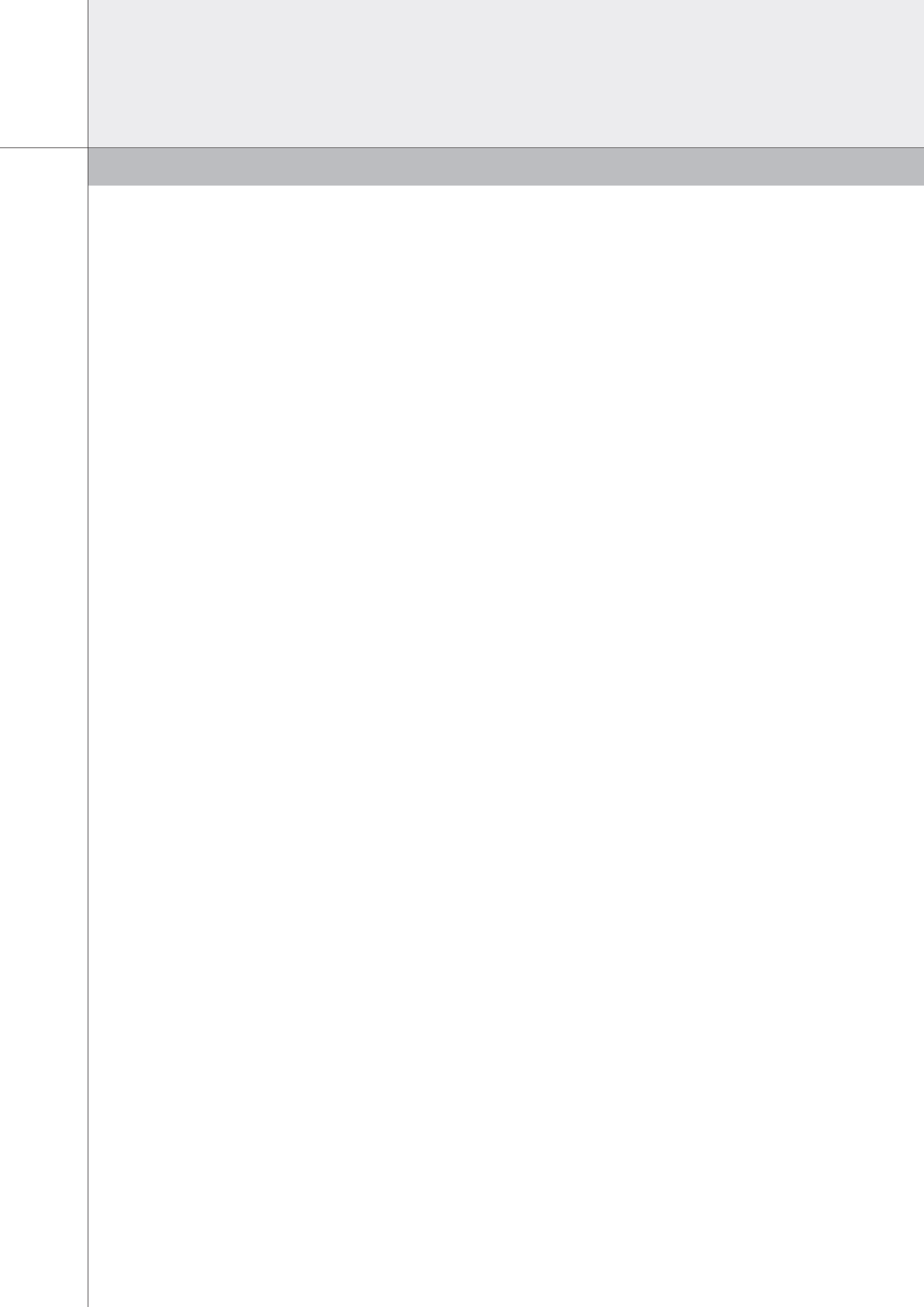


# What price democracy?

Mayoral and councillor  
remuneration



resource book



# What price democracy?

Mayoral and councillor  
remuneration

## **What price democracy?**

### **Mayoral and councillor remuneration**

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Published by the Victorian Local Governance

Association, G06, 60 Leicester Street,

Carlton South 3053

Telephone: (03) 9347 2233

and printed on environmentally friendly paper  
by BR Printing

© VLGA Inc. February 2005

VLGA Incorporation number A0032212V

ISBN 1 876683 19 8

## **Acknowledgements**

This Report has been prepared by Kate Nash for the Victorian Local Governance Association.

We acknowledge the substantial work of the Councillor Issues Working Group (CIWG). Members of the CIWG are Cr Beth Davidson (Chair), Cr Lysette Ashford, Cr Michael Cheshire, Cr Margaret Guidice, former councillor Ian Wallace and VLGA Director of Policy and Projects Leigh Snelling.

The CIWG thanks Caterina Pagoudis who undertook historical research for the project during a university placement.

Finally, grateful thanks to Silverman Dakin, Human Resources Consultants, for their generous sponsorship of this publication.

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# President's foreword

**T**HE VLGA is a passionate advocate for a professional effective local government sector. Local government is the sphere of government where citizens can meaningfully influence decision making that affects their daily lives. In a time of increasing political alienation, the local level of government provides genuine opportunities for citizen engagement. In a globalising world we take comfort and succour at the local level. Expectations of local government by the communities they serve, by other spheres of government, by local business and industry have increased rapidly since amalgamation. For these and other reasons it is important to maintain and build a strong local government sector, particularly at the level of representation.

