

Tocquevillian Restraint or Millian Profiteering?: parliamentary remuneration in long term comparative perspective

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Abstract: One of the most important changes to legislative politics in the last century has been payment of ordinary legislators. Initially an aspect of broadening representation, politicians' pay has more recently been related to professionalization of parliamentary roles. As such, it also acts as a flashpoint for public distrust of the political class. In spite of its importance for central questions in political science, however, scholars have shown little sustained interest in the topic. No systematic account of legislative pay setting has emerged. In this context, this paper tests a crucial (and very old) debate in the literature; namely, do politicians profiteer from controlling their pay while in office (JS Mill) or do democratic pressures cause (excessive) restraint instead (Alexis de Tocqueville)? Using an original dataset on variation over time in five long-lived parliamentary democracies (UK, Ireland, Australia, Canada, and New Zealand), incorporating changing mechanisms for pay-setting which have weakened legislators' influence over pay, results indicate that total remuneration increases when legislators relinquish control. Results thus support the Tocquevillian position, while emphasising the role of regulatory change in overcoming self-restraint and professionalizing legislators' remuneration. More broadly, findings illustrate why politicians may often alienate decisions which appear core to their personal interests.

Introduction

Over the course of the twentieth century, legislative politics in much of the democratic world transitioned from a part-time activity primarily conducted by those with independent sources of wealth and income to a full-time profession conducted by career politicians who draw their primary income from their public offices (Weber, 1994[1919]: 338; King, 1981; Cairney, 2007). Consequently, while in the past legislators were often financially supported by aristocratic patrons (Wasson, 1991) or local communities (Murphy, 2016: 110), modern legislative bodies directly compensate their members with salary, expenses, allowances and other entitlements (Maer and Kelly, 2009).

The emergence of remuneration for political work in legislative office has had numerous important effects on the nature of politics. Initially, payments played a crucial role in democratisation by ensuring broad 'descriptive representation' (Pitkin, 1967) of members of classes in society without unearned income. More recently, rising compensation has been linked to the professionalisation of politics and the rise of the 'political class' which dominates elite politics in many countries.

Despite its importance for central developments in modern politics, however, scholars have shown little sustained interest in the topic. No systematic theoretically informed account of legislative pay setting has emerged, and empirical work remains fragmented and often contradictory in its conclusions. In particular, no existing study provides a theoretically and empirically satisfying account of how the regulatory regimes used to determine legislators pay affects the level and composition (salaries vs expenses) of legislators' compensation.

Theoretical Framework

What level and form of compensation will elected representatives receive in a democracy? This question was tackled by key early theorists of democracy, but with conflicting answers. John Stuart Mill's view opposed paid positions in parliament on the grounds that it would attract "adventurers of a low class... incessantly bidding to attract or retain the suffrages of the electors, by promising all things, honest or dishonest, possible or impossible" (Mill, 1861). Likewise, for Benjamin Franklin, a salaried political class would inevitably be composed of "the bold and the violent, the men of strong passions and indefatigable activity in their selfish pursuits" (Franklin, 1789). As well as wrecking the machinery of government, legislators attracted by financial rewards could be expected to focus on maximise their own benefits in office.

Conversely, Alexis de Tocqueville argued the payment of American public officers was "...one of the most prominent signs of the absolute dominion which democracy exercises in that country", in that it created a situation in which "everyone has not merely the right, but also the means of [holding public office]" (de Tocqueville, DiA, Ch. 13, Pt. 1).

In de Tocqueville's view, the most likely issue to arise was the opposite of Mill's fear of self-interestedness with democratic pressures leading to excessive self-restraint. As he put it, "democracies... economize upon the salaries of public officers... [because] the scale of remuneration is determined by the consideration of [the public's] own wants. It is held to be fair that the servants of the public should be placed in the same easy circumstances as the public itself." (se Tocqueville, DiA, Ch. 13, Pt. 1). As the franchise was extended to people of more modest means, therefore, the payment of officials might fall so low that oligarchic government returned via the back door (Hood, Peters, 1994: 2).

The dynamics of political pay is thus a fundamental question the study of politics. However, much of the extant work in modern political science tackles this question incompletely. On the one hand, case studies often develop a detailed understanding of the full range of benefits in offer to elected politicians, as well as the politics of pay and the mechanisms used to determine it, but fail to put this in the context of the broader theoretical or international picture.

On the other hand, comparative studies are often compelled to reduce the complexity of cross-national comparisons by examining only one aspect of the total phenomenon. For example, taking only salaries into account (Squire, 2008; Mause, 2014), or accounting for allowances but not monetising them (Rush, 2001; Behnke et. al. 2008). Other comparative frameworks have presented sophisticated conceptual models and typological schema but without the data to comprehensively assess them (Hood and Peters, 1994; Hood, 1992).

1.1 Level of Compensation

Several competing strands of explanation have been proffered to explain the variation in levels and forms of compensation offered to politicians. Some broad but unsurprising relationships have been demonstrated. For example, richer and larger states tend to pay their politicians more than smaller and poorer ones – though with some significant outliers (e.g. Behnke et. el., 2008; Mause, 2014). This has also been demonstrated on a subnational level for US state legislatures (Squire, 2008).

Nonetheless, much variation remains unaccounted for even when controlling for these factors. Hood and Peters (1994) categorise further explanations for varying compensation of political work as falling into three types; 'economics of politics' explanations focusing on politicians' pursuit of self-interest,

cultural explanations focusing on 'logics of appropriateness' (March and Olson, 1984) and institutional explanations focusing on the process of how politicians pay is determined.

Following the Millian viewpoint, economics of politics approaches thus broadly see politicians' compensation as being the result of their 'looking after number one' (Hood, 1992). In this view, politicians orientate their behaviour towards achieving ends which are personally beneficial to them. As part of a broader rent-seeking model of politics associated with the 'Chicago theory of government', politicians are 'expected to try and make their personal rewards as large as possible, within the constraints represented by institutional rules and transactional difficulties in organising collective action' (Hood and Peters, 1994: 7).

This view was adopted by older US studies of state legislators' salaries. McCormick and Tollison (1978) sought to assess the effect of constitutional constraints on state legislators ability to raise their salaries. This was also the model used Sollars (1990; 1994), who found that constitutional rules on US state legislators pay lowered the level of compensation they received. More recently, Mause (2014) looked at the constraining effect of different mechanisms for determining legislators pay in Europe (2014), arguing that systems which afforded legislators more direct or indirect control delivered higher levels of compensation.

By contrast, in Tocquevillian fashion, cultural explanations focus on how politicians' compensation reflects 'logics of appropriateness' (March and Olson, 1984) about the nature of elected political office in a democracy. Sometimes, these logics may support high pay – as in the case of meritocratic arguments. More commonly, cultural expectations centre around the need to economise on public expenditure, and for politicians to live like ordinary people and set an example (Dekker, 2013).

Institutional explanations are concerned instead with what Hood and Peters (1993: 20) call 'decision procedures', or the process by which a given system for determining compensation arrives at a decision. These can be highly complex, and case studies often spend considerable time developing a detailed understanding of the procedures used to determine compensation (Judge, 1984; Jones, 2007; McQueen, 1981).

At the same time, comparative work on the question of how institutional differences create different packages of compensation across systems has tended to use much cruder categorisations. For example, McCormick and Tollison (1978) and Sollars (1990), while Sollars (1994) developed a somewhat more nuanced tripartite model distinguishing between chambers in which pay was constitutionally set, 'legislatively determined' (i.e. voted on directly), or determined by a compensation commission requiring legislative approval.

The most sophisticated approach is offered by Mause (2014), with four categories 'MPs', 'MPs Restricted', 'Parliamentary Body', and 'Independent Body'. However, Mause does not provide a theoretical rationale for how these categories were arrived at, and some categories are quite internally diverse. For example, both the UK and France as classified as 'independent body', despite this meaning the government in the French case and an independent agency (IPSA) in the UK.

1.2 Composition of Compensation: Visible vs Less-Visible Remuneration

The compensation received by legislators can be divided between visible rewards (i.e. formal salaries) and invisible (or less-visible) rewards such as expenses and allowances (Hood and Peters, 1993). This provides a way to conceptualise compensation for politicians that addresses the key challenges faced in establishing a pay regime in front of a (critical) public audience. However, existing work analysing

the composition of compensation is even more limited in its assessment of what drives differences in the packages of overall compensation offered to legislators.

While case studies frequently suggest that less-visible compensation forms a significant part of total compensation, (Hood and Peters, 1995; Rouban, 1993; Eyméri-Douzans, 2014; Little and Stopforth, 2013) few existing comparative studies have examined this in any detail or attempted to identify the determinants of the composition of compensation. McCormick and Tollison (1978) and Sollars (1990; 1994) take no account of less visible rewards, in part because of the paucity of these at both the state and federal level in the US. Mause (2014), while acknowledging the potential significance expenses and allowances, deemed these too individual to be usefully measured or compared.

Behnke et. al. (2008) provide the only comparative study of which attempts to account in any systematic way for differences in the generosity of expenses and allowances. Using data from a survey by the Commonwealth Parliamentary Association (CPA), the authors surveyed the allowances available to legislators in 32 countries. However, the measure of allowances used in the analysis was not monetised but rather represented a count of the number of different categories of allowable expenses (Behnke et. al., 2008: 60).

1.3 An Explanatory Typology for the Regulation of Politicians Compensation

Existing comparative work on the compensation of legislators lacks a clear conceptualisation of what constitutes compensation, how the level and composition of this compensation varies, how rewards are determined, and what effect determining mechanisms have on the rewards legislators receive.

As a first step, therefore, different mechanisms used to determine compensation for politicians must be classified in a theoretically informed way. An improved classification of regulatory regimes can be achieved by means of an explanatory typology (Elman, 2005). Explanatory typologies are generalising, multi-dimensional groupings with multiple categories summarising theoretical possibilities for combinations of variables (Gerring, 2012).

The typology is based two fundamental dimensions of regulatory regimes in legislator compensation; the degree of involvement of legislators in determining their own compensation, and whether an additional actor is involved in the form of an independent review or regulatory body.

This yields four regime types (Figure 1). In *traditional regimes* legislators have complete control over their remuneration and are not aided by an independent review body in the process of determination of their compensation. Consequently, traditional regimes are characterised by the need to review compensation using internal parliamentary mechanisms; for example, a special committee, or the committee tasked with internal affairs of the chamber.

A development from traditional regimes is a *supported regime*, characterised by the creation of an independent review system but without automatic implementation of recommendations. Supported regimes are thus characterised by regular review of compensation by an outside agency, but continuing involvement of legislators in enacting proposals.

Another alternative to traditional regimes is a mechanism to automatically change salaries without an independent review. This creates a benchmarked regime, in which legislators' compensation is linked to an external reference point such as compensation in the higher civil service.

Finally, a regime utilising an independent body, but in which legislator involvement is low - and thus the agency's decision is final, can be defined as an *autonomous regime*. An autonomous regime is the

most independent form of determination, as legislators have no role at all in determining compensation, not even in setting a benchmark through legislation.

The four regime types are expected to be associated with a relative level and composition and dynamic of compensation compared to other systems. Contrary to the expectations of previous studies (Sollars, 1990; 1994, Mause, 2014), but following the Tocqueville expectation of democratic self-restraint, I expected that more independent regimes deliver higher overall levels of compensation, as well as less reliance on less-visible rewards to supplement pay.

These counterintuitive expectations are based on the literature on independent regulation as it has developed in other fields; specifically, the literature independent regulation in the economic policy field. This literatures suggest that the creation of independent regulatory structures by politicians is often an attempt to achieve some pre-set goal by using regulatory structures to change the decisional logic with which they are faced.

This argument was pioneered in the study of independent central banks, which were used as a solution to bring down inflation in the 1980s and 1990s via the mechanism of unpopular policies of monetary tightening (Rogoff, 1985; Alesina and Summers, 1993; Cukierman, 1992; Cukierman, Webb and Neyapti, 1992). A broader literature on non-majoritarian governance subsequently applied the same logic to other forms of independent regulation across a range of policy areas (Thatcher, 2002; Thatcher and Sweet, 2002).

Applying this theoretical model to the regulation of political compensation again implies the opposite pattern suggested by previous studies (McCormick and Tollison, 1978; Sollars, 1990; 1994; Mause, 2014). Rather than constraining politicians in their intention to increase compensation, the effect of independent regulation is to prevent politicians pursuing the near-term benefits of refusing increases in in favour of their long-term interest in higher compensation.

