



Fair Wages for MLAs

Submission to the Saskatchewan MLA Indemnity
Review Committee
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ABOUT THE CANADIAN TAXPAYERS FEDERATION

The Canadian Taxpayers Federation (CTF) is a federally incorporated, non-profit and non-partisan, advocacy organization dedicated to lower taxes, less waste and accountable government. The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national taxpayers organization. Today, the CTF has over 72,000 supporters nationwide.

The CTF maintains a federal office in Ottawa and offices in the five provincial capitals of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. In addition, the CTF has a Centre for Aboriginal Policy Change in Calgary dedicated to monitor, research and provide alternatives to current aboriginal policy and court decisions. Provincial offices and the Centre conduct research and advocacy activities specific to their provinces or issues, in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries and publications to advocate the common interest of taxpayers. The CTF's flagship publication, *The Taxpayer* magazine, is published six times a year. An issues and action update called *TaxAction* is produced each month. CTF offices also send out weekly *Let's Talk Taxes* commentaries to more than 800 media outlets and personalities nationally.

CTF representatives speak at functions, make presentations to government, meet with politicians, and organize petition drives, events and campaigns to mobilize citizens to effect public policy change.

All CTF staff and board directors are prohibited from holding a membership in any political party. The CTF is independent of any institutional affiliations. Contributions to the CTF are not tax deductible.

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SUMMARY OF RECOMMENDATIONS

Recommendation #1:

Rescind the \$5,426 tax-free portion of MLA salary and institute a new, fully taxable salary of \$70,243.

Recommendation #2:

Terminate the MLA transition allowance.

Recommendation #3:

MLA salaries should not be increased.

Recommendation #4:

The province should annually adjust MLA compensation according to the annual change in *Average Weekly Earnings* of Saskatchewanians.

PRINCIPLES

- MLA pay must be transparent, fair and accountable
- MLAs must not set their own salaries
- MLA salary adjustments should be set according to an agreed-upon external measure such as the per cent change in the average weekly earnings of Saskatchewan Taxpayers
- MLAs should pay the exact same rate of taxation those they govern

INTRODUCTION

Prior to 1995, pay for Members of the Legislative Assembly (MLAs) was a mix of standard salary and a variety of expense allowances and per diems for legislative sessions and caucus meetings.

A report by the Independent Committee on MLA Salaries, chaired by Dr. Stirling McDowell, spawned a more simplified pay structure that more or less stands today. Annual salary changes are determined by using average changes in Saskatchewan's Consumer Price Index (CPI). Over the years, using the CPI has resulted in average wage increases for MLAs of around two per cent.

In 2004, the Government of Saskatchewan announced what was called a "0-1-1 wage mandate." This policy called for wage increases for public sector unions to not exceed zero per cent in 2004, one per cent in 2005 and one per cent in 2006.

Under existing guidelines, MLA salaries were set to increase by more than the announced mandate. Many in Saskatchewan, including the CTF, felt this was unfair and MLAs of all political stripes were subjected to significant and justified public criticism. The end result was MLAs backing away from their wage increases. When the government later backed away from the 0-1-1 wage guideline, MLAs then accepted the full CPI wage increases for 2005, as well as back pack pay from 2004.

These developments ultimately led to the creation of the Independent Review Committee on MLA Indemnity, chaired by Arthur Wakabayashi.

In this submission, the CTF presents guiding principles that should govern how MLAs are compensated, how other provinces pay their MLAs and how we should proceed in Saskatchewan.

CURRENT MLA COMPENSATION

MLAs in Saskatchewan currently earn an annual salary of \$64,817 and an additional \$5,426 in the form of a tax-free allowance. The tax-free allowance provides the after tax equivalent of \$8,356 in additional compensation. That brings the actual salary to \$73,173. According to information provided by the MLA Indemnity Review Committee, this amount ranks eighth among Canadian provinces and territories.

