to a minister is not so easy. But the minister's job is as demanding, as important and as consequential as any private sector job, and requires people of the same quality as the private sector job and better.

There is one more factor of course, and that is that civil service pay, while competitive, is not quite as high as the private sector pay. So, when the civil servant comes in, the impact financially is not so great. But even then, when I bring in a senior officer like Heng Swee Keat, he will take a substantial cut, and now, with this recommendation, a further reduction. It is not a light decision to bring in somebody like Heng Swee Keat from the Civil Service. He has been a Permanent Secretary, he was Managing Director of the Monetary Authority of Singapore, responsible for the whole financial system and financial sector in Singapore, one of our top Permanent Secretaries. If he had not come into politics, every chance of becoming the Head of Civil Service. It is a big sacrifice for the Civil Service to lose a person like him. It is a significant sacrifice to him to come in from where he was, at the grade he was, which he fully justified, to start as a new Minister at the bottom, and work his way up. But I was fortunate, I talked to him, last time he was not ready as his children were still young; this time he was ready, and he proceeded. Fortunately, I have now got a good Minister for Education. But can I do that a dozen times and get 12 such people into my Cabinet? If not, how do I fill a Cabinet, how do we make sure that it is not just education, but defence, transportation, national development, foreign affairs, the whole range – are all staffed with top quality people?

Paying people correctly is part of that answer. Not the whole part, but part of the answer. I have been involved with pay as well as salaries for a large part of my working career. My first involvement was with the SAF in the 1980s. I was with the General Staff, and the Government was planning a major increase of salaries, proposed, I think, by Mr Goh Chok Tong who was then Defence Minister. It was about 20, 25 per cent increase for the officers, and I argued against it because I thought it was too much, too fast. There was no need to be so generous and perhaps change the spirit of the service. But that was from my perspective, which changed over the years.

Later, when I came into Parliament, I watched how Mr Lee Kuan Yew argued and defended the policy of paying realistic wages to ministers. I remember particularly in 1985, during the Budget Debate, when there was a full debate with Mr J.B. Jeyaretnam. Mr Low Thia Khiang was not yet in Parliament but it was Mr Jeyaretnam and Mr Chiam, and MM, or then PM, came with a stack of papers and did battle. He never looked at the papers but for three hours, he argued, explained, made the case with Jeyaretnam, with Chiam See Tong, with several other MPs participating, in a way which only MM can do. Why this is being realistic, why you have to be honest and not hypocritical about this matter, why it is necessary to have the best man to be the Chief Justice, to be Judges, to be the Attorney-General, to be Permanent Secretaries and Ministers, and how important it is to do that right rather than argue over a few million dollars of salary. But even MM, after three hours of a bravura performance, could not settle the matter permanently. It is not possible.

Every few years, we came back to it and each time, we had to argue the matter again. In the early 1990s, I was Deputy Prime Minister and in charge of the Civil Service, Public Service Division. And I saw how, at that time, with rapid economic growth and rapid increases in salaries, civil service pay and remuneration was lagging behind the private sector, and the service was rapidly getting depleted. Young officers were leaving, paying up their bonds or leaving soon after their bonds, not waiting to be underpaid in their 40s but calculating ahead that by the

time I am 40, I am going to be behind. I am now 30, this is my moment to make the move. And people were calculating even ahead of that.

The Civil Service put up a proposal to make a 5-10% pay revision. I told them it was unrealistic, you have a serious problem, you have to move drastically on pay, you have to move drastically on promotions, because if every time I pay faster, I promote slower, you end up going nowhere. And that was the problem because of the system then, without personnel boards. I was convinced we needed a major revision, and so in 1993, we made major revisions to the pay for ministers, for the civil service, especially the Administrative Service and the Legal Service. And at the same time, we came up with this idea that you are going to have this problem repeatedly over the years, the arguments remain the same, hence we should settle the argument, try and make a benchmark and then we just follow the benchmark. If it goes up, we go up. If it goes down, we go down. And the logic remains the same, the formula has been agreed, the calculation then is a matter of arithmetic.

