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The quest for a formula: parliamentary remuneration in Western Australia

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The Quest for a Formula
Parliamentary Remuneration in Western Australia

M.J. Britton
2005
MA
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Abstract

The Western Australian Payment of Members Act 1900 was promulgated upon two tenets, namely, that Members of Parliament should be compensated for their services to society and that other Australian colonies were already receiving some form of compensation. The premise stipulated that all people, regardless of economic background should be given an opportunity to fulfill the honourable duty of a Representative.

Remuneration in this thesis covers the minimalist advent of Parliamentary Remuneration whereby MPs were compensated by way of a basic salary to the current multifaceted Parliamentary Remuneration which encompasses various structures, processes and is often overarched by complicated determinative methodologies. Remuneration was the original term given for the payment of services rendered. The contemporary understanding of Remuneration extends to salary, superannuation and an additional raft of entitlements.

Since the form of Parliamentary Remuneration has evolved, so too has public disputation grown over the various entitlements that MPs receive. Parliamentary Remuneration has become a highly contentious issue. However, despite the nature of the topic there is a surprising absence of research on the topic. This study is the only known historical and analytical account of Parliamentary Remuneration that has been written apart from reports prepared by Governmental agencies or Parliamentary Remuneration tribunals.

The Quest for a Formula will review the historical remunerative determinations that have occurred within Western Australia since the turn of the 20th Century, contrasting the findings of this study against historical experiences that can be drawn from other democratic-Commonwealth countries such as Britain and Canada. For comparison the thesis will also investigate how various enterprises, both public and private, remunerate their employees in accordance to various performance management indicators.

This study suggests that the methods that have been at use within Western Australia, and various other Commonwealth-based jurisdictions, may require an overhaul. However, given the unique nature of parliamentary duties, attempts to provide a set of performance criteria have proven difficult to establish. Nonetheless this thesis proposes a systematic determinative process that is more transparent than current procedures. The thesis has found the determinative process in Western Australia to be redundant as it appears to be overlapped by the Federal Remuneration Tribunal.

Many types of determinative processes have been employed by various Governments; this study illustrates the equitable methodologies compared to inequitable methods. This thesis also proposes that the general standing of an MP within Australian society may be raised through the development of a more transparent system of determination that encourages public input.

Aside from this, a remunerative determination should take into consideration an MP’s experience along with the size, demographics of their electorate. Parliament should also frequently employ private management consultants that can individually assess each MP’s workload, consequently producing an impartial recommendation on the state of MP remuneration. This thesis proposes that the employment of such consultants may allow for MPs to communicate numerous ways that they could be more efficient and could also generate ‘work plans’ to assist them in achieving their everyday goals.

This study will also find that, while a new more transparent system of determination is required within both Western Australia and Australia, the possibility of implementing a performance management system to consequently remunerate MP is highly unlikely. Finally, a recommendation of this thesis will propose new structures, processes and mathematical formule in determining an MP’s overall worth.
Acknowledgements

It is with a great deal of happiness that I write the Acknowledgements section of my thesis as it bears the sign of the thesis being in its final stages of completion. Over the last two years or so, I have followed the issue of Parliamentary Remuneration worldwide with much interest and have felt very strongly towards the rank at which the constituency at large has held Members of Parliament. It was this belief that prompted me to write this thesis. Now that this thesis is in its final stages, there are several people whom I would like to acknowledge, for without their help and tutelage, I would never have completed this study.

My first and foremost thanks is to my supervisor and now Adjunct Professor at Edith Cowan University, Dr. Harry Phillips who has assisted me in many ways. I am ever-thankful for his tutelage, advice, feedback and quality recommendations about the various paths that I should take in completing a quality document. I also thank him for working me into his timetable whenever I came back to Perth from Melbourne for a limited amount of time. I also thank him for continuing to guide me, even during his own quasi-retirement from academic life.

Mr Brian Moore, once Chief Executive Officer of the Salaries and Allowances Tribunal, also needs to be thanked for the great deal of advice in the formative stages of my thesis. He was at the helm of the Tribunal in its beginning stages and promoted many incentives used at the Tribunal. He helped clarify the Western Australian remunerative situation for me and gave me a better understanding of Parliamentary Remuneration in general. For the giving of his time, I also thank him.

I would also like to thank those close members of my family who have listened to my hypothesising over the last couple of years and have also discussed the issue against their will. Especially to my brother Dean, who through his own thesis writing on Russian Iconography and Dostoyevsky, helped me develop many of the ideas that have been suggested within this study. He has been a great late night source of inspiration.

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1.1 - Background:

Philosophical Viewpoints

It could be argued, based solely on anecdotal evidence and a glance across the letters pages of most Australian newspapers over a given period of time, that within contemporary Australian Politics, there is an ever-growing amount of skepticism in relation to Parliamentarians and the reported motives and justifications for the decisions that are taken. Notwithstanding the general cynicism that, in recent surveys, has ranked the profession of politician on a par with the oft’ maligned used car salesman, the electorate’s attitudes towards politician’s pay has often been cynical or at least ambiguous, even in earlier times, prior to the present-day problems and paradigms, as it shall be seen.
The West Australian newspaper recently completed a survey which summarised the community's general feelings towards various positions, and the people who hold such positions. The survey looked at the esteem held by the community towards such positions as the used car salesman, lawyers, journalists, politicians along with various other professions. The findings published in The West stated: “only 12 per cent of people rate MPs as honest and ethical,” which was nevertheless higher “than the 7 per cent rating for newspaper journalists.”

This disgruntled voters’ notion of self-interested parliamentarians, who work for their own gain has existed, in documented form, for over two thousand years. Socrates, in reply to Glauccon’s question in The Republic regarding the payment of Governors states: “...money and honour have no attraction for them; good men do not wish to be openly demanding payment for governing.” Socrates speaks of the true artistry of governance and of the Representative who governs for the superior good and not the self’s good. The somewhat altruistic notion of an MP working for nothing except the reward of serving the ‘superior good’ has some rather romantic connotations that would undoubtedly be rejected by most modern theorists.

Renowned conservative thinker, Edmund Burke has also spoken of the ‘good’ that can be found in the delight of simply representing someone in Parliament. Although Burke makes no explicit mention of remuneration, his speech to the voters of Bristol had

\[1 \text{ The West Australian, April 30 2001, Pg12} \]
implications for Parliamentary Remuneration: "To deliver an opinion is the right of all men; that of constituents is a weighty and respectable opinion, which a Representative ought always to rejoice to hear, and which he ought always most seriously to consider."\(^3\)

From these two statements, it could be supposed that both Burke and Plato, who both had strong ideals regarding the position of the Representative, also felt that the position required some amount of giving. However, some would argue that many people, as good as their intentions may have been, are corrupted by power and may even become selfish at its sight:

The moment a man, or a class of men, find themselves with power in their hands, the man's individual interest, or the class' separate interests, acquire an entirely new degree of importance in their eyes. Finding themselves worshipped by others, they become worshippers of themselves, and think themselves to be counted at a hundred times the value of other people.\(^4\)

One would suppose that this view, held by John Stuart Mill, is a more cynical, yet accurate, reflection of the constituencies' general feeling about contemporary parliamentarians and their remunerative status. A member of an elected parliament is the voice of many, Mill suggests that it is this fact that leads a person in a position of power to count themselves worthier than others. The power and position that a Representative holds is indeed many ways incomparable to all other workplace positions that exist within modern society. It is unique in many ways since one person may represent a vast area or a large number of people.

\(^2\) PLATO, The Republic, http://classics.mit.edu/Plato/republic.html, Pg.18
This does not help answer the conundrum regarding what or how parliamentarians should be paid, but rather, casts light on the dichotomy surrounding Parliamentary Remuneration. As it shall be illustrated, many parliamentarians themselves have been unsure about which philosophical and practical avenue to choose.

Jeremy Bentham, although not making specific reference to MP's remuneration, speaks of the need to keep public salaries as low as possible. According to Bentham, this was due to the fact that such positions were honorific services. Guy Peters, who studied Benthamite philosophy in his book, which focussed upon rewards for top office holders, stated: "Bentham placed pay and reward at the centre of his utilitarian philosophy of government, paying particular attention to honorific service and methods of keeping public salaries as low as possible."

However, such an argument only compounds the dichotomous nature of the issue of Parliamentary Remuneration.

This dichotomy is particularly prevalent at the turn of the 20th Century where some parliamentarians echoed the sentiments of Burke and Plato. The first premier of Western Australia, Sir John Forrest subscribed to the idealistic proclamation of Edmund Burke. During the second reading of the Payment of Members' Act on the 7th of November 1900, Sir John Forrest stated that he was philosophically, or "in the abstract, opposed to the

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4 MILL. J.S, *Three Essays*, Horace Hart Printer to the University, Oxford, year unknown, Pg.243
5 Ed. PETERS G. *Rewards at the Top; A Comparative Study of High Public Office*, SAGE Publications,
payment of Members.” However, Forrest recognised the practicalities of the situation he was faced with stating: “…but I thoroughly recognise, in a colony like this, where people are not overburdened with wealth, there are practical difficulties in the way.”

Sir John Forrest’s leaning became clearer when he proved his subscription to the idealistic principles of Plato by making a lengthy statement on the position of an MP and how it has been ‘degraded’ over time:

There were many services in those ancient days which were honorary, and performed by distinguished citizens without fee or reward; duties which were reserved for those more influential and learned. Many things were done in olden times which are now done by persons for reward, and by persons who are less learned than the persons I refer to. It has become fashion in this colony, and perhaps throughout Australasia, not perhaps to such a large extent in the mother country, for every man, whatever may be his qualifications or learning, to think he is fitted to be a Member of Parliament, a law maker at any rate. It has also become the fashion amongst a large number of people to think that those who make the laws in Parliament of the country should be paid.

In Sir John Forrest’s opening comments he states that in days past, representative services were carried out by ‘distinguished and learned citizens.’ It is well known that distinguished and learned citizens in Plato’s era mainly belonged to a wealthy class of people. Similarly in Forrest’s time, representational duties were only available to those who could afford to sustain themselves without the support of remuneration. This, as it

London, 1994, Pg.2
6 Parliamentary Debates of the Legislative Assembly, 7 November 1900, p 1521-2
Nonetheless, Forrest understood the nature of parliamentary remuneration as a method of compensation and seemed quite divided by the circumstances, as he did not want monetary influences depreciating the reward of serving the voice of the constituents. As he states above, the payment of Members was a ‘fashionable’ thing of the time. He saw it fit for a man to occupy public office without any reward in a remunerative form, but also recognised the difficulties involved in holding the position and trying to uphold a secure lifestyle at the same time. Sir John Forrest thought it honourable to represent the State as an elected Member of Parliament and that holding such a position would be payment in itself. Ultimately, the issue of payment of Members could be reduced to understanding the semantic nature of the term ‘remuneration.’

What is Remuneration?

The term ‘Remuneration’ has been defined in several ways. Some would maintain that remuneration is purely a manner through which employees could be compensated for leaving their usual place of employment. Whereas others would argue that it is simply a term for payment of services. Today, Employment Position advertisements within newspapers are also using the term ‘Remuneration Package,’ a term that was once privy to parliamentarians’ salaries. The Concise Oxford Dictionary defines the verb,
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remunerate as: “reward, pay for service rendered” and as “compensation for toil.”

Whereas the online Cambridge Dictionary defines remuneration as: “(to) payment for services.”

One of the earliest documented forms of the payment of members within the Westminster System stems from the Middle Ages. Constituents were held ‘liable’ for some expenses that may have been incurred by their representatives. From this primordial evidence, it could be gathered that the rudimental meaning of Remuneration stemmed from a tenet that representatives needed to be ‘reimbursed’ for some of the expenses that they would incur fulfilling their everyday duties. As it shall become evident, some elements of this definition still exist today. Within Britain, this legal liability has not been removed from the law, as it remains a conventional power, in the sense that it is no longer observed.

The act of reimbursing or compensating Members of Parliament, or representatives, for their services to the constituency was an ideal that would ultimately bring forth the advent of Remuneration into Australian politics, as it shall be seen in Chapter Two. Remuneration was then known as a method of compensating persons elected to government who would have to leave their employment to serve the community. The contemporary meaning of remuneration has evolved into a three-tiered definition: Salary, Superannuation and Allowances. Although these three components of Parliamentary

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8 http://dictionary.cambridge.org
9 Prynne, Register, 53, 493, 4 Co. Inst. 46. Hallam, Mid Ages, iii, 114, n
Remuneration will be examined further in the following chapters, it is necessary to briefly visit each component.

**Salary:**
Today, the salary component of an MP’s remunerative package represents the portion of funds allotted towards their personal living circumstances. It is a fiscal payment for the daily services and work that a Member of Parliament carries out. The salary of an MP is much the same as any other workplace’s salary as it is simply payment for work rendered. It ensures that they are able to uphold a secure lifestyle. It is not intended to represent an amount that will assist the actual electoral and departmental mechanisms.

**Superannuation:**
Similarly, the section of the remunerative package that deals with an MP’s Superannuation makes provisions for the MP to live securely in retirement. As in most other workplaces, the employee, in this case being the MP, makes a personal contribution to a savings fund whilst their employer also makes a contribution to either match or enlarge the savings load. On retirement, or dismissal via electoral defeat, an MP can claim a lump-sum payment of their Superannuation savings or can be paid a rate over the duration of their lifetime; which is annually adjustable. It is a benefit that is not widely enjoyed by the electorate, but is intended to be a safeguard and security device for the MPs who could find themselves out of employment at any given election.

10 Ibid.
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**Allowances:**
The allowances provided to MPs ensure that they are able to carry out their daily duties without personal financial loss. This has not always been the case, and as it shall be seen in Chapter Two, MPs would often find themselves paying to travel to their own electorate along with an array of other expenses to be covered from their own pockets. Postage allowances, telephone allowances, staff allowance, travel allowances and many other allowances are intended to assist the MP, and their staff, carry out their everyday duties at both a Parliamentary and Electoral levels.

The above additional allowances that Members of Parliament receive are often considered by the public to be ‘added extras’ or the ‘perks’ of holding office. Nonetheless, it has to be stated that in any workplace, a salary or wage of some description is endowed upon employees, and yet subsequently, employees are not subjected to pay for the postage, travel, mileage, accommodation or other expenses, incurred by the company that they are working for.

**Contemporary Remuneration:**
But what are the determinations governing the setting of such remuneration packages? As it shall be illustrated, there are many factors, but this question remains somewhat unanswerable, even to those at the Salaries and Allowances Tribunal who have set and determined what the salaries and allowances of the Members of Parliament should receive
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for the last 29 years.\textsuperscript{11} As shall be discussed later, the Tribunal has tried various types of
arrangements in determining the salary of an MP. But to date, there seems to be no real,
perpetual measure upon which the salaries and allowances have been determined (See
Appendices 1 and 2).

Various working committees, boards, government inquiries, independent inquiries and
tribunals have been established in an attempt to devise a remunerative system that would
be considered by the constituents to be fair, transparent and independent. Moreover, a
method that will help eliminate the public controversy surrounding the remuneration issue
needs to be implemented. To date, there has been no apparent success as the methods in
which the Salaries and Allowances Tribunal are making determinations are still being
brought into question.

\textit{Performance Management:}

Within the modern-day workforce, an increasing number of businesses are using
performance management systems to pay and reward their workers appropriately.
Employees are given set standards and outcomes that need to be achieved so that they
may receive the salary, or bonus, to which they are entitled. It could be argued that the
parliamentary system in Australia also has a 'performance management system' and that
such a system is the general-term election. However, elections, being more a method of
measuring popularity, do not always reflect accurately upon an individual MP's

\textsuperscript{11} MOORE, B, \textit{The Remuneration of Members of the Western Australian Parliament 1888-1999}, Perth,
performance or workload. It is thus necessary to evaluate the use of a performance management system that will remunerate individual MPs accordingly, or otherwise, to discover another workable method of making such determinations.

The pivotal point, around which these issues revolve, is one’s question of how much a parliamentarian is worth. Placing a value on such an incomparable position is not such an easy task. Often, it comes down to the subject’s personal stance; some argue that they should be paid a lot more than their current amount, whereas others would argue that they do not deserve the amount they receive for the ‘little’ that they do.

There are many groups and individuals within Australian society who would believe that MPs should not be remunerated for their services as their services are not at all beneficial to the greater community. As far fetched as this idea may seem, this perception of MP remuneration is fuelled by some constituents discontented notion of a failed democratic system. Others might say that the problem of MP remuneration is one of a ‘tall poppy syndrome’ that is endemic within Australian society. However, after noting international comparisons, a lack of acquiesce towards such remuneration is also evident overseas.

It could be said, without much equivocation, that community perceptions towards MP remuneration are very negative. In 1993, the Sunday Age decided to report upon some of

2000 (Unpublished)
the realities of being an MP. Poignantly, the Editorial noted that few people have become rich from an MP’s pay:

The commonly held view that being a politician is a piece of cake is not supported by the realities. The hours are endless, the travel grueling and the disruption to family life often costly. MPs are constantly at the mercy of constituents, pressure groups and assorted special pleaders. In a profession where the need for accuracy and concentration is relentless, the secretarial and research assistance provided to Australian MPs is minimal….few, if any people, have become rich on an MP’s pay.\[12\]

Within Western Australia, there are many varying arguments as to what should be done in regards to the levels of remuneration received by MPs. Some are outlandish and irrational, some are reasonable and well thought. Nonetheless, from this brief background on the issue of Parliamentary Remuneration, it could be calculated that the issue is not quite as clear-cut as it seems.

Thus, the purpose and position of the Salaries and Allowances Tribunal of Western Australia will be brought into focus when the history of Parliamentary Remuneration in Western Australia from its origins in 1900 is viewed. Similarly will the other institutions and methods that have been employed to determine remunerative amounts be analysed in Chapter Two.

\[12\] The Age and The Sunday Age, 1993, Pg.17
1.2 - Thesis Aims:

Before moving onto the focus questions that this study is attempting to answer, several pertinent points need to be made. Parliamentary Remuneration is an issue that is charged with subjectivism, misinformation and the opportunism of the media and political opponents; it often becomes the pivotal point around which malcontent voters can air their grievances about the parliamentarians of the day. Many disgruntled voters believe it is self-interest that drives people to become Members of Parliament so that they may receive some of the benefits that office enjoys. Not all citizens carry this belief, but Remuneration remains the *causa prima* of many disenfranchised voter's beliefs. Parliamentary Remuneration is not an issue that can be surmised in a page or in a brief editorial, because its current state stems from a long and convoluted history where the philosophical and practical origins need to be discovered. The cost of remuneration is not only fiscal, but also impinges upon the general perceptions held by the community at large towards their representatives.

This thesis will examine the history of parliamentarian remuneration in Western Australia, including reference to other jurisdictions. It will look at the present processes of determination which are managed by the Salaries And Allowances Tribunal of Western Australia and the inconsistencies that exist between Australian jurisdictions. Finally, it will canvass a proposal for the implementation of a performance based management system, as used in commercial enterprises, for measuring the outputs of political
Chapter One: Introduction

representatives and ensuring that salary and entitlement increases are linked to appropriate measures and probity.

The thesis does not suggest *a priori* a populist view that politicians are overpaid, indeed a thorough and fair performance management system might lead to increases in remuneration from present levels.

There has already been a great deal of research and policy development into remunerative rates to be paid to Members of Parliament. However, very few, if any indeed, have been the work of non-governmental agencies. To this study's knowledge, this is the first wholly academic and objective study of its kind. Various committees, tribunals, governmental bodies and tendered consultants have looked into the issue of 'finding the method' for determining parliamentary remuneration. However, this study argues that the public condemnation towards Parliamentary Remuneration has been caused by the lack of a transparent, workable and understandable method of determination that eliminates the possible appearance of prevarication. Therefore the following questions, overleaf, will need to be addressed.
Chapter One: Introduction

1.1 What decisions, to date, have affected the way in which MPs get remunerated and have these decisions been adequately addressed given the circumstances in which they were made?

This thesis will endeavour to look at the present, historical and philosophical viewpoints governing contemporary Parliamentary Remuneration. It will look at the events surrounding remunerative determinations and why they were made. This will provide a clear picture of the methodologies that have been used in the past in determining parliamentary salaries. Once these events and methodologies have been defined, it will be necessary to critique the determinations in an objective fashion so that it may be seen whether the correct steps were taken.

1.2 What are the major responsibilities and tasks of an MP? How does this correlate with their overall remunerative status?

This question has two parts: Firstly, what roles govern the amount of remuneration received by an MP today and secondly, are there any specific roles that should be taken into account when developing a performance management system for them to adhere to? Once again, it will be necessary to look at the historical role of an MP to see how their roles have changed over the last 100 years and to consequently develop a reasonable method, according to which, they can be paid.

This thesis will look at how the issue of Parliamentary Remuneration has come to Western Australia from Mother Parliament in Britain in the 18th Century. It will also look at the paths that Britain and Canada have taken when determining Parliamentary Salaries.
Similarly, this thesis will look at how the Members of Parliaments' roles have changed over history and whether the greater responsibility associated with their roles have effected their remuneration.

1.3 How does this compare to an MP's position in another Westminster based system?

The information provided from international and historical forces will cast light on how remuneration has been governed elsewhere and how this could effect Western Australian Determinations in the future. It will be necessary to view government literature and various other literary sources that define the roles of MPs. From this, we can consequently determine a responsibility framework that illustrates the roles of an MP.

Various bodies, such as The Remuneration Tribunal of the Commonwealth of Australia, the Salaries and Allowances Tribunal of Western Australia and the Top Body Salaries Commission for both Canada and Britain, will have the justifications of their determinations reviewed. Whether these remunerative determinations were equitable or not will be covered. When dealing with these governmental bodies, the study will look at the issue of transparency within such organisations.

1.4 Is it fair to compare an MP's position to the general workforce?

Once a general understanding of the roles of management in private enterprise and how their salaries and allowances are determined has been reviewed, it will be necessary to
make fair and equitable judgements on the similarities and differences between management in private enterprise and the Member of Parliament.

It will also be necessary to review various literature sources that identify award rates, shareholders and performance management systems (such as the Hay Methodology) to see whether any of these types of methods could be implemented into Parliament.

1.5 Is it possible to measure the execution of these activities? How?

The final question that this study asks will assist in the formulation of a recommendation for Question 1.6 below as this point is at the crux of the whole study. It will be necessary to be objective, clear and fair when drawing conclusions about measuring the execution of an MP’s activities.

1.6 Given the answers of the above questions, is it possible to devise a performance management system that determines accordingly what amount of remuneration MPs should receive for the achieved outcomes?

This final question is more a matter of Recommendation as it will provide a synthesis of information compiled from the study into one multi-faceted Chapter which will encompass all of the relevant data into an overall finding.
Chapter One: Introduction

1.5 - Thesis Layout:
This thesis will be divided into eight chapters. Most of the questions noted above will be
delegated an individual chapter so that it can be adequately addressed. Chapter One, as it
has been viewed, has focused on the meaning of Remuneration and has illustrated both
the contemporary, historical and philosophical sides of Parliamentary Remuneration.
Chapter Two will look at the various remunerative determinations that have occurred
over the last century within Western Australian politics and will take particular
consideration in dealing with the Western Australian debate on Parliamentary
Remuneration during 1888-1900. Chapter Three will analyse the various components of
a Western Australian Member of Parliament's Superannuation Scheme and will look at
its fairness and comparability to those of other constituents.

It is also necessary for this study to review what is happening within other jurisdictions
both within and outside of Australia. This may be helpful in finding a remunerative-
determination formula for MPs within Western Australia. Therefore, Chapter Four will
encompass the Australian Federal Parliament's total remunerative package within one
chapter. Chapter Five will review the Canadian MP's remunerative status whilst
documenting a largely, in-depth, private review of Parliamentary Remuneration in
Canada. Chapter Six will review the British systems of Parliamentary Remuneration.

Chapter Seven will take into consideration the various private methodologies that
determine how 'non-parliamentary' companies remunerate their employees and finally,
Chapter Eight will provide some insights on how the future of Parliamentary Remuneration could be envisaged.

1.6 - Thesis Limitations:
This thesis will examine a remuneration of a sample of MPs from the Western Australian Parliament. Bringing into account the varying hierarchical levels of Ministers and Senior Ministers alongside Backbenchers and Councilors would require a much larger quantitative study. Therefore this study intends to develop a performance management system for Backbenchers. In this regard, it may be possible to transpose certain elements of the system upwardly to include other MPs.

Finally, the approach discussed does not necessarily ensure that a viably useful system of determining Parliamentary Remuneration will be created. The implications of the created system will be discussed but this thesis remains an exercise of theoretical proportions. This thesis takes into account the fact that it may be impossible to place a performance management system into a parliamentary structure. If this is the finding of this thesis, it in no way detracts from the study's importance for both domestic and international, Westminster based governments as it will clearly illustrate all the options that have been taken and why such a system is not possible. This study also remains a contribution to further educating people regarding the history, philosophy and politics behind parliamentary remuneration.
Chapter Two: History of Parliamentary Remuneration in Western Australia

2.1 - Western Australia (1888-1900)
2.2 - 100 Years of Remuneration
2.3 - 1975: The Salaries and Allowances Tribunal
2.4 - The 1990 Determination
2.5 - Parliamentary Allowances and Entitlements

There have been many remunerative determinations over the last century. The thought of covering all sixty-five determinations is not feasible. Therefore, the more significant determinations will take the focus. They will consequently require more scrutiny so that an understanding can be conveyed. At the crux of the matter is the discovery of both how and why such determinations were made so they may be evaluated for future reference. This will allow the study to produce realistic and tangible recommendations that are not based on flaws within the remunerative framework that have already been uncovered through past experiences.

2.1 - Western Australia (1888-1900): Case Study

At the end of the 19th Century, Western Australian politics found itself to be passing through an experience of historical tumult. Questions of Federation, the Constitution and whether Western Australia would join a Federation of Australia were all pertinent questions at the time that would determine the future of Western Australia’s history. During the debate on the Constitution Act in 1888, Mr Hensman, Member for Greenough, stated his thoughts with some reluctance: “I know there will be many members who are shocked at the idea, but...I am in favour of payment of members.”\(^\text{13}\)

\(^{13}\) Western Australian Parliamentary Debates (WAPD), 2 November 1888, Pg.201
Financially compensating MPs for the costs that they would incur whilst carrying out their duties was unheard of in Western Australia and Mr Hensman broached the remunerative subject with the greatest amount of caution as it was an issue that had not been discussed before. No action was taken upon Mr Hensman’s request and the topic did not appear in Parliamentary Hansard for another eight years.

In 1896, the issue was once again raised with caution as Mr Moran, Member for Yilgran, stated: “I come now to a question which is perhaps the most unpopular and obnoxious.” Mr Moran was referring to Parliamentary Remuneration for the MPs of the Western Australian Parliament. He went on to make particular reference to the expenses that he would incur whilst travelling to visit his electorate and that he was unable to bear the financial burden alone.\textsuperscript{14}

It was not long after 1896 that MPs began to discuss the ideal of Remuneration and how it related to specific democratic virtues. Various MPs began to refer to a statement made in the British Parliament which stated that the election of a citizen to parliament should not be impeded by matters of financial health or lack thereof: “No bar should stand in the way of any man’s ambition to serve his country in Parliament.”\textsuperscript{15}

In Western Australia, the debate on Parliamentary Remuneration did not focus on the various amounts that MPs should receive or how they should receive the funds. Instead, it focussed upon whether MPs should receive funds at all and moved to look

\textsuperscript{14} WAPD, 29 July 1896, Pg.191
\textsuperscript{15} WAPD, 24 November 1897, Pg.551
at why Parliamentarians should receive remuneration. This was a strong debate in which quasi-socialistic values about working class Australians were aired with much conviction. The practical question of how a man without financial aid could wholeheartedly represent his constituents was at the forefront of this debate. The crux of the remunerative argument focussed around Mr Kingsmill’s (Member for Pilbara) comments in Parliament:

...are we to subscribe to the doctrine that one class alone is to represent the people in Parliament? Are we to take it for granted that the masses of the people who, I contend, are not akin to theirs, And in some cases may not understand the wishes and aspirations of those masses? I think not...  

Mr Kingsmill’s egalitarian perspective towards his fellow constituents who may have aspirations of entering Parliament would eventually seal the meaning of Remuneration into the belief that it was solely intended for the purposes of compensation. Parliament had to be open to any person who had the desire to stand; financial considerations should not dominate whether someone is suitable for governance.

In a debate in 1900, Mr Illington, Member for Murchinson gave support to Mr. Kingmill’s comments from three years earlier saying: “...payment of members opens the door to every man who has ability to come into this House and represent his fellows.” But as we can see, not every man has the ability or the experience necessary to come into the House and represent his fellows. Certainly, they may fit the constitutional criteria of being able to stand for public office, but they may not

16 WAPD, 24 November 1897, pg.555
17 WAPD, 7 November 1900, pg.1529-30
necessarily be able to lead, let alone represent. But this cannot mean that those without the experience have no right to serve as a Member.

However, there was one counter argument that was raised against Mr Kingmill’s ideal of Remuneration. One could suppose that Mr Kingsmill took the egalitarian view believing that Parliament was open to all and should remunerate fairly so that all may have the opportunity to serve if they so wished. What could be supposed as the contrary view was that such remuneration would be no compensation whatsoever to men who were proficient in greater professions. “The salary is not real remuneration to men who are prominent in law or medicine...they still have to make a sacrifice if they would serve the country” stated an article written for the Australasian newspaper.18

One view espoused was that there needed to be adequate remuneration packages so that all whom desired, may stand for Parliament. The opposing view held that such an approach would only attract ‘money seekers,’ not ‘political thinkers’ and would not attract the necessary calibre of people.

The Australasian, a national newspaper of the time, reported that the state of Parliamentary Remuneration in Victoria was in a ‘squalid’ state because representatives were money seekers, and consequently, were not ‘political thinkers.’ The Australasian made specific reference to Western Australia’s remunerative debate and urged MPs not to pass an bill ensuring the payment of Members. However, in less than one month, the first Payment of Members bill was passed, ensuring remunerative
packages to be paid to Western Australian MPs. Consequently, over the following one hundred years, parliamentarians found themselves to be the benefactors of many other additional allowances.