Salaries and allowances for additional duties

In addition to the base MLA salary, members are also entitled to money for any duties they take on in the legislature such as positions in cabinet, the Speaker and Deputy Speaker, standing committee chairs and legislative secretaries.

Private members often cite \$64,817 as their salary. This is simply not true (see Table 1). On the government side of the house, the minimum salary for an MLA, after factoring in the tax-free allowance and additional duties, is currently the equivalent \$85,151.

As of June, 2006, the governing New Democratic Party had 19 cabinet ministers, 4 committee chairs, 3 legislative secretaries, 1 caucus chair, one whip, a speaker and a deputy speaker. This means that all members of the governing caucus make a minimum salary of \$85,151 (after you factor in the tax-free allowance).

This, in and of itself, is troubling in that the Official Opposition does not have the ability to appoint members of cabinet or legislative secretaries. While additional compensation is provided for the leader of the opposition, the opposition house leader, the deputy house leader, the deputy leader, and whips, they do not have the ability to increase the pay of their entire caucus by arbitrarily making appointments.

Table 1:

**MEMBER INDEMNITY AND
EXPENSE ALLOWANCE
COMPARISONS (2006)**

JURISDICTION	INDEMNITY (A)	TAX FREE EXPENSE ALLOWANCE (B)	GROSSED UP TAX FREE ALLOWANCE (C) *	TOTAL (A + C)
House of Commons	\$147,700			\$147,700
Quebec	\$80,464	\$14,234	\$24,767	\$105,231
Northwest Territories	\$87,572			
⁽¹⁾ Within Commuting Distance		\$6,784	\$10,312	\$97,884
⁽²⁾ Beyond Commuting Distance & Members of Executive Council		\$10,483	\$15,934	\$103,506
Ontario	\$86,860			\$86,860
Newfoundland and Labrador	\$47,240	\$23,620	\$40,390	\$87,630
New Brunswick	\$43,955	\$21,978	\$35,824	\$79,779
Alberta	\$47,496	\$23,748	\$34,910	\$82,406
British Columbia	\$76,100			\$76,100
Manitoba	\$73,512			\$73,512
Saskatchewan	\$64,817	\$5,426	\$8,356	\$73,173
Yukon	\$38,183			
⁽¹⁾ Within Whitehorse		\$16,669	\$24,337	\$62,520
⁽²⁾ Outside Whitehorse & Members of Executive Council		\$19,091	\$27,873	\$66,056
Nunavut	\$67,543	\$1,000	\$1,410	\$68,953
Nova Scotia	\$65,556			\$65,556
Prince Edward Island	\$36,689	\$12,000	\$20,160	\$56,849

* Based on 2005 federal, provincial and territorial personal income tax rates.

Table 2: **LEGISLATIVE ASSEMBLY OF SASKATCHEWAN**
SALARIES AND ALLOWANCES OF MEMBERS
Effective April 1, 2006

	Annual Indemnity	Expense Allowance	Additional Allowance	Total
Member	64,817	5,426	-	70,243
Speaker	64,817	5,426	35,127	105,370
Deputy Speaker	64,817	5,426	11,978	82,221
Whip (Government and Opposition)	64,817	5,426	11,978	82,221
Third Party Whip Third Party House Leader	64,817	5,426	5,989	76,232
Deputy Whip (Government and Opposition)	64,817	5,426	5,989	75,232
Deputy House Leader (Government and Opposition)	64,817	5,426	5,989	76,232
Chair, Standing or Special Committees	64,817	5,426	11,978	82,221
Deputy Chair, Standing/Special Committees Deputy Chair of Committees	64,817	5,426	5,989	76,232
House Leader (Government and Opposition)	64,817	5,426	11,978	82,221
Leader of the Opposition	64,817	5,426	40,984	111,227
Leader of the Third Party	64,817	5,426	20,492	90,735
Deputy Leader of the Opposition	64,817	5,426	11,978	82,221
Premier	64,817	5,426	58,547	128,790
Deputy Premier	64,817	5,426	46,839	117,082
Cabinet Ministers	64,817	5,426	40,984	111,227
Legislative Secretary	64,817	5,426	11,978	82,221

* A cost-of-living increase of 2.2% was applied to Members' remunerations.
A cost-of-living increase of 2.2% was applied to certain travel amounts, and the Committee Indemnity.

