

**SPEECH BY DEPUTY PRIME MINISTER TEO CHEE HEAN  
AND MINISTER IN CHARGE OF THE CIVIL SERVICE  
COMMITTEE OF SUPPLY 2011  
2 MARCH 2011**

**Competitive Compensation for the Public Service**

1. Let me first address Ms Jessica Tan's question on talent attraction and retention in the Civil Service.
2. In 2010 the Singapore economy recovered strongly and the labour market tightened. The resignation rate for the Civil Service rose, from 3.5% in 2009 to 4.7% in 2010. For the Management Executive Service, resignations rose in 2010 with attrition rate highest at 17% for the younger graduate officers.
3. To attract and retain able and committed officers, civil service wages must be competitive. Salaries are therefore benchmarked against the private sector. Civil service remuneration fell during the recent recession. But as private sector wages rise, the wages of civil servants must also rise. Otherwise, we will lose capable officers and suffer an overall decline in the quality of the Civil Service.
4. In June last year, the Civil Service raised starting salaries for the Management Executive and professional schemes. We also made significant revisions to Legal Service salaries, especially for the younger officers, to ensure that we retain good officers despite a hot market for lawyers. We are also restoring the cuts to annual increments made during the downturn.
5. Overall, the annual salaries of civil servants this year i.e. 2011 will return to the pre-downturn level in 2008. Variable salary components which fell during the recession have increased in tandem with the strong economic recovery. An Annual Variable Component (AVC) of 1.5 months (plus a \$300 one-off payment) was paid to all civil servants. As announced last year, a Special Variable Payment (SVP) of 1 to 1.6 months will also be paid in March 2011 to those with good performance.

6. By design, the annual remuneration of senior officers contains a significant variable portion dependent on the officer's performance and that of the economy. The more senior officers, including ministers, have more variable annual salary packages.
7. The main salary component for senior officers that varies with economic growth is the GDP Bonus. GDP bonus is zero if GDP growth is 2% or below, but accounts for a maximum of about 1/4 of the annual salary of senior officers, or 8 months, when the GDP growth exceeds 10%. This links the annual salary automatically to GDP growth, which makes it more responsive to actual market rises and falls than having the salary relatively fixed.
8. Hence, during the downturn in 2009 and 2010, no GDP Bonus was paid. This contributed to a 18-22.5% reduction in annual salaries of senior officers for the two years.
9. This year, in 2011, based on the exceptionally high 2010 GDP growth, officers will get the maximum rate of GDP Bonus. Nevertheless, I should emphasise that their total annual salaries, including the variable components, remain within the market benchmarks, and that was the way the salary structure was designed.
10. Annual salaries of senior officers have therefore moved down for two years and up again, in line with our policy of keeping pace with but not leading the market.
11. For 2011, we expect GDP growth to be lower than 2010, hence, in all likelihood, GDP bonus paid next year will be lower too. These are year-to-year fluctuations, and not permanent pay increases.
12. The Supplementary Estimates that Mr Low Thia Kiang referred to on Monday are therefore a reflection of the way that our variable salary system is designed to function, falling and rising in line with the GDP.
13. All this was fully explained and debated in this House when the Government last made major salary revisions in 2007 and there has been no change to the system since then.

14. In 2007, Mr Low Thia Kiang took part in the debate. He said, “While we accept that basic salary may be benchmarked broadly with the private sector in line with the international best practice, we believe that performance pay should also be introduced to establish a visible correlation between performance and pay. Currently, the Civil Service has no financial bottom line in ensuring good outcomes although part of the senior officers’ salary is linked to GDP growth.

15. “Sir, while it is necessary to link a percentage of salary to performance, it is also imperative to provide a performance regime whereby it is possible to discriminate performance for non-performers or under-performers, and to reward them accordingly. Sir, in this respect, I welcome the adjustments in civil service pay structure just announced by the Minister.”

16. Sir, we can see that Mr Low accepted 2 key principles – benchmarking to the private sector; and variable performance-linked pay. These are 2 key important principles that although we had discussions of which models to follow and what KPIs to follow, I think that we appreciate Mr Low’s acceptance that benchmarking to the market and variable pay is in fact the way to go. So Mr Low should not be surprised that the civil service pay, with significant variable components, has moved up this year in line with the economy, as we moved down in the last 2 years, in line with the economy significantly. In fact, Mr Low welcomed such a variable pay structure for the civil service.