Figure 1. Explanatory Typology of Regulatory Regimes in Legislator Compensation

Involvement of Legislators	Independent Body	
	No	Yes
Low	<p>Benchmarked Regime</p> <p>High Overall Compensation Medium Less-Visible Compensation</p>	<p>Autonomous Regime</p> <p>High Overall Compensation Low Less-Visible Compensation</p>
High	<p>Traditional Regime</p> <p>Low Overall Compensation High Less-Visible Compensation</p>	<p>Supported Regime</p> <p>Medium Overall Compensation High Less-Visible Compensation</p>

In the first place, therefore traditional systems in which legislators have more involvement with their own pay are expected to be more subject to democratic pressure and thus will keep compensation lower but with higher levels of create less-visible compensation in the form allowances which do not form part of headline salaries. The situation is expected to be similar in supported regimes, with an independent body but where legislators were still highly involved with decisions on compensation.

H1a: traditional and supported regimes offer low overall compensation to politicians because of democratic pressures to keep remuneration low.

H2a: traditional and supported regimes will incorporate high levels less-visible rewards in order to raise compensation without creating public controversy.

The situation is expected to change more markedly when the level of legislator involvement was lowered. Because of insulation from democratic pressures which compel self-restraint on the part of legislators, both benchmarked and autonomous systems are expected to deliver higher overall compensation. At the same time, less-visible compensation will be lower for the same reason.

H1c: benchmarked and autonomous regimes offer a high overall compensation, as insulation from democratic pressures removes the incentive for excessive restraint.

H2c: benchmarked and autonomous regimes will have a lower level of non-visible compensation, as insulation from democratic pressures removes the need to increase pay deceptively.

Case Selection

This framework is examined in relation to five long-lived Westminster-style democracies; UK, Ireland, Canada, Australia and New Zealand. This case selection ensures that there is variation with regard to the regulatory regime such that each type is represented by at least once case at some point in time, with three out of four represented by one the present system in at least one case. Accurate histories of regulatory change and changes in the design of legislators' compensation packages can also be reconstructed for all cases going back numerous decades.

The selection of Westminster parliaments as a sub-group facilitates a most-similar systems design (Rohlfing, 2012). These five systems share a large number of constitutional and cultural traits, reflecting their common origin in the British Empire and long coevolution as democratic polities over the course of the 20th century (Harding, 2004; Darwin, 2009: 144-179, 393-410). As Nassmacher (2003) puts it;

Despite differences in size and geographical location, these countries have historical, cultural and legal similarities that should make it easy to compare their experiences in handling the common problems of modern democracy... All six countries are members of the Organisation for Economic Cooperation and Development (OECD) with high incomes. They are also English speaking, and share a joint legal tradition (the 'common law'). All have enjoyed a long, uninterrupted tradition of free elections, popular government and the rule of law. Political parties have alternated between the roles of government and opposition.

In order to further limit extraneous sources of variation, only lower chambers are included in the analysis. Lower chamber MPs in all five systems have similar job roles and methods of election when compared to European PR systems.

Regime Types 1900-2018

This section provides case histories of the mechanisms used to determine compensation in these five cases since 1900. All five moved through a series of regime types at different times, though with some clearly discernible periods of reform in the 1970s and 2000s. Each case is broken down by regime type over time in to show the development and operation of each type and establish the period in which it was in operation for the subsequent analysis of compensation levels.

UK House of Commons

Traditional Regime, 1911-1971

Payment for members of the House of Commons was first established in 1911 after several failed attempts in the 1890s (Rush, 1974). Compensation for members of the Commons had been the policy of the Liberal government for some time by 1911. However, the decision to move forward was only taken in the aftermath of the Osborne Judgement of 1909 – which had outlawed previous trade union financial support for Labour Members (Seaward, 2011). The 1911 resolution of the House established an exact amount (£400) and provided for no mechanism by which this would be updated or reconsidered by parliament or any other body.

The first reconsideration of this amount occurred in 1920. The mechanism remained internal to parliament, with a select committee established to review the adequacy of the package and recommend changes. Further select committees were convened on a similar ad-hoc basis in 1937, 1945 and 1953-4, and a limited independent review (the Lawrence Committee) reporting in 1964. The Lawrence Committee was the first time that a compensation review was conducted by a non-parliamentary body (Seaward, 2011).

Supported System: 1971-1983

In 1970 the government announced that it would instead establish three permanent pay review bodies, one of which would deal with higher public sector salaries (Seaward). Consequently the Top Salaries Review Body (TSRB) was established to regularly review the pay of senior posts in the civil service, the judiciary. In December 1970, it further announced that the question of Members' salaries would be referred to this review body (Seaward, 2011).

Nonetheless, recommendations by the TSRB/SSRB still needed to be approved by a resolution of the House – meaning that MPs were required to vote on their own pay. In addition to the 1971 review, the TSRB produced further reviews in 1975, 1979, and 1980 all recommending increases in pay (SN/PC/05075). However, these reviews were frequently only accepted in part by the governments of this period. These difficulties led to increasing calls from MPs for an automatic mechanism to increase pay and a link to an external comparator (Seaward, 2011).

Benchmarked System: 1983-1996

In February 1981 the government established a select committee to further examine the question, which ultimately suggested a link to average earnings (Seaward, 2011). When the House debated the TSRB recommendations on 19 July 1983, amendments to the Government motion proposed by Edward Du Cann set a new salary level for 1987 and stated that from the following year an annual increase should be determined by a specific point on the civil service pay scale (Kelly, 2008).

The resolution required that the House approve a formula of within three months of the next election. Consequently, on 21 July 1987 a further resolution that set Members' pay at "89 per cent of the rate which on 1st January in that year represents the maximum point on the main national pay scale for Grade 6 officers in the Home Civil Service" from 1 January 1988.

Supported System: 1996-2011

The TSRB was consequently not asked to review Members pay again until 1996. This was the result of the end of the civil service pay scale to which Members salaries were linked in 1987. The consequent review, debated by the House on 10th July 1996, recommended regular automatic reviews and a benchmarking mechanism to operate between reviews. The House agreed to a motion implementing these recommendations, starting from the 1st April 1997.

While the Commons persisted with some benchmarking system in this period, therefore, the SSRB was brought back into the process with regular reviews, reporting in 2001, in 2004 and in 2007. It recommended additional increases above the automatic increases in 2001 and 2007 which were discussed and voted on by the House.

Autonomous System: 2011-Present

This continuing need to vote on compensation was addressed in a comprehensive review of the system conducted by Sir John Baker in 2008. The Baker report recommended taking decisions on pay out of MPs hands through the creation of an independent statutory body (Cm 7416. Jun 2008: 9) This last was finally implemented in 2011, when the provisions of Constitutional Reform and Governance Act 2010 (CRGA) came into effect and gave salary setting powers to the Independent Parliamentary Standards Authority (IPSA) – a body established in to reform the parliamentary expenses system in the wake of the 2009 Westminster Expenses Scandal.

Under the amended Parliamentary Standards Act 2009 IPSA must conduct a review into Members compensation in each parliament. IPSA is an independent statutory body empowered by legislation to make all decisions regarding salaries, expenses and other benefits offered to Members of Parliament. It conducted its first full review in 2012-13 and determined a new compensation package reflecting its previous and ongoing reforms to the expenses and pensions system. Unlike the SSRB, IPSA's reviews are final and cannot be disallowed or modified by parliament.

Australia

Traditional Regime: 1901-1974

Section 48 of the Australian constitution provides that all members of the Parliament (MPs) would receive an annual salary of £400 until superseded by parliamentary legislation. The constitution establishes a single rate of pay for all members of both Houses (Jones, 2007). This convention has continued to be followed since, and regulatory regimes for the two chambers have also not diverged as they have in the UK. This section thus covers both the House and Senate.

From 1901 until 1974 parliamentary pay was set by Parliament itself. The original means of changing the salary up until 1952 was legislation. After 1952 a limited system of independent review developed in which the Governments commissioned committees with external members in 1952, 1955, 1959 and in 1971. However, these reviews were not regularly scheduled and had no institutional continuity between reviews or power to determine compensation independent of parliament, there was some common membership in the inquiry teams in the 1950s (Jones, 2007).

Supported Regime: 1974-1990

The 1971 review recommended the formation of a standing independent body to conduct inquiries into parliamentary pay. In 1973, the passage of the Remuneration Tribunal Act 1973 (RT Act) created the Remuneration Tribunal to investigate and recommend on the salaries of MPs and statutory office-holders. The Tribunal is an independent body composed of three part-time members appointed by

the Governor-General (s.4(2)) for a five-year renewable term (s.4(3)). The appointees cannot hold another public office, including that of a member of parliament (s.4(4)). It commenced its role in 1974.

According to the Remuneration Tribunal, "...[f]rom 1974 until 1990 the Tribunal had a decisive, though not always easy, role in setting parliamentary pay by way of determinations – which were disallowable, and not infrequently disallowed, by the Parliament" (A Brief History of Parliamentary Remuneration. 2018). Thus, "although the decision on parliamentary salaries and allowances was apparently removed from the politicians' own area of responsibility, the ultimate decision remained with the parliament itself" (Jones, 2007).

Benchmarked Regime: 1990-2011

The Remuneration and Allowances Act 1990 took away the Tribunal's power to determine basic parliamentary salary. Together with the Parliamentary Entitlements Act 1990, the parliament instead created a benchmarked regime by linking salaries automatically to civil service pay scales. At first pay was linked several pay levels in the senior levels of the Australian Public Service (APS). However, the effect of 'enterprise bargaining' in the civil service which devolved pay setting meant that no fixed pay point existed to which salaries could be stably linked (A Brief History of Parliamentary Remuneration, 2018).

From 1999, under a regulation made under the Remuneration and Allowances Act, and updated in December 2005, parliamentary salary was linked to a figure determined by the Tribunal for the Principal Executive Office (PEO) structure. This scale includes several senior posts in the quasi-public service like such as the Managing Director of Australian Broadcasting Corporation (ABC) and governor of the Reserve Bank of Australia.

Autonomous Regime: 2011-Present

The *Remuneration and Other Legislation Amendment Act 2011* allowed a Tribunal determination on parliamentary base salary to override any provision in the R & A Act. This returned the power to the Tribunal to determine parliamentary base salary, but without the ability of parliament to disallow determinations.

Using its new powers, the Tribunal determined a new base salary rate with effect from 15 March 2012. Thus, the Tribunal' Determination 2012/02 made any provision for parliamentarians pay and allowances contained in the in the Remuneration and Allowances Act 1990 non-operative. Since 2012, parliamentary base salary has been increased in line with the Tribunal's annual review.

Ireland

Traditional Regime: 1922-1969

Payment of members was first established by the *Oireachtas (Payment of Members) Act, 1923*, which set a specific level for the allowance. This salary was then exempted from tax under *Oireachtas (Payment of Members) (Amendment) Act 1925*. The salary was next updated by the *Oireachtas (Allowances to Members) Act, 1938*. The 1938 Act remained the principle act which was subsequently amended to increase compensation by legislation in 1947, 1960, 1964 and 1968.

Supported Regime: 1969-1987

In 1969 the government established the Review Body on Higher Remuneration in the Public Sector (RBHRPS), an independent body established for the purpose of specialised review of pay at the top of government and the public service. The RBHRPS was tasked with reviewing Oireachtas members pay. The mechanism for changing pay was also changed in this period by the *Oireachtas (Allowances to Members) and Ministerial and Parliamentary Offices (Amendment) Act, 1973*. This gave ministers to ability to amend the amount of compensation under the 1938 Act by statutory instrument rather than

full legislation as had been the case previously. Some incremental increases were delivered to legislators under Ireland's social partnership model of corporatist economic governance towards the end of this period. These included agreements on public sector pay, which extended to TDs and other political offices (O'Mally and Murphy, 2012: 54-55. Nonetheless, this fell short of any form of linkage or benchmark to a public sector pay grade.

Benchmarked Regime: 2001-2009

As Ireland's economy grew rapidly in the later 1990s, TDs' complained that their compensation had continued to fall behind private sector salaries and the senior ranks of the civil service. Consequently, the Review Body on Higher Remuneration in the Public Sector (RBHRPS) conducted a review of Oireachtas pay levels as part of its 38th General Report, published in 2000. Noting in particular the 'fundamental changes have been made in the Committee system... which place greater demands on TDs/Senators', the body recommended that TDs salaries should be set at the ordinary maximum of the grade of Principal Officer in the civil service, with the salary of a Senator fixed as 70% of that rate (Review Body on Higher Remuneration in the Public Sector, Report No. 44).

This recommendation was accepted by the government in 2001 (O'Mally and Murphy, 2012: 57). As Oireachtas members were now paid in line with civil servants, whose pay levels are determined by a separate independent body, it also ended the role of the RBHRPS in setting their pay. Instead, pay was now determined indirectly by the Public Service Benchmarking Body, which set the pay for the Principal Officer grade to which TDs and Senators pay was now linked (O'Mally and Murphy, 2012).

