

**CLOSING SPEECH BY DEPUTY PRIME MINISTER, COORDINATING  
MINISTER FOR NATIONAL SECURITY AND MINISTER FOR HOME AFFAIRS  
MR TEO CHEE HEAN AT THE PARLIAMENTARY DEBATE ON POLITICAL  
SALARIES  
18 JANUARY 2012 (WEDNESDAY)**

Mr Speaker, Sir, over the last three days, we have heard 29 Members share their views and suggestions about political salaries.

2. I was heartened by both the tone and the substance of the debate over these past 3 days, compared to the three previous occasions that I have attended debates in this House in 1994, 2000, and 2007 since I was a Member.

3. While the earlier debates were marked by sharp divisions and strident rhetoric, what struck me this time was the degree of convergence and agreement that we have arrived at.

4. We all agree on the objective of the debate, on what we are trying to achieve. Members all agree on the need for Singapore to continue bringing in capable and committed people into political office. Yesterday, the Prime Minister shared with us his worries and concerns about how we can continue to bring in able and committed Singaporeans in their late thirties and forties to serve Singapore, in the face of the many exciting and challenging opportunities that they now have open to them, here in Singapore and overseas. He explained why establishing an appropriate salary framework is so important to ensure that we have the leadership that we need for our future.

5. We also agree that it is the spirit of service that brings us to this House. Members like Mr Sam Tan emphasized that political service is first and foremost about having 'a heart of service'. Or in the words of Mrs Josephine Teo, Mr Chen Show Mao, Dr Lam Pin Min, and Mr Tan Chuan Jin, it is a noble office, a 'calling', a 'privilege', a 'hard-won honour'. Sir, I look around at the faces of my fellow members of this House, and I see that it is this spirit or ethos of service that has brought each one of us here; and this spirit, this ethos of service, is what brings us together, and does not separate or divide us, Members of this House. We are all clearly in agreement on that.

6. I was heartened that Members have endorsed the three principles which the Committee has distilled as a guide to decide on the salary framework:

First, salaries must be competitive so that people of the right calibre are not deterred from stepping forward to lead the country;

Second, the ethos of political service entails making sacrifices and hence there should be a discount in the pay formula; and

Third, there should be a "clean wage" with no hidden perks.

7. These three principles have been the underlying basis for the Government's salary proposals over the past many years.

8. There was also unanimous support for the clean wage approach, paying a cash salary and without benefits in kind. Members such as Mr Arthur Fong and Er Dr Lee Bee Wah have shared with us how this approach is something not found in many countries, and creates confidence in the integrity of our government. Sir, now that both sides of this House have agreed on the principle of clean wages, I hope that this will also put an end to misleading comparisons both in this House and outside, between the clean wages of our political appointment holders with just the cash salaries of leaders from other countries that provide many benefits which are often not quantifiable. Such misleading comparisons are unhelpful, and just rile up emotions on an otherwise already emotive debate.

9. One significant feature of the debate this time, is that no one suggested benchmarking our political salary levels to foreign leaders' cash pay. This is quite remarkable as this had been a feature in the past.

10. As mentioned by Dr Amy Khor, Mr Gan Thiam Poh, Mr Edwin Tong, Ms Indranee Rajah and others, there was also general agreement that a minister's responsibilities are at least as complex

and heavy as the jobs held by those in the more broad-based benchmark of 1,000 persons proposed, and Ministers have a much wider impact on the lives of Singaporeans, as Mr Alvin Yeo pointed out. I did not hear any disagreement on that score either.

11. Many members also expressed the view that the resultant 37% reduction in MR4 salaries was deep and significant, and appreciated that the starting salary for a minister at \$46,750 a month, or for a basic 13 month salary of \$607,750, provided the PM with more flexibility for emplacing new Ministers.

### **Bridging the gap**

12. Sir, as I listened to the many thoughtful, heartfelt speeches, what gratified me most was that we have come a very long way on this issue of political salaries, and have moved much closer together, members from both sides of the House.