The political arm of local government makes the decisions, and formulates the policies that direct the officers and their actions. Councillors have legal responsibilities under the Local Government and other Acts. They are expected to actively represent, govern and promote the communities they

serve yet are paid a nominal fee for their service which does not acknowledge the responsibilities and complexities of the role. Voluntarism is an outdated concept for this complex role, and there are many benefits to the community and other levels of government in moving to a more modern approach.

Presently the nominal reimbursement received, which is unrelated to time and responsibilities, acts as a deterrent to encouraging a greater diversity of candidates to stand for election. Democracy appears to thrive at the local level but it could certainly be strengthened by having more truly representative local governments that reflect community needs, and aspirations.

Many Mayors and councillors remark how much busier they are becoming as their representational, advocacy, planning, service delivery, and governance roles broaden. The VLGA firmly believes that the time for a salary system which acknowledges their work and responsibilities has come.

**Julie Hansen**  
**VLGA President**

# Introduction

*“I believe that when we come to learn more of the functions of Members of Parliament we shall be disposed to value their services more highly than we do at present, and that when the country comes to estimate the services of legislators as they deserve to be estimated, it will be...willing to give them ...a salary equal to the highest which any public servant in the community receives for the work which he does.”*

**W**ITH THESE words the Leader of the Opposition in the Parliament of Victoria in 1894 foreshadowed one of the key arguments in currency today concerning payment of salary to councillors and Mayors.

In fact, both sides of the contemporary debate about payment of local government councillors and Mayors closely mirrors the debates of the 19th and early 20th centuries concerning remuneration of state government politicians.

There is increasing recognition of the breadth of knowledge and expertise required for local government roles, and a real concern about the quality of democracy when a key level of government is dominated by members of one class, one gender and one age group. It is also important for potential councillors to know that the level of their remuneration will reflect the importance of their contribution to their communities.

The purpose of this report is to increase the awareness of the issues of Mayoral and councillor remuneration and put forward some principles for this discussion. In doing so it will highlight the injustice, and the problems for democracy, of the current allowance system.

The VLGA believes that the current system of allowances as a means of remunerating people with governmental responsibilities is an anachronism rooted in 19<sup>th</sup> century thinking. It is a totally inappropriate way to reward active community leaders in the 21<sup>st</sup> century.

# Executive summary

**1.** TAKEN TOGETHER, the Kennett and Bracks Government innovations clearly increase the responsibilities and accountabilities of local governments in relating both to their citizens and to the State Government.

**2.** COUNCILLOR AND MAYORAL roles, responsibilities and accountabilities have expanded significantly over the past decade, first through amalgamations and the organisational restructuring that followed, and then through a broadly-based rise in community and State Government expectations of their performance ranging from fiscal management and accountability to community strengthening and advocacy.

**3.** WHILE THERE may be argument about the number of hours councillors need to spend to fulfil their Council role, the universal consensus is that the role has expanded considerably since the amalgamations.

**4.** THE WORK of councillor is essentially the same in all Councils. There is no rationale for differential rates of payment in different local governments. A thorough work value analysis is required to settle this argument.

**5.** ONE OF THE central principles of democratic governance is that the opportunity to undertake a representative role is open to all citizens. The current payment system acts as a barrier to access and equity in representation, and can therefore be said to undermine the basis of democracy.

**6.** THE CURRENT composition of Councils is not representative of the makeup of the communities they are elected to represent. For example, the gender profile of councillors has changed over recent years. Although women now comprise 29% of Victorian councillors, this is significantly less than their representation in the community.

In fact, many sections of society are demonstrably discouraged from seeking representative roles. The present arrangements also make it difficult for people who are unable to be flexible in their working hours and those who have no other income than the councillor allowance.

**7.** NOTIONS OF volunteering and voluntary community service are changing in our society and are an outdated basis for a community's political representation. Local government is a sphere of government, democratically elected, as are Federal and State parliaments. The contention that politicians at local government level should give their services for a nominal payment to represent and make decisions for their community, while their colleagues at State and Federal levels are paid salaries that reflect the value of their work and their contribution to society is inequitable and does not stand up in logic, nor in commonsense.

**8.** THERE ARE historical parallels for councillor remuneration in the arguments developed over time in other spheres of government.

# Executive summary

Common areas of concern relate to:

- the difference between an allowance and a salary
- the level of remuneration to be paid
- the impact on superannuation of an allowance-based remuneration
- the consequences for democracy of a system that relies on candidates having independent means to support themselves and their families
- whether higher paid politicians would encourage the ‘wrong sort of person’ who would be ‘simply in it for the money’ rather than from a wish to serve the community
- whether increasing remuneration for politicians would be understood and accepted by voters.

It took 50 years to settle these major questions in regard to state MPs. Allowing another 50 years to elapse before a settlement is achieved that is fair and acceptable to communities and their representatives at this level of government would be to miss an opportunity to strengthen local government.

## Recommendations

**That principles be established by which remuneration is paid to elected members in local government, and that these principles be aligned to those for elected members in other spheres of government.**

**ACTION:** State Government to sponsor a research project to engage local communities, key local government bodies and all levels of government in a rigorous process of investigation and public debate on principles to underpin remuneration of local government representatives.

