

Reward for High Public Office

Asian and Pacific-Rim states

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9 Paying for the 'best and brightest'

Rewards for high public office
in Singapore

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... Singapore will remain clean and honest only if honest, able men are willing to fight elections and assume office. They must be paid a wage commensurate with what men of their ability and integrity are earning for managing a big corporation or successful legal or other professional practice. ... If we underpay men of quality as ministers, we cannot expect them to stay long in office earning a fraction of what they could outside. With high economic growth and higher earnings in the private sector, ministers' salaries have to match their counterparts in the private sector. Underpaid ministers and public officials have ruined many governments in Asia. Adequate remuneration is vital for high standards of probity in political leaders and high officials.

(Lee, K. Y. 2000: 192-3)

Introduction

A comparative analysis of the public personnel systems in Indonesia, Malaysia, Philippines, Singapore and Thailand in 1986 found that civil servants in Singapore were paid the highest salaries among the five countries (Quah 1986: 256). Seven years later, the World Bank study on *The East Asian Miracle* that was discussed in Chapter 1 noted that 'in bureaucracies, as in nearly everything else, you get what you pay for' (World Bank 1993: 175). Accordingly, 'Singapore, which is widely perceived to have the region's most competent and upright bureaucracy, pays its bureaucrats best' (World Bank 1993: 176).

The following year saw the publication of the remarkable White Paper on *Competitive Salaries for Competent and Honest Government* that we also commented on in Chapter 1 and which sought to justify pegging the salaries of ministers, top judges and civil servants to the top-level pay of six private sector professions in Singapore (Republic of Singapore 1994). Six years after that, Deputy Prime Minister Lee Hsien Loong announced a revamping of the salary structure of senior civil servants and ministers to increase the 'performance-related' component of their pay – a move which had the effect of raising the Prime Minister's salary to well over a million US dollars a year, as we saw in Chapter 2 (Lee, H. L. 2000: 52-3).

Why did the Singapore government decide to pay its senior civil servants and ministers salaries that dwarfed those paid in most of the other political systems in this study (as one saw in Chapter 2) and indeed the 'first world' democracies as well? And what have been the consequences of this extraordinarily high level of formal pay at the top? How exportable or generalizable is the Singapore model of top public pay? To answer these questions, we begin by first tracing the evolution of changes in compensation in the Singapore Civil Service (SCS), beginning with the historical antecedents during the British colonial period.

Historical antecedents

As with Hong Kong, considered in Chapter 8, the origins of today's highly paid top officials in Singapore can be traced back to its colonial past – indeed to the days before it became a British colony, when it was ruled by the British East India Company from 1819 to 1867 (Quah 1978: 416). The civil service established by the East India Company had a mixture of covenanted, uncovenanted and extra-covenanted officers.

The top officeholders at that time, covenanted civil servants, were recruited from the UK, trained at the Company's administrative school in England and signed a bond with the Company to serve for a stipulated period of years (Seah 1971: 3–4). The recruits' next of kin were required to execute very substantial penalty bonds, equivalent to several years' salary, which was intended as a check on corruption (Tan 1957: 27). Uncovenanted civil servants, who occupied the subordinate and clerical grades in the civil service, were recruited locally in the Straits Settlements from among the local people or from Europeans who had settled in the territories under the Company's jurisdiction and received much lower salaries. The pay gap between covenanted and uncovenanted civil servants, and differences in their conditions of service, predictably gave rise to animosity and jealousy (Lee 1976: 89). The extra-covenanted civil servants were people who were granted covenants locally because of exceptional administrative capabilities.

Rule by the East India Company gave way to 75 years of British Crown Colony rule from 1867 to the Japanese invasion of Singapore in 1942 (followed by three years of occupation) and during the Crown Colony period, as in Hong Kong, the top levels of the civil service were racially exclusive, being restricted to European (i.e. British) candidates and closed to local candidates even if they possessed the requisite qualifications (Seah 1971: 12). Further, as in Hong Kong, local officers were discriminated against in terms of salary and prospects for promotion. For example, a local officer had to work seven years before reaching the initial salary of a (European) Malayan Civil Service cadet (Seah 1971: 89–90).

According to Seah (1971: 14), 'the decision to pay European officers a higher salary was based on racial criteria' and indeed top Malayan civil servants were paid substantially more than their counterparts in the colonial regimes of what are now Sri Lanka, Ghana and Nigeria (Seah 1971: 15, table 1.1). The Public Services Salaries Commission of 1919 justified the necessity for remunerating

European officers higher wages thus:

Malaya is not a suitable country for the 'poor white'; unless a European can earn a wage on which he is able to live decently as a European should, he merely brings discredit and contempt upon the European community.

(quoted by Seah 1971: 15)

In short, high salaries at the top and low vertical compression – features of the Singapore case that were noted in Chapter 2 – are not a recent creation, but can be traced back to the practices of the SCS in the days of racial discrimination during the colonial period.

