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**SPEECH BY PRIME MINISTER IN PARLIAMENT ON COMPETITIVE SALARIES FOR COMPETENT AND HONEST GOVERNMENT, ON MONDAY, 31 OCT 94**

I rise to move the Motion standing in my name:

" That this House endorses Paper Cmd 13 of 1994 on "Competitive Salaries for Competent and Honest Government" as the basis for setting salaries of Ministers and senior public officers."

2 In January this year, this House revised the salaries of Ministers and civil servants, to make them competitive with the market. During the debate, Senior Minister suggested that a formula be settled by the House so that future salary revisions could more promptly reflect changes in the market, without the House having to go through old grounds. This Motion is to debate the formula.

3 A competent, honest government is essential to Singapore's prosperity and success. The government has to create the conditions for Singaporeans to create wealth - political stability, racial harmony, law and order, good foreign relations, in particular, relations with our neighbours, excellent infrastructure, excellent industrial relations, worker productivity, educated workforce, right economic policies and attractive tax regime, sound economic management, good legal framework, good housing and free-flowing traffic. These are not all the factors that make Singapore competitive and a worthwhile place to work and live in. But they are the key ones.

4 The World Economic Forum in its 1994 Report ranked Singapore second most competitive of the 41 most dynamic economies studied. We lost out to the US only because of one major weakness - the size of our country and our lack of natural resources. It is this competitiveness which enables us to attract investments and tourists, and sell our products and services, to become the 18th richest country in the world in terms of per capita income. We have overtaken New Zealand and are just behind UK and Australia.

5 How did we do it? Without wanting to sound immodest, I would say the short answer is: good government. This is not to down-play the role of the people themselves - their diligence, their emphasis on education, their high savings habit, their discipline and above all, their responsiveness to public policies and support for the government. But people, like an orchestra, can play good symphonies only under the hand of a maestro.

6 The government comprises two groups of people: political leaders and civil servants. Whether the government is good or bad, caring or ruthless, honest or corrupt, strong or weak, depends on the quality of the people in government, in particular, the Ministers and Permanent Secretaries. If you have clever but dishonest people in charge, you will get a corrupt government which will strip the country bare. If you have honest people but duds as your leaders, they will ruin the country despite their best effort. If the government is both dishonest and incompetent, you will have three choices: suffer, jump ship or mutiny. Each one of these is not pleasant. But these three situations can be avoided.

7 The key question I want to put before the House is: What kind of government do you want? That is, what kind of people do you want to have as Ministers and top civil servants? In other words, what sort of people in the government will best provide you stability, a healthy environment, good-paying jobs and bring you more prosperity? Do you want to have honest Ministers and officials? Do you want to have a fair share of the top brains and high performers in government?

8 It is only after we answer these questions that we can decide on salary benchmarks for Ministers and civil servants. If you are prepared to live with a mediocre government, and are happy with the average Ah Tan or Ahmad as your Minister or Permanent Secretary, then the salary benchmark can be pegged to the median income of all Singaporeans, about \$1500 per month. But if you think that your life is safer under competent hands, then the salary benchmark should be pegged to the top few hundred salary earners. These people earn at least \$40,000 a month, or \$½ million a year.

9 You have elected me as your Prime Minister. You have entrusted me with your future.

10 I owe you a duty to assemble the best team for Cabinet and the Administrative Service. I want people who are absolutely honest and will not cheat and lie to you. I want people of exceptional ability who can anticipate and solve problems, and see and create opportunities for you. I want people who are interested beyond their own families' welfare and are prepared to work their guts out for you. I can assemble such a team only if you give me the backing to recruit and retain the best I can find.

11 I take a pragmatic Singaporean approach - look for a solution that will work. Today's peaceful, prosperous Singapore and abundant opportunities in the region are in sharp contrast with yesterday's of poverty, political and communal strife, struggle for independence and survival, and regional hostility. Lee Kuan Yew and his old guards are legends. If there are younger Lee Kuan Yews, Goh Keng Swees, Eddie Barkers, Rajaratnams, Toh Chin Chyes, and Ong Pang Boons out there, please come forward. Then we can

throw the White Paper away. But can we? We still have to decide how to pay our civil servants, in particular, the superscale officers.