### 2.2 - 100 Years of Remuneration

**1900:**

When the salaries of Western Australian Parliamentarians were set at $400 per annum in 1900 through the *Payment of Members Act*, the quantum was based upon the mean of all Australian states. Among the highest paid in the country, at $600 p.a, were the Parliamentarians from New South Wales, Queensland and Victoria. The lowest paid Parliamentarians were Tasmanian. At the time, the Commonwealth Parliamentary salaries were to be set at $800 p.a and the New Zealand Parliamentary salaries of $480 p.a were also taken into consideration when determining the salary of Western Australian Parliamentarians.²⁰

The method of determining a Western Australian MP's Remuneration according to the mean of the other Australian States is a somewhat questionable methodology to follow since the demographics, duties and responsibilities would vary from electorate to electorate, and more importantly, state to state. However, one would suspect, that given the fact that it was the first Remunerative Determination for Western Australian MPs, meant that there was no base figure or standard other than the mean through which a reasonable determination could be made.

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¹⁸ *The Australasian*, 3 November 1900, pp 985-6, (Courtesy Battye Library)
¹⁹ *The Australasian*, 3 November 1900, pp 985-6, (Courtesy Battye Library)
²⁰ *WAPD*, 7 November 1900, p 1521-2
Generally, most literature relating to Parliamentary Remuneration that appeared within Hansard around the turn of the 20th Century related to whether MPs should receive remuneration or not. However, the Member for Guilford, Mr Johnson, was already looking into possible methods and means that could be used in easing the political implications of parliamentary pay rises. On 7 September 1907, Mr Johnson stated: "I have no desire to increase my salary without first going to the people who sent me here." Mr Johnson had possibly foreseen the criticism that would come about as a consequence of salary increments and searched for a method that would overcome such a difficulty:

The only way to get over that difficulty is by affirming the principle towards the end of one Parliament, as is the position of this Parliament today, and then going before the electors and placing on them the onus of saying whether the increase is justifiable or otherwise.\textsuperscript{21}

Although Mr Johnson could be commended for his foresight and idealistic notions of governance, his suggestion could be considered too idealistic for the pragmatic parliamentarian. Nonetheless, some elements of his theory, even though nearly one hundred years old, will be taken into consideration in determining the recommendations of this study.

1930-1931:

The Determinations made by the Western Australian Government in 1930 and 1931 were the only determinations that ever saw a reduction in remunerative rates. Largely due to the Great Depression's effect on the economy and falling average salary rates in the constituencies, it was determined that MPs receive an overall 30% reduction in

\footnotesize{\textsuperscript{21} WAPD, 11 September 1907, p 1894}
their remuneration. Consequently bringing their annual income down from $1200 p.a. to $960 p.a. This amount was fully restored in 1944.

By lowering their remunerative status during a period of economic depression, the Government of Western Australia demonstrated a sense of empathy towards its constituents who were suffering the burden of a depressed economy. MPs were not obliged to reduce their remuneration and there was no committee or tribunal present to make such a recommendation. In retrospect, this determination could be seen as an admirable gesture of communion and sympathy towards a financially distraught electorate.

This historical event also highlights the first time within Western Australia that a Government would determine its remunerative status according to average earnings. Although it is not explicitly stated that this was the reason, it is evident in the historical facts. This methodology of looking at average community salaries, so that Parliamentary Salaries may be determined fairly, within the state would become a future formula for deciding what MPs would be paid.

MPs, as elected representatives of a body of people, are fully aware of the repercussions that an increase in their remuneration could have and, in the modern world, have become wary of large increases. Voter backlash can occur for many reasons, Parliamentary Remuneration can be seen as one of those possible causes and MPs do not want to commit ‘political suicide’ by voting on substantial pay increases.
Chapter Two: History of Parliamentary Remuneration in Western Australia

The fact that Parliamentary Salaries were lowered during the Great Depression because societal earnings had also dropped could be considered the creation of an accidental methodology for determining remunerative amounts. This methodology has become more prevalent in Western Australia over the last twenty or so years as there seems to have been more need for a justification of the amounts received by MPs in their remunerative packages.

1944 — Basic Wage Variations as a method:

The year 1944 provides a specific example of when the Western Australian Parliament itself altered the “Parliamentary Allowances Act to provide that salaries be adjusted in accordance with basic wage variations.”[22] This was the first time that the Western Australian Parliament formally acknowledged outside forces, such as the basic wage variations, in determining future parliamentary remuneration packages. Although it may not have been known at the time, certain elements of this methodology would still be in use in over sixty years time.

1947 — First Parliamentary Salaries Tribunal:

Historically reflecting once again, 1947 could be considered the ‘revolution’ of Parliamentary Salaries and Allowances as it was a very interesting and eventful year insofar as Parliamentary Remuneration was concerned. This was mainly because Parliamentary Salaries had fallen desperately behind societal standards. [23] In 1947 it was decided that a temporary parliamentary salaries tribunal of some description should be established to review and determine the salaries of Parliamentarians.

[22] WAPD, 16 November 1967, p2188
Chapter Two: History of Parliamentary Remuneration in Western Australia

The findings of this Tribunal were significant in determining what was to come out of the 1947 experience. Consequently, the Tribunal concluded: “their (Parliamentarians’) salaries should be substantially increased” due to the “greatly augmented governmental activities, the quadrupling of State revenues and the additional responsibility cast out upon them.” Interestingly, the Tribunal established that the making of comparisons between the allowances of Parliamentarians and commercial organisations as impossible. As it will be demonstrated later in this chapter, the more recent Salaries and Allowances Tribunal have often used commercial organisations as an indicator of comparison.

Besides the increase in governmental activities and the additional responsibility placed on MPs, the quadrupling of State revenues seems to be an interesting justification for an increment in parliamentary remuneration. This statement by the independent tribunal implies a methodological approach that would not be looked kindly upon by most constituents. It presupposes that when the Government is earning more money, that MPs should be consequently paid more since they can simply because there is more revenue.

In the 1947 Tribunal report, Parliamentary Remuneration was justified through a statement of duties and obligations of the Member of Parliament. Although it had no apparent effect on the actual determined amount, it may have been included to provide justification for the increase in salary. The duties stated were as follows:

24 Ibid. Pg.15
25 Ibid.
Chapter Two: History of Parliamentary Remuneration in Western Australia

- Attend sittings of Parliament
- Constant reading
- Study and research
- Possessing a detailed knowledge of acts, regulations and procedure
- Preparing authoritative materials for speeches in and out of parliament
- Preparing Bills for presentation to Parliament
- Intensive research into Bills
- Personal calls from constituents
- Consequent attention to constituents' private and public problems
- Answering telephonic queries
- Attending to correspondence
- Acting as town agents for local governing bodies
- Interviewing ministers
- Arranging and leading deputation
- Carrying out inspections
- Participating actively in the work of public organizations
- Attending functions
- Entertaining visitors
- Keeping personal contact with all parts of their electorate
- Travelling to various parts of the state and finally;
- Electioneering as a prelude to the next term of office.  

Ultimately, it was found that Parliamentarians had very little time for themselves.

1948 — Parliamentary Superannuation:

Very significant legislation was passed in 1948 with Superannuation now becoming a component of MP remuneration. The Parliamentary Superannuation Act was introduced by the Western Australian Parliament in order to give MP's and their dependants a pension or other benefit for serving as an MP. Ninety eight dollars per year were deducted from a Members salary which was looked after by the Trustees Body; consisting of the Treasurer and his Deputy along with two members from each of the Houses. Although it was not known at the time, Parliamentary Superannuation would later become the key component of the MPs remunerative package that would come under great scrutiny.

26 Ibid. Pg.17
1950-1965: Temporary Tribunals

It could be said that the establishment of a permanent tribunal that would determine remunerative amounts was prefigured by the events that occurred between 1950 and 1965. Four separate, and temporary ad hoc, tribunals were established in 1950, 1953, 1962 and 1965 to make determinations on MP’s remuneration. As noted, none of them were established as permanent features of the determinative process, however, this history provided for the establishment of the Parliamentary Salaries Tribunal.

In 1965, remunerative debate mainly focused around the suggestion that a permanent committee should be established to review parliamentary remuneration. Newspaper reports in *The West Australian* and *Daily News* newspapers received the news with some satisfaction. Evidence of this can be seen in a report by *The West Australian* in July 1965 when it reported:

> Politicians should be adequately paid. But voters have been suspicious in the way in which their representatives have from time to time arbitrarily decided their own salary rates. The State Government’s proposal to appoint an independent three-man committee to inquire into parliamentary salaries and conditions will therefore be received with wide satisfaction.

However, when the Wolff Committee recommended large increases in Parliamentary Salaries in November 1965, “some citizens wrote abusive letters to Members, while others voiced their protest in the newspapers.”

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27 *Parliamentary Superannuation*, The Statutes of Western Australia, GEO-VI, W Wyatt (Govt Printer), Perth, 1948
28 Ibid.
29 *The West Australian*, 31 July 1965, Editorial
Chapter Two: History of Parliamentary Remuneration in Western Australia

An editorial that appeared in *The West Australian* in November 1965 produced a scathing attack on Parliamentarians and their ‘startling’ new pay scale. The editorial stated that there was no real method or reasons as to why MPs received such an increase: “What is not clear; and arouses misgivings, is how and why the committee settled on a basic salary…”³¹

**1965-1967:**

In 1967 it was finally determined that a permanent committee should be established to review Parliamentary Salaries and Allowances. This was called the Parliamentary Salaries Tribunal, which in effect, was a similar institution to that of the Salaries and Allowances Tribunal of Western Australia that was later created in 1975. It was decided that Parliamentary Salaries and Allowances should not be reviewed from “time to time,” but instead such determinations should be made at “intervals no greater than twelve months.” Both tribunals consisted of three people, all of whom were appointed by the Governor.

Mr. Tonkin, the Labor Leader of the Opposition at the time summed up the general feeling of the MPs when he gave his address on the 1967 Determination saying:

> I believe that the proposal will have the effect of lifting the increasing of salaries of members of Parliament out of the realms of controversy. It will always be found that there are some people in the community who believe that everybody else’s salaries and wages should be increased except those of members of Parliament. Those people are in the minority my experience is that people generally take a reasonable view if they feel that the determination is being made on a fair and honest basis and the recipients of the increases have no part to play in the actual adjudication.”³²

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³¹ *The West Australian*, 18 November 1965, Editorial
³² *WAPD*, 16 November 1967, p. 2188
Mr. Tonkin, ideally, felt that people would understand the parliamentarians' position and would also be reasonable in accepting various remunerative increases that needed to occur. This fact, according to Mr. Tonkin, would be further assisted by the creation of a permanent independent body who would determine such amounts outside of the parliament.

However, a report by the newly established tribunal found that public dissatisfaction relating to parliamentary remuneration may not have been quelled by its institution as an autonomous body. A review, conducted in 1968, called for public submissions of interest towards the tribunal’s review. However, no responses were received and the tribunal argued that this “may indicate disinterest or apathy or a confidence in the tribunal which we hope is not misplaced.”

2.3 - 1975: A Brief Analyses of the Salaries and Allowances Tribunal

By 1975, it was felt that the permanent tribunal, established to review parliamentary remuneration, had not been well received by the general public. The Honourable Mr Neil McNeill (MLC Lower West) stated that the initial establishment of the Parliamentary Salaries had been well received, however, he stated “the Press still becomes vocal even when our salaries are fixed by the committee.”

The Premier of Western Australia, Sir Charles Court, recommended that an autonomous tribunal be created to determine, not only MP’s salaries, but the

33 Report of the Parliamentary Salaries Tribunal 1968, 6 September 1968, Pg. 3
34 WAPD of the Legislative Council, 1 May 1975, p. 1376
remuneration packages for Chief Executive Officers within the Western Australian Public Service and the packages received by Magistrates. It was felt that one tribunal could culminate all of these activities and that it would also provide for better comparisons between various public positions.\textsuperscript{35}

The Salaries and the Allowances Tribunal of Western Australia was set up as an autonomous body to govern and determine the remuneration received by Members of Parliament. It was felt that if an independent body were to determine such amounts that the controversy surrounding such determinations would be quelled. It is clearly noted in the parliamentary \textit{Hansard} that the main aim of the Salaries and Allowances Tribunal was to quell the criticism surrounding parliamentary remuneration.

This fact is illustrated in a statement made by Mr. Neil McNeil who seriously believed that someone from \textit{The Western Australian} Newspaper should be appointed to join the tribunal to see the duties that MPs perform daily.\textsuperscript{36} The Honorable N.E. Barter and the Honorable R. Thompson, felt that those at \textit{The West Australian} would then finally see the amount of work that Parliamentarians put into their duties, also echoed this sentiment. They stated that even Parliamentarians’ wives, who ‘work heavily’ for their MP husbands are “not on the payroll!”\textsuperscript{37}

Editorial criticism aside, the establishment of the Salaries and Allowances Tribunal has raised questions that need to be addressed. Some would question the apparent ‘autonomous’ nature of the tribunal as it still has Governor appointed employees and still remains, structurally speaking, under the umbrella of the Department of the

\textsuperscript{35} \textit{WAPD}, 8 April 1975, p.581
Premier and the Cabinet. This may seem like an ill-conceived hypothesis, however, if the tribunal was initiated to quell public criticism over parliamentary remuneration, surely it would have been a totally independent body with no connections whatsoever to a body of governance. Nonetheless, it has to be said that there is a need for some responsible body to oversee the tribunal’s matters.

Similarly, the Tribunal’s determinations are presented to Parliament for approval through the passage of both houses. Therefore the decisions of the independent Tribunal are ‘at the mercy’ of Parliament as not all determinations may be agreed to by Parliament for various reasons. One particular motivation behind a Western Australian Parliament rejecting a positive remunerative increment may be for political reasons, namely, an upcoming election.

To question whether the creation of the Salaries and Allowances Tribunal has been a positive move or not may not be clear cut as it seems. The tribunal has probably done more work over the last 28 years on finding a fair and equitable formula for parliamentary remuneration than ever was done before in Western Australia. To the tribunal’s credit, it has been researching and trying to find new, and more effective, ways of determining the remunerative amounts. The 1990 Determination shows the initiative that the Salaries and Allowances Tribunal was capable of and gives example of the Tribunal finding new strategies to use in determining parliamentary salaries.

36 *WAPD of the Legislative Council*, 1 May 1975, p.1376
37 Ibid.
Chapter Two: History of Parliamentary Remuneration in Western Australia

2.4 - The 1990 Determination

Various Salary and Superannuation Benefit increases occurred between 1975 and 1990. But it was in 1990 that the Salaries and Allowances Tribunal made the interesting decision to hire private consultants to review the Remuneration of MPs. Other than the 1988 Federal Determination, in which private consultants were used, the 1990 determination was the first review of its kind in Western Australia. It was the Tribunal’s decision to “obtain the services of a consultancy firm to perform a work value review of all positions within its jurisdiction.”

The work performed and the objectives set by the private consultants Noble-Lowndes-Cullen-Eagen-Dell seemed like the first genuine attempt by the Tribunal to ascertain the work value of MPs. However, it may only appear this way because of the lack of resources stating ‘why’ and ‘what’ had guided the Tribunals determinations in the past. As it has been seen through various examples, the Salaries and Allowances Tribunal, and previously the Parliamentary Salaries Tribunal and Parliament itself, usually made determinations based upon what other states were earning and never previously endeavoured to find the actuality of Remuneration in their reviews.

Insofar as Remuneration Management is concerned, the private consultants stated that there are four key elements that one has to look at when determining the amount to be paid to an individual. They are (I) The work value of the position (II) The market rate of pay for a position of similar work value (III) The performance of the individual (IV) The employing organisation’s capacity to pay, its strategic circumstances, and its

dependence on human resources. If one were to solely take points I, II or III into consideration, it could be argued that parliamentarians are grossly underpaid for the amount of work that they do and for the positions of responsibility that they take upon themselves. However, point IV makes clear the reminder that MPs are working in an organisation with limited financial resources.

From the outset, the consultants acknowledged that the bases upon which salaries and allowances of MPs had been set were “well established.” It was decided that in order to “provide a sound basis for comparing the equity of MPs against the wider community” that “a mechanism for comparing jobs in terms of the demands, complexities and responsibilities of the work undertaken” was needed. It was also noted that, although the private consultants did not particularly agree with integrating a performance management strategy in the determination of MP’s Remuneration, that excessive hours within the community were often rewarded with bonuses.

The work value findings showed that the basic role of an MP has not been taken into account as they have to commit a lot of their time, they are dislocated from their lives and there is a lack of security in the position. These were seen as the features of the average MP’s position. The roles of an MP fell into three streams: Long sitting hours, travel between Parliament and the Constituency (particularly for country members), the pressure to be available to the Constituency during weekends.
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The review found the fact of dislocation and long working hours away from family to be quite valid, and something that is relatively uncommon in other work places. However, the lack of security in a parliamentary position was not seen as peculiarity of an MP’s tenure as there can be a lack of security in any place of employment within the private sector.\(^{45}\) At 1990, the private consultants stated what could be considered a ‘job description’ for the position of MP:

In our judgement, the position of MP requires considerable experience and understanding of the workings of the community, and an appreciation of the impact the bureaucracy has upon the lives of people in the community. The MP must also be more cognisant of the importance of government legislation and regulation in making the State more prosperous while protecting the interests of the community...MPs need to have a thorough appreciation of party policy, as well as the working brief of the parliamentary committees in which they participate.\(^{46}\)

The fact that MPs come from a range of backgrounds and that, constitutionally speaking, anyone who fits the three ‘guidelines’ of the standing for public office is entitled to become an MP is an important note with little relation to remunerative rates. This report states in tangible terms that a person willing to enter the political realm should have a substantial amount of experience in order for them to function adequately. But, as it has been seen, not all MPs come from such backgrounds and therefore this report is partially flawed, as it may account for many MPs, yet it will not encompass those from ‘non-professional’ backgrounds. Similarly, not all MPs need to have an ‘appreciation of party policy’ as not all MPs are instituted in party politics.

\(^{44}\) Ibid.
\(^{45}\) Ibid.
\(^{46}\) Ibid. Pg. 155
Likewise, there is a similar problem to face when dealing with MPs coming from different educational backgrounds. The 1990 report states that this is an education that needs to be had in order to represent:

Deal with a diverse range of tasks... contribute to the identification and clarity of objectives and the establishment of public policy... operate in a complex and specialised environment... thorough understanding of the underlying rationale of Party policies and platforms... versatility and innovation in adapting or modifying standards approaches, or in the application of new techniques or criteria to resolving matters of public importance, public policy, or legislative direction.47

One of the problems that arises when looking at any roles that MPs have can be attributed to the individual circumstances of those MPs. Those who find themselves in government may find themselves with more roles to fulfil rather than someone who is not in government. The example being the Ministry through which most time, cost and energy is spent. Secondly, there are some MPs who do not belong to parties and would not have to worry about policy platforms as much as a governmental member would; except that Independents need to work hard to be informed on a wide range of issues. Thirdly, it would be interesting to look at the differing roles of the Members of the Legislative Council and Members of the Legislative Assembly to see whether there are any discrepancies between their workloads and work-values.

This report was a substantive piece of work for the Salaries and Allowances Tribunal of Western Australia as it suggested many additional methodologies that may assist in determining Parliamentary Remuneration. This report, and other resources will again be examined when discussing the possible advantages and disadvantages of a performance management system within parliamentary circles.
Before concluding the review of the history of Parliamentary Salaries, it is necessary to view the two major ways that MP salaries may be illustrated over the last sixty to seventy years. From what has been discovered within this chapter, one may believe that MP Salaries have been more upwardly mobile in recent years. According to information obtained from the Salaries and Allowances Tribunal and other Governmental Acts, MP Salary Rates have been exponentially booming since approximately 1975. The graph below clearly illustrates the dollar amount that MPs have been receiving since 1940. According to this graph, the view held by many that MP Salaries are spiraling out of control could be considered quite rational.  

Although, this graph seems to tell the whole truth about MP Salaries since 1940, it does not give us an entirely accurate picture as it does not take into account factors such as the Consumer Price Index and the Average Weekly Earnings. There are two
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steps that need to be taken so that a true illustration, without equivocation, may be formed. Firstly, one should drop the 'actual dollar amount' received by MPs since 1940 and should look at all the determinations over five year periods since 1940. From this one is able to average out a percentage increase or decrease of MP Pay over those five years. This percentage would be consequently juxtaposed against the five year average of the Consumer Price Index percentage and the Average Weekly Earnings. The results can be seen overleaf:

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CPI, AWE & MP Pay Percentage Increments – Five Year Periods

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<th>Year</th>
<th>LMP (%)</th>
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<td>3</td>
<td></td>
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<td>4</td>
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<tr>
<td>5</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Year

MP (%) ▼ AWE (%) ▼ CPI (%)
Chapter Two: History of Parliamentary Remuneration in Western Australia

The above graph may still show MP Pay-Percentage increments reaching well above the general CPI and AWE, however, it is a more realistic and accurate picture of MP Remuneration rates since 1940. It can be said safely that MP salary increments have not been spiraling out of control and that there has been no set mechanism for determining an MP's pay on a regular basis. In actual fact, it illustrates a vitally important factor, namely, that the most restraint in salary increments seems to have been within the last twenty-three years.

The most likely cause for which being the creation of the Salaries and Allowances Tribunal. Ultimately, two questions, which will require further examination within this study, remain: Why is there no set mechanism for determining MPs' pay? And were these 'restrained' increments in Parliamentary Salaries insufficient, extravagant or equitable and how could a future formula be developed?

It was noted earlier in this thesis that determinations on Parliamentary Salaries are ultimately 'at the mercy' of the Western Australian Legislature and may be rejected for political means. Would a Government be more or less likely to reject a remunerative determination of any description if an election on the horizon? One possible way of discovering the truthfulness, or lack thereof, in this statement is to note both the determinative dates alongside the dates of general election.49

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49 It is only possible to perform this exercise since 1965 as in Western Australia, elections were held at separate times depending on the province or electorate that was polling. By 1965 both Houses and all electorates and provinces held elections conjointly.
Chapter Two: History of Parliamentary Remuneration in Western Australia

The table below, gathered from Mr. Brian Moore's (Salaries and Allowances retired Executive Officer) historical graph on the determinative dates and the Western Australian Parliamentary Handbook 2002 illustrates the relationship between the dates of election and determination:

<table>
<thead>
<tr>
<th>Number of months a determination was made</th>
<th>Election Date</th>
<th>Number of months a determination was made</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEFORE election</td>
<td></td>
<td>AFTER election</td>
</tr>
<tr>
<td>24 Months</td>
<td>20 Feb 1965</td>
<td>5 Months</td>
</tr>
<tr>
<td>34 Months</td>
<td>23 Mar 1968</td>
<td>7 Months</td>
</tr>
<tr>
<td>6 Months*</td>
<td>20 Feb 1971</td>
<td>8 Months</td>
</tr>
<tr>
<td>10 Months*</td>
<td>30 Mar 1974</td>
<td>4 Months</td>
</tr>
<tr>
<td>3 Months</td>
<td>19 Feb 1977</td>
<td>5 Months</td>
</tr>
<tr>
<td>1 Month</td>
<td>23 Feb 1980</td>
<td>5 Months</td>
</tr>
<tr>
<td>5 Months*</td>
<td>19 Feb 1983</td>
<td>8 Months</td>
</tr>
<tr>
<td>4 Months</td>
<td>8 Feb 1986</td>
<td>6 Months</td>
</tr>
<tr>
<td>5 Months</td>
<td>4 Feb 1989</td>
<td>3 Months</td>
</tr>
<tr>
<td>23 Months*</td>
<td>6 Feb 1993</td>
<td>6 Months</td>
</tr>
<tr>
<td>24 Months</td>
<td>14 Dec 1996</td>
<td>7 Months</td>
</tr>
<tr>
<td>13 Months*</td>
<td>10 Feb 2001</td>
<td>5 Months</td>
</tr>
</tbody>
</table>

* Denotes a loss of re-election by the incumbent Government

The above table, through the measuring of 13 bicameral, general elections shows that previous Western Australian Governments have been inclined to accept, review or include remunerative legislation shortly after an election rather than just before one. Although there is an example from 1980 whereby the Government of the day granted a remunerative increase 1 month prior to the election, on the whole, the averages illustrate a Parliamentary leaning towards increases well before elections arise.

Nonetheless, Parliamentary Salaries are not the only facet of an MP's remunerative package that attracts a great deal of criticism. Parliamentarians are entitled to many
allowances and entitlements that will now need to be reviewed so that the whole parliamentary remuneration package, excepting Parliamentary Superannuation which will be reviewed in the following chapter, may have been analysed. Travel Allowances, among other parliamentary entitlements will only be briefly visited as the major focus of this study is at the two major components of Parliamentary Remuneration: Salary and Superannuation. This study takes the approach that such allowances, with the exception of some parts of the Travel Allowance, assist the normal function of an MP.

2.5 - Parliamentary Allowances and Entitlements (A Brief History)

This study does not intend to dwell on the actual dollar amounts received by Western Australian MPs throughout the last one hundred years, however, it does intend to note the junctures at which interesting points regarding Parliamentary Remuneration have been made.

Parliamentary Allowances have had differing faces over the past century as it continues the evolution today. We have seen various additional allowances being totalled into a remunerative scheme for parliamentarians. Such additional allowances have grown over the last century and have encompassed a greater majority of Members.

1911: Informal Expense Allowance

Western Australian Members of Parliament were granted their first allowances in 1911. Such allowances were not specifically tailored for various expenses that an MP would incur, but rather, an amount of $600 p.a. was available for claim if MPs needed
to be reimbursed for any expenses. There is no historical data which suggests a receipt-system or structure was in place to verify such reimbursements. This allowance was increased again to cover MPs more sufficiently over the following years.

1947: Additional Allowances

By 1947 the total allowance rate for MPs was $1400 p.a. Those MPs who had been incurring greater expenditure because of the distance of vastness of their electorate were duly recompensed with a special allowance. This ‘special’ allowance provided country MPs with an additional $100 p.a. allowance and North West MPs with a $200 p.a. allowance.

The Honourable Mr. Rodoreda, in replying to the Premier’s opposition to the need for a dislocation allowance stated: “I believe (Mr. Coverly) has been away travelling for five months this year – travelling by motorcar, packhorse, camel, donkey, lighter, lugger….we are under continual expense when visiting our electorates.” It had taken some years to convince Parliament of accepting such an allowance as Mr. Rodoreda first raised this debate in 1935.

1953: Reimbursement Allowances

It was then in 1953 when the Members of Parliament, Reimbursement Expenses Act was introduced. Under this Act, each Member of Parliament was “entitled, as reimbursement of expenses incurred in discharging Parliamentary duties, in addition

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50 WAPD, 2 February 1911, p 3679
51 WAPD, 24 September 1935, p 777
to any other allowance to which he is entitled." \(^{52}\) 1953 also saw the creation of various ‘provinces’ within Western Australia. Each provinces’ grading would be characterised by its distance from Perth. Five provinces were established, stretching from central ‘metropolitan Perth’ to the ‘Gascoyne’ province. Each individual province was allotted a “maximum rate per annum of reimbursement.” \(^{53}\)

New electorates or ‘provinces’ that were created after this introduction of the *Reimbursement Expenses Act* would have to ask to Governor to print in the *Gazette* as to its provincial geography so that it could receive the entitlements.

**1965: Other Allowances**

It was in 1965 that an ad hoc committee, created to look at the various facets of Parliamentary Remuneration decided to look at Parliamentary Allowances from a different angle. They commented upon the different types of allowance that could be received by MPs. They noted six areas where MPs could be reimbursed: Motor car, Away from Home Expenses or Hotel Accommodation Expenses, Telephone calls, Telegrams and postal charge, allowance for donations, entertainment expense. \(^{54}\)

The committee also noted the following areas in which MPs should be asking for reimbursements: Free railway travel, limited interstate travel, travelling expenses for select committee members, election expenses and office expenses. \(^{55}\) In response to some editorial criticism that appeared in *The West Australian* newspaper on the 4th of

\(^{52}\) *Parliamentary Superannuation*, The Statutes of Western Australia, GEO-VI, W Wyatt (Govt Printer), Perth, 1948, Pg. 33

\(^{53}\) Ibid.

\(^{54}\) Ibid.

\(^{55}\) *WAPD of the Legislative Council*, 26 November 1965, p3044
August 1965, Mr Bickerton stated that Mr Macartney, the managing director of *The West Australian* should see what it's like paying for his companies' bills out of his own pocket.\(^56\)

Before concluding this review on the history of remuneration in Western Australia, it is necessary to briefly note the types of allowances that Western Australian MPs have continued to receive recently; as a consequence of the historical precedence that has just been reviewed.

**1971:**

In 1971, allowances were paid to Members through a determination issued by the newly formed Parliamentary Salaries Tribunal. It provided allowance for travelling and postage along with a reimbursement clause for other expenses. Telephone rental received funds to assist 75% of the rental cost and all telephonic calls from an MPs private residence were covered fully by public funds.\(^57\)

**1974: Sitting Allowances Rejected**

Due to an increase in the sitting hours that MPs were engaging in, Western Australian MPs called for the implementation of a ‘Sitting Fees’ allowance. However, the Parliamentary Salaries Tribunal denied the request stating that some Members would be more advantaged than others.\(^58\)

\(^{56}\) Ibid. p 2944  
Chapter Two: History of Parliamentary Remuneration in Western Australia

2000: Contemporary Allowances

Many other changes occurred over the following 30 years and Parliamentary Allowances now exist in a different form. Parliamentary Allowances are divided into two differing sections, one section being a cash component and the other section being a non-cash, yet reimbursable section. Electorate Allowance, the amount of which is determined by the size and distance of the electorate is a part of the cash component along with a Postage Allowance and an Accommodation Allowance.

The non-cash component includes Printing and Stationery, Air Charter, Accommodation Allowance in Electorate and Mobile Phone reimbursement. However, these non-cash reimbursements are not payable to all MPs as many of the allowances’ amounts are dependent on the location of the MP’s electorate.

As it has been noted within the first chapter of this study, the actual allowances themselves will come under the least scrutiny as they are not always considered to be the major factors in a parliamentarian’s remunerative package. The salary and superannuation of a Western Australian Member of Parliament remain the major foci of this study. However, it is necessary to analyse the ‘global’ package that a Western Australian Member of Parliament receives.

Therefore, it is now necessary to move onto the following chapter which reviews both the historical and contemporary aspect of Western Australian Parliamentary Superannuation.
3.1 Introduction to Superannuation

Within the contemporary workforce, Superannuation has become a prevalent, and mandatory, component of an employee’s remuneration package. Derived from the Latin word ‘annus,’ meaning annually, superannuation in its definitive form is a method of yearly payment by an employer into a cumulative fund that will tide the employee through their years of retirement. The legal rate, to be paid by an employer that is found within the general Australian workforce today, is 9 per cent. The actual employee can usually opt to pay any proportion of their salary into a fund that will constitute their superannuation savings. In effect, superannuation is a ‘savings account’ towards retirement.