**9.** MOST OF the deliberations leading to the establishment of acceptable remuneration at the levels of Federal and State government have referred to “principles”. These are in some instances directed to the processes for establishing the remuneration, for example, a Remuneration Tribunal. Others focus on the nature and extent of the remuneration itself. Still others again concern themselves with the practicalities and ethics of the form of remuneration and the financial position of office holders themselves.

It is clear that there is no agreed set of principles to determine councillor and mayoral remuneration at the third sphere of government.

There is an urgent need for a set of principles, grounded in democratic theory and practice and acceptable to all stakeholders – local communities, sector organisations and other levels of government. This would be achievable through a rigorous community debate that is informed by appropriate research and effective processes for dialogue.

**That a reference salary be identified, and a mechanism put in place for adjusting councillor and mayoral salaries which recognises both local autonomy and the broader community value of the work undertaken by these democratically elected representatives.**

**ACTION:** A working party comprising State and local government representatives, relevant community organisations and acknowledged experts to propose a reference salary and mechanisms for implementation and review.

# Part 1

## Local government in 2004

### 1.1

## Local government in Victoria — post amalgamation

**S**INCE ITS formation in 1999 the Bracks Government in Victoria has in some key respects adopted a progressive and forward-looking approach to Local Government. Following the amalgamations effected by the Kennett Government, these reforms restored and extended democratic government at the local level. Both sets of reforms resulted in an expansion in the role and responsibilities of councillors in Victoria.

In 2003 the Government reformed the Victorian Constitution Act 1975 to formalise the status of Local Government as a “distinct and essential tier of government in its own right... (with) the requirement that any future changes must first be approved by a referendum.” [Minister Broad in Foreword to *A guide to the Local Government (Democratic Reform) Bill.*] In the same year it introduced into Victorian law the Local Government (Democratic Reform) Act 2003. Together these initiatives established “guiding principles” for Local Government that “concern accountability, equity and probity and encourage Councils to behave in accordance with the greater responsibility conferred on them by the Constitution.” [*Local Matters* No 2, 26<sup>th</sup> Aug 2004]

Introducing the Government’s policy for Local Government in September 2000, then Minister Cameron emphasised “...the diverse responsibil-

ities and commitments of elected representatives at the important grass roots level of government.” These included “the important principles of community leadership, transparency of process and flexibility” and “reflected the Government’s commitment to fiscal responsibility, increased accountability and enhancing the effectiveness” of local government. [*Flexibility and Accountability: the Victorian Government’s New Approach to Councillor and Mayoral Allowances*, September 2000]

Since the Bracks Government took office in Victoria, local governments have been required to review the effects the Compulsory Competitive Tendering policy and reformulate their services under Best Value principles; they have also been required to report to their communities and the State Government in new formats. In the words of the Victorian Councillor Allowances Review Panel in June 2000, “Not only has the period following amalgamation created significant challenges as well as opportunities for local government generally but emerging issues such as the introduction of best value principles will need to be embraced by progressive, strategically focussed local governments.” [p.1]

Following amalgamation, local governments have also sought to be more responsive to community needs and expectations.

## Conclusion

**Taken together, the Kennett Government and the Bracks Government innovations clearly increase the responsibilities and accountabilities of local governments in relating both to their citizens and to the State Government.**

### 1.2

## Role of councillors — post amalgamation

**E**NLARGEMENT of the roles of councillors and Mayors was initiated by amalgamations in 1995, when 210 municipality and shire boundaries were redrawn to give a total of 78 local governments in Victoria. The 1997 report to that Government on Councillor and Mayoral Allowances reinforced the view of an earlier panel in 1995, the Local Government Board, in this way: “Councillors have had to shift their focus from the minutiae of the day to day involvement in the administration of Council policy, programs and operations to one of embracing the ‘bigger strategic issues’ in preparing their municipalities for the future.” [p.20]

The same report provided a definition of “key elements...essential to the councillor’s role:

- Strategic management which encompasses resource allocation, policy development and performance review;
- Leadership in which the councillor, as part of the governing body, has responsibility for defining and articulating the broad objectives of Council; and
- Representative responsibility which includes community consultation.” [p.21]

In June 2000 the Councillor Allowances Review Panel noted that “The local government sector continues to evolve. An enhanced government role and more sophisticated strategic planning are now required of councillors” and went on to say that “The roles of councillors span governance, civic and advocacy responsibilities. Councillors and Councils are the first level of democratic government contact for most citizens.” [p.12] Further into the same report a comparison is drawn between councillors and members of boards of statutory authorities, with the observation that “Councillors and Mayors are

undoubtedly more exposed to local community scrutiny of their activities and decision-making, and they also have a significant and onerous representational role.” [p.19]

In 1999 the sector associations (MAV and VLGA) collaborated to establish a Good Governance Panel. Its report documented some significant elaborations of the traditional councillor role, including the following:

- “To contribute to a strategic vision for the municipality – shared by the Council and its citizens...
- “To think and act strategically in establishing policies and priorities and allocating resources
- “To foster democratic participation, community cohesion, the development of active and aware citizenship...and the building of better communities
- “To monitor and assess the extent and effectiveness of... performance of the organisation (and) Council’s performance.” [Doing it Ourselves – Showing the Way 1999 pp.28-29]

In relation to the role and function of the Mayor, the VLGA articulated a detailed and extensive description for its members to aspire to. Under the headings of Leadership, Representative and Ceremonial roles it included “...to embody the community’s democratic leadership and provide a symbol of democracy to the community...to take ultimate responsibility for Council’s financial and management performance...to maximise community access to Mayor and councillors (and) administration.” (VLGA, Mayoral Checklist)

In 2003 the State Government passed the Local Government (Democratic Reform) Act. This Act,

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## Local government in 2004

amongst other provisions, stipulated a comprehensive Code of Conduct for councillors, financial management principles and practices for Local governments, and a schedule of plans for and reports on their operations to be generated by local governments.

