



Remuneration Authority

Review of Remuneration for Parliamentarians

Consultation Paper February 2020

Note: this is a consultation paper only. No decisions have yet been made on any matter contained within this document. The Remuneration Authority would like to receive comments and suggestions from interested parties before determining any outcomes. All information contained in this paper is publicly available.

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Part 1 - Background

1. The Remuneration Authority (Members of Parliament Remuneration) Amendment Act 2019 has reinstated the requirement for the Remuneration Authority (the Authority) to determine the remuneration for Members of Parliament (MPs). Because it is some years since the Authority has exercised this requirement, it has decided to conduct a review of the remuneration of MPs. The review involves all aspects of MPs' remuneration: salary; superannuation subsidy; and expense allowance.
2. This consultation paper is the first step in that process. It is designed to provide information for people to consider before submitting their suggestions to the Authority. The Authority will fully consider any submissions received prior to producing the Determination that will be effective from 1 July 2019 to polling day of the next General Election (19 September 2020) as required by clause 6(1) of Part 3 of Schedule 1AA of the Remuneration Authority Act 1977 (the Act).
3. The current determinations covering MPs' remuneration and superannuation are available on the Authority's website (<https://www.remauthority.govt.nz>) or through the New Zealand Legislation website (<http://www.legislation.govt.nz/>). The determinations are entitled:

Parliamentary Salaries and Allowances Determination 2017; and

Parliamentary Superannuation Determination 2003.

Submissions

4. In accordance with Section 21 of the Act, any person or organisation may make submissions to the Authority about this review (see paragraph 61 for the process). The Authority invites submissions from any interested individuals or organisations, and specifically invites submissions from the following:
 - 4.1. The Prime Minister, the Leader of the Opposition and the leaders of each of the other parties in Parliament;
 - 4.2. The Speaker of the House of Representatives and the Minister responsible for Ministerial Services (about anything to do with this review, not just the narrow range of matters required by Section 17A(a) of the Act);
 - 4.3. Each of the caucuses of the parties in Parliament and individual MPs if any so desire;
 - 4.4. Parliamentary Services and Ministerial Services; and
 - 4.5. The Inland Revenue Department (as required by Section 17A(b) of the Act).
5. Any person or organisation providing a submission can be assured that, except for summary information drafted so as to be completely anonymous, none of the content of any submission will be reported to anyone outside the Authority. Submitters can be forthright and honest in providing opinions in the strictest confidence. The Authority operates under very strict secrecy requirements imposed by Section 9 of the Act which says –

9 Members and officers to maintain secrecy

- (1) *Every member of the Authority and every person engaged or employed in connection with the work of the Authority shall maintain and aid in maintaining the secrecy of all matters which come to his knowledge when carrying out his functions or duties under this Act, and shall not communicate any such matters to any person except in the discharge of his functions and duties under this Act.*
- (2) *Every person commits an offence and shall be liable on conviction to imprisonment for a term not exceeding 3 months or to a fine not exceeding \$1,000 or to both who wilfully acts in contravention of subsection (1).*

6. The Authority is publishing this paper to the people listed in paragraph 4 above and on the Authority's website (<https://www.remauthority.govt.nz>) and invites written submissions by 5.00pm on **Friday 27 March 2020**.

Context

7. Section 12 (Functions of the Authority) of the Act requires the Authority to consider and determine the salaries and allowances of members of the House of Representatives, being the salaries and allowances required to be fixed by the Authority pursuant to the Members of Parliament (Remuneration and Services) Act 2013. This section also requires the Authority to consider and make determinations with respect to the superannuation rights and obligations of the members of the House of Representatives.
8. Remuneration is defined in Section 2 of the Act as -
 - (a) salary, wages, and other payments, whether in the form of bonuses or otherwise, in return for services; and
 - (b) benefits and other emoluments (whether in money or not) in return for services.
 - 8.1. Therefore, remuneration includes salary, superannuation and allowances for MPs. That remuneration is required to be determined according to criteria set out in sections 17A, 18 and 18A of the Act (the criteria).
9. Prior to 2015, the Authority determined the remuneration of MPs using the criteria.
 - 9.1. In March 2015, Parliament passed the Remuneration Authority (Members of Parliament Remuneration) Amendment Act 2015 which eliminated the Authority's use of the criteria and instead required that MPs' remuneration be set annually using a formula that was inserted as Section 18B of the Act.
 - 9.2. The pay increases that resulted in 2015, 2016 and 2017 were above what had been expected and Parliament passed the Remuneration Authority (Members of Parliament Remuneration) Amendment Act 2018 which discontinued the use of Section 18B and froze MPs' remuneration at the rates published in the Authority's 2017 Determination.
 - 9.3. Parliament has since passed the Remuneration Authority (Members of Parliament Remuneration) Amendment Act 2019 which reverts to the pre-2015 position (with some changes to the timing of pay changes within determinations following polling day in 2020) thereby requiring the Authority to once again determine MPs' remuneration utilising the criteria.

Parliamentary positions whose remuneration is determined

10. The parliamentary roles to which this review applies are those outlined in Schedule 1 of the Authority's Parliamentary Salaries and Allowances Determination 2017. Those roles are also detailed in Table 1 (see part 4 below).