Superannuation has become such an intrinsic part of the workforce’s remunerative package that all employees are legally bound, through a Hawke Government initiative, to contribute towards a fund regardless of age, work-category or earnings. Many workplaces have organisations that, both administratively and financially, manage the fund. It should
Chapter Three: Parliamentary Superannuation

be noted at this stage that such funds need to ensure that the monies received by employees are well maintained and that the monies received can be invested into trustworthy accounts or shareholdings that will ensure profits. Such organisations need to make profits through the use of the share market so that the money saved into their fund in the current year will be worth the dollar-equivalent amount by the time that employee retires.

This process occurs regularly without fail, under the discretion of the Australian Prudential Regulatory Authority (APRA). Organisations are regularly checked and audited to ensure that such profits are being met, the test of such organisations is to gauge whether they could pay all members, all of their funds at once. If this is possible, the organisation could be considered to be in 'good standing.'

Members of Parliament, in both Federal Australia and Western Australia, have come under a different method of remuneration for some time. Parliamentary Superannuation is the facet of MP's remunerative package that has, in recent years, come under the most criticism from the public. During the writing of this thesis, many 'monumental' decisions towards the 'normalising' of Parliamentary Superannuation were taken. This thesis intended to take into consideration the future of Parliamentary Superannuation, however, due to the unforeseen events that have transpired near the completion of this study, its nature will change enormously. These events will need to be covered and will be looked at in the final sections of this chapter. Namely, the sections that entail 'Recent Developments' and 'Future Directions.'

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Parliamentary Superannuation (Overview)
Parliamentary Superannuation was enacted for the means of allowing retiring or defeated MPs, over the age of 65, to live the retired years of their life in security. That is, an MP should be able to live at the same standard-of-living prior to their retirement. Western Australian MPs were granted this through the Parliamentary Superannuation Act 1948.

Historically speaking, there have been a great number of amendments to this Act.\(^{59}\)

It could have been felt that many MPs went into politics late in their life, after having worked in a previous profession that would have allowed them to save. But it was felt that MPs also needed to accrue savings, and a greater amount of savings, at the critical age towards retirement. MPs spending their final years of work would not accrue any funds towards retirement unless it was out of their own pocket. Therefore, with the original institution of Parliamentary Superannuation, it was felt that the contributory rate of the employer, namely the Government, should pay a much greater amount than the rest of the workforce. Western Australia has followed much the same course.

Although the events of the last six months (February 2004) have dictated a new form of Parliamentary Superannuation for the next session of Parliament, the current, and now almost-redundant form of Parliamentary Superannuation, came under a great deal of criticism for many years. It could be argued that the ideal of a person entering into the politics in the twilight of their lives no longer existed and that there was a ‘new breed’ of younger MPs now receiving payment and carrying on employment after electoral defeat. Many constituents were alarmed at the payouts that MPs would be receiving from the fund and saw no reason for its continued existence. With some research, it could be

\(^{59}\) Within 20 years of this Act’s conception, it was amended over 10 times.
supposed that the average age of MPs had grown younger, consequently making it easier to purport the claim that MPs no longer needed to be remunerated at such a rate as many of them would continue other employment. In 2001, *The West Australian* newspaper makes a similar claim, stating: "MPs who have retired from Parliament young and healthy, often going to other jobs, have been rewarded with huge payouts."60

In the same double-paged article, which is entitled 'What you pay new MPs in cash, perks and super,' stated that the 1970-1996 version of Western Australian Parliamentary Superannuation states that "a backbencher with 15 years service, could receive $725,000 at age 45." This amount would be apparently have been granted to this MP for contributing "$152,00 over (those) 15 years."61 However, the particulars of the varying types of historical superannuation will be looked into with more detail further into this Chapter.

This overview of events and feelings towards the issue bring the study to its review of the Western Australian Parliamentary Superannuation Scheme as it has had varying faces over the last 30 years and will continue to evolve into the future. This is a similar scenario with the federal Parliamentary Superannuation Scheme which will be visited after the Western Australian review.

### 3.2 Western Australian Parliamentary Superannuation

**Commencement:**
The Western Australian parliamentary superannuation scheme has been established in much the same way as the arrangements for federal MPs. Instituted in 1948 under the

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60 *The West Australian*, 30 April 2001, Pg. 13
Parliamentary Superannuation Act 1948, the Western Australian arrangements of remunerative superannuation ensured MPs of a secure retirement. Originally, the Act set out a body, called the Parliamentary Superannuation Board, to administer the superannuation scheme.

Through structural changes which occurred in 2001, the Salaries and Allowances Tribunal were given greater power in making recommendations to parliament regarding the status, amount and structure of the MPs' superannuative process: "Under Section 28(2) of the Parliamentary Superannuation Act 1970 the Tribunal may inquire into and determine any matter in connection with contributions to and the benefits payable under the Scheme." 62

Western Australian parliamentary superannuation basically guaranteed MPs a secure and comfortable lifestyle upon retirement, as it shall be seen, was quite similar to the events surrounding the federal MP's remuneration. The rates received by Western Australian MPs, it was stated, should remain much the same as other Australian jurisdiction's rates:

Minimum basic pensions payable in other States and the Commonwealth range from 41.2 per centum to 50 per centum. The Tribunal has found that the current W.A. level of 38.8 per centum after 7 years contributory service is unfavourable compared with standards in other States and the Commonwealth. Therefore the Tribunal determines that the rate of 46 per centum should apply. Increasing the rate to this level still leaves Western Australia behind the Commonwealth, New South Wales and Victoria but is comparable with the Australian average. 63

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61 Ibid.
Chapter Three: Parliamentary Superannuation

Western Australian parliamentary superannuation has followed in suit with most of the other states in determining the rates that MPs were receiving. This may seem a different considering Western Australia's unique method of determining MP remuneration through an independent tribunal that simply considers other states' actions and subsequently put a similar determination into effect.

By 1990 the tribunal had looked into various issues regarding a variable commutation figure along with some anomalies that had been noted within the Higher Office Pension Scheme. However, the greatest changes to Parliamentary Superannuation came out of the determinations made after 2000.

Members, would receive varying rates of superannuation, which would be dependent upon when a particular MP was elected. This was due to a change in the rates that MPs were to receive for their superannuation:

For those Members elected to the State Parliament as at or after 14 December 1996 and who elect to transfer from the contributory scheme established under the Parliamentary Superannuation Act 1970; and

For those Members elected to the State Parliament after the closing date of the contributory scheme;

the rate of contribution to be made on behalf of the Members is 9 per cent of the parliamentary salary determined in accordance with Section 6(1)(a), (b) and (c) of the Salaries and Allowances Act 1975.64

This was what could be considered, in retrospect, the beginning of some of the major changes that were to take place over the following three to four years.

64 http://www.sat.wa.gov.au/super%202000.htm
Chapter Three: Parliamentary Superannuation

This study is not overly concerned in matters relating to the ‘actual sums’ received by MPs as such rates would vary greatly depending upon length of service, status or band along with the responsibility of that MP and how large their personal contributions would have been. However, as it has been noted, most of the Western Australian parliamentary superannuation experience, is derived from what has happened on the federal level. This relationship between the states’ determinations and the federal government’s policy decisions has become more apparent over the last couple of months. Therefore, it is considerably more important to review what has been happening at the national level so that this thesis may be able to gauge the nature of the relationship between Canberra’s Remuneration Tribunal and Western Australia’s Salaries and Allowances Tribunal.

3.3 Australian Parliamentary Superannuation

Introduction:
Australian Federal Parliamentary Superannuation has been extant since 1948 when it was created under the Parliamentary Superannuation Act 1948. The Federal Government’s review of its own superannuation arrangements has been at the forefront of all state governments, including Western Australia, and needs to be looked at in a viable context so that lessons may be drawn from it. Therefore it is necessary to begin with a Senate review that was recently held into Parliamentary Superannuation.

The review, as a part of a Senate Committee, was held in 2002 and although it did spend a great deal of time focussing upon the actual amounts received by Members of Parliament, it also focussed upon the philosophical and argumentative aspects of Parliamentary Superannuation. The review looked at many poignant notes that will now
Chapter Three: Parliamentary Superannuation

be taken into consideration whilst reviewing the actual process of remunerating Federal MPs their superannuative amounts.

The premise, or 'background to inquiry,' commenced with a fairly sharp quote stating: "What is happening now is that the superannuation scheme we have in place actually fails the test of fairness."65 This quote, by former Senator Cheryl Kernot sums up what could be considered the contemporary argument against the Parliamentary Superannuation Scheme. It is interesting to see such a quote opening the 2002 Senate review on parliamentary superannuation.

The origins of Parliamentary Superannuation, the report continued to remark in its opening statement, should be "similar to arrangements for senior executives in the rest of the workforce."66 In this sense, the report noted, on the commencement of its study, that there were perceptions within the public, and perhaps within governmental circles, that the arrangements under the current superannuation system where not 'in-line' with the rest of the community's. Furthermore, this perception was a fairly common perception of the general populous.

The committee stated "from the outset" that said public perceptions were not overly supportive of the superannuation scheme enjoyed by MPs and consequently listed the various public perceptions that had been noted. These public perceptions will be viewed briefly, as it is not this study's aim to devise a superannuation scheme for MPs, but rather to focus upon the salaries received by MPs. The review upon Parliamentary

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Chapter Three: Parliamentary Superannuation

Superannuation mainly takes the focus of looking at what is in place and what do the general public feel about it:

• "Over-generosity of the schemes"

Many people within the general public feel that the superannuation rates enjoyed by MPs are far too generous. To say everyone feels this way would be a gross generalisation, however, the question of what an MP is worth remains the main focus of this study.

• "Being out of step with the superannuation available to the rest of the community"

Evidence throughout this study illustrates the contribution rates of MPs towards their own superannuation or pension plans. As it has been seen, Australia-wide, the average contribution rate of any MP is approximately 12 per cent. The Government, on top of this amount, contributes an additional amount of approximately 60 per cent or more. When the general workforce's dollar-for-dollar contributions are compared with the contributory rates of the Government towards MP's superannuation, there can be seen a vast difference in the two schemes.

• "Unreasonable early access to full parliamentary pension entitlements"

Most members of the general public, by law, are unable to claim any of their superannuation savings until they have reached the age of 65 years old. However, and as this Chapter shall illustrate, MPs have been able to start claiming their pensions before than the age of 65. Similarly, those MPs who are ineligible to claim a pension because they did not serve for longer than eight years, can claim the lump-sum of their
Chapter Three: Parliamentary Superannuation

superannuation savings. The general workforce is unable to gain early access to full pension entitlements.

• "The availability of lucrative post-parliamentary employment"

There are two major sides to this argument. One argument states that some MPs can claim upon their superannuation savings because they did not serve for long enough, but in the meantime, can continue working and earning more towards their savings and their retirement. The other argument, although somewhat unprovable, proposes that many MPs would find lucrative, expertise based, work after serving within Parliament. For example, the Minister for Health could easily find themselves in charge of the Department of Health, a major hospital or a medical research group. This argument is based upon the premise that MPs establish their post-parliamentary employment whilst still in parliament.

• "A Committee of parliamentarians was inquiring into their own scheme"68

This is the last argument that was proposed to the Senate Committee’s hearings and it is an argument that has also been previously seen within this study. It has become apparent that many constituents become disgruntled, and even disenfranchised, with the parliamentary process when they see MPs determining what their own salary and superannuation rates will be. This may because not many other employees have this opportunity or simply because they consider it to be unethical.

68 Ibid.
Chapter Three: Parliamentary Superannuation

Parliamentary Superannuation 1948-1983

However, not all would agree with the arguments that have been mentioned by the public and by Senator Kernot. Mr Benjamin Chifley, in a somewhat similar fashion to Sir John Forrest’s earlier remarks from Chapter 1, stated:

In its general purpose the scheme aims to meet the situation, long recognised by members of all parties, that men or women who serve in parliament often sacrifice opportunities to provide against the day when their parliamentary careers come to an end.69

There are two main sides to the argument that Mr Chifley proposes through the statement that he made in Parliament in 1948. Firstly, he supposes that the many people who go to Parliament to serve, actually make sacrifices against other careers in which they could possibly make more money. Secondly, that when an MP’s parliamentary career comes to an end, they will be able to provide for oneself. Both of these arguments have been viewed earlier within this study and could today be considered a little redundant.

The Chifley Government implemented the Parliamentary Superannuation Scheme for many reasons. As noted, entering Parliament meant foregoing other possible careers and, contrary to the public’s earlier noted argument, that it was difficult to re-establish employment once an MPs career had ended. The last main reason given for its 1948 implementation was that it would “entice people to enter Parliament who would otherwise not come.”70

69 House of Representative Parliamentary Debates, Hansard, 1 December 1948, P 3738
The 1948 version of Parliamentary Superannuation was “funded to the extent of the member contributions, and was framed along the lines of the Commonwealth public service superannuation scheme.” However, between 1948 and 1973 some legislative developments changed the nature of Parliamentary Superannuation and made it a much more generous plan. Pensions, originally based upon a set amount, were changed in 1963 to being based upon the salary that an MP received. Then in 1973, “the maximum benefit payable to an MP was increased from 50 per cent to 75 per cent of the parliamentary salary payable.”

Prior to 1973, certain MPs could claim their superannuation savings from the age of 40. However this was only if the MP had voluntarily retired. In 1973, this amount was raised to the age of 45. By 1978 the involuntarily retiring MP did not have to be older than 45 years old as the age component of the package was dismissed. However, along with this dismissal, the commutation rate was raised to 100 per cent of the MPs salary payable. Nonetheless, this was again reduced to 50 per cent in 1983. The scheme used by Federal MPs has, in many various ways, remained the same since 1983, therefore it is necessary to review the standard and workings of parliamentary superannuation in throughout 2000 to 2002.

In 2001, Mr Peter Andren (Independent Member for Calare) gained much publicity for his views upon Parliamentary Superannuation and what particular measures should be taken towards its future. Mr Andren’s proposal was that Members of Parliament should

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71 Ibid.
72 Ibid.
73 Ibid.
be allowed to 'opt out' of the current (2001) Parliamentary Contributory Superannuation Scheme (PCSS) and should be able to defer their superannuation payment until after the age of 55. After appearing on Channel 9's *A Current Affair*, who canvassed the community about their views, "The Senate Select Committee on Superannuation and Financial Services subsequently received more than 2,500 submissions, 35 petitions with nearly 1500 signatures, as well as nearly 700 emails."\(^{74}\)

The Australian Liberal Party stated that the amendments would bring the scheme into line with the rest of the community and the Australian Labor Party stated that it was not a bad option to take. The Australian Democrats stated that they had made the original claims in a 1997 Australian Democrat generated report, whereas Bob Brown (Leader of the Australian Greens) wrote a media release stating that it was "a feeble attempt to reform superannuation" and that all MPs should actually be given the option of opting out of any parliamentary superannuation scheme into a 'usual' scheme.\(^{75}\)

The report into the amendments suggested by Mr Andren illustrated the various percentages of parliamentary allowance that MPs would receive in retirement. The table overleaf illustrates the report's table.\(^{76}\)

\(^{74}\) INFORMATION AND RESEARCH SERVICES, *Parliamentary Contributory Superannuation Amendment Bill 2001*, Department of the Parliamentary Library, Canberra, 2001, Pg. 10

\(^{75}\) Ibid. Pgs 11-13

\(^{76}\) Ibid. Pg. 3
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<th>Years of Service</th>
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<td>8</td>
<td>50</td>
</tr>
<tr>
<td>9</td>
<td>52.5</td>
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<td>16</td>
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<tr>
<td>17</td>
<td>72.5</td>
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<tr>
<td>18 or more</td>
<td>75</td>
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Mr Andren, against this background introduced the bill and went to a public hearing for the Senate Committee’s review. In the explanatory memorandum, which accompanied the Bill, Mr Andren stated:

Despite a Senate Inquiry in 1997 which concluded the parliamentary scheme lacks transparency, is out of step with superannuation practice in the wider community as is in some cases excessively generous, there appears to be no will on the part of the Government or the Opposition to reform the scheme. 77

At the public hearing on the Bill, Mr Andren ‘amplified’ his reasons for the bill, stating “its totally unfunded nature,” it was gradually increasing and increasing the pressure on the taxpayers, choice was available in the community and that some members would like the “honour” to opt out of such a system, thus “preserving their integrity.” 78

The Bill became an Act in 2001 and now provides “that the payment of parliamentary pensions for new Senators and Members of Parliament will be deferred until they reach

78 Ibid.
Chapter Three: Parliamentary Superannuation

55, become invalids or die.” The Act also provides the individual with the right of choosing to “commute part of the pension benefit to a lump sum” which is also deferred to the age of 55.\(^{79}\)

Despite the Committee being in disagreement to public statements regarding the generous and intransparent nature of the scheme, it nonetheless welcomed the developments that had arisen out of the exercise and noted that such future discussions into the issue should take place. However, the major recommendation found that the Federal Remuneration Tribunal make a new determination regarding to the MP’s overall remuneration package.

Attached to the Appendix of the report is contained a ‘Dissenting Report’ by Australian Democrats Senator Lyn Allison. In Senator Allison’s Report, she states that, although there were some changes that the Democrats agree to, there were many issues that do not take the amendment to its fullest extent. Allison believed that the scheme was far too generous and that this had still not been addressed: “the Government Actuary has reported that the ‘notional employer contribution was 69.1 per cent.”\(^{80}\) Nonetheless, Allison and the Australian Democrats supported the Bill, even though it did “not constitute a proper reform of the system.”\(^{81}\)

Western Australian Greens’ Members of the Legislative Council submitted a proposal to the Australian Greens Conference regarding the issue of parliamentary superannuation. In a somewhat similar set of recommendations to that of Bob Brown’s recommendations, the proposal stated: I) “MP’s superannuation schemes should be brought into line with

\(^{79}\) Ibid.
\(^{80}\) Ibid. (Appendix of Report)
Chapter Three: Parliamentary Superannuation

superannuation schemes used by the general community. II) Failing this reform, MPs should have at least the option to leave their parliamentary superannuation scheme for a scheme in use in the general community. III) MPs’ superannuation schemes should be determined by an independent body and not be MPs themselves. IV) All parliamentary superannuation schemes should use ethical investment principles. Although most of these principles have not been adopted, some major changes have taken place that are, in some respects, akin to some of the Greens’ recommendations.

However, before moving on to review the events of 2004 that may revolutionised the scheme, it is important to briefly pause upon the scheme in its form as at 2002. This is necessary so that the full implications of 2004’s events and decisions can be viewed objectively and academically.

2002 Parliamentary Superannuation Scheme (Structure and Method)
There are certain standards, or benchmarks, that must be attained by MPs so that a pension can be acquired. An MP cannot simply serve for one term as a representative and then expect to receive a lifetime pension. However, a one-term serving MP can receive a lump-sum payout at the age of 55. There are various rules and regulations that must be briefly examined so that the full picture of the parliamentary superannuation scheme may be gauged.

There are three particular criteria that entitle MPs towards a lifetime pension, MPs must fulfil one of these criteria to do so. I) MPs need to have served for 12 or more years II) The MP has ceased being an MP on four or more occasions during the expiration or

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81 Ibid. 64
dissolution of the house or III) Their retirement is involuntary and the MP “has not completed less than eight years service.” In summary, “the essence of qualification for a pension is 12 years for voluntary retirement and eight years for those who retire involuntarily.” 83

MPs can claim varying amounts depending upon their service as an MP and whether their particular salaries increased due to service completed within the Ministry or another related area: “The minimum pension is 50 per cent of backbench salary (after 8 years) and the maximum is 75 per cent of backbench salary (after 18 years).” 84

Those who are not entitled to a pension because they did not serve the intended amount of time, 8 years being the minimum, are entitled to a lump sum payout. This lump sum, as noted previously, is now payment-deferred until the MP reaches the age of 55. Involuntary retirement of such an MP constitutes a “refund of all contributions (without interest) plus a supplement of two and one-third times those contributions.” Whereas voluntary retirement for such an MP constitutes a “refund of all contributions (without interest) plus a supplement of one an one-sixth times member contributions over the last eight years.” 85 Most states and territories, with Western Australia being the exception, follow a very similar method of paying pensions to MPs.

84 Ibid.
85 Ibid.
3.4 Recent Developments

While this thesis was still being undertaken, several developments regarding the Federal Parliamentary Superannuation occurred within the time of the study’s submittal. Such developments that have recently occurred will have the possibility of revolutionarily changing the structure and methodology of Parliamentary Superannuation. Therefore, it is essential that this study take these recent developments into serious consideration.

The nature, or the drive, behind the major changes now proposed to Parliamentary Superannuation could be debated. Some would argue that the drive behind the changes was simply a matter of ‘grabbing votes’ in an election year. Although the changes will not take effect for some years, they will apparently become effective in 2007 when a new parliament is elected and will have broad reaching implications.

It is not very often that an Opposition has the opportunity to dictate their policy decisions to the Government of the day. However, on the issue of Parliamentary Superannuation, the Government was coerced into accepting the Opposition’s platform on the basis that the public opinion on the issue was very strong. Such events illustrate the volatility of the issue and how the public’s general perception of Parliamentary Superannuation was that it was far too high. As it was noted earlier within this Chapter, various Independent MPs, Greens and Democrats had argued their case for a revolutionary overhaul of the system, but had received little or no recognition whatsoever for their claims.

This was the first time that the issue of Parliamentary Superannuation had come to the fore with both of the major parties involved in a dispute about what should happen. The
fact of it possibly being an election year gave considerable weight to the issue and the Government was, therefore, 'electorally persuaded' to act. The result of such persuasion was, largely, one of bipartisan proportions.

The volatility of the issue was noted by the 7.30 Report's Kerry O'Brien as "the old hand grenade of parliamentary superannuation" and also noted that the issue had been "a running sore with the electorate." As noted, this was due to the fact that MPs could receive half their salary as a pension for serving eight years as an MP.

The Opposition Leader, Mr. Mark Latham, made an 'election-bid' proposal that the Parliamentary Superannuation Scheme would be shut down under a Labor Government and that sweeping changes would take place. The fact of this being a notoriously votes driven approach by party leaders is backed by Professor Nick Economu from Monash University: "It's very populist in the sense that Mr Latham is feeding on community attitudes towards politicians."  

The Treasurer, Mr. Peter Costello, raised the somewhat philosophical debate that was noted within Chapter Two. Mr Costello stated that he did not think that changing the super scheme for MPs entice better people into politics. But Spokesperson of the Association of Funds, Ms Phillipa Smith stated that the scheme was akin to a "cash cow" which provided a backdoor entry for MPs to grant themselves luxurious payouts. She

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86 http://www.abc.net.au/7.30/content/2004/s1043983.htm
87 Ibid.
88 Ibid.
Chapter Three: Parliamentary Superannuation

stated: "The politicians put in about 11.5 per cent of their wages into super, but the Government tops it up by a subsidy that is equivalent to 69 per cent."\(^8^9\)

As this thesis has proposed, Parliamentary Superannuation was established at a time when people went into politics near the end of the professional careers. Such a claim is supported by Dr Economu:

> The superannuation scheme was originally formulated at a time when people went into politics quite late in their life, usually having worked in some other profession or doing some other job, and went into Parliament at a much older age.

> These days politicians are much younger, they seem to be going into politics as a career and the superannuation they can get if they survive a couple of terms is very generous.\(^9^0\)

In an historical occasion, Prime Minister Mr. Howard, called a press conference late in the day and made the announcement that the Parliamentary Superannuation had seen its end and would be replaced at the next Parliament.

> I am sorry it is so late. The party has approved the Cabinet's decision to legislate immediately to close down the existing Commonwealth parliamentary superannuation scheme to people elected at the next Parliament. It will be replaced by a scheme that attracts a Government contribution of 9 per cent. Which is the community standard.\(^9^1\)

\(^8^9\) Ibid.
\(^9^0\) Ibid.
\(^9^1\) Ibid.
In a subsequent interview on *The 7.30 Report* Mr. Mark Latham made a similar suggestion that this study has made about the relationship between Parliamentary Superannuation and Australia’s democratic system:

> This is all about rebuilding some trust and confidence in our democracy so that people can look at the system of entitlements and think there is a fair dinkum standard instead of the double standard we have had in the past. 92

The double standard, to which Mr. Latham refers, existed between the general community’s super rates and MP’s super rates. This suggestion implies that there existed two classes of people, each with their own set of agreements and entitlements.

The current arrangement now awaits approval through the passage of both Houses of the Federal Parliament and will come into effect in 2007. However, this fact in its own right, caused debate as MPs elected in the next general election will come under the new scheme whereas those MPs re-elected will remain under the old scheme.

In an interview with Laurie Oakes on the *Sunday* program, Mr. Wayne Swan, Member for Lilley, was asked whether this was very fair: “But why should there be two classes of MPs? Why should someone elected after the next election get only nine per cent from the taxpayer, but someone like you our Mark Latham gets 69 per cent?” 93 Mr. Swan stated that such things are difficult to practically arrange.

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92 [http://www.abc.net.au/7.30/content/2004/s1043986.htm](http://www.abc.net.au/7.30/content/2004/s1043986.htm)
Chapter Three: Parliamentary Superannuation

The various comments and events that occurred in February 2004 illustrated the Parliament's ability to discuss a bipartisan approach towards such issues. Whether the events be viewed in a cynical light as 'vote grabbing' or in an idealistic light as bipartisan parliament at its best, Parliamentary Superannuation will now be brought into line with community standards.

The interesting event that followed the discussion and alteration of the Parliamentary Superannuation Scheme relates, pertinently, to a statement made by The Treasurer Mr. Peter Costello: "Under the Latham plan, this means your State MPs are going to be on much more generous superannuation than your Federal MPs."\(^{94}\)

This statement is true in some regards as the Salaries and Allowances Tribunal of Western Australia determine Western Australian MPs Superannuation. However, the other States of Australia have their Remuneration determined by one body, namely the Federal Remuneration Tribunal. Amendments to the Federal super scheme may have ultimately filtered through to most states.

However, within days, Premiers Peter Beattie, Bob Carr, Steve Bracks and Geoff Gallop all stated that they were happy with the suggested amendments and that, when the time came, they would also fall into line with the amendments to be made by the Federal Government.\(^{95}\) It is not surprising that most, if not all, MPs made statements of agreement towards the proposals put forth, as to do otherwise may have resulted in political suicide.

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\(^{94}\) [http://www.abc.net.au/7.30/content/2004/s1043983.htm](http://www.abc.net.au/7.30/content/2004/s1043983.htm)

\(^{95}\) Ibid.
Chapter Three: Parliamentary Superannuation

However, it is with interest, that this study notes the 'agreement' of Premier of Western Australia, Dr. Geoff Gallop. It is possible that Dr. Gallop’s government can dictate future directions for MP superannuation, however, the determinative process within Western Australia also includes the Salaries and Allowances Tribunal.

The statement made by Dr. Gallop uncovers a precedent that has not been noted elsewhere. The Salaries and Allowances Tribunal, established as an 'independent' tribunal who review issues of a fiscal and parliamentary nature, make determinations accordingly and independently from governmental or external interference. It is arguable that Dr. Gallop is not in a position where he can dictate government policy to an independent tribunal. Otherwise the question needs to be asked: what is the point of having an independent tribunal? This consequently effects the future directions of the Salaries and Allowances Tribunal, and the part that it may play in determining parliamentary remuneration in the future.

3.5 Future Directions

Given the data that has been analysed, before concluding this Chapter’s review of Parliamentary Superannuation, it is necessary to review some of the major changes that have recently occurred so that some of the future directions of the Western Australian Parliamentary Superannuation Scheme may be reviewed.

The future of parliamentary superannuation in Western Australia could become a simple linkage with the Federal Government’s superannuation scheme. Superannuation rates, payments and percentages for Western Australian MPs could, given the decisions of late,
be determined by the Remuneration Tribunal. Although this issue, in itself, is more a matter for the Recommendation Chapter of this study, it is nonetheless, a noteworthy point.

Structurally speaking, it could be considered administratively expensive and pointless to have two, unrelated, tribunals inquiring into the same issue when only one body is needed to forecast such determinations. The Remuneration Tribunal, which has similarly been dictated to by MPs policy, could in all likelihood, become the independent tribunal that would oversee the remunerative determinations for all Australian jurisdictions. A simple legislative link would suffice in linking Western Australian Parliamentary Superannuation to that of the Federal Parliamentary Superannuation Scheme's structure.

However, before looking into such claims fully within the Review and Recommendations Chapter, it is important to review what has happened within Australian politics with regards to Federal, and other State’s, remuneration. Similarly, various other Westminster based jurisdictions will be reviewed for their methodology in determining MP Remuneration.

It could be said that the superannuation rates earned by Members of Parliament over the last thirty-to-fifty years have been rather generous. This component of Parliamentary Remuneration has borne the brunt of public criticism and has now been futuristically amended. This chapter has noted, not in so much detail the amounts and rates received by MPs, but rather, the historical and philosophical reasons for such amounts being received by MPs. Given the events of late, this thesis does not purport to understand what the
Chapter Three: Parliamentary Superannuation

future holds for Parliamentary Superannuation in Western Australia, however, it will be with great interest that proceedings and developments will occur.
4.1 - Introduction

In 1973 the Federal Government of Australia instituted the Remuneration Tribunal Act which established a committee to determine Parliamentary Salaries and Allowances for the Federal tier of government. Prior to this Act's introduction, Federal Parliament itself determined what the amount of remuneration it would receive. The Remuneration Tribunal, established in Canberra two years before the creation of the, somewhat parallel, Salaries and Allowances Tribunal in Western Australia, have in many ways had a very similar history. Apart from the Remuneration Tribunal, the Australian National Audit Office, the Department of Finance and the Auditor General's Office have all contributed towards the debate on parliamentary remuneration.

There have been governmental reports, comparisons between states, comparisons between both public and private jobs, remunerative increments according to fluctuations in the Consumer Price Index and Average Weekly Earnings, and there has also been a great deal of debate.
Chapter Four: Australian Parliamentary Remuneration

The creation of the Remuneration Tribunal was brought about under the Whitlam Government (1972-1975), derived from the Kerr Committee's recommendation that there should be an independent tribunal formed to determine remunerative amounts for Federal MPs.97

With the exception of Western Australia, Parliamentary Salaries for all Australian States and Territories are presently (2003) determined by the Federal Remuneration Tribunal's determinations.98 There does exist arbitrary Remuneration Tribunals in several States and Territories, however, it is the determinations of the federal Remuneration Tribunal that carry the most weight. Therefore, it is necessary to look at the Federal Tribunal's various decisions over time. However, before delving into historical and contemporary analyses of the federal Remuneration Tribunal's determinations, it would be advantageous to briefly review each state of Australia so that a greater understanding of the Australian 'remunerative scene' may be achieved.