In the colonial era, the British government repeatedly used commissions or committees to review and recommend changes in civil servants' salaries and other rewards. Examples prior to the Japanese invasion in 1942 include the Bucknill Report of 1919 for Senior Officers (and a parallel report for junior officers a year later) and the 1937 MacGregor Commission. The same pattern applied during the 15 years of British colonial rule after the Second World War, in the form of a Wages and Cost of Living Committee of 1946, the Trusted Commission of 1947 to review civil service salaries and other rewards in Singapore and Malaya, a review of the Trusted Report's recommendations by J. V. Cowgill in 1948, and a further review of Cowgill's recommendations by a committee of the Singapore Legislative Council the following year. However, this plethora of committees after the Second World War did not produce salary raises for the topmost SCS officeholders, either because they failed to recommend such increases at the top or because such recommendations as they did make were rejected by the colonial government.

Austerity and Tocquevillian restraint 1959–71

With the ending of British colonial rule in 1959 and the emergence of Singapore as a self-governing state whose government was elected by general franchise, there was a phase of austerity and wage restraint that is consistent with Tocquevillian ideas about the effect of democracy on the salaries of top-level public officeholders. Indeed, their effect was augmented by the desire of the new indigenous government to stamp its authority on formerly colonial civil servants.

The People's Action Party (PAP) won government in the 1959 general election and has been in office ever since, having been re-elected on 10 occasions (Singapore Ministry of Information and the Arts 2001: 37; *Sunday Times*, 4 November 2001: 1). The PAP's predominance and the weak or non-existent opposition it has faced in Parliament has meant that top salaries have not been a political football among rival parties in the manner described for Australia by Martin Painter in Chapter 4, and the ruling party has had free rein in setting and revising these salaries. Nevertheless, the newly elected PAP government declared that it needed to cut the rewards of upper-level civil servants on the grounds that, as a developing country with depleted national coffers on its attainment of self-government, expenditure cuts had to be made. Accordingly, a Cabinet Budget

Committee on Expenditure recommended major cuts in public service expenditures 'including the removal of the cost of living allowance payable to civil servants in the middle and upper salary brackets' (Bogaars 1973: 80). Goh Keng Swee, the then Finance Minister, said the government's drastic decision to remove the allowance was based on an anticipated budgetary deficit of S\$ 14 million of which S\$ 10 million could be removed by abolition of the upper civil servants' allowances (Bogaars 1973: 80). If those allowances were not removed, the government would be compelled to increase taxes or face financial bankruptcy (Seah 1971: 90).

Table 9.1 shows that SCS Division I officers were the hardest hit by these measures, since they lost all their allowances, amounting to 35 per cent of their base salaries. Even though Division IV civil servants were not affected, the local civil servants reaction was 'one of disbelief' as they 'were not prepared for this abrupt move' (Seah 1971: 91).

As the budgetary situation improved, the government quickly restored the allowances in 1961 (Seah 1971: 94) and in 1968 a report on public sector salaries recommended pay rises of more than 25 per cent for most civil servants (though not for topmost judicial officers) (see Republic of Singapore 1968: 42–3). However, the government did not implement this recommendation until 1973 on two grounds: it was held that the economy could not support a major salary revision; and the private sector was not considered a serious threat in terms of competing for talent with the government at the top executive level (Lee 1994–95: 21–2).

This policy of salary restraint also applied to the political leaders. Recounting this experience in Parliament in March 1985, Prime Minister Lee Kuan Yew said: '... immediately after we came into office in 1959, we cut Minister's pay by \$ 450. I cut my own pay to \$ 3,050 and it stayed cut for two years till September 1961 when we restored it' (Republic of Singapore 1985b: col. 1207). He explained in his memoirs that he 'had frozen ministerial salaries and kept public service wage increases at a low level' after independence to ensure that 'we could cope with the expected unemployment and slowdown in the economy and to set an example of restraint' (Lee, K. Y. 2000: 194–5). When the employment situation improved in the 1970s, he raised ministers' salaries from S\$ 2,500 to 4,500 per month but kept his own salary fixed at S\$ 3,500 'to remind the public service that some restraint was still necessary' (Lee, K. Y. 2000: 195). In his 1985 parliamentary

Table 9.1 Reduction in variable allowances in the SCS by salary and division, June 1959 (in S\$)

<i>Division</i>	<i>Salary scale (Basic in S\$)</i>	<i>Previous allowances (%)</i>	<i>Amount reduced (%)</i>	<i>Net allowance (%)</i>
I	505 and above	35	All	None
II	251–504	30	20	10
III	220–250	25	5	20
IV	219 and below	20	None	20

Source: Adapted from Seah (1971: 91, table 4.2).

speech, Lee explained that he stayed at \$3,500 'because I was nervous that the ground might misread the signal. Wage restraint might be thrown overboard by the unions and before we had fully absorbed the full impact of unemployment we would be on the rocks' (Republic of Singapore 1985b: col. 1207).

As Members of Parliament (MPs) in Singapore who are not part of the government hold full-time jobs, they do not receive a salary as such, but rather a non-taxable allowance to assist them in meeting some of their expenses. The purpose of the allowance is to help MPs cover expenses such as secretarial help and other constituency expenses. For example, if MPs are invited to a wedding dinner or funeral wake of one of their constituents, they are expected to give a present, usually in the form of money, and MPs often invite their helpers for a meal after their weekly 'meet the people' sessions in their constituencies. In line with the initial policy of salary restraint for the ministers, the MP's allowance remained at S\$ 500 from June 1959 until it was doubled to S\$ 1,000 eleven years later. There was no further increase in the MP's allowance until 1981, when it was raised to S\$ 2,403.

