

**SPEECH BY MR LEE HSIEN LOONG, PRIME MINISTER, AT 2007
ADMINISTRATIVE SERVICE DINNER, 22 MARCH 2007, 8.00 PM AT
MERITUS MANDARIN SINGAPORE**

Mr Peter Ho, Head of the Civil Service

Distinguished guests,

Ladies and gentlemen

INTRODUCTION

1. First, let me congratulate those officers who have been promoted, and those who have been confirmed or absorbed into the Administrative Service. I also congratulate all the officers who have been appointed to the Management Associates Programme.

Mr Lim Siong Guan

2. This is a fitting occasion to acknowledge the sterling contributions of two Permanent Secretaries who retired from the Administrative Service in October last year. Mr Lim Siong Guan has served for 38 years in the public sector. He was Permanent Secretary in several key ministries, including Defence, the Prime Minister's Office, Education and Finance. Siong Guan transformed each ministry that he helmed. He put in place systems to groom talent and personally mentored generations of young officers. He went into the heart of the ministries' policy issues and led them into new strategic directions. As Head of Civil Service, he pushed agencies to become more pro-enterprise, and to take a whole-of-government approach. He was a firm believer in leadership renewal, and asked to step down himself, so that a system of fixed term appointments could be established. Siong Guan is continuing his service as Chairman of the EDB. He is bringing to EDB his passion, unwavering dedication and drive for excellence, bringing out the best from his people, and delivering jobs and employment opportunities for Singaporeans.

Mr Kishore Mahbubani

3. Mr Kishore Mahbubani also retired last October, after 35 years of service. As an Administrative Officer (AO) in the Ministry of Foreign Affairs, Kishore served in Cambodia, Malaysia, Washington DC and New York, and later as Permanent Secretary (Foreign Affairs). As Ambassador to the United Nations, he was instrumental in getting Singapore elected to the UN Security Council, and in overseeing Singapore's term on the Council. Kishore's many contributions on the international front have raised the global profile of Singapore and our diplomatic service. In 2004, Kishore was appointed Dean of the Lee Kuan Yew School of Public Policy. I am glad that Kishore is continuing to serve Singapore in that capacity, after his retirement.

KEY SUCCESS FACTORS

4. I last attended the Administrative Service Dinner two years ago. The mood then was positive. We had pulled through several difficult years, and the economy was starting to improve. Since then, the momentum has accelerated. We have enjoyed three consecutive years of solid growth and job creation. Looking ahead, our prospects have never been better.

5. One key reason is globalisation. Singapore is plugged into the global grid, linked to all the major economies, and drawing capital, enterprise and talent from all over the world. We are well-placed at the heart of a rising Asia. China and India are powering ahead, and Japan's economy has revived after a decade of deflation. Southeast Asia is not without problems, but this wider Asian tide is carrying along our neighbours too, and Singapore is benefiting from that.

6. Globalisation is working in our favour because we are doing the right things in

Singapore. The Government has pursued sound policies to create an environment that is secure, competitive and pro-growth. We have kept Singapore safe in a turbulent and uncertain world. We have upgraded the economy, streamlined regulations to foster enterprise, and promoted flourishing new industries. We have given every child access to a first-class education, taken care of the lower-income and elderly, and provided opportunities for all to strive and succeed.

7. The private sector has taken advantage of the stable and business-friendly conditions to create wealth and generate prosperity. Individual Singaporeans have responded to the Government's lead and played their part. Working together, we are transforming ourselves, and outperforming bigger and better endowed competitors.

8. As a result, Singapore has established a good brand name, and enhanced its reputation for sound government and an excellent public service. International agencies consistently rate us highly. The recent PERC Comparative Country Risk Report ranked Singapore the least risky country in Asia. We did well across all indicators, but especially in the measures of governance, such as the quality of the civil service, the effectiveness of government policies, and the lack of corruption.

9. Singaporeans may not read PERC reports, but they know that here we have good schools for our children, good public hospitals for our patients, good jobs for our workers, good HDB flats for our families, a good airport and seaport for our visitors and businesses, and a good and secure supply of water and NEWater from our four national taps. Singaporeans also know that when we run into problems, be it SARS or dengue fever or terrorism, they can feel protected

and safe because somehow, the ministers and civil servants will figure a way out, and work day and night to keep the situation in Singapore under control.

10. The quality of our Public Service is one of our most sustainable advantages, just like our practice of tripartism. Other countries send study teams to learn how we do it. We are happy to share our experience with them, but they cannot easily replicate what we have done. This is something which we have built up over the years, and which we must zealously uphold and improve upon.

IMPERATIVES OF GOOD GOVERNANCE

11. Globalisation and our more advanced economy put even greater demands on high-quality governance. Paradoxically, our very success makes our task harder.