Canada

Traditional System: 1867-1974

Canada has had paid parliamentarians in a national parliament from well before the Westminster parliament. Payment for members of colonial legislature in British North America was common as a result of the lack of a domestic landed aristocracy (Riddell, 1922; Squire, 2012). Since the establishment of Canadian Confederation in 1867, therefore, legislators have always been paid. The amount in basic salary was updated by legislation in 1873, 1901, 1905 and 1920. After an expense allowance was added in 1945, both the expense allowance and salary was periodically updated with legislation in 1953, 1963 and 1970.

Supported System: 1974-2001

In 1975, amendments to the Senate and House of Commons Act have created a supported system by required that a commission be appointed to review compensation once per parliament. The Governor in Council was to appoint a commission after each general election, within sixty days to determine the adequacy of current rates of various allowances payable to Members of the Senate and the House of Commons. The Commission was further required to and to report back with these recommendations within six months (Rush, 1998).

The reports of Commissions were tabled in the House by a Minister, typically the Government House Leader, and referred to the Standing Committee on Procedure and House Affairs. However, recommendations were not implemented could be accepted automatically. Instead, parliamentary approval including a vote was required. As a result, governments in the 1980s and 1990s were often unenthusiastic about passing the substantial pay increases which commissions recommended (Atkinson, Rogers and Olfert, 2016).

Benchmarked System: 2001-Present

In early 2001, Originally, MP salaries were linked to the salaries of judges serving on the Supreme Court of Canada rather than salaries. The rate of an MP's salary was set at 50% of the salary of the Chief Justice. In 2005 Bill C-30 Amended the Parliament of Canada Act and the Salaries Act, removing

the provision linking increases in compensation to increases for federal judges and pegged them instead to the federal government's annual average wage-settlement index. Increases in the salary are applied automatically under this system, and no commissions have been appointed since 2001.

New Zealand

Traditional System: 1884-1950

Limited compensation for members was originally voted through, based on recompense for expenses, as part of the Government's budget. In 1884 provision was made specifically in legislation for the payment of an expense allowance to members. In 1892 this was converted into a salary payable in monthly instalments. Parliamentary salaries and allowances were only amendable by further legislation until 1950. This was only done once, in the Civil List Act 1920.

Supported System: 1950-1979

The Civil List Act 1950 introduced a new scheme for determining parliamentary remuneration under which a royal commission was to be set up after each general election to recommend changes to members' salaries and allowances. The commission's recommendations were able to be implemented by statute or a form of statutory instrument (an Order in Council) made by the Governor-General, which could in theory be disallowed by parliament.

Autonomous System: 1977-2015

The Remuneration Authority is a statutory commission that was first established in 1974 to determine the remuneration of several groups and individual officeholders. Under the Higher Salaries Commission/Remuneration Authority Act 1977, the Authority is a statutory independent entity consisting of three members to be appointed by the Governor-General by Order in Council for a term not exceeding three years, though with the possibility of re-appointment.

Under the establishing legislation, the Authority's determinations come into effect automatically without the need for an Order in Council, and thus without the possibility of government or parliament blocking the determination without new legislation (Cf. S.R. 1976/143, reg. 24). A determination is thus "not required to be presented to the House of Representatives under that Act and is not a disallowable instrument" (Harris and Wilson, 2000).

Benchmarked System: 2015-Present

In 2015, following concerns about the disproportionate level of the authority's determinations, the criteria for determining members' salaries were replaced by a linkage to the quarterly employment survey for the public sector (Remuneration Authority (Members of Parliament Remuneration) Amendment Act 2015).

Results

Legislator Compensation in Real Terms Since 1950

Figures 2 through 6 show overall compensation across all five cases, with time series beginning in 1950 and ending in 2018, in real terms with a base year of 2015. As a result of a lack of comparable inflation figures for Ireland before 1976, real terms compensation for the Dáil Éireann is only shown for 1977 onwards.

Amounts are shown in domestic currency, and bars show the rate of inflation in individual years. In all cases, compensation grew in real terms since 1950. Despite this general upward trend, distinct phases of development can be observed in several cases corresponding to different regimes used to determine compensation in that period. In the following, these trends are summarised by regime type.

Table 1. Summary of Regime Types, with Expectations and Cases

Regime Type	Regime Structure		Theoretical Expectation (Hypotheses)	Cases
	Legislator Involvement	Independent Body		
Autonomous Regime	Low	Yes	High Overall Rewards; Bias to Visible Compensation	UK HoC (2011 -) Australia (2011 -) New Zealand (1977 - 2015)
Benchmarked Regime	Low	No	Medium Overall Rewards; Bias to Visible Compensation	Ireland (2001 -) Canada (2001 -) New Zealand (2015-) UK HoC (1983-1996) Australia (1990 - 2011)
Supported Regime	Low	Yes	Medium Overall Rewards; Bias to Invisible Rewards	UK HoC (1971-1983 and 1996-2011) Canada (1974-2001) Australia (1974-1990) Ireland (1969-2001) New Zealand (1950-1977)
Traditional Regime	Low	No	Low Overall Rewards Bias to Invisible Rewards	UK HoC (1911-1971) Ireland (1922-1969) Canada (1867-1974) Australia (1901-1974) New Zealand (1854-1950)

Traditional Regimes

As outlined above, this type of system prevailed in the UK between 1911 and 1971, in Ireland from 1922 to 1969, in Canada from 1867 to 1974, in Australia from 1901-1974. Notably, New Zealand abandoned this system earlier, using it from 1854 to 1950. Periods of traditional regimes can thus be seen in Figures 1, 2 and 3 corresponding to the UK, Australia and Canada. As predicted by H1, these periods were indeed characterised by a lower overall level of compensation in real terms. However, this is somewhat to be expected based on the earlier point in time at which these regimes operated

Supported Regimes

Supported regimes generally arose in reaction to the to the early-70s inflation shock. However, it does not seem to have been an effective response in terms of maintaining the growth of incomes. In the UK, legislator wages stagnated in the 1970s, rising only from £53,258 to £55,248 between 1972 and 1983 during the period of regular reviews by the Top Salaries Review Body (TSRB).

This occurred despite the creation of a major new expense allowance which contributed to overall compensation in the form of the ACA from 1972 (see below). Real wages also fell in Australia during the period of a supported regime, from \$166,896 in 1973 to \$151,785 in 1990. Likewise, in Canada, real terms compensation fell from a high of \$167,411 in 1974 to \$136,287 in 2000 in real terms.

The difficulty of raising compensation in a supported regime in which legislator involvement remains high is also supported by these cases. During this period, TSRB recommendations in the UK were rejected or modified in 1975, 1979, 1980, and 1983 (Kelly, 2012), while Remuneration Tribunal determinations in Australia were disallowed or varied by legislation in 1975, 1979, 1981, 1982, 1986 and 1990 (A Brief History of Parliamentary Remuneration, 2018).

On the other hand, supported regimes which existed at other points appear to have been more successful in raising compensation. When the UK returned to a form of supported regime between 1996 and 2011, compensation rose from £67,342 to a high of £101,237. However, this was aided by a large rise in the ACA as well as official salary (see below).

Likewise, in Ireland (Figure 5) after a similar period of stagnation in the 1970s and early 1980s, once inflation fell and members of the Oireachtas were made subject to the social partnership agreements in 1987. Again, however, this overall increase was the result of significant increases in less-visible compensation. Conversely, pay stagnation also occurred in New Zealand in spite of its early development of an autonomous system in 1977 but also accompanied by a significant degree of reliance on allowances (Figure 4).

Figure 2. Real Compensation in the UK House of Commons, 1945-2018 (Base = 2015)

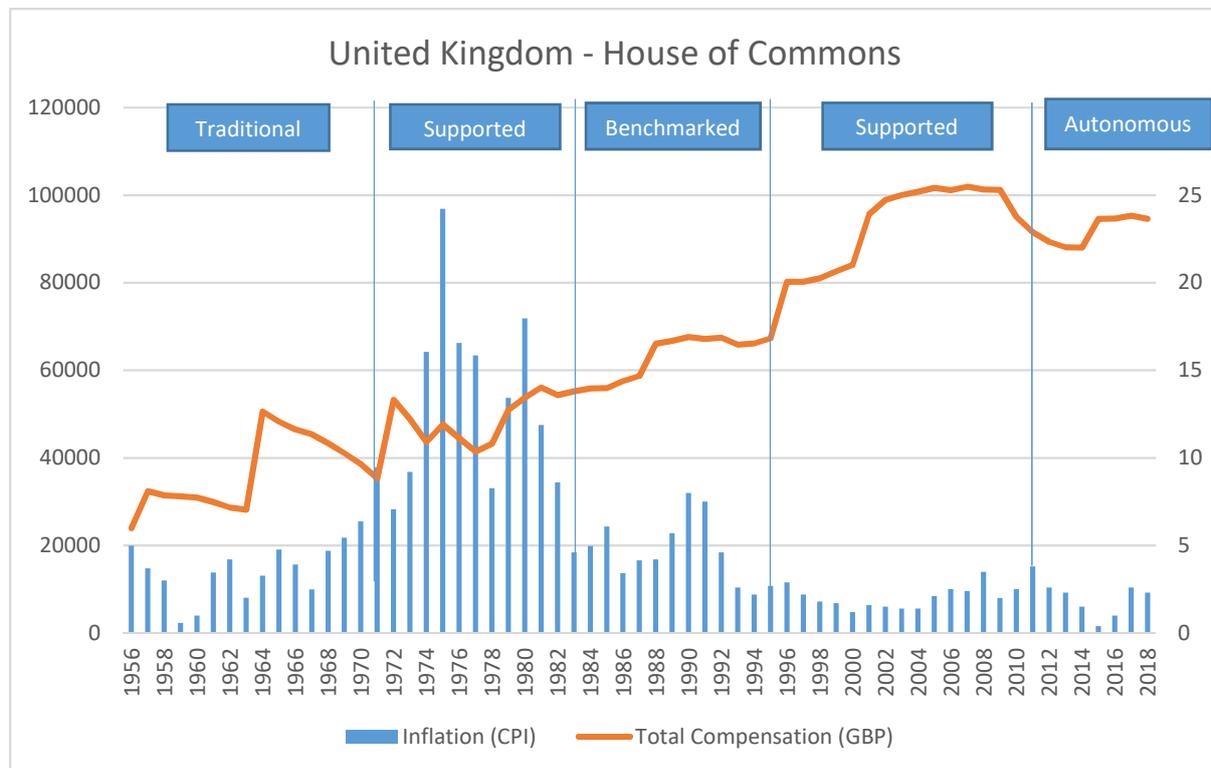


Figure 3. Real Compensation in the Canadian House of Commons, 1945-2018 (Base = 2015)

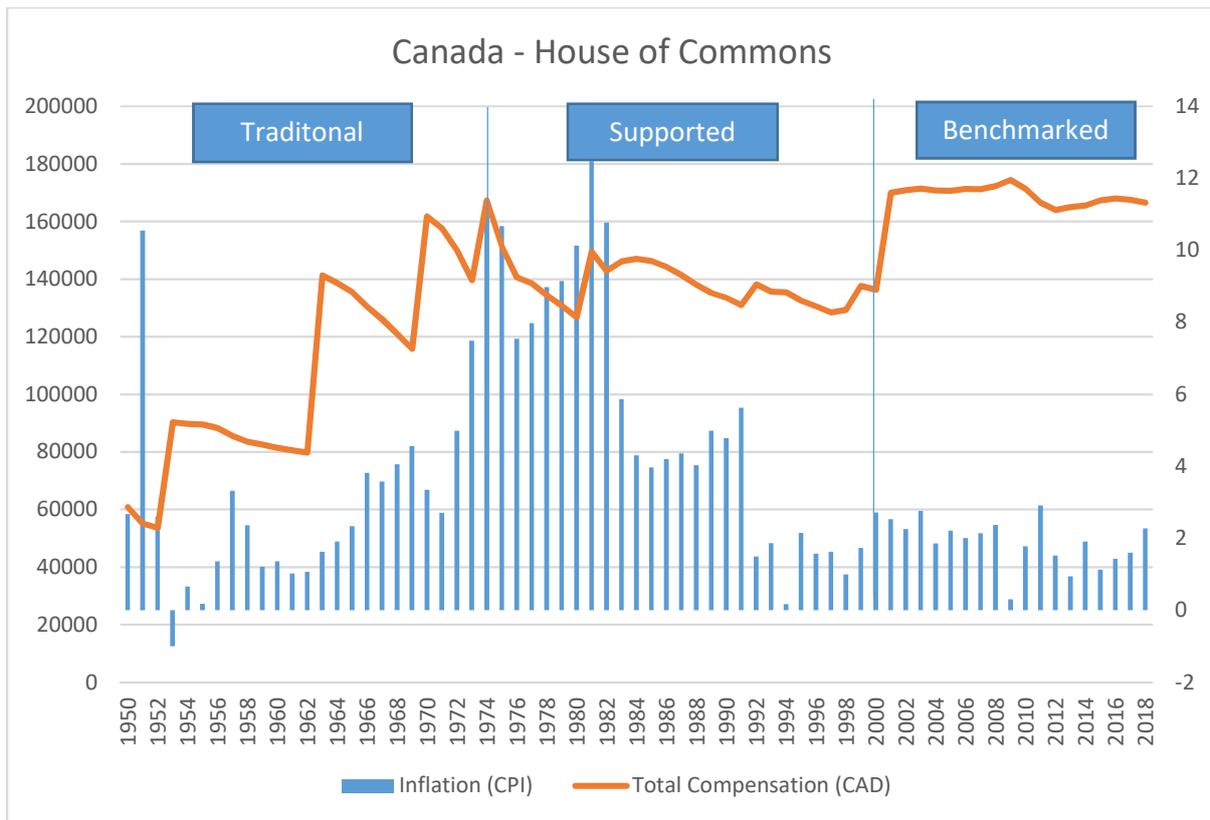


Figure 4. Real Compensation in the Australian House of Representatives, 1945-2018 (Base = 2015)