4.2 - State and Territory Remuneration

Victoria:

The State of Victoria was the first among all Australian states to create a link between its remunerative scheme and the federal remunerative scheme. Shortly before this link was formed, a committee oversaw the introduction of remunerative determinations. Sir

George Paton, Sir Henry Bland and Professor Donald Cochrane, all of whom were on this committee stated: "...if there are any relativities, they are to be found with Members of other Parliaments." 99

The link, created in 1975, established that Victorian MPs should receive the same amount "payable to members of the House of Representatives, less $500." 100 This amount has subsequently increased to over 99% of a Member of the House of Representative’s salary.

Interestingly, in Victoria in 1997, it was found that up to 21 MPs earned a second income of up to $120,000 p.a. The article, which appeared in the Herald Sun, provided evidence of MP Mr Atkinson earning $120,000 per year along with an $800 per day consultancy. 101 The article, painted most of the other 20 MPs with the same brush.

New South Wales & Queensland:

In the late 1980's, both New South Wales and Queensland moved to form the same link as the Victorian State Parliament. That is, the amount payable to members of the House of Representative, less $500 is the annual salary payable to MPs from N.S.W. and Queensland. Gradually, the remaining States and Territories, with the exception of Western Australia, forged a similar linkage.

98 This is with the exception of Tasmania, whose remuneration is determined by the Tasmanian Industrial Commission, who nevertheless, agree with an 85.19% link to that of a Federal MP's salary; which is still set by the Remuneration Tribunal.
100 Ibid. Pg. 205
101 The Herald Sun, April 2 1997, Pg. 7
South Australia:
South Australia followed the same methodological structure of determining the remuneration of South Australian State MPs when, in 1990, Parliament determined a link with the Members of the House of Representatives. This link was an amount payable, from time to time, at a rate of $1000 less than those in the House of Representatives. However, in April 1995, this Act was amended to $2000 less than the basic Commonwealth salary.\textsuperscript{102}

Northern Territory:
The \textit{Remuneration Tribunal Act} itself provides the ground upon which a Member of the Legislative Assembly of the Northern Territory may be remunerated. The payable amount being $3000 less than a Member of the House of Representatives.\textsuperscript{103}

Tasmania:
"\textit{The Parliamentary Salaries and Allowance Act 1973}, as amended by the \textit{Parliamentary Salaries and Allowances Amendment Act 1996} places the responsibility for determining the salary of a Tasmanian Member with the Full Bench of the Industrial Commission."\textsuperscript{104} Ultimately this amendment could be seen as being inconsequential since, in 1997, the Full Bench of the Tasmanian Industrial Commission simply reformed the link between Tasmanian MPs to members in the House of Representatives. Consequently, Tasmanian

\textsuperscript{102} MOORE, B, \textit{The Remuneration of Members of the Western Australian Parliament 1888-1999}, Perth, 2000 (Unpublished), Pg. 208
\textsuperscript{103} Ibid.
\textsuperscript{104} Ibid.
Members of Parliament would receive 85.19% of the base salary received by Commonwealth Members of Parliament.\textsuperscript{105}

**Australian Capital Territory:**

Members of Parliament in the Australian Capital Territory were to be remunerated accordingly by the Remuneration Tribunal's autonomous determination. The *Remuneration Tribunal Act of 1995* determined that there would be no linkage to other parliaments formulated for Members of the ACT Parliament, as they would be determined by the federal Remuneration Tribunal.\textsuperscript{106}

\textbf{Parliamentary Remuneration – House of Representatives:}

The Tribunal's establishment originally stemmed from the Parliamentarians' constitutional right of payment. As specified in the Commonwealth of Australia Constitution, "Until the Parliament otherwise provides, each Senator and each Member of the House of Representatives shall receive an allowance of four hundred pounds per year, to be reckoned from the day on which he takes his seat."\textsuperscript{107}

By 1997, many developments occurred and all Australian States and Territories, except Western Australia, came under the umbrella of the Remuneration Tribunal with parliamentarians being remunerated by a stipulated percentage of the Tribunal's determinations of those who served in the House of Representatives. This means that the

\textsuperscript{105} Ibid.
\textsuperscript{106} Ibid. Pg. 206
\textsuperscript{107} *Commonwealth of Australia Constitution* (section 48)
determinations of the Remuneration Tribunal have enacted what MPs in the States and Territories of Australia would receive.

The Whitlam Government (1972-1975) brought about the realisation of the Kerr Committee's recommendation from 1971 for the establishment of an independent remuneration tribunal. It was then intended that the Remuneration Tribunal "would depoliticise the issue of Parliamentary Remuneration and conditions." It seems apparent that both the States and Territories, by forming a simple linkage to that of the members of the House of Representatives, may have been trying to depoliticise the issue for themselves. The reason why this seems apparent is because their remunerative increase is not of their own accord, but is simply, an automatic adjustment. This 'automatic adjustment' has not depoliticised the contention surrounding Parliamentary Remuneration and, as this study delves further into the historical documents surrounding this issue, it will become clearer that it remains a volatile subject for the Federal, State and Territorial Governments.

The Remuneration Tribunal made several determinations for the members of the House of Representatives before stating in its 1982 Determination that: "traditionally, government salaries have lagged behind the workforce's." This may certainly be true, however, it appears to be an attempt of the Remuneration Tribunal's aim in depoliticising the issue, as statements such as this were not often made in Determinations.

Chapter Four: Australian Parliamentary Remuneration

As it has been illustrated, various parliaments and tribunals throughout Australia tried varying methods in order to realise the illusive figure of what an MP was worth. Ideally, such a determination would have to be accepted by both the constituents and the parliamentarians. Unfortunately, one could easily assume that the illusive figure was not even what a parliamentarian was really worth, but rather, a comprised, 'voter-friendly' amount. In an attempt to discover a justifiable amount, the Remuneration Tribunal employed private research consultants Cullen/Eagen/Dell in 1988 to complete a work value study. These were the same private consultants who provided the Western Australian Parliament with a work-value study two years later in 1990. The consultants determined that Federal MPs were grossly underpaid and needed severe increases in order to bring them into line with the rest of the community. However, the Hawke Government (1983-1991) opposed the recommendations of both the Federal Remuneration Tribunal and the Cullen/Eagen/Dell study and decided to link MP's Salaries to the Senior Executive Service Band 1.\(^\text{110}\)

Although no explicit reason as to why the recommendations of the study were rejected, a report by The Remuneration Tribunal stipulated that the role of the Tribunal was to only advise the Parliament. This is surmised by the following statement that it made in its report:

\(^{110}\) Background Paper 7, Australian Parliamentary Library, 1997-1998, Pg. 4
Nonetheless, often MPs do not make it easy on themselves or the tribunals when increases are passed through Parliament under what seems to be disreputable circumstances. The power of the media, in such circumstances is indefatigable. One particular example of public condemnation appeared on the front page of the *Sydney Morning Herald* in 1998: "in just nine minutes, wedged between 20 hours of tortuous debate on mostly environmental bills, the Members of the NSW Upper House unanimously granted themselves an average increase of 30% in their superannuation entitlements." The vote took place around 1am and "there was no discussion, no dissension."112

The report, on members of the Legislative Council in New South Wales paints all parliamentarians with the same brush. It is unfortunate for many that such a stinging report would be expressed on the cover page of the *Sydney Morning Herald* as it is arguable that the NSW MPs were entitled to such an increase. Yet, such stories will not assist parliamentarians in general and their attempts at depoliticising the issue of Parliamentary Remuneration. At the crux of the depoliticisation process is the search for a fair and equitable link that MP Salaries can be tied to.

Chapter Four: Australian Parliamentary Remuneration

The media have fuelled public displeasure towards the amounts received by MPs. At times, it seems as though it is not the amount of remuneration received by MPs that constituents are upset about, but rather, there seems to be a perception in the public that parliamentarians do not do enough work for the amounts that they receive. The *Herald Sun* reported that the Australian Federal Parliament was the 'laziest' in the English-speaking world:

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount of Sitting Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>64 days – House of Representatives</td>
</tr>
<tr>
<td>New Zealand</td>
<td>88 days – House of Representatives</td>
</tr>
<tr>
<td>United States</td>
<td>143 days – House of Representatives</td>
</tr>
<tr>
<td>Canada</td>
<td>141 days – House of Commons</td>
</tr>
<tr>
<td>Britain</td>
<td>162 days – House of Commons</td>
</tr>
</tbody>
</table>

It is quite obvious that such a report does not heighten the general populous’ view of parliamentarians in Australia. Nor does it help Federal MPs justify any sort of remunerative increments whatsoever.

In 1999, the *Sydney Morning Herald* raised the Remuneration Tribunal's desire to find a link that might equitably determine what parliamentarians should earn. However, the *Sydney Morning Herald* saw the method of finding a link as "a way of taking the

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112 *The Sydney Morning Herald*, 10 Jan. 1998, Pg. 1
113 *The Herald Sun*, 6 May 2002, Pg. 6
political heat out of the issue of a pay rise" and went on to say that “politicians' pay might be linked to Federal Court Judges.”

Since the Hawke Government legislation, parliamentary salaries had been tied to SES Bands within the Australian Public Service. The SES Bands were tied to the Continuous Improvement in the Public Service Enterprise Agreement Act, formerly known as Improving Productivity, Jobs and Pay in the Australian Public Service Act 1992. This convoluted relationship of Acts was finally ended when the Workplace Relations Act 1996 which brought individually negotiated agreements, within the Public Service, into play and Parliamentary Salaries could no longer be tied to SES Bands. The remuneration of MPs was consequently frozen and the Tribunal stated:

The Remuneration Tribunal, in its Statement on Members of Parliament - Allowances and Entitlements, dated 8 October 1997, has drawn attention to this lack of an adjustment mechanism, and recommended that this be given early attention. Any action to re-establish a salary adjustment mechanism would bring the issue of parliamentary remuneration back onto the public agenda, when the point of tying parliamentary salaries to SES salaries was precisely to de-politicise the issue.

A salary adjustment needed to be found since the linkage with SES Bands had been lost, but the conundrum of raising the issue of parliamentary remuneration in the public light was a worrying thought for the Remuneration Tribunal. It could be safely said, in light of this statement, that the main role of the Federal Remuneration Tribunal was, and still remains, finding a link that will determine MP salaries in a non-contentious fashion.

114 The Sydney Morning Herald, 8 December 1999, Pg. 7
115 Background Paper 7, Australian Parliamentary Library, 1997-1998, Pg. 5
Chapter Four: Australian Parliamentary Remuneration

The Remuneration Tribunal decided to survey the Members of Parliament in 1996 in order to receive some feedback on the way they felt about their Remuneration Packages. The Tribunal stated that a large number of submissions were received, apparently due to the fact that MPs never had the chance to air their grievances on the issue. There were some notable points raised by many MPs, they were:

i-A greater flexibility within existing entitlements;

ii-Significant expansion of funding; and

iii-New entitlements relating to individual family circumstances and differing electoral demographics.

In response to these requests, the Tribunal suggested that a more flexible system would be difficult to attain since: "The Tribunal's view continues to be that accountability is best served by the public knowing the purpose for which funds are available to Members, recognising the distinction between provisions directed to a member's individual benefit and those expenses which are incurred in the discharge of electorate functions, and appreciating the justifications, controls and accounting attaching thereto."\(^{116}\)

Although the flexibility of parliamentary allowances seems important, any recommendation that this thesis makes in regards to an overly flexible Parliamentary Remuneration structure would be easily dismissed by the Federal Tribunal on the bases of the need for greater accountability. It would be difficult to put the salary and allowances into one 'global' package in order to make them more flexible as it would be harder to
Chapter Four: Australian Parliamentary Remuneration

keep a tabs on how the monies were being spent. Under the current federal structure of allowances, it is easier for the Tribunal and the Auditor General's Office to review. The Tribunal's poignant note is important, as it shall become more evident, because it is difficult under the current 'inflexible system' to keep accountability to its greatest practice. It could be said that the Federal Remuneration Tribunal has a 'pre-remuneration state,' and as it was stated earlier, the parliament decides upon whether the 'pre-remuneration' will evolve into a 'current-remuneration state.' However, there is also the 'post-remuneration state' whereby the Australian National Audit Office analyse the monetary aspects of Parliament and review: How the Remuneration has been dealt with, has it been fair, have discrepancies occurred and what are some suggestions for the future of Parliamentary Remuneration.

4.4 - The Australian National Audit Office Report:

In 1999-2000, the Australian National Audit Office (ANAO) produced the *Parliamentarians' Entitlements* report which was an extremely detailed report on Parliamentary Remuneration and its usage by the Members of Parliament. Although many parts dealt with in this report are irrelevant to this particular study, there were numerous significant recommendations made by the ANAO in regards to the restructuring of Parliamentary Remuneration and Entitlements. Well-structured Parliamentary Remuneration needed to exist, according to the ANAO, since Parliamentarians needed an appropriate level of resources in order to best serve the public. The ANAO stated that while the Remuneration Tribunal had been looking into the

flexibility of payments, it believed that MPs should be able to trade-off one entitlement for another. This would assist them in performing their parliamentary and electoral duties. For the sake of comparison, no such suggestion has ever been made by the Salaries and Allowances Tribunal of Western Australia in regards to flexibility of entitlements.117

An example of this is shown through Scheduled Fare Travel where the table below shows the lowest amount consumed by one MP at $2,006, whereas the highest level is $85,098. The greatest difference was in regards to ‘Photographic Services’ where the lowest level consumed was $33 and the greatest amount was $93,933. These figures clearly illustrate the fact that MPs roles vary from their office to their electorate and to the level of responsibility they have. Consequently the suggestion is made that the entitlements received by MPs should be flexible enough to cater for the varying levels of responsibility and needs due to such matters as geographical location. The table below, from the ANAO’s report, demonstrates that need for the Remuneration Tribunal to able, in some ways, to cater for the individual needs of parliamentarians. The table overleaf helps illustrate this point further:118

Entitlement Expenditure

<table>
<thead>
<tr>
<th>Entitlements</th>
<th>Actual Usage Range (of Spending)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lowest $</td>
<td>Highest $</td>
</tr>
<tr>
<td>Scheduled fare travel</td>
<td>2,006</td>
<td>85,038</td>
</tr>
<tr>
<td>Travelling Allowance</td>
<td>1,340</td>
<td>47,512</td>
</tr>
<tr>
<td>Private-plated vehicle</td>
<td>753</td>
<td>40,061</td>
</tr>
<tr>
<td>Special Purpose Aircraft</td>
<td>210</td>
<td>656,608</td>
</tr>
<tr>
<td>Official car transport</td>
<td>64</td>
<td>135,707</td>
</tr>
<tr>
<td>Spouse &amp; Dependent Travel</td>
<td>228</td>
<td>40,935</td>
</tr>
<tr>
<td>Retirement Travel</td>
<td>70</td>
<td>146,588</td>
</tr>
<tr>
<td>Printing:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members</td>
<td>Not available</td>
<td>Not available</td>
</tr>
<tr>
<td>Senators</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flags</td>
<td>28</td>
<td>16,860</td>
</tr>
<tr>
<td>Photographic Services</td>
<td>33</td>
<td>93,933</td>
</tr>
</tbody>
</table>

The ANAO stated that there should be enhanced guidance given to MPs in regards to their entitlements and what they were entitled to since: "A number of reviews of the administration of Parliamentarians' entitlements have identified the need for clear guidance as to the definition of the terms 'parliamentary business,' 'electorate business' and 'party business,' given the key role these terms play in determining Parliamentarians' eligibility for a number of otherwise largely uncharted entitlements." It has been understood that the MP has three main branches from which his or her role stems: Parliamentary Roles, Electoral Roles and Party Roles (if applicable). It will be decided later as to which of these, if any, are able to come under a performance management system that determines what MPs get paid. One could suppose that MPs would certainly seek out enhanced guidance if their level of entitlements depended on their performance.

118Ibid. Pg. 14
The ANAO provided five guidelines for salary determination that will be reviewed at a later stage:

"1. **Flexibility:** allowances must be sufficiently flexible to recognise the varying needs of different electorates and to allow Senators and Members to respond to these needs. The Tribunal noted that it was committed to ensuring that, over time, it can deliver Senators and Members greater flexibility in how they utilise their expenses of office within appropriate parameters.

2. **Accountability:** the expenditure of public funds by Senators and members must at least meet the normal standards of accountability that apply to the expenditure of public funds in general and may sometimes be subject to other arrangements.

3. **Fairness:** Allowances should be structured to preclude any real or imputed favour to any particular parliamentary grouping or party.

4. **Supporting Quality Service:** Allowances should support Senators and Members in providing quality services to their constituents as their elected representative and;

5. **Work/Family Balance:** Allowances should be structured to support Senators and Members in achieving a better integration of work and family responsibilities and should
reconcile their family commitments with formal duties, which require frequent and prolonged absences from their families and family home.\textsuperscript{120}

The five point recommendation by the ANAO suggests a dramatic change in the way that remuneration has been looked at over the last century and is quite different to what has been happening elsewhere. Some of the recommendations, if implemented, would change the current state of remuneration in an almost revolutionary fashion. Therefore, it is now necessary that these five points recommended by the ANAO be reviewed to see how they would impact upon Parliamentary Remuneration.

As noted before, the ANAO made a statement pertaining to the idea that a remunerative package should have a certain amount of flexibility. The premise that parliamentarians should be able to exchange one type of entitlement for another does have its merits because the individual needs of MPs needs to be catered for. In contrast to this, the ANAO felt that it was already difficult to keep record of the current remunerative practice and that a greater flexibility of payments would only further confuse the situation.

This practice of accountability was the ANAO’s second point, upon which it was argued, that the remunerative scheme must meet societal standards whereby parliamentarians are called to be culpable for all expenses incurred. One could suppose that if there were a stronger structure in place to ensure accountability that the public may not be so trenchant in their feelings towards parliamentary remuneration. Therefore, the third point of Fairness in remunerative schemes plays a vital role in a system that should not favour any

\textsuperscript{120} Ibid. Pg. 36
Chapter Four: Australian Parliamentary Remuneration

particular person or party. If parliamentary remuneration were flexible enough to cater for the needs of individual parliamentarians, it should consequently follow that the payments would be fair enough to allow MPs to carry out their duties. The current state of Federal Parliamentary Remuneration is based upon the level at which an MP may be working. There is a base salary for backbenchers, and as the responsibility grows, so too does the level of remuneration.

The ANAO’s recommendation of Supporting Quality Service has already been noted through the fact that MPs have to be given sufficient funds so that they may provide a quality service to the constituency. The last recommendation is very interesting as it touches upon the social life of an MP. The Work – Family Balance recommendation recognises the amount of work that MPs do perform, and consequently, spend a lot of time away from their families. Subsequently, entitlements need to be in place so that MPs may move their families either to Canberra or the Member’s electorate. Alternatively, MPs need travel entitlements so that they may visit and spend time with their families as the opportunity arises.

As it was stated earlier, an MP’s remunerative package encompasses all types of expenses including office expenditure, travel and accommodation expenses; some of which are difficult to maintain accurate records. The ANAO recommended that the Department of Finance provide Senators and Members with financial recording kits in order for them to be able to have a greater control over spending amounts. The Department of Finance disagreed saying that there are already methods in place for administrative, records
management and financial planning for MPs. However, the ANAO did not believe that the training was sufficient.\textsuperscript{121}

It is now important that the issue of Office Expenditure within an MP's office be visited as it can be a stream through which much-uncapped remuneration funds can flow freely. This thesis suggested in Chapter 1 that an education of the constituents needed to occur whereby they could come to a greater understanding of the remuneration packages, which would consequently create less contention. However, the ANAO's recommendation calls for the education and training of MPs so that the flow of funds may be monitored within a controlled environment.\textsuperscript{122}

Some allowances that were brought into the light of public condemnation were photocopying and mobile phone costs where, according to \textit{The Age} newspaper, "one federal MP spent $23,598 on photocopy paper and another rang up a mobile phone bill of $19,234."\textsuperscript{123} According to these figures, the ANAO's recommendations seem worthy of serious consideration and placing a cap on some of these entitlements should be taken seriously. In response to this situation the Prime Minister, Mr. John Howard has stated that he was considering putting a cap on such entitlements.\textsuperscript{124}

After proposing that further studies should be completed which should focus on comparisons of other remuneration systems, the ANAO recalled the findings of a 1997

\textsuperscript{121} Ibid. Pg.37  
\textsuperscript{122} Ibid. Pg. 24  
\textsuperscript{123} The Age and Sunday Age, Aug 10 2001, Pg.4  
\textsuperscript{124} Ibid.
Baxter Review. The report's main recommendation was that, as soon as possible, a single, centralised remuneration, allowances and entitlements system should be administered by the Department of Administrative Services. This would help find any discrepancies or exploitations of remuneration funds.\textsuperscript{125} Subsequently, Recommendation 7 of The ANAO's report focussed, once again, on the issue of office expenditure. It stated that sufficient documentation needs to be shown to the Department of Finance Administration (DOFA) before a purchase or spending can occur.

As the Travel Allowance is a prevalent allowance that this study stated it would briefly look into, it is necessary to analyse the four guidelines suggested by the ANAO that are tabulated below:

\begin{itemize}
  \item[i)] "Seeking to enhance the legal basis for, and thereby compliance with, the statement in the Senators' and Members' handbook that the Parliamentarians are required to certify that travel, for which costs have been met by the Commonwealth, was undertaken within entitlement.
  
  \item[ii)] Ensuring nominated payment control checks are operating;
  
  \item[iii)] Introducing risk based payment procedures that provide reasonable assurance that travel expenditure is in accordance with the traveller's proposed itinerary and that travel is in accordance with actual entitlements and;
\end{itemize}

(iv) Where cost effective, adopting systematic data matching techniques to ensure accurate and consistent data is provided to Parliamentarians for certification and identify possible non-compliance for further inquiry. 126

These four guidelines were rejected by the DOFA on the grounds that "the existing control mechanisms in place are already being applied and are effective." In response to this claim, the ANAO stated that they only audited 616 travel related items and discovered a 29% error rate in transactions. 13% of which was outside entitlement and the remaining 16% were inconclusive due to the fact that the DOFA did not provide ANAO with enough information. The ANAO also found, "from a small sample," 127 that financial recoveries from 54 parties needed to occur as a consequence of their auditing which found these parties to be out of entitlement. 128

The stark findings of the small surveyed sample by the ANAO illustrate the fact that the Parliamentary Travel Allowance is an allowance that needs a little more attention than first thought. It is an allowance that has gained the public's attention recently after several MPs had been shown to be exploiting the system. The ANAO stated that harsher procedures have been put into place since these events, but there is still more room for tightening the structure. 129 Interestingly, since the structure had been tightened, DOFA stated that they would undertake a check on approximately 40% of all Travel Claims. The

126 Ibid. Pg. 83
127 Ibid.
128 Ibid.
129 Ibid.
ANAO stated that out of their sample of 26 travel claims, a possible 11 or 12 (40%) should have been checked by the DOFA. However, none of them had been audited.

The Parliamentary Travel Allowance is an allowance that often receives a considerable amount of criticism from the public. To the public's disapproval, it was reported in *The Age* that 16 Victorian State MPs were overseas at "a cost to taxpayers of about $300,000. Only four will be required to submit individual reports on their trips." The are numerous other examples of MPs embarking on a long overseas trip, and on return, submit a few paragraphs as a report on their findings. Such allowances can enrage the general public and do not help raise the current public perception of parliamentary remuneration.

One problem surrounding parliamentary remuneration, and in particular allowances and entitlements, is the fact that it is not really governed by a centralised body. It was found by the ANAO that parliamentary allowances and entitlements were governed by: Department of Finance Administration, the Department of the Auditor General, the Attorney General's Department, Treasury and home departments. The ANAO found:

No one entity is responsible for the administration and coordination of delivery of the entitlements, or for the production of comprehensive management information regarding the totality of expenditure incurred in respect of those entitlements across a range of departments.\(^{131}\)

\(^{130}\) *The Age*, 21 July 2001, Pg. 2  
It is therefore necessary that the ANAO Report’s key findings regarding Parliamentary Allowances and Entitlements be reviewed so that a clear, working and manageable system may be discovered. It is not necessary to cover all twenty-eight recommendations that the ANAO Report made, however, it is interesting to note that few recommendations were wholly agreed upon by the Department of Finance (DOFA). This clearly demonstrates the rift that exists between Governmental Departments over the issue of parliamentary remuneration.

### Federal Parliamentary Allowances and Entitlements (ANAO Report)

Although few of the ANAO’s recommendations were agreed upon by DOFA, some recommendations that were made by the ANAO are noteworthy of brief examination. Each of the recommendation’s numbers correlate with the ANAO’s numbering system and do not run in numerical order:

**Recommendation 2: There should be a comparison of the Australian Remuneration Scheme with other international jurisdictions**

The Australian National Audit Office believed that it would be beneficial if the Department of Finance Administration reviewed how parliamentary entitlements were dealt with in other jurisdictions. One jurisdiction in particular, Canada, will be reviewed in the following chapter. The ANAO believed that such a study could suitably “improve flexibility, transparency and accountability” with the Australian parliamentary setting.\(^{132}\)

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In disagreeing to the ANAO’s recommendation, DOFA stated that they believed this had been completed. The ANAO believed that DOFA had started this comparative work, in order to reform parliamentary entitlements, in 1998, but this work was not completed.\(^{133}\)

**Recommendation 3: Development of a definition of what is Electoral, Parliamentary and Party Business so that expenditure may be justified**

ANAO, in light of improving transparency and government accountability, recommended that DOFA produce a framework of guidelines to assist Parliamentarians in the management of their entitlements. The Department of the Senate and the Department of the House of Representative both agreed with this proposal, however, DOFA stated that this was not a role for them, but rather, was a Governmental matter. ANAO believed that it was the responsibility of DOFA to propose this change to the minister who could, consequently, take it to the Government for its consideration.\(^{134}\)

**Recommendation 6: Records Management**

Whilst completing the audit of parliamentary entitlements, the ANAO discovered that “M&PS’ files invariably are not referenced which meant that the ANAO was unable to be sufficiently assured about the integrity of the files provided for audit examination.” DOFA consequently replied that the recommendation, which stated: “enhancing department’s electronic and paper based records management systems and procedures” for greater reliability and effectiveness,\(^{135}\) was consistent with DOFA practice. The

\(^{133}\) Ibid.
\(^{134}\) Ibid. Pgs. 49-50
\(^{135}\) Ibid. Pg 62
ANAO believed that accountability could not be put into practice if information systems were not maintained.

**Recommendation 9: Transparency and Accountability**

So that transparency and accountability may be improved, the ANAO Report recommended that the cost incurred by Parliamentarians be tabled in Parliament so that the reports may be made public. DOFA stated that monthly reports on parliamentarian expenditure are tabled in parliament. The ANAO, retorted to DOFA’s claim stated that, although there are parliamentary expenses tabled within parliament, they are not consistent with legal requirements and provide little detail on the actuality of the expenses. 136

As it has been noted, Parliamentarians have: varying levels of responsibility, different sized electorates, varying numbers of constituents, belong to differing committees along with many more differences. The fact that parliamentary entitlements’ total expenditure is tabled in parliament does not clearly illustrate the justification of such amounts being spent.

**Recommendation 11 & 18: Benchmarking Entitlements**

Both ANAO Report recommendations eleven and eighteen both dealt with DOFA providing parliamentarians with benchmarks so that they may judge their level of expense accordingly. DOFA stated that they were constantly reviewing and updating their benchmarking practices but made no reference to any specific activity.
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Recommendation 13: Travel Allowance

The Parliamentary Travel Allowance is the allowance that has probably attracted the most criticism from the constituency and the media. In the period from 1999-2000, Federal Parliamentarians spent $3.92 Million on overnight stay. The ANAO Report states that parliamentarians are not always eligible for such a payment and that there needs to be a large strengthening of the structures in place. The ANAO made a long statement regarding the Travel Allowance that must be reviewed:

Existing controls over Parliamentarians’ travel entitlements are, on the whole, in need of strengthening for greater effectiveness. In respect of Travel entitlements, ANAO audit sampling was of 616 travel-related items which revealed an error rate of 29%, comprising 13% of items examined being outside of entitlement and 16% of items where Finance provided insufficient information for ANAO to conclude the expenditure was either within or outside entitlement. Further evidence of the deficiencies in control framework of travel entitlements is that ANAO’s analysis of a relatively small sample of travel transactions resulted in financial recoveries from 54 current and former Parliamentarians to an aggregate amount of $28,575.\(^{137}\)

DOFA disagreed with the report’s recommendation that there need to be tighter structures in place to ensure that abuse or accidental error upon the system does not occur and stated: “In a total of 86,000 transactions” there was a less than 0.05% error rate.

In the ANAO’s final statement of Recommendation 13, stated DOFA claims to check 40% of all claims, however, when ANAO sampled 26 claims, none of them had been

\(^{136}\) Ibid. Pg. 69  
\(^{137}\) Ibid. Pg. 83
previously been checked by DOFA. This fact could easily be considered ammunition for ANAO against DOFA claims that the structures in place were not effective enough.

**Recommendation 14: Greater controls within the Travel Allowance framework**

The Parliamentary Travel Allowance has recently received a lot of public criticism and the Recommendation 13 highlights the need for a structural change in the way that travel entitlements have been administered. Recommendation 14 is by far the longest and most detailed recommendation in the ANAO’s study into Parliamentary Entitlements. It covers nominee and spouse travel, independent children travel and retirement travel (also known as the ‘gold pass’). Before this chapter can be concluded, it is essential that these findings be aired.

The ANAO continued its argument for greater control over the parliamentarians’ travel entitlements as many discrepancies had been discovered through the study. The ANAO made three strong recommendations which must ultimately be considered in the Western Australian context:

(i) Examining the merits of expanding the public reporting of Parliamentarians’ travel costs to include the cost of spouse/nominee and dependent children travel.

(ii) Seeking to introduce into the Senators and Members handbook a requirement for there to be a travel declaration completed for all occasions on which spouse/nominee and dependent children travel at Commonwealth expense and;

(iii) Implementing effective procedures to monitor trip counts; inform parliamentarians when their spouse/nominee and/or dependent children have reached the limit of their entitlements; identify instances where travel exceeds entitlements; and make appropriate adjustments, or take recovery action.138
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It could be considered unfortunate that DOFA who believed that "effective and robust systems were already in place to monitor trip counts and take appropriate action" deemed such constructive recommendations, made by the ANAO, unnecessary. However, the ANAO disagreed with DOFA's self examination stating:

Based on the analysis undertaken, it was not apparent to ANAO that effective and robust systems were in place in 1999-2000 to monitor trip counts and take appropriate action. The end-of-year reports provided by Finance to Parliamentarians in November 2000 indicated 38 instances where spouse and dependent travel entitlements had been breached, but Finance did not seek repayment or other advice from those Parliamentarians at the time it sent out the end-of-year reports...no recovery action has been taken (by DOFA).