Competing for talent through salary revisions (January 1972–September 1994)

As Singapore's economy grew in the 1970s, the higher salaries paid by the private sector contributed to a brain drain from the SCS, and civil service pay began to be raised to curb the loss of talent. The government set up the National Wages Council (NWC) in 1972 as an advisory body to formulate general guidelines on wage policies, recommend annual wage adjustments and advise on incentive systems for improving efficiency and productivity (Then 1998: 220–1). The NWC recommended the payment of an Annual Wage Supplement (AWS), Bonus and Annual Wage Increase (AWI). The AWS was a single annual payment to supplement base salaries. Banks and trading houses paid their employees an additional three months salary per year, but other companies and the SCS paid their employees one month's salary as the AWS, which became known as '13th month pay' in Singapore. The aim of the 13th month salary was to minimize the gap between salaries in the public and private sectors in Singapore and in 1973, the salaries of senior civil servants were increased substantially to reduce the gap with the private sector (Quah 1984: 296). Similarly, ministerial salaries were also revised upwards with the Prime Minister's monthly salary being increased to S\$ 9,500, and the monthly salaries of the Chief Justice and Minister increased to S\$ 7,000.

Why did the PAP government increase the salaries of civil servants in 1972, 13 years after assuming office? Arguably there was a mixture of motive and opportunity. Between 1959 and 1972, the per capita indigenous Gross National Product (GNP) had more than doubled, a civil service 'brain drain' to the private sector had started to develop, and the PAP government was overwhelmingly re-elected for the third time, winning 70 per cent of the valid votes and all the parliamentary seats, which repeated its 'clean sweep' in the 1968 election (Singapore Ministry of Information and the Arts 1998: 338).

The pattern set in 1972 and 1973 started a trend of repeated pay increases for top public officeholders. In 1979, the then Minister for Trade and Industry, Goh Chok Tong, justified a further salary increase thus:

The terms and conditions of the Administrative Service must match the best in the private sector. The Government has compared the incomes of graduates in the public and private sectors. ... [It] has concluded that the immediate problem is ... the ... gross disparity between what the outstanding graduates are earning in the private sector compared to what the highfliers are earning in the Administrative Service. This revision of the salary structure of the Administrative Service is to put right this gap in earnings of top graduates.

(Republic of Singapore 1979: cols 359–60)

Goh also announced a restructuring of the top SCS pay scales, creating more 'superscale' grades and grades above the top 'superscale' grades (Republic of Singapore 1979: col. 360). In 1981, an extensive survey of graduate earnings by the Research and Statistics Unit of the Inland Revenue Department revealed (among other things) that graduates in the private sector earned, on average, 42 per cent more than those in the public sector (*Sunday Times*, 21 February 1982: 1). The Public Service Commission produced figures to show that eight superscale and 67 timescale administrative officers resigned from the SCS between 1978 and 1981 for more lucrative jobs in the private sector (*Sunday Times*, 28 February 1982: 1). So in 1982, the government further revised the salaries of those in the Administrative Service and other Professional Services as another move to counter the two problems of wide disparity in pay between graduates in the public and private sectors, and the serious brain drain of senior civil servants from the SCS to the private sector (Quah 1984: 296–7).

In 1986, the Minister for Finance, Richard Hu, appointed a Task Force to consider how the NWC Sub-committee on Wage Reform's recommendations could be adopted in the public sector. This Task Force recommended that the public sector in Singapore should adopt a flexible wage system with four components: a basic wage; a monthly variable component; a variable 13th month non-pensionable annual allowance; and a mid-year or year-end variable bonus (Singapore Ministry of Labour 1988: 1–2; Singapore Ministry of Finance 1988: 1). The PAP government accepted the Task Force's recommendations and implemented the new flexible wage system in the SCS and statutory boards in 1988.

In the following year, the then Minister for Trade and Industry, Lee Hsien Loong, recommended a further hefty salary increase for the SCS on the grounds that the comparatively low salaries and slow advancement in the Administrative Service had contributed to its low recruitment and high resignation rates. He justified the need for this salary revision in his ministerial statement in Parliament in the following way:

The need to revise salaries is most acute in the Administrative Service. ... Over the last 20 years, the Government has been able to identify and develop

a core of young, able administrators to succeed the older generation of Permanent Secretaries. However, we have not succeeded in maintaining this flow of talent into the Civil Service. ... Annual recruitment in the Administrative Service has declined steadily from a peak of 37 in 1974 to an average of less than 10 per year in recent years. ... There is no queue of qualified applicants seeking to join the Administrative Service. Many of those within the Service have left as soon as their bonds have expired, and some even sooner. Every one of those who were recruited in 1975 and 1976 has left. So have three-quarters of the 1977 and 1978 cohorts, and half of the 1983 cohort. As the economy boomed after the 1985 recession, able young officers quit for more attractive jobs elsewhere. ... From a peak in 1975 of 260 officers, it [the Administrative Service] has declined to 183 this year, down by 30%. ... The most successful of those who left the Service are earning 40% to 100% more than their contemporaries who stayed. ... Able civil servants are opting out and they are not being replaced fast enough. Low salaries and slow advancement are major factors in low recruitment and high resignation rates. A substantial salary rise for the key individuals in the public sector, especially the Administrative Service and related services, is therefore essential.