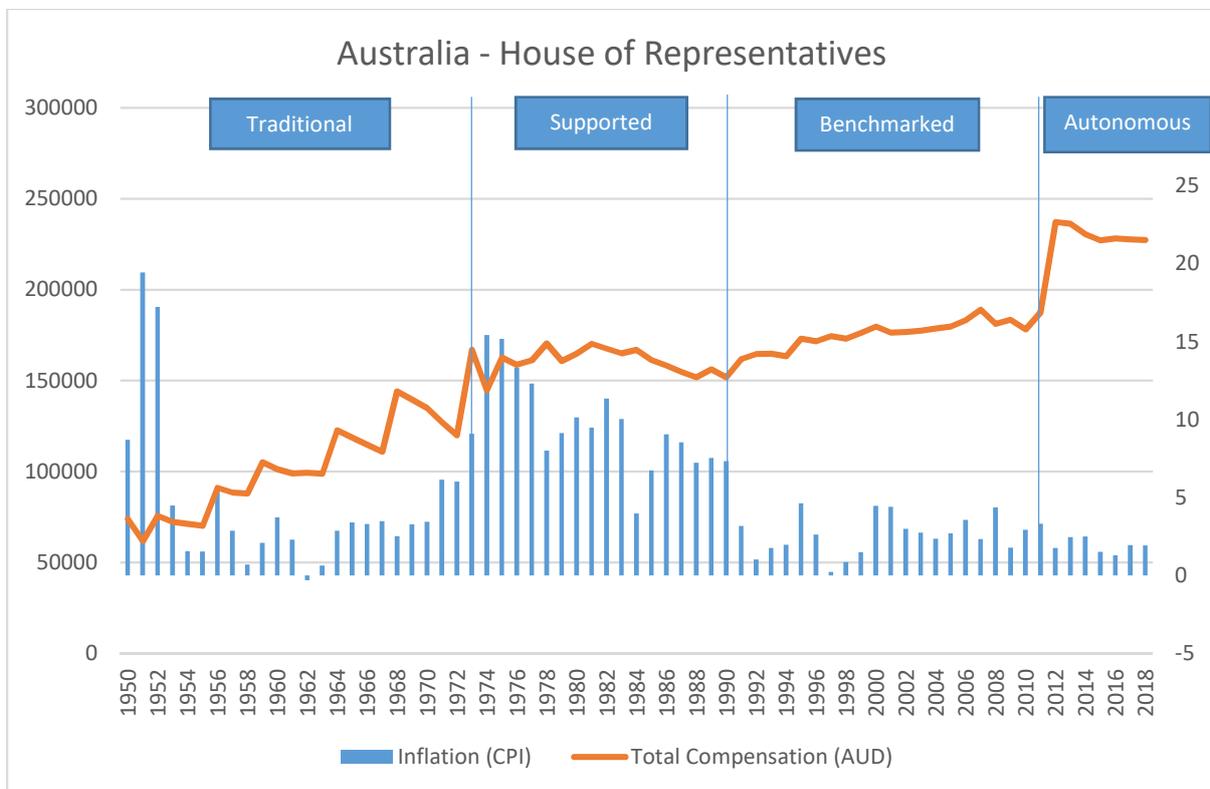


Figure 5. Real Compensation in the New Zealand House of Reps., 1945-2018 (Base = 2015)

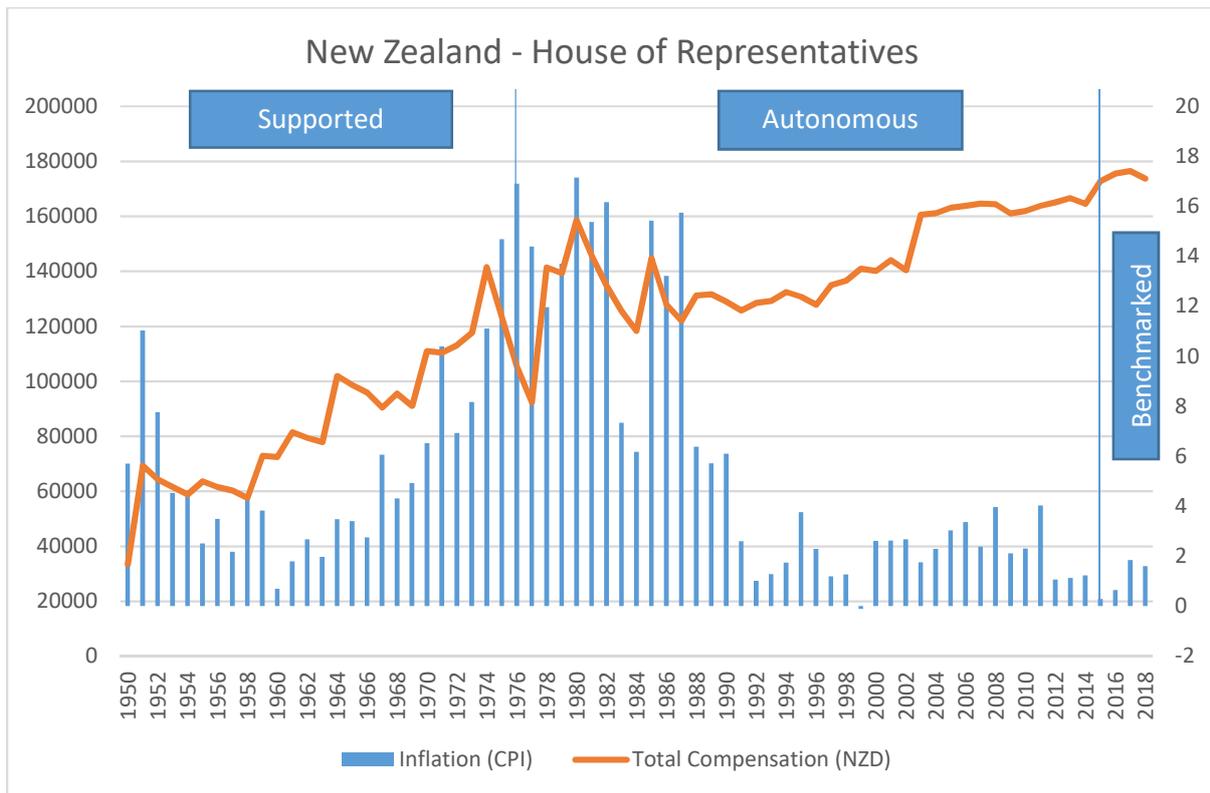
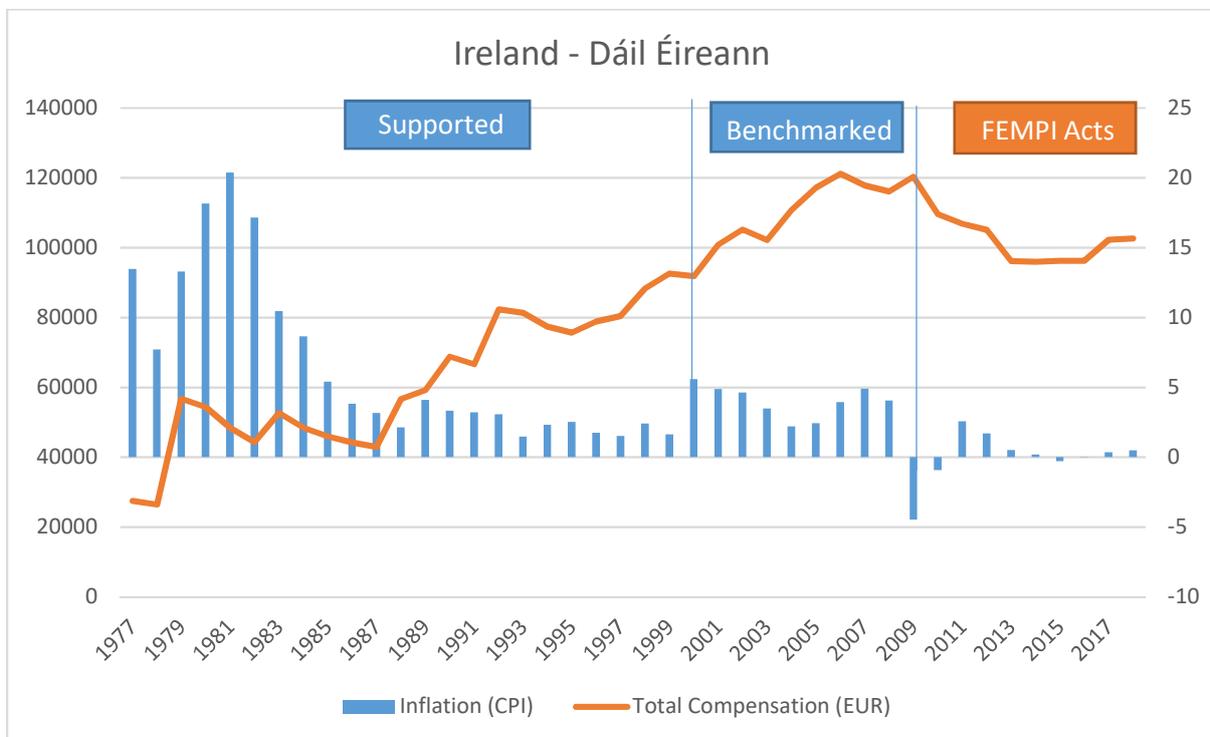


Figure 6. Real Compensation in the Irish Dáil Éireann, 1976-2018 (Base = 2015)



Benchmarked Regimes

Benchmarked regimes were in operation in four periods. In the UK from 1983 to 1996, in Australia from 1990 to 2011, in Canada and Ireland from 2001 to the present, and finally much more recently in New Zealand since 2015. In all periods except for the final one compensation grew during periods of benchmarking. However, in two cases (UK and Canada) gains mainly resulted from the establishment of the new benchmark with compensation broadly staying flat from this point.

In the UK and Australia, benchmarking regimes in the 1980s and 1990s (respectively) successfully reversed the stagnation of compensation in the earlier supported regime period. After the period of falling real terms compensation experienced by Australian legislators in the late 1980s, compensation rose after the establishment of benchmarking from \$151,785 in 1990 to a high of \$189,032 in 2007. Likewise, in the UK compensation rose from £55,248 in 1983 to £67,342 in 1995 before the SSRB review process was resumed.

In Ireland and Canada, benchmarking was implemented again to replace supported regimes in 2001. In the former, benchmarking resulted in large and sustained increases in compensation over a relatively short period. Base salary for members of the Dáil rose by 32% between 2000 and 2009, reaching over €100,000 by the latter date.

A complication of the Irish case after 2009 is the extent of financial emergency measures passed in the aftermath of the financial crisis. Under a series of pieces of legislation, collectively known as the *Financial Emergency Measures in the Public Interest Acts 2009-2013* (FEMPI Acts), pay was cut based on bands which saw better paid workers take larger cuts. Across the whole of the Irish state, this led to a cumulative reduction of the cost of public service pay from €17.2 billion in 2008 to €14.2 billion in 2013 (Wall, *Irish Times*. Sep 16, 2015).