12. In a rapidly changing world, efficiency, flexibility and speed are at a premium. Governments need to be small and lean, but good governance is more essential than ever, especially for a tiny country like Singapore. We are no longer competing in a small pond; like it or not, we are swimming in the wide blue ocean. Our economy works on free market principles, and our society prizes self-reliance; but for both to thrive, we need an active, inspired and capable government.

13. The Government cannot just follow time-honoured rules and administer existing systems. It must question old assumptions, review long-standing policies, and come up not only with new ideas but also new ambitions. For example, we need creative schemes for continuing education and lifelong learning, which will equip all Singaporeans to take on better and higher-paying jobs. As our population and our economy grow, we need innovative urban planning concepts to integrate our green spaces and waterways, and make

Singapore truly the best place to live, work and play. In our social planning, we need to anticipate and pre-empt the problems of being one of the fastest greying populations in the world, and design schemes and incentives which will uplift the lower-income while strengthening the spirit of self-reliance and the will to achieve. In international relations, we need a clear appreciation of the changing strategic landscape, and agile responses to emerging trends, so that the major powers will find it in their interest that Singapore survives, and our neighbours will want to cooperate with us for mutual benefit.

14. The key in all this is for the Government to take a strategic view, look over the horizon, and create the conditions and opportunities for Singapore to grow over the long-term. This is as entrepreneurial and demanding a mission as running any business. The difference lies in what is at stake: not the financial investments of shareholders, but the lives and future of citizens. The business is about Singapore, and it cannot fail.

15. Up to now, Singapore has had the benefit of following and adapting best practices by others who are ahead of us. But as we move closer to the leading edge, we will have to break new ground ourselves, find fresh solutions, and feel our own way forward. In January I met the International Academic Advisory Panel (IAAP), which advises us on tertiary education. I asked them which countries we could learn from. They told me that there are no ready models to study, because in some respects Singapore is already at the frontier. The Panel meant it as a compliment, but I also took it as a caution. For it means that increasingly we will have to experiment, make our own mistakes, learn from them and improve ourselves.

GLOBALISATION OF TALENT

16. To do all this well, we need first-class minds in first-class organisations – working on complex and often inter-connected problems, generating ideas and solutions, managing the risks, and delivering the results. Building up a team of such calibre in the Public Service is difficult but crucial.

17. Globalisation has created a single worldwide market for talent. Able people are in demand everywhere, and are also highly mobile. Singapore has attracted professionals from all over the world. They come to work not just in MNCs, but increasingly in Singapore companies that aim for international standards, and operate regional and global businesses. Some of this foreign talent work in government agencies, making significant contributions. This is not just happening here. In Wall Street and the City of London, top research firms and financial institutions rely on a cosmopolitan mix of talent, including not a few Singaporeans.

18. For young Singaporeans today, the world is their oyster. Choices are wide open at an early age, whether for studies or for work. An overseas education or career is a viable option for many, not just a few at the top. When I graduated from school in 1969, about a dozen students in my class took up Government or Colombo Plan scholarships to study abroad. Without the scholarships, most would not have been able to go to university, must less study abroad.

19. Today, the situation is totally different. Scholarships are chasing students, not the other way round. The Straits Times publishes a thick guide every year to all the available scholarships from different organisations. Many good students decline scholarship offers, because their families have the means to fund their education. Top universities in the US and Britain are competing against each other to attract the best students, and offer full fee scholarships with no strings attached. Singapore students have established high reputations with these

universities. If they are good, the doors are wide open. Last year, one young woman offered an OMS scholarship told the PSC: “No, thank you. I am going to Princeton. They will pay for my education and there is no bond”.

20. This scramble for talent is a global phenomenon. At US universities, top students are being offered jobs before they graduate by companies like McKinsey or Goldman Sachs. These companies take promising students for internships, and then make job offers to the best ones, complete with sign-on bonuses. PSC scholars are often the target of these recruitment drives. Fortunately, they know their responsibilities and have come back to Singapore.

21. One positive side of globalisation is that we are developing a strong overseas network of Singaporeans. Our people are not just in the leading cities of the world but also in less familiar destinations. I recently met vibrant little Singaporean communities in Chengdu (China) and Doha (Qatar). These are not émigrés, but Singaporeans working and living abroad, pursuing their careers or their own ventures. They often start young, and sometimes stay abroad for long periods.

22. We are happy that Singaporeans enjoy these global opportunities, and that more of them are venturing abroad. But at the same time, we worry for Singapore, because it will be harder than ever to keep our best people here. How will Singapore businesses recruit talent and grow into first-class companies? How will we create the jobs and opportunities for the less successful Singaporeans, who cannot seek their fortunes in China, India or the US? How will the Public Service maintain a first-class team that can lead Singapore into the future? The reality is that the Public Service is competing not just against Singapore companies or MNCs based here, but against the top

global companies, and opportunities around the world. The Public Service will therefore have to do more to attract its share of talent, and maintain a strong, high-calibre team.