Following a Commission of Inquiry into one Victorian local government's financial situation, it was observed that "The unmistakably clear message which has emerged...is that councillors need to ensure they are able to understand the accounting issues which go to the heart of the financial sustainability of their municipality." [Hutchison, 2003, p.33]

The 2003 report *Moving On* which examined the retirement of women from local government tackled the changing role of councillors from a different angle. On the basis of interviews with 19 of the 21 women who retired from Victorian local governments at the March 2003 elections,

the author concluded that "...the low level of remuneration was also seen as a disincentive for the participation of more talented and qualified people. Seen as a priority across the board, attracting such people was particularly important in the light of additional demands placed on councillors in the post-amalgamation period" [p.38]

In a recent communication to local governments and councillors Minister Broad made particular mention of the importance of asset management: "Local government has to meet the challenge of managing their assets responsibly and effectively and should take every opportunity to increase their capacity to enhance that wealth... The range of infrastructure entrusted to Councils is extremely diverse, and is valued in excess of \$23.3 billion which is a massive responsibility and which requires a powerful suite of strategies and policies to manage effectively." [Local Matters No.2, August 2004]

## Conclusions

**Councillor and Mayoral roles, responsibilities and accountabilities have expanded significantly over the past decade, first through amalgamations and the organisational restructuring that followed, and then through a broadly-based rise in community and State Government expectations of their performance — ranging from fiscal management and accountability to community strengthening and advocacy.**

### 1.3 Workload of councillors

**T**HERE appears to be broad agreement that expansion of the roles and responsibilities of councillors since the amalgamations of the 1990s has resulted in increased workloads. However, argument about the nature and extent of the increase persists.

The Kennett Government's 1997 review expressed the view that "Apart from regularly scheduled Council and Council committee meetings, the remainder of activities for Mayors and councillors should generally be constrained to civic receptions and community functions or responding to other invitations which may come from community or local government organisations." However, it did concede that "There will also be times when councillors are approached by residents or other persons..." [p.10]

After "extensive consultation with Mayors and councillors, municipalities, industry organisations, Members of State Parliament, professional organisations, members of the community and the media" this review reported "...the expectation by the general public that Mayors and councillors should receive reasonable reimbursement..." It went on to say that "Industry associations also provided strong evidence that the workloads for Mayors and councillors under the restructured 78 municipalities are now much greater than was the case when 210 Councils were operating" [p.7]

The 2000 review panel report commented on "the changing nature and complexity of the mayoral roles" and noted that "Councillors are typically reported as spending 20 – 30 hours per week on Council related activities and Mayors between 30 – 50 hours." [p.11] It went on to acknowledge that "There is considerable report-

ing of significant time commitments and workloads of councillors and Mayors particularly since the re-structuring of Councils in the mid-1990s." [p.12]

This review also asserted that "councillor and mayoral workloads vary and are influenced by community expectation, as well as the individual's personal, family and other work commitments – and their ability to balance these." [p.11] It went on to say that "... a number of councillors expressed the view that they could not afford to stand another term of office based upon existing allowances" and, further on, that "There is considerable reporting of significant time commitments and workloads of councillors and Mayors particularly since the re-structuring of Councils." [p.12]

#### Allowance or salary?

It is noteworthy that both the 1997 Kennett Government review and Bracks Government review in 2000 concluded that councillor and Mayoral reimbursement should continue to be paid as an allowance rather than a salary, partly on the grounds that this would reflect less-than-fulltime commitment. In 2000 the Review Panel determined that "...the allowance should be considered a 'fee for office' and reflects a less than full-time role." [p.18] This resonated with the 1997 Panel's statement that it "...does not support introduction of a new system of payment to Mayors and councillors which would be based on a weekly time-sheet with a maximum number of hours 'worked' each week, with payment to be made at a set rate per hour." [p. 9]

Over the past decade there has been considerable community discussion of part-time employment

for salaried, professional workers. It is difficult to see why part-time employment status for Mayors and/or councillors should continue to be regarded as an inappropriate basis for the payment of a salary.

One curious argument often advanced and found in both the 1997 and the 2000 reviews, is that if councillors were to be paid a salary (rather than an allowance) they would then become employees of the local government and potentially in competition with employed officers. The 1997 Review was of the view that “Payment of an hourly rate infers that a councillor is effectively an employee of the municipality, and that the payment is either wages or a salary.” [p.9] Later in the same report this review argued that “Any proposal for a full-time Mayor infers an executive role which is totally incompatible with the legislative role of a Council’s Chief Executive Officer.” [p.15] Finally, the 2000 Review, after consulting the Solicitor General, concluded that “...the relationship between a Council and a councillor was not one of ‘employer and employee’ and as such a councillor does not receive ‘wages or a salary’ as remuneration for their services [p.13]

It is worth noting that these conclusions are not similarly applied to Members of State and Federal Parliaments, nor to members of boards of statutory authorities. To apply them to Mayors and councillors defies common sense.