In the Canadian case, Benchmarking resulted in a large one-off rise which increased compensation by around 20% from \$136,287 to \$170,078. As in the UK after 1988, however, compensation has remained flat at this level and indeed decreased slightly when the benchmarked was altered in 2005.

Autonomous Regimes

Finally, autonomous regimes have operated in three periods across these cases; in New Zealand from 1977 to 2015, and in the UK and Australia since 2011. In all cases, compensation increased during in real terms during the period of time governed by an autonomous system.

In New Zealand, after the end of the period of stagnation described above, compensation began to rise gradually to \$140,358 by 2002, around 13% higher than its level in 1987 at the end of New Zealand's period of very high inflation. In 2002, the Remuneration Authority reformed the compensation package of MPs in order to reduce certain expenses and allowances which had grown up over time (see next chapter). The result was a substantial boost to overall compensation, with a jump in pay of 12.5% in one year.

In the Australian case, the upward revision of pay under an autonomous system happened much sooner after the change of regime, in the following year (2012). The Remuneration Tribunal's first determination immediately raised the base salary to \$185,000 (nominal), with total compensation consequently rising by 21% with effect from 15 March 2012.

In the UK, IPSA moved relatively quickly to increase compensation. Initially, the pay freeze implemented by parliament in response to the economic was maintained. Compensation also declined as a result of IPSA's reforms to the expenses scheme. This policy of austerity was then relaxed after 2012, with some small rises in advance of a full review of pay under the powers given to the authority. In December 2013, IPSA announced that the salaries of British MPs would rise by 11%, from £66,396 to £74,000 (nominal). This change would take effect in the new Parliament, scheduled for May 2015.

Legislator Compensation as a Ratio of Wages 1990-2017

Looked at in real terms, therefore, compensation of legislators in these cases did indeed rise through as reforms implemented benchmarked and autonomous regimes which took decisions on compensation out of the hands of legislators. However, as noted, these effects are hard to disentangle from the tendency of real incomes to increase over time.

In order to look in more detail at the effects of these reforms and their effects, therefore, Figures 7, 8 and 9 show compensation as a ratio of average wages since 1990. As indicated in Figure 7, compensation rose in all cases in the last two decades, not only in real terms but also in relation to average compensation in these countries. On average, legislators in lower houses in these five countries in 1990 earned on average 1.8 times the average wage. By 2017, this had risen to 3 times the average wage. Interestingly, looked at in terms of average wages, there is also much less variation in the amount of compensation received. In Canada, growth in incomes - measures in this way - stalled in the 1990s, remaining at a level of 2.2 in 2000, the same as in 1992. After compensation was benchmarked, it rose steeply to 2.8 in 2001, and reached 3.0 by 2010. Likewise, in Ireland compensation fell in relation to wages from 2.2 times the average in 1992 to only 1.9 in 2000, the year before the new regime was established. After the benchmark was established, it rose to a high of 2.6 by 2008.

As shown in Figure 9, autonomous regimes also raised compensation in Australia and the UK after 2011, replacing a benchmarked regime and a supported (previously benchmarked) regime respectively. In the UK, compensation rose only slightly from 2.7 in 2004 to 2.8 in 2011. After the reforms implemented by IPSA, however, total compensation had risen to 3.3 times national averages wages by 2017. Likewise, in Australia compensation as a ratio of wages remained broadly level, rising from 2.2 in 2004 to 2.3 in 2011, but had increased to 3.3 by 2017. Looking at specific shifts in regime in this period, Figure 7 shows legislator compensation as a ratio of average wages in Ireland and Canada before and after benchmarking regimes were introduced in 2000/2001 to replace supported regimes. In both cases benchmarking increased compensation in relation to average wages as well as in real terms.

Figure 7. Ratio of Legislator Compensation to Average Country Wages in the UK, Canada, Australia, New Zealand and Ireland, 1990-2017

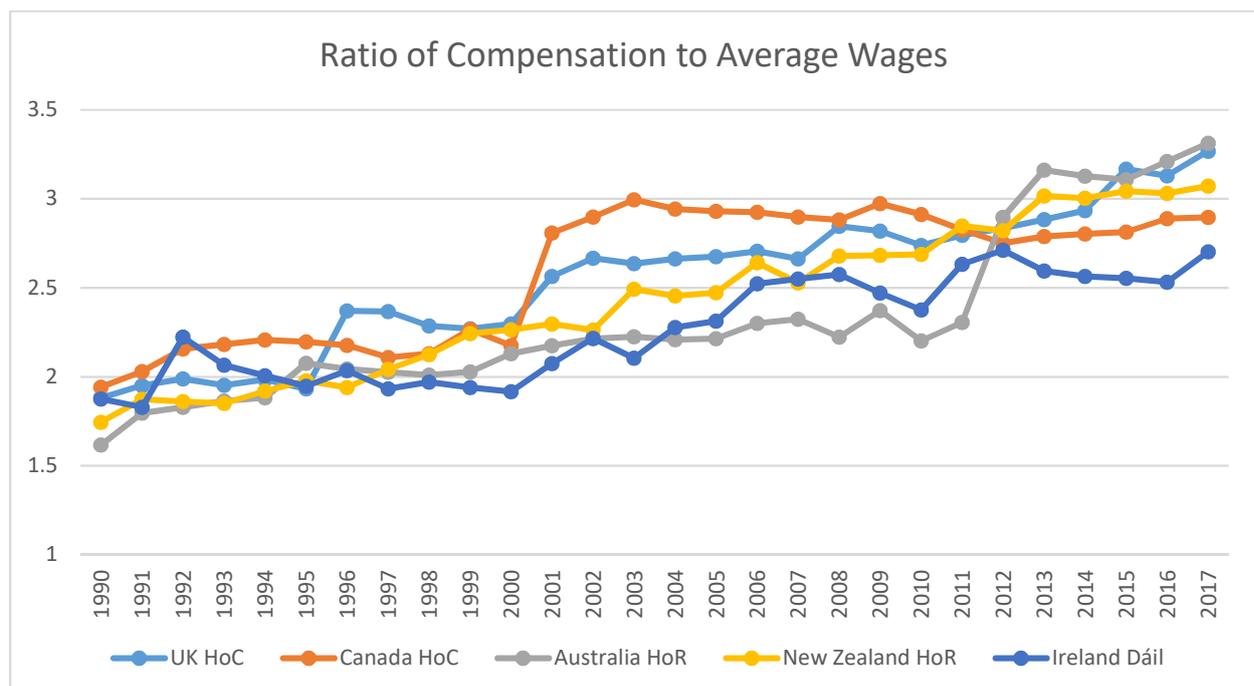


Figure 8. Change in Ratio of Legislator Compensation to Average Country Wages in Canada and Ireland around Regime Transition, 1990-2010

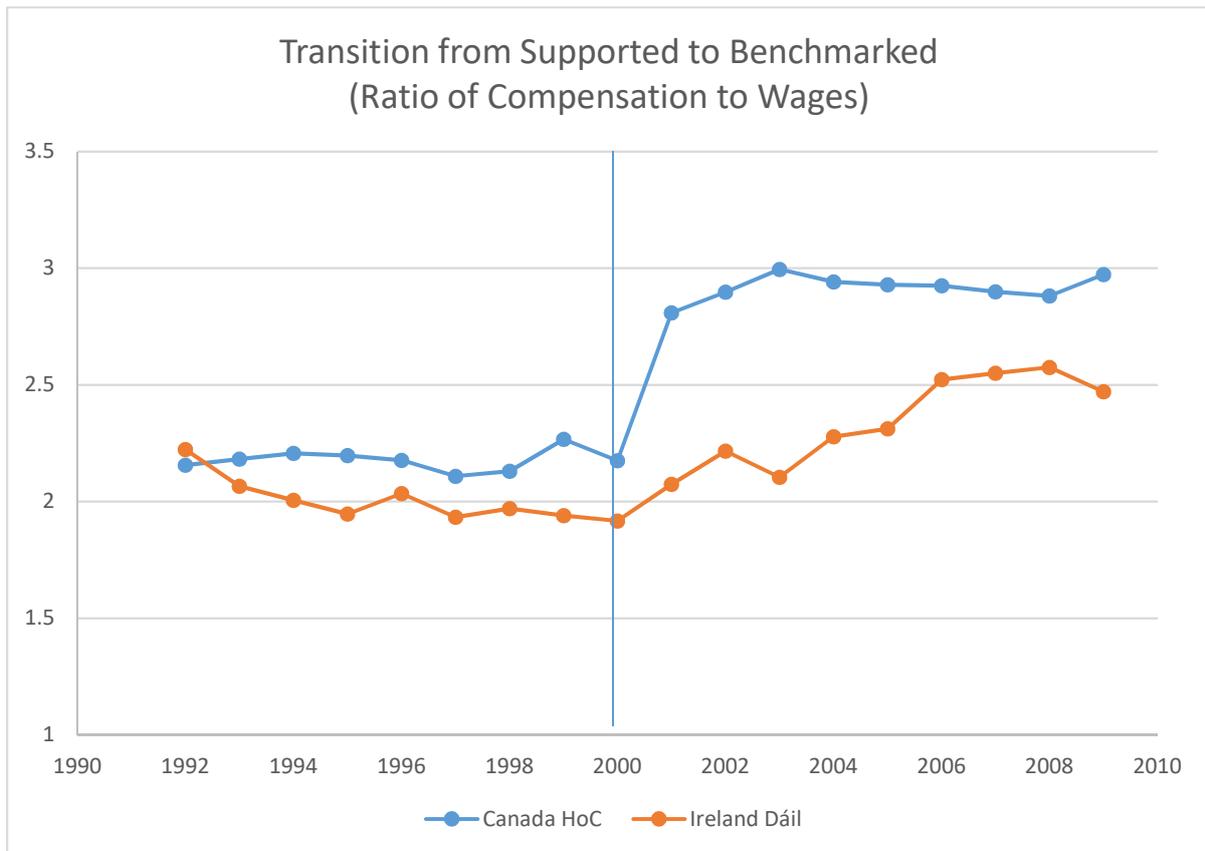
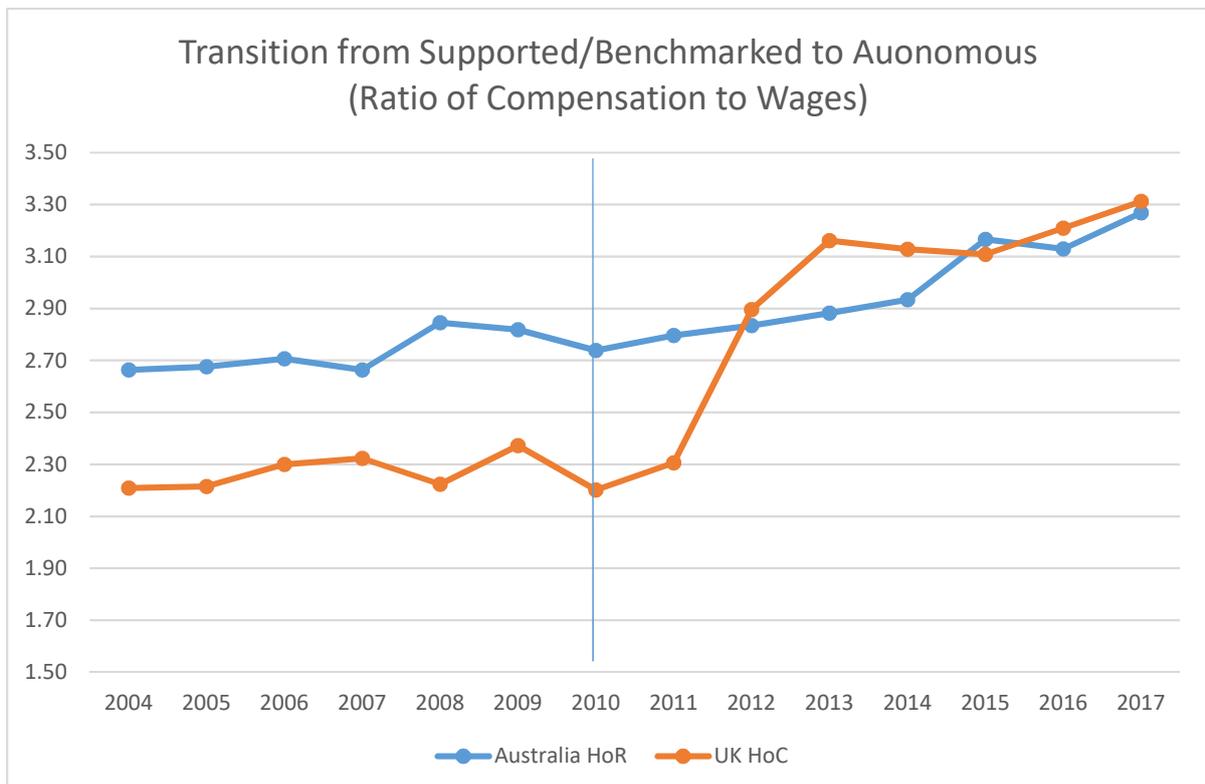


Figure 9. Change in Ratio of Legislator Compensation to Average Country Wages in Australia and the UK Around Regime Transition, 2003-2017



Composition of Compensation

Figures 10-14 show 1945-2018 show the percentage of total compensation composed of less-visible forms of payment in the lower houses of each country case from 1945-2018, and Table 2. Shows the average amount of compensation under each country and regime type. These are referred to and explained throughout the sections of the chapter.