(Republic of Singapore 1989a: cols 378–80, 382)

Lee stressed that as the government's fundamental philosophy was to 'pay civil servants market rates for their abilities and responsibilities', it 'will offer whatever salaries are necessary to attract and retain the talent that it needs'. He pointed out that the salary revision was 'designed to catch up with several years of rising private sector incomes, and to make public service careers more competitive with the private sector'. He concluded by promising that the government 'will continue to carry out regular surveys of private sector salaries to stay competitive' because 'paying civil servants adequate salaries is *absolutely essential* to maintain the quality of public administration which Singaporeans have come to expect' (Republic of Singapore 1989a: cols 382–3, 396, emphasis added).

Six days later, the first Deputy Prime Minister, Goh Chok Tong, announced in Parliament that the government would be also revising the salaries of political, judicial, and other statutory appointments in addition to the salary revision for the civil servants. He began by emphasizing the importance of attracting the best Singaporeans to be part of the government:

If we want the right decisions to be taken for Singapore, we must continue to get the right people to do the job. ... Every one of Singapore's Ministers must come from the top of their cohorts. ... I can say that nearly every Minister in the present Cabinet was among the top students of their year.

(Republic of Singapore 1989b: cols 749–50)

However, Goh added that 'such men are increasingly difficult to recruit' because 'successful Singaporeans are seldom eager to enter politics' for the

following reasons:

Putting aside any loss in salaries, why should they give up the certainty of a good career and a good future in a profession, or a bank, or a big company or the Civil Service, for the uncertainty of ministerial office? Why should they give up their privacy and subject themselves to the glare of publicity? Why should they spend more time with voters when they need the time to spend with their families? Why should they be called upon when others can do it? Why should they do it when others are running the government so well, and they, like everyone else, are enjoying the fruits of economic progress?

(Republic of Singapore 1989b: cols 750–1)

Accordingly, Goh argued that it was 'necessary to minimize the sacrifice that a person is asked to make, and minimizing the financial sacrifice is the least we

should do' (Republic of Singapore 1989b: col. 752). He concluded thus:

If Singapore is to continue to have able men in Government, we must at least ensure that after having sacrificed their privacy, leisure and family time, such people do not also have to make too large a financial sacrifice.

(Republic of Singapore 1989b: col. 753)

Table 9.2 provides a summary of the monthly basic salaries of the political and judicial appointments before and after the 1989 revision.

In 1993, Deputy Prime Minister Lee Hsien Loong announced that the salaries of ministers and senior civil servants would be increased the following year to keep pace with the private sector and to compensate for the reduction in their medical benefits (*Straits Times*, 4 December 1993: 1). While the government could not 'match private sector incomes dollar for dollar', he stressed that it should nevertheless not let the gap between public and private sector salaries widen. Since private sector incomes rose much faster than public sector incomes after the 1989 salary revision, the 1994 revision was designed 'to enable the Civil Service to catch up with the private sector, and restore the relativity between the two' (Republic of Singapore 1993: col. 1213). There was an average salary increase of 20 per cent for the Administrative Service and superscale officers received between 21 and 34 per cent increase in wages, including bonuses.

Institutionalizing salary revision: benchmarking with the private sector

The strategy of periodic pay rises for top public officeholders that began in 1972 moved into a quite new phase with the 1994 White Paper on *Competitive Salaries for Competent and Honest Government* that was referred to earlier and discussed in Chapter 1. The document justified the benchmarking of the salaries of ministers and senior civil servants to the average salaries of the top four earners in six private sector professions (accounting, banking, engineering, law, local manufacturing companies and multinational corporations).

The White Paper recommended the introduction of formal salary benchmarks for ministers and senior bureaucrats, additional salary grades for political appointments, and annual salary reviews for the SCS. More specifically, annual revisions would be based on a formula linking a Staff Grade I Minister's salary at 'two-thirds the average principal earned income of the top four individuals' from each of the six professions, and a Superscale G Administrative Officer to 'the average of the principal earned income of the 15th person aged 32 years old', belonging to the same professions (Republic of Singapore 1994: 12–13). The adoption of the long-term formula suggested in the White Paper removed the need to justify the salaries of ministers and senior civil servants 'from scratch with each salary revision', and also was claimed to ensure the building of 'an efficient public service and a competent and honest political leadership, which have been vital for Singapore's prosperity and success' (Republic of Singapore 1994: 18).