On that basis, we published a White Paper in 1994, and introduced the idea of a formula. The formula was two-thirds of the average of the top 24 people in 6 professions.  $\frac{2}{3}AVE_{24}$ . Later we modified it and made it the median of the top 48 people in the same professions. Over the years, we made successive revisions to improve the scheme to adapt, as circumstances changed, and each time, we explained fully in Parliament and the people of Singapore that what we are doing is completely above board, completely open, fully argued. Mr Low Thia Kiang was here for many of those, and we engaged on this issue repeatedly.

We applied this principle of benchmarking not just to the Ministers, not just to the Administrative Service, but throughout the Civil Service and the Singapore Armed Forces. So office-holders, soldiers, policemen, teachers, nurses, administrators, clerks, at every level, what could you earn in the private sector, what can you earn in the public sector, we will try and match that but it will always be lagging a little bit, because we do not want to set the pace. We want to be lagging. But we make sure it is competitive, and this led to major salary adjustments. For the teachers, one year we made a 30% increase, and then we followed that with successive adjustments over the years, and had we not done that, we would not have the Civil Service we have today. We would not have teachers who are good graduates, we would not have principals who are in their late 30s, early 40s and vigorous, we would not be able to staff our hospital and healthcare system, we would not have people in every department on top of their job, thinking what to do next, what to do better.

But the process is never over, and it continues today, because the private sector moves and we have to continue to move. In the Legal Service, we are continually under pressure because in the private sector, lawyers' earnings are going up. Doctors and nurses in the private sector are doing very well, (hence) there is a review going on for doctors and nurses, MOH is making their case to the Ministry of Finance, and other departments and other services too. All these are continuing revisions which are necessary, and in the same way, ministerial pay also has to remain competitive and realistic as circumstances change.

But for many Singaporeans, ministerial pay remains an issue. Some of them disagree with the principle of looking at the private sector or may have reservations about the formula which we have set, whether it is too narrow, whether you are looking at the wrong groups of people, whether it is stable enough, whether the group changes, many technical arguments can be rehearsed. Some people feel that the salaries are just too high. Whatever it is, that is too much and less is better.

Others may be unhappy that the ministers decide their own salaries, rather than have somebody else impartially deciding it for them. And then there are the concerns that highly paid political leaders would lose the ethos of caring for Singaporeans first as their main motivation and priority, and may lose touch with the problems of average families. So all this came to a head in the General Elections in 2011. And I would say that these are, in principle, reasonable concerns. No government can function unless it is serving the interests of its electorate and Singaporeans. But in Singapore, the PAP's track record of government can stand up to scrutiny. Bonus or no bonus, year in, year out, we have looked after the interest of all Singaporeans, especially the poor, which is how we have got here today, as Madam Halimah Yacob reminded the House just now.

But these are not issues easily settled in the heat of a campaign, and we certainly do not want an auction to the lowest bidder: people saying, 'I will serve for less' and the other person says, 'I will serve for even less', and you think that if you choose the cheapest one, you get the best value for money. It has to be considered carefully and thoroughly with Singapore's best interests at heart, and then we reach a judicious decision which will serve Singapore well for the longer term.

Therefore, after the GE, I appointed Mr Gerard Ee to head a committee. He put together a competent and respected team with broad experience. They consulted widely, they analysed the issues thoroughly and from a fresh perspective, and they have submitted what in my view is a well-judged report. In terms of quantum, there is a major reduction – more than one-third reduction for ministers, no more pensions, the formula is changed. It reflects the committee's judgment of the right balance between paying competitively to assemble a good team and setting a reasonable discount for public service, to recognise public, and particularly, political service. This is significantly different from the balance which the Government set when we last revised the benchmark 12 years ago, but the situation has changed. Since then, we appointed the committee, we accept its judgment and we will work on its basis.

But equally important as the formula and number, the committee reviewed and reaffirmed the fundamental principles for setting salaries in the public sector. They examined many alternatives during the consultation, considered them all carefully, but ultimately decided that the basis should be what Singaporeans can earn in the private sector, include a discount to recognise that this is political service in the interest of the nation, and to pay a clean wage.