Table 2. Percentage Non-Visible Compensation Since 1945

Country	Traditional	Supported	Benchmarked	Autonomous
UK	5%	25%	28%	23%
Canada	28%	28%	0%	n/a
Australia	17%	26%	23%	15%
New Zealand	20%	19%	9%	15%
Ireland	0%	13%	18%	n/a
Average	14%	22%	16%	18%

Traditional Regimes

The average percentage of compensation delivered in less visible forms in traditional regimes after was 14%. This ranged from an average of 0% in Ireland, which only developed an extensive expenses and allowances regime later, to Canada at 28% having already created a tax-free miscellaneous expense allowance before 1945.

However, traditional regimes tended to be characterized by a lack of distinction between payments intended as salary and intended as compensation for expenses. Salary payments were often initially couched as a reimbursement for expenses incurred rather than as remuneration, and discussions around increasing amounts thus also frequently centred on what would later be construed as work expenses to be met from separate budgets.

United Kingdom 1911-1971

As shown in Figure 1, the average amount of compensation delivered in less-visible forms under a traditional regime in the UK from 1945 to 1971 was 5%. This ranged from 0% initially, to 10% in 1946-53 during the period of an automatic tax-free component was added to the basic salary, to 20% 1954-1957 as the result of the introduction of a per diems sitting allowance, and back to 0% when this allowance was abolished in favour of a straight increase in basic salary. However, these developments should be seen in the wider context of debates in this period about the nature and purpose of payments to parliamentarians.

Up until 1950s, it was still common to suggest that MPs' pay might be variable, in order to compensate for the cost of being a member while maintaining members in their original social classes. J.F.S. Ross in *Parliamentary Representation* (1948), for example, argued that 'a working-class member, used to making ends meet on a few pounds a week' could manage on less than 'a professional or business man used to some degree of comfort and obliged to maintain a fairly high standard of appearances.' (Ross, 1948: 136-37).

Reflecting these ideas, the 1954 debate on compensation resulted in the government rejecting headline increases in favour of the creation of an optional daily sitting allowance of around £2. This would result in extra payments of £200-300 a year (Seward, 2009). This was implemented in 1954, but abolished only three years later in 1957.

Canada 1867-1974

As in the UK, payments to Canadian legislators were not initially referred to or structured as a salary. Instead, members were paid a 'sessional indemnity'. As the 1998 commission to review legislator's pay put it, the "[i]ntroduction of the sessional indemnity in 1867 was designed to compensate... part-time members for losses incurred while they were in Ottawa, away from their homes and ordinary way of earning a living" (*Supporting Democracy, Vol. 2, 2000: 32-3*).

Consequently, the *Members' Indemnity Act 1867* created a system of – in effect – per diem sitting allowances but with a minimum total value. It provided for sessional indemnity of \$600 for each session that lasted for thirty days, paid at a daily rate of \$4. This was "not considered a salary but was intended to compensate for lost income from private-sector employment or a profession" (*Supporting Democracy, Vol. 2, 2000: 32-3*).

As the sessional indemnity gradually shifted from a sitting allowance to a formal salary – the sessional basis for remuneration was discontinued in 1953, replaced with annual remuneration but without a change of name (*Supporting Democracy, Vol. 2, 2000*) – an incidental expense allowance was added in 1945, amounting to 33% of gross compensation.

This allowance was non-accountable, with Members not required to document their use of the allowance with receipts (Hoc and its Members, 2000). In 1963, the sessional indemnity was increased to \$12,000 and the incidental expense allowance to \$6,000 – bringing it to 33% of compensation (*Supporting Democracy, Vol. 2, 2000*).

Australia 1901-1974

As in other cases, base salary of Australian legislators was initially framed as a form of expenses allowance. As the Remuneration Tribunal noted in its evidence to the 2009 review of parliamentary compensation, "'Allowance' is the term used in section 48 of the Constitution to signify basic parliamentary remuneration – possibly because, to the drafters of the Constitution, membership of Parliament was not envisaged to be the member's primary source of income." (Submission to Review of Parliamentary Entitlements, 2009: 3). Jones (2007) notes that it was "many years before it began to be a salary. Being an MP was not considered a job or a profession by which one earned one's living".

The 1951 Committee of Enquiry into the Salaries and Allowances of Members of the National Parliament (Nicholas Committee) recommended that parliamentarians should receive in addition to their salary an electorate allowance "covering expenses for travelling, entertainment, etc, incurred by a member, in his electorate, in the performance of his parliamentary duties" (Nicholas Report, quoted in Submission to Review of Parliamentary Entitlements, 2009: 44).

This resulted in the creation of the 'Electorate Allowance' as an all-purpose flat rate allowance with no requirement for members to account for the amount to be accounted for. As the Remuneration Tribunal put it, "[t]he 'unspecified costs' nature of the Electorate Allowance has always been one of its features. It is not possible to define precisely what the allowance is to be used for, because it has always been the intention that it is a catch-all payment that meets those expenses of members that cannot be spelt out in advance" (Submission to Review of Parliamentary Entitlements, 2009: 45).

This allowance was initially set at a level amounting to 19% of overall compensation. This rose slightly to 20% when both the electorate allowance and the basic allowance/salary was raised in the wake of the 1956 Committee. It was raised again to 24% of total compensation by the 1959 Committee (Submission to Review of Parliamentary Entitlements, 2009: 45).

New Zealand 1884-1950

As in other cases, this payment of members of parliament in New Zealand developed over time from a non-salary allowance into a formal salary paid monthly. The New Zealand Auditor General's review

of parliamentary entitlements in 2001 identified three distinct periods in the changing composition of parliamentary pay during the period up to the establishment of a supported system in 1950.

Firstly, from the *Parliamentary Honorarium and Privileges Act 1854* up until to the late 19th century, when MPs received an “honorarium” payment. This consisted of a £210 honorarium per session to meet expenses, dropping to £140 if the member lived in Wellington (Auditor General, 2001).

Second was period up to the 1940s when payment was formally recognised as having a salary component. This was first established by the *Payment of Members Act 1892* established a payment of £240 per annum, which unlike the previous payment was structured as a salary and paid monthly (Auditor General, 2001).

Third, an expense allowance New Zealand Allowance was introduced in the Finance Act 1944 (No. 3). This established expense allowance of £250 in addition to the salary – or 20% of gross compensation. This allowance was tax free and paid to MPs along with their usual salary payments, notionally to meet expenses that were expected to be incurred as a result of their representative duties. However, payment did not (and does not) rely on the production of receipts or even declarations of having actually incurred a job-related expense (Auditor General, 2001).

Ireland 1922-1969

Payments to Irish legislators were also framed as an ‘allowance’ under the Oireachtas (Allowances to Members) Act 1938. The amount was not officially reclassified as salary until the 1990s, as part of the Oireachtas (Allowances To Members) and Ministerial and Parliamentary Offices (Amendment) Act 1992.

The first allowance falling under the definition of less-visible compensation available to Irish legislators was introduced in 1964, consisting of a sitting allowance to be paid to each member of the Oireachtas. In the same year, an allowance was at the rate of 10s. per day, as well a mileage allowance at the rate of 6d. per mile (S.I. No. 281/1964 - Oireachtas (Allowances to Members) (Travelling Facilities) Regulations, 1964).

Supported Regimes

The average amount of compensation delivered in less-visible forms in under supported regimes across these cases was 22%, varying from 13% in Ireland to 28% in Canada. This high level of less-visible compensation was the result of expansion of existing allowances in the case of Canada, Australia, and New Zealand and of the creation and subsequent expansion of major new allowances in the UK and Ireland. There is also evidence of the mechanism hypothesised in the framework that increases in allowances recommended by independent bodies were more likely than salary increases.

United Kingdom 1971-1983 and 1995-2011

In its 1971 review, the TSRB recommended the creation of “an allowance based on a fixed daily scale would be paid to cover the reasonable additional cost to provincial Members of staying either in London... or their constituency... when engaged on Parliamentary duties” (TSRB, 1971).

This report resulted in the creation of the Additional Costs Allowance (ACA). The ACA was not a completely un-vouched bloc expense allowance as in other cases. The rules stated that expenditure under the ACA must have been wholly, exclusively and necessarily for the purposes of the office or employment. However, a combination of lax internal regulation by the House of Commons Fees Office – combined with exemption from external regulation by tax authorities after 1984 – created a de-facto source of additional compensation (Little and Stopforth, 2013).

After its introduction, the ACA grew rapidly both in absolute terms and as a share of total compensation. A Resolution of the House in December 1971 set the initial maximum rate of Additional

Costs Allowance for a financial year at £750 - 14% of total compensation. This increasing to £950 with effect from 1 August 1974, or 17% of total compensation. The ACA reached a peak under the TSRB system in 1978, with up to 30% of total compensation now delivered through the allowance assuming a member claimed the maximum amount.

In the UK's second period of a supported system, a similar pattern of ACA expansion is evident. As in the 1970s, the Commons took advantage of an SSRB reviews to increase the value of the ACA beyond the body's recommendation. In 2001, the SSRB made recommendations on salary but not the Additional Costs Allowance. This resulted in an ACA which comprised 27% of total compensation, a level which was maintained until its abolition in 2009.

Canada 1974-2001

By the time a supported regime comprising a statutory system of regular – once-a-parliament reviews of compensation was established in Canada in 1974 – the tax-free expense allowance had been in existence for some time. The free expense allowance and represented 31% of total gross compensation in 1974.

In part as a result of the non-permanent status of commissions to review remuneration, there was no uniform approach to the composition of compensation in this period. As the Members Services Manual outlined just prior to the replacement of this system, “[t]he incidental expense was treated differently by each commission with no consensus on the amount, its status or how it should be changed... recommendations were not consistent from one commission to another” (Members Services Manual, 2000).

Consequently, the value of the allowance initially declined, falling to 25% in 1981 after the McIsaac-Balcer Commission (1980). The next commission – established in 1984 and reporting in 1985 – recommended that member's salary be set higher at three times the average annual earnings of Canadians, with the tax-free allowance be replaced by \$100 per diem living expenses for members while in Ottawa (Britton, 2015). However, this was not implemented and instead the amount of the tax-free allowance was raised as a percentage of compensation to 30% in 1992 in the wake of the St. Germain-Fox Commission (1989).

Australia 1974-1990

In its first determination on the electorate allowance, made on 19 July 1974, the Remuneration Tribunal maintained the rate set the previous year (\$4,100 per annum), describing it as “reasonable amount to reimburse Members for expenses incurred in the performance of their duties. It estimated at the time that the allowance was “dispersed largely by way of motor car expenses, overnight accommodation expenses within the electorate, and donations and subscriptions to associations, clubs and institutions” (Review of the Remuneration of Members of Parliament. December 2011)

Nonetheless, the basic electoral allowance available to all members rose rapidly in the period of a supported regime under the Tribunal between 1974 and 1990. As will be recalled, Tribunal determinations on salary were disallowed frequently in this period (A Brief History of Parliamentary Remuneration. 2018). However, increases in the electorate allowance were generally not blocked by parliament. Consequently, having increased only modestly from 19% to 22% from 1952 to 1973, the electorate allowance grew to 25% of total compensation by 1978 and peaked at 30% of compensation in 1988.

New Zealand 1950-1977

As in Australia, responsibility for the basic expenses allowance transferred the royal commissions appointed between 1951 and 1974 under the Civil List Act 1950 and implemented through orders in council. Civil List Act 1950 set a salary of £500 and an allowance of “to provide for expenses incurred in connection with his parliamentary duties” (Civil List Act 1950, s.22(b)), thus setting the level of less

visible compensation by legislation at 22% (Auditor General, 2001). Despite several further fluctuations, the level of the expense allowance in relation to salaries remained at roughly this level up to the implementation of an autonomous regime in 1977 – averaging 19% for the whole period.