One of the final facets of the Parliamentary Travel allowance that draws a great deal of attention, and needs to be reviewed, is the issue of Retirement Travel. The ANAO made a very interesting finding in its statement that some Members who had retired from parliament were actually spending more on travel than those Members who were still in parliament. The retirement travel allowance is an allowance that does not have to be publicly reported and is not considered to form a part of the individual's total taxable income for taxation purposes. The stipulations of the Retirement Travel Allowance are described by the ANAO as follows:

Following a Senator or Member's retirement or departure from the Parliament, he or she is able to travel within Australia at Commonwealth expense for non-commercial purposes on scheduled commercial/commuter air services, mainline rail services and other government services, or by motor coach or other vehicles operating as regular carriers...Depending on the length of parliamentary service and

138 Ibid. Pg. 92
139 Ibid. Pg. 93
140 Ibid.
any Ministerial or other official offices held, a retired or former
Parliamentarian may access Life Gold Pass travel entitlements. ¹⁴¹

The ANAO reported that the cost of retirement travel entitlements in 1999-2000 was
approximately two million dollars. As noted, the ANAO stated “in many respects the
travel entitlements of retired Parliamentarians and their spouses are greater than those of
sitting Parliamentarians and their spouses.”¹⁴² The ANAO made the following, lengthy,
finding which needs to be noted for the purposes of this study:

...one Life Gold Pass holder (excluding spouse) took more than 100
return trips at Commonwealth expense in 1999-2000 at an aggregate
cost of $95 654. In comparison, sitting Parliamentarians may only travel
when on parliamentary business, electorate business or (in defined
circumstances) party business. Spouses of retired Parliamentarians
issued with a Life Gold Pass prior to 1976 are provided with
unrestricted access to travel at Commonwealth expense. The spouse of
one pre-1976 Life Gold Pass holder took more than 70 return trips at
Commonwealth expense in 1999-2000 at a cost of $50 944. Spouses of
Parliamentarians issued with a Life Gold Pass after 1976 are provided
with up to 25 return trips per year at Commonwealth expense. In
comparison, spouses of Senators and Members are provided with a
maximum of nine return trips to Canberra, three interstate trips to attend
official functions to which they have been invited.¹⁴³

Through the statements that have been viewed, one may be able to come to a greater
understanding of why many constituents are displeased with the remunerative
arrangements for both current and former Members of Parliament. Earlier in this chapter,
it was noted that the Remuneration Tribunal called for a more centralised system of
determining parliamentary remuneration and allowances. Many administrative and

¹⁴¹ Ibid.
¹⁴² Ibid.
¹⁴³ Ibid.
practical discrepancies have been noted by the ANAO report and, in reply, DOFA has put several defensive arguments forth. However, if one centralised body were solely in charge of the determinations, accountability would be a victim of complacency.

The richness of information, provided in this chapter, by two departments in disagreement with one another, does in actual fact provide a certain level of accountability. Therefore, it is thus necessary to now examine how Parliamentary Remuneration works within other Westminster based systems of governance around the world, namely Britain.

Comparing a democratic system with many similarities will provide for a more global picture on Parliamentary Remuneration to be gained. Reviewing a jurisdiction such as the British remunerative scene will also allow for greater scope in making recommendations within this study. Comparing a system such as Britain’s will also allow the ideas that have been successfully implemented within Britain to be easily transposed to the Australian remunerative situation.
Chapter Five: British Parliamentary Remuneration

5.1 - Background
5.2 - British Parliamentary Remuneration (A Brief History)
5.3 - Parliamentary Salaries
5.4 - Parliamentary Pension
5.5 - Allowances for the Members of the House of Commons

5.1 Background

Recalling the fact that most Australian States and Territories started receiving Parliamentary Remuneration in the late 19th Century, it could be thought that Mother Parliament in Britain would have one of the longest formal histories of remunerating its Members. However, this is not the case as Members only started receiving a regular salary in 1911. Nonetheless, there has been a great deal of debate since the Middle Ages in Britain as to whether Office Holders should receive any form of recompense whatsoever. Many references to the British Parliament’s decisions about Parliamentary Remuneration have appeared in Western Australian Parliamentary Debates and many decisions have been based upon this. ‘Mother Parliament’ remains the origin from which many of Australia’s parliamentary, political and electoral practices have been derived from. But this was not the case with Parliamentary Remuneration.

144 Members’ Pay, Pensions and Allowances, House of Commons Information Office, London, 2000, Pg. 1
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Similar to the other constituencies that have been covered through this study, British Parliamentarians have attracted a great deal of public criticism over 'pay hikes.' This has been particularly prevalent recently as both British Houses of Parliament have been undergoing a reformation of sitting procedures. One such procedure being the altering of sitting times so that Members do not have to sit for too many hours at a time.

Some people have accused British MPs of raising their salaries and lowering the amount of work that they perform. One particular newspaper stated "Take A Break; Become a Member of Parliament," insinuating that the recent reforms were a way of making MPs jobs an easier way of making money from the public without doing much.

The British media, as noted, have been particularly relentless in their disapproval of the remunerative increments received by British MPs. In many ways, the British story of Parliamentary Remuneration is very similar to what has been experienced within Australia. *The Guardian* newspaper has been particularly vehement in their attacks on remunerative increments and on Parliamentarians in general. One particular article, which appeared in *The Guardian* on February 26, 2000, accuses British MPs of being "freebiemongers" and states that some of them attend useless, and costly, conferences that would kill more than Mobutu, Mugabe and Marcos (did) through sheer boredom.146

145 http://www.theweekly.org.uk/000008.php
146 *The Guardian*, 26 February 2000
Chapter Five: British Parliamentary Remuneration

*The Weekly* stated on its news website that most MPs get paid for a full-time position, but only work part-time hours, stating that the main reason for this is that so many MPs have second jobs that they need to tend to. *The Weekly* backs this claim up with these figures: "66% of Conservatives, 28% of Liberal Democrats and 8% of Labour MPs had at least one other paid job. Note that at least,"\textsuperscript{147} from the aforementioned remarks, it could be safely concluded that British MPs, like the other representatives covered thus far, face much criticism when dealing with the troublesome issue of Parliamentary Remuneration. One of the main reasons for this troublesome history is the fact that the general public, through the media, do not accept the remunerative amounts simply because there is no justification in the amounts received. That is, there is no solid link or comparator to which MP Salaries can be tied to so that the public condemnation of remunerative increments may be cleared. This, as it shall be seen, has also been a problem within Parliament itself.

In similar fashion to the Western Australian experience of introducing Parliamentary Remuneration for MPs, British MPs experienced a great deal of difficulty in introducing a formal method of payment to Members. The British historical experience has transformed the structure and appearance of Parliamentary Remuneration and it is necessary that this may be covered so that any lessons learned from the British journey may be used in the recommendations of this study. Furthermore, the recent review of Parliamentary Remuneration by British agencies has been largely affected by sweeping reforms and

\textsuperscript{147} Ibid.
Chapter Five: British Parliamentary Remuneration

suggestions about how Parliament should work. The reforming of the Peers in the House of Lords, sitting times and even suggestions towards a part-time Upper House has often been mentioned within remunerative reports. Therefore, the conclusion of this chapter will take into consideration the so-called Modernisation of the House of Commons and how it may affect the roles and workloads of MPs, and consequently, Parliamentary Remuneration.

5.2 British Parliamentary Remuneration (A Brief History)

As already noted, Members of the British Parliament did not receive any formal method of remuneration up until 1911. However, the payment of MPs can be tracked back “as far as the 13th Century, when the shires and boroughs allowed their representatives certain wages for attending Parliament.”\textsuperscript{148} The rates, first introduced in 1322 saw Knights receive four shillings per day, whilst citizens received two shillings for the duration of Parliament. However, there were variances in the method of payment and it is noted that, in 1463, the representatives of Borough of Weymouth paid with five hundred mackerel.\textsuperscript{149}

It should be noted that this form of payment was not seen as a formal method of paying representatives of certain constituencies, areas or boroughs. Most representatives would receive financial aide through a business venture of their own or through the generosity of their constituents. Within a representative democratic society, such as Britain, representatives are encouraged to be a voice for all the people. Such ‘generous’ payments

\textsuperscript{148} Members’ Pay, Pensions and Allowances, House of Commons Information Office, London, 2000, Pg. 1
\textsuperscript{149} Ibid.
from individuals within society may have been encouragement for Members to sway to one particular angle for the benefactors' gain.

However, by the end of the 17th Century, and for most of the 18th Century, the payment of Members by their own electors had ceased. This is evident through a diary entry left by Samuel Pepys:

> At dinner... all concluded that the bane of the Parliament hath been the leaving off the old custom of the places allowing ways to those that served them in Parliament, by which they chose men that understood their business and would attend to it, and they could expect and account from, which they now cannot.\(^{150}\)

By the 18th and 19th Centuries, Members of Parliament held lucrative positions as many were “prepare to pay large sums of money for a seat.”\(^{151}\) However, in the 1830’s the Chartists stated that the payment of members should be a part of the People’s Charter. Pro-payment Democrats argued that the payment of members was necessary so that all willing people could have an opportunity to enter into parliament; not just rich people. However, the opponents of payment argued “payment would make politics into a trade or business...politicians would do anything or promise anything in order to keep their salary.”\(^{152}\)

\(^{150}\) Ibid.
\(^{151}\) Ibid.
Parliament was still seen in a fairly noble light and many opponents of payment did not want to see Members being paid for a service that they believed should be an honorary position to hold with no reward or recompense whatsoever. However, those who proclaimed the payment of Members believed that such an honorary position should be open to all who desire and, therefore, those who make it into Parliament should be compensated so that they can support themselves. Nonetheless, in the 1830's, Members of Parliament were not to be paid for some time.

In similar circumstances to the difficulties experienced by the Western Australian MPs in trying to secure some formal scheme of remuneration, British MPs took several unsuccessful votes upon the introduction of remuneration. Motions and Bills were “brought before the house in 1870, 1888, 1892, 1893, 1895 and 1903, but MPs remained unpaid until 1911.”

Interestingly, the first Bill passed to provide Members of Parliament with funds to help them in their representative service was not seen in the usual way that remuneration has been previously seen. The Chancellor of the Exchequer, Lloyd George, spoke about his definition of remuneration:

> When we offer four hundred pounds a year as payment of Members of Parliament, it is not a recognition of the magnitude of the service; it is not a remuneration, it is not recompense, it is not even a salary. It is just an allowance, and

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153 Ibid. Pg. 2
I think the minimum allowance, to enable men to come here, men who would render incalculable services to the State...\textsuperscript{154}

This statement by Mr Lloyd George is unlike any definition of remuneration that has been uncovered so far by this study. "It is not recognition...it is not recompense...it is not even a salary" stated Mr George. In actuality, he clearly states that the amount should not even be considered as "remuneration." The amount granted to MPs was simply seen as a gesture of good will that would allow more willing people to enter into the service of Parliamentarian.

Since 1911, remunerative increments have occurred through various governmental mechanisms and have been increased, and reduced in 1931, at irregular intervals. It was then in 1963 that the Government decided to appoint an independent tribunal to review Parliamentary Remuneration. The committee, entitled the\textit{ Lawrence Committee}, presented its findings to Parliament in 1964 and both Houses of Parliament passed all of its recommendations.\textsuperscript{155} The creation of the Lawrence Committee in 1964 may have been a result of Members believing that they should no longer be directly in charge of determining what pay they should receive for themselves. However, there is no available documentation on such a claim.

By 1970, special legislation that came under the\textit{ Commission for Industry and Manpower Bill} allowed for another small committee to be established so that the issue of

\textsuperscript{154} Ibid.

\textsuperscript{155} Ibid.
Parliamentary Remuneration and how such determinations should be made. It was felt that there should be a more permanent body established to review the salaries received by Members of Parliament rather than simply establishing temporary and ad hoc committees such as the previous Lawrence Committee. Consequently, in 1971, the Top Salaries Review Body (TSRB) was created to look at remunerative increments for MPs. The TSRB was commissioned to monitor MP Remuneration and make seasonal determinations.156

The TSRB's recommendations were not always acted upon by the British MPs and would sometimes only accept half-measured recommendations. This is particularly prevalent when in 1975, the TSRB recommended a 4,000 pound increase in Parliamentary Salaries. Parliament knocked back the determination and settled for a 1,000 pound increase. Similarly in 1979, the TSRB recommended an increase, but the Government would only accept it on the condition that it could be gradually implemented over the 3 term of Government.157

It is shall be noted later within this chapter, the TSRB felt that the Government was not approving of its determinations because of a fear of voter backlash. The MPs may have been entirely worthy of such a pay-increase, however, the TSRB felt that the Government would not accept such increases because the public would not accept them.

155 Ibid. Pg. 2
156 Ibid. Pg. 3
Examples of Governments being worried about implementing recommended determinations have been viewed earlier in this thesis. It may appear irrational for Government to back down upon recommended determinations by various autonomous bodies, however, this fact in itself, may be a method through which Parliamentary Salaries are kept in line with the rest of the community's. It is far from a 'formal' or 'tangible' system, however, and within fairness, the fear of losing votes at the general election because of large pay increases may be an informal method that could be utilised.

The Review Body on Top Salaries continued to determine MP's remunerative rates until 1993 when it was revised and reformed into the Senior Salaries Review Body (SSRB). The SSRB was an all-encompassing body that would determine the remuneration to be received by many other groups that serve the British Government. Such people included under the umbrella of the SSRB are: MPs, Judicial officers, senior civil servants, senior officers of the armed forces and other types of senior public appointments.

Structurally speaking, the Senior Salaries Review Body is connected to, and a part of, the Office of Manpower Economics. Two of the main considerations of the SSRB's 'aims' are: 1) The reward of success and; 2) relating reward to performance management. However, there is no particular mention to the rewarding through performance management and monitoring of British MPs.

157 Ibid.
158 http://www.ome.uk.com/ssr_review.cfm
Likewise, there is no mention of the Office of Manpower Economics illustrating how they would measure or reward the roles of MPs. Nor does the website say what it would use or make mention of the methodological approach to such rewards. However, Chapter Seven will investigate the notion of ‘the rewarding of success’ when it visits performance management systems.

The Office of Manpower Economic upholds that there should be seven guiding principles to those who choose to serve in public life. Such principles should be viewed as they may come in useful when determining a performance management system. Such a code of practice helps contribute towards a job description of an MP that may be measured by their duties. This also provides good grounds upon which to start analysing how British MP’s fiscal values are determined. Therefore, each of them will be briefly reviewed:

i) "Selflessness: Holders of public office should take decisions solely in terms of the public interest. They should not do so to gain financial or other material benefits for themselves, their family or their friends.

Recalling the sentiments echoed by Edmund Burke, it is the duty of the representative to represent the whole nation, not themselves or just their constituency. It could be argued based upon this ‘selflessness’ notion, that Parliamentarians should not be overly concerned about how much they are to earn in politics.

159 http://www.ome.uk.com
ii) **Integrity**: Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

Once again, the notion of 'selflessness' is recalled through the idea of integrity which plainly states that MPs need to perform their duties for the benefit of all, and should under no circumstances, place themselves under the direction of outside factors.

iii) **Objectivity**: In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for awards and benefits, holders of public office should make choices on merit.

The MP is in a position of power that can carry a great deal of responsibility. Such a responsibility can be parallel, in some cases, to that of CEO's in large private firms. Such CEO's would receive a handsome salary and pension, yet Members are encouraged, through their 'objectivity,' to use their position objectively.

iv) **Accountability**: Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

This point, alongside the notion of 'selflessness' is one of the more pertinent points to the subject of Parliamentary Remuneration. Many Parliamentarians may not be inclined to divulge their 'actual' income, that they receive from their parliamentary or other jobs. Similarly, as it has already been noted through this study, most legislation that relates to salaries, and superannuation in particular, is cumbersome and carries several links to
other types of legislation that are, at times, inaccessible. This statement by the Office of Manpower Economics clearly states that MPs should “submit themselves to whatever scrutiny is appropriate to their office.” Such an attitude would gain a greater amount of transparency within governmental circles.

v) **Openness:** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands it.

Many determinations towards Parliamentary Remuneration have been made within many jurisdictions over the past 100 years. When the government knocks remunerative determinations back, there has been no reason given as to why such a measure was taken. Similarly, although many reports written explain why such determinations have been made, few have outlined the methodological approach that has been taken in gaining such decisions.

vi) **Honesty:** Holders of public office have a duty to declare any private interest relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Members of Parliament need to ‘honest’ in declaring the amounts earned whilst in public office. This may ensure that public trust is regained and so that conflicts of interest or self-interest may not arise.
vii) **Leadership:** Holders of public office should promote and support these principles by leadership and example.\(^{160}\)

Members of Parliament need to ensure that they carry out these Principles of working within the public spotlight as many Heads of Department, Civil Servants will look to them for leadership. A public faced with a government earning more than they should may be compelled, through a lack of leadership, to do the same.

In 1985, the TSRB employed private consultants to review the nature and amount of remuneration received by British MPs. The TSRB stated, when determining an MP’s Salary, it is important to take into account the salaries of other jurisdictions. They included: Civil Service, Private Sector and Judicial remuneration.\(^{161}\)

Although there is no mention of an actual recommendation by the Hay Consultants, there was a note made on how such reviews needed to be conducted. Such a methodology could be useful to this study’s recommendation:

> The main HAY Multi-Company Comparison is conducted annually among HAY clients. It is supplemented by quarterly updates...Company evaluations are periodically audited and correlated against HAY standards, and a correlation of factors applied where necessary to ensure a consistent basis of comparison.\(^{162}\)

According to this data obtained from Hay Consultants, it seems apparent that MP’s Pay and workloads need to be visited and revisited on a regular basis. This will ensure that a

\(^{160}\) *Code of Practice for Members*, http://www.ome.uk/downloads

\(^{161}\) *Review Body on Top Salaries Report 22*, London, 1985, Pg. 48

\(^{162}\) Ibid.
viable rate of remuneration is being given to MPs. Similarly, the method of comparing one position to that of an MP may also be necessary in determining what an MP is worth.

Finally, Hay Consultants noted the caution with which the government can approach and implement remunerative increments. Mainly due to the public condemnation which may result, Hay stated that there is often a “temptation for government, faced with a recommendation that will result in significant percentage increase to delay or phase”\textsuperscript{163} the increase. The fairness of phasing or delaying increments, for both MPs and constituents alike, is somewhat questionable as MPs may certainly be entitled to such increments. Similarly, the issue of transparency and public knowledge of such events should always be open and clear.

5.3 Parliamentary Salaries

There have been many attempts to change the structure and dynamics of how Parliamentary Salaries operate within Britain and, given the background that has been covered so far, some of these methods may be questionable. Ad hoc committees have been formed, independent bodies have been created to oversee the determination process and links have been made with other professions.

Shortly after the creation of the TSRB, it was moved that Parliamentarians Salaries should be linked to the salaries of senior civil servants. The motion, amended by the

\textsuperscript{163} Ibid.
House, (128 votes to 127) read: “That in the opinion of this House, it is desirable in principle that the salaries of Members should be regulated to correspond with a point on the scale paid to an Assistant Secretary in the public service.”\textsuperscript{164} The motion was agreed upon, but was not put into effect by the Government.

In 1983, the TSRB determined that MP Salaries should be increased by 31\% to bring them into line with community standards. The TSRB also mentioned that determinations should be made every two years so that MP Salaries may not lag behind societal standards. However this idea was rejected because the issue, according to the Leader of the House, was “sensitive in its economic and social consequences.”\textsuperscript{165} It could be supposed that the ‘social sensitivity’ was a fear that voters may backlash against such increases.

The debate on finding a formula to determine MP’s salaries continued for several years until 1987 when the Government agreed upon linking the salaries of MPs to a pay scale within the public service. It was determined that MPs would receive 89\% of national maximum point pay scale.\textsuperscript{166} There is no available documentation as to why the figure of 89\% was determined by the Government. There is no apparent problem in forging such a link between MP Remuneration and Civil Service Pay Bands, however, justification as to why such links are being formed should be given.

\textsuperscript{164} \textit{Code of Practice for Members}, http://www.ome.uk/downloads
\textsuperscript{165} Ibid.
\textsuperscript{166} Ibid.
By 1998, British MP's Salaries had reached approximately AUS$86,000 and it was determined that there would be a mechanism created to augment a set increase on a yearly basis. The link between MP Salaries and the senior civil service remained, yet the new mechanism allowed for yearly, or perhaps 'quieter,' movements of MP's Pay. The following statement from a Research Paper that the House of Commons devised stipulates the workings of the new mechanism:

For each year starting with 1st April, from 1997 onwards, the yearly rate shall be increased by the average percentage by which the mid-points of the Senior Civil Service pay bands having effect from 1st April of that year have increased compared with the previous 1st April.\(^{167}\)

There was no reason given as to why the Government changed the formula for determining MP Pay from a percentage of the maximum band (being 89%) to increasing MP's Pay based upon a yearly movement figure within the Senior Civil Service. However, it does seem to make the determination process a little more convoluted than before.

In 2001, the Review Body on Senior Salaries (RBSS) employed the Hay Methodology again to assist them in their determinations. The RBSS took into account the following considerations:

\(^{166}\) Ibid.

i) "We examine the job size relativity of ministerial and paid office holders in Parliament against a general sample of public and private sector comparisons.

ii) We compare ministerial level jobs in base pay terms against both private and public sector comparisons.

iii) We examine both job size relativity and pay data in more detail for jobs and equivalents below Minister of State, where there are more public and private sector comparisons available.

iv) We look at the changes in relativity to the external market for Ministers and MPs pay since 1996."\(^{168}\)

Although the aforementioned report has spoken of comparisons to the Senior Civil Service, it has not specifically mentioned upholding the pay-band link that already existed. It seems more apparent that market forces and job comparability and relativity were more at stake in this report.

When comparing an MP’s workload or value to a public sector position, the report found that a median Westminster MP, or backbencher, would compare with a: Headmaster of a large Secondary School, a Battalion Commander or a Director of a District Hospital.

When comparing the position of an MP to private enterprise, it was found that an MP’s job value was “key line role reporting to Board director in major company with direct impact on one hundred to two hundred million pounds resource or a Board role in a

\(^{168}\) Review on parliamentary pay and allowances, Review Body on Senior Salaries, St Clemens House, London, 2001, Pg. 2
Chapter Five: British Parliamentary Remuneration

substantial UK enterprise.\textsuperscript{169} Nevertheless, the report recommended “private sector comparisons for these salaries should be treated with the utmost caution.”\textsuperscript{170}

The circumstances of linking and determining Parliamentary Salaries remained the same and yet the House of Commons released another report on Parliamentary Pay and Allowances one month later. This report included a recapitulation on the salaries received by Members of the Parliament in recent times:\textsuperscript{171}

<table>
<thead>
<tr>
<th>Dates</th>
<th>Members Pay Since 1994 ($AU\textsuperscript{172})</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.94 to 31.12.94</td>
<td>62,000</td>
</tr>
<tr>
<td>1.1.95 to 31.12.95</td>
<td>66,000</td>
</tr>
<tr>
<td>1.1.96 to 30.6.95</td>
<td>68,000</td>
</tr>
<tr>
<td>1.7.96 to 31.3.96</td>
<td>86,000</td>
</tr>
<tr>
<td>1.4.97 to 31.3.98</td>
<td>87,000</td>
</tr>
<tr>
<td>1.4.98 to 31.3.99</td>
<td>90,000</td>
</tr>
<tr>
<td>1.4.99 to 31.3.00</td>
<td>47,008</td>
</tr>
<tr>
<td>1.4.00 to 31.3.01</td>
<td>96,500</td>
</tr>
</tbody>
</table>

The table above shows an increase in MP Salaries by over 20,000 pounds in just over ten years. Inflation, consumer price index and average weekly earnings aside, there would not be many comparable positions that have earned such increases within the general workforce.

\textsuperscript{169} Ibid. Pg. 4
\textsuperscript{170} Ibid.
\textsuperscript{172} Amounts are approximations given the varying Australian dollar-pound relationship
By the end of 2001, Members of Parliament’s salaries were to rise to approximately 52,000 pounds in March of 2002. Many of the strategies employed by the House of Commons Research Library and by the Review Body on Senior Salaries in finding a formula for determining MP’s salaries have been seen before within the Australian Federal context. The link for determining what an MP gets paid remains the same in 2004.

5.4 - Parliamentary Pension

The Lawrence Committee, mentioned earlier, recommended to Parliament that Members should be entitled to a Parliamentary Pension in 1965. “The scheme was unusual in that both the benefits and contributions were fixed in money terms.” 173 By 1970, it was determined that the Review Body on Top Salaries, the same body that reviewed Parliamentary Salaries and Allowances, should also review the Parliamentary Pension Scheme.

In 1972, it was determined by the Parliamentary and Other Pensions Act 1972, that MPs Pensions should accrue at 1/60th of an MPs salary for every year of service. This Act was amended in 1976, 1978 and 1981 until 1983 when Parliament determined that the accrual rate should be raised to 9% of an MPs salary for each year of service. However, as of April 1992, the accrual rate was decreased to 6%. 174

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173 http://www.parliament.uk/parliamentary_publications_and_archives/factsheets/m05.cfm
174 Ibid.
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A Review of the Parliamentary Pension Scheme in 2001 helped to shed light on the healthy situation in which Members' Pensions found themselves to be. The review, initiated by the Review Body on Senior Salaries (RBSS) looked at how Parliamentary Pensions were functioning and made special comment on whether certain components of them were working.

By 2001, the review was analysing previous work that had been carried out by the Hay Consultants, but stated that the review was not overly satisfactory as it did not take into account many factors of an MP's workload: "...It attached insufficient weight to the quality of MP's work, additional unpaid duties, the volume of casework and the exceptionally long sitting hours." 175

The Superannuation's accrual rate, which had remained at 1/50th of an MP's salary was brought into question and some Members requested, due to the dissatisfaction with the Hay Report, that this be increased to 1/40th of their salary. However the 2001 Review by the RBSS stated that few positions in both the private and public sector enjoyed accrual rates of 1/40th or even 1/50th of a salary. The review stated, contrary to some Member's beliefs, that 1/50th of a Member's salary did actually "compensate for the unusual features of an MP's job." 176

176 Ibid.
Chapter Five: British Parliamentary Remuneration

It was also noted by some Members that they may have short careers within the House and the finding of new employment can be difficult. However the request to analyse the financial impact of these factors was not taken into account as the review only looked into death whilst serving.\textsuperscript{177}

Unlike the political processes found within most other Westminster based governments around the world, some Members of the House of Commons enter the House of Lords upon retirement. The review was asked to analyse the Members Pension Plan to see whether they continue earning their pension whilst serving, with a full salary, in the House of Lords. It was consequently determined that Members who retire from the House of Commons and return to the House of Lords should receive a full salary, but the pension should not be paid until their tenure has been completed in the Upper House of Parliament. However, they could continue to accrue a greater pension through their continued service.\textsuperscript{178}

Similarly, the Review was asked to analyse the situation of a Member of Parliament, over the age of 65 who had previously served within Parliament and whether they should be receiving their pension from their previous experience. It was determined that Members who serve over the age of 65 and with prior experience, shall receive their accrued pension along with the full salary of an MP.\textsuperscript{179}

\textsuperscript{177} Ibid. Pg. 2 - If a Member dies whilst serving, the family is entitled to an amount of four times their salary. This was enacted to assist with financial difficulties that may be experienced through death.

\textsuperscript{178} Ibid. Pg. 4

\textsuperscript{179} Ibid.
Some Members of the British Parliament have the option of taking out their pension before the age of 65. If a Member of Parliament serves for longer than 15 years, they are able to claim their pension from the age of 50 without any actuarial reduction. Overall, the review found the Pension Plan to be in ‘good terms’ but also stated that there would be no increase in the immediate future as the average person’s life expectancy had grown. This would have a cumulative effect on the amounts that are being paid to retired MPs.\textsuperscript{180}

\textbf{5.5 - Allowances for Members of the House of Commons}

\textbf{Office Costs:}
In 1969, Members of the British Parliament were granted 500 pounds per year that could be used for secretarial expenses. By 1972, the TSRB raised this amount to 1,000 pounds per year. This amount was updated periodically until 1992 when MP voted for large increases in the allowance.\textsuperscript{181} The media were very hostile towards the determination and \textit{The Daily Telegraph} reported it as “MPs in the trough.”\textsuperscript{182} By 1996, MP’s Office Allowance had totalled 46,363 pounds per year.\textsuperscript{183}

As of 5 July 2001, a new system of reimbursing Members of Parliament for expenditure incurred through Office Expenses was being phased in. The Senior Salaries Review Body, through the division of a new office cost system, had to find a balance between

\textsuperscript{180} Ibid. Pg. 10
\textsuperscript{181} Members Office Costs – the new system (Research Paper 01/88), House of Commons Library, London, 2001, Pg. 8
\textsuperscript{182} The Daily Telegraph, 16 July 1992
\textsuperscript{183} Members Office Costs – the new system (Research Paper 01/88), House of Commons Library, London,
flexibility and accountability. The redundant system had a global spending package where MPs had greater flexibility in determining what they would spend the money on. The new system was to restrict Members flexibility in spending as accountability was at risk. It was felt that not everyone was welcome the restriction in flexibility:

The current (redundant) Office Costs Allowance gives MPs freedom to allocate the money across the full range of allowable expenditure. For example, some Members may choose to buy more equipment rather than employ staff...this flexibility however, is accompanied by serious issues of accountability.\(^{184}\)

One of the last recommendations of the SSRB was that MPs should be able to employ a certain number of staffers without having to pay for them out of their Office Costs Allowance. It was felt by most Members that such staff should be employed by the Member and paid by the Government. This resolve was passed without division as all the Members agreed that this was essential.\(^{185}\)

**Supplementary London Allowance:**

As the cost of living in London can be expensive, Members of Parliament are given an allowance to support them whilst living in London. This is especially for Members of seats in London.\(^{186}\) The supplement ranges from 1,245 to 1,473 pounds p.a.\(^{187}\)

\(^{184}\) Ibid. Pg. 8

\(^{185}\) Ibid. Pg.12

\(^{186}\) This is not paid to Ministers with an official residence in London

\(^{187}\) Parliamentary Pay and Allowances: Current Rates (Research Paper 98/86), House of Commons
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Additional Costs Allowance:
As there are also Members who live outside of London and may need temporary accommodation inside or outside of London, the Additional Costs Allowance helps reduce the financial burden related to accommodation. The Additional Costs Allowance ranges from 11,268 to 13,322 pounds p.a. 188

Motor Mileage Allowance:
The Motor Mileage Allowance is only intended to recompense Members for travel between Westminster, their homes and their electorates. It varies from engine size to the distance traveled, but assists Members with their everyday duties. The reimbursable rate ranges from 16.3 pence per mile to 24.2 pence per mile depending on the engine size and distance traveled. 189

Bicycle Allowance:
The Bicycle Allowance is a relatively new allowance that enables MPs to travel on official business by means of a bicycle. This, as the report suggests, was also becoming common within private enterprise. The allowance ranges from 6.4 to 6.7 pence per mile depending on the distance traveled. 190

Library, London, 2001, Pg. 20
188 Ibid.
189 Ibid. Pgs. 21-22
190 Ibid. Pg. 24
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Winding Up Allowance:

To complete or follow up work on behalf of a Member who may have died, retired or been defeated carries an allowance that is equal to one-third of the Office Cost Allowance, which was covered earlier. This is only in the case of completing business which relates to parliamentary or constituent matters. 191

Reimbursement of Costs due to recall during a recess:

In some unforeseen circumstances, Members may be requested to return to Parliament for sitting. As it may occur during a recess, Members would not normally be covered for such expenses. This allowance ensures that MPs do not experience any financial burden because of such events.