Impetus for a review

11. The 2019 Amendment Act requires the Authority to issue a determination on salaries and allowances to take effect from 1 July 2019 and for that determination to apply until polling day 2020. Because: (i) the criteria had not been applied to MPs' pay rates since 2014; and (ii) all three of the Authority's current members have been appointed since the Authority last utilised the criteria to determine MPs' remuneration, the Authority needs to conduct a review to test that the rates of salary and expense allowance specified in the Parliamentary Salaries and Allowances Determination 2017, to which any changes would be applied, fully comply with the criteria. Because the criteria cover all aspects of remuneration, this review also includes the superannuation subsidy specified in the Parliamentary Superannuation Determination 2003.

Part 2 - Criteria for determinations

12. The first criterion is contained in Section 17A of the Act. This requires that the Authority, after consulting the Speaker and the Minister responsible for Ministerial Services, must assess the value of any personal benefit or potential personal benefit for MPs or their families arising under an entitlement to a service provided under the Members of Parliament (Remuneration and Services) Act 2013. Section 16(2)(c) of that Act requires the Authority to include in its determination a statement that sets out how it has taken into account the values assessed in determining salaries.
13. There are then six criteria and one option contained in sections 18 and 18A of the Act.
- 13.1. Section 18(1) of the Act has three criteria to which the Authority “shall have regard” when determining remuneration:
- (a) the need to achieve and maintain fair relativity with the levels of remuneration received elsewhere; and
 - (b) the need to be fair both—
 - (i) to the persons or group of persons whose remuneration is being determined; and
 - (ii) to the taxpayer or ratepayer; and
 - (c) the need to recruit and retain competent persons.
- 13.2. Section 18(2) of the Act has two more criteria which the Authority “shall take into account” when determining remuneration:
- (a) the requirements of the position concerned; and
 - (b) the conditions of service enjoyed by the persons whose remuneration is being determined and those enjoyed by the persons or members of the group of persons whose remuneration and conditions of employment are, in the opinion of the Authority, comparable with those of the persons or members of the group of persons whose remuneration is being determined.
- 13.3. Section 18A(2) of the Act has another criterion and one option which requires that the Authority:
- (a) must take into account any prevailing adverse economic conditions, based on evidence from an authoritative source; and
 - (b) may determine the remuneration at a rate lower than it would otherwise have determined.

Consideration of the criteria

14. Whist all the criteria are considered on every occasion that the Authority makes a determination, the particular impact of each specific criterion depends on the circumstances prevailing at the time. The Authority believes that the criteria should be given consideration as follows for this review.
- 14.1. S17A (value of personal benefits) could be applicable to the review depending upon the information provided to the Authority by the Speaker or the Ministerial Services Minister. The Authority will consider any advice and give it appropriate consideration.
- 14.2. S18(1)(a) - The criterion to have regard to the need to achieve and maintain fair relativity with levels of remuneration received elsewhere is central to the review, so the Authority will give it serious consideration.
- 14.3. S18(1)(b) – The criterion to have regard to the need to be fair both to the MPs and the taxpayer is also important for the review, so the Authority will give it serious consideration.

- 14.4. S18(1)(c) - The criterion to have regard to the need to recruit and retain competent persons does not appear to present difficulties at this time. In recent years there have been numerous candidates putting themselves forward for election to Parliament and the Authority has not been informed by any political party that they have difficulty in recruiting suitable candidates. Retention does not appear to be a particular problem either. There have been some MPs who have resigned mid-term but none of them has indicated that remuneration was a factor. The Authority will give serious consideration to this criterion in this review only if the consultation process presents evidence that it needs to do so.
- 14.5. S18(2)(a) - The criterion to take into account the requirements of MPs work is a critical component of the review, so the Authority will give it serious consideration.
- 14.6. S18(2)(b) - The criterion to take into account the conditions of service enjoyed by persons whose remuneration and conditions of employment are, in the opinion of the Authority, comparable with MPs is a critical component of the review, so the Authority will give it serious consideration.
- 14.7. S18A(2)(a) - The criterion that the Authority must take into account any prevailing adverse economic conditions, based on evidence from an authoritative source, is not relevant at the present time because the economy is not in an adverse phase. The Authority will give serious consideration to this criterion in this review only if the consultation process presents evidence that it needs to do so.
- 14.8. S18A(2)(b) – The option enabling the Authority to set rates lower than would otherwise have been the case relates only to the prevailing adverse economic conditions criterion. Given that the Authority believes that the economy is not in an adverse phase, this option will become applicable to this review only if evidence is presented to S18A(2)(a).

Important interpretations of the criteria

15. The Authority wishes the people being consulted to note that it has considered two important interpretation issues within the criteria: firstly, S18(1)(a) of the Act requires that the Authority shall have regard to achieving and maintaining fair relativity with the levels of remuneration received “elsewhere”; and secondly, S18(2)(b) requires a comparison with the remuneration and conditions of other “comparable” persons or groups.
 - 15.1. The term elsewhere in S18(1)(a) does not refer to any specific group of people nor does it place any location parameters on the word, so has to be construed as having a wide-ranging interpretation - it effectively means anyone anywhere else.
 - 15.2. The word comparable in S18(2)(b) empowers the Authority to determine “in the opinion of the Authority” which persons or groups are comparable. Aligning MPs’ remuneration to a comparable group is difficult because there is only one Parliament in New Zealand so there are no other close comparator persons or groups within New Zealand. The Authority has therefore decided that it must take a liberal interpretation of the word comparable.