12 Civil servants' salaries should approximate what their peers of similar qualification, drive and competence can earn in the private sector, in other words, near market rates. This applies to all civil servants - teachers, nurses, technicians, not just top Administrative Officers. It is not fair nor practical to ask them to take a financial sacrifice. I said near market rates, not market rates, because the public sector will follow, not lead the private sector in setting wages.

13 The White Paper is not just about setting benchmarks for Ministers and top civil servants. It is also to establish the principle that all civil servants must be paid as well as their counterparts in the private sector. We will use private sector salaries to benchmark public sector pay.

14 The next decade will pose particularly difficult challenges for the public sector in personnel recruitment. Hitherto, it has to contend only with the booming private sector within Singapore. Now the whole region beckons our able and enterprising.

15 Many public officers, especially those who speak Chinese, are plunging into China, "xia hai" as the Chinese call it. Despite the major salary revision in January this year, 10 Administrative Officers resigned soon after. Two more left under the Early Release Scheme. Is it surprising? I have led many business delegations overseas. We open doors and establish 'guan xi' for them. They invest, buy, sell and make money. It will require a very altruistic public officer not to be tempted when he sees our businessmen seize the opportunities we help to create. The EDB, TDB and MTI officers can measure themselves against the businessmen and executives and know that what the businessmen can do, they can also do, perhaps even better.

16 The resignations of the 12 Administrative Officers completely cancelled out the annual recruitment into the Administrative Service. Worse, it comes on top of many years of high attrition from the Service.

17 Let me give you another startling statistic. Two thirds of the Administrative Officers who joined the Service in the late 1970s and early 1980s have resigned. For example, out of the 20 who joined the Service in 1978, only 2 remain. From the 1980 batch of 14, only one remains. This has severely depleted the Administrative Service ranks of those in the early and late 30s age group. It has caused serious problems in planning succession to the Permanent Secretary posts. We simply do not have enough officers with Permanent Secretary potential to succeed the present Permanent Secretaries. We also do not have enough promising junior officers, two levels down, whom we can groom to

become PSs in 4 to 5 years' time. That is why the White Paper is necessary. We must move decisively to reinforce the Administrative Service, beef up recruitment and speed up promotions, to preempt and head off the problem of weak leadership in future years. Otherwise, the Administrative Service will be further stripped, and the administration will collapse.

18 We need to develop our own model for remunerating Ministers and public officers, by learning from the experience of others. In Britain, the tradition was for people of independent means to enter politics for token salaries. But this system is under strain in Britain itself. Not many present-day British MPs have independent means. As they are paid inadequately, many make up by becoming paid lobbyists for companies. The Economist (24 Sep) in an article "MPs for Hire: Time for Reform" wrote that some MPs peddle influence for money. More than 200 MPs (out of 651) are employed as parliamentary consultants to lobbying companies and other commercial organisations. Their duties include making supportive speeches, asking questions and lobbying government ministers. A single parliamentary consultancy can pay £10,000 or more a year, a third of an MP's salary. And as long as financial links are openly declared, "virtually any payment is permissible."

19 In July, the London Sunday Times tricked two British MPs into agreeing to table questions in Parliament, ~~in exchange for being paid £1,000 each~~. The MPs are now being investigated by the House of Commons Privileges Committee.

20 In the last few days, our newspaper have reported that the owner of Harrods, Mohammed Al-Fayed, had paid thousands of pounds through a lobbying concern to get two other Conservative MPs to ask questions on his behalf. One of the MPs named Tim Smith, who had subsequently been appointed a junior minister, immediately resigned his ministership. The other, Neil Hamilton, was a minister in charge of ethics in the Department of Trade and Industry. He first denied any wrong-doing. But later, Prime Minister John Major sacked him when evidence surfaced.

21 What is the solution to this problem? John Grigg, a commentator in *The Sunday Telegraph* (23 Oct 94) offered his:

"... Our MPs should be given every encouragement to resist financial temptations of an improper kind, and this must point to their being better paid for the work they are elected to do".

