



MPs' PAY IN THE 2015 PARLIAMENT

FINAL REPORT

JULY 2015

Contents

Foreword by the Board of IPSA	3
One. Background to the consultation	4
Two. Responses to the consultation	7
Three. Our conclusions	12
Annex A. Determination on the MP salary	15

Foreword by the Board of IPSA

In this report we set out our decision regarding MPs' pay. In doing so, we add the final part of a series of changes to the way in which MPs are remunerated. All of the other changes have already been implemented.

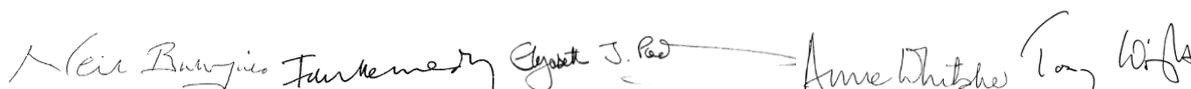
We have proceeded carefully and deliberately. We have examined the evidence and sought views. Now, as an independent body, we have reached our decision. This is what Parliament asked us to do when it gave IPSA the powers to determine MPs' pay and pensions in 2011.

No-one can be in any doubt that consideration of MPs' pay is a toxic issue. A thousand and one reasons can be advanced for putting it off. There is never a right time to do anything. But putting it off for decades led ultimately to disaster in the form of the expenses scandal of 2009.

What we are putting in place will settle pay for a generation. Adjustments, for example to the mechanism of indexation, can be made at the start of each Parliament, but otherwise the issue is resolved.

In reaching our view we have been mindful of the fact that the country is going through an extended period of austerity. Some saw this as a ground not to increase pay. We do not agree. As the evidence demonstrates, it is proper to make a one-off adjustment to pay, as part of a cost-neutral package of changes. But the circumstances of austerity have caused us to change our minds regarding the mechanism of annual indexation to be used for the rest of this Parliament. We initially decided on a measure which would reflect the movement of wages across the whole economy, not least because MPs represent constituents who work across the whole economy. Instead, we will apply a measure which reflects the movement of wages in the public sector. This, we judge, gives proper recognition to the many representations made to us about austerity.

MPs are an indispensable part of our parliamentary democracy. Our duty is to provide a package of remuneration which, while still modest by professional standards, does not deter people from entering political life, nor confine it to the independently wealthy. This is what our decisions are designed to achieve.



**Sir Neil
Butterfield**

**Sir Ian Kennedy
(Chair)**

**Elizabeth
Padmore**

**Anne
Whitaker**

**Professor
Tony Wright**

One. Background to the consultation

1. This is the final report in a series of consultations on MPs' pay and pensions which began in 2012, after IPSA was given the powers to determine MPs' pay in May 2011 and MPs' pensions in October of the same year.
2. The first wide-ranging consultation on MPs' pay and pensions, and other elements of their remuneration package, took place in October 2012¹, following a period of extensive gathering of evidence. This included public opinion polling, focus groups and citizens' juries. The resulting consultation was open-ended: it did not make firm proposals, but asked questions about all aspects of MPs' remuneration, and provided evidence on how MPs' pay compared with that of other professions, other representative bodies in the UK and overseas, and with national average earnings over the previous hundred years. The paper also examined alternative pension arrangements in detail.
3. A report on the first consultation was published in January 2013. It did not make recommendations on a remuneration package, but set out a framework and principles for further work. In July 2013, the second consultation was launched which contained proposals for MPs' pay, pensions, resettlement payments and some of their business costs and expenses.
4. A report on that consultation was published in December 2013 which proposed a new, cost-neutral remuneration package for MPs. Its main elements were as follows:
 - a one-off adjustment to MPs' pay, from £66,396 (as it was then) to £74,000, to take effect in the new Parliament from May 2015;
 - in future years, indexation of MPs' pay to changes in national average earnings;
 - reforms to pensions, with a move to a career average earnings system, lower benefits and reduced contributions, both for the tax payer and MPs themselves;
 - the ending of resettlement payments for MPs leaving Parliament, replacing these payments with arrangements more akin to redundancy payments;
 - a further tightening of some aspects of MPs' business costs and expenses;
 - a proposal that MPs should produce an annual account of their spending of public funds.
5. The intention behind the proposals was to bring MPs' pensions into line with those received by others in the public sector and, with regard to pay, to address the fact

¹ All the consultation reports mentioned here can be found at <http://parliamentarystandards.org.uk/payandpensions/Pages/default.aspx>.

that MPs' pay had fallen behind on a number of counts, as the result of the longstanding reluctance of the government and Parliament to tackle the issue. This meant that a greater proportion of MPs' remuneration was being taken in pensions benefits and hidden allowances rather than more transparently in their salary. In part, this contributed to the expenses scandal of 2009.