'Short Money:'

Named after the Leader of the Labour Party, Mr. Edward Short, who introduced this notion in 1975, Short Money provides opposition parties with financial assistance for their parliamentary duties. It normally assists in the payment of administrative or research tasks. "The amount of assistance is set by a formula based on a party’s votes and seats gained at the previous general election." 192 As of 2001, the amount of Short Money claimable stands at approximately $22,000AUS per seat. 193 The total Short Money allocated in 2000-2001 was over $10,000,000AU.

191 Ibid. Pgs. 24-25
192 Ibid. Pgs. 33-34
Chapter Five: British Parliamentary Remuneration

However, there is also an amount of funds that is allocated towards the amount of votes that may have been gained by any parliamentary candidates. For example, if a particular candidate gains 10,000 votes towards their election, this amount is multiplied by 21.99 and is then divided by 200. Therefore, the candidate who gains 10,000 votes will earn 1099 pounds. As voting is not compulsory in Britain, this may have been instituted as a means of rewarding those who have enticed voters to turn up. However, if such formula were to be investigated in Australia, it may be possible to use such a system in remunerating MPs towards some of their expenses. If such amounts could be accurately audited, the extent of such a system could be far reaching in many regards. A similar system of rewarding, or compensating, candidates who gain a certain amount of votes in elections has been seen within many jurisdictions within Australia, but not within Western Australia. This issue will be considered in further detail in the Recommendations that this study proposes in Chapter Eight.

Nonetheless, given the data that has been analysed within this Chapter, it could be ascertained that British MPs and agencies alike, have encountered many difficulties in finding a justifiable link or formula that could determine Parliamentarians’ Remuneration. In similar circumstances to the other Westminster-based jurisdictions that have been reviewed, the British Parliament has experimented with a variety of options.

193 The actual formula is: 21.99 ponds multiplied by the number of votes gained, then multiplied by 1/200
Many of the options employed by the British Parliament have appeared to be an attempt in finding a balance between a reasonable remunerative amount, and an amount that will be accepted by the general public. This is evident through the various determinations that have been made by independent British bodies, but have subsequently been withdrawn by Parliament.

The British Parliament of late has also been revising many of the procedures and functions of Parliament in an attempt to ‘mainstream’ the role of an MP. Such mainstreaming has involved a revision of procedural orders and has also delved into the actual sitting hours of Parliament. Some British citizens have seen this modernisation as Members of Parliament getting more for doing less.

The following chapter will focus on the study’s final international comparator, namely Canada. There have been many progressive steps towards a more transparent remunerative system within Canada and several monumental reports which have made some insightful comments on Parliamentary Remuneration. As Canada is also based upon the Westminster system of governance, it will also allow effective ideas that have come from the Canadian experience to be easily transposed to the Australian situation.
6.1 - Introduction
6.2 - The Canadian Model of Remuneration
6.3 - Canadian MP Salary & Superannuation (1994 Report)
6.4 - Canadian MP Allowances & Entitlements
6.5 - Canadian Remunerative Findings:
    - Canadian Remunerative Comparisons
    - Sobeco Ernst and Young Report Recommendations
    - Future Directions

6.1 - Introduction:

As the structures and processes within both Australia and Britain have been analysed, it is necessary to focus upon the final international consideration, namely Canada. As it has already been noted, it is essential that this study takes into account what is happening within other international jurisdictions. Various decisions and determinations that have been made in Canada may be transposable to the Western Australian Parliament. The remunerative history of Canadian MPs allows this study to gain further insight into the methodologies that work and those structures and processes that do not work. Some of the more successfully instituted methodologies employed by the Canadian experience may be useful when searching for a methodology to use in Western Australia.

The main resource used to complete this chapter was a notable and in-depth report that was completed by Sobeco Ernst & Young (SEY) on Canadian Parliamentary Entitlements: this report is recognised for its fastidious attention to detail, insightful comments and recommendations. SEY, labelled by Mr. Nick Discepola, Member for
Chapter Six: Canadian Remuneration

Vaudreuil, as a “reputable Montreal management consulting firm,” were hired to review all of the facets of Canadian Parliamentary Remuneration. Not only does the report, entitled *Parliamentary Remuneration*, explain how Canadian Parliamentary Remuneration works, but also makes some very interesting recommendations about the future of remuneration. Although this resource was produced in 1994, it nonetheless remains a vital source of information.

One of the underlying themes in Sobeco Ernst and Young’s report stated that: “Parliamentarians’ compensation programs appear to be a collection of benefits granted over the years, without any concern about or vision of total compensation; they also appear to have no underlying specific objectives.” As it will become more apparent, Sobeco Ernst and Young illustrated this point through the Members’ generous pension plan which seems to have no thought-out objectives.

The issue concerning attracting the ‘right sort’ of people to stand for Parliament has been a topic that has required need for comment. Referring to the aforementioned report “the Canadian Parliament should offer compensation which can attract and retain the high-calibre people required to provide the kind of legislation and government that Canadians need and want.” The point made by Sobeco Ernst and Young is true, but as it has been noted that, under a democratic system, anyone; rich or poor, educated or not, is entitled to stand for office and receive the usual benefits. In theory, it may be the salary that attracts the right sorts of people to stand for public office, but ultimately, it is the people who

194 http://www.collection.nlc-bnc.ca/100/201/301/hansard-e/35-1/224_95-06-22/224GO1E.html
195 *Parliamentary Entitlements 1994*, Sobeco Ernst and Young, pg.59
196 ibid
have the power to decide who they want to represent them. Under a democratic system there is no prototype for the sort of person that makes it in politics and therefore the right sort of salary is not the answer to solving the 'remuneration problem.'

Nonetheless, Sobeco Ernst and Young made the credible point that "election to Parliament should not be an opportunity for anyone to get rich, nor should Members have to suffer financially when sitting in the House. In order for this to occur, the compensation levels in Parliament must be in line with the salaries paid in Canada." 197 It could be argued that the salary status of MPs should be looked at as deterring the wrong sort of person for the job. That is, the 'get rich' person who would like to benefit from 'large' salaries granted to MPs.

What does that mean? Politicians can come to this place with the most honourable of intentions but when they see they will make a huge pile of money if they can get re-elected, that they can get the equivalent of winning the lottery, they become distorted in their vision of the country. They become blurred with the dollar signs before their eyes... 198

Mr Breitkrues, Member for Yorkville, also believed that a large remuneration package only provides the "wrong incentive in the performance of their job." 199 More recently, former Saskatchewan parliamentarian Allan Morrison said that MPs did not need "that much money" and that he actually felt embarrassed going to bank every month to cash in his pay cheque. 200

197 ibid
199 ibid
200 http://sask.cbc.ca/regional/servlet/View?filename=saskmpraise
Chapter Six: Canadian Remuneration

As it could be noted from the opening remarks of this chapter, Canadian Parliamentary Remuneration also comes under great dissent from the general public, media and the MPs. Ted White, an MP who writes columns for the *North Shore News*, wrote that after receiving the increment in salary, he received some letters “that were bordering on abusive.” These comments provide insight into a topic that appears to generate public dissention wherever it is mentioned.

6.2 - The Canadian Model of Remuneration

As noted, the most detailed recent review on Parliamentary Remuneration in Canada was completed by private consultants from Sobeco Ernst and Young. This report has not been publicly published and has only become available to this study through the Salaries and Allowances Tribunal’s library.\(^\text{201}\) However, before looking at this report’s recommendations on the Canadian system, the Canadian remunerative scheme needs to be canvassed.

Within Canada itself, there are independent commissions that are responsible for the determination of remunerative amounts for MPs. These commissions are responsible for salary and allowance reviews in six Canadian provinces. Modelled much like the Salaries and Allowances Tribunal of Western Australia, they make remunerative determinations accordingly. The provinces that are not governed by this model are New Brunswick and Quebec where “salary is linked to the inflation index and civil service rates

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\(^{201}\) This report came under a privacy act for some time but has since been released. The Canadian Government was contacted with regards to the use of this document and permission was granted as the report’s period of being in a non-publishable state had expired. Nevertheless, the report was not published.
respectively. It may also be possible that such a methodology could be used within Australian jurisdiction.

Insofar as the timing of remunerative determinations is concerned, the "Government is required by the Parliament of Canada Act to appoint a Commission to review the MP compensation package within two months after each election." The appointed Commission then has six months only to report on its recommendations.

One interesting point that plagues remunerative proceedings is the fact that some MPs, either by principle, disgust, ethics or fear of losing votes, do not always wish to receive the recommended adjustment in remuneration. Under Canadian legislation, there is an "opt in - opt out" clause which provides for MPs to decide for themselves as to whether they wish to be recipients of the increment. However, any MP that declines the increment takes what is called in Canadian Parliamentary circles as the 'poison pill.' It is called the 'poison pill' because any Member that refuses to participate in a remunerative adjustment loses the right to any future increase in remuneration, even if they are re-elected many times over.

When deciding upon a methodological approach in analysing the Canadian MP's remunerative status, Sobeco Ernst and Young decided to approach the idea of parliamentary remuneration through different means. They remained focussed on the

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204 ibid
205 ibid
original ideal that remuneration is 'compensation' and that MPs receive compensation in many ways. Instead of just looking at unrelated figures, Sobeco Ernst and Young decided to roll all the benefits received by MPs into one universal 'Compensation Figure.' This allowed the inquiry to determine the total remunerative amount that MPs receive so that the salary and all of the allowances may be totalled.

In a work value study one would normally find that "the value of various benefits are compared to the number of hours actually worked and a total compensation hourly rate is determined."206 This is not normally done with MPs as they are not like professions where work schedules are not able to be accounted for. Unlike what has been visited in previous chapters, Sobeco Ernst and Young recommended that: "A comprehensive study of Members compensation should, however, take the factor of time worked into account since it is an important and distinctive part of a Parliamentarian's work."207

The study found that when Parliament is sitting, Canadian MPs work approximately 278 hours per month. This represents "an 11 hour day 6 days a week."208 Taking both sitting and non sitting days into consideration, Sobeco Ernst and Young found that Canadian MPs work approximately 2870 hours per year. In comparison with that amount was: Professional or Executive work schedule - 2360 hours per year and the average Canadian work schedule which was 1880 hours per year.

206 Parliamentary Entitlements 1994, Sobeco Ernst and Young, pg.22
207 ibid
208 ibid, pg.23
Chapter Six: Canadian Remuneration

It has not been noted as of yet, however, Canadian Members of the House of Commons and Senators receive quite varying amounts of remuneration, which is mainly due to the fact that the workloads are quite different. Whilst Parliament is in session, Senators work approximately 187 hours per month whereas Members worked 280 hours. When Parliament is not in session, figures showed Senators at 123 hours per month with Members working 220 hours per month. The House of Commons is also in session a great deal more than the Senate.\textsuperscript{209} Even though the actual amounts of hours worked per year would vary, it could be appreciated that the Canadian Member of the House of Commons working a 70 hour week whilst Parliament was in session!\textsuperscript{210}

Member of Parliament, Ted White, sums up the feeling of being an MP under a great deal of pressure quite succinctly below:

As an MP myself, I can certainly testify to the fact that an MP's job involves long hours of work. Travelling on Sundays and at night is the norm, and 60 to 80 hour weeks are not uncommon, but it goes with the territory, and no one is forced to become an MP. Yes, theoretically the pay needs to be high enough to ensure that competent people stand for election...\textsuperscript{211}

Mr White's comments on accepting the responsibility of being an MP, including the workload are quite pertinent to this study. No person is forced to become an MP and the position itself, being one of 'servitude,' may lend itself to altruistic tendencies. Nonetheless, the facets of the position that are somewhat philanthropic do not entirely justify a low standard of remuneration.

\textsuperscript{209} ibid, pg.24
\textsuperscript{210} ibid, pg23
\textsuperscript{211} http://www.tedwhitemp.com/columns/040398.html
Chapter Six: Canadian Remuneration

With a greater understanding of the depth of the issue in Canada, the process and structure of Parliamentary Remuneration, it is now necessary to review the effect that this has had on the practical salary and entitlements of MPs in Canada. The Sobeco Ernst and Young Report of 1994 will take the main focus in explaining both the past and present situation of Parliamentary Remuneration within Canada.

6.3 - Canadian MP Salary and Superannuation (1994 Report)

The 1994 rate of base salary for a House of Commons, Canadian Member of Parliament was $64,400 per annum. However, added onto this remunerative amount was an expense allowance of $21,300. This amount is non-taxable and MPs do not have to account for how it is spent. One particular observer stated that, in actual fact, since this unaccountable allowance is non-taxable, it really has a value of $42,600.\(^{212}\) It was noted on a constituents website called Taxpayer.com that the base salary of a Canadian MP alone placed them within the top 6.7% of Canadian income earners.\(^ {213}\) It should be noted that of 2004, one Canadian dollar was about equivalent in the currency markets to one Australian dollar.

The salary received by Members in Canada, according to some opinionated letters that Sobeco Ernst and Young’s report alluded to, noted that the MPs’ salaries are not $64,000, but $100,000 as there is a non-taxable part of the salary that is not accounted for. Sobeco Ernst and Young stated that it is true that MPs receive a non-taxable allowance of

\(^{212}\) Parliamentary Entitlements 1994, Sobeco Ernst and Young pg. 10
\(^{213}\) http://www.taxpayer.com/studies/mpcompensation/salaries.htm
$21,300 which is worth nearly double its amount because it is not taxable, but also noted that it is solely for parliamentary purposes and does not offer MPs real compensation.\textsuperscript{214}

MPs who decided to participate in Sobeco Ernst and Young’s management interview stated that their non-taxable allowance was spent on: housing and lodging, donations and miscellaneous contributions, business meals, travelling expenses, social activities, garments and other. One would suppose that these things would normally be paid out of their own paid pocket from their normal salary. The fact that this additional allowance is a non-accountable allowance gives it the appearance of an additional salary.\textsuperscript{215}

In response to this, \textit{Taxpayer.com}, stated that the tax-free allowance was ‘farcical’ and that there should be some form of system of documentation to ensure that transparency does not suffer. It stated that “nothing clouds transparency and represents unfairness in MP compensation more than the tax-free Expense Allowance.”\textsuperscript{216}

Interestingly, one particular recommendation of Sobeco Ernst and Young’s study was that Parliamentarians needed to provide some sort of proof of expense in order to gain a refund for the expense incurred. As within any business, an employee using the company’s credit card needs to provide the company with some form of documentation to show both the nature and cost of the services or goods. So too would the Canadian MP have to provide documentation of expenses when claiming funds from a tax-free expense allowance.

\begin{footnotesize}
\begin{enumerate}
\item[	extsuperscript{214}] \emph{Parliamentary Entitlements 1994}, (Sobeco Ernst and Young, pg.61)
\item[	extsuperscript{215}] ibid, pg. 11
\item[	extsuperscript{216}] \url{http://www.taxpayer.com/studies/mpcompensation/salaries.htm}
\end{enumerate}
\end{footnotesize}

\textsuperscript{138}
Although it is not stated thoroughly, it was contended that Canadian MPs would be able to increase their tax-free allowance whilst freezing their salaries so that they would be able to have a salary increment without anyone realising. This is because the tax-free allowance is not considered an actual salary in its own right.

One of Sobeco Ernst and Young’s major recommendations on the salaries received by MPs in Canada was that their earnings should be incremented every year in accordance with the figures received from the Average Weekly Earnings in Canada (AWEC). Sobeco Ernst and Young stated: “In our opinion (in linking MP pay increments to AWEC) this accurately reflects the collective increase in Canadians’ wealth.” In this case, the public of Canada would have no argument against the increases in MP salaries as they too, according to the statistics, would also be receiving various rises in their salaries. In other words, the public would not be recalcitrant when MPs receive remunerative increments. One would have to argue that if Average Weekly Earnings were to decrease, then consequently, MP salaries too would have to decrease. One particular concern of note that was raised by Sobeco Ernst and Young’s report on Parliamentary Remuneration, and several people they met with, was “that Members earn relatively conservative basic salaries, but their pension plan is much too generous.”

Insofar as the Parliamentary Pension Plan in Canada is concerned, Sobeco Ernst and Young made several major recommendations that will now be reviewed to see if there is anything that could be suggested for the Australian systems. Sobeco Ernst and Young

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217 Parliamentary Entitlements 1994, Sobeco Ernst and Young, pg. 100
218 Parliamentary Entitlements 1994, Sobeco Ernst and Young, pg. 58
stated what they believed to be the objective of a pension plan: “The goal of a true pension plan is to allow a worker to accumulate capital during his or her lifetime. Upon retirement, this capital will allow him or her to maintain a lifestyle comparable to the one enjoyed prior to retirement.”

The Honourable Dale Johnson, Member for Wetaskiwin, sums up the history, and the general feeling towards, the Canadian Parliamentary Retirement Plan when stating during Government Orders: “In 1952, the Liberal Government of Louis St. Laurent introduced the members retiring allowance.” On its introduction, Mr Johnson states that the original intention of the plan was to be a dollar-for-dollar contribution where any Member contributing a dollar would have that dollar matched by the Canadian Government. However, he goes onto state: “How in the world did it get so far off track? Today the taxpayers contribute the 80% and the MPs contribute 20%.”

Sobeco Ernst and Young stated that “MPs who serve for 6 or more years receive a lifetime pension plan which commences as soon as a member seeks to hold office.” Members of the House of Commons’ benefit is equal to 30% of the average sessional allowance (as at 1994, the rate was $64,400pa) after 6 years as an MP and increases by 5% every year until it reaches its maximum of 75% after 15 years. But Senators’ benefit equal 18% and increases by 3% every year until it reaches it maximum of 75% after 25 years. An inflationary adjustment is made when the member reaches 60.

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219 ibid, pg.66
221 ibid
222 Parliamentary Entitlements 1994, Sobeco Ernst and Young, pg.17
223 ibid

140
In 1994 Canadian dollars, Members would contribute 11% of their sessional allowance, whilst Senators contributed 7%. If they did not serve the full six years that would entitle them to a lifetime pension, they would get a refund of their contributions along with the interest that it would have accrued over the time served. Putting this into context, if someone leaves office after serving 6 years, they will receive an annual lifetime allowance of $19,320. Sobeco Ernst and Young estimated the approximate value of such a situation for someone who leaves at 40 being $343,000, someone who leaves at 50 being $342,000 and someone who leaves at 60 being $302,000. 224

In contrast to this, during Government Orders, the Honourable Jim Abbot, Member for Kootenay – East, stated with great dissatisfaction that a pension plan of this size was simply wrong:

All we are asking in very simple terms is a defined contribution on the part of the employer, namely the people of Canada, a matching of $1 for $1. Instead of that, the government is saying: “Either you come in and share the booty, get in on this $3.50 contribution for every $1 that you put in and become a millionaire at the expense of the Canadian taxpayers or you’re out without anything.” 225

The following scenario helps illustrate the magnitude of such parliamentary retirement plans and extracts a total cost which results from such plans. It also provides further insight into the workings and nature of Parliamentary Remuneration within Canadian politics:

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224 ibid, pg.18
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Chapter Six: Canadian Remuneration

The Member must contribute 11% of his or her sessional allowance during (their) 15 years of service, and the Senator, 7% during (their) first 25 years. The accumulated contributions with accrued interest are refunded to the Member should (they) leave office after a period of less than six years.

The value of a Member’s retiring allowance may be considerable, particularly when (they) leave office at a relatively young age. For example, a Member leaving office after six years would be entitled to an annual allowance of $19,320, assuming that the sessional allowance remains at a constant $64,400. However, because this allowance is payable to the Member for life, and may even be extended in part to (their) spouse or children, the value is approximately $343,300 if (they) leave at age 40...$302,000 if they leave at age 60.226

One Canadian MP made the point that they get such large superannuation payments because the size of the contributions they make of their own accord. This, as Sobeco Ernst and Young noted, is doubtful and the Member must be in error.227 A 40 year-old retiring MP, who contributed 11% of their sessional allowance of $64,400 p.a. would have totalled $7,084 paid into their retirement fund per annum. Over six years this amount would only total $42,504. But, as it has been noted, MPs who serve for only six years actually receive $343,300 for life, on retirement. This is simply because the Government contributes over 44% p.a. into a Canadian MP’s retirement fund as well.

The report suggested MPs or ex-MPs should not be able to claim their pension until they were over the age of 55. This was due to the fact that “a relatively young person leaves parliament after the specified 6 years, they will most undoubtedly continue to work whilst receiving their immediately effective, lifetime pension plan. But there is no need for a

226 Parliamentary Entitlements 1994, Sobeco Ernst and Young, pg.18
227 Parliamentary Entitlements 1994, Sobeco Ernst and Young, pg.19

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relatively young person to receive it as they are still working and are not retired at all. They will be accruing more retirement funds from their new employer."\textsuperscript{228}

The report suggested that the retirement plan should become effective at the same age as everyone else, which in Canada, is the age of 55.\textsuperscript{229} There are not many professions that would start paying you a lifetime pension from the moment you left their employment and therefore it is strange to expect MPs to receive a lifetime pension from the time they leave parliament.

The facts reported are the reason why Sobeco Ernst and Young recommended a reduction in the value of the pension plan from a salary equivalent of 44\% to 12.5\%.\textsuperscript{230} It was also recommended that MP\textapos;s contribution rate of 11\% be reduced to 5\% which is the equivalent of most private companies.\textsuperscript{231} Although all of these amounts were reductions in benefits, Sobeco Ernst and Young did find that MP salaries should be increased by at least $24,000 p.a.

The Honourable Mr. Harper, Member for Calgary West, stated his belief that the report compiled by Sobeco Ernst and Young was generous. However, at the crux of his argument was not the question as to whether MPs deserved these levels of remuneration, rather, he stated that taxpayers should not be asking themselves whether it is hard work, "because it is hard work, (instead) they should be asking is this valuable work."\textsuperscript{232}

\textsuperscript{228} ibid, pg66  
\textsuperscript{229} ibid  
\textsuperscript{230} ibid, pg77  
\textsuperscript{231} ibid, pg67  
\textsuperscript{232} http://www.collection.nic.bnc.ca/100/201/301/hansard-e/35-1/224_95-06-22/224GO01E.html
During question time, in the Canadian House of Commons in 1995 the debate continued and one particular flaw in the Canadian Parliamentary Retirement Plan was discovered through the questioning of the Honourable Mr. Martin, Member for Esquimalt-Juan de Fuca (Prime Minister of Canada since 12 December 2003):

• Mr. Martin: "The Income Tax Act says that pensions must be reduced by at least 3% per year if collected before age 60. Does this occur in the plan before us?"

• Some Hon. Members: "No."

• Mr. Martin: "Does it occur in the new plan?"

• Some Hon. Members: "No."

• Mr. Martin: "What does this do? It is another MP pension plan that contravenes the Income Tax Act and is completely illegal."

Mr. Martin was making particular reference to the Canadian Parliamentary Retirement Plan allowance that MPs would be able to claim their fund at age 55; without fear of reprisal from the Taxation Department. If a Canadian citizen were to claim their pension at an early age, they would be charged a total reduction of 3 per cent for every year prior to the age of 60. A 50 year old Canadian retiring would have a total reduction of 30 per cent. Mr. Martin’s statement was outlining the fact that the law which applied to Canadian taxpayers did not apply to MPs.
6.4 – Other MP Allowances & Entitlements

As with most MPs around the world, Canadian MPs have been privy to many allowances and entitlements. The non-taxable allowance has not been included within this section as it was considered to be more salary than entitlement. The main allowance that a Canadian MP earns is the Expense Allowance that helps them to cater for the everyday living and functioning expenses. The amount granted mainly depended upon the level of authority one held within Parliament itself.

Another allowance that MPs are entitled to is the Accommodation Allowance which would assist MPs when travel to or away from home. It was found that there were many discrepancies in the spending for the Accommodation Allowance and that a certain amount should be taken from the Expense Allowance and put into the Accommodation Allowance’s fund.

Canadian MPs are entitled to 64 return air trips in Canada per year. Six of these trips can be given to their family members for any reason. Sobeco Ernst and Young saw this benefit as potential compensation and consequently stated that it needs to be added to the Total Compensation of an MP. Once this benefit was converted, it was estimated that the six trips per year could add a possible $12,000 p.a. to the MPs total remuneration.

Canadian MPs also received free services up until 1994 such as: barber, beauty salon, steam room, shoeshine, massage, gymnasium, restaurant, cafeteria and picture framing.
However, such benefits have now ceased and Canadian MPs must pay for their own services.

At the end of the financial year the *Parliament of Canada Act* requires the Speaker of the House of Commons to table a financial report of each individual Member of the House of Commons. This is a public report which basically sets out all of the expenses of each and every Member of the House of Commons. In this fashion, MP’s expenses and allowances are open for all to see and transparency is not a contentious issue whatsoever. Thus allowing for greater accountability.

### 6.5 – Canadian Remunerative Findings

Sobeco Ernst and Young’s study went on to make comparisons between international governments, provincial governments, the Canadian public service and private enterprise. This study will now view some of the tables that were produced by the Sobeco Ernst and Young report so that a clearer, global, picture may be gained.

#### Table 1.1 Salary Received By Members

<table>
<thead>
<tr>
<th>Country and Type of Member</th>
<th>Amount (in Canadian $ at 1994 rates)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Member - Lower House</td>
<td>$97,244</td>
</tr>
<tr>
<td>Australian Member - Lower House</td>
<td>$99,827</td>
</tr>
<tr>
<td>UK Member - Lower House</td>
<td>$70,285</td>
</tr>
<tr>
<td>Belgium Member - Lower House</td>
<td>$69344</td>
</tr>
</tbody>
</table>

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234 *Parliamentary Entitlements 1994*, Sobeco Ernst and Young pg.35
Chapter Six: Canadian Remuneration

As it can be noted, both Australian and Canadian Federal Parliamentarians receive similar remunerative rates. Belgium and the United Kingdom being the lowest paid in this comparison by far. However, it should be recalled that the remunerative amount received by Canadian MPs was a 'total compensation' figure. However, this 'total' amount did not take into consideration, the tax-free component of an MP's salary.

Not only did Sobeco Ernst and Young look into the international factors at play, but they also took into account the various professions within Canada so that some tangible comparisons may be made. It was determined by Sobeco Ernst and Young that MPs have the equivalent responsibility of an entry level Senior Executive position within the Canadian Public Service; someone who earns approximately $84,000pa. The major difference that can be noted within Table 1.4 below is the pension plan that MPs receive. There is a 32% difference in pension plans received by MPs and Senior Executive public servants.

Table 1.4 Public Sector & MP Compensation Comparisons

<table>
<thead>
<tr>
<th>Salary</th>
<th>Insurance</th>
<th>Pension Plan</th>
<th>Total Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commons Public Sector</td>
<td>Commons Public Sector</td>
<td>Commons Public Sector</td>
<td>Commons Public Sector</td>
</tr>
<tr>
<td>$64,400</td>
<td>$84,000</td>
<td>6.9%</td>
<td>6.1%</td>
</tr>
</tbody>
</table>

Although the pension plan of a Member of the Commons is over 32% greater than that of a public sector mid-levelled executive, the Total Compensation figure is quite similar. However, the longer the MP were to remain in parliament, the greater the Total

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Compensation would become and one would notice the increase within the MP’s retirement fund. It is also noteworthy of viewing the Basic Salary for a Member of the Commons as Sobeco Ernst and Young did not take into account, at this stage, the tax-free expense allowance received by Canadian MPs. This figure would have increased the ‘Salary’ to approximately $86,000. Thus affecting the ‘total compensation’ figure and augmenting it to a total of $117,244.

One of the greatest bones of contention surrounding Parliamentary Remuneration is the retirement plan that MPs are entitled to receive once leaving parliament. Sobeco Ernst and Young found that the Canadian Retirement plan was not in fact the most generous out of its comparable sample.

Table 1.2 Percentage of Sessional Allowance in Retirement Plan

<table>
<thead>
<tr>
<th>Country and Member Type</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Member - Lower House</td>
<td>44.1%</td>
</tr>
<tr>
<td>Australian Member - Lower House</td>
<td>53.4%</td>
</tr>
<tr>
<td>UK Member – Lower House</td>
<td>17.3%</td>
</tr>
<tr>
<td>Belgium Member – Lower House</td>
<td>54.3%</td>
</tr>
</tbody>
</table>

The figures noted above show the percentage of the Sessional Allowance that is contributed into an MP’s retirement fund. Although the figures show an interesting array of payment plans, Sobeco Ernst and Young went on to later compare Canadian MPs with the Canadian Private Sector. The above table does not explicitly outline the actual amount received by Canadian MPs as the total value of their Retirement Fund is actually 55.1%
since members contribute 11% of their allowances. The above table only illustrates the cost to the Government.\textsuperscript{238}

Sobeco Ernst and Young found that the "magnitude of this allowance become more apparent when it is compared it with the sessional allowances received and the contributions made during the 6 years as the contributions only represent 12% of the total retiring allowance."\textsuperscript{239} The study doubted that the high benefits of the plan were not based upon high contribution levels and made reference to CEO's who contribute around 35%.

