

MPs pay has risen sharply since the 1970s – but it is outside earnings that should really concern us

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By Democratic Audit UK

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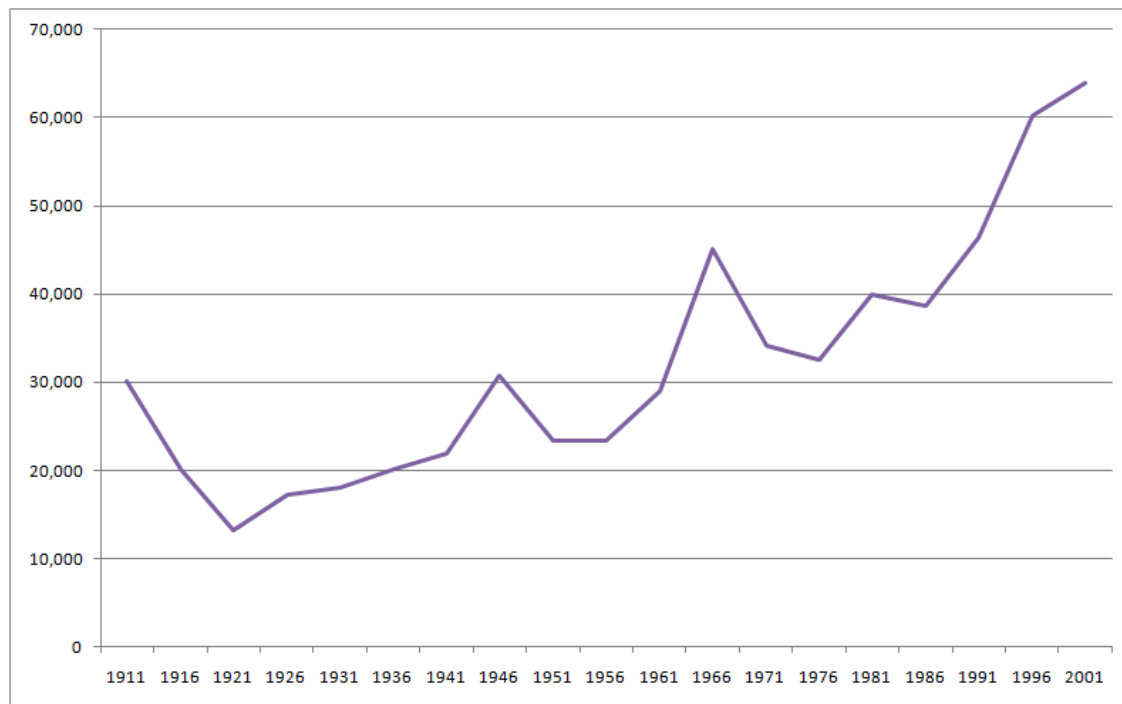
*There is a long tradition of elected representatives in the UK drawing income from activities ‘external’ to their work in parliament. In part, this tradition reflects the belated acceptance of a need to pay MPs a full salary. In the 2012 Audit of UK democracy, **Stuart Wilks-Heeg, Andrew Blick and Stephen Crone** looked at the history of MPs pay from both inside and outside of Parliament.*



While proposals to pay MPs date back to 1780, parliament opted to vote against introducing payments on at least [six occasions](#) in the nineteenth century. Indeed, MPs did not receive any payment for their role as parliamentarians until allowances of £400 per annum were introduced by David Lloyd George in 1911.

While allowances paid to MPs did gradually become defined as a salary, their value was only raised sporadically over the next 50 years, causing their real financial worth to decline. Only in 1946, when pay was raised from £600 to £1,000, was the real value of these payments restored to their 1911 level. Thereafter, as Figure 2.6b shows, MPs’ salaries fell again in real terms during the 1950s. By the 1960s, it was clear that some MPs were suffering genuine financial hardship.

Figure One: MPs’ salaries, 1911-2001, measured in 2009 prices



In 1961, Harold Macmillan was to dismiss complaints about poor pay and facilities by suggesting ‘an MP was free to conduct his personal affairs himself, subject to the accepted rules and conventions’. Such a state of affairs was, moreover, seen to be of benefit to Parliament itself. According to Whig conceptions of representation, which remained dominant for most of the twentieth century, ‘MPs’ professional and business interests gave them experience of the wider world, which could then be better [represented at Westminster](#)’.

In recognition of the failure of MPs’ pay to keep pace even with the level at which allowances had been introduced in 1911, the recommendations of the independent Lawrence Inquiry for an increase from £1,750 to £3,250 were accepted by government and passed by [parliament in 1964](#). However, the Lawrence Inquiry also reiterated the long-standing view that parliament benefited from the fact that many MPs earned income from other sources and that the increase in pay was primarily to ensure that members without access to such income could continue to serve in the role.

The real value of MPs’ salaries began to fall again from the mid-1960s and while recommendations for MPs’ pay were to be made by the independent Top Salaries Review Body (TSRB) from 1971 onwards, its recommendations for significant increases in pay were generally rejected by government. A similar pattern arose with the TSRB’s successor, the Review Body on Senior Salaries (RSSS) from 1993 onwards, although agreement was eventually reached in 1996 to set MPs’ pay in relation to senior [civil service pay bands](#). The result, as Figure One shows, has been a sustained increase in the real value of MPs’ pay since the mid-1970s, which accelerated sharply from the mid-1990s.

While the new register of members’ interests required only that the sources of outside income were declared, and not the amounts earned, it was immediately apparent that MPs had substantial outside interests. The 1976 register revealed that 29 per cent of MPs held company directorships and 21 per cent were employed in another capacity. In 1991, a total of 384 MPs had at least one form of commercial interest, holding 522 directorships and 452 consultancies between them.