Table 9.2 Monthly base salaries of political and judicial appointments in Singapore, in 1985 and April 1989 (S\$)

Appointment	Monthly base salary	
	(1985)	(April 1989)
President	25,000	39,425
Prime Minister	23,900	38,275
1 Deputy Prime Minister	20,600	31,875
2 Deputy Prime Minister	18,800	28,950
Chief Justice	18,800	28,950
Senior Minister	18,400	28,375
Speaker	17,400	28,100
Minister	—	27,825
	16,700	22,100
Attorney-General/Chairman PSC	15,900	21,100
Judges	13,600	19,550
Senior Minister of State	—	17,025
	—	14,550
	11,500	12,300
Minister of State	—	12,300
	9,500	10,175
	—	9,100
Permanent Secretary	9,500	10,175
Senior Parliamentary Secretary	—	8,100
Secretary	6,500	7,550
Parliamentary Secretary	6,000	7,000
Political Secretary	5,500	6,450
Member of Parliament ^a	3,000	4,000

Source: Republic of Singapore (1989b: col. 833, annex B).

Note

a Tax-free monthly allowance.

In short, the White Paper institutionalized the government's practice of 'matching public pay to the private sector, dollar for dollar' as it enabled the government to revise automatically public sector salaries in response to increases in private sector salaries (Lee 1994–95: 26). Apart from removing the need to justify future salary revisions, the practice of benchmarking public sector salaries with those in the private sector led to less transparency, as we saw in Chapter 2, because the salary scales for civil service, political and judicial appointments were no longer published in the budget from the 1995 financial year onwards.

In 1996, the salaries of ministers and senior civil servants were raised as both benchmarks went up. However, in 1997 the Asian financial crisis and the subsequent slowing down of the Singapore economy led to a 2 per cent decrease in Superscale G and a 7 per cent decrease in Staff Grade I salaries as a result of the GDP performance link in the bonus structure, and the reduction of the employers' contribution to the Central Provident Fund (CPF) from 20 to 10 per cent for all employees, including ministers and top civil servants. The purpose of the CPF reduction was to enhance the Singapore economy's competitiveness by lowering the cost of doing business in Singapore.

With the recovery of the Singapore economy in 1999 with a growth rate of 5.4 per cent, and the reduction of retrenchments (redundancies) from 29,100 in 1998 to 14,600 in 1999, and falling unemployment, wages in the private sector began to rise again. Given the tight labour market in Singapore and the improved conditions in the private sector, Deputy Prime Minister Lee Hsien Loong revealed in Parliament in mid-2000 that eight administrative officers had already resigned in that year. Since attracting and retaining talent in the SCS was 'quickly becoming a real problem,' the government, Lee argued, had to respond quickly by changing both the salaries and terms of service, as well as the incentives and rewards for those in 'leadership' positions in the public service, namely the permanent secretaries, deputy secretaries, chief executive officers of major statutory boards and heads of key departments.

To reinforce the link between pay and individual performance, Lee proposed that a 'performance-related' component be included in the total wage package of every civil servant. The benchmark was also broadened from four to eight top earners in six professions. The variable component of annual salaries was thus to be increased from 30 to 40 per cent of the total annual pay of superscale administrative officers and ministers.

Lee concluded his address in Parliament by reiterating that 'our policy is to pay people according to their market value and contribution, in the case of political-appointment holders, with a discount. Paying officers properly is essential to recruiting the quality of talent that we need to build a first-class civil service'. This policy had been effective, Lee claimed, since foreign investors and international rating agencies had regularly rated Singapore's competitiveness highly and a key aspect of these ratings was 'their high assessments of the quality of the government and political leadership' (Lee, H. L. 2000: 53).

Table 9.3 shows the increase in the Prime Minister's monthly basic salary from the advent of self-government in 1959 up to 2000. The salary increase was

Table 9.3 Monthly base salaries (or allowances) for Singapore Prime Minister, Minister and MP, 1959–2000 (S\$ at current values)

Year of office	Prime Minister		Minister		MP (allowance)	
	Monthly BS	Per cent rise from last time	Monthly BS	Per cent rise from last time	Monthly allowance	Per cent rise from last time
1959	3,050	—	2,050	—	500	—
1961	3,500	14	2,500	22		
1970			4,500	80	100	100
1973	9,500	210	7,000	55		
1978	13,695	40	10,095	44		
1981					2,403	140
1982	16,500	20	11,500	14		
1983	23,900	44	16,700	45		
1985					3,000	25
1990	38,275	60	27,825	67	4,000	33
1994	45,867	20	33,261	19	4,516	13
1995					9,100	101
1999	85,000	85	48,900	50		
2000	85,300	0.3	49,900	0.2	11,900	31

Source: Republic of Singapore (1985b, 2000).

gradual during the austerity phase (1959–71) as the Prime Minister's monthly basic salary increased by 15 per cent from S\$ 3,050 in 1959 to S\$ 3,500 in 1961. From 1972 to 1994, the Prime Minister's salary was further increased from S\$ 3,500 to 45,867. After the benchmarking with the private sector in 1995, the monthly basic salary of the Prime Minister rose to S\$ 85,300 in 2000.

Similarly, Table 9.3 traces the increase in ministerial salaries from 1959 to 2000. Except for the 1961–72 period, when the Prime Minister's monthly base salary remained at S\$ 3,500, the increase in the Minister's monthly base salary was higher than that of the Prime Minister's from 1973 to 1998. During 1999–2000, the salary increase for both the Prime Minister and ministers exceeded by more than 2,600 and 2,300 per cent, respectively. The table also shows the slower pattern of increase in the monthly allowance of MPs from 1959 to 1980 and the very high rate of growth after 1995.