Other Allowances

While the tax-free allowance is said to compensate MLAs for out-of-pocket expenses, there are other policies currently in place that accomplish the goal. Following is list of allowances provided by the Legislative Assembly of Saskatchewan to MLAs.

1. Telephone and related expenses as authorized by Section 49(3)(c) of the Legislative Assembly and Executive Council Act, 2005 and Directive #2 of the Board of Internal Economy.
2. Reimbursement or direct payment for constituency service expenses as provided by Sections 49(3)(d) and 49(3)(e) of the Act and Directive #4.1 of the Board of Internal Economy. Maximum allowance is \$35,770 per year.
3. Provision for one full-time constituency assistant to a maximum of Step 4 of the Junior Ministerial Assistant classification plan pursuant to the Ministerial Assistant Employment Regulations, as provided by Section 49(3)(d) of the Act and Board of Internal Economy Directive #6. (April 1, 2006 rate - \$3,658 per month.)
4. Travel expenses for Members, as provided by Section 49(3)(a) and (b) of the Act and Directive #3.1 of the Board of Internal Economy. Maximum allowance is calculated using a formula based on 43 cents per km. (Dec. 5/05). Reimbursement of actual mileage expenses at the rate of 43 cents per kilometer (Dec. 5/05). Reimbursement of other transportation expenses based on actual costs.

Reimbursement for living expenses: meals based on the Public Service rate of \$41 per day or actual costs: accommodations based on actual costs or the Public Service rate of \$35 (Oct. 01/05) per day for private accommodation.

Regina accommodation expenses for Members representing constituencies wholly outside Regina, to a maximum of \$31 for each day the Regina accommodation is available for the Member's use.

Living expenses during session, for Members representing constituencies wholly outside Regina, the option of a \$85 per diem for each sitting day, or reimbursement of actual expenses for meals and accommodation.

During session, special air travel provisions for Members living 350 kilometers or more from Regina.

Air travel for northern Members: Two return trips to each community within the constituency as provided by Section 49(3)(f) of the Act and Board of Internal Economy Directive #3.1.

5. Indemnity of \$92 for each day a Member attends a Committee meeting or attends to the business of a Committee, outside of session or outside of Regina when session is on, as provided by Section 49(3)(i) of the Act and Board of Internal Economy Directive #17.2. May claim mileage costs and living expenses (meals and accommodation) for each meeting day, in accordance with the provisions of Directive #3.1 – MLA Travel and Living Expenses.

These allowances cover off a wide swath of possible expenses incurred by an MLA and the CTF believes these allowances are more than reasonable. In fact,, if you compare to an average private sector worker it's clear MLA allowances are more generous.

For example, for a commission sales person or a long haul truck driver allowances such as cell phones, generous per diems and travel allowances just aren't a reality. Truck drivers in Canada, for income tax purposes, are eligible to claim \$45 dollars per day for meals. Of that amount, only 50 per cent can be deducted from income tax owed.

It's clear the intended purpose of the tax-free allowance is currently covered-off by the extensive lists of allowances provided for MLAs. The tax-free allowance is redundant, is not compliant with the fundamental principle that MLAs should pay the exact same rate of taxation as those they govern.

Recommendation 1: Rescind the \$5,426 tax-free portion of MLA salary and institute a new, fully taxable salary of \$70,243.

MLA pension plan

MLAs are entitled to the Public Employees Pension Plan (PEPP). PEPP is a defined contribution plan that is intended to provide MLAs with income upon retirement. Members contribute nine per cent of their salary to the plan, which is matched by the government.

