

The annual allowance for senators and members

Introduction

Senators and members receive an annual allowance¹ by way of basic salary—\$118 950 from 1 July 2006.² This Research Note explains the legislative basis, fixing and linking mechanisms for the allowance. Adjustments to the annual allowance since 1984 are provided in Table 1.

Constitutional basis for payment

Section 48 of the [Constitution](#) provides for the payment of Members of Parliament:

Until the Parliament otherwise provides, each senator and each member of the House of Representatives shall receive an allowance of four hundred pounds a year, to be reckoned from the day on which he takes his seat.

Remuneration and Allowances Act 1990

Since 1901, the Parliament has enacted legislation to define the annual allowance for the purposes of Section 48 of the Constitution. [Schedule 3 subclause 1\(2\)](#) of the [Remuneration and Allowances Act 1990](#) describes the annual allowance payable as equal to:

(a) the minimum annual rate of salary payable to an employee with a classification of Senior Executive Service (SES) Band 2 of the Australian Public Service (APS) or

(b) if the regulations prescribe a percentage (not more than 100 per cent) of a reference salary—that percentage of the [reference salary](#) (see below).

Regulations

[Section 8A](#) of the [Remuneration and Allowances Act 1990](#) allows the Governor-General to make regulations necessary to give effect to the Act. [Remuneration and Allowances Regulations 2005](#) are now in force and prescribe [a percentage of the reference salary](#).³ Before the Governor-General can make these regulations, the responsible Minister ‘must consider advice from the Remuneration Tribunal about the proposed regulation.’⁴

Remuneration Tribunal

The [Remuneration Tribunal](#) is an independent statutory body established by the [Remuneration Tribunal Act 1973](#). This legislation allows the Tribunal to inquire into and determine allowances paid out of consolidated revenue to senators and members.⁵ The Tribunal has the additional function of providing advice to the Minister for Employment and Workplace Relations for the purposes of subclause 1(3) of Schedule 3 of the [Remuneration and](#)

[Allowances Act 1990](#).⁶ The Tribunal’s [Report 1999/01](#) states that ‘the Government can choose to accept or reject the Tribunal’s advice on these matters ...’⁷

Reference Salary—under the PEO Classification

[Report 1999/01](#) by the Tribunal recommended that the annual allowance be linked to a reference salary under the Principal Executive Office (PEO) Classification Structure.⁸ The Government accepted this recommendation and made the [Remuneration and Allowances Regulations 2005](#) to create the link. The Regulations provide for the reference salary to be 100 per cent of the rate determined by the Remuneration Tribunal for Band A of the PEO Classification.

The annual allowance for senators and members is linked to **Reference Salary A** under the PEO Band A Classification—**\$118 950 per annum** from 1 July 2006.

The applicable Remuneration Tribunal Determination is [Determination 2005/19, Principal Executive Office \(PEO\) Classification Structure and Terms and Conditions](#).⁹

Parliament

Like all delegated legislation, Tribunal determinations are tabled in Parliament. Parliament may resolve to disapprove any tabled determination. In 1974 Parliament disapproved the Tribunal’s determination increasing the annual allowance to \$20 000 per annum. In the thirty years since then Parliament has also modified determinations, postponed increases and enacted reduced allowances previously determined by the Tribunal as an example of wage restraint.¹⁰

Considerations and adjustments

Parliament has accepted a link, via regulations, between the annual allowance and Reference Salary A in the PEO Classification Structure. The PEO determination, including the reference salary, is reviewed annually by the Tribunal.