Part 3 - The work that MPs do

16. The Authority sought to gain a contemporary understanding of the work of MPs, as required by S18(2)(a), before investigating the other criteria. The work done is central to determining:
 - 16.1. What “elsewhere” means in the context of S18(1)(a);
 - 16.2. Which other roles, if any, might be comparable as required by S18(2)(b); and

- 16.3. The implications of seeking fairness to MPs and taxpayers as required by S18(1)(b).
17. There is no “job description” for MPs’ roles. McGee (2017)¹ is informative about the formal role of an MP as follows:

There is no prescription of the role of a member of Parliament. The office to which members are elected has considerable guaranteed legal freedom, so that members have the capacity to carry out the duties of the office as they see fit, and indeed can largely define the duties of the office. Their position as members stems entirely from their election to the House of Representatives. It is in the House that member’s take the oath of allegiance, and they may not sit and vote in the House until they have done so. Members are expected to attend the House, and can suffer a financial penalty if they are persistently absent from its proceedings without permission or are suspended from its service. The parliamentary aspects of the office include the ability to participate in parliamentary proceedings conducted outside the House itself, for example by serving on committees, presenting petitions, asking written questions and lodging notices of bills for introduction and motions for debate.

The functions of the House ... indicate the multiple aspects of the role of members: as legislators, as leaders and members of political parties, as scrutineers of the government’s actions, and as representatives. (p.49).

18. Another reference was the Parliament website² where there was additional information that reinforced rather than added to McGee (2017).
19. The Authority has taken the foregoing into account along with other material that has been collated from interactions with MPs and ministers over time. The following matters are the Authority’s understanding of the role of a MP, in particular as the role relates to the need for remuneration. It is stated here so that MPs themselves can test whether or not the Authority has a correct interpretation and provide submissions with corrections, additions or deletions as appropriate.
- 19.1. MPs are legislators, which is an onerous responsibility. New Zealand is a free and open society and citizens are entitled to do anything they wish as long as there is not a law preventing them from doing so. To achieve this, the country has a large and complex set of statutes which incorporate multifaceted arrangements to organise how New Zealand society operates. MPs have a collective responsibility to initiate and maintain legislation that: (i) establishes the wide range of structures and associated directions that are essential to an orderly society; (ii) establishes the means by which citizens elect their representatives (nationally and locally) in a participatory democracy based on a constitutional monarchy; and (iii) defines illegal activities along with associated enforcement standards and processes.
- 19.2. MPs participate in all the necessary processes relating to those statutes. When in government they are an integral part of the policy-making that leads to legislation and when in opposition they have the vital role of holding the Government to account, including applying scrutiny to any legislation presented.
- 19.3. Some of the bills dealt with by MPs are large and complicated and, through the Select Committee process, MPs scrutinise them in detail and amend them. Not all MPs have this close working relationship with every bill, but every bill gets scrutinised. The work on select committees is very important and involves MPs gaining a detailed understanding of the matters that are investigated. They scrutinise government expenditure through reviews of government agencies, they hear petitions and receive reports on matters of current interest.

- 19.4. In all of this work, select committees consider written or oral submissions received from, and interviews conducted with, citizens and organisations before making decisions that can impact substantially on the lives of all New Zealand citizens and residents and on New Zealand's sovereign relationships with other states.
- 19.5. MPs participate in debates in the Parliament. Many of these are controversial and are covered in detail in the media, whereas many others are just as important but not controversial, so do not attract public attention. All select committees report back to the House and thus, sitting as a committee of the whole, the Parliament gives all MPs an opportunity to consider in detail the work that has already been through select committees.
- 19.6. Electorate MPs also have a responsibility to be regularly available to constituents and to hear those people's complaints and requests and then to take matters up on their behalf to government, public agencies and through other channels. Although list MPs technically do not have these responsibilities, if they have been assigned an electorate by their party, they may also be heavily involved. All MPs tend to get involved in local community matters as important advocates within their communities of residence.
- 19.7. Other list MPs can be given national portfolio responsibilities by their party and they act on any complaints, requests or submissions in their portfolio area. The Authority has been informed that this activity can be as intensive as the work undertaken by electorate MPs.
- 19.8. MPs work long hours, often have committee responsibilities prior to Parliament sitting and their working day tends to continue late into the evening. Except for Wellington-based MPs, they perform much of their work away from their families because the nature of the role requires them to be in Wellington for many days at a time on a regular basis.
20. The Authority is also aware that ministers have another layer of responsibility which makes their workload far more onerous than that of other MPs. Their level of accountability is extremely high, given the matters for which they are responsible and their ability to make Orders in Council. Although not all Cabinet decisions will be translated into legislation, many impact on central government policy and practice. Regardless of the type of discussion/decision required, Cabinet normally focusses on important issues which will impact on the lives of New Zealanders.
21. The Authority notes that this understanding of the role makes it virtually impossible to directly align MPs' work to other jobs within the New Zealand community because there are no others that undertake anything like the type and level of work completed by MPs. The nearest comparable roles – elected local authority representatives – do have many similarities but are certainly not identical in a number of respects, not least the time requirements and the separation from families which are characteristic of MPs' roles. Certainly, the work undertaken by MPs is vastly different from any normal employment activity in the broader workforce.
22. The Authority wishes the people being consulted to note that none of the criteria outlined in Sections 17A, 18 or 18A of the Act (see Part 2 of this paper) mentions the performance of MPs. Therefore, the Authority has no mandate to consider MPs' performance - that is effectively the role of the voters in the General Election.