22 He added,

" Ministers, too, should receive salaries that bear some relationship to those that top people in industry, the City and many professions command. It is absurd that Cabinet ministers, and even the Prime Minister

should be paid less than senior civil servants, let alone leading figures in the world outside Westminster and Whitehall. "

23 Will the US model be better for Singapore?

24 The US, like the UK, has problems with low public sector wages. In 1989, the US Congress considered a proposal to increase the pay of top government officials, including Senators and Congressmen. Opponents made it a populist issue, organising radio talk shows, phone-ins and write-in campaigns to intimidate Senators and Congressmen. As a result, the Senate and Congress were forced to vote against the pay increases, which they had originally hoped to pass without a vote. Later, they tried a second time and got a modified proposal through.

*They were intimidated.*

25 As it is politically difficult for Senators and Congressmen to vote for big pay increases for themselves, they make up for low pay by allowing themselves to retain fees for writing books, and in the past for making speeches. When American senior officials retire, they make speeches, write books, or set up lobbying and consultancy companies to capitalise on their contacts and their public service. Officials often leave before the term of the Administration runs out, in order to make the most of contacts in high places before their friends leave office and their market value drops.

26 Because political salaries in America cannot be increased, some public sector salaries also get held down. The predictable result is that quality suffers.

27 For example, the US has difficulty finding good federal judges, because federal judges are paid a fraction of what good lawyers in private practice earn. The US Congressional Research Service in September 1990 submitted a report to Congress on "The Pay Situation and Federal Judges". It observed that among the major losers in the February 1989 pay increase defeat were the federal judges and that the large gap between their pay and private sector lawyers' earnings was leading to an exodus from the federal bench.

I quote from the report:

" In March 1989 Chief Justice William Rehnquist called the pay situation faced by the federal judiciary 'the most serious threat to the future of the judiciary and its continued operation during my lifetime.' ...

" One US District Court judge recently said: 'It was once every lawyer's dream to become a judge. It isn't that way now.' "

28 We faced a similar situation earlier. So we systematically raised salaries for Ministers, judges and other public officers. We have less problem today in getting good private sector lawyers to become judges and judicial commissioners.

29 Japan offers us a more positive model. The Japanese civil service enjoys high prestige. Entrance is highly competitive. Ezra Vogel described this very well in his book 'Japan As Number One'. Leading Japanese bureaucrats come from the best universities like Tokyo University, and rise through the ranks in a carefully prescribed fashion. The top graduates enter the most prestigious ministries (Finance, International Trade and Industry, Foreign Affairs) and agencies (Economic Planning, Land, Environment), provided they pass the ministerial written examination and demonstrate poise, breadth and commitment in interviews. Ezra Vogel describes how the Japanese bureaucrats rise with seniority, but are paid less than their counterparts in private industry. However, "(they) are fully aware that they are dealing with important problems, and they take pride in their successful handling of difficult issues."

30 The elite-track bureaucrats advance by cohort. I quote Vogel:

" By the time ministry officials reach their thirties they can identify those in their age group who are most likely to fill the top posts two decades later. At about age fifty, the top several in the age group advance to become chiefs of the most important divisions, and all others who entered the ministry the same year retire. Several years later consensus begins to jell about who would make the best vice-minister in his age group, and the administrative vice-minister [equivalent to our Permanent Secretary] chooses his successor, who becomes the most powerful person in the ministry. All remaining peers resign, not because of an official rule but because of custom and because they will receive high positions in private firms or public corporations or will become politicians."

This practice of bureaucrats moving from top ministry posts to senior private sector positions is called 'amakudari', which literally means 'descent from heaven'.

31 We can learn much from the Japanese model: the emphasis on recruiting the best candidates, its cohesion and mission, the systematic grooming of promising officers for senior positions, the high status enjoyed by bureaucrats in Japanese society, and the private sector positions for them when they retire from public service.