In other words, the committee reaffirmed the basis on which the Government has been working all along, although with a new formula and a bigger discount. And I am encouraged to see that the Workers' Party also accepts these basic principles, although they have a different formula and a different notion of what the number

should be – in the same ballpark as what the committee has recommended, but of course slightly lower because having looked at the committee's report, they decided that as the opposition party, surely they must recommend something a bit less. But my government accepts the committee's recommendations. We will do our best to make it work. I hope the public will accept the committee's proposals as fair and right for the future.

Why is pay such a critical issue? Because pay goes to one of the core requirements for Singapore - to assemble the best team to serve Singapore. If you have the wrong system of pay, you will have the wrong team. And as PM, this is my constant worry. I am less concerned about the impact of the salary revisions on my present team of ministers. They have come in, committed themselves, they are in for the course; this pay cut is not going to affect their dedication to serve. But my bigger concern is for the long term, for future Cabinets and potential office-holders, people who have not yet come in, people who must make that decision and that commitment. Can a future PM continue to get the best and most committed people to serve as his ministers? In fact, can we get the best possible future PM for Singapore? How can our pay system support this important goal? And if we have a pay system which supports this, how can we get Singaporeans to accept that?

The ethos of service is critical if you are coming in to politics. Ideally, we should take public service as being inherently different from the private sector. Public service has its own reward, and we just set salaries sufficient to support ministers at a reasonable standard of living, independent of what the private sector earns. There is no shortage of talent, bigger monetary sacrifice will not deter more public-spirited Singaporeans from serving. In fact, some people have argued that a bigger sacrifice will encourage more public-spirited people to come forward.

I respect this view, but even though in our hearts we wish and hope that were true, in reality we know it is not so simple. Our own experience, and the experience in other political systems, provides a reality check. Yes, there will always be some able Singaporeans who are willing to serve regardless of the terms, and we treasure people like that and when we find them, if they are suitable, we field them, because they are very special. But will there be enough of them to produce a whole team of Ministers, a whole Cabinet equal to the task and with the standards which we have come to expect? And can we afford to risk the future of the country on the assumption that there is no trouble, we will find them, salaries do not matter?

From my experience working the system, I know it is not so easy. We are talking about a small group to start off with, and every additional hurdle you put, every additional burden you put on the step forward to come in, you make it more difficult and you narrow your choice.

Even without competitive pay, some people will come forward. Those who do not care about money and they are doing good work, you see them in charities, you see them in VWOs, some are in religious service and I think our society is the richer for them and will be very much poorer without people like that. But there are not enough, and not all of them have the combination of attributes and skills which we are looking for.



We will get people who will come in with wealthy backgrounds as Mr Alvin Yeo pointed out yesterday, happening in other countries where politics is dominated by those who can afford to participate and not to be paid, like in America, where many of the politicians are of means, they are not poor people. Mitt Romney, millionaire many times over; Michael Bloomberg has made his fortune. If you are not rich, you are not likely to be running for President. Even Barack Obama who came from a humbler background, is not a poor man. And so too in the UK, where the Cabinet is a cabinet of wealthy people, as Mr Alvin Yeo pointed out.

We will also get people who have been successful in their careers, who have become financially secure and who are now at the stage in their life when they are ready to do public service. They will come in. We had Dr Richard Hu, who served with distinction many years ago. We had Shanmugam come in, as a lawyer in his late 40s, and there will be others too. And I see on the opposition side, Mr Chen Show Mao has come in, age 50, after a successful career. Now, he is ready to do public service. Yes, we can find people with this background, who have been successful and are now ready for a career switch and do *pro bono* work. But they will be older, 50-plus years old. They can serve one, two terms. And if the whole Cabinet is 50-plus years old, I think it is going to be a less future-oriented Cabinet, less energetic, less in touch with the new generation. We want people who are younger, who are vigorous, for whom this is not just something you do after you have done other things in your life, but the main commitment for the prime years of your working life. We have nothing against Singaporeans who have wealthy backgrounds or who have made a successful private sector career. They have meaningful contributions to make. But we cannot afford to have our whole system based on this.