Under the [Remuneration Tribunal Act 1973](#), the Tribunal has wide scope to consider factors when reviewing the PEO Classification. The Tribunal has indicated that these factors include: key economic indicators; other specific indicators such as the Wage Price Index; salary outcomes in the public (and to a lesser degree) private sector; the

principles of wage determination and decisions of the Australian Industrial Relations Commission.¹¹

Percentage increases from 1999

In the last eight years, the annual allowance has increased by the following:

- 7 December 1999—4.45 per cent, the first stage of a 9.95 per cent two-stage increase
- 1 July 2000—5.5 per cent, the second stage of the 9.95 per cent increase
- 1 July 2000—2.2 per cent by virtue of an adjustment to the PEO Classification Structure
- 1 July 2001—3.9 per cent
- 1 July 2002—3.35 per cent
- 1 July 2003—4 per cent
- 1 July 2004—3.9 per cent
- 1 July 2005—4.1 per cent and
- 1 July 2006—7.01 per cent.

Table 1 compares increases in the annual allowance to movements in the Wage Price Index and the Consumer Price Index (CPI) since 1984.

The annual allowance—a brief history

At the Constitutional Convention at Sydney in 1891, Sir Samuel Griffith said:

One of the first things to be done by the parliament of the commonwealth in its first session would be to settle the salaries of ministers, and a great number of other matters of that kind. We have, therefore, given them power to deal with this subject. We did not think it necessary to make this in any sense a payment of members bill. We lay down, however, the principle that they, are to receive an annual allowance for their services, and we thought that it should start in the first instance at £500.¹²

At the Adelaide Convention, however, the draft constitution bill debated specified an amount of £400 and this was the annual allowance subsequently enacted in the Constitution.¹³

In 1907 parliamentarians made themselves liable to the payment of State income taxes.¹⁴ Tax concessions for electorate expenses were allowed from 1925.¹⁵

Between 1901 and the establishment of the Remuneration Tribunal in 1973, Parliament adjusted allowances following decisions of executive government or as the result of recommendations from committees of inquiry.¹⁶ Justice Kerr in 1971 noted that during this time there was ‘no fixed pattern of approach’ to the timing and method of reviewing annual allowances—a process that invariably attracted criticism.¹⁷

In 1971 the Kerr Inquiry suggested the establishment of a ‘Salaries Tribunal ... authorised by legislation to review salaries and report at regular stated intervals.’

Kerr also wrote:

Nothing ... should prevent the Parliament or the Government from rejecting recommendations or from taking action not in accordance with what is recommended.¹⁸

From its establishment in 1973, the Remuneration Tribunal, using a range of evidence and indicators, determined the annual allowance with reference to second division officers of the Commonwealth Public Service.¹⁹ Adjustments were then made by applying National Wage Case decisions. In 1979 the Government legislated to remove the Tribunal’s recent determination that these adjustments be automatic.²⁰

In 1987 the Tribunal convened a conference for interested parties to examine parliamentarians’ salaries.²¹ An independent review was consequently conducted for the Tribunal in 1988. The resulting report recommended increases based on work value and community pay standards. The review strongly recommended that there be no linkage between the annual allowance and APS salaries.²² Increases determined by the Tribunal at that time were deferred.

With the *Remuneration and Allowances Act 1990*, the Government removed the Tribunal’s power to determine annual allowances and allowed a phased increase to the allowance over three years. The legislation also provided a link with SES Band 1 salaries in the APS—in contrast to the recommendation in the 1988 review. Adjustments to the allowance were made by means of national wage case decisions and, from 1992, agreements between the Government and public sector unions.

Legislation enacted in 1994 ensured that the annual allowance was equivalent to the minimum APS SES Band 2 salary level. The [Workplace Relations Act 1996](#) enabled SES salaries to be set through individual Australian Workplace Agreements (AWAs), thereby removing the standard against which the annual allowance was determined. With the expiry of the final APS Enterprise Agreement at the end of 1996, the mechanism by which adjustments were made to the annual allowance ceased.

Legislative changes to the APS in 1999, among other matters, amended the *Remuneration and Allowances Act 1990* and the *Remuneration Tribunal Act 1973* to establish the current arrangements.