But the Japanese model is not entirely applicable to

- (1) We have to stress competitive salaries for the public service much more than the Japanese. We cannot rely on the prestige of public service to make up for lower pay. Singapore is a young society, not an established Japan with set traditions. Singaporeans, especially the young, talented and ambitious, gauge their status by material success and visible rewards. Our system must recognise this reality.
- (2) Our civil servants will not wait patiently, advancing gradually by cohort, until one becomes PS, and the rest retire. They need to be advanced on merit, once they prove themselves, with less emphasis on seniority. In the Singapore private sector, professionals reach the peaks of their careers in their 40s. For civil service careers to peak when officers are nearly 60 years old, just before they retire, is untenable.
- (3) We cannot depend on amakudari to reward civil servants as the Japanese do, although we will often deploy top civil servants to statutory boards and GLCs. Firstly, many major companies in Singapore are MNCs. Secondly, in Singapore's environment, good officers expect rewards while they are serving, not after they retire.
- (4) In Singapore Ministers set the pace, not civil servants. In many countries, Ministers preside over their Ministries, which are really run by the civil servants. Ministers concentrate on political work, leaving the formulation and implementation of policies to bureaucrats. This is not so in Singapore, where Ministers master the details of their departmental briefs, and take the lead in developing new policies and arguing for them in public. Therefore our methods must ensure not only a good civil service, but also capable Ministers.

30 We are evolving our own model, based on stringent recruitment standards, competitive pay, rigorous testing out and developing of talent, and swift promotions on merit. We are looking for people who are doing or can do extremely well in the private sector. Such people will simply not come in if it means a large financial sacrifice.

31 The present generation of school leavers enjoy many opportunities to pursue their careers. Returned PSC scholars are the major source of Administrative Officers. 25 years ago, PSC scholarships were much sought after by students completing their HSC. For many, the scholarships were the only way to go to university. They came from poor

homes, with parents who could not afford to pay for their university education, much less send them overseas. Of the 15 present PSSs, 11 went to university on government scholarships.

32 Today, students have many alternatives to PSC scholarships. Many parents can easily afford to pay for their children to go to NUS or NTU. They can get other scholarships to go abroad - from banks, from foundations, even from overseas universities. Young people give a civil service career low priority. When offered scholarships, they immediately ask: how long is the bond? In 1992, the son of a seamstress declined an Overseas Merit (Teaching) award to Cambridge, even though he had no other scholarship. In 1994, the son of a bus driver declined an Overseas Merit (Open) award to the UK to study engineering, as did the son of an electrician. Instead they took other scholarships, one from Singapore Technologies Holdings, and the other from MAS.

33 Many scholars do not serve out their bond period, but buy themselves out to join private sector employers. Their new employers often help to pay off their bonds. In recent years, 30% of Administrative Officers left before their bonds expired.

34 If the PSC had to recruit people for the Administrative Service after graduation, like other employers, instead of through PSC scholarships, it would get few people. Not that PSC has not tried, but students who turned down scholarships before going to university are even more unlikely to join the civil service after graduating with good degrees. In the 6 years since 1989, the PSC has recruited only 7 non-scholarship holders for the Administrative Service - just over one a year. Of these, two have already resigned.

35 Pay is not the only reason the Administrative Service is not attracting recruits. Job challenge, career structure and advancement rates also matter. Ambitious young people not only want to be paid what they feel they deserve. They also value prompt, visible symbols of their success. These are important aspects of personnel management practices. They are being urgently addressed, now that we have amended the Constitution to devolve PSC powers, and have put PSD under PMO. Major changes are underway, which will make the public sector approximate the private sector more closely.

36 Just as the civil service will promote and reward as promptly as the private sector, so too it will assess and judge performance as rigorously. But unlike the private sector, the bottom line is not always measured in dollars. The civil service used to be an iron rice bowl, but this has changed. It will give exceptional rewards only for excellent performance. As a corollary, those who do not measure up, for whatever reason, will have to make way to those who do. The civil service will do this systematically, being fair to individual officers and at the



same time upholding the integrity of its personnel assessments.

37 The Administrative Service is not so prestigious as the Japanese that able Singaporeans will willingly accept its lower pay for the privilege of serving the Government. That is why we have to adopt competitive pay.

38 I have no difficulty in justifying a market-related salary for civil servants. But for Ministers, politically it is much more difficult. Some critics argue that Ministers should be different. They say politics is a noble calling and that Ministers, should naturally make financial sacrifices to serve the people.