Consultation question No. 1

23. The Authority invites answers to the following question:

Q1: What additional information can you provide that will assist the Authority's understanding of the role of an MP and are there any corrections to the Authority's understanding of an MP's role as outlined in this paper?

Part 4 - Total remuneration calculations

24. The Authority is interested in views on the levels of MPs' total remuneration. Table 1 sets out the current levels of total remuneration and separately the individual components of it (salary, superannuation subsidy and expense allowance) as it applies to MPs.

Parliamentarian	Salary	Super subsidy	Total Rem	Expense Allowance
Prime Minister	\$471,049	\$32,792	\$503,841	\$22,606
Deputy Prime Minister	\$334,734	\$32,792	\$367,526	\$16,980
Member of the Executive Council who is a Minister of the Crown holding 1 or more portfolios and who is a member of Cabinet	\$296,007	\$32,792	\$328,799	\$16,980
Member of the Executive Council who is a Minister of the Crown holding 1 or more portfolios, but who is not a member of Cabinet	\$249,839	\$32,792	\$282,631	\$16,980
Other member of the Executive Council	\$217,676	\$32,792	\$250,468	\$16,980
Parliamentary Under-Secretary	\$194,374	\$32,792	\$227,166	\$16,980
Speaker	\$296,007	\$32,792	\$328,799	\$21,136
Deputy Speaker	\$209,471	\$32,792	\$242,263	\$16,980
Assistant Speaker	\$179,713	\$32,792	\$212,505	\$16,980
Leader of Opposition	\$296,007	\$32,792	\$328,799	\$16,980
Member of Parliament who is the leader of a party —Base salary	\$179,713	\$32,792	\$212,505	\$16,980
Plus - For each additional member of the party in the House of Representatives up to a maximum of 5	\$2,138			
Plus - For each additional member of the party in the House of Representatives over 5 up to a maximum of 23	\$1,430			
Plus - For each additional member of the party in the House of Representatives over 23	\$709			
Member of Parliament who is the deputy leader of a party whose members in the House of Representatives number not less than 25— Base salary	\$206,627	\$32,792	\$239,419	\$16,980
Plus - For each additional member of the party in the House of Representatives over 25 up to a maximum of 35	\$710			
Plus - For each additional member of the party in the House of Representatives over 35 up to a maximum of 45	\$410			
One Whip - in respect of each party whose members in the House of Representatives number not less than 4 — Base salary	\$179,713	\$32,792	\$212,505	\$16,980
Plus - For each member of the party in the House of Representatives over 6 up to a maximum of 24	\$1,430			
Plus - For each member of the party in the House of Representatives over 24 up to a maximum of 35	\$709			
Plus - For each member of the party in the House of Representatives over 35 up to a maximum of 45	\$410			
Where a whip is also the Senior Government Whip, an additional sum is added	\$5,108			
In respect of each party whose members in the House of Representatives number not less than 25— One Junior Whip (separate from, and additional to, that party's one Whip)	\$179,713	\$32,792	\$212,505	\$16,980
In respect of each party whose members in the House of Representatives number not less than 45— One additional Junior Whip	\$179,713	\$32,792	\$212,505	\$16,980
Member of Parliament who is the chairperson of a select committee	\$179,713	\$32,792	\$212,505	\$16,980
Member of Parliament who is the deputy chairperson of a select committee	\$168,992	\$32,792	\$201,784	\$16,980
Each other (ordinary) member of Parliament	\$163,961	\$32,792	\$196,753	\$16,980

Table 1 - Total Remuneration – New Zealand MPs

24.1. The Authority uses total remuneration for all its clients groups because this provides the most accurate view of the total cost of the roles concerned and therefore enables alignment to the criterion in S18(1)(b)(ii) of the Act.