States and Territories

Queensland, New South Wales, Victoria, South Australia, Tasmania and the Northern Territory have each enacted legislation linking the salaries of their parliamentarians to the federal annual allowance. Tribunals in Western Australia and the Australian Capital Territory determine parliamentarians’ salaries independent of the federal annual allowance. State and territory salaries and the link to the annual allowance are given in Table 2.

Table 1**Annual allowance 1984–2006**

Date of effect	Annual allowance \$ per annum		Wage price index (ordinary time hourly rate of pay excluding bonuses)	Consumer Price Index (CPI)
	Current \$	Real \$ (constant 2006 dollars; adjusted by CPI)		
1.5.1984	41 802	97 999	—	65.2
1.7.1985	42 889	94 056	—	69.7
1.7.1986	45 543	92 081	—	75.6
10.3.1987	46 065	86 500	—	81.4
1.7.1987	47 815	88 482	—	82.6
1.7.1988	49 180	84 941	—	88.5
1.1.1989	55 000	91 379	—	92.0
16.11.1989	55 000	86 313	—	97.4
1.7.1990	58 300	86 939	—	102.5
1.1.1991	61 798	89 113	—	106.0
1.7.1991	64 768	93 395	—	106.0
15.8.1991	66 387	95 730	—	106.0
17.12.1992	67 715	95 926	—	107.9
11.3.1993	68 663	96 375	—	108.9
1.1.1994	68 663	95 412	—	110.0
10.3.1994	69 693	96 492	—	110.4
15.12.1994	74 460	100 899	—	112.8
12.1.1995	75 949	102 916	—	112.8
6.4.1995	77 438	103 196	—	114.7
13.7.1995	78 987	103 901	—	116.2
7.3.1996	80 251	103 080	—	119.0
17.10.1996	81 856	104 179	—	120.1
7.12.1999	85 500	105 309	86.9	124.1
1.7.2000	92 000	111 429	88.1	126.2
1.7.2001	95 600	109 213	91.3	133.8
1.7.2002	98 800	109 751	94.2	137.6
1.7.2003	102 760	111 161	97.6	141.3
1.7.2004	106 770	112 707	101.0	144.8
1.7.2005	111 150	114 485	105.1	148.4
1.7.2006	118 950	118 950	109.3 ^(a)	152.9 ^(b)
% increases				
1984–2006	184.6	21.4	—	134.4
1999–2006	39.1	13.0	25.8	23.2

(a) Estimate based on Budget forecast of 4 per cent increase in wage price index between 2004–05 and 2005–06.

(b) Estimate based on Budget forecast of 3 per cent increase in CPI between 2004–05 and 2005–06.

Sources: ABS, *Consumer Price Index* (Cat. No. 6401.0)
 ABS, *Labour Price Index* (Cat. No. 6345.0)
 Acts of Parliament, determinations and reports of the Remuneration Tribunal
 Table 1 by T. Kryger and L. Manthorpe, Research Branch

Table 2

Parliamentary salary—states and territories

Parliament	Salary is—	Current
		Salaries have effect from 1 July 2006 unless otherwise specified
Australian Capital Territory	Determined annually by the ACT Remuneration Tribunal .	\$102 086
New South Wales	\$500 less than annual allowance.	\$118 450
Northern Territory	\$3000 less than annual allowance.	\$115 950
Queensland	\$500 less than annual allowance.	\$118 450
South Australia	\$2000 less than annual allowance.	\$116 950
Tasmania	85.19 per cent of annual allowance. Percentage is determined by the Full Bench of the Tasmanian Industrial Commission.	\$94 689 Calculated at 85.19 per cent of \$111 150
Victoria	\$1442 less than annual allowance	\$117 508
Western Australia	Determined annually by WA Salaries and Allowances Tribunal .	\$113 769 from 1 September 2005

Source: Acts of Parliament, determinations of tribunals and gazettals.