13. On its part, the Government has responded to feedback in a number of areas. In response to feedback that there should be an independent review process for political salaries, the Prime Minister appointed a committee to independently review salaries for political appointment holders. The Review Committee chaired by Mr Gerard Ee comprising eight well respected members from a range of sectors, had a free hand (contrary to what Mrs Lina Chiam said, and Mr Yaw Shin Leong alluded to this). They were allowed “to take into account salaries of comparable jobs in the private sector and also other reference points such as the general wage levels in Singapore”. I am glad to hear that Mr Pritam Singh has full confidence in the Committee and its independence. The Committee has arrived at fair and balanced recommendations. Members of this House have accepted the key principles that it has put forward for determining the salary framework, and also many of its key recommendations. The Government has also accepted the Committee’s recommendation for the Prime Minister to appoint an independent Committee to review the salary framework every five years.

14. The Committee’s recommendations have resulted in a number of significant changes from the previous salary framework which the Government has accepted, and that Members of this House have welcomed.

15. Pensions for political office holders have been removed, which Mr Gerald Giam, Mr Lim Biow Chuan, Mr Pritam Singh and others have supported.

16. And a new broader based National Bonus has replaced the GDP Bonus. Many members including Mr Zaqy Mohamed, Mr Yaw Shin Leong, and Mr Zainal Sapari welcomed the introduction of the National Bonus which reflects a stronger link with Singaporeans’ interests and concerns, though some did express views on the size and ratio between the different factors. Mr Zainal in particular made a strong pitch to increase the weight in the national bonus given to wage growth for the lowest 20<sup>th</sup> percentile income earners, and Mr Alex Yam reminded us of the important goal of raising median incomes of Singaporeans. Sir, we ought to accept the Committee’s proposal as it is, and see if there are improvements that can be made subsequently.

17. Members who had expressed reservations about the previous salary framework have also been prepared to accept the proposed framework. For example, Ms Denise Phua spoke out strongly and passionately in 2007 about there being good people who would come in regardless of pay. In her speech on Monday, she acknowledged that she “could not find enough of them” – such good people, even to run her charity, let alone this country. Mr Inderjit Singh, who had spoken against the previous 2/3M48 benchmark, has analysed the Committee’s proposal for a broader-based, 1,000 person benchmark carefully, and the rationale behind it, and expressed agreement.

18. But I was most heartened to hear Mr Chen Show Mao, say clearly and in very definitive terms, on the first day of the debate, that “We (i.e. the Workers’ Party) agree with the three principles that political salaries should be competitive, that political service is a calling and has its own ethos, and that wages should be transparent.” <http://www.wp.sg/2012/01/ministerial-salary-review-csm>

These are the three key principles put forward by the Committee as a guide to setting salaries.

19. This is a significant change, and a significant step forward. For the first time, the Workers' Party has stated that it accepted benchmarks, benchmarking salaries competitively, similar to the approach taken by the Committee, and it is a fundamental departure from their past proposals. For example, as reported in a Straits Times article on 5 May 2006, in the run-up to the 2006 General Elections, the Workers' Party said that they wanted the benchmark to be based on what the poorest 20 per cent of Singaporeans earned, and that ministers' pay could be multiplied by a factor of 100, making their salary, at that time, \$80,000 a month. Straits Times, "Peg ministers' pay to poorest 20%: Low", 5 May 2006.

20. Subsequently, during the 2007 Debate in this House, Ms Sylvia Lim said that we should benchmark the remuneration of political office holders to that of leaders in foreign countries. The Workers' Party made ministerial salaries a hot campaign issue last year during the General Elections, and proposed as an alternative that "...these countries pay political office-holders just a fraction" of what our leaders are paid, and "we should benchmark against those countries". Sir, this is very different from what I just heard Mr Giam say, that the position that the Workers' Party is proposing in Parliament is the same as what they have said prior to the GE and in their manifesto.

21. The Workers' Party has clearly made a fundamental change, and taken a new position, which I hope they will hold to in the next GE. I welcome this change.

This change has helped this debate to move forward and arrive at areas of convergence.

22. The Workers' Party's new position is to peg an MP's allowance to a senior civil servant of MX9 (Superscale) grade, on the basis that it is "competitively benchmarked to general wage levels of Singaporeans".

23. This benchmarking approach is in line with the principle of competitive benchmarking to local conditions which the Committee recommended, rather than to the salary of foreign leaders.

24. And while the Workers' Party has stated that the Committee's benchmark is "elitist", the MX9 (Superscale) pool is actually quite a small group. In fact, just 1.2% of our 76,000 civil servants across all services are in the MX9 (Superscale) grade or above.

Sir, in ratio terms, this works out to 1 out of 83 of our civil service workforce, or in round numbers, roughly, 1 out of 100 civil servants. These MX9 officers carry out significant duties and responsibilities, and are senior civil servants.