- 24.2. Table 1 shows the salary and the superannuation subsidy. The expense allowance is also shown (greyed-out) for completeness but is not included in the total remuneration calculation for reasons stated later in this paper. The total remuneration in this case is therefore only the salary and superannuation subsidy (highlighted in blue in Table 1).
25. It should be noted that total remuneration would normally also include self-drive motor vehicle and any other perquisites. Ministers receive a self-drive car but the Authority did not include cars in the total remuneration calculation because each different vehicle would be valued at a different rate for total remuneration purposes. That would require a separate calculation for each minister and greatly complicate Table 1.
- 25.1. In addition, Ministers' self-drive cars are used extensively on parliamentary and ministerial business and the Authority has found from experience it is difficult unpick the personal benefit from the business requirements in such cases. It should be noted therefore that Ministers' total remuneration would actually be a few thousand dollars per annum higher than the Total Rem column of Table 1.
- 25.2. MPs who are not ministers do not receive any other perquisites. Those that used to be available have all been eliminated over the past decade or so. MPs on parliamentary business are able to have their families travel with them, within specified limitations, but that is not a perquisite - rather it is a necessary provision given the role and the significant away-from-home requirements.
26. For Table 1, the total remuneration components were obtained from:
- 26.1. *Salary* - Schedule 1 of the Parliamentary Salaries and Allowances Determination 2017;
- 26.2. *Superannuation subsidy* - Parliamentary Superannuation Determination 2003 (20% of the salary of an ordinary MP - the same dollar amount of superannuation subsidy is provided to all MPs regardless of position); and
- 26.3. *Expense allowance* - Schedule 2 of the Parliamentary Salaries and Allowances Determination 2017.

Consultation question No. 2

27. The Authority invites answers to the following question:

Q2: *What suggestions do you wish the Authority to consider about the total remuneration of MPs as outlined in Table 1?*

Part 5 - Salary levels

28. The Authority specifically invites suggestions about salary levels (column 2 of Table 1) and has presented the following information to assist in constructing submissions.

Other Parliaments

29. The relationship between the salary of New Zealand MPs and of MPs in other similar parliaments overseas is a possible comparison (S18(2)(b) of the Act) if undertaken carefully using credible statistical methods. The comparable salary rates for MPs and the Prime Minister are outlined in Table 2. The comparison has been based on Purchasing Power Parity (PPP) which is a more robust statistical comparison system than exchange rates.

29.1. The exchange rate has only a tenuous connection to the purchasing power of money within different jurisdictions, so is not considered a credible statistical method for this comparison. The World Bank produces the PPP formulae³, which are based on a "shopping basket", to provide useful comparisons of the purchasing power of money within and between countries.

29.2. Serious caution is advised about the comparison in Table 2. The Authority is aware that MPs and Prime Ministers in other jurisdictions are sometimes provided with significant other emoluments or perquisites which are not available to New Zealand parliamentarians. Where that occurs, it is possible that the salary is set at a lower level to take account of the value of these other benefits. Therefore, where the New Zealand Prime Minister and MPs only receive one perquisite, in the form of a superannuation subsidy, many overseas parliamentarians may receive quite substantial other benefits. However, the details of those other emoluments or perquisites are not available to the Authority, whereas the salary levels are, so the comparison in Table 2 has been limited to salaries only.

No of MPs		New Zealand	Australia	Canada	Ireland	United Kingdom
		120	151	338	158	650
Member of Parliament	Local Currency	\$163,961	\$211,250	\$178,900	€96,189	£79,468
	PPP adjusted	\$110,905	\$147,449	\$143,728	\$119,874	\$113,496
Prime Minister	Local Currency	\$471,049	\$549,250	\$357,800	€207,590	£158,754
	PPP adjusted	\$318,624	\$383,369	\$287,455	\$258,706	\$226,732

Table 2 – MPs’ salary comparative analysis with other jurisdictions - PPP

Consultation question No. 3

30. The Authority invites answers to the following question:

Q3: What suggestions do you wish the Authority to consider about MPs’ salaries in comparison to the overseas MPs’ salaries outlined in Table 2?

Other possible comparisons

31. S18(1)(a) places an obligation of the Authority to have regard to achieving and maintaining fair relativity with levels of remuneration received elsewhere and S18(2)(b) places an obligation on the Authority to seek out comparable roles to MPs. The Authority has concluded that there are no close comparator roles. So some other possibilities are outlined below.

Public sector managers

32. At some time in the past the Authority had the role of a MP job-evaluated by an international remuneration consultancy. The purpose was to align the MP role to similar “sized” public sector managers’ remuneration from market salary surveys. The current Authority assumes that this resulted from a liberal interpretation of the word comparable in S18(2)(b) of the Act, given that MPs serve the public and public sector managers also do that, but in a different context.

33. The job evaluation system used was designed to evaluate employment roles, which it does very well (the Authority still uses that system for other client groups). However, elected MPs are not employees and very little of their work resembles standard employment.

Consultation question No. 4

34. The Authority invites answers to the following question:

Q4: What suggestions do you wish the Authority to consider about the suitability of using job evaluation aligned to market salary surveys of public sector managers (or others) to determine appropriate remuneration for MPs?

Average wage alignment

35. One of the possibilities would be to align the pay of an MP to some multiple of the Statistics New Zealand’s published average full time weekly earnings (annualised)⁴ which is shown in Figure 1 (the past 20 years is shown to provide a long term view).

35.1. The word “elsewhere” in S18(1)(a) and a liberal interpretation of the word “comparable” in S18(2)(b) could allow such an alignment because the full-time workers who receive income that is collated by Statistics New Zealand to calculate the average full time weekly earnings are “elsewhere” and MPs come from, represent and serve the people of New Zealand and MPs are full time, so full-time employed New Zealanders could be a possible comparator group.