In fact, the 2000 Review did suggest some comparability with Members of Parliament when it recommended that “Councillor and mayoral allowances should be index-linked annually to the Average Weekly Ordinary Time Earnings”

[p.23], which is the basis for review of both State and Commonwealth MPs.

### Differential payments

There is a view that the workload of councillors is likely to vary between municipalities, on the basis of variation in such parameters as population size or size of municipal budget. The report of the 2000 Review adopted as a “principle” that “Each municipality is unique and faces its own mix of challenges, demands and community expectations” [p.3] Further, in its covering letter to the Minister this Review said “We accept that there is a desire for a greater level of self regulation and autonomy with regard to setting allowance levels.” [p.1]

An alternative view holds that councillor roles, responsibilities, functions and powers are defined by the Local Government Act which applies equally to all municipalities. A rich and vibrant democracy depends on councillors being fully engaged in the fulfilment of their responsibilities and able to commit their time and experience to the role.

It is not possible to make a case for remuneration ‘bands’ such as currently apply (see Appendix A) and which distinguish between municipalities on the basis of such factors as population, revenue base, developmental, environmental or social context. These factors have little bearing on the work of councillors, which is defined equally for all. The current system allows for a wide variation of payment levels for people with equivalent legislative and governance responsibilities.

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In other jurisdictions arguments about the relative value of work performed has been settled by an assessment of the value of that work. A thorough work value analysis of the work of

Mayors and councillors has never been conducted. In the absence of reliable data there is no rationale for differential rates of payment.

### Conclusions

**While there may be argument about the number of hours councillors need to spend to fulfil their local government role, the universal consensus is that the role has expanded considerably since the amalgamations and is defined equally for all local governments by the Local Government Act.**

**The argument about whether the work of councillor is essentially the same in all local governments can only be settled by a thorough work value analysis. In the absence of this there is no rationale for differential rates of payment in different local governments.**

### 1.4 Democratic participation

**D**EMOCRACY is generally based on the concept that the opportunity for representation is open to all citizens. A fair and inclusive society demands no less. However, the reality falls well short of this at the level of local government. Hours of work, the workload itself and the level of remuneration are all impediments to individual citizens considering this path into public life.

“The principle of payment of members is indorsed by the Democracy of this country. It is a well established principle and if the Government recognises it they should stand by it but if not, dispense of it altogether and let rich men get into this House.” [Hansard 1919: 3192]

This contribution to debate in the Victorian Parliament in 1919, asserting payment of Members as a key factor limiting the extent to which the Parliament reflected the makeup of the population, could equally apply to local governments in the 21<sup>st</sup> century.

Eighty years later, the 1997 Review of Councillor and Mayoral Allowances referred to the 1995 report of the Local Governance Board which reported that “...it was generally acknowledged in submissions to the Board that inadequate remuneration could limit availability of some people to stand for Council.” [p.22] And further, that “Participation in local government does have a ‘cost’ and most people would agree that the level of allowances for the Mayor and councillors should be sufficient to reduce possible barriers to participation and to attract a wide variety of candidates for local government elections.” [p.25]

The 1997 Review also included the following submission from Susan Davies MP: “The days of

the landed gentry or vested interests with time and money to voluntarily serve as councillors has gone.” [p.25]

In June 2000 the Victorian Council Allowances Review Panel noted in its covering letter to the Minister “...we consider that demands placed on Mayors and councillors should be acknowledged by ensuring that the level of allowances does not inhibit participation at the first level of democratic government.” [p.1]

This review also drew attention to barriers to participation by particular groups, such as “...young people, those less able to balance work and Council demands, those with family responsibilities” and referred to “...time demands and ‘financial opportunity costs’.”

The 2003 report *Moving On: Women and Retirement from Victorian Local Government* is based on interviews with 19 of the 21 women who retired from Victorian Councils at the March 2003 elections. In exploring the topic of “Women, Work & Remuneration”, the report identified some key findings. These included:

- For many women, conflict occurs between the need to earn a viable income and the demands of Council
- The culture and practices of most Councils are geared to those who have a high degree of flexibility in their working lives or who are not in paid work
- A number of individuals changed their work to part time or retired from work to fulfil Council requirements
- For business owners, involvement in Council means less time to ensure the growth and stability of their business
- If the allowance is not seen to adequately compensate people for Council, those who

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need to earn a liveable income will find it more difficult to participate

- The taxable status of the allowance and the absence of superannuation, workers compensation, holiday, family and sick leave were significant issues [p.35]

The *Moving On* report observed that “...one of the main reasons for leaving was the need to find full time work or earn more money...The relationship between paid work and Council work has broad implications for who is able to stand for Council...it will be difficult, for example, for people who have to earn another income to support others or for single people with no other means of support.” [p.36] To this list we might add people from culturally and linguistically diverse communities, people with disabilities and Aboriginal or Torres Strait Islander citizens.