6. In respect of MPs' pay, we found that:
 - the ratio of MPs' pay to national average earnings had fallen from an historic average of 3.16, to 2.68;
 - a Senior Salaries Review Body (SSRB) recommendation to increase pay in 2005 had not been implemented;
 - a recommendation in 2008 by Sir John Baker, former Chair of the SSRB, to increase MPs' pay had similarly not been implemented;
 - in comparison with a range of broadly equivalent public sector professionals, MPs' pay had fallen to 78 per cent of the average, against a SSRB recommendation of 85 per cent.
7. The reforms to pensions and MPs' business costs and expenses are already in place, having been introduced on 8 May 2015, at the beginning of the new Parliament. Reforms to 'resettlement' (payments on leaving office) are also now in force: MPs who stand down now receive nothing, while payments to those defeated at the General Election in May 2015 were about half of what MPs received previously. In future, when MPs lose their seats, they will receive even less: an amount equivalent to twice the statutory minimum redundancy entitlement.
8. MPs' pay is the final part of the proposals for us to implement. This was delayed because IPSA is required, by legislation, to review MPs' pay in the first year of every Parliament.
9. That consultation was launched on 2 June 2015 and closed on 30 June. The paper summarised the previous findings and examined changes to the UK's economic circumstances since decisions were taken in December 2013. It concluded that:

We remain of the view that it is right to increase MPs' pay to £74,000 for all the reasons we set out in December 2013 and which we summarise above. Subject to any new and compelling evidence arising from this review, we therefore intend to implement the determination as currently drafted, with a one-off adjustment in MPs' pay to £74,000 and subsequently linking it to changes in average UK earnings for the remainder of this Parliament. The increase would be backdated to 8 May 2015.
10. There was a single consultation question: *Is there new and compelling evidence that might lead us to amend our determination?*

11. The remainder of this report examines the responses to the consultation, explains our thinking in light of those responses, and states our final decision.

Two. Responses to the consultation

12. We are grateful to everyone who replied to our consultation. Every response has been read and taken account of in producing this report. All responses, with the identity of the author, will be published on our website, unless the person responding has requested anonymity, or has asked that the response should not be published.
13. We received 394 responses, via email and post. 357 were from members of the public; 30 were from MPs and the political parties; and 7 were from other organisations and academic experts.
14. For the most part, those responding focused on the pay increase to £74,000 and did not comment on the indexation of MPs' pay in future. There was little challenge to our analysis of the UK's economic circumstances, other than to observe that there has been a difficult period of austerity and recession which affected many people.

Responses from the public

15. The majority of responses from members of the public were against the pay increase or, if not the actual increase, its timing. People often compared MPs' circumstances with their own. Austerity in the public sector was often cited as the reason for not increasing MPs' pay, or only increasing it in line with public sector pay.
16. There were some supportive responses. Generally these cited either the importance of attracting good quality representatives to Parliament, or of having a diverse range of people among MPs, and not just people who were independently wealthy.
17. Because of the volume of responses we can only select a few here to illustrate the range of opinion. All responses will be published on our website.

*I wish to place on record that I believe MPs in the UK are vastly UNDER-paid and that I fully support your recommendation to raise their pay by 10%. If we want quality people, we have to pay them appropriately. **Kevin Burch***

*Are you kidding me!!!!, how dare you increase MP's wages, we hear nothing but austerity this and austerity that, we have benefits capped, services cut and all other "needed austerity" measures and you have the tenacity to suggest a payrise to those already better off. IF WE HAVE TO FEEL THE AUSTERITY MEASURES SO SHOULD THEY "all in this together" was the line we were fed, more lies. **Paul Rudkin***

Whilst I agree with some of your paper reviewing the pay for MPs I have to completely and whole heartedly reject any substantial pay increase. MPs

*should be treated as public servants and should not receive preferential treatment with regard to pay... **Sami S. R Goldbrom***

*Whether MPs are paid fairly for what they do is irrelevant. Public Sector pay is being frozen. For you to insist MPs must accept your proposal is irresponsible. **Peter Quintana***

Responses from MPs, political parties and government

18. Many MPs made public their views in the press, on television and on social media. Many of these said that they would not accept the increase, or would pass it on to charity. By law, IPSA must pay MPs their salary. What they do with it is a matter for them.
19. 30 MPs responded in writing to the consultation. Their views were divided. Those who were supportive stressed the fact that IPSA was established as an independent regulator precisely to take decisions on difficult matters like MPs' pay, and that its decisions should be respected in that light. Those who stated opposition mostly referred to the circumstances of many of their constituents, which made it difficult for them to contemplate a significant pay increase.