39 I agree that Ministers should be different and that there should be some financial sacrifice. But how much sacrifice? That is the nub of the problem. We face the same problem finding able Ministers as finding competent civil servants. We are drawing from the same talent-pool, from the same generation of career-minded professionals. The requirements for Ministers are even more stringent than for PSSs. A good Minister will make a good Permanent Secretary, but a good Permanent Secretary will not necessarily make a good Minister. Talented Singaporeans are even more reluctant to enter politics than they are to join the civil service. People know how daunting the job is, and how public their failure will be if they do not make the grade. So do their families, who must also be persuaded. Several civil servants I have approached to stand for elections preferred to remain as civil servants. While some are willing, their wives object.

40 I have previously described to this House how difficult it has been for me to assemble the present Cabinet. The task is getting more difficult, and more urgent. The Cabinet is getting older. The second generation leaders must in their turn find and groom third and fourth generation leaders. Otherwise we will fail our most important responsibility - to leave Singapore in good hands after we ourselves have left the scene. We need to find on average one new potential minister a year, i.e. 4 or 5 in every general election, just to keep up with the normal attrition of passing years. We have not succeeded in doing so in recent years. Unless we find several potential ministers by the next general election, we will have a serious succession problem by the year 2000.

41 If we cannot get enough Administrative Officers even on competitive wages, how can we find enough Ministers paying non-competitive salaries? Let me state categorically that none of the present Ministers have asked for a salary increase or expected such revisions when they joined my Cabinet. But I have to deal realistically with the urgent problem of finding more new Ministers.

42 Some point out that many developed countries pay their Ministers less than ours. But that does not mean

these countries are doing right, or doing well, only that their public opinion and the low standing of their politicians make it impossible for them to grasp the nettle of upping Ministers' salaries. Ministers from developed countries have told us privately how much they envy us, being able to bring the issue of Ministers' salaries out into the open and debate it rationally. They regret that in their political climate, they themselves cannot do that, because if they do, they will immediately be attacked by the opposition. We must never let ourselves drift into such a grave predicament, where populist hypocrisy prevails and difficult sensitive issues cannot be publicly discussed and solved. It is like the present debate in the US on the question of genes and intelligence brought out in the book called 'The Bell Curve'. How can they find rational solutions if they cannot discuss these things rationally?

43 Salaries cannot be the motivation for becoming a Minister. Becoming a Minister is more than a job. It demands a sense of duty and public purpose, the desire to build a better nation and shape its future. People make many personal sacrifices when they enter politics. Most cannot be helped - the heavy demands on their time, the loss of privacy, the load on their families. But we can and must minimise the financial sacrifice involved in taking up political office. Otherwise it becomes more difficult to find competent Ministers, and the country will pay dearly for sub-standard Ministers.

44 One standard which is bound to fall when salaries become unrealistic is the integrity of the public service. However efficient the CPIB is, and however ruthlessly we enforce the laws against corruption, it is not possible to maintain a clean government if salaries are too low. A traffic policeman on highway patrol cannot resist the temptation to accept coffee money instead of issuing a speeding ticket, if he cannot support himself and his family on his pay alone. It is vital for Singapore to maintain an incorruptible public service, from top to bottom, and not let standards slip. What a traffic policeman can take is "kacang" compared to the harm which a dishonest Permanent Secretary or Minister in charge of hundreds of millions of dollars worth of contracts can do. If the top level is corrupt, no enforcement will keep the lower levels straight. As the Chinese proverb says:

(If the upper beam is not straight, the lower ones will go aslant).

45 The Asian Wall Street Journal recently carried an editorial "Gems in the Rough" (21 Sep). The editorial was about the case of the Saudi Arabian jewels which disappeared in Thailand, but it quoted Singapore as an example:

" Singapore, for all its preachiness, makes a point of using the bully pulpit to uphold standards of decent social behaviour. When he was criticised as prime minister for having

among the highest salaries of any head of state in Asia, Lee Kuan Yew could answer, with some justice if less diplomacy, that in fact he was probably the lowest paid leader in Asia."

In other words, the AWSJ reluctantly accepts our judgment that one good way to keep the system honest is to pay everyone, including Ministers, realistic salaries.