25. So is this a reasonable ratio for a leader? Think of it this way: if a person is in charge of a ten person organization, he is 10% of that organisation's workforce.

If he leads a 100 person organization, he is 1% of the workforce. And if he leads a 1,000 person organization, he is 0.1% of the workforce. If he is responsible for an organization which has 1,700 people in it, he is 0.06% of that organization's workforce – a number highlighted by the Workers' Party as being "elitist", or too small. There are a number of organizations in the public service which are comparable or larger than 1,700 people, and the leader of such an organization is 0.06% of that organization. Is that an unreasonable ratio for a Minister? And the impact of a minister's work goes well beyond that and affects all Singaporeans.

26. Does being able to lead an organization of 1,700 people reflect the qualities we look for in a minister? That's what 0.06% means. And does being able to lead about 100 people reflect the qualities we look for in an MP? That's what 1% means.

27. Both 0.06% and 1.2% are small numbers, but when we look at them in terms of these ratios we might be better able to assess and understand whether these reflect the type of qualities we are looking for in our ministers and our MPs.

28. Sir, I would also like to clarify that the MX9 (Superscale) salary is not pegged to the "general wage level of Singaporeans". The MX9 (Superscale) officer is not representative of an average "whole-of-government" officer. He is a senior officer with significant responsibilities, in the ranks of the senior leadership of the Civil Service. It is in fact pegged to the salaries of quite senior people in the private sector, who hold jobs which have equivalent significant responsibility and scope. So in fact, Sir, the Workers' Party is proposing that we benchmark MPs, not Ministers, at the top 1.2% of the civil service. About half the Civil Service are teachers, and we select our teachers from the top one-third of the cohort. So 1.2% of the Civil Service is quite a select group. But I leave it to Members and the public to decide whether this is an appropriate way to compare. But

Sir, I wish to make the point that this is quite far from the “general wage level” of Singaporeans, and what the Workers’ Party has described as a “people-up” approach.

29. Nevertheless, what is more significant in this analysis, is that the principles as well as the way that the Workers’ Party have worked out their salary proposals are actually quite similar to what the Committee has done – the principle of benchmarking by selecting a set of jobs, skills and qualities which they feel are comparable, in one case to that of MPs, and in the other to that of ministers. So the basis for setting salaries is basically similar to that which the Committee has used.

30. So while the Workers’ Party has previously expressed disagreement over not just the basis for determining salaries but also their overall levels, I am heartened now that Workers’ Party’s own proposals are at the same general levels as those proposed by the Committee.

31. For example, the MP’s allowance proposed by the Workers’ Party, benchmarked to MX9 (Superscale) of \$11,000/month, as compared to the Committee’s proposal of \$13,750/month. The Workers’ Party makes much of this difference, but actually when you look at it, \$11,000 is at the lower end of the MX9 (Superscale) salary grade, and \$13,750 happens to be about the mid-point of the MX9 (Superscale) grade. So you can pick whichever one you want, but say you pick \$13,750, which is the mid-point of the MX9 benchmark grade that the Workers’ Party has chosen. If you churn out the numbers and multiply them up, you come up with an answer which is a bit bigger, but still generally in the same ballpark as well.

32. As pointed out by Mr Vikram Nair yesterday, the monthly salary for Ministers proposed by Workers’ Party is actually higher than the starting salary of \$46,750 per month proposed by the Committee. And the Workers’ Party has proposed a ratio for the PM’s salary: 1.8 times that of a Minister, while the Committee has proposed 2 times. There’s a certain amount of judgment in this. I would use the word “judgment” rather than the word “arbitrariness”, which has been used quite widely by some Members of this House. The ratio of MP allowance to ministers’ salary is also about the same – 17.5% versus 20%.

33. We should also note, that if the Workers’ Party came into power tomorrow, it would pay its ministers a salary which is not much different from what the Committee has recommended. And this would still mean that leaders elsewhere would likewise be paid a fraction (in cash terms) of what a Workers’ Party minister would be paid. This is quite different from the view that it strongly advocated just a few months ago.