For the purposes of the PEPP, the nine per cent applies to the amount payable to the MLA (annual indemnity and expense allowance) as well compensation from additional duties such as cabinet duties, secretariats and committee chairs. However, it does not apply to expense allowances such as staff and stationary.

The government matches the MLA contributions bringing the maximum combined contribution to \$19,000 as is dictated by the *Income Tax Act* (Canada). Contributions become locked and vested after one year of membership in the plan.

Age 65 is the normal retirement age but MLAs are eligible to retire and receive retirement income at age 50.

The CTF believes this is a good plan – one that is similar to what we have successfully advocated for in other parts of the country.

Transition Allowance

MLAs are given a lump-sum severance payment upon leaving office, regardless of the reason for their departure. MLAs are entitled to a “Transition Allowance” once they:

- 1) cease to be an MLA do to defeat at the polls;
- 2) are elected as Members but choose not to run again; or
- 3) resign their seat prior to dissolution due to personal illness certified by a doctor.

They are *not* eligible for the Transition Allowance if they:

- 1) are receiving a superannuation allowance during the period of transition;
- 2) are appointed to a paid position on a government board, commission or agency during the transition; or
- 3) return to a former position in government or Crown.

The Transition Allowance is equal to one month’s salary for every year of service a maximum of 12 months. This is important to know because it has an implicit impact on the Members’ compensation. If a Member is elected to office for four years and is then defeated at the polls, he or she is entitled to one month salary for each of those four years.

An MLA with no additional duties earns the equivalent of \$73,173 per year – that’s \$6,098 per month before taxes. After four years, that MLA is entitled to a \$24,391 “Transition Allowance.”

When the Transition Allowance is factored in to basic MLA compensation over four years, it brings the annual taxable salary of an MLA with no additional duties to \$79,270.

Members are currently entitled to their transition allowance even when the decision to leave public office is entirely their own. No distinction is made between the individual whom is defeated in an election and the individual who chooses not to run for re-election.

However, the CTF is of the opinion that the MLA Indemnity Review Committee should recommend the Transition Allowance be eliminated altogether. The principle that governs severance in the private sector suggests that those terminated with just cause should not be eligible for compensation. It is our view that when voters choose to defeat an incumbent they do so with just cause, and therefore have no obligation to pay severance to the council member in whom they no longer have confidence.

The CTF is also of the opinion that those members, who chose to leave public office on their own, should not receive severance either. Again, employees in the private sector

who opt to resign or retire do not generally receive severance payments, therefore neither should elected officials.

Recommendation 2: Terminate the MLA Transition Allowance.

FAIR COMPENSATION

Now that we've established what the true value of MLA compensation is we can turn our attention to what compensation level is fair and/or adequate. The goal is to strike the right balance between the appropriate and reasonable use of tax dollars and the ability to recruit qualified candidates.

It's often argued, when MLA salaries are reviewed, that if taxpayers pay too little the position will only attract candidates who only seek power, or worse who will supplement income through graft. Conversely, it's suggested that paying politicians too much will recruit candidates who are only involved for personal financial gain, and not the general well-being of the taxpaying public.

Realistically, taxpayers cannot afford to provide "executive level" compensation to MLAs, but traditionally that hasn't stopped high profile individuals from seeking office. Instead, the call to civic duty still brings many candidates into public life. A couple examples include Newfoundland and Labrador Premier Danny Williams and former Prime Minister Paul Martin – both men are multi-millionaire. MLA compensation would exceed \$1 million annually if we were to attract candidates like Danny Williams and Paul Martin on salary alone.

In turn, suggesting that current compensation levels is so low that we can't attract quality candidates insultingly suggests our current elected officials are not of a desired quality.

Instead, factors other than money motivate people to enter public life. There are intangible benefits such as influence, power, recognition and even celebrity. These are over and above the altruistic motivation to provide leadership for the benefit of the province.