We need a mix of talent: different ages and backgrounds, people who will represent the diverse needs and aspirations of our population. And to do that, you need to have a proper system. As Ms Denise Phua acknowledged yesterday with a regretful tone, she has run a VWO, she has herself gone in and committed herself, running Pathlight and she has recounted her experience gathering a team for Pathlight. She can persuade a banker to switch over and do this work for the love of it but she could not assemble a whole team of volunteers who did not need a salary. She needed to take a pragmatic approach and we need to have that pragmatic mindset too.

Overall, our approach has worked well for Singapore. It has enabled us to assemble a strong and committed team. We have governed effectively, cleanly and fairly. We fostered a harmonious multiracial society, and we have improved Singaporeans' lives and transformed Singapore from Third World to First. Whether you are a wealthy person, whether you are a professional, whether you are a low-income Singaporean, your life today is better than it was 10 years ago and totally different from what it was one generation ago.

And as a result, Singapore and Singaporean Ministers have earned respect and esteem worldwide. Singapore stands high when people look for models of what to emulate: Where are the solutions? Where are the ideas? They look to Singapore, where they are looking at traffic, where they are looking at healthcare, where they are looking at housing, where they are looking at clean and efficient Government. And they look at Singapore ministers also with healthy respect. As

Madam Halimah reminded us, DPM Tharman is chairing the IMF International Monetary and Financial Committee – it is the main committee of the IMF. What rights have we, Singapore, to be there chairing the committee. You are not just a traffic policeman, inviting people to speak. You are there because you have views, you understand the issues, you have a contribution to make. Therefore, you are respected and people are happy to work with you because you can help them to solve their very difficult problems.

So, the system has worked well. I'm not saying it is perfect. Ministers make mistakes, the Government sometimes makes mistakes. And we always try to do better. But overall, this is a system which has worked for Singapore. Getting the best possible leadership for Singapore is vital for us because Singapore is different from other countries. Our survival and success will always be based on our ability to be extraordinary. We are a little red dot, unlike the US, even unlike Finland or Switzerland. No one owes us a living. If we run into trouble, we are not going to be as fortunate as Greece or Portugal. There is no EU to be the uncle; you are on your own.

And we have to protect ourselves in a turbulent and uncertain region. Hong Kong is as small as us, about the same population. Hong Kong always has big brother on the other side - one country, two systems. China is there, and China will take care of them. Switzerland and Belgium, small countries, they make do with either “invisible” or “low-key” government, Belgium went without a government for about 500 days; Swiss ministers take turn to lead the government and the country runs itself because it is in the middle of Europe and nothing can go wrong.

We in Singapore are not like that. We are young, multi-ethnic, always needing to change directions, to fly faster, higher, lower, different angle, different route because we are in a different situation. Therefore, we will always need a highly competent Government to make up for our disadvantages, to run a high-functioning system whose whole is more than the sum of its parts, to constantly adjust to changes and to meet the needs of our population, including the lower-income group. It has been so up to now and I think it is going to continue to be so in future, in a more challenging external environment.

Nevertheless, some people still argue we can follow other countries, how they pay their minister, let us look at them, many alternative to choose from. And the Workers' Party somewhere in their documents and their announcements also take this line. But we are different from them, we are different from them because our situation is different, we are different from them because we have set an approach to public sector, public service and to Government and to remunerating Government which is different from the approach which they have taken. They have gone for complicated wages, we have gone for clean wage. They have gone for wages which in many countries bear no relation to the private sector. We have decided we have to be realistic, we have to look and see what Singaporeans can earn, what is necessary to make the system work. They have their problems, it is not like other countries do not have problems and we can just pick up what they are doing and all will be well.