Figure 1 – StatsNZ average full-time weekly earnings (annualised) over 20 years

36. Figure 1 shows that the annualised average full-time weekly earnings have steadily increased over the 20 year period, from \$31,928 in 1999 to \$59,644 in 2019 - an 87.8% rise in that period.

37. One down-side of any system aligned to the average full-time weekly earnings would be that significant one-off adjustments in the market, such as, for example, pay equity settlements, significant government adjustments to the minimum wage or large numbers of employers adopting the living wage, can create one-off larger increases in the average wage in a single year. The large lift in 2015 to 2016 (4.53%; \$2,392) is likely, at least in part, to be a reflection of the pay equity settlements and changes to the minimum wage that occurred prior to that data being collected (there is always a lag between such changes and their impact showing up in surveys).

38. Should the annualised average full-time weekly earnings be adopted in some form as the comparator group for MPs, S18(2)(a) of the Act would necessitate that there be a positive multiplier applied because the work that MPs do is far more complex than the work done by the vast majority of people on the average wage.

39. To enable some consideration of this matter, Figure 2 shows the multiples of the 2019 June-quarter-end average full-time weekly earnings (annualised) at 1.5, 2, 2.5 and 3 times the rate. Note for comparison purposes that the current annual salary for an MP is \$163,961 (2.75 times the average annual full-time earnings).

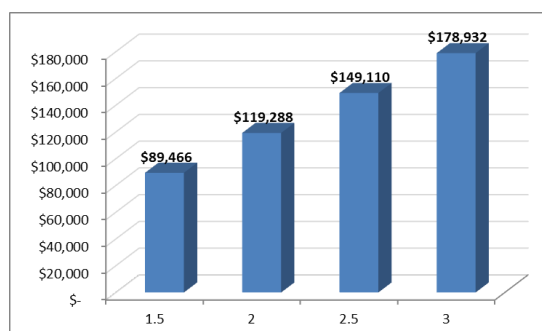


Figure 2 - Multiples of StatsNZ average full-time weekly earnings for June-end 2019 (annualised)

Consultation question No. 5

40. The Authority invites answers to the following question:

Q5: What consideration should the Authority give to the suitability of using indices, such as the annualised average full-time weekly earnings as published by StatsNZ, or other indices, to inform MPs' salaries?

Dollar rate of increase only

41. The Authority noted that there was a suggestion in Parliament during the recent debate on the Remuneration Authority (Members of Parliament Remuneration) Amendment Bill (No 2) that MPs' pay should move by the dollar amount of the change to the average wage.

42. The dollar amounts that the (annualised) average full-time weekly earnings has moved, as reported by Statistics New Zealand, in dollar terms, for each of the past 20 years is shown in Figure 3. A caveat has to be noted here: using a system based on these outcomes would likely replicate the problems outlined in paragraph 37 above in relation to Figure 1. In some years larger increases occur for reasons other than just normal movements in salaries. In Figure 3, 2007 and 2016 stand out in that regard.

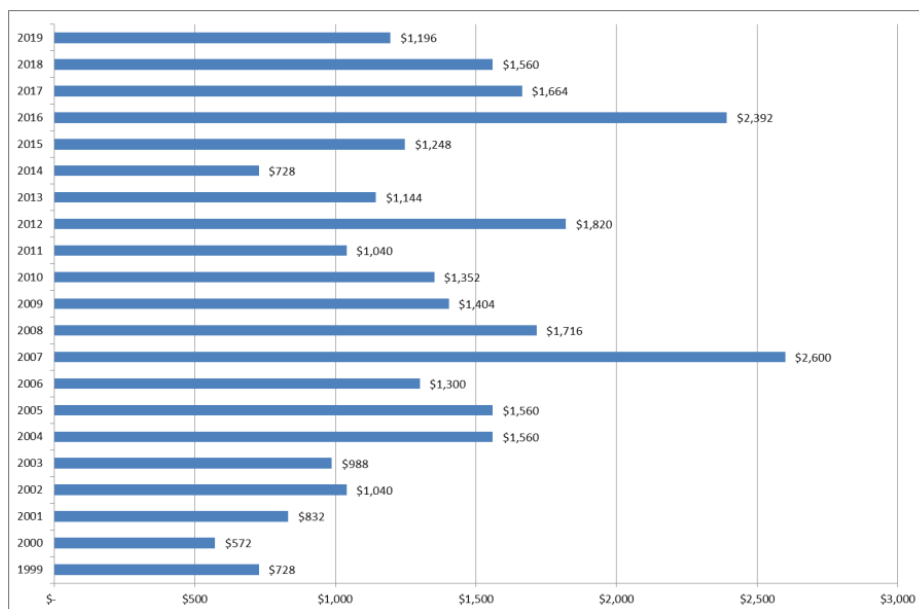


Figure 3 – 20 years of dollar movements – StatsNZ average full-time weekly earnings (annualised)

43. Remuneration management in the wider market sometimes utilises dollar increases, rather than percentages. This is usually when a deliberate decision has been made to compress the differentials between the salaries paid to high earners and those on lower rates. Providing both groups with the same dollar increase over a number of pay reviews will narrow the percentage difference in the amounts paid to the two groups. Almost inevitably there comes a time when that system is changed back to percentages, otherwise recruitment and retention become difficult for the larger jobs.