This report also noted that “...the low level of allowance has implications for who is able to participate in Council. ...As a result of this, councillors were reported as being over-represented by those who are not in paid employment (particularly retirees) or who work under more flexible conditions...if the allowance does not compensate people for lost earnings to an adequate extent, those who need to continue to earn an income will find it much more difficult to be able to afford to participate.” [p.38]

As well as the allowance itself, “Other important issues include the absence of superannuation, a key concern for women who often have interrupted working careers. .... Attention should be given to alternative payment structures, in particular changing from an allowance to a salary with associated conditions.” [p.39]

The NSW Local Government Remuneration Tribunal claimed that there was no evidence “... to support the assertion that increased fees attracted better Council candidates” [Hutchison, 2004, p.36] However this view does not acknowledge that the current system creates barriers to participation; in fact there is evidence, as demonstrated above, to support the assertion that the current levels of remuneration exclude many candidates.

### Councillor profile

A councillor census undertaken in August 2003 by the Municipal Association of Victoria found that:

- 71% of councillors were male
- The most common age for both men and women councillors was 46 – 55 (with 70% over 45 years of age)
- Just 2 councillors were Aboriginal or Torres Strait Islander
- 66% had no children under 16 years of age
- 75% had no other dependents living with them
- 60% were self employed, with the largest occupation category (27%) being that of primary producer
- 81% of females and 61% of males had been on Council less than 6 years, while the figures for 7 or more years’ service was 18.93% for females and 38.6% for males
- The most common income category (46% of females, 11.5% of males) was less than \$15,000 p.a. while 11.89% of men but only 2.65% of women earned more than \$115,000 p.a.

On the basis of the MAV census data, a typical Victorian councillor would be an older white male, married or in a de facto relationship, with no dependents, self-employed and having been a councillor for more than 6 years.

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Following their 2003 Councillor Census, the MAV was quoted in *Councillor* magazine as follows: “The MAV believes that current councillor allowances do not accurately reflect the commitment of councillors to their Council duties and may act as a deterrent to people considering entering local government.” [p.38]

The article went on to observe that “The dominance of certain social demographics on local councillors can also be attributed to the employment flexibility of councillors, with the census showing that nearly half of all councillors are self-employed, giving them more power to juggle their Council duties around the needs of their job.

“Only 22% of census respondents were managing to hold down a full-time salary-based job while sitting on a Council.

“The need for employment flexibility and the high degree of difficulty to secure a moderately high income stream are certainly prime reasons why more young people and full-time professionals with potentially valuable business acumen are not becoming councillors.

“The potential for higher remuneration to significantly benefit both incumbent and aspiring councillors and enhance the ability of more elements of society to seek office is seeing local government associations across the nation lobbying their respective state governments for change.” [p.38]

### **The volunteer role**

Alongside the curious idea, alluded to previously, that paying a salary rather than an allowance to councillors would necessarily imply full-time commitment, there is also the question of volun-

tarism. It appears that State governments hold the view that councillors donating their services to their community for a nominal payment, irrespective of the time this takes or its impact on their financial viability, is a closely-guarded ‘principle’ of local government.

This issue has received wide attention, with most commentators concluding that voluntarism is an inevitable and desirable component of the councillor and mayoral roles. The 1997 Review, for example, concluded that “There is no question that the demands of mayoral office require dedicated councillors, who are elected to the mayoral position, to have their time prevailed upon by officers and...many other people...” However, this review panel went on to assert: “This time commitment is normally taken into consideration when councillors offer to stand for election to the mayoral office as an honour within their community, and as a recognition of their special community leadership qualities.” [p.15]

Based on these comments, it would seem that only those in a position to donate, as volunteers, the considerable and increasing amount of time required for representation at the local level, are needed in local government. Certainly the current system and level of councillor allowances requires a considerable amount of volunteer hours from councillors.

The opposing position is that increasing remuneration of councillors will attract those who formerly would not be able to provide their services as volunteers, due to the expectations placed on them to be flexible and accessible — not only women, young people and people from different ethnic backgrounds, but also those with valuable experience in business, professional and community life.

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The 2000 Review sidestepped a discussion of voluntarism by establishing the “principle” that “Allowances are ‘fees for office’, recognising the governance, civic and advocacy roles of Mayors and councillors...” [p.3]

However, the *Moving On* report of women leaving local government did tackle this issue: “The debate is regarded as larger than simply being about how much a councillor is paid. Rather, it raises questions about the role of a councillor per se, both in relations to their state and federal counterparts and also in relation to strengthening the professionalism of the service. Underlying such questions is the long history of voluntarism that has characterized Council work and the continuing controversy any change to this volun-

tarism seems to stir up in rural and metropolitan communities alike...And it raises the question of who can afford to provide such a large amount of voluntary service.” [p.37]

In our rapidly changing society even the concept of volunteering is subject to debate and change. Whereas traditionally volunteering has been the preserve of women with no other employment commitments and of retired people, we are seeing significant changes in the demographic of volunteers. Many businesses expect employees to undertake voluntary work in their own communities and may pay them for their time. And for many young people, volunteering is a way to get into an occupation they wish to join, ultimately as paid employees.