We are not trouble-free but I think we avoid many of their problems which they have. You see financial scandals, not just in emerging countries, not just in the Third World. You see frequent resignations when things go wrong with ministers, you see unstable government. Italy has had one government every 18 months since the war – that means that over 60 years they have had about 40 governments. Japan has had 6 prime ministers over the last 5 years, roughly. I may have lost count, but we are talking about similar orders of magnitude. And foreign leaders in fact, often privately admit to us that they wish they could have followed us. Unfortunately, their politics do not allow them to follow us, in the way we deal with the public sector and with ministers' pay. Foreign visitors tell us the same, how impressed they are with our ministers, how impressed they are with our system. I have had many foreign visitors who tell me, your ministers are different and I have worked with many ministers in different countries and I have not met a team like your team.

Another visitor told me, after the elections, do not change your system. You look at this other big Asian country and he named it, the ministers are paid nothing, but every single one of them is worth at least 200 million dollars. They know it, because they see it working here, therefore they invest, therefore they have faith in us, therefore Singaporeans benefit from this reputation and this confidence which the world has in Singapore.

So, Singapore is different from them. I do not need to go into details, but I will just skim through quickly. You look at the US, the President is paid less than me, yes. The last time I had the revision, the newspapers reported a certain anonymous, high-level resident of the White House saying that he wished he was paid the same. But the high-level resident in the White House travels in Air Force One, lives in the White House, vacations at Camp David. And after they retire, they earn many times their salary. All they have to do is to turn up for an appearance, make a few remarks, a hundred thousand dollars a time. In three years, George Bush has earned US\$15 million since retiring. Bill Clinton, who retired a decade ago, has earned US\$75 million; his fees are about US\$200,000 each time.

And it is not just the President, but it is a revolving-door system for many of their top officials. People who come in, serve a short while, go back out, and often go back out to be lobbyists, consultants, or to serve in the industries and businesses which they were working on when they were inside, whether it is defence, whether it is communications, whether it is energy. So you lead to conflicts of interests, and so you lead to problems where you are not quite sure whether the policy is straight or not straight, why is he doing it? Dick Cheney had to answer many questions because he used to work in petroleum. He became Vice-President, he has gone out, he has links with big companies. So when he makes decisions and Halliburton benefits, many questions are asked, fairly or unfairly.

Britain has the same challenges. Low official salaries, topped up by generous benefits. Just now Mr Faisal Manap says, well, because they live in London, that is why they are given these benefits. That is the explanation. The reality is, they are given these benefits because they could not be given the pay, and so it was presented as benefits and the understanding was, these are claims you can make, and so long as you submit some piece of paper, we will pay the claims, because this is just a way to work the system so that you can be paid what you truly need to be

paid. The MPs took this literally and they submitted claims for maintaining their swans and their pond, for cleaning up the moat of their castle; somebody submitted a claim because he was watching some exciting movie in his home; and when all these came out, there was a humongous scandal and they had to chop all that down and now they have a very serious problem because now they cannot pay MPs via this route, neither can they raise the MPs' allowance, because the MPs' standing has sunk rock-bottom in people's esteem.

And now, with austerity, with the economy doing badly, David Cameron recently proposed to make the ministers pay more for their pensions. So they have higher co-payment, they have to deduct more (benefits) to show solidarity with the people, because people are suffering from spending cuts. So, one of his ministers accused him of "gesture politics". Another minister said, "We all know what sort of earning potential Cameron will have after he leaves office, and it would not be small." And in fact you have seen former politicians in Britain leaving office, who have gone into subsequent careers and it has become controversial, because they have to earn a living for themselves, and the question is, how are they doing it. So, other countries are different, we have deliberately not followed that model. I think we should not follow that model.

Good government is going to remain critical to Singapore in future. This is not just during the first phase – as we take off, you need a strong government; after that, you can fly on autopilot. In fact, I think in the next phase, we will need even more skilled pilots. We face important domestic challenges: Sustaining growth in a more mature economy, maintaining security in a volatile and uncertain world, strengthening our social bonds and our racial harmony in a society which is becoming more diverse. Domestically, it is complex; externally, it is challenging. We see the competition from China and India, and it is not just at the bottom. We see the fragile global economy, and that is not going to be secured within one or two years. We see the trends in technology eating into middle-class jobs – white-collar jobs – and we ask ourselves: How do we avoid this tsunami? Where can we find high ground to shelter and to protect our people?

