



## In Brief: Members' pay

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In January 2008, the House endorsed the Government's decision to establish an independent review of parliamentary pay by Sir John Baker, the outgoing chairman of the Senior Salaries Review Body.<sup>1</sup> The review was prompted by "a general concern ... that it is wrong in principle that MPs should set their own pay".<sup>2</sup>

In that context, Sir John suggested that "if MPs are prepared to relinquish control over their salaries, then the Government also has to forgo any possibility of directly seeking to intervene in the process".<sup>3</sup>

This note briefly reviews the background to Sir John Baker's review, outlines his conclusions and the Government's response to them. It does not consider the question of Members' allowances, which are currently being reviewed by the Members Estimate Committee.

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### 1 Background

In July 1996, by way of a Resolution, the House of Commons implemented a Senior Salaries Review Body (SSRB) recommendation that Members' salaries should be regularly reviewed and that between reviews they should increase annually in line with the movements in the pay bands of the Senior Civil Service.<sup>4</sup>

In July 2006, the Prime Minister asked the SSRB to conduct its third review of Members' pay under this Resolution. It reported to the Prime Minister in July 2007, and the Government published the SSRB's review in January 2008.

The SSRB believed that there was a case for an increase over the amount arrived at by application of the formula "to move MPs' total remuneration closer to the average public sector comparators identified by PwC".<sup>5</sup> It recommended that Members' salaries should have been increased to £61,820 with effect from 1 April 2007, that a new method of uprating, based on the changes in earning of senior civil servants, rather their pay scales should have been introduced, and that in addition to the uprating formula Members' salaries should have increased by a further £650 in April 2008, April 2009 and April 2010.<sup>6</sup>

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<sup>1</sup> HC Deb 24 January 2008 cc1653-1720

<sup>2</sup> Sir John Baker, *Review of Parliamentary Pay and Pensions*, June 2008, Cm 7416, para 6

<sup>3</sup> *Ibid*, para 10

<sup>4</sup> HC Deb 10 July 1996 cc488-543; Review Body on Senior Salaries, *Review of Parliamentary pay and allowances*, Report No 33, Cm 3330-I, 1996

<sup>5</sup> Review Body on Senior Salaries, *Review of parliamentary pay, pensions and allowances 2007*, January 2008, Cm 7270-I, para 3.19

<sup>6</sup> *Ibid*, Recommendations 1, 2 and 3

The Government accepted that Members' salaries should increase to £61,820. However, rather than implement the SSRB recommendation in full, it proposed that the increase should be paid in two stages (£61,181 from 1 April 2007) and the full amount from 1 November 2007, thereby holding the value of the increase below two per cent. The Government asked Sir John Baker, the retiring Chairman of the SSRB, to undertake a review of Members' pay in order to identify a new independent mechanism for determining Members' pay.<sup>7</sup>

## 2 Sir John Baker's Review

The Government set out terms of reference of Sir John's review in a written ministerial statement.<sup>8</sup> Sir John issued a consultation document in March 2008, and reported to the Government on 30 May 2008. His report was published on 17 June. The Government announced the report's publication and set out its response in a written ministerial statement.<sup>9</sup> On the same day, the Prime Minister announced that Ministers would forego their 2008 pay rise.<sup>10</sup>

In his report, Sir John identified three main elements of his work in establishing the new mechanism for determining Members' pay:

- An uprating mechanism that will adjust pay automatically;
- An Independent Body; and
- Fixing the pay level for MPs at 1 April 2008 as the base level for the uprating mechanism to kick in.<sup>11</sup>

### ***Uprating mechanism***

Having set out a series of principles for the uprating mechanism,<sup>12</sup> he concluded that the Public Sector Annual Earnings index three month average for January, which is published in March each year, should be used to uprate Members' salaries from 1 April each year.<sup>13</sup> He ruled out using any linkage to the Senior Civil Service because it did not "satisfy the criteria of independence, transparency, simplicity or freedom from risk of manipulation."<sup>14</sup> He also ruled out a basket of comparators because it could not satisfy the principles he had set out.<sup>15</sup>

### ***Independent Body***

He suggested that the Senior Salaries Review Body was the most appropriate Independent Body to undertake reviews of parliamentary pay. He noted that he found support for putting this remit on a statutory footing. He also suggested that the Independent Body should "conduct a review in the first year of each Parliament provided that is at least two years after

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<sup>7</sup> HC Deb 16 January 2008 cc32WS-36WS

<sup>8</sup> HC Deb 23 January 2008 c56WS

<sup>9</sup> HC Deb 17 June 2008 cc45WS-47WS

<sup>10</sup> HC Deb 17 June 2008 cc47WS-48WS

<sup>11</sup> Sir John Baker, *Review of Parliamentary Pay and Pensions*, June 2008, Cm 7416, para 27

<sup>12</sup> It must be easy to understand, independent and authoritative, transparent and not capable of manipulation; It should be sustainable over a number of Parliaments; It should be based on pay comparators and not price comparators; It should reflect movements in earnings and not settlements; and It should be linked in some form to the public sector.

