

The Case for Higher Salaries for Government Ministers



SPEECH BY MR LEE KUAN YEW, SENIOR MINISTER, TO THE NATIONAL TRADE UNION CONGRESS AT THE SINGAPORE CONFERENCE HALL ON 19 JULY 1996

Singapore's special circumstances

For over 37 years, since 1959, Singapore has had only one government. From the 1970's, more than 20 years ago, I brought younger men into the government and gave them responsibilities to gain experience to run the country on their own. This they have now done after I stepped down in 1990. The core members of this team had gained experience for 10 to 18 years before 1990. Without this long and careful preparation, the team now in government would not have been able to take over without any lowering of performance in the economy and in the administration. That process is continuing as the second-generation leaders in turn prepare younger members to take their place in the next 10 years.

Throughout this 37-year period, Singapore has progressed. There were two basic factors that ensured this progress:

- (1) a government, which was clean, free from corruption and capable. It gained in experience and improved in judgment as it progress;
- (2) a people who were united and worked together with the government to overcome difficulties that the country faced, and who backed tough government policies to overcome those difficulties

We have built up organizations and established special relationships to meet the special needs of Singapore, like the NTUC and the National Wages Council. The NTUC, the NWC and the employers' organisations like SNEF and the SFCCI have made for sustained cooperation on a fair basis between unions, employers and government. For 30 years, we have had industrial peace with fair play for the workers and increasing productivity for employers and the government. Similar organizations in other countries do not have such special relationships. You have read of the troubles in France and Germany where unions strike and demonstrate against the governments which had cut welfare benefits that are crippling the economy and causing jobs to be lost as factories relocate to lower cost countries.

NTUC's and our workers' contribution to the growth and prosperity of Singapore has been immense. You need only read the yearly reports by international agencies like BERI and WEF who rate our competitiveness as No. 1 or No. 2 and give our workers No. 1 ratings.

In return every worker owns his own home, a home which increases in value year by year, and unless there is a setback in the world's economy, will double in value in the course of the next 10 years, with HDB's interim and main upgrading programmes. Every worker has his CPF account and POSB savings, which increase each year. Every worker has share-holdings which will also grow every year. Life for everyone has improved with better infrastructure: roads, flyovers, tunnels, MRT, light rail, better schools for the children, kindergartens, community centers, parks,

jogging tracks, recreational centers, hospitals, a whole host of facilities like Pasir Ris Resort and Orchid Country Club which make life better for ordinary workers.

How secure is the future?

How secure is our future? I believe we will continue to progress, provided we still fulfill those two conditions I have listed: honest and capable government and a united people pulling together with the government and management. Singapore is not an ordinary country. Singapore was a trading and military outpost for the British overseas empire. The British made it the administrative and commercial centre of their empire. The British made it the administrative and commercial centre of their empire in South East Asia. From Singapore, British Governors ruled Malaya, the Borneo territories including Brunei, Cocos Islands and Christmas Islands. The Governor in Singapore was also High Commissioner of the Malay states.

We became independent by a stroke of destiny – when we were asked to leave the Federation of Malaysia. We were like a head without a body. We had to make enormous efforts to overcome our disadvantages of small size and no natural resources. We maximized our geographic location, built up our infrastructure, upgraded our manpower and made our people relevant to the needs of international trade, industry and services. To compete and survive with no natural resources, we have to be better trained, better educated, better organized, and equipped with better infrastructure. We need that extra effort to keep ahead and afloat.

Now our neighbours are building better infrastructure and will catch up on us. Whatever we do they are doing or will do. So we have to be better at doing things, using the same machines, (e.g. SIA, MAS, Garuda all use Boeings) and supported by similar infrastructure. Otherwise we will not be able to get any business at all, whether it is container ports, airports, telecoms, banking and financial services centre, OHQ, wafer fabs factories or whatever else. Whatever project we launch, competition will come almost immediately from Malaysia, and then from Indonesia. So that extra effort, that excellence and higher productivity is crucial. It has been the Singapore way of life, the way we have survived without resources and with only a small population as our market. Either we are Number 1, 2, 3, or we do not exist at all, whether it is Singapore Airlines, Singapore Airport, PSA, SingTel, SingPower, or Singapore Technologies. The older workers know that. The younger sometimes forget this, seeing only how prosperous and stable Singapore has become.

Singapore's continued existence and prosperity depends on the commitment of the people to society, especially those in charge of government, of the professions, or of business. They must place interests of society above their own, for they carry the heavier responsibility of ensuring the well-being of the whole society.