None of these can be done on autopilot. You need a government which will constantly be able to adapt, to respond, to seek new opportunities while it is addressing the challenges in front of you. And if you want an example of a country which is on autopilot and the autopilot doesn't quite solve the problem, you look at Japan. Very advanced country, very strong civil service, highly qualified civil servants – many from Tokyo University, Todai, the crème de la crème – but with a dysfunctional political system, unable to have strong government, with the Permanent Secretary knowing more than the Minister and Ministers changing frequently, sometimes within days of taking office because they misspeak, they resign, and a new Minister comes along. Infinite supply, but infinite confusion.

And the deeper lesson of that is that however strong your civil service, without good Ministers, the civil service cannot act. Because governing a country is not a matter for technocrats, it is a matter for political leaders – political leaders who will decide, who will persuade, who will carry the ground, who will set the direction and who will make things happen. And if the Minister cannot sell the policy, your Permanent Secretary may be first-class, the policy cannot fly. So while it is quite

useful to have very good Permanent Secretaries and civil service, to believe, as Mr Chiam See Tong used to believe, that if you have a good civil service you do not need a strong government, that is just plain wrong.

I do not see it likely that we are going to find it easier to get good ministers in future. I think the contrary is the case. First of all, Singapore politics is becoming more complex, more uncertain. It is not a sure ride, it is not a career move, you can lose and even if you win, the job of politics – persuading people, arguing with people, dealing with the brickbats – it is a lot more complicated than before. On the other side, there are many more exciting career opportunities available for able and ambitious young Singaporeans, here and abroad. In the early 1990s, when I was worrying about the civil service brain drain, we were only concerned about the civil servants going out into the private sector in Singapore, and maybe one or two will go to Hong Kong or the region. Today, the world is your oyster. You go to an Ivy League university, you are targeted by recruiters in your first year. You spend time in Silicon Valley, one internship, at the end, you are good, they make you an offer. You go to New York, Wall Street – you do not have to go; if you are good, somebody will pass them your name, the recruiter will come to look for you, interview you, make you an offer. Free T-shirts are the least of the benefits they give you. And it is tremendously exciting. Worldwide opportunities. It is exciting not because of the pay; it is exciting because these are young people who think that they are going to change the world. And when we say, come back, change Singapore, that is as important and it is challenging, they will say, well, I will think about it.

So in that situation, I think it is going to take a lot of persuading to get young people to give up these opportunities and enter politics, whatever Ministers are going to get paid. And if the pay is not competitive, then that is just another obstacle to people who have got something valuable to add to Singapore. Grace Fu was completely right in this point when she posted on her blog to say that this salary revision is okay, but if you go too far, I think that is going to be a problem for many Singaporeans. She got flamed online, but she was right, and she was honest to point this out.

Singapore has to maintain a high quality of government, otherwise we are going to go back down and we are going to be a mediocre country. I have said this many times, I think perhaps it has not been completely understood, but certainly it has not been completely believed, but it is absolutely true. We are different and because we are different and exceptional, therefore Singaporeans have reaped a Singapore dividend – not something which the Minister for Finance distributes during Budget, but a Singapore dividend by virtue of your carrying a pink IC and therefore your value in the world has gone up. You are in demand, people want to hire you, opportunities are open; when you go places, your standing is there, doors open and people know of Singapore, and people have high regard for Singapore.

I was at the APEC meeting in Honolulu last year in November. I met some young people from the National Youth (Achievement Award) Council. There was a young people's gathering on the side of the APEC meeting, and we sent a delegation – seven of them, university students, some post-graduates, bright, young, idealistic, seeing the world almost for the first time. And one girl said to me that she was astonished at how high Singapore's standing was, how much respect people had for

Singapore. She never realised that. I said, please go home and tell your friends, because in fact, this is an important fact. And this is something which is precious and which we must not compromise and lose. Because if people stopped having that opinion of Singapore, I think we are in trouble. I cannot send all our bright young students to Honolulu, but I think we need to know that while we have reasons to be dissatisfied and to want to do better, in fact we have not done badly and we should be careful not to lose what we have already gained.

