

## **Submission to the Review of Entitlements for Members of the ACT Legislative Assembly**

**Summary:** The *Issues Paper* identifies an important consideration, namely, remuneration should be sufficient “to attract and retain good quality MLAs”. The benchmark for the relative attractiveness of MLA’s base salaries is the general level of wages in the ACT. Commonwealth Grants Commission estimates show that the ACT has above average wage levels and when this is taken into account, it appears that ACT base salaries are the least attractive of any jurisdiction, even less attractive than in Tasmania. This strengthens the case for a significant increase in base salaries.

### **Submission**

I moved to Canberra in 1967 and consider it to be a wonderful city in which to live. In order for it to remain so, I believe it requires a dynamic private sector, an effective public service and good governance and leadership. A competent Ministry drawn from the membership of the Legislative Assembly is critical to good governance and leadership.

In that context the *Issues Paper* refers at page 3 to “the ability of the Territory to continue to attract and retain good quality MLAs”. In support of that consideration the *Issues Paper* cites an article by Peter Riddell in *Prospect* magazine suggesting that politicians pay “should be set at a level which does not deter experienced and successful people from standing.” I believe that is an important consideration that the Remuneration Tribunal needs to take into account.

The question arises as to the appropriate benchmark for assessing the ‘attractiveness’ of MLA’s salaries. The ‘unadjusted’ level of remuneration for members of parliament in other jurisdictions would not appear to be relevant. To the extent that remuneration is a consideration, prospective candidates for the ACT Legislative Assembly will be comparing the base salary as a member of the Assembly with alternative employment opportunities within the ACT, not in other jurisdictions.

The only ACT benchmark mentioned in the *Issues Paper* is “the amount paid to executive members of the ACT Public Service” (page 15) and the possibility of introducing “a link between the Assembly and the ACT Public Service” is among the options being considered by the Tribunal (Option 4, page 18). Option 4 would be the preferable option in order to ‘attract good quality’ candidates to stand.

ACT executive remuneration levels cover a wide range. The *Issues Paper* suggests that the appropriate benchmark may be Level I and shows by way of illustration that setting base salaries at the average of Level 1 positions “would result in an increase of \$25,470 (20%) with an annual base salary of \$150,729” (page 18). That may appear like a very large increase, not least in a period of public sector austerity.

If, however, it is accepted that 'attracting good quality' candidates is an important consideration, a significant increase may be warranted. In this regard, a comparison with other jurisdictions in terms of the relative attractiveness of parliamentary base salaries can be instructive. In order to do so, it is necessary to take account of the variation in general wage levels across jurisdictions. An examination of the graph at page 14 in the *Issues Paper* shows that compared to the average base salary for politicians in the States and Territories (\$140,065), salaries are lowest in Tasmania (more than 15% below the average) and high in Western Australia (more than 6% above the average.) However, this calculation takes no account of the fact that private sector wage levels are much higher in Western Australia than they are in Tasmania. Estimates routinely prepared by the Commonwealth Grants Commission (CGC) may assist the Tribunal in considering this factor.

The CGC measures the variation in underlying wage levels across jurisdictions because it bears on a major cost of public sector service provision and therefore their relative capacity to provide an average level of services. In its *2013 Update Report on GST Revenue Sharing Relativities*, the CGC observed at page 81 that

Our analysis shows a consistent picture of above average underlying wage levels in New South Wales, Western Australia, the ACT and the Northern Territory and below average wages in Victoria, Queensland, South Australia and Tasmania.<sup>1</sup>

Figure 5-6 at page 81 of the *2013 Update Report* provides a guide to the magnitude of the variation in wage levels across jurisdictions. A rudimentary examination of that figure changes somewhat the variations illustrated in the graph at page 14 of the *Issues Paper*. For example, when broader wage level variations are taken into account, contrary to the impression given by the graph at page 14, Western Australian parliamentary salaries may not be particularly 'attractive' and the 'unattractiveness' of Tasmanian parliamentary salaries is moderated somewhat. More importantly, for the purposes of the Review, once the above average level of ACT wages is taken into account, it appears that the base level of remuneration for MLAs in the ACT may be the least attractive of any jurisdiction, even less attractive than in Tasmania.

I believe this is a consideration that the Tribunal should take into account in finalising its recommendations. In doing so, it may wish to examine the more up to date comparative wage data that is likely to be presented in the forthcoming *CGC 2014 Update Report*.

Alan G Henderson

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<sup>1</sup> <https://www.cgc.gov.au/attachments/article/146/2013%20Update%20Report.pdf>