Those who have benefited most, in whom society has invested the most in education, training and scholarships, have a special obligation and a duty to society. Their fellow citizens who have not reached the higher levels of the education ladder, have to depend on those who have. It is the better educated who must take the country forward.

After many years of comfortable growth, we have bred a younger generation quite a few of whom are too ready to put self before community. Their sense of obligation to society is much weaker than that of their seniors in the 1960's and '70's. The generation now in their early thirties and younger who have done well on scholarships, take society's investments in them for granted because there are so many more scholarships on offer now than in their parent's time. They do not realize that it is the total society, the efforts of everyone, that have produced the resources to pay for them to reach the top. They now concentrate on their own lives and forget their wider social obligations. They have less sense of service to the nation, which an earlier generation that grew up in hard times in the 1960's and 70's felt and still feel. We have to remind them that they would never have got where they are but for the special investments society made in them.

Those nations succeed where the elite fulfill their responsibilities to ordinary people. That is why Japan has been so successful for so long. The Japanese at the top of the pyramid act as trustees, custodians and guardians for all their workers and their workers' families, who can only depend on them. Where those at the top do not have this sense of trusteeship, the country is in deep

trouble, like Zaire (Congo) where President Mobuto has stashed away billions in Europe, pilfered from the diamond and gold mines, and other precious minerals. And in Nigeria where billions of dollars from their oil fields have gone to waste when they have not been stashed away abroad.

This social glue which holds a society together is the crucial factor which decides whether a society endures, overcomes its problems and provides a satisfying life for all. To strengthen this social glue, we must resist the present tendency of the successful to seek status and snobbishness, and to disassociate themselves from the less successful in where they live and where their children go to school. If all the successful want to move out of HDB flats or out of HDB areas for private condos, they unwittingly accentuate social stratification. We should not carry this segregation too far. For Singapore to succeed, our society must be cohesive and our system must be fair and must cater to all, based on merit, not on money or social status. This is why, we give scholarships to the top 25% of PSLE students and so ensure that all independent schools have students from all social groups. The same principle applies to entry to our polytechnics and universities. For the same reason, in a different context, we have MP's and Admin Officers working in NTUC to add to its capabilities.

We must facilitate social mobility. We have to keep our ease of relationships between the more successful and the less successful. This was the strength of Singapore society of the 1940's to the '80's. We will become a weakened and divided society if we view residents of private condos as inherently superior to residents in HDB estates. We have dedicated ourselves in our national pledge to give equal opportunities to all, regardless of race, language or religion. We are all the descendants of poor people from India, China, Indonesia who have come here to make a better life. All of us who have succeeded have relatives, brothers, sisters, cousins who have not done so well. We owe it to them to ensure that the interests of the less successful are catered for. For this reason the government is determined, through the upgrading and the rebuilding of whole HDB town centers, to ensure that the majority of our people are not considered sub-citizens because they live in HDB towns. We will ensure that HDB estates are comparable to the private estates. And when we can get social behaviour to change with the upgrading programme, stop people from littering, and other antisocial behaviour, we will close the gap in gracious living.

To keep the social glue strong, we have given our workers equal access to holiday resorts, country clubs, bungalows and chalets in Sentosa and abroad, similar to what the more successful enjoy. These are special features of Singapore society, easy relationships between the children of the poorest and the richest.

We must always remember we are not an ordinary country like Australia, or New Zealand, or Canada, or Britain, or the USA. There people can vote for one party or another, and life will go on. If we do that, the Singapore miracle will come to an end. Put the SDP and/or the WP into government and you will see Singapore become like Cinderella and her coach when midnight comes – the coach will turn back into a pumpkin. There is no other party who can run Singapore the way it is run. There are not enough men and women with integrity and ability willing to come forward to be that alternative government. So our opposition figures since 1965 are not credible.

All this has been achieved because we have had continuity of policy throughout the 37 years of the PAP government, continuity between the first generation team of Ministers that passed the baton over to the second generation of Ministers without a break, and without a drop in standards.

Like many other countries, Singapore went through a tumultuous era after World War 2. In India, China and Vietnam, great revolutionary leaders like Gandhi, Nehru, Mao Zedong, Deng Xiaoping and Ho Chi Minh, selfless and self sacrificing, have been followed by ordinary men, mortals. Their government officials or cadres have succumbed to corruption – a great pity. The noble and lofty ideals that these independence heroes fought for have been abandoned. Fortunately this has not happened in Singapore. We must never allow it to happen.