One important argument which people have raised is accountability. Since Ministers are paid well, so we have to be held accountable to perform. I would say, yes, Ministers have to be held accountable, but I would say Ministers have to be held accountable whatever they are paid. Whether you are paid one dollar, whether you are paid a million dollars, whether you are paid 10 million dollars, you are the Minister, you are serving the people, you have to perform to the best of your ability.

We are elected by Singaporeans; it is our duty to uphold the trust which they place in us and to serve them the best that we can. And if we are unable to perform to these expectations, then we have to give way to a better person or to a better team. And as Prime Minister, my responsibility is to ensure that individually, each Minister performs up to expectation, and collectively, the Cabinet delivers the best government for Singapore. So my duty is to set objectives for ministers, assess them, hold them to account, and do this carefully and comprehensively. To take into account not just what the Minister does in his main portfolio, but also his broader contributions to our overall team and to Singapore.

And it is not always possible to reduce this to a simplistic formula or to a finite set of KPIs which you can just measure the numbers and calculate the bonus, because Ministers have responsibilities in many dimensions, often intangible ones. For example, building the SAF and Home Team is a work of more than a generation; so is keeping Singapore safe from terrorism. When a new Minister comes in and takes over and the performance is good, it may be his good work, it may be his predecessor's. We are safe today, we have not had war for the last 10 years, in fact, we have not had war for the last 30 years, but we have been preparing the SAF, building up our security, making sure that we are safe for longer than 30 years. So what the Minister does today is not measured in tomorrow's output or even next year's output, but we see the results in 10, 20, 30 years if he is doing a good job.

Same in education. Not just providing school and university places today, but building an education system that prepares students to work in the economy of the future. When will I know that our ministers have done a good job? When today's 15-year-olds are 55 and still working – 40 years from now. So if you talk about deferred bonus, I would have to defer Heng Swee Keat's bonus for 40 years. Same with national development. Building public housing, yes, everybody knows how to count, how many HDB flats are completed last year. But also planning the city, conceiving a new Marina Bay, creating green corridors and spaces all over Singapore. You put that into a KPI? So many kilometres, so many new Marina Bays, so many new IRs – cannot be done.

A good minister does not just do and fulfil what the PM tells him to do. A good and entrepreneurial minister expands the scope of his responsibilities, imagines

things which he could do and embarks on projects which nobody asks him to, but which turn out to be good ideas and deliver outstanding results for Singapore. So it's not possible to have a preset formula to determine the performance bonus. The national bonus, yes, and that is about half of it, that is about the same size as the performance bonus, that you can measure. GDP, median income, 20th percentile income, unemployment, for these the Department of Statistics can churn out the numbers. But the Minister's responsibility, his core responsibility as well as his broader responsibility and contributions, that cannot be reduced to a formula.

Finally, it is a judgment I have to make after consulting my senior colleagues and decide who has made the greater contributions, who has been the more effective Minister. Not every minister is equal. Ministers know it, the public knows it. And we have our own relative assessments, the public has their own relative assessments and sometimes the public is not shy to tell us what they think. They may or may not be right, but different ministers have different contributions, in terms of their responsibilities, in terms of their abilities, in terms of their judgment and their ability to work in a crisis. Therefore, ministers need to be at different grades and be paid different performance bonuses. But they are all part of one team, and each one has a contribution to make so that the team as a whole functions well.