Supportive

*I know I speak for the silent majority (who are not millionaires) to say this increase is well overdue... I hope common sense will prevail and this pay rise will be honoured. **Tobias Ellwood MP***

*I am supporting IPSA's recommendations as they have been done independently of Members. **Keith Vaz MP***

*IPSA... must work totally free from government influence. **Mark Field MP***

*In my view IPSA was established precisely to take away the responsibility of this sort of decision from the hands of MPs... MPs were traditionally unpaid. And parliament predicted when salaries were introduced that it would be a source of continual public disappointment and anger, as it has been... My fundamental conclusion is that an independent body such as IPSA is now and should be in the future the appropriate body to make recommendations - not MPs themselves. I believe IPSA has conducted serious research and comparisons. I believe they are in a better position than MPs to be objective. I would accept their recommendation. **Rory Stewart MP***

Opposed

...it cannot be right that Members of Parliament receive such a substantial increase, which will damage our standing with the constituents we serve, and once again lead to the reputation of Members of Parliament being

besmirched... Please think a bit again about this – at the very least you should put your report on hold with a view to implementing it when conditions allow.
Rt Hon Alan Johnson MP

I wish to put on record my objection to this pay rise. It is not even close to being appropriate at a time of fiscal restraint. I understand the logic entirely - bringing IPSA standards back into line with other industries. However whilst Public Sector pay remains frozen, I will object at every opportunity.
Johnny Mercer MP

If I were to accept a 10 per cent pay rise I would simply not be able to look the constituents I serve in the eye. I believe the vast majority of them would quite rightly be appalled. I strongly urge IPSA to provide a mechanism for MPs who wish to return any additional salary they receive that is over and above the amount awarded to other public sector workers in pay settlement to the Treasury so it can be put to better use.
Gloria De Piero MP

I would like to make absolutely clear that I am personally extremely uncomfortable with this rise. I did not ask for it and I do not want it. With cuts to services across the UK and the impact of austerity being felt in the communities I represent, there is no justification for such a rise. It is rightly hugely unpopular with the public, and does nothing to restore the reputation of MPs which was so damaged by the expenses scandal. I urge you to reconsider.
Alison Thewliss MP

In responding to this consultation, I am clearly setting out that I personally am refusing to be paid any uplift as part of this settlement. At a time when politicians are held in such low esteem, and as we represent those who have experienced hardship under the cost of living crisis while their pay and conditions have experienced real terms cuts. It is wrong to impose such an increase on already very well paid MPs.
Rachael Maskell MP

20. No written responses were received from the three largest political parties in the House of Commons: Conservative, Labour and the Scottish National Party. Responses from the Liberal Democrat, Green, Democratic Unionist and Ulster Unionist parties were against the increase.

The Liberal Democrats believe that the proposed increase in MPs' pay is inappropriate and unacceptable during a time of public sector pay restraint.... IPSA was established following the expenses scandal to remove responsibility for setting MPs' pay and expenses from our control. Nonetheless, we strongly urge you to reconsider these changes. My colleagues and I are also concerned because we would have expected IPSA to have implemented an agreed cost neutral package of measures together, rather than introducing elements of the package separately.
Tom Brake MP (Liberal Democrat Acting Chief Whip)

I wanted to take the opportunity to formally make known, as part of the consultation and review process, that I think any kind of pay rise, at a time of austerity for everyone else, would be hugely damaging to the reputation of MPs. I got clear feedback in the election campaign that the public do not support it, and I would urge IPSA to therefore not go ahead. **Caroline Lucas MP (Green Party)**

In this climate of ongoing austerity, it cannot be right that IPSA has produced the increased figures for MPs' pay it has. On behalf of the DUP I ask you therefore, as part of this consultation provided for by statute, that you go away and think again. The public are entitled to have their views clearly heard on this matter, and no legislation we in Parliament provided for, for this matter, can be said to be doing its job unless they are properly listened to. **Nigel Dodds MP (Leader of the Democratic Unionist Parliamentary Party)**

We respect the independence of IPSA as the body that was established by Parliament to determine what MPs should be paid. However, under current circumstances and constraints, in both the private and public sectors, it is our view that this proposed increase does not seem justifiable. **Tom Elliott MP, Danny Kinahan MP (Ulster Unionist Party)**

21. The Government responded with a letter from the Leader of the House of Commons. He noted that *"a pay rise of this nature at this time is not appropriate"*. The letter went on to describe the Government's commitment to cutting the cost of politics and improving the fortunes of the economy.
22. The Speaker of the House of Commons noted that the decision was a matter for IPSA; while the Parliamentary Contributory Pension Fund Trustees made a comment about IPSA's pension reforms.