## **Talent Attraction and Retention**

17. Let me now move on to other aspects of the Civil Service that Members have brought up. Ms Jessica Tan asked about diversity in the Public Service. We value diversity in views and experience, and welcome mid-career officers who have worked in the private or people sectors. This group has grown from 49% of newly appointed officers in 2008 to 54% in 2010. These are the new officers coming in.

18. We have also introduced internship programmes for JC, polytechnic and undergraduate students. We would be delighted if they eventually join the Service, but if not, at least they have gotten a first-hand experience of public sector work.

## **A Productive Public Service**

19. Mdm Halimah asked about public sector productivity.
20. Our public sector has been consistently well rated internationally. But notwithstanding this, the Public Service is making a concerted effort to improve productivity by enhancing organisational efficiency.

## **The 3Cs Strategy**

21. Our strategy is summarised as “3 Cs”: Customer-centric, Connected and Creative government.
22. **Customer-centric** government is about understanding our customers better and taking their perspectives into account in designing policies, regulations and services.
23. Our agencies should also operate in a more **connected** manner, so that our customers can benefit from an integrated approach to policies and services.
24. Our agencies also need to be more **creative** by allowing new ideas to surface and experimenting with them quickly.
25. These “3 Cs” are underpinned by a culture that embraces change and continuous improvement.
26. All our public agencies have come on board the 3Cs strategy last year. The Permanent Secretaries and Heads of Agencies will be personally responsible for driving the 3Cs in their respective organisations. The Ministry of Finance and the Public Service Division will also coordinate central efforts to drive inter-agency collaboration for our productivity push.

## **Re-employment of Older Workers**

27. Mdm Halimah also asked about re-employment of older workers.

28. The Public Service recognises that older workers form an important part of its workforce. Over the last 2 years (2009 – 2010), 1400 officers (or 8 in 10 retiring officers) have been offered re-employment and 83% accepted. Of those who accepted, 4 in 10 were reemployed at last drawn pay while the remaining had their wage adjusted to reflect the value of the jobs.

29. No Employment Assistance Payment (EAP) was paid as these guidelines were only finalised early this year. Our approach is to focus on getting officers reemployed so that the payment of EAP would be minimised.

30. One important emphasis is to engage officers at least 6 months before their retirement so that they have ample time to make their decisions. We have various ways to help retiring officers. The Public Service Division (PSD) launched a special module in the careers portal, Careers@Gov, for officers to deposit their resumes, search for job opportunities and apply for public service jobs.

31. For the small number of officers who cannot find a suitable public sector job, the Public Service will help them with job search skills, training and networking opportunities.

### **Facilitating a Healthy Worklife Balance**

32. Ms Straughan had various suggestions, very interesting ones, on work-life balance and I will be very happy to take up her suggestions and get PSD to get in touch with her.

33. Indeed, Public Service officers work very hard, and often long hours so that Singapore can grow and progress. We do try to take care of their well-being. We have implemented work-life and family-friendly measures for many years – such as childcare leave and staggered working hours.

34. Other work-life measures include flexible work arrangements such as telecommuting, no-pay leave and part-time work. We also offer marriage, maternity, paternity and childcare leave to enable officers to spend time with their family.

35. But we cannot be rigid in applying these measures. Each agency has its own needs and requires flexibility in implementing measures that suit them.

36. In fact, the Public Service Division has adopted a Blue Sky policy for PSD itself, where on Fridays, officers are encouraged to leave the office by 6pm - while the sky is still blue and there is still sunlight. We are careful not to make such a scheme mandatory. Some officers may prefer to finish their work so they have less to worry about before heading out for a big weekend, starting on Friday night, late Friday night. But for those who prefer to leave by 6pm, they can do so without guilt.

37. Notwithstanding this, I do share Prof. Straughan's point that we can do more to create a more work-life friendly culture in the Service, and we will do more to do so. PSD will help agencies better implement the measures we already have and also educate supervisors and officers on the range of flexible work arrangements that we have available.

38. Thank you very much.

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