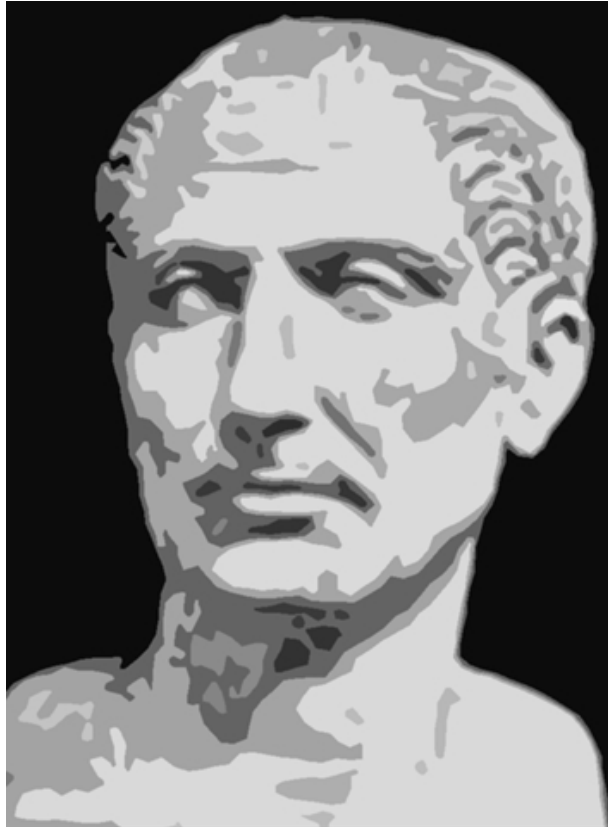


Political Fair Pay



*Formulae for Calculating the Salaries of National,
Provincial, and Municipal Politicians in Canada*

Mad River Institute for Political Studies



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Introduction

Increasingly, we are seeing the pay and benefits of politicians at all levels rising. The gut reaction of ordinary people is that is unfair. It is wrong. After all, Canadians have barely kept pace with inflation over the last 15 years. Why should their elected representatives do better?

Others disagree. The Integrity Commissioner of Ontario is concerned that provincial politicians are falling behind in salary, and that many will not seek election or re-election because they can make more at other levels or in the private sector.

He and others believe politicians must be paid wages sufficient to draw the best and brightest from the corporate world. This has been a prime impetus behind recent substantive hikes in salaries of federal MPs and Ontario MPPs. *Independent* agents appointed specifically to determine what is a fair wage have often used this concept in their deductions. They consider senior managers to corporate presidents for political leaders' pay. But one must ask how an elected public servant can compare with these people? Their jobs are nothing alike.

It is the position of the Mad River Institute that the pay of a politician must be based on that of an average Canadian. In a democracy, people must believe their elected representatives understand their lives to govern for them. This is difficult if your national, provincial, or municipal legislators earn so much money that regular people have no day-to-day concerns in common with them. People must see and believe their representative pays the same kinds of bills, the same sorts of taxes, and lives a similar kind of life.

Our other concern is that there is an inherent conflict of interest in politicians setting their own pay levels. In all jurisdictions, politicians vote on their own pay, though some disguise this by adopting the recommendation of someone appointed to determine their pay. Of course, this person is in an inherent conflict by having been appointed by those whose wages they are deciding. We believe there must be a neutral methodology to calculating pay that is fair, both systematically and for taxpayers. We believe we have determined it.