Ireland 1969-2001

Legislators in Ireland saw the largest and most sustained increase in less-visible compensation during the period of a supported regime. From the limited daily sitting allowance introduced in 1963, successive regulations issued throughout the 1970s-1990s increased the sitting allowance to become a significant part of TDs income.¹ The allowance was increased to £1.50 per day in 1971 progressively up to £10.00 per day by 1980, delivering approximately 13% of total compensation.

The allowance wasn't raised again until 1990, causing a gradual erosion of its value throughout the 1980s – falling to only 5% of the value of the total value of compensation. However, the 1990s saw a re-expansion of less-visible compensation. In addition to further increases in the daily allowance to £25 in 1990 and £26.40 in 1994, a major new miscellaneous expense allowance was also created in 1992, with a basic sum of £2,310 per annum plus an additional – the lowest such amount being available to Dublin members at the rate of £750 per annum.

A further major expansion of allowances in 1998 increased this yet further. In addition to nearly doubling the daily allowance from £26.40 to £45.00", the expenses allowance was also increased to £6000 for a Dublin TD.² These allowances constituted approximately 26% of total remuneration.

Benchmarked

As predicted by the framework, benchmarking resulted in an overall reduction in the level of less-visible compensation, with 16% of total compensation on average across all cases compared to 22% in the supported regimes which generally preceded the implementation of benchmarking. At the same time, there was considerable variation in the average level of non-visible compensation from 28% in the UK to 0% in Canada.

Despite this variation, however, all cases show an overall reduction in the proportion of less visible compensation after the implementation of benchmarking. Two broad mechanisms can be discerned which cause this outcome. In most cases, visible compensation (i.e. salaries) grew faster than allowances resulting in an overall gradual decline of less-visible compensation in percentage terms. In one case (Canada) less-visible compensation was abolished entirely.

United Kingdom 1983-1995

As noted, the ACA had been linked (in part) to civil service subsistence rates in the 1970s. The formula established in 1975 thus ensured some automatic updating of the allowance – which consequently maintained its value in real terms – rising from £15,557 in 1983 (at 2015 prices) to £17,509 by 1995. Nonetheless, between the period in which the House passed a resolution establishing a salary benchmark in 1983, and the end of this benchmark alongside centralised civil service pay setting in 1995, the ACA did decline slightly in value as a percentage of total compensation – from 28% to 26% of total compensation.

¹ See S.I. No. 100/1971 - Oireachtas (Allowances To Members) (Travelling Facilities) (Amendment) Regulations, 1971; S.I. No. 156/1972 - Oireachtas (Allowances To Members) (Travelling Facilities) (Amendment) Regulations, 1972; S.I. No. 227/1977 - Oireachtas (Allowances To Members) (Travelling Facilities) (Amendment) (No. 2) Regulations, 1977; S.I. No. 278/1978 - Oireachtas (Allowances To Members) (Travelling Facilities) (Amendment) (No. 2) Regulations, 1978; S.I. No. 210/1980 - Oireachtas (Allowances To Members) (Travelling Facilities) (Amendment) Regulations, 1980.

² S.I. No. 101/1998 - Oireachtas (Allowances To Members) (Travelling Facilities and Overnight Allowance) Regulations, 1998

Australia 1990-2011

As in the UK, increases in overall compensation driven by the benchmarking of salaries was accompanied with a decrease in the proportion of compensation derived from the less-visible source of the electorate allowance. From a near-peak of 28% in 1990, the electorate allowance declined to 23% of total compensation in 2000 to 20% by 2010 – the year before an autonomous system was established. This was not only the result of increasing salaries, but also of freezes in the nominal rate of the allowance. From 1996 to 1999 it was kept at \$2,607, while from 2000 to 2009 it was frozen at \$27,300 before being increased to its current level of \$32,000 in 2009.

Canada 2001-Present

The 2001 reforms to parliamentary compensation described in the previous chapter included the abolition of the \$22,500 expense allowance, bringing the proportion of less-visible compensation to 0% after 2001. Instead, a taxable amount of \$40,300 was added to the basic sessional indemnity to compensate for the loss of the tax-free expense allowance in addition a 20% increase in sessional indemnity itself (Atkinson, Rogers and Olfert, 2016).

The total abolition of the allowance was the result of the 2001 independent review of compensation, the last carried out under the 1974 legislation before benchmarking removed the need for independent reviews. The Committee argued that “[a]lthough the allowance is officially classified as a reimbursement for expenses and, as a result, not subject to income tax, it is paid monthly to Members of Parliament without requiring receipts. The Commission is of the view that the allowance constitutes part of a Member of Parliament’s remuneration and, accordingly, has included the equivalent taxable value in the basic salary” (Report of the Commission to Review Allowances of Parliamentarians, 2001).

Ireland 2001-Present

Allowances of Irish legislators remained determined by the Oireachtas after the implementation of a salary benchmark in 2001. As in other cases of benchmarking, however, parliamentarians did not continue to increase allowances once their salaries were linked to an external comparator. The daily allowance was not adjusted again until 2009, resulting in a substantial fall in its relative value. Likewise, the miscellaneous expenses allowance – which was linked to a civil service subsistence rate – increased at a slower pace than salaries. This resulted in a rapid overall fall in less-visible compensation to approximately 14% of total compensation by 2009.

The allowances system was overhauled under new powers in the Oireachtas (Allowances to Members) and Ministerial and Parliamentary Offices Act 2009 to create a new expense scheme. The expenses system is now centred on the ‘parliamentary standard allowance’ (PSA) – consisting of the Travel and Accommodation Allowance (TAA) and the Parliamentary Representation Allowance (PRA) (Oireachtas (Allowances to Members) and Ministerial and Parliamentary Offices Act 2009. S. 3(1)).

The PRA is a fully vouched allowance for which members are required to retain receipts (Kelly, *Irish Independent*. Dec 6, 2012). However, the TAA – intended to cover ‘costs associated with travel to and from [parliament]’ including overnight stays – is an ‘unvouched’ payment which does not require a member to provide proof of how the allowance was spent. The total amount available is capped based on the distance from Dublin of the members’ primary place of residence (Oireachtas (Allowances and Facilities) (Amendment) Regulations 2013)

The amount of the TAA was originally set at a minimum of €12,000 for Dublin members up to €37,850 for more distant constituencies. As part of continuing financial emergency measures, it was reduced by 10% all members and by 25% reduction in the case of Dublin Members. This left the minimum amount at to €9,000, or just over 9% of total compensation in 2013 (Oireachtas (Allowances and Facilities) (Amendment) Regulations 2013).

Autonomous Regimes

As in benchmarked regimes, autonomous regimes also show declines in the amount of less-visible compensation as a percentage of the total, with on average 18% of compensation delivered in less-visible forms. In autonomous regimes, the main mechanism underlying this change was packages of reform to compensation implemented by regulatory bodies which increase salaries, decrease expenses and allowances, or both.

United Kingdom 2011-Present

After its establishment post the 2009 scandal, IPSA immediately began to design a new expenses system which would come into operation in 2010 – unlike the setting of salaries, a power which was given to IPSA in the Constitutional Reform and Governance Act 2010, coming into force in 2011 (*IPSA's First Parliament: 2010-2015*, 2016: 6).

The ACA was abolished and replaced with an accommodation allowance with significantly tougher rules and eligibility criteria. The ACA was technically only available to members whose constituencies were outside of the capital. Under the old rules, however, the size of the 'London Area' as defined by the Commons authorities was only of 25 inner London constituencies out of 650 members of parliament. IPSA dramatically increased the number of ineligible London constituencies to 128 in the first year of the scheme, changing this to 96 constituencies in 2011-12.

The new allowance also did not allow MPs to accrue any assets from their use of the scheme. Use of the Accommodation Allowance to subsidise of mortgage interest payments was banned, with MPs only able rent a property and claim for limited "associated costs" including utilities and council tax payments, but not furniture and general subsistence as had been allowed under the ACA. Hotel accommodation was allowed, but at a capped cost per night (*IPSA's First Parliament: 2010-2015*, 2016: 9).

Finally, the amount of the Accommodation Allowance was set at a lower level than the ACA. Members renting in London were permitted a maximum of £19,900 compared to the ACA maximum of £24,222. As a result, less-visible compensation dropped from 27% of total compensation to 23% in 2010, falling to further 21% by 2016 as a result of continuing slow growth in the Accommodation Allowance in subsequent versions of the scheme (*IPSA's First Parliament: 2010-2015*, 2016: 56).

Australia 2011-Present

In its submission to the 2009 independent Committee for the Review of Parliamentary Entitlements (CROPE), the Tribunal had argued that electorate allowance was viewed by the public as simply an income supplement, and that consequently "the time has come when, for the sake of transparency and public confidence, the base electorate allowance should be rolled into the salary".

However, when conducting its own 2011 review into legislators' compensation package following the commencement of its new powers, the Tribunal changed its mind on the electorate allowance and opted to retain it based on the "more detailed work" which had been conducted for its report. Instead of abolishing it, the Tribunal accepted that the electorate allowance was a "business expense payment" consumed primarily on its stated purposes (Review of the Remuneration of Members of Parliament. December 2011).

While the Tribunal accepted that the electorate allowance should be characterised as a business expense and not remuneration, however, its decisions on the level of the allowance continued to reflect a level of scepticism. Although the electorate allowance was retained, it has been kept at its previous level in cash terms since 2011 (\$32,000 dollars) From 20% in 2010, the electorate allowance as a share of total payments to legislators had fallen to 13% by 2018 (Madden and McKeown, 2013).

New Zealand 1977-Present

As in Australia, the HSC often kept the electorate allowance fixed in cash terms for multiple years in a row; first from 1990 to 1994 and again 1998 from 2002. As a result, less-visible components of total remuneration declined in New Zealand from 18% in 1977 to 14% in 2002.

A further sharper decreases in the percentage of less-visible compensation occurred in 2003 as a result of a package of reforms to reforms to compensation and allowances. Following the passage of Remuneration Authority (Members of Parliament) Amendment Act 2002, the 2003 Parliamentary Salaries and Allowances Determination sought to realign compensation on a ‘total package’ basis.

Using this method, the Authority determined a notional salary of \$142,700. It then subtracted from this total amount portions of the various allowances that were determined by the Inland Revenue Department (IRD) to constitute remuneration. It then reduced these allowances accordingly by the corresponding amount. This resulted in an increase in salary from \$90,500 to \$110,000, and a new basic expense allowance is \$12,815 replacing the previous separate constituency and expense allowances (Parliamentary Salaries and Allowances Determination, 2003).

As a result, the Remuneration Authority now considers the basic expense allowance to have no remuneration component (Parliamentary Salaries and Allowances Determination, 2003). In any event, the result of this reform was to decrease the amount of compensation delivered through less-visible forms event further, with the allowance constituting only 9% of total compensation in 2018.

Figure 10. Composition of Compensation in the UK House of Commons 1945-2018

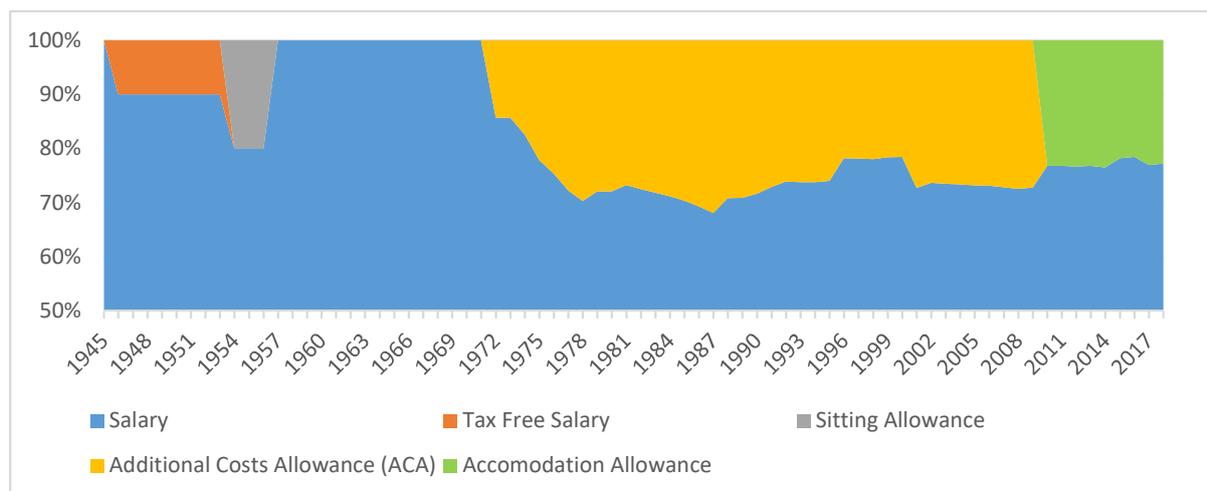


Figure 11. Composition of Compensation in the Canadian House of Commons 1945-2018