Sobeco Ernst and Young also noted international comparisons on the Canadian MP's Travel Allowance. When viewing the amounts in Table 1.3, it should be noted that the $21,000 Travel Allowance received by Canadian MPs is the same tax-free expense allowance. The allowance that has to help the average Canadian MP cover their day-to-day expenses.

\textit{Table 1.3 Travel Allowance}\textsuperscript{240}

<table>
<thead>
<tr>
<th>Country and Type of Member</th>
<th>Amount (Canadian $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada Member – Lower House</td>
<td>$21,000</td>
</tr>
<tr>
<td>Canada Member – Senate</td>
<td>$10,100</td>
</tr>
<tr>
<td>Australian Member - Both Houses</td>
<td>$32,736 (maximum)</td>
</tr>
<tr>
<td>UK – Both Houses</td>
<td>$0</td>
</tr>
</tbody>
</table>

\textsuperscript{238} ibid, pg.19
Sobeco Ernst and Young Recommendations:

Gained from the aforementioned comparisons, Sobeco Ernst and Young made some stark recommendations regarding what the future should hold for Canadian Parliamentary Remuneration. In Canada, as noted, parliamentarians receive a base salary, but some MPs receive additional funds for additional responsibilities. Further to this, MPs receive an additional allowance to assist them with housing, lodging, meals, travelling, social and other expenses. These expenses vary according to the individual’s circumstances, but it was found that almost half of MPs used this additional fund for secondary housing expenses.241 It was found that “33% of members spend 25% more than the allowance”242 was intended to be. The idea of Remuneration being compensation for MPs has been lost in this situation as this fact is illustrating one of two possible scenarios. Firstly, Canadian MPs are not being remunerated accordingly and cannot function within the funding constraints or secondly, that they are living and working beyond their reasonable means.

The Honourable Mr Paul Szabo, Member for Missisauga South, stated with reasonable concern, that the various allowances, some of which have been covered earlier, should be able to individually cater for the individual MP’s needs: “The independent study conducted by Sobeco Ernst and Young…did recommend a redistribution of the various elements of (the) package.”243

239 ibid, pg.18  
240 ibid, pg. 38  
241 ibid, pp. 10-11  
242 ibid, pg. 13  
243 http://collection.nl-c-bnc.ca/100/201/301/hansard-e/35-1/224_95-06-22/224GO1E.html
Insofar as the future indexing or increasing of parliamentary salaries are concerned, Sobeco Ernst and Young noted: “It has been suggested that when parliamentarians are reviewing their own awards, they cannot be objective, therefore a few suggestions were made.” Sobeco Ernst and Young made three suggestions that could be considered:

i) A group representing all Canadians could determine from time to time what sort of increases MPs should receive.

ii) A group of ‘wise’ people and compensation specialists could determine the matter or;

iii) The commission that reviews parliamentary salaries could be given greater independence. 244

Looking at each option briefly, it could be said, without too much equivocation that the first option of a group representing all Canadians would be rather difficult to establish, run and review. Firstly, it would be hard to choose the sorts of people who would be on such committees, where they should come from and what their political leanings could be. Secondly, it would be hard to imagine that all of the people selected would have an insightful view on parliamentary remuneration, its history, its implications and its overall workings. Thirdly, with the first two points in mind, could you trust the final product or decision of the group?

The second suggestion was that a group of ‘wise’ people or compensation specialists could determine future pay levels. However, this is as problematic as the first suggestion since it would be difficult to decide who would be ‘wise’ enough to carry out such a task.

244 Parliamentary Entitlements 1994, Sobeco Ernst and Young, pg.99
Chapter Six: Canadian Remuneration

Secondly, it could be asked if these ‘wise’ people would always be objective in their determinations. Nonetheless, people who are independent compensation specialists could probably perform the task quite well, as has been shown, have already seen examples of this in Canberra in 1988 and in Perth in 1990 with the Cullen/Egan and Dell study.

One of the most legitimate of all the suggestions of the Sobeco Ernst and Young Report, is the recommendation that the Commission to Review Salaries and Allowances of MPs be given greater independence. As stated “it is possible that this Commission could be adjusted in such a way as to better satisfy and implement the goals of greater independence and representation of the Canadian people.”

Sobeco Ernst and Young always provided that transparency needed to exist within any remunerative structure or process so that the public is fully informed. Transparency, within government circles, relates to the ‘understandability’ of the systems, structures and functions of Government. Jonathon Swift stated that the “management of public affairs” should not only be comprehensible to those of “sublime genius.” In relation to Parliamentary Remuneration, a transparent Parliamentary Salaries structure would mean the way in which salaries and allowances are determined is clear and accessible to the every day person. This issue relates strongly to accountability as, under a transparent system, records and figures must be accessible to the public. Similarly, the structures and processes under which such determinations take place must also be transparent and open to the public to view and review.
The Sobeco Ernst and Young report did briefly look into the issue of a performance management system within the Canadian Parliament. However, they did not have enough resources to look into the issue of performance in determining parliamentary salaries. They did not conclude that it was impossible but encouraged further studies into the advantages and disadvantages of such a scenario.

**Future Directions:**
As it would have been noted over the previous chapters, Parliamentary Remuneration is a rather slow moving component of the Parliamentary Process. This occurs for the many reasons which have been discussed thus far. Since the major report on Parliamentary Entitlements in 1994 by Sobeco Ernst and Young, Canadian Parliamentary Remuneration has not changed a great deal. However, there have been some interesting developments that will need to be covered before closing this chapter's study of the Canadian scene.

The most influential developments within Canadian Politics have been with regards to the actual salary that Canadian MP's earn. By 2000, Canadian MP salaries had reached over AUS$109,000 p.a. However, in June 2001, Canadian MP salaries reached AUS$131,400 p.a. This was in return the abolition of the tax-free allowance of just over $20,000 p.a.²⁴⁶

It could be argued, given the fact that the allowance was practically worth double as it was tax-free, that MPs did not get what they deserved. In actual fact, if the tax-free

²⁴⁵ ibid, pg. 100
²⁴⁶ [http://www.cbc.ca/storyview/CBC/2001/06/07/mps010607](http://www.cbc.ca/storyview/CBC/2001/06/07/mps010607)
component were worth double, the increment should have reached to over $150,000. Nonetheless, as of April 2003, MP Salaries were further incremented to $139,200 p.a.\textsuperscript{247}

Insofar as the Sobeco Ernst and Young’s reports research on trying to find a link for future increments in Canadian MP Salaries, it was decided in June 2001 that MP Salaries should be tied to Supreme Court Judges Salaries. However, it still remains at the discretion of MPs to determine what Supreme Court Judges’ salaries will be.\textsuperscript{248}

A study commissioned to review the roles of Canadian MPs found that MP’s roles had changed greatly over the last 20 years and this was mainly due to certain trends and developments. The study, entitled: \textit{The Roles of the Member of Parliament in Canada: Are they Changing?} found that the traditional, or ‘classical,’ roles of an MP remained, but activity had increased through: The emergence of political parties, social pluralism and the modern interventionist state.\textsuperscript{249} It could be supposed that such a study gave more credence to MP’s remunerative increases.

In conclusion, the Canadian remunerative experience has not been foreign to what has been experienced within other Westminster based jurisdictions. The Canadian Government has attempted to use many varying forms of determination when deciding what MPs should be paid, and yet, there still appears to be a great deal of public controversy surrounding the issue today. One only has to visit various Canadian Web-
Chapter Six: Canadian Remuneration

News providers to see the public vitriol over MP Remuneration and how rarely it is acceptable to have MPs increasing their packages.

There have been links with other professions made, comparisons to other countries, work-value consultants hired and special committees formed to air their thoughts on the issue. These attempts have been made with varying degrees of success, yet it still remains prevalent, that in Canada too, there is still a need for a clear and transparent system of determination that will be accepted wholly by the community at large.

Before concluding the global review and making any recommendations based upon what has been gained from reviewing the overall Westminster approach in dealing with Parliamentary Remuneration, this thesis noted that it would take into consideration some of the methods that have been adopted by various public and private companies in remunerating their employees according to performance benchmarks. The various philosophies behind such systems and the practical workings of performance management systems in private and public organizations will now be taken into consideration.
7.1 – Performance Management
7.2 – Private Sector Performance Management
7.3 – Public Sector Performance Management
7.4 – Major Roles of Members of Parliament:
   - Measurable Roles of Members of Parliament?
7.5 – Conclusions on Performance Management

7.1: Performance Management:

Meaning:
The use of the performance management as a mechanism for determining the salary of an employee has been used for many years within the private sector. Recently, however, various benchmarking and performance management systems have been introduced into the public sector workforce as well. It has been a systematic method of measuring the performance, or lack thereof, of various employees at all hierarchical levels of an organisation. As it was noted earlier in this study, it is the intention of this study to find a formula for determining the salaries of Members of Parliament and to investigate the plausibility of implementing a performance management system into the daily duties of an MP.

Performance management systems are used for many various reasons, some of which are utilised to pay bonuses to employees, others in order to find a gauge of value of the work the employee is carrying out. The implementation of a useful and efficient performance management system is a long, and often, difficult process which requires the co-operation of both the employee and the employer.
In this light, it could be argued that the employer of the employee, being the MP, is the general public as they ultimately decide upon the MP's continuance or not. However, a body is usually established to make regular reviews of the system and to make sure that the benchmarks are being met. In the case of the Western Australian MP, a body, namely the Salaries and Allowances Tribunal, already exists to perform such duties.

It has already been noted that placing a performance management system into an MP's Remuneration package has been considered impossible as the measurement of an MP's workload has been considered a very difficult duty to perform. However, Cullen-Eagan-Dell managed to hierarchically place Western Australian Members on a scale in conjunction with Federal Members in a study that was completed in 1999. The scale, noted overleaf, attributes a certain amount of points to each Member according their responsibilities and workloads.\textsuperscript{250}
### Bands Illustrating Members' Responsibility

<table>
<thead>
<tr>
<th>Band 1 (650-799 points)</th>
<th>Parliamentary Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Band 2 (800-949 points)</td>
<td>Whip</td>
</tr>
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<td></td>
<td>Chairman of Committees</td>
</tr>
<tr>
<td>Band 3 (950-1149 points)</td>
<td>Leaders of Non-Government Party</td>
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<tr>
<td></td>
<td>Parliamentary Secretary of Cabinet</td>
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<td></td>
<td>Deputy Leader of the Opposition (Assembly)</td>
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<td></td>
<td>Minister (Minor)</td>
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<tr>
<td>Band 4 (1150-1399 points)</td>
<td>Leader of the Opposition (Council)</td>
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<td>President of the Council</td>
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<td>Speaker of the Assembly</td>
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<tr>
<td>Band 5 (1400-1699 points)</td>
<td>Leader of the Opposition</td>
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<td></td>
<td>Minister (Medium)</td>
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<td>Leader of the Government (Council)</td>
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<tr>
<td>Band 6 (1700-2099 points)</td>
<td>Deputy Premier</td>
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<td>Minister (Major)</td>
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<tr>
<td>Band 7 (2100-2599 points)</td>
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<tr>
<td>Band 8 (2600-3199)</td>
<td>Premier</td>
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From this evidence, it could be gathered that there might be certain ways of measuring certain components of an MP's workload. This 'responsibility-level study was also carried out in Federal Parliament. It is unfortunate that the methodology used in distributing and creating such a point-based system was not made public along with the report as it gives evidence that, to some extent, it is possible to gauge the varying levels of responsibility within Parliament.

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Paying bonuses, being the main concern of a performance management system, is at the crux of the 'performance management philosophy.' Incentive needs to be driven not only through fiscal means, but rather, through varying devices that will allow the employee to develop an intrinsic, rather than extrinsic, desire to perform well. Extrinsic systems of performance management, that reward with fiscal payments, may appear to work well, however, the central concern of an effective system remains in the fact that employees should receive feedback and future guidance on how to improve on their performance in the future.

The recurrence of public vitriol over MP Remuneration has been well-noted throughout this study, and according to the plethora of commentary by the media on the issue, the idea of implementing yet another salary-based bonus scheme may not be the method that this study is seeking. However, an envisaged performance management system that guides an MP's future expenditure and also provides assistance through consultation may be what is ultimately determined by this study.

Therefore, it may not be the incentive of this study to determine a system that sets an actual 'dollar amount' to be paid to well performing MPs. Moreover, it may be in finding a method of guiding MPs into secure, accountable practices that will allow MPs to get the most out of their budgets. In 1994, the Western Australian Auditor-General's report stated that proper, accountable practices were the utmost reason for the implementation of performance management systems: "Reporting of performance
indicators by management has become a fundamental part of a new approach to accountability."

The Auditor-General raises a serious point that needs to be analysed as it could have serious implications upon the image of the general MP. Performance management systems, being the “fundamental and new approach to accountability” are not currently utilised within parliamentary circles. If this is the case, it could be argued that the proper, accountable practices, insofar as expenditure is concerned, are not being followed by MPs. Recalling Chapter Four’s findings by the Australian National Audit Office, many discrepancies were found within MP’s travel and office entitlements. Although the Department of Treasury and Finance wrote the findings off, it is important to realise that many MPs may exceed spending unintentionally; the fact remains that they still need to be held accountable.

The Department of Finance Administration (DoFA), that negated the 27 remunerative recommendations made by the Australian National Audit Office, also stated that measuring the performance of an employee can be a very valuable exercise. It stated that employees needed “audits, reviews or evaluations on a regular basis.”

Furthermore, DoFA argued that systems such as performance management systems are best used when they show trends over a period of time. This statement may suggest that it could be possible to establish such a performance management system. However, even though such a system may be incapable of producing high quality

252 http//:www.dofa.gov.au
253 ibid
remunerative recommendations, it could nonetheless, over a given period of time, illustrate various trends throughout individual MP expenditure.

This chapter continues to focus upon the various types of performance management systems that are currently utilised by both private and public sector agencies. However, the dichotomy may not be whether such a system should, or even could, exist, rather it could suggest whether such a system would be used to analyse trends in expenditure or whether it would actually remunerate MPs accordingly.

Given the generic overview and description of performance management systems and their advantages and disadvantages, it is now necessary to focus upon the varying types of methodologies that are used both within the private and public sector. In this fashion, the study may be able to create a hybrid system that will be easily transposed into the Western Australian MP’s remunerative package.

7.2: Private Sector Performance Management

A large number of companies have evolved out of the advent of performance management systems, and many such companies provide consultative evaluations on employees and the conditions under which such systems can work. However, within the private sector, performance management systems are mainly used to provide incentive for further sales and profits. For example, a company that exceeds its average share price through the efforts of a particular individual or group of employees may endow a bonus upon them for the efforts undertaken.
In the private sector, many employees are given benchmarks and goals to attain that will allow them to claim upon set bonuses. Although this is not the case within the MP’s brief, it is necessary to review how performance management systems work within the private sector as some valuable lessons may be learned.

Hay Group, the largest Management Consultancy Group in the world, provides much literature on the implementation, maintenance and review of performance management systems within the private sector. This, being the same company who performed the work-value studies for both Western Australian and Federal MPs alike, will form the main analyses of this section.

Hay Group consulting has many resources at its disposal that aids many of their studies into corporate and private management, performance management systems and how to make profits. Although, as it has been noted, much of the literature contained within such literature points at better ways of making profits, some of the methodological approaches may be useful in determining a methodology for remunerating Members of Parliament. Therefore, it is necessary to contrast the Hay Group methodology, or overall philosophy, against the method in which Members of Parliament are remunerated.

Hay Group’s overall understanding of Remuneration in its purest form is described as a way of allowing the employee to uphold a secure lifestyle that will be able to support them. In particular, Hay Group state, in Fair Pay for a Fair Day’s Work: “the
employer (should be) willing to provide enough base salary to satisfy the standard of living for the job performed."\textsuperscript{254}

The aforementioned statement provides light upon the grounds that employees need to be able to survive upon their 'base' salary alone. That is, without the added incentive of fiscally incremented bonus that is dependent upon performance. Upon this, it is therefore concluded that MPs should receive a 'base' salary that sets an amount apart from a bonus, or additionally funded, amount.

Such bonuses, Hay Group states, can be based upon the part that has been played by an employee in creating positive market trends for the company. This is an example that Hay use when discussing the validity in finding a 'metric,' that is, something that can act as a benchmark or as a tool of measurement. Setting such metrics should allow the organisation to track the individual's progress and should be "challenging, but fair."\textsuperscript{255}

Hay Group admits that most performance management systems function additionally well within the private sector where profit margins become the actual metric. Business Plans compliment the developmental acquisition of goals and benchmarks and allow for employees to set targets towards tangible and realistic goals. However, Hay states that such plans can be developed through two major means: 1) Budget Based: whereby the actual rewards received by employees are factored into the forecasted budget at

\textsuperscript{254} http://www.haygroup.com/mediafiles/downloads/ps_incentives_portfolio.pdf
\textsuperscript{255} ibid
the beginning of the financial year; or II) Surplus Based: whereby rewards are funded as a result of a surplus being gained through super-productivity. 256

However, this scenario seems somewhat unrealistic given the fact that it is the MPs themselves who determine the budget. To state that they would be rewarded from a budget, determined of their own accord, would simply land MPs into a similar position into which they have found themselves today. Likewise, for MPs to gain a bonus through the development of a surplus could also create further tension as it may be felt that MPs were not spending enough on the general community and were trying to save an amount for their own pockets.

Nonetheless, Hay Group state that different metrics can be used in measuring the performance of an employee. As it has been noted, financial metrics can be used, that review and measure items such as revenue, costs, profits and various other margins. This, as it has been noted may not be the soundest way of remunerating an MP. However, there are non-financial means of remunerating MPs as well, namely through measurable devices such as customer satisfaction, output, delivery and quality service. 257

In determining how many companies were allotting performance-related bonuses to their employees, Hay Group decided to perform a survey of 75 United States companies. The table overleaf, illustrates the findings of the survey:

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256 ibid

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<table>
<thead>
<tr>
<th>Increases</th>
<th>2001</th>
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<tbody>
<tr>
<td>Monetary increase to highest performers</td>
<td>6.07%</td>
</tr>
<tr>
<td>Average increase to performers</td>
<td>4.10%</td>
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</tbody>
</table>

The 'highest performers,' on average, were seen to receive an average bonus of approximately 6.07%. Performers ‘in general,’ were seen to receive an average bonus of approximately 4.10%. Given a Western Australian Member of Parliament’s base salary, enacting a similar equation would see them in receipt of approximately $4,000 to $6,000 dollars as a bonus. How such a system would be devised still remains questionable.

7.3: Public Sector Performance Management

The private sector methodology of remunerating employees according to their performance does have merit. However, its merit within a parliamentary remunerative setting needs a great deal more justification as, from what has been viewed, elements impinging on a Member’s ‘performance rating,’ such as profits gained, margins made and costs cut do not necessarily reflect an MP’s daily job description. Therefore, it is necessary to review some of the public sector models of performance management benchmarking that are being used, both here in Australia and, on an international level.

It has been through the historical progression of the 1980’s that the Australian Public Service slowly embraced, and began the implementation, of various performance

257 Ibid.
management systems. Such systems, as noted by the Australian Public Service Commission, were adapted from the private sector. The simple fact that such, the now well-established, performance management systems within the public sector were once based upon profit and margin, is evidence that such systems may even be transposable to the parliamentary sphere.

The Productivity Commission, whose responsibility it is to oversee the implementation of such systems within the Australian Government Civil Service, stated that performance measurement systems can: I) Enhance measurement approaches and techniques in relation to aspects of performance such as unit cost and service quality. II) Can help identify where there is scope for improvement. III) Can promote greater transparency.

The identification of where there may be scope for improvement, along with the promotion of greater transparency, would be two outcomes of a performance management system that would benefit the outcomes of this study. Similarly, enhancing the measurement of providing quality service, rather than rewarding quality service, may also be of use in determining a formula of remuneration.

The Australian Public Service Commission (APSC) states that performance management systems should be ‘rewarding’ performance and not reprimanding a lack
Chapter Seven: Performance Management Systems

thereof.\textsuperscript{261} When attempting to implement such a performance-based system into a new workplace, there are two guiding principles that should be followed:

I) Alignment: Basing the performance management system on a "detailed understanding of the outcomes sought by Government." II) Credibility: "Winning the support of staff through transparency, fairness and simplicity.\textsuperscript{262}

From this statement, information needs to be gathered on what particular outcomes are set by Parliament, the MP and perhaps the Salaries and Allowances Tribunal. There should exist a negotiation process through which an MP may be able to come to a reasonable plan, in conjunction with the organisation's greater outcomes, that will be clear and simple. Some type of body would need to oversee the development of such a plan.

The APSC also developed three steps, in conjunction with many governmental and private organisations,\textsuperscript{263} that need to be taken into account when implementing and maintaining a performance management system. These three steps, which will be revisited further in the study, are as follows: I) Identify work goals and expectations associated with performance. II) Identify the steps necessary to achieve Step 1 whilst

\textsuperscript{261} http://www.apsc.gov.au/publications01/performancemanagement3.htm
\textsuperscript{262} http://www.apsc.gov.au/publications01/performancemanagement4.htm
\textsuperscript{263} Organisations involved in the study included: Department of Agriculture, Fisheries and Forestry Australia, Department of the Attorney-General, Department of Employment and Workplace Relations, Treasury, Department of Transport and Regional Services, Department of Health and Aged Care, Public Service Merit Protection Commission, Department of Finance Administration, Department of Defence, Australian Customs Services, Australian Taxation Office, Centrelink, Department of Prime Minister and Cabinet, Aboriginal and Torres Strait Islander Commission, Intellectual Property Australia, Australian Bureau of Statistics, Productivity Commission, National Gallery of Australia, Australian National Audit Office, Screensound Australia, CSIRO, Australian Broadcasting Corporation, Australia Post, Australian Sports Drug Agency, AUSTRADE, Health Insurance
listing the core skills involved to complete this task. Compile a list statement of knowledge and ability relevant to the particular work area. III) Develop an Individual Development Plan by identifying the skills strengths and gaps from Step 2.

In a final note, the APSC stated that the reward of the individual is not the only method of performance that can be used as a team or group of individuals can be rewarded for a combined effort and outcome. However, in a study conducted by the APSC, many stated that they did not personally believe that “performance management systems encouraged people to work harder.”

Looking at international examples of performance management systems, a British government agency categorises such systems into seven areas:

**Strategic Benchmarking**

Strategic Benchmarking is used where organisations seek to improve their overall performance by examining the long-term strategies and general approaches that have enabled high-performers to succeed.

**Performance (or Competitive) Benchmarking**

This system is used where organisations consider their positions in relation to performance characteristics. In other words, two people with similar positions compete against each other for better targets.


265 [http://www.benchmarking.gov.uk](http://www.benchmarking.gov.uk)
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Process Benchmarking

When trying to improve on one particular area of an organisation, people from similar organisational backgrounds are requested to be used as a comparator so that various figures may be analysed.

Functional Benchmarking

This process is somewhat similar to Competitive Benchmarking, however, the individuals who compete are from different organisations.

Internal Benchmarking

This system of benchmarking involves seeking partners from inside the same organisation. Consequently allowing the varying levels of responsibility to be identified.

External Benchmarking

This process involves seeking outside organisations that are known to be the ‘best in their class’ so that valuable lessons may be learned from them.

International Benchmarking

The International Benchmarking System simply requires the use of similar systems within other jurisdictions. As this type of methodology has been used within this 266 http://www.benchmarking.gov.uk/about_bench/whyuseit.asp
Chapter Seven: Performance Management Systems

study, it would be of use to review the hierarchical model of implementation and maintenance:

1. Identify the subject for benchmarking
2. Seek/find partners
3. Study and come to an understanding of your own processes
4. Hold preliminary meetings – begin to develop performance indicators
5. Collect and analyse your own data
6. Partners collect and analyse their data
7. Partners exchange data
8. Data analysed and compared
9. Improvements identified
10. Improvement plan prepared and agreed
11. Improvements implemented
12. Value of improvements measured
Out of the seven various types of performance management systems that can be introduced into varying types of organisation, the above chart only outlines possible steps that can be taken given possible circumstances. Though it may not be possible to implement the entirety of the International Benchmarking System into place with the Western Australian Parliament, it may be possible to devise a hybrid system that is the result of a culmination of several of the systems that have been mentioned. Therefore, it is necessary to briefly review the major roles of Members of Parliament so that some deductions on the possibility of implementing such a hybrid performance management system may be determined.

7.4: The Member of Parliament’s Roles

As was noted within the Introductory Chapter of this study, the usual roles of Members of Parliament fall into three main categories: Parliamentary Duties, Electoral Duties and Party Duties. To an extent that will soon be realised, some of the Parliamentary and Electoral duties of MPs may be measurable. However, the somewhat ethical question of measuring an MP’s party role remains a question of theoretical proportions as the party may assist the MP in the fulfilment of their duties. Yet, the party may also impede the Member from other commitments such as Parliamentary and Electoral duties,

Although technology’s efficiency has greatly increased and MPs are more likely to use it when completing many of their duties, the 1947 Tribunal Report that was cited
in Chapter Two, nonetheless, provides a comprehensive list of duties for MPs. This list provides a detailed charter of the various duties that most MPs would probably perform on a daily basis. However, only one such role could come under a performance system. The other measurable roles would relate to the Members budgetary requirements.

**Attend Sittings of Parliament**

Through Sessional Orders, Members are required to attend most of the sittings of Parliament. However, although the commencement of sitting begins at the same time, the adjournment of Parliament varies from night to night; depending on the business that needs to be completed. Members often find themselves sitting through until the early hours of the morning.

The most useful way of measuring such a role would be in paying MPs an hourly rate for sitting. This component could be withdrawn from their ‘overall salary,’ and could become a ‘casual’ type rate that pays them by the hour. Therefore, Members will be remunerated fairly and according to the workload of that day. The range of sitting hours throughout the 1990's varied from 414 hours in 1991/92 to 737 hours in 1997/98. The average sitting hours were 496 hours. The figure between 1992 and 1998 almost doubled, however there remains no mention in the Tribunal’s determinations as to how MPs would be compensated for the extra hours worked. The table below helps illustrate the varying sitting times clearly:

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267 MOORE B. *The Remuneration of the Members of the Western Australian Parliament 1888-1999.*

172
Chapter Seven: Performance Management Systems

Recommendations into this point will be taken into further within the following Chapter when the study’s overall aims and conclusions are reviewed.

**Budgetary Requirements**

As it has been noted throughout this study so far, many Members find themselves at the mercy of public criticism, when various figures released show the sums of money that are spent through, and for, the MP’s means. The amount concurred by a particular Member may be fully justifiable, however, so that some amount of relativity and transparency may be gained, it would be important for the public to view the Mean of expenditure in each of the Member’s offices.

It would seem that the onus is upon the Salaries and Allowances Tribunal of Western Australia to devise a system that calculates trends in MP expenditure, whilst identifying future areas of augmented spending. For example, most MPs would not have received large budgets for computer hardware and software, yet with the advent of computer and information technology, Members are now provided with funds to allow them to purchase able equipment.

In relation to the United Kingdom’s aforementioned benchmarking service, this type of benchmarking would come under the umbrella of Competitive Benchmarking whereby MPs could compare both expenditure rates and trends against one another’s figures. Said trends, if greatly augmented, could be flagged by those at the Salaries and Allowances Tribunal and that particular MP, who has overspent, could receive

Perth, Unpublished, Pg. 17
reward in the form of professional advice on budgeting. Although this not appear to be ‘competitive benchmarking’ on the surface, it could be conceived that one particular MP may be seen in a better light by the public for spending less rather than another who has often shown trends of unnecessary expense. In this method, MPs competition is from fellow MPs, who, on having their financial arrangements for a particular term tabled and made public, are consequently judged by the voters. These may appear to be irrational, if not outlandish, forms of measurement, however, they, as the Productivity Commission stated, provide greater transparency and accountability.

Committee Participation:

Members of Parliament are often asked, or volunteer, for special work upon both Select and Standing Committees. Whether they are the Chair, researcher, secretary or figurehead, many MPs contribute towards to the development of knowledge through their participation in such committees. The Members commitment to committee work may be a sign of dedication and devotion within an MP to promote to the development of policy. It could be argued that such an activity could be rewarded, as it often requires more work on the MPs behalf.

However, whether this contribution relates to a matter of performance measurement or not remains questionable as, ideally, the membership of an MP on a committee would not form the basis for measurement, but the MP’s contributions would. Yet nonetheless, an MP could still be recompensed through means of a greater salary for their membership, and commitment towards the development of such committees.
Chapter Seven: Performance Management Systems

7.5: Conclusions on Performance Management

Although *The Quest for a Formula* continues and the search for a method of determining the future of Western Australian Parliamentary Remuneration has not yet been reached, it is necessary to make some conclusions upon the issue of performance management systems in the Western Australian Parliament. As it has been noted by previous studies, the implementation of performance-based initiatives into an MP’s remunerative package would be extremely difficult, if not impossible. However, the reason as to why this is the case needs to be reviewed before the following chapter brings this study to its conclusion and makes its overall recommendations.

The generic, or average, Member of Parliament needs to be found when devising a performance management system so that other MPs can be pin-pointed either above or below that level. However, the difficult task remains in finding the illusive ‘generic’ MP who can act as a standard by which others can be judged. This is particularly prevalent in Western Australia for the reasons which will now be examined.

Although there obviously exists varying hierarchical levels between Members and Ministers, whether they be administering a major or minor portfolio, there are also varying levels of responsibility, or differing weights, between backbenchers alone. This is mainly due to the actual geographical size of Western Australia as a state. The demographical nature of the state also provides a physical deterrent towards the implementation of a performance management system.
Members within the metropolitan area of Perth do not suffer the burden of having to travel for endless hours to their electorate like other MPs who represent remote and distant electorates. It should be noted that some electorates within Western Australia are larger than other states combined. Such MPs, representing metropolitan seats, find themselves close to Parliament and their electorate and therefore do not have the expense, time or energy spent in travelling away from home, and Parliament, to deal with electoral affairs.

The remote seat of Eyre is approximately three times the size of Victoria and is represented by one MLA. Although modern technology does allow for more efficient communication between Perth and the seat of Eyre, there would be many occasions when an MP would have to be physically present within their electorate for special events, openings, functions and so forth.

However, it could be argued that the Member for Eyre only has approximately 15,000 constituents that they would need to tend to through representation whereas the approximate average of voters per constituency within metropolitan Perth is approximately 25,000. The question of size and distance versus the number of constituents is a poignant note. Some would argue that more voters would mean more concerns, issues, events, meetings and ultimately, pressures. This case is still open to debate, however, in Western Australian electoral sizes, there exists a malproportioned distribution of electors. This is evident through the fact that the Member for the outer metropolitan electorate of Wanneroo has approximately 42,000 voters and still growing, whereas inner, and more established electorates such as Nedlands and Perth
have a very steady constituent population of approximately 23,000. Ultimately, this means that the Member for Wanneroo has about 19,000 more constituents than other metropolitan seats and approximately 27,000 more constituents than the seat of Eyre. Nonetheless, various States around Australia recompense candidates who gain a certain percentage of votes; which could be seen as a method of rewarding candidates, or already seated, MPs for gaining votes. Such a system may be utilised to a greater extent.