Methodology

The pay for MPs, MLAs, MNAs, MHAs, MPPs, and even municipal councillors across Canada is calculated in a variety of ways. For provincial representatives alone, there are 10 variations for the 10 provinces. The four western provinces all make automatic adjustments on the day of the new fiscal year, 1 April. In British Columbia, an MLA's salary is adjusted using a rather arcane formula based on the Consumer Price Index (CPI) for BC combined with average hourly wages of employees in selected professions, less a reduction factor of 0.5%. Saskatchewan also uses the provincial CPI for an annual adjustment. Alberta makes changes by the same percentage increase or decrease as the average weekly earnings for the province as reported by Statistics Canada for the prior calendar year. In Manitoba, an Independent Commissioner is appointed after every election to decide on "appropriate salary, allowances and retirement benefits for Members". Then, an annual change is made as a cost-of-living allowance calculated as the average increase of the previous five years in the provincial CPI. Prince Edward Island does much the same through a commission, though any recommendation is actually a decision, and is final and effective as of the date of the report. Nova Scotia set up a commission this year, to decide salaries to take effect as of the next election. Until now, increases have been based on union and non-union public service settlements. Newfoundland and Labrador also use public service pay increases to determine change to their salaries. Quebec MNAs' annual pay is increased by a percentage equal to that of the increase in the salary scales of senior executives in the public service as of the effective dates of the new salary scales. Expense allowances are tied to the CPI on the 1st of January each year. In New Brunswick, annual changes to salaries and allowances must be agreed to by the Legislative Administration Committee, and are presently based on a three-year average wage of provincial employees. (On occasion, an independent committee has been convened to review member compensation.) Ontario MPPs have their pay set by the Integrity Commissioner, who is occasionally asked by the legislators to update their salaries. The method used to decide annual changes in the salaries of Members of Parliament is based on an index of major settlements negotiated with bargaining units of 500 or more employees in the private sector in Canada, as published by the Department of Human Resources and Social Development, within three months of the end of the calendar year.

There are several common factors here. The politicians of most jurisdictions have chosen to determine their pay through an arms-length method that seems to imply independence in the calculation of the resulting amount. As well, most have opted for an annual increase based on a formula outside the control of their decision-making. However, all have, in one way or another, set their initial pay with no coherent nor logical philosophy.

As the Mad River Institute, we start with the premise that base pay be calculated on the median¹ income of a citizen within the jurisdiction in question. For an MP, this would mean the median income of a Canadian as determined during the last census. For a Nova Scotia MLA, this would mean the median income of a Nova Scotian.

¹ The same number are above as below the median.

Realistically, we accept that the absolute median average is too low a number to use as recompense for this type of profession. Given the time commitment away from family and friends, and the personal financial expense to run for a legislative body, among other difficulties, pay must be greater than this. Nevertheless, we believe the median must be the starting point.

As such, a multiple of the median is used to calculate base pay. Below is our proposal for the federal and provincial governments.

	Population (2001)	Riding Average	Rounded	Salary
Canada	30,007,090	99,691	100,000	300%
Ontario	11,410,045	110,777	110,000	300%
Quebec	7,237,480	57,900	60,000	250%
British Columbia	3,907,735	49,465	50,000	250%
Alberta	2,974,810	35,841	35,000	200%
Manitoba	1,119,585	19,642	20,000	150%
Saskatchewan	978,935	16,878	15,000	150%
Nova Scotia	908,005	17,462	15,000	150%
New Brunswick	729,500	15,198	15,000	150%
Newfoundland & Labrador	512,930	10,686	10,000	150%
Prince Edward Island	135,290	5,011	5,000	100%

The most important factor here is not the total population of the jurisdiction but the size of a riding constituency. The representatives of larger ridings receive greater pay ... to a point. They represent more people and, thus, are faced with a greater workload. However, we do not want to simply reward large riding holders. To do so would be to expect jurisdictions with smaller ones to simply make theirs larger in order to collect more pay. This may be cynical but, in Ontario, where the Mike Harris Conservatives reduced the number of ridings – making them larger ostensibly in order to save money – it actually cost more as they substantially increased pay rates. As such, in our proposal, the increase in pay is not proportional to the size of riding. Alberta has twice the average size of constituency as Saskatchewan, but would only receive pay at a factor of one-third more.

We felt that triple, or 300%, was the maximum factor by which the median could reasonably increase and still have people believe their representatives are not overpaid. Also, diminishing increases from PEI's 100% to Ontario and Canada's 300% sets up well, increasing 50% after each time the riding average doubles. Since no riding average goes to 200,000, the maximum factor is 300%. To be somewhat generous, we also round up the riding average to the nearest 5,000.

Population	Salary
Under 10,000	100%
10,000 - 24,999	150%
25,000 - 49,999	200%
50,000 - 99,999	250%
100,000 & above	300%

Member of Parliament Pay Formula

Start with the premise that base pay be on triple median total income.

MP Salary: 300% x Income Average: \$29,769.00 = \$89,307.00

House of Commons Attendance Factor

For every Parliamentary day missed, there would be a commensurate loss of pay, e.g. in House 120/125 (96%) days = \$85,734.72

Despite the argument that MPs conduct business outside Parliament, Canadians elect them to be in the House of Commons. When the House not in session, they should be working in their ridings. However, there is no way to police this. It would be up to the Speaker to keep attendance.