If following the consultation MPs' pay is not increased to £74,000, the Trustees would expect that IPSA would revisit the pension element of the total remuneration package.

Responses from other organisations and the academic community

23. There were a variety of views expressed by other organisations. Those from the academic community were supportive of the proposals.

I cannot see any good reason why the planned increase to £74,000 a year for MPs should not go ahead as currently planned. This may not be a popular view but the careful research and consultation undertaken by IPSA would suggest that this is a fair and proportionate increase.... 'cheap politics' may not be the same as 'good politics'. **Prof. Matthew Flinders, Chair, Political Studies Association of the United Kingdom**

*IPSA could, of course, accept the government's view that now is not the time to increase MPs' pay by as much as 10.3 per cent and decide to increase the salary in line with government policy on public sector pay. However, to do so would merely postpone dealing with the problem IPSA was set up to solve... Having been set up to take the issues of MPs' pay, expenses and pensions 'out of politics', it would be sensible to let it complete its task. **Michael Rush, Emeritus Professor of Politics, University of Exeter***

24. The TaxPayers' Alliance recognised the importance of MPs' work, but did not support the increase.

*We don't believe that any new evidence needs to be put forward to amend the proposed pay rise, given that the evidence gathered in the previous consultation very clearly advises against a pay increase... In recommending the 10% pay rise, IPSA is doing MPs' a huge disservice as it is principally MPs themselves - rather than the bureaucratic and inefficient monster of a quango that is IPSA - who will take the hit for the decision. At this eleventh hour we urge IPSA to amend its determination or else show itself to be monumentally out of touch with the taxpayers whose interests they ought to be representing. **Dia Chakravarty, The TaxPayers' Alliance***

25. The SSRB did not respond, but Sir John Baker, its former Chair, did.

*I write fully to support the proposals... I congratulate Ipsa on the quality of their research, the balance and common sense of their thinking and recommendations, their regard for taxpayer interests, and also for their courage and determination to bring in this new deal on MPs' pay and expenses now. There are times when it is right to be unpopular, and this is one of them. **Sir John Baker, former Chair, SSRB***

Three. Our conclusions

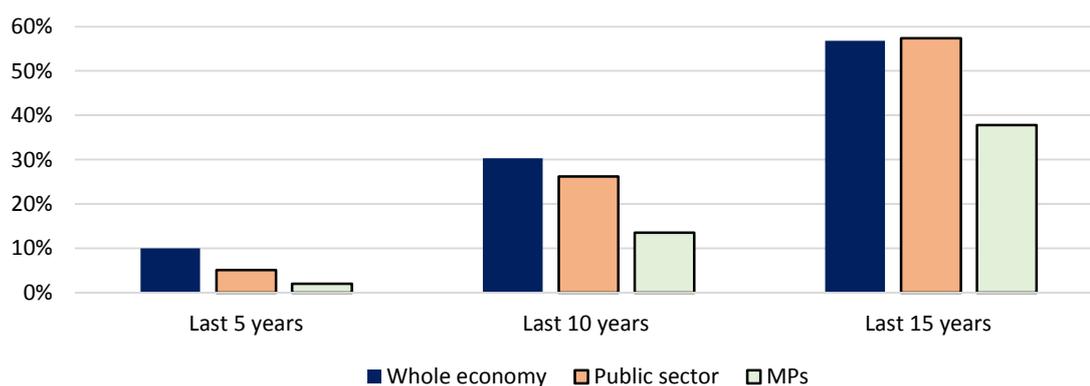
26. We are fully aware that the majority of the public who have either responded to the consultation, or have articulated their views on social media and through polls (such as that hosted by Change.org), are opposed to a significant pay increase for MPs. The recent austerity across the whole economy, but perhaps now more focused on the public sector, makes it difficult for anyone who has experienced falling real incomes to support a pay increase for MPs.
27. This opposition was just as (or even more) acute in 2013, when we first made our decisions on MPs' remuneration. We noted then that there is never a good time to increase MPs' pay, which is why Parliament and the government have so often avoided taking a decision. That hesitancy has led to a gradual erosion of MPs' incomes against many of the accepted comparators, and to the sort of practices which culminated in the expenses scandal of 2009.
28. The publicly-articulated political opposition to the increase was also strong, although we know from an anonymous survey of 100 MPs conducted by YouGov in October 2012² that many MPs feel that they should be paid more. Many are reluctant to speak out on the issue, because it can only lead to criticism.
29. IPSA was established as an independent regulator in order to take difficult decisions, without being swayed by the political circumstances of the time. We are not ignorant of these, nor of their difficulty. But we believe that there is a long-running problem with MPs' pay which needs to be dealt with decisively, and sorted out once and for all.
30. With that in mind, we have concluded that, during this consultation, we have not seen anything by way of evidence that is new or compelling such as to cause us to change our decision, made in December 2013, that the level of MPs' pay should be £74,000 per year, with effect from 8 May 2015.
31. There remains the question of indexation. Many people working in the public sector cite their experiences since the banking crash in 2008 as a reason for not increasing MPs' pay. As the economy recovers - albeit slowly, and with events in Greece creating further uncertainty - the disparity between growth in public and private sector earnings may widen. The Government has recently announced that public sector pay increases will be held to 1 per cent a year for this Parliament. But the