## Conclusions

**One of the central principles of democratic governance is that the opportunity to undertake a representative role is open to all citizens. The current practice of paying allowances acts as a barrier to access and equity in representation, and can therefore be said to undermine the basis of democracy.**

**The current composition of Councils is not representative of the makeup of the communities they are elected to represent. For example, the gender profile of councillors has changed somewhat over recent years. Although women now comprise 29% of Victorian councillors, this is significantly less than their representation in the community.**

**In fact, many sections of society are demonstrably discouraged from seeking representative roles. The present arrangements**

**also make it difficult for people who are unable to be flexible in their working hours and those who have no other income than the councillor allowance.**

**At the same time, notions of volunteering and voluntary community service are changing in our society and are an outdated basis for a community's political representation. Local government is a sphere of government, democratically elected, as are Federal and State parliaments. To maintain that politicians at local government level should give their services for a nominal fee to represent and make decisions for their community, while their colleagues at State and Federal levels are paid salaries that reflect the value of their work and their contribution to society is inequitable and does not stand up in logic, nor in commonsense.**

# Part 2

## Parallels with other spheres of government in Australia

**O**NE OF the tenets of modern democracy is that all citizens with the right to vote are eligible to be elected to office. In Australia, all levels of government have debated the need to remove barriers to participation on the part of particular social groups.

Members of Parliament (MPs) were historically considered community minded volunteers, who in 1871 were first granted a sum for reimbursement of expenses. Not until 1954 were they accorded professional status and paid a salary accordingly.

Many of the arguments expressed in the late 1800s and well into the 20<sup>th</sup> century, either advocating or opposing increased remuneration for MPs, are similar to the debates today about the remuneration of politicians at the local government level.

For example, State MPs in the 1890s were concerned to increase remuneration for members of subsequent parliaments, rather than their own, to ensure that it was not perceived that they were implementing an increase for themselves.

Another prominent argument put forward by those MPs against increasing remuneration was that it would attract the 'wrong sort of person' to the position.

Some MPs observed that there was never a shortage of men wishing to hold an honourable position in Parliament and offered the opinion that, by providing a payment, the candidates enticed would not necessarily be better than current Members.

However, in 1895 Mr Bromley (Member for Carlton in the Parliament of Victoria) stated: "The principle of payment of Members (enables) all sections and classes of the community to be represented."

The argument about salaries for MPs was waged into the 1950s, when an independent committee of businessmen concluded: "It's time we paid our parliamentary representatives a liveable salary with adequate reimbursement of their expenses, recognising that we will never attract the best people within our community to consider political leadership if we don't take this step." Until this time it had been generally agreed that Members either relied on investments, a family-run business or loans from family and/or friends to make a living.

Mayors and councillors in 2004 are in a comparable position to Parliamentary Members until the 1950s, when the then Premier of Victoria stated, "...any amount paid to Members of Parliament has never been regarded as a salary. It has always been classed, and rightly so, as reimbursement of expenses."

At this time, however, Labor Members of Parliament were concerned that it was those Members who were wealthier who wanted a reduction or complete abolition of remuneration. If Members of Parliament were not paid, they said, they would not be able to afford to sit in Parliament and it would be left to the wealthier members of society to govern the State. Parliament would not only cease to represent a cross section of the community but its composition would violate the purpose of democracy. In the debate today there is a parallel for Mayors and

# Part 2

## Parallels with other spheres of government in Australia

councillors in local government, as many representatives engage in some form of paid work to support themselves and their families. They then have to devote additional hours to their Local government and community duties, which become increasingly difficult in a complex and changing environment.

Another interesting comment was made in 1919 by the Member for Carlton, Mr Solly, who observed that his fellow Members received a payment which was less than that of a bootmaker. Mayors and councillors today, if they were to rely solely on the allowance that is provided, would be hard pressed to make a living. If an hourly rate of pay is calculated for councillors based on their current allowances, it almost certainly reveals that they are paid well below average community wages and in many cases below the minimum wage.

From the research on payments to State Government MPs up till the 1950s, it is evident that many Members could not afford to sit in Parliament without relying on loans or investments; in this situation they must have had immense passion for the Parliament and commitment to serve their electorates. Mayors and councillors today serve their communities with the same enthusiasm and dedication, often in similar financial circumstances.

It was historic that in 1954 a group of independent businessmen, formed to advise the government on remuneration for MPs, recommended that not only should Parliamentarians receive a salary but they also should be reimbursed for any costs incurred. The Richardson Committee recognised that good governance was essential for the

community and the economy and that a reasonable level of remuneration would encourage more qualified citizens to be interested in a political career. It has now been 50 years since this significant event took place and local government remains the only sphere of government that has not moved away from remuneration by allowance, to a payment for services.

“The payment of MPs was adopted by the parliaments of the Australian colonies in the late nineteenth century, often after bitter struggles with the upper houses. Its purpose was to ensure that membership of Parliament was open to all classes, and not only to the rich.” [Healy and Winter, 1999-2000]

The paper provides a background to the establishment of the Federal Remuneration Tribunal in 1973 which was intended “...to de-politicise the issues of parliamentary remuneration and conditions” for members of the Federal Parliament.

