

## **PRESS RELEASE**

### **CIVIL SERVANTS' ANNUAL PAY TO FALL**

- **Civil servants to receive lower year-end payment in 2008**
- **Up to 19% drop in senior civil servants' pay in 2009**

#### **Reduction in Year-end Payment for civil servants in 2008**

Civil servants will receive a total variable payment this year which is one month less than last year, in view of the slowdown in the global economy and in Singapore.

The year-end Annual Variable Component (AVC) will be reduced to 0.5 month, from one month last year. There will be no special Growth Bonus this year, unlike in 2007 (when a special Growth Bonus of 0.5 month was paid). Civil servants will still receive the 13<sup>th</sup> month payment (or Annual Wage Supplement) of 1 month.

As such, the total AVC and 13<sup>th</sup> month payment for civil servants in 2008 is 2 months plus \$100 to \$300<sup>1</sup>. This is 1 month less than the total paid out in 2007 which was 3 months plus \$220 (including Growth Bonus)<sup>2</sup>.

#### **Administrative Officers, Political, Judicial and Statutory Appointment Holders' salaries to drop by up to 19% in 2009**

The Government has decided to defer the third phase of the salary adjustments for Administrative Officers, Political, Judicial and Statutory Appointment Holders which was due in January 2009. This group of officers will see a salary drop of up to 19% in 2009 because of salary components which are linked to Singapore's economic growth.

The January 2009 salary adjustment would have been the third of three salary adjustments, following two earlier rounds in April 2007 and January 2008. In view of the clouded economic outlook and the likelihood that salaries will be lower next year, the Government has decided to defer the January 2009 salary adjustment.

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<sup>1</sup> This includes the 0.5 month and dollar quantum of \$100-\$300 already paid out in July this year.

<sup>2</sup> This consisted of the 13<sup>th</sup> month payment, 1.5 months AVC + a dollar quantum of \$220, and 0.5 month of Growth Bonus paid for the exceptional economic performance in 2007.

Salaries for this group will fall in 2009 because a significant percentage of their annual salaries (close to 25% of the annual salary in 2008) comprises variable payments linked to the GDP growth of Singapore. With a weak economy, these components will automatically fall. This group will see a drop of between 11-19% in their annual salaries, bringing their salaries below the levels in April 2007. Specifically, in 2009, there will be a 19% fall in the annual salary of the President (to \$3.14m) and the Prime Minister (to \$3.04m). The Ministerial Grade (MR4) salary will fall by 18% to \$1.57m, and salaries at the entry Superscale grade (SR9) will fall by 12% to \$353,000. The allowance for Members of Parliament will fall by 16% to \$190,000.

Commenting on the salary drop, Mr Teo Chee Hean, Minister for Defence and Minister in charge of the Civil Service said: "Public sector salaries follow the market up and down. The mechanism we introduced last year to link a significant proportion of the salary of senior civil servants to the performance of the economy is working as intended. This mechanism allows salaries to respond more rapidly to market conditions."

The Prime Minister has donated and will continue to donate all increases in his own salary over the level before the April 2007 revisions to good causes for five years.

Appendix 1 - Annual Salaries for MR4 and SR9 for 2007 - 2009

Appendix 2 - Tables on the YA2008 benchmarks

Appendix 3 - Factsheet on salary benchmarks

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## Appendix 1

### **Annual Salaries for MR4 and SR9 for 2007 - 2009**

	<b>MR4</b>	<b>% of Benchmark</b>	<b>SR9</b>	<b>% of Benchmark</b>
<b>April 07 (1<sup>st</sup> phase revisions)</b>	\$1,590,000	73% of YA2006 benchmark	\$384,000	106% of YA2006 benchmark
<b>Jan 08 (2<sup>nd</sup> phase revisions)</b>	\$1,940,000	77% of YA2007 benchmark (with imputed pension)	\$398,000	100% of YA2007 benchmark
<b>Jan 09<sup>1</sup> (No revisions)</b>	\$1,570,000	56% of YA2008 benchmark (with imputed pension)	\$353,000	84% of YA2008 benchmark

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<sup>1</sup> The projected GDP Bonus payable in March 2009 is based on MTI's economic growth projection of around 2.5% for 2008.

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

	<b>YA2008<sup>2</sup> (\$ mil)</b>	<b>% Increase over YA2007<sup>3</sup></b>
M48	4.58	13%
MR4 Benchmark (2/3M48)	3.05	

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

<b>Profession/Sector</b>	<b>YA2008 (\$ mil)</b>	<b>% Increase over YA2007</b>
MNC	5.38	11%
Lawyer	5.14	11%
Banker	5.92	35%
Accountant	3.55	-11%
Local Manufacturer	3.54	29%
Engineer	0.93	24%

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

	<b>YA2008 (\$)</b>	<b>% Increase over YA2007</b>
SR9 benchmark (15P32)	420,000	5%

<sup>2</sup> This is based on income tax data for Year of Assessment (YA) 2008, i.e. for income earned in 2007.

<sup>3</sup> This is based on income tax data for Year of Assessment (YA) 2007, i.e. for income earned in 2006. The median income for the top 48 earners in YA2007 was \$4.05 million, with the MR4 benchmark at \$2.7 million. For YA2006, i.e. for income earned in 2005, the median income for the top 48 earners was \$3.29 million, with the MR4 benchmark at \$2.2 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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