44. If the Authority decided to utilise a system based on this method, there would need to be parameters determined in advance about when the dollar increases would cease, otherwise the pay of an MP would eventually fall to a the level where it might not be fair to the group of persons whose remuneration is being determined (S18(1)(b)(i) of the Act).

Consultation question No. 6

45. The Authority invites answers to the following question:

Q6: What suggestions do you wish the Authority to consider about the suitability of using some multiple of the annualised average full-time weekly earnings dollar movement as published by StatsNZ to inform MPs' salaries?

Part 6 - Salaries for positions with additional responsibility

46. Table 3 outlines all the various substantive positions that are held by MPs and which have responsibilities over and above the ordinary MP role. The rate of additional salary is shown both in dollar terms and as a percentage of the ordinary MP salary.

Parliamentarian	Salary	\$ amount over MP base salary	% increase over MP base salary
Prime Minister	\$471,049	\$307,088	187.29%
Deputy Prime Minister	\$334,734	\$170,773	104.15%
Member of the Executive Council who is a Minister of the Crown holding 1 or more portfolios and who is a member of Cabinet	\$296,007	\$132,046	80.54%
Member of the Executive Council who is a Minister of the Crown - 1 or more portfolios, not a member of Cabinet	\$249,839	\$85,878	52.38%
Other member of the Executive Council	\$217,676	\$53,715	32.76%
Parliamentary Under-Secretary	\$194,374	\$30,413	18.55%
Speaker	\$296,007	\$132,046	80.54%
Deputy Speaker	\$209,471	\$45,510	27.76%
Assistant Speaker	\$179,713	\$15,752	9.61%
Leader of Opposition	\$296,007	\$132,046	80.54%
Leader of a party — Base salary	\$179,713	\$15,752	9.61%
Deputy leader of a party - MPs not less than 25 - Base salary	\$206,627	\$42,666	26.02%
One Whip - MPs not less than 4 - Base salary	\$179,713	\$15,752	9.61%
Party MPs not less than 25— One Junior Whip	\$179,713	\$15,752	9.61%
Party MPs not less than 45— One additional Junior Whip	\$179,713	\$15,752	9.61%
Chairperson of a select committee	\$179,713	\$15,752	9.61%
Deputy chairperson of a select committee	\$168,992	\$5,031	3.07%

Table 3 - Annual dollar amounts and percentage above the ordinary MP rate (\$163,961)

Consultation question No. 7

47. The Authority invites answers to the following question:

Q7: What suggestions do you wish the Authority to consider about the salaries provided (over and above the rate for an MP) to MPs with additional responsibilities?

48. Table 4 shows that some roles obtain a basic level of salary (shown in Table 3) and then have additional amounts added depending upon the numbers of MPs that the party was successful in having elected to Parliament.

Parliamentarian (roles paid more based on party MP numbers)	Salary	% increase over MP base salary
Party leaders (in addition to salary of \$179,713):		
Plus - For each additional member of the party in the House of Representatives up to a maximum of 5	\$2,138	1.30%
Plus - For each additional member of the party in the House of Representatives over 5 up to a maximum of 23	\$1,430	0.87%
Plus - For each additional member of the party in the House of Representatives over 23	\$709	0.43%
Party deputy leaders of party of 25 or more MPs (in addition to salary of \$206,627):		
Plus - For each additional member of the party in the House of Representatives over 25 up to a maximum of 35	\$709	0.43%
Plus - For each additional member of the party in the House of Representatives over 35 up to a maximum of 45	\$410	0.25%
Whips (in addition to salary of \$179,713):		
Plus - For each member of the party in the House of Representatives over 6 up to a maximum of 24	\$1,430	0.87%
Plus - For each member of the party in the House of Representatives over 24 up to a maximum of 35	\$709	0.43%
Plus - For each member of the party in the House of Representatives over 35 up to a maximum of 45	\$410	0.25%
Where a whip is also the Senior Government Whip, an additional sum is added	\$5,108	3.12%

Table 4 - Amounts over the ordinary MP salary based on numbers of the Party's MPs

Consultation question No. 8

49. The Authority invites answers to the following question:

Q8: *What suggestions do you wish the Authority to consider about the additions to salaries, based on MP numbers, for the roles of party leaders, deputy leaders and whips?*