Explaining and justifying RHPOs Singapore-style

We must have the best people for Cabinet. Their policies and actions will determine whether Singaporeans continue to enjoy better jobs, better housing and better quality of life, or whether the country goes downhill and renders Singaporeans jobless and poor. ... Study why some countries do well and others do not. You will see that the major explanation for the difference in performance is the quality of Government – its competence, integrity and dedication to the people. If I am unable to recruit honest and able men and

women into Cabinet, I cannot maintain the same high degree of honesty and competence. ... My biggest responsibility is to ensure that Singapore continues to have a proficient Government. ... It is not possible to pay a Minister as much as he can command in the private sector. ... If we do not pay Ministers adequately, we will get inadequate Ministers. If you pay peanuts, you will get monkeys for your Ministers. The people will suffer, not the monkeys. I have been in the Government long enough to know that if the Cabinet is inadequate, and worse, dishonest, disaster for the country must follow.

(Goh Chok Tong in Republic of Singapore 1993: cols 1260–4)

What is the rationale for the high level of rewards for high public offices (RHPOs) in Singapore that has been outlined earlier? There are three reasons repeatedly given by the PAP government for raising top public-sector pay and reducing the gap between the public and private sectors. First, the Singapore government has to compete with the private sector and multinational corporations for talented personnel from a relatively small labour-market pool. The economic growth in Singapore during the 1970s forced the PAP government to raise the salaries of civil servants as many of them had left for more lucrative private-sector jobs. Thus, the most important reason given by the PAP government for high RHPOs in Singapore is to minimize the brain drain of talented senior civil servants to the private sector. As we have seen earlier, this was the rationale repeatedly given for the various salary raises since 1972.

The second justification that is repeatedly given for paying senior civil servants and ministers high salaries in Singapore is to minimize corruption in the public sector. In 1985, Prime Minister Lee Kuan Yew contended that political leaders should be paid the top salaries that they deserved to ensure honest government. If ministers and senior civil servants were underpaid, they would succumb to temptation and indulge in corrupt behaviour (see Quah 1989: 848). He began a parliamentary debate on ministers' salaries by asking these questions:

How is Singapore to preserve its most precious asset, an administration that is absolutely corruption free, a political leadership that can be subject to the closest scrutiny because it sets the highest standards? Why does this island survive? Why does it attract banks, computer software, financial services, information services, manufacturing, in preference to so many countries better endowed – natural resources, manpower, markets?

(Republic of Singapore 1985b: col. 1204)

Lee's answer to these questions was unequivocal:

Every Member knows that there is no easy money on the take. That is the way we are. Nobody believes we spent money to get into this House. ... There is no pay-off here. ... Do we want to maintain our unique system? ... I am probably the highest paid in the Commonwealth if you go by official salary. But I am probably one of the poorest in the Commonwealth.... I am one of the best paid and probably one of the poorest of the Third World

Prime Ministers. ... There are ways and ways of doing things and I am suggesting our way – moving with the market is an honest, open, defensible and workable system. You abandon this for hypocrisy, you will end up with duplicity and corruption. Take your choice.

(Republic of Singapore 1985b: cols 1211–13, 1218)

The plausibility of this argument is debatable. It should be noted that Singapore initiated its anti-corruption strategy in 1960 with the reduction of opportunities for corruption by strengthening the Prevention of Corruption Act (POCA) and the Corrupt Practices Investigation Bureau (CPIB), since, as shown earlier, the government could not afford to reduce the incentive for corruption through raising salaries until after 1972 (see also Quah 2001: 33).

Finally, in line with the PAP government's emphasis on meritocracy, it claims that senior civil servants and ministers must be paid handsome salaries to attract the 'best and brightest' to join the government (Quah 1998: 111). Vogel (1989: 1052–3) has described Singapore as 'a macho-meritocracy' because 'what is unusual in Singapore is not the prominence of meritocratic administrators, but the fact that the meritocracy extends upwards to include virtually all political leaders'. The 1994 White Paper stressed the importance of attracting Singapore's 'most outstanding and committed citizens' to become ministers since 'competent political leadership is crucial to good government'. As Singaporeans 'have little incentive to take on the risks and public responsibilities of a political career,' the White Paper argued that the government should minimize the financial sacrifice they make by paying ministers salaries comparable to those in the private sector (Republic of Singapore 1994: 1–2).

In March 1985, Lee Kuan Yew referred in Parliament to the financial sacrifice made by his colleague, E. W. Barker, for embarking on a political career. He said:

I pulled the Member for Tanglin [Barker] into this House in 1963 because I told him that, if I did not get good men, everything would be lost. He came in. He lost money by coming in. By 1970 he said, 'That's enough. Things look all right. I have to leave.' If Members want to know why it [minister's salary] was altered in 1970 ... it was because he could not pay his mortgage. ... I had to up his salary from \$2,500 to \$4,500.

(Republic of Singapore 1985b: col. 1221)

Similarly, more than a decade later, Lee referred to the financial sacrifice made by Yong Pung How when he became the Chief Justice thus:

...if he [Yong Pung How] had stayed on in OCBC [Oversea Chinese Banking Corporation, then Singapore's largest bank] he would have earned \$2.6 million for the whole of 1989. ... As a Judge of the Supreme Court, he would receive ... for the second six months of 1989 the princely sum of \$177,000 less than one-seventh of his OCBC remuneration for the first six months.