I have to decide the Ministers' performance bonuses and grades. And I have circulated the table showing you what the ministers' grades are currently: Two DPMs, one Minister on MR3, 10 Ministers on MR4 and I also gave the grades of the Ministers of State and the Parliamentary Secretaries. So presently, nearly all the Ministers are on MR4 because the Cabinet is still new, it is really in transition, still settling in. But I expect in the steady state, to promote more Ministers to the higher grades and to build a strong team which will comprise three tiers of Ministers across the different grades in Cabinet: The newer ministers who are being developed for heavier responsibilities in future; the more experienced ministers overseeing major ministries or areas of work; and then the senior ministers – I do not mean Senior Minister as a title, but Ministers who are more senior – who help me coordinate more than one Ministry and oversee whole-of-government issues. So there will be a hierarchy, but together, we are a team. And Ministers who do well will get heavier responsibilities and may get promoted.

So Singaporeans have to evaluate Ministers fairly, and they have to take into account both the contributions and the shortcomings. And you have to look at it objectively and holistically because quite often, contributions may be silent but when something goes wrong, it goes wrong with a bang. And we must try and keep that in perspective.

If Ministers make mistakes, then of course, they must take responsibility and put things right. We cannot expect Ministers never to make mistakes or never to have mistakes happen on their watch in their ministries. It is not possible – this is a very big organisation and it is a very complicated world, and even with the best intent in the world, from time to time, things will go wrong. And when things go wrong, you have to put them right. And if it is your responsibility, you have done it wrong, then you apologise and you answer for it.

If a Minister is negligent or dishonest, then of course, he has to be sacked. I have not had to do that. But if a Minister does not perform well despite all his best efforts, then I may move him to a less demanding portfolio where he is able to perform, or if necessary, I may have to phase him out discreetly. It is not always visible, but it is necessary to do and it is necessary to understand why not everything can be done in the full glare of the spotlights.

Apart from mistakes from time to time, not every person who comes into Government will succeed as a Minister. It is a difficult job, you never know until you are in it whether it will work or it will not work, and sometimes you have to give it a try. I can make two types of mistakes: I can put in somebody and it did not work, or I may decide I do not want to try somebody and he could have been a good Minister. So I think that I have to accept that when people come in to be Ministers, sometimes it does not work out, in which case I need a graceful way to disengage and part amicably.

Exits are delicate matters, and they have to be handled with dignity and decorum. Ministers too, are deserving of dignity and decorum. You cannot turn this into a public spectacle and have it deter more good people from entering politics. So, this is how all organisations handle personnel changes, and we have to do this with Ministers too, and I hope Singaporeans understand this.

But ultimately, the accountability is not individual Ministers; the accountability is the Cabinet, collectively responsible for what we have decided and what the Government does. All ministers are collectively responsible for Cabinet's decisions, whether it is building houses, whether it is building train lines, whether it is setting taxes, whether it is setting immigration policies. There is a doctrine, it is a collective responsibility; all Ministers are party to this. And all Ministers are held to account ultimately when we go to the next General Elections and the public is the final judge of the Government's record. I hope that when we go to elections, we will have a good record and the voters will assess the Government fairly, based on overall results for the whole term. That is how a democratic system has to work, and to work well, it depends on the Government performing well and it depends on the electorate making the right judgments.

I do not expect this speech to be the last word on ministerial salaries, but it is my responsibility as PM to tackle this very difficult issue, to find and prepare the best possible team of Ministers for Singapore and the best next team to take Singapore forward. To do that, it is not just a matter of drinking more tea or meeting more people, but putting in place the right system, the right framework, the right structure, and that's the pay system and the pay structure to help the next team succeed and to find more people.

So I hope Singaporeans will understand this bigger picture, will know that getting in the right leaders who are passionate, committed and have the right values is key to their future. To do that, you must have the pay system right.

It is very hard for a new PM to do this, so Mr Lee Kuan Yew tried his best to clear the decks before Mr Goh took over. I think Mr Goh did all he could to put it on as sound a position as possible before he handed over to me. And I have to do my



part to try and make it work in a different environment for a new phase, but looking forward beyond me into the next generation.

So I am taking this on my shoulders, and I ask for your support to make the right decision for Singapore. And then we will have always capable, public-spirited men and women in Government to serve our people and to secure our future for many years to come. Thank you very much.

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