As is noted in the background information provided by the MLA Indemnity Review Committee, Saskatchewan MLA salaries rank 8th in the country (see Table 3). Comparing MLA salaries between provinces is of little value because each province has its own priorities, philosophical approaches and circumstances. In the State of New Hampshire, for example, State Representatives are paid \$100 per year. The New Hampshire approach is that State Representatives should maintain careers outside of politics.

That said, if MLA salaries are to be compared to those in other province's we need to look at the cost of living in those provinces. According to Saskatchewan Industry and Resources, Saskatchewan is one of the cheapest places to live in the country. The 9-city comparison of housing prices they provide on their website (<http://www.ir.gov.sk.ca/>) shows Regina and Saskatoon have the lowest overall house prices.

Table 3:

9 CITY HOUSING COMPARISONS

	Detached Bungalow	
City	LOW	HIGH
Regina, SK	\$132,000	\$149,000
Saskatoon, SK	145,000	173,000
Calgary, AB	214,000	334,000
Vancouver, BC	307,000	775,000
Winnipeg, MB	144,000	240,000
Toronto, ON	270,000	595,000
Ottawa, ON	229,000	445,000
Montreal, QC	154,000	250,000
Halifax, NS	143,000	205,000
Average	\$193,000	\$352,000
Regina as a % of average	68%	42%
Saskatoon as a % of average	75%	49%
Source: Royal LePage Survey, 4th Quarter 2005		

Source: <http://www.ir.gov.sk.ca/>

Another aspect to consider is how much Saskatchewan taxpayers earn. As a general principle, our elected officials should not rocket into the upper stratosphere of incomes. It's important our politicians share similar experiences and concerns as the electorate they represent (see Table 4).

Table 4:

WEEKLY WAGE RATES IN SASKATCHEWAN 2005	
	Number
Under \$100	16,400
\$100 - \$199	29,300
\$200 - \$299	32,000
\$300 - \$399	40,100
\$400 - \$499	41,900
\$500 - \$599	38,400
\$600 - \$699	38,700
\$700 - \$799	29,100
\$800 - \$899	28,000
\$900 - \$999	22,500
\$1,000 - \$1,199	34,600
\$1,200 - \$1,499	21,500
\$1,500 or more	13,100
Total employees	385,500

Source: Doug Elliott, Sask Trends Monitor

Based on an equivalent taxable annual salary of \$73,137, MLAs earn \$1,407 weekly. According to data provided by Sask Trends Monitor, this wage puts MLAs in the top nine per cent of wage earners in the province.

Recommendation 3: MLA salaries should not be increased.

MECHANISMS FOR ADJUSTING MLA COMPENSATION

According to Saskatchewan MLA Indemnity Review Committee documents, Canadian provinces and territories have varying approaches to MLA compensation adjustments.

British Columbia: Members' indemnity is adjusted on April 1 by a formula based on the Consumer Price Index for BC combined with average hourly wages of employees in selected professions, less a reduction factor. Since salary changes require amendments to the *Legislative Assembly Allowances Act*, proposed revisions are subject to debate in the house.

Alberta: Components of Member remuneration are adjusted on April 1 of each year by the same percentage increase or decrease as the Average Weekly Earnings for Alberta as reported by Statistics Canada for the preceding calendar year.

Saskatchewan: The basic indemnity and allowances are adjusted annually on April 1 by the average annual change in the Consumer Price Index for Saskatchewan. The Board of Internal Economy, in the absence of an Independent Committee, can make changes to the indemnity and allowances.

Manitoba: After every general election, an Independent Commissioner is appointed to decide on "appropriate salary, allowances and retirement benefits for Members". As of April 1, 2006, the COLA provision that is in place is computed as the previous five-year moving average increase in the Manitoba Consumer Price Index (CPI).

Ontario: The Integrity Commissioner, at such intervals as are considered appropriate, can review and determine the appropriate salary for MPPs. Currently, the CPI is used to adjust members' compensation.