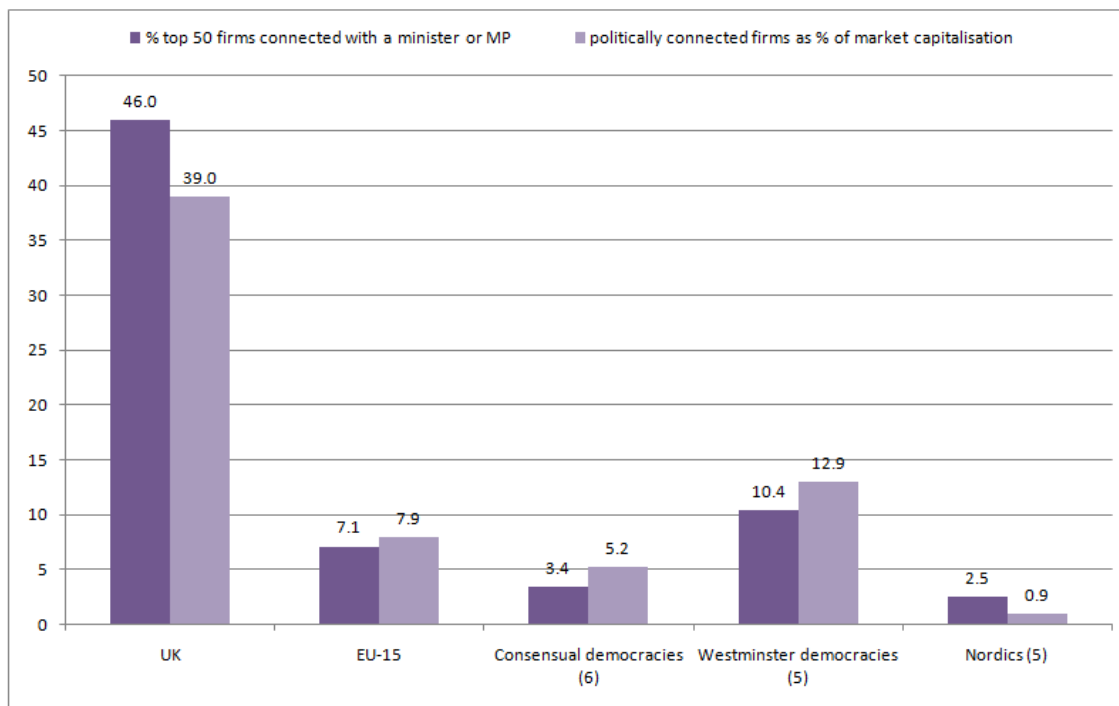
Yet, even at this point, concern that such connections might impinge on the integrity of MPs was still readily dismissed, reflecting the historical view that it was a ‘necessary or even desirable part of institutional duties for MPs to represent business, labour or other interests in Parliament, and [that] it was [equally proper](#) for them to have financial links, where appropriate, to such interests’.

Indeed, it was not until 1994 that this perspective was seriously challenged, as a result of the ‘cash for questions’ affair, in which Conservative MPs were accused of accepting payments and gifts to table questions in Parliament. As Allen [notes](#), this controversy suggested that ‘now, an unknown number of MPs were pursuing financial relationships with various interests simply to advance their own wealth’.

In the wake of the ‘cash for questions’ affair, the [Committee on Standards in Public Life](#) noted that ‘It reduces the authority of Parliament if MPs sell their services to firms engaged in lobbying on behalf of clients. This should be banned’. The committee also raised concerns about trade union sponsorship of individual Labour MPs, prompting the Labour Party to consent to ceasing the practice from 1995 onwards.

The committee proposed the introduction of a new code of conduct for MPs, as well as a new office of the Parliamentary Commissioner for Standards and the replacement of the Members’ Interests Committee with a new Standards and Privileges Committee. The committee also recommended that the register of members’ interests should include details of how much income MPs received via their external interests, and that it should be monitored more closely.

Figure Two: Corporate-parliamentary connections, UK in comparative perspective



It emerged in July 2008 that a confidential report, written by the deputy leader of the Commons, Helen Goodman, [had found](#) that second jobs were held by 66 per cent of Conservative MPs, 37 per cent of Liberal Democrats and 19 per cent of Labour MPs. It should be noted that these stark contrasts between the three parties will, in part, reflect the fact that Labour were in government at this time, with more than 100 of their MPs engaged in additional (paid) roles as members of the executive.

The number of Labour MPs with trade union sponsorship then fell to zero, owing to the practice being discontinued after 1995, while the proportion holding directorships or consultancies remained very low. By contrast, around 30 per cent of Conservative MPs were listed as company directors in 2007, and some 40 per cent were engaged as paid consultants. Indeed, [Faccio](#) found that 46 per cent of the top 50 publicly traded firms had a British MP as a director or shareholder – the highest for all 47 countries studied (the next highest-ranked OECD country was Italy with 16 per cent). As illustrated by figure two, the UK is unusual in the number of ties between its parliamentarians and its big businesses. As illustrated by Figure Two, the UK is unusual amongst established democracies in the number of ties between parliamentarians big business. Perhaps it is this, rather than the level of basic pay, which should concern us

most greatly.

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Note: This post is based on extracts from the [2012 Audit of Democracy](#), specifically section 2.6.3 'Regulation of election finance'. Please read our comments policy before posting. The shortened URL for this post is: <http://buff.ly/1jDigZX>

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Stuart Wilks-Heeg, Andrew Blick, and Stephen Crone are the authors of the 2012 Democratic Audit report.