46 "Asian Intelligence", a fortnightly Report on Asia Business and Politics published by a Hong Kong-based company tracked corruption in Asian countries for its clients, mainly investors, expatriate businessmen and managers.

47 On a scale of zero to 10, Singapore was rated 0.6 and Hong Kong 1.6 in its April 94 Report on "Corruption in Asia". A grade of zero is defined as a situation in which corruption does not exist, while a 10 represents a very serious corruption problem that greatly detracts from the business environment. The other countries reported on are: China, Indonesia, Malaysia, Philippines, South Korea, Taiwan, and Thailand. As the Report is available only to subscribers, I should not read out the scores. But they ranged from 2.9 to 8.2.

48 Corruption is not an affliction of developing countries alone. John Grigg whom I have quoted earlier also said in the same article:

" Among our continental neighbours, Spain and France, to say nothing of Italy, have reached a point where the entire state establishment is thought by many to be riddled with corruption."

49 The White Paper quoted the World Bank report on **The East Asian Miracle: Economic Growth and Public Policy**. This Report studied the reasons why countries like Taiwan, South Korea, Singapore, Malaysia and Thailand had such successful economies. It identified three principles for building a reputable civil service:

- Recruitment and promotion must be merit based and highly competitive;
- Total compensation, including pay, perks and prestige, must be competitive with the private sector; and
- Those who make it to the top should be amply rewarded.

This has been precisely Singapore's approach.

50 The World Bank Report noted:

" In bureaucracies, as in nearly everything else, you get what you pay for."

" In general, the more favourably the total public sector compensation package compares to compensation in the private sector, the better the quality of the bureaucracy."

It explicitly cited Singapore:

" Not surprisingly, Singapore, which is widely perceived to have the region's most competent and upright bureaucracy, pays its bureaucrats best."

In other words, the World Bank sees Singapore as a model, and is encouraging other countries to follow our example.

51 Hitherto we have revised salaries every 4-5 years. Because revisions are infrequent, they have to be larger. People fail to realise that the large percentage revisions are to catch up with several years of private sector increases, and are not the typical increase Ministers enjoy every year. Each time, we debate from scratch the appropriate level of Ministers' salaries. It is therefore better for us to set benchmarks, based on private sector incomes, as declared in IRAS returns. Then we can adjust salaries annually, in small steps, without re-arguing first principles over and over again.

*Simple+* 52 The White Paper proposes the benchmarks. The details are a little complex, but the principles are straightforward. We will compare Ministers' salaries with earnings of top earners in six professions - bankers, lawyers, accountants, engineers, MNC CEOs, local manufacturers. We will choose the top 4 in each profession, and average over 24 people. It is appropriate to compare Ministers with the top of these professions, both because the Ministers have larger and more demanding responsibilities than these top professionals, and because we want Ministers of the calibre who would rise to the top if they were in the private sector. Ministers' salaries (Staff Grade I) will then be set at two-thirds the private sector average. In my judgment, the difference of one-third is a fair sacrifice to ask of Ministers. To cater to the range of Ministers' jobs, which are not all the same size, and their different contributions, there will be two higher salary grades for Ministers in addition to the new Staff Grade I - Staff Grade II + 12% (the existing base grade), and Staff Grade IV.

53 Outstanding Administrative Officers with potential to become PSS can expect to reach Superscale G by age 32. Not every AO will make it by that age, but the plan, and hope, is that one-third will. They will be among the best in their cohort both in the private and public sectors, but will not yet be at the top of their careers. Hence we will compare Superscale G officers with top professionals, aged 32, in the same 6 professions. We will match their salaries not with the topmost earner, but with the 15th highest, in these professions. A good Administrative Officer will

easily come among the top 15 of his cohort. No discount will be applied, unlike for the Ministers' benchmark. It is unfair and unrealistic to expect a young person to accept a pay cut to work in the public service.

54 Some people have expressed surprise that the benchmark figures are so high. But the benchmarks are based on IRAS returns and reflect what the private sector earns. IRAS analyzed declared earnings of individuals who actually paid income tax based on these figures. In fact, the figures are conservative. Firstly, they are two years behind time. Secondly, many components of income in the private sector are hard to pin down in tax returns, such as benefits in kind, entertainment and travel privileges, even payments abroad.