Singapore must have honest and upright Ministers. Clean and corruption free government is our most precious political and economic asset. Once lost, it is difficult if not impossible to retrieve it. **Ministers who deal with billions of dollars cannot be paid low salaries without risking a system malfunction. Low salaries will not attract able men who are or can be successful**

in their professions or business. Low salaries will draw in the hypocrites who sweet talk their way into power in the name of public services, but once in charge will show their true colour, and ruin the country. This has happened in many countries. We need dedicated and committed Ministers, but we cannot require them in today's social climate to sacrifice like a Mother Theresa. Sacrifice for country must be within a realistic setting of present day Singapore. It is like our National Day Parade. In the 1960's we gave the marchers soft drinks and cakes. Now they are fitted out in the best T-shirts, jeans, and jogging shoes. Ministers' wives and children are normal human beings, who have normal aspirations like the wives and children of their husband's peers. We have to recognize the different social climate after many years of prosperity.

In the last 15 years as our economic circumstances improved and social attitudes changed. I moved ministerial salaries towards the market salaries for top executives and professionals to keep up with the times. The challenge of survival in the early revolutionary years, when it was do or die, has passed. It was impractical to depend solely on the spirit of national service to get good men and women to serve in government. **If Ministers were just ordinary people with average capabilities, Singapore would have failed. High performance in any organization depends on top class leaders. Microsoft came up from scratch in less than 20 years to become a multi-billion dollar business because it had a great entrepreneur with a top rate mind in Bill Gates. Chrysler Motors would have gone bankrupt had they not found Iacocca, a great corporate leader, who rescued Chrysler and turned it around. It is better to work for a company with a top quality CEO than a mediocre one. So it is safer to be in a country with top quality men and women in charge. But amazingly throughout most of the contemporary western world, leaders in government require no special training or qualification. Many get elected because they sound and look good on television. The results have been unhappy for their voters.**

In Singapore we have made sure that before Ministers are put in charge of the government, they are first trained and tested. This has ensured Singapore's continued success. The second generation leaders had been tested and had proved themselves before they took charge. They had proved they were able to analyse problems, plan solutions and implement them. They have imbibed the experience of the first generation leaders and learned from past mistakes. Running a government is more difficult than running a company, because a Minister needs to be able to run a Ministry and to persuade people to support tough policies. Ministers who cannot persuade people to support their policies must fail.

For the past several years I have been urging the Prime Minister, Goh Chok Tong, **to change from fixed salaries to a formula which pegs and links the salaries of Ministers, judges and civil servants in government to the private sector, to pay them 2/3 of the salaries of the private sector top executives according to income tax returns.**

Editors in SPH who are in touch with public opinion told me that the people accept the principle of pegging Ministers' salaries to the top men in the private sector, but to many people the top salaries are too large. So I called for the Income Tax figures, minus the names, but giving the occupations. The figures show how much Singapore has grown and how big Singapore salaries and incomes have become.*

Therefore the pay of civil servants, the permanent secretaries and their deputies, judges, government engineers, doctors, have to go up. The total sum paid to Ministers and Ministers of State is still small money, \$23 million for 1996. Bear in mind that our GDP for 1995 was \$121 billion. Real growth this year is expected to be 8%, making for a GDP of more than \$130 billion. When I first became Prime Minister in 1959, our GDP was \$2 billion. My colleagues and I made it grow to more than \$130 billion. After discounting for inflation, this is an increase of 20 times in real terms.

No lawyer complains about the pay of judges, which is 2/3 of what good lawyers earned two years ago. The Chief Justice gets \$1.4 million. A top lawyer makes more than \$2.5 million. The Chief Justice does work of more importance, and of greater value to the country than the best lawyer in

town. The Prime Minister does more important work than the Chief Justice. He should not be the Prime Minister if he is not capable of doing the job, and that goes for the other ministers.

AS Singapore prospers, especially at a time when the whole region is booming, private sector salaries are going up for top men. The incomes of very successful Singaporeans, those with top professional skills, managerial ability, business acumen and drive, will rise much more. This group are the 5% to 10% of the population that are well trained, professionally qualified or resourceful. Not all Singaporeans can become entrepreneurs or professionals. But given the proper training and education, nearly all can become skilled technicians or workers. Although not doing as well as the entrepreneurs and top professionals, they too will be in demand in the global economy and will do well.