Expenses

We accept the need for two kinds only. Travel expenses could include 12 air round-trips per year, if necessary, public transit expenses for local MPs, and automobile expenses for those in-between. As well, we could see accommodation remuneration, up to a maximum of \$15,000 per year. Total expenses would be taxable.

Pension

At present, federal MPs receive a pension. While it would be our preference that this be replaced with an RRSP plan, we have considered their situation with a traditional pension.

We see two difficulties with the present scheme. The first is that the system unfairly treats Members who do not serve the minimum six years to qualify for a pension. The second derives from the first, in that this minimum encourages MPs to run for re-election at least as long as it takes to qualify. In fact, the pension encourages them to run again and again in order to enhance their retirement benefit as much as possible. Given the advantages incumbents have, this makes running for re-election too inviting for most to refuse.

We propose a system which would correct the unfairness, and incorporate a financial disincentive to remain in office *ad infinitum*. A pension would kick in at one year, at 100% of base earnings, e.g. \$89,307 if attendance is perfect. It would then decline 10% per year to zero after 10 years.

Years	Pensionable Earnings
e.g. Elected in 1988-1989	\$89,307.00
1989-1990	\$80,376.30
1990-1991	\$71,445.60
1991-1992	\$62,514.90

1992-1993	\$53,584.20
1993-1994	\$44,653.50
1994-1995	\$35,722.80
1995-1996	\$26,792.10
1996-1997	\$17,861.40
1997-1998	\$8,930.70
1998-1999	\$0
1999-2000	\$0

This MP would have a maximum pension of \$491,198.50 for retirement at age 65 (or age 60 at the reduced rate dictated by the Canada Pension Plan). If he or she wanted to seek re-election, beyond a certain point, it would be for reasons of salary and/or public service, not for fattening their pension.

Cabinet

While we accept that Ministers, especially the Prime Minister, have greater responsibilities and constraints than regular MPs, we also believe that the significant pay disparity between the backbenches and Cabinet drives too many MPs to act subserviently to party interests over those of the public in hopes of making it into Cabinet. We believe regular MPs are very important to the system, as is, and would like to reduce the incentive to join Cabinet. As such, we would keep Cabinet pay at 120% of MP pay. The Prime Minister's would be set at 125%.

MLA/MNA/MPP Pay Formula

Start with the premise that base pay be up to triple median total income.

Using Ontario as an example:

MPP Salary: 300% x Average Income: \$32,865.00 = \$98,595.00

Legislature Attendance Factor

For every Legislative day missed, there would be a commensurate loss of pay, e.g. in Assembly 120/125 (96%) days = \$94,651.20

Despite the argument that MLAs conduct business outside the Legislature, Canadians elect them to be in the Legislature. When it is not in session, they should be working in their ridings. However, there is no way to police this. It would be up to the Speaker to keep attendance.

Expenses

We accept the need for two kinds only. Travel expenses could include 12 air round-trips per year, if necessary, public transit expenses for local MLAs, and automobile expenses for those in-

between. As well, we could see accommodation remuneration, up to a maximum of \$15,000 per year. Total expenses would be taxable.

Pension

Our recommendation is similar to the present Ontario plan. A pension would consist of RRSP contributions which kick in at one year, at 100% of the maximum RRSP contribution, if attendance perfect. It would then decline 10% per year to zero after 10 years.

	Years	Pensionable Earnings
e.g. Elected	1990-1991	\$16,500
	1991-1992	\$14,850
	1992-1993	\$13,200
	1993-1994	\$11,550
	1994-1995	\$9,900
	1995-1996	\$8,250
	1996-1997	\$6,600
	1997-1998	\$4,950
	1998-1999	\$3,300
	1999-2000	\$1,650
	2000-2001	\$0
	2001-2002	\$0

This MPP would have a maximum RRSP contribution of \$90,750 for retirement, as per the rules related to retirement savings' plans.

Cabinet

While we accept that Ministers, especially the Premier, have greater responsibilities and constraints than regular MPPs, we also believe that the significant pay disparity between the backbenches and Cabinet drives too many MPPs to act subserviently to party interests over those of the public in hopes of making it into Cabinet. We believe regular MPPs are very important to the system, as is, and would like to reduce the incentive to join Cabinet. As such, we would keep Cabinet pay at 120% of MPP pay. The Premier's would be set at 125%.

