

## INFORMATION NOTE

### Remuneration of Members of the House of Commons of Canada

#### 1. Background

1.1 This information note provides information relating to the remuneration of Members of the House of Commons of Canada. The scope of study covers the job nature and duties of Members, legal framework for Members' remuneration, how Members are remunerated, determination and adjustment mechanisms, current rate of remuneration and Members' total compensation package.

#### 2. Job nature and duties of Members

##### Job nature

2.1 The Parliament of Canada does not require Members to serve on a full-time basis. Hence, Members may take up outside employment. Under the interests registration mechanism, Members are required to register annually the source of any income greater than CAN\$1,000 (HK\$7,870<sup>1</sup>) that he or she has received during the preceding 12 months or will receive in the following 12 months. "Employment" is an option listed on the registration form as a possible source of income.

2.2 In the light of the workload of the House of Commons, the Parliament of Canada considers the membership of the House as a full-time job. In particular, many Members have taken the membership as their main occupation, although there are no restrictions on assuming any outside employment except for Ministers and Parliamentary Secretaries. Salaries paid to the Members of the House of Commons are essentially commensurate with those for full-time comparable jobs.<sup>2</sup>

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<sup>1</sup> Based on the average exchange rate of HK\$7.87 per Canadian dollar in 2011.

<sup>2</sup> Commission to Review Allowances of Members of Parliament (1998) p.103; and Legislative Council Secretariat (2004).

### Job duties

2.3 Members sit in the House of Commons to serve as representatives of the people who have elected them to that office. They have wide-ranging responsibilities which include activities in the Chamber, committees and their constituencies.

2.4 According to the *House of Commons Procedure and Practice*, in addition to participating in debates in the Chamber and in committees, conveying their constituents' views to the government and advocating on their behalf, Members also have responsibilities in many other areas:

- (a) acting as ombudsmen by providing information to constituents and resolving problems;
- (b) acting as legislators by either initiating bills of their own or proposing amendments to government and other Members' bills;
- (c) developing specialized knowledge in one or more of the policy areas dealt with by Parliament, and proposing recommendations to the government; and
- (d) representing the Parliament of Canada at home and abroad by participating in international conferences and official visits.

## **3. Legal framework for Members' remuneration**

3.1 Part IV of the *Parliament of Canada Act* stipulates the remuneration of Members of Parliament. Pursuant to *An Act to amend the Parliament of Canada Act and the Salaries Act and to make consequential amendments to other acts* (Chapter 16 of the *Statutes of Canada 2005*), salaries and allowances of Members are adjusted in accordance with the index of the average percentage increase in base-rate wages for each calendar year.

#### **4. How Members are remunerated**

##### Components of remuneration

4.1 The official website of the Parliament of Canada provides details of Members' remuneration. The remuneration of Members comprises salary and additional allowance.

##### *Salary or sessional allowance/indemnity*

4.2 Salary, also known as sessional allowance or sessional indemnity, is the regular remuneration received by every Member. It is stated as an annual amount but is paid monthly.

##### *Additional salary/allowance*

4.3 Additional salary/allowance are payable to Members occupying certain offices and positions so as to reflect their increased workload. In the House of Commons, the following Members are entitled to additional salary:

- (a) Prime Minister, Ministers and Ministers of State;
- (b) Speaker and Deputy Speaker;
- (c) Leader of the Opposition and leaders of other parties;
- (d) Secretaries of State;
- (e) House Leaders and Deputy House Leaders;
- (f) Whips and Deputy Whips;
- (g) Parliamentary Secretaries;
- (h) Deputy Chair and Assistant Deputy Chair of Committees of the Whole;
- (i) Caucus Chairs; and

- (j) Chairs and Vice-Chairs of standing and standing joint committees (excluding the Liaison Committee and the Standing Joint Committee on the Library of Parliament).<sup>3</sup>

### Members with additional responsibilities

4.4 There are two kinds of allowances for those Members with additional responsibilities:

- (a) car allowance; and
- (b) rent allowance.

4.5 Only the following office holders are entitled to car allowance:

- (a) Prime Minister;
- (b) Speaker;
- (c) Leader of the Opposition; and
- (d) Ministers.

4.6 Only the following Members are entitled to rent allowance:

- (a) Speaker; and
- (b) Deputy Speaker.

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<sup>3</sup> Additional salaries are not extended to the Chair and Vice-Chair of the Liaison Committee because the Liaison Committee is a committee of all standing committee chairs and is chaired by a Member who has already received an additional salary. Meanwhile, there is no Chair and Vice-Chair in the Standing Joint Committee on the Library of Parliament.