Pegging salary scales to the market means that when the market turns down during a recession, and the salaries of top men in the private sector go down, so will those of the Ministers, with a two-year time lag. And every year the Prime Minister has to make an appraisal of the work of his Ministers to decide the performance bonus. He has to judge their standard of work, he consults his inner team to cross check on the quality of their work. He has to monitor their work. It is quality control.

In the end, after all the arguments, you have to go by the person whose judgment you can trust. You know my judgment has been tested time and again in the last 37 years since 1959. I know Singapore as it was in 1950's, and how it got from riots, disorder and heavy unemployment, to what it is today, stable and prosperous with full employment and high wages. I know what it needed to move Singapore ahead in the way it has progressed.

The crux of the problem is an emotional one. People in Singapore have got so accustomed in the last 30 years to Ministers being paid well below their private sector pay and having to sacrifice to take office, the thought that a Minister is paid 2/3 of the best 24 in the private sector arouses unhappiness, even envy. **I cannot solve these emotional reactions by argument. In my judgment, the long term consequences of continuing with the old system will be a lowering of the quality of people entering politics and taking office, and gradual but inevitable corruption that will creep in as mediocrities as Ministers exercise immense powers over our resources of \$127 billion increasing at 8% every year.** They will end up with side benefits, as happens in nearly all countries in Asia. (Compare our MRT with Taiwan's and Thailand's)*

I have bucked and gone against popular sentiments and conventional wisdom on several major issues in the past and been proved right. For example I decided that individual accounts (CPF) for retirement was right and rejected the buffet or collective pension fund which has got the advanced countries into grave financial difficulties. I have also instituted individual accounts for Medisave, plus insurance cover for Medishield against catastrophic illnesses. It has proved right as against the problems which free medical service like the National Health Service in Britain or France or Germany has brought them, or the open system of private insurance in America. (Lancet praised our Medisave)

What I did was against popular thinking in Singapore at the time, thinking which was influenced by what Britain and Europe were doing then. Time has proved me right. **Time will prove that I am right that Ministers should be paid 2/3 of their private sector counterparts' salaries of two years ago. This is the way to ensure that our government and system stay clean and honest, with able and dedicated men, who can stay in office for several terms, and develop the judgment that comes with experience. You need Ministers who will work for the public benefit, without having to worry about their families, or worse put aside a private pension for them. If salaries pegged to the market do not work, then not much will be lost, except a few million dollars. Singapore can always go back to the old system of paying Ministers much lower than the market rate, and hoping for the best. World-wide, this has been shown not to have drawn in the best into government. The best in America become corporate chiefs, CEO's of top corporations, each an empire. The same thing is happening in Europe and in Japan. In Asia, becoming ministers has become big business. Businessmen supported by racketeers and with large funds, get**

elected. Then they have to repay their friends with lucrative contracts and also recoup their expenditures. Seldom do they have the ability to run the economy. The results for the economy and for the people have been dismal. If in spite of market pegged salaries we get mediocrities in government, then Singapore can go back to mediocre wages for mediocre Ministers. At a next election, the opposition can offer to be the government for one-half or one-quarter of the price. But ask them to name their would be Prime Minister for Finance and minister for Defense. Singaporeans can then choose.

I have gone through many difficulties and crises and taken Singapore to where it is today. This pay is realistic and necessary to keep honest and able Ministers in office for several terms. This is the way to ensure that your properties will double in value in the next 10 years, with the main and interim upgrading programmes, with better infrastructure in an extended MRT, the North East line, with light rail systems in more new towns, with tunnels to allow more cars on the road, and ERP. Good government will make your shares and stocks double and treble in numbers and in value. Your incomes will double in 10 years, and the Singapore dollar will increase in value and make you holidays and our imports cheaper. Our asset-enhancement programmes – Edusave, Share Ownership Top-ups (SOTUS), and HDB upgrading – have increased your security against future contingencies.

On the contrary, a corrupt and incompetent government will destroy everything we have built in the last thirty-seven years. Everything will go down: the value of your Singapore dollar, the value of your properties, your stocks, your savings, your jobs, and your children's future.

Please do not forget, we are not an ordinary country. Ordinary men cannot run Singapore. If my old guard colleagues were ordinary men, there would not be today's Singapore. The key leaders in this present government are not ordinary men. The old guard had spent many years to select, train, test and prepare them for the job. And they have shown their ability to adapt and make the system work under changed conditions.

Reprinted by:



The Frontier Centre for Public Policy
Suite 25 Lombard Concourse
Winnipeg, MB R3B 0X3
Tel (204) 957-1567
Fax 204-957-1570
www.fcpp.org