² See Annex D of MPs' Pay and Pensions: Final Report, December 2013 at <http://parliamentarystandards.org.uk/payandpensions/Document%20Library/Reviewing%20MPs'%20Pay%20and%20Pensions.pdf>.

Office for Budget Responsibility is forecasting that earnings across the whole economy may increase by more than 4 per cent per year over the medium term³.

32. With this disparity in mind, we have considered whether we should index MPs' pay in future to earnings growth across the whole economy, as we proposed in our consultation.
33. Over the longer term, data from the Office for National Statistics⁴ indicate that public sector earnings have grown faster than those in the private sector over the past fifteen years, and much faster than the pay of MPs. But for the past five years, public sector earnings growth has lagged behind that of the private sector. This is likely to continue for the next five years. When we made our determination in December 2013, the expectation was that public sector earnings would recover more quickly.

Pay increases across the economy, in the public sector and for MPs over the last 5, 10 and 15 years (to March 2015)



34. In addition, all historical comparators and benchmarks for MPs' pay have been within the public sector. Most members of the public and MPs who responded to our consultation also explicitly compared MPs' earnings with others who receive their salaries from the taxpayer.
35. Therefore, we have concluded that, for the remainder of this Parliament, we should index MPs' pay to changes in average earnings in the public sector rather than to earnings in the economy as a whole. We still espouse the principle that MPs represent all their constituents, and not just those in one sector. But we regard the continued circumstances of austerity over the next several years as compelling

³ See OBR's Economic and fiscal outlook, July 2015, page 10.

<http://cdn.budgetresponsibility.independent.gov.uk/July-2015-EFO-234224.pdf>.

⁴ Figures from the ONS dataset AWE Total Pay in EARN01, Average Weekly Earnings, published 17 June 2015. <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Weekly+Earnings#tab-data-tables>. Average weekly earnings for whole economy are in the KAB9 column; private sector is KAC4; and public sector is KAC7.

evidence. Thus we believe that, for the next five years, it is right that changes in MPs' pay should reflect those in the public sector, not least because GPs, hospital consultants and senior people in local government are also paid from funds from the taxpayer and get much more.

36. We will therefore change MPs' pay each April, for the remainder of this Parliament, on the basis of Office for National Statistics data on average weekly public sector earnings from the previous October. If these data show that public sector earnings have in fact fallen, then MPs' pay will be cut too.
37. We are obliged by statute to review MPs' pay at the beginning of each Parliament and we will review the indexation mechanism at that time.
38. Our determination can be found at Annex A. This is not subject to approval by Parliament or the government. MPs will receive the pay increase in their July 2015 salary. The increase will be backdated to 8 May 2015.

Annex A

Determination on the MP Salary

1. This determination was made by IPSA under Section 4 of the Parliamentary Standards Act 2009 on 16 July 2015 and comes into effect immediately. It supersedes the determination on the MP Salary which was made on 5 December 2013.
2. With effect from 8 May 2015, the salary for service as a member of the House of Commons will be £74,000 per annum (referred to as the "MP Salary").
3. With effect from 1 April each year, starting with 1 April 2016, the MP Salary will be adjusted by the rate of annual change in public sector average earnings.
4. For the purposes of this determination 'annual change in public sector average earnings' means the seasonally adjusted three month average change in public sector average weekly earnings ending in the previous October, compared with the same period a year earlier. These data are published by the Office for National Statistics monthly as the AWE-KAC9 series.
5. This determination will be reviewed in the first year of each Parliament, as required by Section 4 of the Parliamentary Standards Act 2009.