## 5. Determination and adjustment mechanisms

### Development of the mechanism

5.1 In the early days, parliamentary duties were considered to be part-time in nature. Sessional indemnity was introduced in 1867 to compensate the so-called "part-time" Members for losses incurred while they were in Ottawa, away from their homes and ordinary ways of earning a living.<sup>4</sup> The idea of membership in the House of Commons being a part-time job gradually diminished as the length of parliamentary sessions increased. The amount of sessional indemnity also rose as the sessions lengthened and Members' responsibilities grew. A pension plan for Members was established in 1952. By 1953, the job of a Member began to be considered a full-time occupation as the amount of indemnity no longer depended on the length of a session, and Members received an annual salary.<sup>5</sup>

5.2 In 1976, a requirement was added to the *Parliament of Canada Act* that the Governor General in Council was required to appoint a Commission to review parliamentarians' compensation within two months after each general election. The Commission's mandate was to independently assess and review the remuneration of Members, and to report to the Governor General in Council within six months of its appointment. After reporting to the Governor General in Council, the Commission's report had to be tabled in Parliament within 15 sitting days.

5.3 In January 2001, the seventh Commission chaired by Edward Lumley was established. The report of the Lumley Commission was tabled in Parliament on 29 May 2001. Based on the recommendations of the report, a bill (*Bill C-28*) was passed to amend the *Parliament of Canada Act* in June 2001. Under the 2001 legislation, the salary of the Prime Minister was set equal to that of the Chief Justice of the Supreme Court of Canada, and the salary of a Member was set at 50% of the salary of the Chief Justice. The annual adjustment of Members' salaries and allowances were also tied to the adjustment of judicial remuneration by making reference to the annual salary of the Chief Justice.

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<sup>4</sup> Commission to Review Allowances of Members of Parliament (1998) p.32.

<sup>5</sup> Ibid.

5.4 At the 2001 review exercise, the salary of Members was proposed to go up by 20%. It was because the Lumley Commission considered that parliamentarians were significantly underpaid. They were not only paid less than comparable groups, but their salaries had fallen further behind during the past 10 years. In view of the crucial role of the Prime Minister in both the legislative and executive branches of the government, the Lumley Commission opined that the Prime Minister's salary should be closer to that of the government's most senior officers. Hence, it recommended that the Prime Minister should earn the equivalent salary of the Chief Justice of the Supreme Court of Canada.

5.5 Under the 2001 legislation, changes to the compensation of the Chief Justice would be applied to parliamentarians. As remarked by Don Boudria (Leader of the Government in the House of Commons) at the second reading of *Bill C-28* in the House of Commons on 5 June 2001, after such change, Members would not have to be placed in the sometimes difficult position of having to decide their own compensation level. It would also make parliamentary compensation more accountable to Canadian taxpayers because it would be strictly based on the independent commission acted for the judiciary.

5.6 In April 2005, *An Act to amend the Parliament of Canada Act and the Salaries Act and to make consequential amendments to other acts (Bill C-30)* received royal assent. This legislation removes the provision linking increases in parliamentary remuneration to that of the Chief Justice, and pegs them instead to the index of the average percentage increase in base-rate wages for each calendar year.

#### Index of the average percentage increase in base-rate wages

5.7 While maintaining the amounts of Members' salaries and allowances in 2004-2005 as bases, both Members' salaries and allowances from then on have been adjusted in accordance with the index of the average percentage increase in base-rate wages for each calendar year. The base-rate wages are determined based on the major settlements negotiated in the private sector. This index is published by the Human Resources and Social Development Canada ("HRSDC") within three months after the end of each calendar year.

5.8 According to the technical notes provided by HRSDC, the "base-rate" wage is the lowest paid classification used for qualified employees in a bargaining unit.<sup>6</sup> "Major settlements" are the wage information on collective bargaining negotiations and settlements pertaining to all bargaining units of 500 or more employees in all industries and jurisdictions across Canada. There are over 1 000 such agreements covering approximately 2.5 million employees.

### Reasons for using the index

5.9 The reasons for using the index of the average percentage increase in base-rate wages for Members' remuneration adjustment were highlighted by Tony Valeri (Leader of the Government in the House of Commons) at the second reading of *Bill C-30* in the House of Commons on 8 December 2004. In Tony Valeri's speech, he explained that since the index tracked the wage settlements of the Canadian private sector, linking parliamentary compensation increases to this index would mean that parliamentarians fared neither better nor worse than the people whom parliamentarians represented.

5.10 As described by Tony Valeri, the use of this index was "clear, straightforward and very transparent". A number of advantages of the index were mentioned in his speech:

- (a) it is the only major index of private sector wage settlements that is widely available and easily accessible;
- (b) it is readily understood by everyone;
- (c) it is a fair and representative indicator of the general wage settlement trends in the economy, including primary industries, construction, manufacturing, wholesale and retail trade, transportation, education and health services, finance and professional services; and
- (d) it does not include wage increases negotiated by public servants. Since Parliament may need to legislate on public service compensation from time to time, using an index with a public sector component could in fact be perceived by some as putting Parliament in a conflict of interest.