Municipal Council Pay Formula "A"

In the case of municipal councillors, there can be a similar comparison to national and provincial representatives. This would be based on the size of each municipality. Because municipalities are generally much smaller, we start with the premise that base pay be up to double the median total income.

Start with the premise that base pay be up to double median total income.

Municipal Size Factor

Class: Metropolitan	- 1,000,000 or more	Salary: 200%
Class: Large 1	- 750,000 - 999,999	Salary: 150%
Class: Large 2	- 500,000 - 749,999	Salary: 100%
Class: Large 3	- 250,000 - 499,999	Salary: 75%
Class: Medium	- 50,000 - 249,999	Salary: 50%
Class: Small	- 10,000 - 49,999	Salary: 25%
Class: Bantam	- 1 - 9,999	Salary: 10%

Large municipalities require more responsibilities from councillors. Given greater risk and expense to run for council in a larger city, they should receive more potential pay.

Council Attendance Factor

For every legislative day missed, there would be a commensurate loss of pay, e.g. in Toronto Council 120/125 (96%) days = \$45,102.72

Despite the argument that councillors conduct business outside City Hall, Canadians elect them to be in council meetings.

Pay

Examples:	Councillors	Population
Clearview	9	13,796
Collingwood	9	16,039
Wasaga Beach	7	12,419
Barrie	11	103,710
London	19	336,539
Ottawa	22	774,072
Toronto	45	2,481,494

Assuming 100% attendance:	Median	Size %	As a %
Clearview	\$23,728	25	\$5,932
Collingwood	\$20,688	25	\$5,172
Wasaga Beach	\$20,524	25	\$5,131
Barrie	\$25,499	50	\$12,749.50
London	\$23,751	75	\$17,813.25
Ottawa	\$29,978	150	\$44,967
Toronto	\$23,491	200	\$46,982

Expenses

Public transit expenses (per council or committee meeting) where available. Where there is no public transit, there would be automobile expenses. Total expenses would be taxable.

Pension

A pension would consist of RRSP contributions which kick in at one year, at 100% of base earnings, e.g. \$5,932, if attendance perfect. It would then decline 10% per year to zero after 10 years.

	Years	Pensionable Earnings
e.g. Elected	1988-1989	\$5,932.00
	1989-1990	\$5,338.80
	1990-1991	\$4,745.60
	1991-1992	\$4,152.40
	1992-1993	\$3,559.20
	1993-1994	\$2,966.00
	1994-1995	\$2,372.80
	1995-1996	\$1,779.60
	1996-1997	\$1,186.40
	1997-1998	\$593.20
	1998-1999	\$0
	1999-2000	\$0

This Clearview councillor would have a maximum RRSP contribution of \$32,626 for retirement, as per the rules related to retirement savings' plans.

Mayor

While we accept that mayors have greater responsibilities than regular councillors, and are elected across their municipality while councillors tend to be elected in wards, and mayors are typically the “face” of their municipality, we also believe that the significant pay disparity between the councillors and mayor in some municipalities is unfair. In London, Ontario, for example, the mayor is paid more than three times what a regular councillor receives. As such, we would keep mayoralty pay at 120% of a regular councillor's pay.

Municipal Council Pay Formula “B”

This formula considers two other factors outside Formula “A”. First, very large cities do, in fact, have ward sizes the equivalent of some federal/provincial ridings. As a result, it would only be reasonable for pay to be similar. Second, most municipalities have councils that are considered part-time. Thus, pay should not be commensurate with full-time politicians.

Start with the premise that base pay be up to two-and-a-half times median total income.

Municipal Size Factor

Class: Metropolitan	- 1,000,000 or more	Salary: 250%
Class: Large 1	- 750,000 - 999,999	Salary: 200%
Class: Large 2	- 500,000 - 749,999	Salary: 150%
Class: Large 3	- 250,000 - 499,999	Salary: 100%
Class: Medium	- 50,000 - 249,999	Salary: 75%
Class: Small	- 10,000 - 49,999	Salary: 50%
Class: Bantam	- 1 - 9,999	Salary: 25%

This adjusts pay upward from the previous formula to better represent large cities. For example, it would bring Toronto councillors into line with Quebec MNAs, who have similarly-sized constituencies.