A PUBLIC SERVICE FOR THE FUTURE

23. How can we do this? It is a chicken-and-egg problem. Good people want to work in good organisations. But without a good team, it is not possible to build a good organisation. The way out of this conundrum is to focus on excellent public sector leadership. We need leaders who will anticipate problems, work across organisational boundaries, devise creative solutions, and implement policies that best serve Singapore. We need leaders who will give their teams the confidence to operate in conditions of change and uncertainty, and to find opportunity in every challenge. Leaders who will groom and nurture their officers, engage their energies, and attract more able people to join. Then the Public Service as a whole can deliver first-class governance for Singapore.

24. The Administrative Service is at the core of the Public Service, and plays a central role in bringing this about. It must work closely with all the other services to coordinate whole-of-government action, and ensure an effective Public Service for the future. We need to do several things to achieve this common goal.

25. First, we must make the Public Service a first-class outfit with élan and spirit. The Public Service ranks highly in international comparisons against other civil services, but we should also compare ourselves to the top companies in the world. Look at Google – an exciting and innovative organisation, with a distinctive and appealing culture. Rated by Fortune magazine as the best company to work for, Google receives 1,300 resumes a day! The Public Service must strive to have that same cachet. The whole tone of the organisation must exude confidence, energy and purpose. We must generate a sense of

excitement and mission among our officers. Then more young people will consider the Public Service seriously as a career option – a place where they can change Singapore for the better, a place where they want to be.

26. Second, the Public Service must offer challenging and fulfilling careers. Young people joining the service must be given opportunities to learn new skills and assigned responsibilities that challenge and stretch them. If the work environment and culture is stodgy and uninspired, they will be turned off and good people will leave.

27. The contributions of public officers are not always visible to the public eye. But behind every new policy, every major ministerial statement, there is always a team of dedicated officers who do the staff work, work out the scheme, iron out the details, and see through the implementation. A prime example is the radical policy changes in the recent Budget. The Budget Speech was the culmination of months of combined effort by a whole team in MOF and also in MOM, because of Workfare and the CPF changes. The team comprised many young officers, some in their first posting, working alongside experienced ones. (Somewhere in MOM there is an Excel wizard, without whose spreadsheets we could not have designed the Workfare scheme.) Together, they helped to settle major changes to our social safety nets and fiscal structure.

28. Third, we have to prepare our officers for the new challenges of a globalised and fast-changing world. They need to acquire a better sense of the competitive environment that they are operating in. They also need to develop the instincts of the entrepreneur – the quick reaction to seize fleeting opportunities and the boldness to try out new ideas.

29. The Administrative Service has introduced a GAP year, which allows

Management Associates to work for a spell in an organisation of their choice after graduation. Taking advantage of this, officers have worked in banks, consultancy firms, and MNCs in China, India, UK and the US. They have gained firsthand experience of what makes these private enterprises tick, what their concerns are, and what their corporate ethos is like. This has benefited not only the officers but also the Service. As these officers rise in the Service, their experiences will help them to evolve the culture of the Service for the better.

30. We will do more going forward. As Head Civil Service has said, the Administrative Service will be deploying more AOs out of the ministry HQs to companies, operational agencies, think-tanks, and also to postings abroad. This will enrich the work experiences of our AOs, and broaden their exposure to new ideas and other corporate cultures. Best practices today are as likely to be found in the private sector as they are in the public sector.

31. Fourth, we have to reward public officers according to their contributions and potential. We must hold officers accountable for their performance, and advance deserving officers in their careers. That has been our policy for quite some time. We have abandoned the practice of the iron rice bowl – of paying indifferently and being satisfied with unexceptional performance. We have to recognise people according to their jobs, their responsibilities, and their contributions. And as the task of governing Singapore grows, and their responsibilities increase, we must revise our assessments and promotions to keep up.

32. Hence, as Head Civil Service has said, we are reviewing job grades in the Administrative Service. This is both to be fair to the officers themselves, and also to signal to the entire Service that if you do well, your efforts will be rewarded. (If you do not do well, you will also be noticed.) Only then will young officers

starting out on their careers aspire towards public sector leadership positions. Only then will they be motivated to work hard and excel, and commit themselves to the Service as a worthwhile long-term career path.

COMPETITIVE SALARIES

33. For the Public Service to remain an attractive employer, our terms must keep pace with the private sector. That is why our policy is to pay public servants competitive salaries, commensurate with private sector earnings.