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<sup>6</sup> A bargaining unit is a group of employees represented by a labour union in collective bargaining with a company or industry.

### Frequency of adjustment

5.11 The *Parliament of Canada Act* provides for annual adjustment of Members' remuneration. The salaries and allowances of Members are adjusted on 1 April each year.

### Restraint measures

5.12 The *Budget 2009* portrayed a significant reduction in projected revenues, particularly in 2009-2010 and 2010-2011, as a result of the deterioration of the economic outlook. In view of this, the government designed an Economic Action Plan for 2009-2010 and 2010-2011, when the economy was expected to be weak. On 6 February 2009, the government introduced *Bill C-10 (Budget Implementation Act 2009)* to implement the provisions of the *Budget 2009*. On 12 March 2009, this bill received royal assent. The *Expenditure Restraint Act*, or Part 10 of the resulting *Budget Implementation Act 2009*, had the effect of restricting the rates for wage increases for federal employees. In accordance with section 55 of the *Expenditure Restraint Act*, sessional indemnity and additional allowances of Members were to be increased only by 1.5% in 2009-2010.

5.13 In the *Budget 2010*, the government proposed to reduce the growth rate of its operating expenditures and improve efficiency while lowering the rate of growth in the size and operations of the public service. According to the *Jobs and Economic Growth Act*, which is an act to implement certain provisions of the *Budget 2010*, there would be no increases in respect of allowances and salaries to be paid to Members of the Senate and the House of Commons for the 2010-2011, 2011-2012 and 2012-2013 fiscal years. In other words, Members' allowances and salaries would be frozen until 31 March 2013.

## **6. Current rate of remuneration**

### Annual salary or sessional allowance/indemnity

6.1 The basic sessional indemnity for Members of the House of Commons is currently CAN\$157,731 (HK\$1,241,343).

### Annual additional salary/allowance

6.2 Members who have additional responsibilities, such as the Prime Minister, Speaker, Leader of the Opposition, Ministers etc., receive additional salary/allowance. For easy reference, only additional salaries of the Prime Minister, Ministers, Ministers of State, Secretaries of State, Speaker and Deputy Speaker, as well as Chairs and Vice-Chairs of committees are listed in **Table 1**.

**Table 1 – Additional salaries of selected office holders in the Canadian House of Commons**

<b>Office holders</b>	<b>Annual additional salaries</b>
Prime Minister	CAN\$157,731 (HK\$1,241,343)
Ministers	CAN\$75,516 (HK\$594,311)
Ministers of State	CAN\$56,637 (HK\$445,733)
Secretaries of State	CAN\$56,637 (HK\$445,733)
Speaker	CAN\$75,516 (HK\$594,311)
Deputy Speaker	CAN\$39,179 (HK\$308,339)
Deputy Chair of Committees of the Whole	CAN\$15,834 (HK\$124,614)
Assistant Deputy Chair of Committees of the Whole	CAN\$15,834 (HK\$124,614)
Chairs of standing and standing joint committees	CAN\$11,165 (HK\$87,869)
Vice-chairs of standing and standing joint committees	CAN\$5,684 (HK\$44,733)

### Car allowance and rent allowance

6.3 Only the Prime Minister, Speaker, Leader of the Opposition and Ministers are entitled to a car allowance. The amounts are as follow:

**Table 2 – Car allowance of office holders in the Canadian House of Commons**

<b>Office holders</b>	<b>Car allowance</b>
Prime Minister	CAN\$2,122 (HK\$16,700)
Speaker	CAN\$1,061 (HK\$8,350)
Leader of the Opposition	CAN\$2,122 (HK\$16,700)
Ministers	CAN\$2,122 (HK\$16,700)

6.4 Both the Speaker and Deputy Speaker also receive a rent allowance for accommodation purposes. The amounts are as follow:

**Table 3 – Rent allowance of office holders in the Canadian House of Commons**

<b>Office holders</b>	<b>Rent allowance</b>
Speaker	CAN\$3,000 (HK\$23,610)
Deputy Speaker	CAN\$1,500 (HK\$11,805)

## **7. Total compensation package**

7.1 In addition to the sessional allowance, Members are entitled to a pension plan, insurance plans, as well as medical and dental benefits. Members are also provided with a Member's Office Budget and a fully-equipped office in the Parliamentary Precinct in order to carry out their parliamentary functions.<sup>7</sup>

<sup>7</sup> According to the *House of Commons Procedure and Practice*, the term "parliamentary functions" is defined as "duties and activities related to the position of Member of the House of Commons wherever performed and includes public and official business and partisan matters but does not include the private business interests of a Member or a Member's immediate family".