(Republic of Singapore 1995: col. 234)

In sum, the PAP government repeatedly gave three reasons for its policy of high RHPOs: to minimize the brain drain of talented civil servants to the private sector; to minimize corruption in the public sector; and to reinforce its emphasis on meritocracy by attracting the most talented Singaporeans to join the government as senior civil servants or ministers.

Consequences of the high level of RHPOs

Was the brain drain to the private sector curbed?

High pay for high public office in Singapore seems to have been effective in curbing the brain drain of political leaders to the private sector, since to date none of the leaders have resigned from political office to work in the private sector before their retirement. But some of the old guard leaders were appointed as chairmen of government-linked companies or statutory boards after their retirement from politics. For example, Lim Kim San, a former Cabinet Minister, is Executive Chairman of Singapore Press Holdings, and Dr Yeo Ning Hong, another former Cabinet Minister, is Chairman of the Singapore Totalisator Board. In a sense, such a pattern could be considered a Singapore version of the Japanese *amakutari* or 'descent from heaven' or the Korean *nakhasan-insa* or 'descent by parachute' that have been discussed earlier in this book.

High pay for permanent secretaries (departmental heads) has also been effective in retaining them in the SCS, since none of them have left for private sector jobs before their retirement. However, the high level of RHPOs has been ineffective in preventing Division I officers below the head of department level from

leaving the SCS. Table 9.4 gives the resignation rate of Division I officers in the SCS from 1971 to 1984. As indicated earlier, Lee Hsien Loong justified the 1989 pay rise on the grounds of the Administrative Service's low recruitment and high resignation rates, but Table 9.4 shows that the various pay rises in the 1970s and 1980s did not succeed in curbing the brain drain of bureaucrats to the private sector.

Was corruption curbed?

As already argued, it seems doubtful if high RHPOs was a decisive factor in reducing corruption, because corruption had already been minimized in Singapore before 1972, when the PAP government first introduced 13th month pay. A year after the PAP government took office in 1959, POCA was enacted and the CPIB was set up to enforce the law. The strategy was thus to reduce the opportunities for corruption and to increase the penalties for corrupt behaviour. For example, political leaders and senior civil servants found guilty of corruption have been severely punished with a S\$100,000 fine and up to five years of imprisonment. I have argued earlier (Quah 1978: 19) that 'the comprehensive nature of the POCA and the wide powers given to the CPIB constitute an effective combination for the eradication of corruption in Singapore'. The effectiveness of this comprehensive anti-corruption strategy is reflected in Singapore's status as the least corrupt Asian country since 1995, according to the annual surveys conducted by the Political and Economic Risk Consultancy and Transparency International, and discussed in Chapter 2 (see also Quah 2001: 29). It may nevertheless be that the PAP government's policy of high RHPOs reinforces its commitment against corruption.

Did the 'best and brightest' join the government?

As with the Korean case described by Pan Suk Kim, the SCS for many years succeeded in attracting the 'best and brightest' Singaporeans as the top students of each cohort competed for the President's Scholarship and the Overseas Merit Scholarships. However, in recent years, the Public Service Commission has no longer monopolized the award of scholarships, because the Singapore Armed Forces (SAF), statutory boards, government-linked companies and multinational corporations have also offered scholarships.

An analysis of the background of the 2001 Cabinet shows that seven (44 per cent) of its 16 members at the time of writing were recruited from the SCS and the SAF. Of the seven 'bureaucrat politicians' in that cabinet, two came from the army, one from the navy and four were recruited from the Administrative Service (Chandran 1999: 72). Table 9.5 shows that the proportion of 'bureaucrat politicians' in the Cabinet from the period 1959–97 has increased from 20 to 44 per cent with a peak of 47 per cent in the 1981 Cabinet.

Although most of the Cabinet members were drawn from the private sector for all 10 Cabinets, the most prominent individual to join the 1985 Cabinet was Dr Richard Hu, who was Chief Executive Officer (CEO) of Shell Company in

Table 9.4 Resignation rate of Division I officers in the SCS, 1971–84

Year	No of Division I officers resigned	No. of Division I officers in SCS	Resignation rate (per cent)
1971	142	2,826	5.0
1972	163	3,621	4.5
1973	205	3,874	5.3
1974	256	4,136	6.2
1975	259	4,633	5.6
1976	326	5,249	6.2
1977	293	5,479	5.4
1978	269	6,002	4.5
1979	307	6,430	4.8
1980	322	6,634	4.9
1981	474	6,912	6.9
1982	351	7,298	4.8
1983	309	7,754	4.0
1984	272	8,396	3.2

Source: Republic of Singapore (1985a: appendix III, table 2).

Table 9.5 Proportion of 'bureaucrat politicians' in the Singapore Cabinet, 1959–97

<i>Cabinet</i>	<i>Per cent of 'bureaucrat politicians'</i>
1959	22
1963	22
1968	20
1973	23
1977	43
1981	47
1985	31
1989	31
1992	40
1997	44

Source: Chandran (1999: 43, table 3.3).