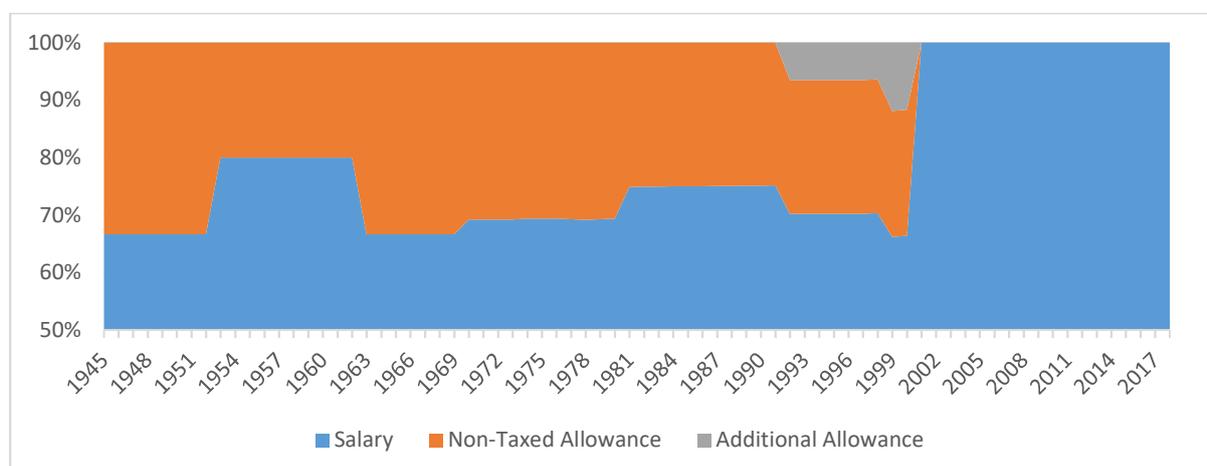


Figure 12. Composition of Compensation in the Australian House of Representatives 1945-2018

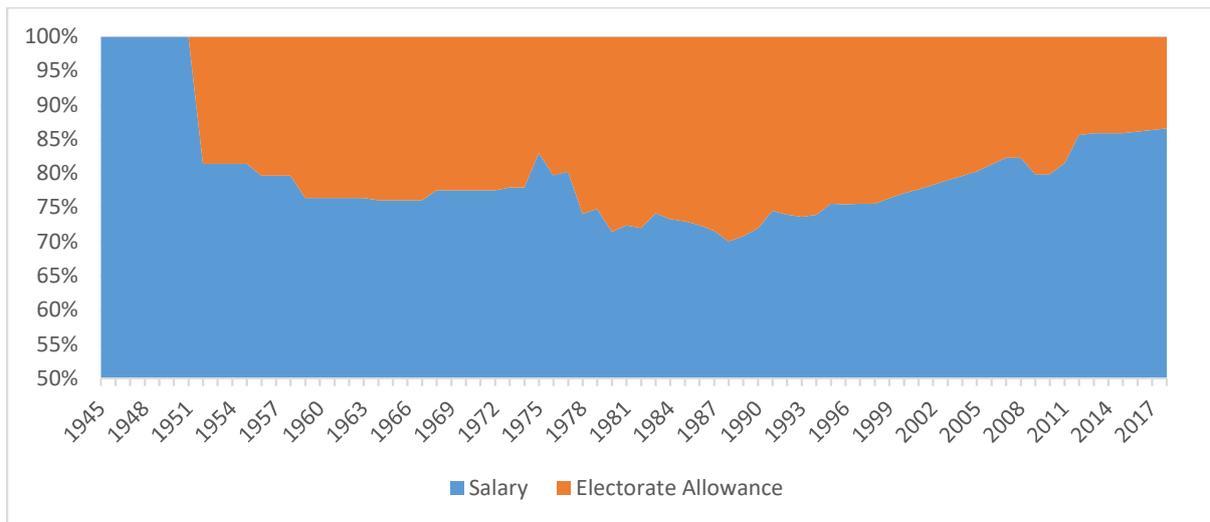


Figure 13. Composition of Compensation in the New Zealand House of Representatives 1945-2018

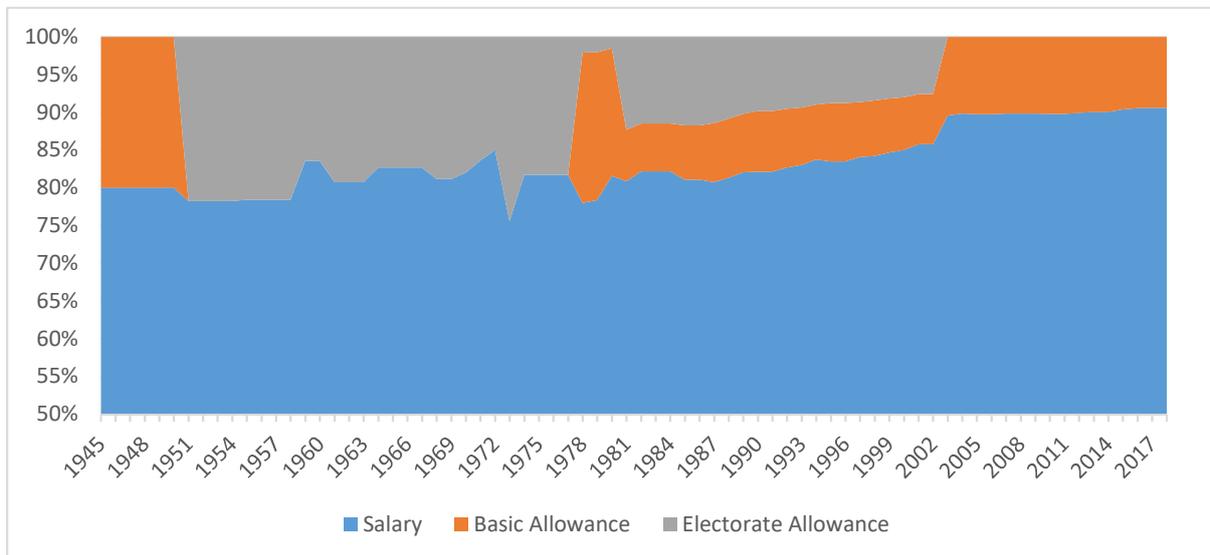
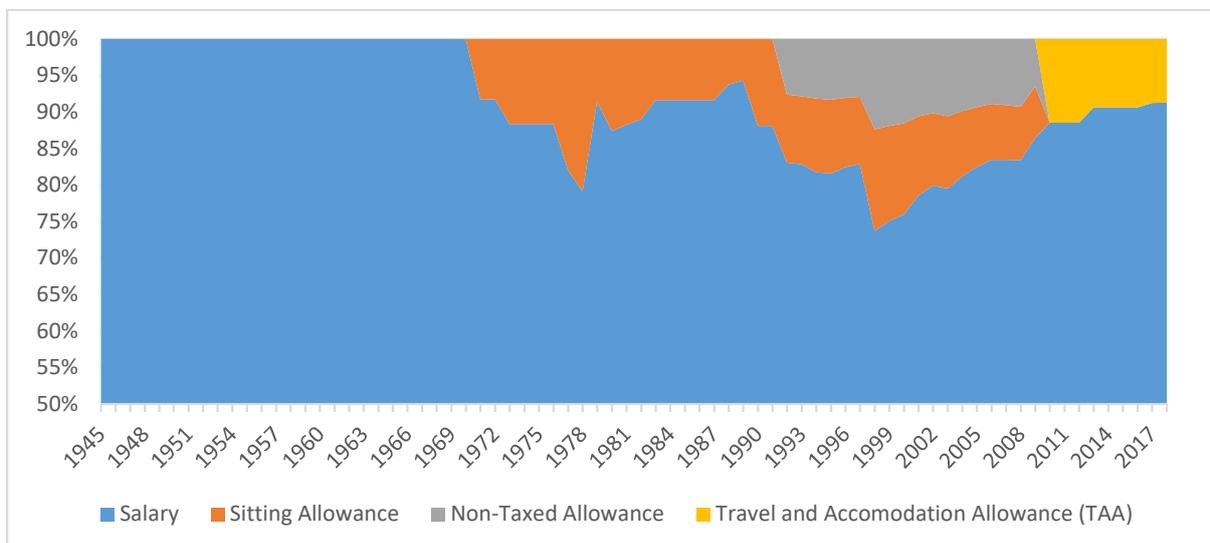


Figure 14. Composition of Compensation in the Irish Dáil Éireann 1945-2018



Conclusion

Despite its importance for central developments in modern politics, scholars have shown little sustained interest in the topic of legislative pay setting. No systematic theoretically informed account has emerged, and empirical work remains fragmented, contradictory in its conclusions, and partial in its inclusion only of aspects of total compensation.

On the one hand, case studies often develop a detailed understanding of the full range of benefits in offer to elected politicians, as well as the politics of pay and the mechanisms used to determine it, but fail to put this in the context of the broader theoretical or international picture.

On the other hand, comparative studies are often compelled to reduce the complexity of cross-national comparisons by examining only one aspect of the total phenomenon, including on the question of how institutional differences create different packages of compensation across systems (McCormick and Tollison 1978; Sollars, 1990; Mause, 2014).

Existing comparative work on the compensation of legislators thus lacks a clear conceptualisation of what constitutes compensation, how the level and composition of this compensation varies, how rewards are determined, and what effect these varying determining mechanisms have on the rewards legislators receive.

In response, this paper has set out a theory of the dynamics of legislative compensation based on the Tocquevillian expectation that politicians in control of their own pay will be constrained in their ability to increase their own remuneration by democratic pressures.

Contrary to the Millian expectation that paid legislators ruthlessly pursue pecuniary self-interest, this leads to the counterintuitive prediction that more independent determining regimes will result in higher overall compensation – but also greater transparency in how compensation is delivered.

As a first step, different mechanisms used to determine compensation were classified by means of an explanatory typology (Elman, 2005). This typology was based two fundamental dimensions of regulatory regimes in legislator compensation; the degree of involvement of legislators in determining their own compensation, and whether an additional actor is involved in the form of an independent review or regulatory body.

Results showed that – at least in the cases included here – there was a consistent progression from less to more independent regulatory regimes over time. Consistent with the predictions of the framework, this was also associated with increases in overall compensation both in real terms and as a ratio of average wages. At the same time, the most independent systems – benchmarking and autonomous regimes – were also associated with decreases in less-visible compensation.

In traditional regimes, compensation was lower in real terms and was characterised by a general lack of distinction between amounts given as salary, recompense for lost outside earnings and payment which was intended to cover expenses incurred. Over time, as compensation began to have a recognised salary component – along with attendant public controversy – traditional regimes also saw the creation of allowances which provided additional less-visible compensation.

In supported regimes, in which an independent body reviews compensation but legislators retain ultimate control, overall compensation was often higher – though not in all cases, as in Canada and Australia. However, a significant proportion of this increase in all cases derived from less-visible allowances. Major new allowances were also created in some systems, notable the ACA in the UK.

In benchmarked regimes, compensation rose more rapidly than in previous periods and reached new highs. This was true not only in real terms (i.e. constant prices), but also in relation to average wages. At the same time, this occurred in the context of an overall decline in the amount of

compensation derived from less-visible sources. This decline was relatively slight in some cases (UK, Australia) but more dramatic in others (Ireland, Canada).

Finally, in autonomous regimes, overall compensation was also higher in real terms (with the exception of the UK) and in relation to wages. Cases where compensation has been handed over entirely to an independent body show a consistent pattern of reform in which the regulatory body increases salaries while decreasing or freezing allowances which provide less-visible compensation in cash terms. Thus, overall compensation increases or remained steady while the less-visible compensation declined.

Overall, therefore, results thus support the Tocquevillian position that legislators feel strong democratic pressures in relation to setting their own compensation, leading to restraint in relation to visible compensation and – ultimately – a displacement of compensation into less-visible forms in particular various allowances.

However, results also emphasise the role of regulatory change in preventing Tocqueville's concern about ever decreasing compensation. By alienating control of their own compensation through benchmarking and independent bodies, legislators have leveraged non-majoritarian governmental mechanisms to escape this 'Tocquevillian trap', overcoming self-restraint and ultimately professionalizing legislators' remuneration.

More broadly, findings illustrate why politicians may often alienate decisions which appear core to their personal interests in the name of their long-term preferences. This has become a standard interpretation of the development the 'regulatory state' and non-majoritarian government as it manifests in central banks and economic management. These findings illustrate that the same dynamic is also applicable to politicians' personal financial interests.

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