Endnotes

- The choice of phrase to describe the allowance payable under Section 48 of the Constitution is a difficult one. 'Basic salary' is commonly used in an informal sense and serves to distinguish it from salaries paid to ministers and office-holders. 'Parliamentary allowance' has consistently appeared in legislation enacted since 1901 and is used by the Department of the House of Representatives in a formal sense. 'Annual allowance', as well as complying with Section 48, is used in most state and territory legislation that links state and territory parliamentary salaries to those of their federal counterparts.
- Federal parliamentarians are also entitled to other benefits and allowances described in legislation. See L. Manthorpe, [Parliamentary allowances, benefits and salaries of office](#), E-Brief, Parliamentary Library, 2006.
- Regulations are made by the Governor-General on the advice of executive government and published in the Commonwealth of Australia Gazette.
- [Remuneration and Allowances Act 1990](#), [Schedule 3 subclause 1\(3\)](#).
- [Remuneration Tribunal Act 1973](#), [subsection 7\(1\)](#).
- [Remuneration Tribunal Act 1973](#), [subsection 5 \(2C\)](#).
- Remuneration Tribunal, [Report on Senators and Members of Parliament, Ministers and Holders of Parliamentary Office—Salaries and Allowances for Expenses of Office—December 1999](#), Report 1999/01.
- The PEO classification structure provides a framework for the negotiation of the terms and conditions of PEO employment.
- The reference salary in Determination 2005/19 is amended by Determinations [2006/9](#) and [2006/11](#), both with effect 1 July 2006. Please see [2006 Amending Determinations](#) in [Parliamentary allowances, benefits and salaries of office](#), E-Brief, Parliamentary Library, 2006.
- Remuneration Tribunal [1982 Review](#), pp. 18–21 and [Report 1999/01](#), op. cit., pp. 1–5.
- Remuneration Tribunal, [Explanatory Memorandum: Determination 2004/15 – Principal Executive Office \(PEO\) Classification Structure Terms and Conditions](#). WCI is a product of the Australian Bureau of Statistics. The Tribunal's [Report 1999/01](#) highlights some of the factors given consideration by the Tribunal during earlier deliberations.
- Samuel Griffith, [Official Report of the National Australasian Convention Debates](#), Sydney, 2 April 1891, p. 654.
- [Official Report of the National Australasian Convention Debates](#), First Session, Adelaide, 22nd March to 23rd April 1897, pp. 1032–34.
- [Commonwealth Salaries Act 1907](#).
- Earle Page, House of Representatives, [Debates](#), 4 June 1947, p. 3355. An Electorate Expense Allowance, not subject to income taxation, was paid from 1952.
- Including—[Report of the Committee of Enquiry into the Salaries and Allowances of Members of the National Parliament](#) (Nicholas Report), 1952; [Report of the Committee of Enquiry into the Salaries and Allowances of Members of the Commonwealth Parliament](#) (Richardson Report), 1955; [Report of the Committee of Enquiry into the Salaries and Allowances of Members of the Commonwealth Parliament](#) (Richardson Report), 1959; [Salaries and Allowances of Members of the Parliament of the Commonwealth: A Report of Inquiry by Mr Justice Kerr](#), (Kerr Report), 1971.
- Mr Justice Kerr, *ibid.*, p. 12.
- ibid.*, p. 16.
- With the enactment of the [Public Service Reform Act 1984](#), the Second Division of the Commonwealth Public Service was replaced by the SES. See Public Service Reform Bill 1984, [Bills Digest](#), no. 72, 1984, p. 2.
- [Remuneration and Allowances Act 1979](#).
- Remuneration Tribunal, [1987 Review](#), pp. 5–12.
- Cullen Egan Dell, [Report on the Pay and Allowances for Members of Parliament: prepared for the Remuneration Tribunal](#), 1988, pp. 18–19.

Leanne Manthorpe
Politics and Public Administration Section
Parliamentary Library

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