34. Salaries in the private sector have been moving. Many good and well-paying jobs have been created, especially in the last two years. A recent world-wide survey conducted by the employment agency Manpower Inc. showed that Singapore employers are the most bullish among 27 countries about the employment outlook. Specific industries are doing very well, such as finance, where there is strong growth in wealth management and private banking. Other sectors are also on the move, with increasing demand for lawyers and IT professionals.

35. The demand for Singaporeans is not just coming from our own economy. Because of the Singapore brand name, our people are being talent-hunted to work all over Asia. Many CFOs in China are Singaporeans, because of our reputation for competence and integrity. We know from head-hunters that the entire top managements of some of our agencies are being targeted. The Middle Eastern countries are particularly interested. They have studied Singapore's success story. They want to tap our people to join them and replicate the miracle, and money is no object. Even foreign workers who have worked in Singapore shipyards here are in demand in the Gulf. We even received a feeler from one Middle Eastern country to buy the whole of JTC!

36. All this will have an impact on the Public Service. In terms of salaries, generally we have tried to keep pace with the market, but the situation is uneven across the services. Some services have built-in market adjustment mechanisms that have kept them in line. Others like the Education Service have recently made adjustments. However, some services have fallen significantly behind the private sector. They may need not just salary revisions, but also restructuring of their schemes of services, such as the Management Executive Scheme for graduates.

37. The Administrative Service is one of those that have fallen behind. Administrative Service salaries were last adjusted in 2000 – seven years ago. There are two private sector salary benchmarks for the Administrative Service. One is set at SR9. This is the lowest Superscale grade, at which officers in their early to mid 30s enter the senior ranks of the Administrative Service. This benchmark dipped from 2001 to 2004, but has since climbed again. It now stands at \$361,000, about the same as what it was in 2000 (\$363,000). Actual SR9 salaries were cut more sharply than the benchmark between 2001 and 2004, and have since been restored. Current salaries are in line with the benchmark.

38. The second benchmark for the Administrative Service is set at Staff Grade I. The most senior Permanent Secretaries can be appointed to the Staff Grades. The benchmark is defined as two-thirds of the median income of the eight top-earning professionals in each of six professions – bankers, lawyers, accountants, MNC executives, local manufacturer executives and engineers. Present Staff Grade I salaries are at the same level as the benchmark in 2000, when it was \$1.21 million. But now the benchmark is \$2.20 million.

39. These latest benchmark figures are based on income tax returns in the Year of Assessment 2006, which means incomes actually earned in 2005. In the two years since then, private sector incomes have most probably risen further.

40. This is an urgent problem. We have experienced on previous occasions the painful consequences of responding too slowly when the private sector surged ahead. For example in the early 1990s, the Administrative Service lost entire cohorts of good officers. This showed up in the age profile of the Service – broad at the young and older age groups, but narrow at the mid- to late-30s range. We took many years to recover from the loss. This must not happen again.

41. The SR9 grade is crucial as it is a key milestone which able AOs in their early 30s look towards. Although we appear to be alright at this level, in fact I believe we will soon come under pressure. We know that the market for young professionals is moving, particularly in the financial sector, and this will eventually show up in the benchmark. We must keep the SR9 salary market competitive to retain able officers at a critical decision point in their careers. For Staff Grade I, the present salary is at 55% of the benchmark, and we have to close this gap.

42. This is why the Government is currently reviewing Civil Service remuneration schemes. The review will cover the Administrative Service as well as other services that are lagging behind the private sector, because every service is important, and each must be able to attract and retain good people.

43. Besides Civil Service salaries, we are also reviewing salaries for the political, judicial and statutory appointment holders. It is even more critical for us to keep these salaries competitive, so as to be able to bring in a continuing flow of able and successful people to be ministers and judges. Unless there is a first-class

political leadership and judiciary, the Civil Service, however capable and dedicated, will not be able to function properly.

44. Minister Teo Chee Hean will announce the salary changes in a Ministerial Statement in Parliament on 9th April.

CONCLUSION

45. We have built an outstanding Public Service in Singapore, which has served the nation well. We pay competitive wages, attract and retain people of calibre, and hold them to high standards of integrity and performance.

46. However, financial rewards cannot be the main motivation of public officers. The Public Service is not about maximising the profit of the firm. Public servants are trustees, guardians, and stewards, not just of public funds, but also of Singapore's future. We do not expect them to make unreasonable financial sacrifices to be in the public sector, but they must feel a sense of idealism, of duty and responsibility, and of a larger purpose. Ultimately, good public administration is about building the nation and improving the lives of all Singaporeans.

47. Here in the Administrative Service, what you do affect whether Singaporeans have better jobs, better housing, a better life. It affects the future of your family, your friends, and your countrymen. It is a heavy responsibility, but also an extraordinary opportunity. If you do your job well, if we all do our jobs well, we will make Singapore a truly special country, and one that we can all be proud of.