Part 7 - Superannuation

50. MPs receive a superannuation subsidy of 20% of the salary of an ordinary MP as provided for in the Authority's Parliamentary Superannuation Determination 2003. The same dollar amount of superannuation subsidy is provided to all MPs regardless of position. It is shown in the "Super Subsidy" column of Table 1 and is currently \$32,792 per year. The Authority understands that this level of superannuation subsidy was originally determined because some MPs had to withdraw from previous employment superannuation schemes upon election or did not have any superannuation at all and there are inevitably a number of MPs whose tenure in Parliament is short. Providing this level of superannuation subsidy was considered a reasonable provision in those circumstances. Of course, for MPs whose tenure is long, this provides a generous retirement saving.
51. This level of parliamentary superannuation pre-dates the implementation of KiwiSaver. Thus in the contemporary situation, a person elected as an MP would have a KiwiSaver account (unless they had freely chosen not to join) which could continue during their tenure, just as would apply to any other citizen who changed employers. MPs could also continue to contribute to that same scheme again on leaving Parliament and obtaining other employment.
52. In today's context, an argument could therefore be made that there does not need to be a separate scheme for MPs because KiwiSaver is available "elsewhere" and providing KiwiSaver for MPs would "achieve and maintain fair relativity" with superannuation received elsewhere.
53. Section 24 of the Act provides that the remuneration (and superannuation is a part of remuneration) of an existing MP cannot be reduced by an Authority Determination. Therefore, the Authority could not amend the Parliamentary Superannuation Determination 2003 to provide that existing MPs receive KiwiSaver superannuation entitlements instead of the current provision. However, that Determination could be amended to provide that (i) the existing provisions will continue to apply to persons who are MPs prior to the 2020 General Election until they leave Parliament; but (ii) any MPs newly elected from the 2020 election onward would be provided with KiwiSaver superannuation contributions and privileges instead of the existing provision.
54. This approach would ensure that existing MPs had their rights "grand-parented" so there would not be any non-compliance with Section 24 of the Act. Providing for KiwiSaver for new MPs would enable the Authority to comply with:
- 54.1. Section 18(1)(a) of the Act, in regard to achieving and maintaining levels of remuneration received elsewhere; and
- 54.2. Section 18(1)(b)(ii) of the Act, in regard to being fair to the taxpayer.

Consultation question No. 9

55. The Authority invites answers to the following question:

Q9: *What suggestions do you wish the Authority to consider about the provision of superannuation subsidy to MPs, in particular the possible future role of KiwiSaver?*

Part 8 - Expense allowance

56. MPs receive a tax-free expense allowance. The explanation of the allowance is in clause 5 of the Explanatory memorandum attached to the Parliamentary Salaries and Allowances Determination 2017 which says:

- 5 *Since 2002, members have been entitled to a tax-free allowance intended to cover out-of-pocket expenses incurred in the pursuit of parliamentary business, which may include—*
- (a) the entertainment of visitors, staff, constituents, and officials; and*
 - (b) memberships, sponsorships, and fees; and*
 - (c) koha; and*
 - (d) donations and raffle tickets; and*
 - (e) gifts and prizes; and*
 - (f) flowers (excluding wreaths for public commemorative events); and*
 - (g) passport photos; and*
 - (h) briefcases and luggage; and*
 - (i) meals.*

57. Except during the pay freeze imposed by the amendment to the Act in 2018, the Authority has traditionally increased this allowance by the Statistics New Zealand's reported movement in the Consumer Price Index as at the end of the June quarter for the year in question.

57.1. Such an allowance would normally be included in any calculation of total remuneration but the Authority did not include it in Table 1 because it is provided to MPs for specific role-related purposes.

57.2. The role of MPs in the community means that they regularly attend community events and social gatherings where there is frequently an expectation that they will provide koha, purchase raffle tickets or make donations. Often MPs are expected to make small gifts, send flowers on suitable occasions or pay for other items outlined above.

57.3. MPs are regularly away from their home on parliamentary business, but not in Parliament, and it is reasonable that they can use the allowance for meals in those circumstances. The Authority understands that MPs are constantly having to use this allowance as part of their role and most spend at least all the allowance each year on these matters.

Consultation question No. 10

58. The Authority invites answers to the following question:

Q10: What suggestions do you wish the Authority to consider about the provision of the expense allowance to MPs?

Part 9 - General comments

59. As well as the specific issues outlined in this paper, the Authority invites views or suggestions about anything else to do with MPs' remuneration.

Consultation question No. 11

60. The Authority invites answers to the following question:

Q11: What other suggestions do you wish the Authority to consider relating to MPs' remuneration?

Submissions process

61. Any person wishing to present a submission to this review should ensure it is received by the Authority by 5pm, Friday 27 March, 2020, in writing by posting to PO Box 10084, The Terrace, Wellington 6143, or by emailing a Word or PDF file to info@remauthority.govt.nz.

References:

- ¹ McGee, D. (2017). *Parliamentary practice in New Zealand*. 4th Edition. Oratia Books: Auckland
- ² <https://www.parliament.nz/en/get-involved/features/what-does-an-mp-do/>
- ³ World Bank PPP conversion factor, private consumption (LCU per international \$)
<https://data.worldbank.org/indicator/PA.NUS.PRVT.PP?end=2018&start=1990&view=chart>
- ⁴ Data extracted on 26 Sep 2019 00:31 UTC (GMT) from StatsNZ -
http://nzdotstat.stats.govt.nz/wbos/index.aspx?_ga=2.76124117.1125145171.1569296716-794380332.1535689955&_gac=1.162211208.1567736063.EAlalQobChMxOTS8Y-75AIViCQrCh0Frw5QEAAAYASAAEgIYS D BwE#