Remuneration Authority (Members of Parliament Remuneration) Amendment Bill (No 2)

169—1

Report of the Education and Workforce Committee

December 2019

Contents

Dr Parmjeet Parmar
Chairperson

Remuneration Authority (Members of Parliament Remuneration) Amendment Bill (No 2)

Recommendation

The Education and Workforce Committee has examined the Remuneration Authority (Members of Parliament Remuneration) Amendment Bill (No 2) and recommends that the bill proceed without amendment.

Introduction to the bill

The Remuneration Authority (Members of Parliament Remuneration) Amendment Bill (No 2) is an omnibus bill that would amend the Remuneration Authority Act 1977 and the Members of Parliament (Remuneration and Services) Act 2013.

The purpose of the bill is to establish a new process for how the Remuneration Authority reviews and set the salaries of members of Parliament (MPs). The bill would do this by allowing the Authority to independently set MPs' pay based on criteria, rather than a fixed formula. The Government considers that the fixed formula system has inadvertently caused unjustifiably high pay increases for MPs. The Government considers that restoring criteria-based discretion for the Authority is a more durable system for setting MPs' pay.

Past changes to MPs' pay

Before 2015, the Authority had discretion in setting the salaries of all public office holders (including MPs) by using criteria set out in the Remuneration Authority Act.

The Remuneration Authority Act was amended in 2015 to separate the process for determining MPs' salaries from that for other types of public office holders. This was done by removing the Remuneration Authority's discretion to set MPs' salaries, and instead linking MPs' salaries to public sector wages through a fixed formula. MPs' salaries were tied to the percentage increase in the average weekly pay of public servants. However, this amendment had the unintended result of generating higher increases in MPs' salaries instead of moderating the pay increases.

Prior to the change in 2015, MPs' average salary increase from 2011 to 2014 was 1.7 percent. From 2015 to 2018, annual salary increases have ranged from 2.5 to 4 percent. This shows that the fixed formula system resulted in higher increases.

The Government froze MPs' salaries in 2018 when it was informed by the Authority that the 2018 review of MPs' salaries would result in a salary increase of 3.08 percent. The Government considered the increase unjustifiable.

The bill would make three main changes

The bill would:

- restore the Remuneration Authority's independence to determine MPs' salaries based on criteria rather than a fixed formula
- link the Authority's reviews to the electoral cycle so that the reviews would set MPs' salary for each year of that entire term of Parliament
- restore the requirement for the Authority to consider the value of the personal benefit of entitlements when setting MPs' salaries.

Conclusion

We do not propose any amendments to the bill as introduced, and recommend that it be passed.

Appendix

Committee procedure

The Remuneration Authority (Members of Parliament Remuneration) Amendment Bill (No 2) was referred to the committee on 10 September 2019. The closing date for submissions was 13 October 2019. We received and considered six submissions from interested groups and individuals.

We received advice from the Ministry of Business, Innovation and Employment.

Committee members

Dr Parmjeet Parmar (Chairperson)
Simeon Brown
Hon Clare Curran
Golriz Ghahraman (from 20 November 2019)
Hon Nikki Kaye
Denise Lee
Marja Lubeck
Jo Luxton
Mark Patterson
Chlöe Swarbrick (until 20 November 2019)
Jan Tinetti
Nicola Willis

Advice and evidence received

The documents that we received as advice and evidence are available on the Parliament website, www.parliament.nz.