Based upon this geographical and demographical data, determining a performance management system based upon the varying workloads of MPs within Western Australia would appear to be unreasonable. There is no standard set within the electoral boundaries themselves to measure an MPs daily duties as, from what has been viewed, the bipolarity between MPs duties is enormous.

Many MPs are encouraged to visit, and stay, within their electorate in the times when they find themselves free of parliamentary or party commitments. However, and given the noted data, it would be impossible to measure the MP’s performance based upon the time spent in their electorates, as this would vary greatly. Similarly, the measure of work done within the electorate would also be questionable.

However, it is not only the geographical and demographical details that make such a performance management system within the Western Australian Parliament impossible to envisage. There are also the backgrounds of MPs that play a large part in the effectiveness with which such duties are carried out.
For example, an MP who has the strong backing, both principally and financially, of a major political party behind is more likely to have the means behind them to complete the daily tasks and meet the required standards. By no means does this intend to imply that an Independent Member would not be able to reach the equivalent standard, however, it could be argued that it would be harder for an Independent Member to achieve such standards.

Independents play a strong and vital role within most Parliaments around the world, likewise, their contribution to the Western Australian Parliament can also be advantageous to the democratic process. However, when implementing a performance management system, particularly a system based upon competition, it would be difficult for an Independent MP to fit into the set structure of such a system. Nonetheless, it could also be argued that party commitments are also burdensome for some party-based MPs and only create more tasks which impede their daily duties.

The 1947 report, mentioned earlier, stated many ‘daily duties’ of MPs such as research, reading, writing, answering telephonic enquiries, preparing papers and so forth. However, these roles of MPs are simply not measurable. An MP cannot be measured for the amount of reading or research that they conduct. Similarly, they cannot be measured for the amount of telephonic enquiries that they tend to. How the satisfaction-level of the caller would be measured is also questionable.
Some have argued that MPs could be remunerated through a performance management system that measures MPs according to their 'societal performance.' Societal performance relates to the major issues that concern all electorates and constituents. They are mainly issues such as: Employment and Unemployment, the general cost of living, crime rates, number of people incarcerated for such crimes, the number of bills introduced into Parliament, the development of public and social policy etc.

However, it is plainly obvious that such figures are not a means for measuring the performance of an MP for several reasons. Often, such figures are not generated by one particular MP upon their own strength and economic factors often remain at the mercy of other, interstate and international, forces. Similarly, it would be impossible to measure a Government of individuals on their contribution towards, for example, the sale of public transport, as it may not have been in many other people's best interests for this to occur. Therefore, it could be safely said, that performance management systems are not, and cannot, be tailored in any shape or form towards the measurement of such 'global' issues.

Overall, it would be advantageous in many ways to have figures at hand that show the general performance of an MP. Such figures would presumably affect the way in which many constituents would vote. It would also be insightful in being able to evaluate and compare MPs against one another and assess each MP's efficiency.
However, as it has been well illustrated, measurement of any unit requires a standard by which an entity can be measured against. MPs, as separate entities, as so distinct in their daily, philosophical and practical duties that there is no perpetual standard by which a single entity can be measured. In other words, individual MPs are akin to individual and varying companies and industries. It would be impossible to combine various and differing industries and enterprises into one conglomerate to be judged according to one standard as the unit of measure is extremely variant.

The Hay Group, who allotted points to each category of MP, has graded MPs into many varying levels of responsibility. However, within each level, or Band-Level, there exist many more levels that have not been quantified through Hay Group’s study. It is clearly evident that a Whip or Leader of the House has more responsibility, and consequently roles, than a Backbencher, however, the Backbenchers roles also vary greatly and simply cannot be compared against one another.

In concluding this Chapter’s brief review of performance management systems within both the private and public sector, it should be noted that The Quest for a Formula is not yet complete as it still remains the intention of this study to determine a method in which Parliamentarians may be remunerated. Although the aim of this study was to review the validity of implementing a performance management system to remunerate MPs, this overarching question has been answered with much fact.

Ultimately, this study will make its major recommendations on the fashion in which MPs should be remunerated in the following Chapter. That is, the methodology and
structural ways in which greater transparency and accountability may come to fruition. Consequently bringing about a greater awareness of Parliamentary Remuneration and its place within the Western Australian Parliament.

Performance Management Systems, although currently used in many types of organisations, do not appear to have a place within Parliament and the remuneration of MPs. Though, not always an accurate reflection of an MP’s individual performance, the measurement of the performance of an MP ultimately rests with the decision carried by the ballot box on Election Day.
Chapter Eight: Review and Recommendations

8.1 Chapters’ Review

8.2 - 10 Recommendations
- The abolition of the Salaries and Allowances Tribunal
- Abandonment of the comparative salary methodology
- Functioning of MP Salaries
- A new, and independent, Tribunal
- Experiential MP Salaries
- Comparative roles of MLA’s and MLC’s
- Major indicators of MP Salary increments
- The perceptions of Parliament and its Members
- Performance Management Systems and MPs
- “Short Money:” Possible future paths of remuneration

8.3 - Thesis Conclusion
- “The Quest for a Formula”

8.1 Chapters’ Review:

Chapter One (Introduction):  
The first chapter focused upon the introduction of Parliamentary Remuneration as a general issue that had caused much public dissatisfaction over the last one hundred years. Various philosophical arguments were put forth concerning the issue of Parliamentary Salaries and the semantic meaning of ‘remuneration’ was visited.

The major lesson derived from Chapter One’s general observations was that Parliamentary Remuneration has encountered a long and fettered history which has dealt with a considerable amount of public scepticism, comprise and discussion.
Chapter Eight: Review and Recommendations

Chapter Two (Western Australian History of Parliamentary Remuneration):

Chapter Two dealt with the history of Parliamentary Remuneration in Western Australia since its advent in 1900. It also reviewed the creation of the Salaries and Allowances Tribunal in 1975 and the momentous determination that occurred in 1990 when the Tribunal employed private consultants to review the value of a Western Australian MP. The Chapter also focused upon the various allowances and entitlements that various MPs receive.

Some of the lessons learned from this Chapter were: I) It is quite difficult to ascertain, with any degree of accuracy, the monetary value of an MP because their position is so variant from any other workplace’s position. II) Members of the Western Australian Parliament have, over the last seventy years, been receiving financial support to help them fulfil their duties, but some of these allowances may have been granted without much thought to each individual MP’s circumstances.

Chapter Three (Parliamentary Superannuation):

Probably the most contentious of all the components of the MP remuneration package, Parliamentary Superannuation has always come under the greatest amount of dispute. The rates, at which MPs have been superannuated, has not been aligned with community standards. However, this has been programmed for change by the next Parliament. It was also noted, towards the end of the Chapter, that Federal decisions concerning Parliamentary Remuneration, do have an impact upon the remunerative status of the
Chapter Eight: Review and Recommendations

Western Australian MP even though Western Australia has an independent tribunal to review such matters.

One of the major lessons learned from Chapter Three is the fact that Parliamentary Superannuation can no longer, in the eyes of most people, stay out of line with the rest of the community as the circumstances surrounding the implementation of the superannuation scheme have changed greatly. That is, MPs no longer, on the whole, go into Parliament in the twilight of their careers.

Chapter Four (Australian Parliamentary Remuneration):

The fourth Chapter, which reviewed the history, methodology and structure of Australian Federal and State parliamentary remuneration discovered a substantive report by the Australian National Audit Office which made some strong recommendations regarding the future of Parliamentary Remuneration in Australia. The life-pass, otherwise known as the gold-pass which entitles ex-Members and their spouses to free travel Australia-wide, came under a great deal of condemnation from the report.

Similarly, this report stated that expense allowances for MPs should be able to cater for each individual MPs circumstances as some were spending much more of their budget in some areas rather than others. However all recommendations, except one, were rejected by the Department of Finance Administration.
Chapter Eight: Review and Recommendations

Chapter Five (British Parliamentary Remuneration):

Although the Parliament in Britain is considered to be the Head of all Westminster based Parliaments, 'Mother Parliament,' it was discovered, has lagged behind most other countries in so far as Parliamentary Remuneration is concerned. This Chapter showed the major decisions and determinations that had been made in Britain concerning the issue of Parliamentary Salaries, and the various bodies that had been established in an attempt to quell the public criticism of such determinations.

Chapter Six (Canadian Parliamentary Remuneration):

The fifth Chapter moved on to look at various international comparisons, with Canada being the first Westminster based jurisdiction to be given consideration. During this Chapter's review of Canadian Parliamentary Remuneration, it was discovered that Canadian MPs had long been entitled to a Tax-Free Expense Allowance which paid them approximately 20,000 dollars per year. This was seen as a method of paying Members without having to tell the public about how much they really earned. It was considered to be worth 40,000 dollars because of its 'tax-free' status, however, this was recently abolished in 2001.

The major report, conducted by Sobeco Ernst and Young, stated that a fully independent tribunal should be established so that the remunerative process may be made more transparent. The Canadian experience also illustrated that Canadian MPs received large pension payouts that were not wholly accepted by most of the public, and many of the MPs themselves. Chapter Six also illustrated Sobeco Ernst and Young's view that MP
Chapter Eight: Review and Recommendations

Remuneration should be viewed as a 'global package.' Reviewing a parliamentarian's global remunerative package allowed the remuneration experts to devise a formidable scale of salaries.

Chapter Seven (Performance Management Systems):

The Chapter on performance management systems illustrated many varying types of performance management that are used by both public and private enterprises. The methodology used in implementing and maintaining such systems was also reviewed. Some of the roles of MPs were juxtaposed against such systems. It was discovered that MPs roles vary considerably from Member to Member as there are always demographic, geographical, physical difference between MP's roles.

It was therefore decided that it would be far too difficult to implement such a system. Nonetheless, this Chapter, through literature gained from Hay Group Inc. stated that financial counselling of some description could occur for MPs who were willing to learn about managing their finances.

8.2 Recommendations:

Given the literature and research reviewed throughout this thesis it is contended that it is practically impossible to implement a performance management system that could be utilised to remunerate Members of the Western Australian Parliament. However, ten recommendations are proposed for dealing with the future of parliamentary remuneration within Western Australia. Most of the following recommendations would work
Chapter Eight: Review and Recommendations

interchangeably and as a part of the same structure. However, recommendation ten stands on its own as a possible 'outside' solution that would be entirely self sufficient.

Recommendation 1
The Salaries and Allowances Tribunal of Western Australia should be abolished

Much of the literature that has been viewed throughout the course of this study points towards the abolition of the Salaries and Allowances Tribunal of Western Australia (SATWA). Without doubt, SATWA has produced informative documents and has provided some interesting analyses upon the issue of Parliamentary Remuneration. However, on many occasions, the methodological approach used by SATWA in determining the remunerative amount has not always been explicitly mentioned and available to the general public.

Given the evidence that has been gathered through Chapters 1 to 4, the study makes this recommendation on the following bases:

(i) SATWA is not independent;
(ii) SATWA has not met its aims;
(iii) The jurisdiction of SATWA has been compromised by Parliament and the Executive and;
(iv) MP Remuneration trends seem to have little, or no, difference to the federal Remuneration Tribunal's determinations.

(i) SATWA is not independent:

SATWA claims to be a tribunal that is independent and that its decisions, therefore, are also independent. When the tribunal was established in 1975, it was believed, and remains a belief, that the tribunal would be independent. The Minister for Justice, at the
time, stated: “The new tribunal will consist of three independent members who will not in any way be covered by the provisions of this legislation. Thus, the tribunal will be completely divorced and independent.”\(^1\) However, as was noted in Chapter One, the tribunal forms a part of the arm of the Department of Premier and Cabinet. The Tribunal may argue that this is a necessary linkage; yet, this may ultimately dampen the public’s trust in the determination process. Similarly, SATWA, comes under the portfolio of the Premier.\(^2\)

(ii) \textit{SATWA has not met its aims}

In 1975, Premier of Western Australia, Sir Charles Court, stated one of the main reasons for the creation of the tribunal: “This measure seeks to establish a tribunal with jurisdiction to inquire into and determine – and I emphasise, "and determine"\(^3\) However, this has not always been so, and will be shortly noted, as the Tribunal’s determinations have often been rejected by Parliament and the Executive.

Similarly, SATWA was established to assist the MPs in dealing with the amount of public controversy surrounding the issue of Parliamentary Remuneration. However, given a glance across any Western Australian newspaper, it could be stated that this aim has not been met as a great deal of public criticism still exists.

(iii) The jurisdiction of SATWA has been compromised by Parliament and The Executive:

As noted earlier, SATWA have not been given the opportunity to function as a fully-independent agency and have been dictated terms by 'outside' bodies. This is an endemic problem as SATWA's determinations, as legislated, are required to be passed by Parliament. However, given the hypothetical scenario of where SATWA recommend a large increase for MP's pay, it is doubtful that Parliament will pass such an increase. This is mainly due to political reasons. The determination's process and powers need to be taken out of the parliamentary sphere so that it becomes a totally independent process that cannot be tainted by political interests.

(iv) MP Remuneration trends seem to have little, or no, difference to the federal Remuneration Tribunal's determinations:

Through the tabulation of the remunerative amounts received by Western Australia versus Victorian and Commonwealth MPs, this study notes that there has been little difference between the amounts received by all of these MPs, even though they are administered by separate independent tribunals. This poses the question as to whether SATWA is necessary as Western Australian MP Remuneration could be tied to their federal, or state, counterparts.
Chapter Eight: Review and Recommendations

The graph above notes the similarities between the various jurisdictions' salary rates which are received by MPs. Given such a scenario, the justification for a simple link to the Federal Remuneration Tribunal would appear to be a feasible option.

Recommendation 2

Were SATWA to exist in its current form or not, the comparative salary methodology should be abandoned.

Insofar as linkages between various States and the Western Australian MP's remuneration is concerned, this study recommends that Western Australian MPs remuneration should not fall under the comparative methodology that has been employed for the last one hundred years. This is due to the fact that a Western Australian MP's role
would probably vary greatly from that of a, say, Victorian MP’s role. This has become evident through SATWA’s treatment of MPs who represent vast, and regional, Western Australia. Some electorates in Western Australia are several times larger than the other States, let alone their electorates. Similarly, within Western Australia itself, there are abnormalities in the varying sizes (populations) of the electorates. For example, the seat of Nedlands has 15,489 electors whereas the seat of Wanneroo has 41,213.\(^4\)

However, there exists yet another reason as to why such jurisdictions should not be compared with one another when analyses are being carried out. Over the last one hundred years, most parliaments have often used other counterparts as a means of justification for the increasing of their own remuneration. This appears to have had a cyclical nature whereby one comparison will lead to a counter-comparison, consequently increasing parliamentary salaries without reason. Ultimately, there are other means by which determination-inquiries can be carried out; as was seen through SATWA’s use of private management consultants in the early 1990’s.

Recommendation 3

Given the information illustrated in Recommendations 1 and 2, by which means should MP Salaries function?

The abolition of SATWA would leave a vacuum whereby MPs would no longer receive any types of future increments in their remuneration. Therefore, this study proposes that a new tribunal be established to determine the future of MP Remuneration and MP Salaries in particular. Although this study does not propose to outline every single aspect of this

\(^4\) http://www.sat.wa.gov.au/electorate_no’s.htm
new tribunal, it should be stated from the outset that such a tribunal would have to be independent, both in nature and practice, and would have more public input into the inquiry-determination process. Appendix 1 illustrates the methods that have been employed over the last 100 years whereas Appendix 2 outlines this thesis' recommendations on which tools should be used in determining Parliamentary Salaries.

Recommendation 4

Particulars of the new tribunal

Without drawing up a constitution for the proposed new tribunal, it is important to outline some particular functions and powers of this tribunal in a recommendation of their own.

The Tribunal:

(i) Would meet once an election had been ‘called;’

(ii) Would consist of an uneven number so that a majority could be gained;

(iii) Would publish the findings in *The West*, once a majority had been gained and would explain the amounts to be received by various MPs and why;

(iv) Would consist of general members of the public, remunerative ‘experts,’ and MPs representing each major political party.

(v) The Tribunal’s only jurisdiction would be over MP Salaries and Entitlements; and

6. With Constitutional, or legislative, approval the Tribunal would pass their determination directly to the Governor for Assent without needing the consent of Parliament.

The Tribunal would meet prior to every election to determine what an MP’s position would be worth for the up-coming session of Parliament. They would not meet again until the following election. The Tribunal, through an independent inquiry process, would
would probably vary greatly from that of a, say, Victorian MP’s role. This has become evident through SATWA’s treatment of MPs who represent vast, and regional, Western Australia. Some electorates in Western Australia are several times larger than the other States, let alone their electorates. Similarly, within Western Australia itself, there are abnormalities in the varying sizes (populations) of the electorates. For example, the seat of Nedlands has 15,489 electors whereas the seat of Wanneroo has 41,213.  

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vote upon various determinations and such determinations will be passed to the Governor so that Parliament may not influence the determination process.

In this sense, the public will feel that they are getting more of a say into the issue of Parliamentary Remuneration as they will sit on the Board of the Tribunal. Similarly, such an independent body’s determination, which would have public approval, would simply come into effect as of Assent. Presiding over the new tribunal could be the Governor who would ensure that no illegitimate transactions were made or proposed. This process would both simplify and increase the transparency of the remunerative process.

**Recommendation 5**

**MPs should receive experiential-based pay**

As noted in Chapter 2, Western Australian MPs come from a highly diverse background of employment. For example, there are: Teachers, actors, managers, doctors, academics, riggers and many other types of professions within the Western Australian Parliament. To pay them all one-level of pay does not seem to adequately address the fact that some MPs are more experienced than others.

However, this study noted whilst researching Performance Management Systems and remunerating MPs that it was very difficult to remunerate MPs accordingly. However, there seems to be no account taken for MPs who serve more than one term of Parliament. It could be thought that MPs would become more efficient over time as they would gain more experience in fulfilling their duties. As in many professions, there are various levels
which are incremented on a yearly basis according to experience. Therefore, this study proposes that the issue of paying MPs according to 'bands' which are based on experience. For example, an MP serving their first term of Parliament would receive a Band 1 base-pay amount whereas an MP serving their second term would receive a Band 2 base-pay. Various percentiles could separate each band.

Recommendation 6
Studying the roles, and demands in a comparative study between Members of the Legislative Assembly and Members of the Legislative Council of Western Australia

In Chapter Four, the study carried out by Sobeco/Ernst & Young on Canadian MP Remuneration stated that the demands on MPs varied from House to House. As a consequence, the Canadian MPs were remunerated varying rates according to which House they were seated. Although this study has not explored the realms of this topic, it is a recommendation of this study that there be further investigation into the roles that Western Australian MLA's and MLC's carry out so that comparisons can be made. It may be found that MLA's work more than MLC's, and therefore, should be remunerated fairly.

Insofar as the roles of all Members of the Western Australian Parliament are concerned, this study encourages further private management inquiries into the remunerative rates received by MPs. As in both Western Australia with the Cullen/Eagen/Dell studies in the early 1990's and the Federal Noble/Lowndes/Cullen/Eagen/Dell studies, much knowledge and expertise was gained. Therefore, these studies and others should be carried out more often.
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Recommendation 7
Average Weekly Earnings, Consumer Price Index and Gross Domestic Product as indicators of remunerative increments

In many regards, people will argue that politicians hold the major responsibility for the state of the Australian economy. Economists may debate this statement as there are many other global factors at work. However, MPs are, at least to some extent, responsible for the state of the economy which also may affect the levels of: Average Weekly Earnings (AWE), Consumer Price Index (CPI) and the Gross Domestic Produce (GDP).

However, there are two arguments against the use of these figures as indicators of MPs performance. Firstly, Western Australian MPs are only partially responsible for such figures as the figures themselves are based upon the total-Australian amounts, over which Western Australian MPs have no responsibility. Secondly, this study has focussed on the Backbencher and base-pay alone, figures such as AWE, CPI and GDP are mostly, if at all, influenced by Senior Ministers and it could be argued that Backbenchers decisions and directions have little to do with such figures. Therefore, this study suggests, when determining a Backbencher’s salary, that these figures do not play the vital justification for increasing an MP’s base pay.

Recalling Chapter Two’s historical review of Parliamentary Salaries, it was noted that Western Australian MPs decreased their pay in the 1930’s in accordance with salaries that were also falling in Australian society. The study’s proposal could appear to be a contradiction to the historical facts of what has been employed. However, this study
states under the new tribunal, that such figures should simply not employ 'outside' figures to justify erroneous and unjustifiable determinations.

**Recommendation 8**

*Studying and investigating how the public's perception of Parliament, and its Members, can be upheld*

Although there has been little formal reference to it throughout the thesis, there has been much note regarding the standing of the position of an MP within Australian, and international, society. As was noted in Chapter One, Parliamentarians are trusted about as much as a maligned oft par used car salesman would be. However, this thesis proposes that perception of an MP is not entirely fair.

As it has been noted, MPs work very long hours, are always ‘in the spotlight,’ travel endless hours, are submitted to constant reading and research to stay in touch with topical issues and have to tend to other party or electorate functions. Some may argue that if they did not want this lifestyle that they should have chosen another career. Others may agree that MPs do work extremely hard, however, it is the feeling of this thesis that said people would be in the minority.

As noted earlier in the thesis, a study by Dr Ken Coghill and Dr Colleen Lewis on the perceptions of the public about their MPs was carried out to find more out about public perceptions of their representatives. Recommendation 8 of this study proposes that more studies akin to the aforementioned be carried out with the intention of raising the general esteem of Parliament and its Members.
Chapter Eight: Review and Recommendations

Recommendation 9
Performance Management Systems and the determination of MP Salaries and Entitlements

Members of Parliament's salaries should not be tied to any performance measuring system under the current structure of determination. As it was noted within Chapter Seven, MPs roles vary from constituency to constituency. It would be virtually impossible to manage such a performance system effectively within the current Western Australian framework for remunerating MPs. However, stating that MP’s ‘should’ not be tied to such current structures may not necessarily mean that they ‘could’ not be tied to new, or unforeseen, structures.

Recommendation 10
“Short Money:” A Revolution in the Payment of Members of Parliament

The final recommendation of this thesis proposes a ‘global,’ or holistic, approach towards a new, even ‘revolutionary,’ method of payment. The nine previous recommendations of this study meld into one cohesive philosophical recommendation towards the Western Australian problem. However, Recommendation 10 is, in its own right, a recommendation which stands alone and does not relate to the previous recommendations. In Chapter Four, Parliamentarians stated that they wanted more flexibility with their entitlements as expenditure varied from office to office. However, even though the Auditor General’s Office thought of it as a useful idea, the Department of Finance Administration thought differently.
Similarly, the conundrum of paying MPs bonuses for work that they have achieved has also been stated as virtually impossible as the current structures would not permit such a move. MPs positions have been void of the luxuries of flexibility that many people, at an equivalent level, would have the opportunity to do. MPs cannot trade-off some of their pay for more entitlements or vice versa. Furthermore, MPs cannot trade-off one entitlement for another. With MP Salaries and Entitlements being so stringently administered, for auditory purposes, MPs have very little flexibility in what they do. It would be interesting to see how this inflexibility affects their performance.

Nonetheless, as it was noted in Chapter Five which focussed on the British MP's remunerative arrangements, a term entitled “Short Money” was discovered. In the House of Commons in 1974-75, Mr Edward Short, instituted a payment of funds to political parties who gained a certain amount of votes and a certain amount of seats. Originally, MPs were paid $1000AU for every seat that was won and would also receive $2AU for every two hundred votes that were gained. Today, after several increases in the “Short Money” allocations, the Tory Party received $7,000,000AU for the administering of opposition business. This thesis proposes that such a system be used to a greater extent within Western Australia.

As was noted in Chapter Four, similar systems are in place within other Australian jurisdictions. For example, candidates within Victorian State Elections who gain more than 4 per cent of the first preferential vote, gain AUS$1.25 for every first preference that

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5 http://www.parliament.uk/commons/lib/research/notes/snpc-01663.pdf
6 Ibid.
they receive. A similar, if not identical, system was introduced into the Western Australian Legislative Assembly in 2003 under the Electoral Amendment Bill 2003 but was later withdrawn for unknown reasons. This study proposes that such a system could work within Western Australia as that it would fairly represent some form of reward towards an individual MP or their Party. Such funds may currently be allocated through the use of public funding accounts, however, it may be possible to legitimise the structure of electoral funding towards the attainment of a democratically viable remunerative system of payment that would represent a fairly true value of an MP.

So that such a system could be used in Western Australia, it would be necessary to legislate on the many boundaries that this proposal will embody. Similarly, as this could be considered an 'outlandish' recommendation, it may nonetheless remain a contribution to knowledge and the future directions of Parliamentary Remuneration within Western Australia. The illustration below will help explain the proposed system:

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The illustration above represents the State of Western Australia and is divided up into electorates. The letters inside each of the electorates signify who has won each particular seat and each letter corresponds with the name of the political Party. In this setting, there is Party A, Party B and an Independent. By means of a complex mathematical formula, akin to the one used in “Short Money,” the Australian Electoral Commission could distribute funds to each of the Parties, or Independents, depending on how many seats they won and how many votes were gained.

For example, the mathematical formula in question would have to value the total cost of running an electorate. Included in the running costs would be: Administrative costs, staff costs, travel expenses, the MP's Pay and so forth (superannuation would not be included as that is considered ‘post-parliamentary’). Therefore, if one seat were to be valued at $1,000,000AU in total, Party A would gain $3,000,000AU in total, Party B would receive $2,000,000 in total and the Independent would receive $1,000,000 in total. When saying ‘in total,’ it is the meaning of this study that it includes all expenses including the salary of an MP. This system is much like the methodology used by shareholders within the Stock Exchange. Each person has varying degrees of interest and investment, and it is up to each individual to administer, distribute and allocate their allotted funds in the, legislated, way that they see fit.

For the political Party who gained Office, in this scenario the group being Party A, would also receive ‘bonuses’ for winning Office. This would be on account of having additional
responsibilities, positions and work. However, the mathematical formula in question could have a derivation for Parties who gain Government.

From the total allotted funds to Party A, along with their bonuses for winning Office, the Party itself, under strict Financial Management guidelines, would administer the funds as they saw fit and would have to manage the monies in such a way that planning for future trips, expenses and so forth were taken into account for all MPs belonging to that Party. Similarly, Party B would also have to administer their funds accordingly whereas the Independent, as a sole operator, would have to manage their 'electoral' funds as a 'private entity'.

Not only would this make Parties more conscious of their spending, but would also allow greater flexibility in the spending of funds. Through strict accounting and auditing processes, the Parties would be held both responsible and liable for any misappropriation that may occur. However, through this system, Parties may be able to provide 'bonuses' of some description to their MPs who have achieved exceptional standards.

As it was noted, this structure and process would have to work within very strict guidelines and there would have to be strict auditing processes in place to ensure monies were not being spent for 'political' purposes. Documents would have to be tabled on an annual basis allowing the public to see what was being spent. This is apart from the Government's annual Appropriation Bill which provides for social services, public sector employment and so forth. This system only relates to the administrative, day-to-day, running of the electorate.
8.3 – Thesis Conclusion (The Quest for a Formula)

Many parliamentarians from greatly varied positions, backgrounds, jurisdictions and experiences have contributed towards this study’s completion. Although most of their contribution has been through quoted form, derived through Parliamentary Debates, their contribution has been acknowledgeable. Similarly, many reports, both governmental and independent, have been viewed in trying to solve the problem of Parliamentary Remuneration. Many governmental reports from inside, and outside, of Western Australia have greatly contributed towards the completion of this study.

However, without questioning the validity of this study, one question remains unanswered for future researchers and students of Parliamentary Remuneration. That is, if a fair, fully justifiable and transparent methodology of determining MP Salaries was enacted, would it help quell public vitriol over said amounts and would it increase the standing of Parliamentarians in general? The nobility and statesmanship that have been intrinsically linked towards MPs in days past does not appear to be present within contemporary politics.

Without much debate: Forest, Barton, Chifley, Curtin and Menzies, just to name a few, hold that enviable position that few MPs, if any, posses today. Such highly esteemed positions may have been attained through the vantage of both history and hindsight. Nonetheless, the concluding thought is that measures of some description need to be taken to ensure that the average MP who toils for the ‘Good’ does not toil needlessly for an uninterested mass who are concerned neither with representation nor advancement through Parliament.
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HAY GROUP
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Appendix A – Methods of Determination

The table below summarises the last one hundred years of remunerative determinations in Western Australia. It illustrates the year of induction of varying types of methodology.

1900:
- The Mean of all Australian States (including New Zealand)

1931:
- Reduction in rates according to the state of the economy (The Depression)

1944:
- Basic Wage Variations used as an indicator

1947:
- Augmented Governmental activities and the quadrupling of State revenue
- First temporary Salaries Tribunal
- Review of MP's duties

1950-1964
- Several ad hoc committees review Parliamentary Remuneration

1965:
- First permanent Salaries Tribunal established to review salaries at intervals no greater than twelve months.

1975:
- Establishment of the Salaries and Allowances Tribunal of Western Australia
- Distance and vastness of electorates taken into consideration

1990:
- Use of Private Management Consultants to ascertain the value of an MP's position
- Work value taken into consideration
- The market rate of pay for a similar position considered
- Individual performance examined
- Parliament's capacity to pay MP's various amounts
- Some electorates granted greater funds because of augmented population differences between other electorates
Appendix B: Approved Methods of Determination

The brief table below exhibits the methods of determining MP Salaries that would be considered by this study as a fair and equitable method of determination.

- Reduction or increases in MP Salaries according to the state of the Western Australian economy as a minor indicator.
- Basic wage variations as a minor indicator.
- Location, size and demographics of the electorate should be taken into consideration.
- Experientially adjustable pay for MPs who serve for longer periods.
- A transparent, publicly managed Salaries Tribunal that remains partially administered by governmental agencies.
- Instead of reviewing Parliamentary Salaries at intervals no greater than twelve months, MP Salaries should be reviewed once each term and advertised before the general election. Those wishing to be candidates can then gauge the value of the position for themselves and can make the decision as to whether they wish to apply (through election).
- Periodical, yet not infrequent, employment of private management consultants who can independently assess and review the value of the MP’s position.