34. As Mr Vikram Nair pointed out, the main difference that remains now is really over variable bonuses, whether there should be a norm of 3 months of a higher monthly salary, or 7 months of a lower monthly salary, including the Annual Variable Component. Mr Edwin Tong tried to work out the numbers, but you can see that they are all roughly at the same general salary levels. The matter of salary structure and design and how one apportion the salary between fixed and variable components is a matter which HR and compensation specialists have a view on. The Committee had the benefit of a compensation specialist, Mercer, to advise on this, who recommended that for jobs at this level, about 1/3 of the total annual compensation should be variable, so that a good part of the salary is not fixed or guaranteed, but instead linked to actual performance. I do not know if the Workers’ Party also sought competent HR or compensation specialist advice. But even compensation specialists might offer different views on what is the appropriate way to apportion between fixed and variable components. A higher number of months of bonus in years when targets are met also means a lower guaranteed monthly wage, and a larger reduction in bonus when targets are not met, as shown in Mr Edwin Tong’s numbers.

35. But what is most important is that the overall levels of the salaries being put forward are both around the same general levels. The Workers’ Party has quietly abandoned proposing salaries that are “a fraction” of what they are now proposing. They have indeed recognized that a pragmatic approach is needed when setting salaries, and they have recognised in their proposal that pragmatism and idealism need to be balanced.

36. I have gone through these proposals in some detail not to point out the differences, but in fact, to demonstrate the clear similarities with the Committee’s proposals. When we strip away

the rhetorical wrapping, and take a closer look, the Workers' Party's proposals are in fact based on the same set of principles, have taken into account pragmatic considerations, have resulted in salaries that are at about the same general level, and have the same structural features of fixed and variable bonuses (though in different proportions), as what the Committee has proposed.

37. Sir, I have pointed out these similarities to demonstrate that there is indeed much common ground. We should not be accentuating the differences when there are in fact so many similarities. Mr Yee Jenn Jong came out strongly to say yesterday, "In conclusion, the annual levels we have proposed are not the same as the review committee's. More fundamentally, we object to the principles used to set the benchmark for ministerial salaries. Therefore, I oppose the motion." <http://www.wp.sg/2012/01/ministerial-salary-review-yji> After hearing Mr Chen state clearly on Monday that "We (i.e. the Workers' Party) agree with the three principles," I thought that we were quite close together. Sir, I am still optimistic, in spite of what Mr Yee said yesterday because the actual proposals are really quite close.

38. Yesterday, Mrs Lina Chiam from the Singapore's People's Party updated the estimated pay that a Minister would need, in her estimation, to live comfortably, which former MP Mr Chiam See Tong had calculated in this House in 1994. In 1994, Mr Chiam's estimate was \$50,000 a month, actually \$51,000. In this House in 2007, Mr Chiam updated the number to \$70,000 per month. Mrs Chiam has now, in her estimation, adjusted this figure to \$60,000. I was trying to understand the reason for this adjustment.

39. But nevertheless, while the SPP has a different method of computation still tied to local conditions and standards of living, it has similarly come up with a monthly pay of \$60,000, which is a little higher than the benchmark MR4 monthly salary that the Committee has proposed – and an overall outcome that is within the same general level and similar to what the Committee had proposed.

40. Sir, let me now speak a little about one subject which this debate was totally silent on. And it is quite remarkable. We are discussing salaries for political appointment holders and Members of Parliament, and unlike many Houses in many other countries which have been cited as models, this debate was silent on allegations of corruption and dishonesty. It was silent on allegations of abuse of benefits. This is quite remarkable, and is a vindication of the integrity of the Members of this House, and of the system we have put in place to keep it so.

### **Accountability and Transparency**

41. Let me now address the issue of accountability that a number of MPs (such as Mr Inderjit Singh) have raised, and transparency (which Mr Yaw Shin Leong and Mrs Lina Chiam have raised).

42. I believe that the Prime Minister has addressed yesterday quite comprehensively how he holds Ministers to account and assesses them.

43. The Prime Minister yesterday also provided information on the salary grades of the current Ministers. The National Bonus is also fully transparent as the mode of calculation, and the numbers that go into it each year from the Department of Statistics, is known to all. And the Prime Minister has periodically provided this House with information on the performance bonuses for ministers in bands. This provides the public assurance that the salary framework is being applied in a fair and reasonable way, while maintaining a certain amount of privacy for the office holders. I think that is fair. Mr Pritam Singh also asked for a list of pensions for individual Ministers. He wanted to know why the Government has provided the method of calculation of an office-holder's pension, but not given the individual numbers for each person. The Government has provided the method of calculation of an office-holder's pension in detail and stated that the maximum amount is about 11% of the annual salary in the previous framework. Why have we provided the calculation method and not the amount for each individual? Again, this balances the requirement for transparency for the purpose of knowing how the salary framework is applied and to be sure that it is applied properly, while respecting the privacy of individuals.