Singapore, before entering politics. Dr Hu was appointed as the Minister of Finance and retained the same portfolio up to the time of writing. Lee Kuan Yew, who was then Prime Minister, praised Richard Hu for his tremendous financial sacrifice in entering politics, since Hu was earning S\$ 500,000 as Shell's CEO. Lee also referred to the example of Dr Tony Tan, who resigned from his position as General Manager of the Oversea-Chinese Banking Corporation, and became a Minister of State, 'for which he was paid less than a third of his former salary, apart from losing his perks, the most valuable of which was a car with a driver' (Lee, K. Y. 2000: 195).

Although, as we saw earlier, the 1994 White Paper argued that raising ministerial salaries would remove a key 'obstacle to able Singaporeans entering politics' (Republic of Singapore 1994: 2), the benchmarking of ministerial salaries to top earners in six professions in the private sector has not been effective in attracting successful Singaporeans in the private sector into politics. Indeed, Peter Chen, former CEO of Shell Company in Singapore, who served as Senior Minister of State for Education from 1997 to 2001, was the only person recruited from the private sector since October 1994.

Conclusions

In mid-2000, Prime Minister Goh Chok Tong asked Singaporeans to judge his government on the basis of the results it had delivered. According to his calculations, the 'price of good government' was S\$ 34 million a year or S\$ 11 per Singaporean a year. Conversely, the price of bad government could have been a loss of S\$ 9.5 billion or S\$ 3,166 per Singaporean if the economy had shrunk by 5 per cent during the Asian financial crisis. He said: 'The \$6 million increase in the wage bill for the Cabinet – from \$28 million – was small compared to the

benefit good government could produce. If it improved GDP by just 1 per cent, it was worth \$1.4 billion to Singapore' (Chua 2000: 1).

When the idea of benchmarking public sector salaries to private sector salaries was proposed in 1994, there was a great deal of criticism from the public as the great emphasis on compensation detracted from the sense of duty and service to the nation. As the 2000 pay rises were even more substantial than those of 1994, some critics argued that high salaries have cheapened moral leadership because the leaders are motivated by money (Leong 2000: 70–1). While RHPOs are important to ensure good government in Singapore, the lack of a fixed ceiling for public sector salaries can also indirectly affect the country's competitiveness if private sector salaries rise as a result and increase the cost of doing business in Singapore.

A parliamentary speech by Dr Michael Lim on the proposed 2000 pay rise conveys a sense of the negative public reaction to high salaries for top public-officeholders in Singapore:

There is still a significant minority of households in Singapore who are low income families. Many of these will find these million dollar salaries, especially for the high officeholder/lders, very mind-boggling numbers which they cannot quite fathom and understand... the absolute amounts that the Ministers and top civil servants will get in their remuneration package are so large compared to the average household that it will be very difficult for them to accept these numbers. These are million dollar numbers and some of them in their whole lifetime will never see these numbers.

(Republic of Singapore 2000: col. 423)

Indeed, the government's decision to call a general election in 2001 probably explains why it decided to raise public sector salaries in 2000 even though Singapore had not yet fully recovered from the regional financial crisis. To deal with the adverse public reaction to the 2000 salary revision, the Prime Minister announced in his National Day Rally speech two months later, the introduction of the Children Development Co-Savings Scheme (or Baby Bonus), the extension of the Eldercare Fund 'to provide for the entire range of elderly and continuing care,' ex-gratia payment for former MPs and pensioners, a Special Housing Assistance Programme to help two-room apartment owners to upgrade to larger apartments, and a Special CPF Top-up of S\$ 250 for all citizens (see Goh 2000: 35–7, 46–51).

Similarly, the election year saw a 'generous' budget, with a reduction in individual tax rates and rebates on service and conservancy charges for public housing residents (Divyanathan 2001: 1). Further, even though the PAP had securely held government for over 40 years, it did not wish to risk losing votes by recommending salary revisions for senior civil servants, judges and politicians in a general election year. This strategy proved effective because the 2000 salary revision was not a decisive issue in the 2001 general election, which the PAP won by capturing all but two of the parliamentary seats.

In the final analysis, the PAP government has been able to reward high public office in Singapore with increasingly high salaries since 1972 because of the city-state's affluence and the PAP's predominance on the Singapore political scene. In stressing the need to ensure good government in Singapore by 'recruiting good people for government and paying them properly' in his 2000 National Day Rally speech, Prime Minister Goh Chok Tong acknowledged that:

Many Western leaders have told me in private that they envied our system of Ministers' pay. But they also said that if they tried to implement it in their own countries, they would be booted out.

(Goh 2000: 44)

Hence, it seems likely that the PAP government will continue to reward high public officeholders in Singapore handsomely as long as the economy continues to perform and if its predominance in Singapore politics is not eroded. Because these two prerequisites of political predominance of the incumbent government and economic affluence are difficult to satisfy, the applicability of Singapore's experience of making ministerial and civil service salaries competitive with those in the private sector appears to be limited. Singapore's strategy of matching the salaries of ministers and senior civil servants with those at the top of the tree in the private sector has limited applicability in view of its high political and economic costs.

Part III

Conclusions