55 These benchmarks will be updated annually, and public sector salaries will be correspondingly revised. The Government will also annually review the salaries of all the other services, for which benchmarks have already been established. Salaries will be adjusted service by service, as and when they get out of line. Infrequent but large civil service wide salary revisions, in which all services automatically get a raise, will be a thing of the past.

56 At present, both Ministers' and civil servants' salaries are considerably below the benchmarks. Staff Grade I Ministers earn less than half (48%) the average of top private sector professionals, compared to the target of two-thirds. Superscale G officers earn 80% of their benchmark figure. We will revise salaries for civil servants, not overnight but progressively, to reach the benchmarks over 3 years. For Ministers, the adjustment will be even more gradual.

57 Bear in mind that even after the revision is complete, at two-thirds the private sector, there will still be about 100 people in the private sector earning more than a Staff Grade I Minister. These 100 are income-earners. They do not include entrepreneurs, owners of businesses, stock-brokers. If we include them, far more than 100 Singaporeans earn more than a Staff Grade I Minister.

58 Ministers vary in their ability, and in their private sector earning power. But I have no doubt that more than half of my Cabinet would have been among the top 100 salary earners, had they opted for a private sector career.

59 I cannot truthfully say that all Ministers will get what they are being paid if they were in the private sector. But in politics, I need a balanced team, to reflect the political realities of Singapore. Though a Minister may not earn the same amount in the private sector, I must be satisfied that his responsibilities and performance as a Minister, in particular, his political contribution, justify his being made a Minister. So we do not appoint young MPs as Ministers rightaway. They have to prove themselves first. A few, when they were appointed as Minister of State

or Parliamentary Secretary, did take a pay cut, like Dr Ker Sin Tze and Ho Peng Kee. There was real financial sacrifice.

60 I need a team to run the country. \$600,000 a year for a Minister will seem a lot to most Singaporeans. Even \$300,000 will seem a lot to them. But see it from a bird's eye view, and not a worm's eye view. See it in perspective. The total cost this year of all the political office-holders, from political secretaries to Prime Minister, is \$17 million a year. Weigh this against the GDP of \$89 thousand million. That is what we are responsible for.

61 I am asking today for your endorsement of a formula to pay civil servants and Ministers. Judge the correctness of the formula by results, not by comparing what you are earning with the salaries of the Ministers and senior civil servants. You should ask yourself whether the Cabinet as a team is worth the \$17 million today. Like durians, the proof is in the eating. You should get what you pay for.

62 My task is to achieve and sustain the highest standard of government in terms of incorruptibility, integrity, and competence so that you will enjoy the highest standard of living possible. My Government must produce jobs, pay increases, homes, schools, social harmony, economic growth, the lot which gives you a better life. If we succeed, as we have done in the last 5 years, \$22 million a year for my team under the new formula to be implemented over several years, is small beer.

63 Measure the \$22 million against the cost to you of having an incompetent and corrupt government. Wrong policies and corruption could easily reduce Singapore's economic growth by a couple of percentage points.

64 Our GDP is \$89 billion. A 1% growth is worth \$890 million. A 3% reduction in growth as a result of mismanagement and corruption will cost Singapore \$2,670 million. This is not a paper loss to the economy. It is an actual loss coming out of your wages and profits. It will be penny wise and pound foolish, if you deny me the means to get the best people into government.

65 This will not be the last occasion that the Government explains and justifies its policy for paying Ministers and top civil servants. But the White Paper will carry the debate forward, and save us from covering the same ground over and over again. The policy proposed in the White Paper is essential to maintain the quality of the Government over the next 15 to 20 years, when high growth in the region will make it more difficult than ever for us to recruit outstanding men and women to become civil servants and Ministers. We need to change the perception of an Administrative Service career among Singaporeans, and especially among ambitious young people who are leaving school, and choosing scholarships and professions. We also need more Singaporeans to come forward to serve as

Ministers, to lead Singapore and maintain the prosperity and security we now take for granted. This White Paper I hope can help us to do that. I therefore ask this House to endorse the White Paper on "Competitive Salaries for Competent and Honest Government" as the basis for setting salaries of Ministers and senior public officers.

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