44. Mr Yaw has suggested that we should learn from other countries that have websites that also

provide listings of ministers' allowances, and other benefits. Well, there are websites that list out the benefits, not just how the Ministers have used their benefits. I am amazed at the research which Ms Indranee Rajah and Mr Edwin Tong have done. But we have indeed learnt from other countries, and the most important lesson that we have learnt, is that providing allowances and benefits is a veritable minefield, and hence the most important lesson that we have learnt is to go for clean wages, so that we can avoid such thick books, such big websites, and such huge problems. Sir, if we put up a website to account for usage of benefits, the only variable item that will be there is how much a Minister claims for dental treatment – so that's a maximum of \$70, and I suppose we will all know how many times he goes to the dentist, and whether he has used up his maximum claim of \$70. Mr Pritam Singh knows that this is the position of the Government. So when he made a passionate discourse just now on dental benefits, I think he was making a political speech that was not grounded in any reality that this Government believes in.

### **Conclusion**

45. Sir, it has been a long and thorough debate lasting two and half days. And it has been a most fruitful and useful one. I would like to again thank all members who spoke, earnestly and from the heart.

46. I am gratified that after the many, sometimes heated, emotional discussions over the past 30 years, we have now taken a major step forward to bridge the once-wide gap – the Government, by accepting the wide-ranging proposals that the committee has recommended, and the Members on the other side of this House by departing from their old positions and accepting the principles and many key features that the Committee has put forward, as I enumerated earlier.

47. As a result, we have come to very similar conclusions about how to benchmark political salaries in Singapore by adopting the three key principles. Market-competitive salaries. Ethos of political service. Clean wage. And after applying these similar principles and methods, arrived at salary levels which are about the same. We have made real progress.

48. Sir, a number of members expressed concern about whether the proposed benchmark and framework will result in huge salary increases in the future. Mr Baey Yam Keng and Mr Hri Kumar have suggested keeping salaries fixed for five years. Even under the previous framework, government had been judicious in making changes if the benchmark changes very rapidly in any one year. In any case, every change in salary level will have to be done openly and transparently, as was always done in the past, and this House will know about it. And members have every opportunity to raise questions and take issue with it if members for any reason have concerns. And of course, I, and the Prime Minister, will do our best to address concerns that Members have.

49. Furthermore, the salary framework will be reviewed in 5 years. After we have worked with this framework for 5 years, we will have more experience and perhaps we can take on board the many interesting and potentially useful suggestions that have been put forward by Members such as Ms Denise Phua. If structural changes need to be made to the framework, we will have the opportunity to do so.

50. Sir, there will never be a perfect formula, as many members such as Mdm Halimah, Mr Faisal Manap, Mr Baey Yam Keng have highlighted and acknowledged. I acknowledge that too. So ultimately, this boils down to a judgement call, in finding the right balance between recognizing the ethos of political service and providing an appropriate and competitive salary. And even the Workers' Party, including Mr Yaw, agrees that the Committee's recommendations are an improvement over the status quo.

51. Sir, the Prime Minister appointed a Committee of independent persons to study the matter and make a recommendation. They have studied the matter thoroughly, consulted widely and considered the views put to the Committee carefully. They have exercised their collective judgement, and come up with a set of recommendations which have found acceptance in large if not most part by Members from both sides of this House. The Government on its part is prepared to accept the judgement of the Committee as fair and balanced.

52. The Government sees the Committee's recommendations as a step forward. We are happy that the Workers' Party has also changed its position, and converged more closely on the substance of the Committee's recommendations. The principles which the Committee has

proposed, and that both Government and Workers' Party have endorsed, are important principles to guide ministerial salaries in future. We hope that this will help to settle this important matter for some time to come, and enable us to avoid politicising ministerial salaries, in order to focus on getting the best team to do the best job for Singapore and Singaporeans.

53. We have spent much time discussing this issue of political salaries in this Debate for the past two and a half days. It is an important subject that merits such a full debate. Let us now vote to accept the Committee's recommendations, and focus on the real work at hand. As MPs entrusted by the people to be in this House, let us now focus our energies on our real work – which must be for Singapore, and for the people of Singapore.

54. Sir, I thank you.