<sup>13</sup> Sir John Baker, *Review of Parliamentary Pay and Pensions*, June 2008, Cm 7416, para 45

<sup>14</sup> *Ibid*, para 37

<sup>15</sup> *Ibid*, para 39

the previous review". He also argued that "MPs themselves should be able to mandate a review if they believed circumstances warranted it outside the normal rhythm".<sup>16</sup>

### **Base salary level**

In setting the base level of pay that the revised uprating mechanism should apply to, he identified three options:

- Applying the mechanism to Members' salaries as they were at 31 March 2008 (£61,820);
- Taking account of the SSRB's recommendations for pay increases in addition to formula increases for the three years starting in April 2008; or
- "to increase the pay to some other, higher level", Sir John cited Sir Stuart Bell, Nick Harvey and David Maclean's argument for £75,000.<sup>17</sup>

Sir John concluded that the SSRB's approach "still seems to be to be sound". He accordingly recommended that:

... the MPs' salary with effect from 1 April 2008 should be £64,634. This is the current salary of £61,820 plus 3.5 per cent (the annual increase in the three month average Public Sector Average Earnings Index (ONS series LNNE) in January) plus £650. The MPs' salary should increase again by the PSAEI annual percentage increase plus £650 on 1 April 2009 and 1 April 2010. Thereafter the salary should be increased each year simply by the PSAEI annual percentage increase unless the Independent Body determines differently following a review.<sup>18</sup>

## **3 The Government's Response to the Baker Review**

Harriet Harman, the Leader of the House of Commons, announced the publication of Sir John's review and set out the Government's response to it on 17 June 2008.<sup>19</sup>

The Government accepted that the SSRB should remain the independent body which reviewed Members' pay.<sup>20</sup> However, it rejected both the three additional increments of £650 and the uprating mechanism. It favoured a mechanism which meant that Members "should receive the median average of the settlements of a wide basket of public sector workforces" and.<sup>21</sup>

In a Press Briefing issued by the Leader of the House, the Government set out more details on its proposed uprating mechanism:

Under the Government's proposal MPs pay will reflect the settlements for other public sector workers. The Office of Manpower Economics, who provide the secretariat to the SSRB, will validate the figures used to populate the basket.

The proposed basket of public sector settlements includes the SCS, Judiciary, Senior Military, Very Senior NHS Managers, Doctors and Dentists, Prison Service, Nurses, Teachers, Armed Forces, Police, Local Government, Department for Work and

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<sup>16</sup> *Ibid*, paras 28-31

<sup>17</sup> *Ibid*, para 47

<sup>18</sup> *Ibid*, para 51

<sup>19</sup> HC Deb 17 June 2008 cc45WS-47WS

<sup>20</sup> *Ibid*

<sup>21</sup> *Ibid*

Pensions, Ministry of Defence, the Home Office and Her Majesty's Revenue and Customs.<sup>22</sup>

In the same briefing, the Government explained why it was not supporting Sir John's recommendation that uprating should be linked to the Public Sector Average Earnings Index:

MPs should be subject to the same pay restraint as other public sector workers – the Government's proposal will ensure that MPs receives awards in line with settlements of appropriate comparable public sector groups.

The PSAEI encompasses the entire spectrum of public sector workers, manual, professional, skilled and unskilled. The proposed basket of public sector settlements is more focussed, including only appropriate comparators.<sup>23</sup>

In the Press Briefing, it was announced that the House would debate Sir John Baker's report on 3 July 2008.

#### 4 Further Reading

Review Body on Senior Salaries, *Review of parliamentary pay, pensions and allowances 2007*, Report No 64, Cm 7270-1, January 2008, <http://www.ome.uk.com/downloads/Review%20of%20Parliamentary%20pay%202007%20volume%201.pdf.pdf>

House of Commons debate on Members' Salaries, Pensions and Allowances, HC Deb 24 January 2008 cc1653-1720, <http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm080124/debtext/80124-0008.htm#08012472000003>

House of Commons Library Standard Note SN/PC/4585, *Review of parliamentary pay and allowances 2008*, <http://www.parliament.uk/commons/lib/research/notes/snpc-04585.pdf>

House of Commons Library Standard Note SN/BT/1844, *Parliamentary Pension Scheme*, [http://pims.parliament.uk:81/PIMS/Static%20Files/Extended%20File%20Scan%20Files/LIBRARY\\_OTHER\\_PAPERS/STANDARD\\_NOTE/snbt-01844.pdf](http://pims.parliament.uk:81/PIMS/Static%20Files/Extended%20File%20Scan%20Files/LIBRARY_OTHER_PAPERS/STANDARD_NOTE/snbt-01844.pdf) [intranet]

*Review of MPs' pay and pensions – Consultation document prepared by Sir John Baker*, <http://baker-review.ome.uk.com/binary/documents/Sir%20John%20Baker%20Review%20of%20MPs'%20Pay%20and%20Pensions%20Consultation%20Document%2019%20March.pdf>

Sir John Baker, *Review of Parliamentary Pay and Pensions*, June 2008, Cm 7416, para 27, <http://baker-review.ome.uk.com/binary/documents/Review%20of%20Parliamentary%20Pay%20and%20Pensions%20by%20Sir%20John%20Baker%20CBE.pdf>

*Parliamentary pay, pensions and allowances - Government memorandum to Sir John Baker's review of the mechanism for determining the pay of Members of Parliament*, June 2007, Cm 7418, <http://www.official-documents.gov.uk/document/cm74/7418/7418.pdf>

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<sup>22</sup> Leader of the House of Commons, Question and Answer Briefing on Parliamentary Pay and Pensions, <http://www.commonleader.gov.uk/files/word/Q&A.doc>

<sup>23</sup> *Ibid*