Quebec: The annual indemnity is to be increased by a percentage equal to that of the increase in the salary scales for the group of positions of senior executives in the public service as of the effective dates of the new salary scales. Expense allowances are tied to the Consumer Price Index on January 1 of each year.

New Brunswick: Changes to salaries and allowances must be agreed to by the Legislative Administration Committee. An independent committee can also be convened to review member compensation, but this mechanism has been used infrequently. Change in three year average wages of New Brunswick employees is currently used to adjust salaries and allowances.

Nova Scotia: An independent commission is currently in place to review Member compensation. Until the commission's recommendations are filed, increases in pay will continue to be based on increases in the Public Service (union and non-union).

Prince Edward Island: After every general election an independent commission is appointed to determine MLA compensation. Decisions contained in the commission's report are final and effective on the date indicated in the report.

Newfoundland and Labrador: Since the use of commissions has fallen into disuse, Members have agreed to be governed by the Public Service pay increase regime.

Yukon: Members' indemnities and allowances are adjusted on April 1 of each year by the average change in the CPI over the previous two calendar years. Allowances for additional duties are not indexed and can only be changed by amendment to the *Legislative Assembly Act*.

Northwest Territories: Within two years of an election an independent commission is appointed to review and recommend on indemnities and allowances. Effective April 1 of each year salaries and allowances are revised by changes made to the Collective Agreement of the Government.

Nunavut: Members' salaries and allowances are tied to the same percentage increase that Public Service employees receive due to collective bargaining.

House of Commons (Canada): Adjustments are derived from an index based on 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.

Two significant elements of MLA compensation adjustment are evident when reviewing the various approaches. Some provinces link MLA salaries with an external measure such as inflation, cost of living, or per cent change in the earnings of taxpayers. Other provinces have some sort of link to the wage negotiation with public sector unions.

British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Yukon all link to inflation, cost of living, or average weekly earnings change. Quebec, Nova Scotia, PEI, Newfoundland and Labrador, Northwest Territories and Nunavut rely on appointed commissions or public sector collective agreements.

Without question, relying on an external measure such as consumer prices or inflation is preferable to using collective agreements or appointed committees. Appointed committees virtually guarantee political meddling in the process. Using public sector wages builds in an incentive for MLAs to increase public sector wages.

Across Canada, the CTF has supported salary adjustment mechanisms that are hands-off, transparent, and reflect the general economic circumstances of the electorate. We also believe a number calculated by an independent third party is a necessity.

The two common measures are the Consumer Price Index (CPI) and Average Weekly Earnings (AWE).

The *AWE* represents what the entire province is receiving in terms of average compensation, and is calculated by Statscan on a province by province basis. The benefit of using *AWE* is that if Saskatchewanians' earnings drop, so would MLA salaries. MLAs would prosper when Saskatchewanians do. Linking to *AWE* is the closest means to provide performance-based pay – something that is sorely lacking the public sector.

Had MLAs adopted this formula in 1991, their annual increase (decrease) would have averaged 1.99 per cent since 1992.

Table 5:
AVERAGE WEEKLY EARNINGS IN SASKATCHEWAN – 1991 – 2005

Year	Average earnings	Per cent change
1991	495.33	n/a
1992	500.63	1.07
1993	503.9	0.65
1994	516.73	2.55
1995	518.61	0.36
1996	521.41	0.54
1997	531.42	1.92
1998	548.66	3.24
1999	554.49	1.06
2000	571.06	2.99
2001	582.75	2.05
2002	591.72	1.54
2003	604.92	2.23
2004	627.85	3.79
2005	652.15	3.87
Average		1.99

All employees, excluding Agriculture, Fishing/Trapping, Private Household Services, Religious Organizations, and Military Personnel.

Excludes overtime.

Source: Statistics Canada, CANSIM Table 281-0027

Recommendation 4: The province should annually adjust MLA compensation according to the annual change in *Average Weekly Earnings* of Saskatchewanians.

