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## **PRESS RELEASE**

### **Modest year-end payment for civil servants**

- **One-off payment of 0.25 month, capped at \$750**
- **2009 annual salaries lower than 2008 by 8-22%**
- **Salary adjustments for key Appointment Holders deferred again**

Civil servants will receive a modest one-off year-end payment of 0.25 month, capped at \$750. The rank and file staff will get the full 0.25 month payment while the \$750 cap will help maintain wage restraint. Civil servants will also receive the 13<sup>th</sup> month payment.

The one-off payment is in line with the call by the Tripartite Partners (employers, unions and government) to acknowledge employees' support for wage restraint and the work they have put in to help deal with the recession.

The Ministry of Trade and Industry forecasts that Singapore's GDP will shrink by 2% to 2.5% in 2009. While the economy is beginning to show signs of recovery and its performance has turned out better than what we had expected in the middle of the year, growth for the year as a whole is still negative, and the outlook, uncertain. There will thus be no Annual

Variable Component (AVC) payment for 2009, and the one-off payment is made instead.<sup>1</sup>

Even with the one-off payment and 13<sup>th</sup> month payment, the annual salaries of civil servants in 2009 will still fall by 8% to 22% compared to the annual salaries in 2008, with those in senior positions seeing the largest drop.

### **Salary adjustments for Administrative Officers, Political, Judicial and Statutory Appointment Holders continue to be put on hold**

As no AVC or GDP bonus will be paid this year to Administrative Officers, Political, Judicial and Statutory Appointment Holders, the 2009 annual salary for the Ministerial Grade (MR4) will fall by 22% to \$1.49m, and that for the entry Superscale grade (SR9) will fall by 15% to \$338,100.

The Year of Assessment (YA) 2009<sup>2</sup> MR4 salary benchmark has fallen by 6% to \$2.86m compared to YA2008<sup>3</sup>, while the SR9 salary benchmark has remained stable at \$420,000. The 2009 MR4 salary is now 57% of the YA 2009 MR4 benchmark, while the 2009 SR9 salary is 81% of the YA2009 SR9 benchmark.

In view of the uncertain economic recovery, the Government will again defer salary adjustments for Administrative Officers, Political, Judicial and Statutory Appointment Holders. The third phase of these adjustments, due in January 2009, was deferred as a result of the recession. The first two adjustments were made in April 2007 and January 2008.

### **A cautiously optimistic and balanced approach**

Commenting on the year-end payment, Mr Teo Chee Hean, Deputy Prime Minister and Minister in charge of the Civil Service, said: "We have yet to see a sustained recovery; hence, we are taking a cautiously optimistic and balanced approach in giving a modest one-off year-end payment.

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<sup>1</sup> The AVC, which reflects economic conditions, is typically set based on a multiple of a civil servant's monthly salary. Last year, civil servants received 0.5 month of mid-year AVC and 0.5 month of year-end AVC. This year, no mid-year or year-end AVC will be paid.

<sup>2</sup> This is based on income tax data for Year of Assessment (YA) 2009, i.e. for income earned in 2008.

<sup>3</sup> This is based on income tax data for Year of Assessment (YA) 2008, i.e. for income earned in 2007. The YA2008 MR4 benchmark was \$3.05 million.

“We want to recognise the willingness of civil servants to accept an overall reduction in annual wages, and their hard work during the crisis to help the economy turn around while exercising wage restraint. We will need to continue to adapt to the changed circumstances and find new ways of growing the economy,” he added.

Appendix 1 - Annual Salaries for MR4 and SR9 for 2008 - 2009

Appendix 2 - Tables on the YA2009 benchmarks

Appendix 3 - Factsheet on salary benchmarks

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## Appendix 1

### Annual Salaries for MR4 and SR9 for 2008 – 2009

<b>Actual Annual Package<sup>4</sup></b>	<b>MR4 [% of Benchmark]</b>	<b>SR9 [% of Benchmark]</b>
<b>2008</b>	\$1,924,300  [67% of YA2008 benchmark (with imputed pension)]	\$399,500  [95% of YA2008 benchmark]
<b>2009</b>	\$1,494,700  [57% of YA2009 benchmark (with imputed pension)]	\$338,100  [81% of YA2009 benchmark]

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<sup>4</sup> These are actual salaries paid in 2008 and 2009. They differ slightly from the projections issued in earlier press releases mainly because the actual AVC paid is different from projected. In addition, a one-off dollar quantum of \$100 was made in 2008.