## Pension

7.2 The pension plan for Members was first established in 1952. Under the *Members of Parliament Retiring Allowances Act*, a retiring allowance (pension) is payable to former Members who have contributed to the pension plan for a minimum of six years and who have attained age 55. Should a Member retire with less than six years of service, the Member receives a withdrawal allowance in a single payment.

7.3 The contribution rate for Members is 7% of their salaries. The government contributes to Members' pension as well. However, the government contribution rate varies from year to year and can be expressed as a multiple of Members' contributions. The ratios of government contributions to Members' contributions for the calendar year 2010 were 4.1 for the Members of Parliament Retiring Allowances Account and 7.6 for the Members of Parliament Retirement Compensation Arrangements Account.<sup>8</sup>

## Insurance plans, medical and dental benefits

7.4 Members and their immediate families are provided with a range of protection in the event of illness, disability or death. The following insurance plans are available to Members:

- (a) Public Service Management Insurance Plan (an optional life insurance plan);
- (b) Public Service Health Care Plan;
- (c) Dental Care Plans; and
- (d) Other Insurance Options (such as flight insurance and travel insurance).

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<sup>8</sup> Two accounts are maintained in the Public Accounts of Canada to record transactions under the pension plan: the Members of Parliament Retiring Allowances ("MPRA") Account and the Members of Parliament Retirement Compensation Arrangements ("MPRCA") Account. The MPRA Account records the transactions related to the benefits payable under the plan when these benefits accord with income tax rules for registered pension plans. The MPRCA Account records the transactions related to the benefits payable under the plan when the benefits exceed the limits imposed by tax rules.

7.5 Members are eligible for the Public Service Health Care Plan, a private plan sponsored by the Government of Canada for the benefit of federal employees. The Plan provides Members, their spouses and dependants with coverage for costs incurred for eligible services and products. According to Schedule IV of the Public Service Health Care Plan Directive, Members of the House of Commons are entitled to full employer-paid coverage. In other words, the House pays the full cost of the Plan for Members. Members are also entitled to participate in the Public Service Dental Care Plan. The cost of the Plan for Members is also fully paid by the House.

### Member's Office Budget

7.6 The House's Board of Internal Economy provides Members with an annual Member's Office Budget ("MOB") to pay employee salaries (both in Ottawa and constituency offices), service contracts, some operating and travel costs, and other expenses as determined by the Board. Members are responsible for the management of these resources.

7.7 MOB consists of a Basic Budget and, for those who represent densely populated or geographically large constituencies, an Elector Supplement<sup>9</sup> and/or a Geographic Supplement.<sup>10</sup> Members whose constituencies are listed in Schedule 3 of the *Canada Elections Act* also receive a Schedule 3 Supplement. MOB is allocated each fiscal year on 1 April.

7.8 In 2010-2011, the basic budget for all constituencies was CAN\$284,700 (HK\$2,240,589). On top of this, Members who represent densely populated constituencies also received an Elector Supplement, ranging from CAN\$8,700 (HK\$68,469) to CAN\$52,140 (HK\$410,342). Members who represent large constituencies received a Geographic Supplement, ranging from CAN\$4,810 (HK\$37,855) to CAN\$52,900 (HK\$416,323). Members who represent constituencies listed in Schedule 3 of the *Canada Elections Act* received a Schedule 3 Supplement of CAN\$16,830 (HK\$132,452); however, Members representing Western Arctic and Nunavut received CAN\$20,200 (HK\$158,974).

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<sup>9</sup> Members who represent densely populated constituencies receive an Elector Supplement. This graduated supplement is added to the Basic Budget when there are 70 000 or more electors on the Final Lists of Electors in the Member's constituency.

<sup>10</sup> Members who represent constituencies with 500 sq km or more receive a graduated Geographic Supplement.

### Travel Status Expenses Account

7.9 The Travel Status Expenses Account allows Members to charge some travel-related expenses they personally incur while in travel status. In 2010-2011, the amount allocated to each Member was CAN\$25,850 (HK\$203,440).

### Services provided by the House and the Constituency Office Furniture and Equipment Improvement Fund

7.10 In Ottawa, Members are provided with a furnished office within the Parliamentary Precinct that includes standard computers and office equipment. The House Administration provides services to Members, including mail, messenger, printing and telecommunications. These services are generally charged against the House Administration's budgets and are subject to certain conditions.

7.11 In the constituency offices, most operating expenses, such as leases, equipment and maintenance, are charged to MOB. However, one of the House Administration's central budgets called the Constituency Office Furniture and Equipment Improvement Fund allows Members to charge up to CAN\$5,000 (HK\$39,350) per fiscal year in office furniture, equipment, computers and peripherals if purchased from the House Administration's standing offers.

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