Council Attendance Factor

For every legislative day missed, there would be a commensurate loss of pay, e.g. in Toronto Council 120/125 (96%) days = \$56,378.40

Despite the argument that councillors conduct business outside City Hall, Canadians elect them to be in council meetings.

Part-time Factor

Part-time:	20 hours	Salary: 50%
Full-time:	40 hours	Salary: 100%

In strictly urban municipalities 250,000 or above, councils should be able to define their positions as full-time or part-time. However, should they choose full-time (effectively doubling their pay), then they would not be permitted a job beyond councillor. A vote would be held at the first meeting in September, prior to the cut-off for nominations, where council would decide the issue for the next term OR the matter would be decided by a binding plebiscite of voters at election-time.

Pay

Examples:	Councillors	Population
Clearview	9	13,796
Collingwood	9	16,039
Wasaga Beach	7	12,419
Barrie	11	103,710
London	19	336,539
Ottawa	22	774,072
Toronto	45	2,481,494

Assuming 100% attendance:	Median	As a %	FT/PT
Clearview	\$23,728	\$11,864.00	\$5,932.00
Collingwood	\$20,688	\$10,344.00	\$5,172.00
Wasaga Beach	\$20,524	\$10,262.00	\$5,131.00
Barrie	\$25,499	\$19,124.25	\$9,562.13
London	\$23,751	\$23,751.00	\$11,875.50
Ottawa	\$29,978	\$59,956.00	\$29,978.00
Toronto	\$23,491	\$58,727.50	\$58,727.50

Expenses

Public transit expenses (per council or committee meeting) where available. Where there is no public transit, there would be automobile expenses.

Pension

Though few municipalities have council pensions, if they did, a pension would consist of RRSP contributions which kick in at one year, at 100% of base earnings, e.g. \$11,875.50, if attendance perfect. It would then decline 10% per year to zero after 10 years.

e.g. Elected	Years	Pensionable Earnings
	1988-1989	\$11,875.50
	1989-1990	\$10,687.95
	1990-1991	\$9,500.40
	1991-1992	\$8,312.85
	1992-1993	\$7,125.30
	1993-1994	\$5,937.75
	1994-1995	\$4,750.20
	1995-1996	\$3,562.65
	1996-1997	\$2,375.10
	1997-1998	\$1,187.55
	1998-1999	\$0
	1999-2000	\$0

This London councillor would have a maximum RRSP contribution of \$65,315.25 for retirement, as per the rules related to retirement savings' plans.

Mayor

While we accept that mayors have greater responsibilities than regular councillors, and are elected across their municipality while councillors tend to be elected in wards, and mayors are typically the "face" of their municipality, we also believe that the significant pay disparity between the councillors and mayor in some municipalities is unfair. As such, we would keep mayoralty pay at 120% of a regular councillor's pay.

Conclusion

‘You get what you pay for.’ We hear this all the time from those proponents of higher pay for politicians. Where is the evidence that paying incomes that dwarf those of regular people actually attracts better politicians? In a democracy, the ability to run for office must be open to all. The argument has been that this will not be true if wages are kept too low and only already-wealthy people can afford to live as politicians. If one looks into the histories of elected politicians, one finds rich people, yes, but one also finds farmers and middle-class lawyers. Yet, might it be true that making wages too high will alienate regular people from those they elect? Will very high pay draw people into politics who are doing it just for the money? When it was suggested to one fellow that he should contribute money to his own campaign, he said if he had known it was going to cost him money, he would never have run.

Ideally, citizens would determine the pay of their representatives. Practically, this is impossible. Plus, given the reputation of politicians in general, their pay would likely be skewed by the number of people saying “zero” and “nothing”. That’s why it is necessary to fall back on formulae capable of adjusting to change.

A set formula eliminates the concern of conflict of interest. It does away with the possibility of sudden, drastic changes in pay. And, it means for politicians to earn a pay increase, there would have to be an increase in the median average income of Canadians in their jurisdiction.

Finally, politics is an avocation, not a vocation. It was never intended to be a career. As such, it was not intended to pay in the same way a private sector occupation does. The fundamentals have not changed. It should not be seen as a career now. And while democratic politics demands regular people can seek public office, that doesn’t mean they should become wealthy doing it.