## Appendix 2

### **Median Salaries of Top 48 Earners in the 6 Professions (M48) and MR4 Benchmark**

	<b>YA2009<sup>5</sup> (\$ mil)</b>	<b>% Increase over YA2008<sup>6</sup></b>
M48	4.29	-6%
MR4 Benchmark (2/3M48)	2.86	

### **Median Salaries of the Top 8 Earners in the 6 Professions in the MR4 Benchmark**

<b>Profession/Sector</b>	<b>YA2009 (\$ mil)</b>	<b>% Increase over YA2008</b>
MNC	4.49	-16%
Lawyer	5.51	7%
Banker	6.23	5%
Accountant	3.66	3%
Local Manufacturer	2.21	-38%
Engineer	1.29	38%

### **Income of the 15<sup>th</sup> Top Earner Aged 32 in the 6 Professions – Superscale Grade (SR9) Benchmark**

	<b>YA2009 (\$)</b>	<b>% Increase over YA2008</b>
SR9 benchmark (15P32)	420,000	0%

<sup>5</sup> This is based on income tax data for Year of Assessment (YA) 2009, i.e. for income earned in 2008.

<sup>6</sup> This is based on income tax data for Year of Assessment (YA) 2008, i.e. for income earned in 2007. The median income for the top 48 earners in YA2008 was \$4.58 million, with the MR4 benchmark at \$3.05 million.

## **Factsheet on Salary Benchmarks**

1. The 1994 White Paper on *Competitive Salaries for Competent and Honest Government* established 2 private sector salary benchmarks to peg the salaries of Ministers and Administrative Officers. In 2000, a review of the White Paper made further refinements to the benchmarks. The benchmarks are based on the salaries of top earners from a basket of six professions (namely bankers, lawyers, accountants, engineers, employees of Multi-National Corporations and local manufacturers).
2. The 2 benchmarks are currently defined as follows:
  - a. **Staff Grade I (MR4)**: The annual salary of an Administrative Officer in Staff Grade I is pegged to two-thirds of the salary of the 24th highest earner (median) among a group comprising the top 8 earners from the 6 professions;
  - b. **Superscale (SR9)**: The annual salary of an Administrative Officer in the entry Superscale grade is pegged to the annual salary of the 15th top earner among a group comprising the top 8 earners aged 32 years from the 6 professions.
3. The salaries of political, judicial and statutory appointment holders are pegged to these benchmarks. The entry grade for Ministers is pegged at Staff Grade I (MR4), and the higher appointments (for example, the President, Prime Minister, Chairman of the Public Service Commission, judges, etc) are set based on predetermined ratios to the Staff Grade I (MR4) salary.
4. For the benchmark data, only earnings of Singapore citizens, Singapore Permanent Residents, and Malaysians working in Singapore are included.
5. The six professions have been selected as they are alternative professions that top calibre senior civil servants could have joined. Doctors and architects typically also earn high salaries. However, these professions are excluded because they require specialist skills.

6. The benchmarks are based on Principal Earned Income which has been taxed. These consist of earnings from the individual's primary source of employment and include monthly salaries, bonuses, stock options, partnership fees and commissions. Unearned and passive forms of income, such as dividends, rent and interest, are excluded.

7. Stock options are included in the salaries of the top income earners. However, the gains from stock options vested each year are discounted by 50%. This means we only take half of the stock option gains in the current year, as current year income. This is because the amount of stock options are usually accumulated over a few years, and the gains may be quite large. Taking the total gains would cause incomes to escalate, and is not a good reflection of the actual earnings.

8. The benchmark figures are audited by the Auditor-General every year.

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