



The annual allowance for senators and members

Introduction

Senators and members receive an annual allowance¹ by way of basic salary—\$106 770 from 1 July 2004.² 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\(3\)](#) 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 1999](#) 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 Principle Executive Office (PEO) Classification Structure.⁸ The Government accepted this recommendation and made the [Remuneration and Allowances Regulations 1999](#) 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—**\$106 770 per annum** from 1 July 2004.

Refer to [Determination 1999/15](#), *Principal Executive Office (PEO) Classification Structure and Terms and Conditions*.

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.⁹

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 Cost Index (WCI); 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.¹⁰

Percentage increases from 1999

In the last six years, the annual allowance has increased by these percentages:

- 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 and
- 1 July 2004—3.9 per cent.

Table 1 compares increases in the annual allowance to movements in the WCI 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 £500.¹¹

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.¹²

In 1907 parliamentarians made themselves liable to the payment of State income taxes.¹³ Tax concessions for electorate expenses were allowed from 1925.¹⁴

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.¹⁵ 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.¹⁶

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.¹⁷

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.¹⁸ 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.¹⁹

In 1987 the Tribunal convened a conference for interested parties to examine parliamentarians’ salaries.²⁰ 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.²¹ 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 1984–2004

Year	Date of effect	Annual Allowance \$ per annum	Wage Cost Index (WCI) (ordinary time hourly rate of pay excluding bonuses)	Consumer Price Index (CPI)	
		Current \$	Real \$ (constant 2004 prices; adjusted by CPI)	WCI was compiled for the first time for the December quarter 1997	
1984	1.5.1984	41 802	90 592	–	65.2
1985	1.7.1985	42 889	86 947	–	69.7
1986	1.7.1986	45 543	85 122	–	75.6
1986	10.3.1987	46 065	79 963	–	81.4
1987	1.7.1987	47 815	81 795	–	82.6
1988	1.7.1988	49 180	78 521	–	88.5
1989	1.1.1989	55 000	84 473	–	92.0
1990	16.11.1989	55 000	78 342	–	99.2
1990	1.7.1990	58 300	80 369	–	102.5
1991	1.1.1991	61 798	82 378	–	106.0
1991	1.7.1991	64 768	86 337	–	106.0
1991	15.8.1991	66 387	87 997	–	106.6
1992	17.12.1992	67 715	88 676	–	107.9
1993	11.3.1993	68 663	89 092	–	108.9
1994	1.1.1994	68 663	88 201	–	110.0
1994	10.3.1994	69 693	89 199	–	110.4
1994	15.12.1994	74 460	93 273	–	112.8
1995	12.1.1995	75 949	95 138	–	112.8
1995	6.4.1995	77 438	95 397	–	114.7
1995	13.7.1995	78 987	96 049	–	116.2
1996	7.3.1996	80 251	95 290	–	119.0
1996	17.10.1996	81 856	96 305	–	120.1
1999	7.12.1999	85 500	97 350	86.9	124.1
2000	1.7.2000	92 000	103 008	88.1	126.2
2001	1.7.2001	95 600	100 959	91.3	133.8
2002	1.7.2002	98 800	101 457	94.2	137.6
2003	1.7.2003	102 760	102 760	97.6	141.3
2004	1.7.2004	106 770	104 189	101.0	144.8
% increases					
1984–2004		155.4	15.0	–	122.1
1999–2004		24.9	7.0	16.2	16.7

Wage Cost Index

An index which measures changes over time in wage and salary costs for employee jobs, unaffected by changes in the quality or quantity of work performed. Changes in wages and salaries resulting from changes in the composition of the labour market are excluded from WCI movements.

Consumer Price Index

An index which measures changes in the price of a 'basket' of goods and services which account for a high proportion of expenditure by metropolitan households.

Source: Tony Kryger, Statistics Section.

TABLE 2

Parliamentary salary—states and territories

Parliament	Salary is—	Current
		Salaries have effect from 1 July 2004 unless otherwise specified
Australian Capital Territory	Determined annually by the ACT Remuneration Tribunal .	\$87 826
New South Wales	\$500 less than annual allowance.	\$106 270
Northern Territory	\$3000 less than annual allowance.	\$103 770
Queensland	\$500 less than annual allowance.	\$106 270
South Australia	\$2000 less than annual allowance.	\$104 770
Tasmania	85.19 per cent of annual allowance. Percentage is determined by the Full Bench of the Tasmanian Industrial Commission.	\$87 541 Calculated at 85.19 per cent of \$102 760 Gazetted 24 May 2004.
Victoria	\$1442 less than annual allowance	\$105 328
Western Australia	Determined annually by WA Salaries and Allowances Tribunal .	\$109 816 from 1 September 2004

Source: L. Manthorpe from relevant legislation, determinations 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, 2004.
- Regulations are made by the Governor-General on the advice of executive government and gazetted—in this case see Commonwealth of Australia Gazette, No. S638, 22nd December 1999.
- 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.
- Remuneration Tribunal *1982 Review*, pp. 18–21 and [Report 1999/01](#), op cit., pp. 1–5.
- Remuneration Tribunal, [Explanatory Memorandum: Determination 2004/15 – Principle 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.

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