Amongst other sources this paper mentions a “work value assessment of Members of Parliament by management consultants Cullen Egan Dell, that there should be a substantial phased increase in salaries”. The paper also describes the process which led to the establishment in 1999 of a ‘reference salary’

In its submission to the 1997 Senate Select Committee on Superannuation, the Commonwealth Department of Finance identified the following reasons for the parliamentary superannuation scheme’s establishment in 1948:

— When elected, parliamentarians often gave up potential superannuation payouts from

# Part 2

## Parallels with other spheres of government in Australia

- previous employers when they left employers prior to retirement age;
- Electoral and parliamentary demands reduced members' chances to re-establish careers when their parliamentary term was over; and
  - There was a need to entice people to enter Parliament who would not otherwise nominate for the role

[The Parliamentary Retiring Allowances Act 1948: Debates, Committee Reports, Remuneration Tribunal Reviews and a Chronology of Legislative Amendments ]

## Conclusions

**There are historical parallels for councillor remuneration in the arguments developed over time in other spheres of government. Common areas of concern relate to:**

- The difference between an allowance and a salary
- The level of remuneration to be paid
- The impact on superannuation of an allowance-based remuneration
- The consequences for democracy of a system that relies on candidates having independent means to support themselves and their families

- Whether higher paid politicians would encourage the 'wrong sort of person' who would be 'simply in it for the money' rather than from a wish to serve the community
- Whether increasing remuneration for politicians would be understood and accepted by voters

It took 50 years to settle these major questions in regard to state MPs. Allowing another 50 years to elapse before a settlement is achieved that is fair and acceptable to communities and their representatives at this level of government would be to miss an opportunity to strengthen local government.

# Part 3

## Established principles

**T**HE PAST SEVEN years have seen several reviews of remuneration for various levels of government. Each has proposed, either explicitly or implicitly some ‘principles’ and/or assumptions on which their recommendations have been based. It is interesting to examine the guidance they offer to the concerns of this paper.

### 3.1

## 1997 Review of Councillor & Mayoral Allowances

This review was undertaken by a Local Government Panel reporting to the Minister for Planning and Local Government. The following are excerpts from their report.

- “...in the interests of fairness, irrespective of the personal financial status of individual Mayors or councillors, the Panel recommends the re-introduction of payment of allowances by advance quarterly instalments” [p.31]
- “Councillor remuneration should be determined separately by each Council within the allowance range; ...however, it is in the best interest of local government across Victoria to develop a standard formula for all Councils to use when exercising their discretion” [p.24]

- “Allowances are paid for reasonable expenses in office, without treating allowances as either wages or salaries for income tax purposes” [p.34]
- “It is not appropriate for Mayors to operate in a full-time capacity; ...duties performed are generally of a part-time nature; and Mayors and councillors... usually have access to other forms of remuneration for their livelihoods” [p.17]

Several of these statements are simply assertions of points of view; in some cases, such as the final point about councillor livelihoods deriving from other sources of income, they are incorrect.

### 3.2

## Remuneration Tribunal Report December 1999

This report, on the “Nature of the Job of a Parliamentarian” included the following:

- Consideration must be given to
  - the conditions under which the work is performed;
  - how the job compares with the similar jobs in the marketplace; and
- the principles governing workplace relations policies”
- The way in which public money is allocated between remuneration and allowances for expenses of office for our elected representatives needs to reflect
  - our representative system of Government,

# Part 3

## Established principles

- and
  - our high expectations of the role parliamentarians play
- Remuneration to be set on the basis of
  - Work value
  - Productivity
  - Total remuneration
  - Community wage and salary movements
- Allowances for expenses of office to take account of
  - Flexibility
  - Accountability

- Fairness
  - Supporting quality service.
  - Work/family balance
- Salaries to relate to
    - a reference salary and
    - a mechanism for adjusting parliamentarians' salaries

The considerations of this Tribunal provide useful guidance for matters which should be included in a comprehensive review of councillor payment structures and level.

### 3.3

## **Report on Senators and Members of Parliament, Ministers and Holders of Parliamentary Office – Salaries and Allowances for Expenses of Office – December 1999**

The Commonwealth Remuneration Tribunal in 1999 concluded that “We expect our politicians to work hard and over long hours for the public good, to be astute leaders and legislators, and to manage the affairs of our nation with vision and the highest degree of integrity. Yet there is often adverse reaction when asked to remunerate them at an appropriate level.

“It is the Tribunal’s job to ensure that parliamentarians are properly paid for the work that they do and properly resourced to perform their public functions. In considering the remuneration and allowances of parliamentarians, the Tribunal has considered:

- the nature of the job of a parliamentarian;
- the conditions under which the work is performed;
- how the job compares with the similar jobs in the marketplace; and
- the principles governing workplace relations policies.”

This set of assumptions/principles was the basis for parliamentary salaries at the Federal level; it would seem logical for remuneration of politicians at all other levels of government to be built on a similar basis.

# Part 3

## Established principles

### 3.4

## Review of the Remuneration of Mayors and Councillors 2000

A *Review of the Remuneration of Mayors and Councillors* was conducted by a Victorian Councillor Allowances Review Panel in 2000.

The Panel identified 12 “Key principles to guide its deliberations and recommendations.” [p.12] The following are particularly relevant:

**Principle 3:** The process of setting allowances should respect the autonomy of Councils and ensure transparency and full accountability by being linked to the budget setting processes

**Principle 4:** Allowances are ‘fees for office’ recognising the governance, civic and advocacy roles of Mayors and councillors are in addition to reimbursement for approved expenses and other support

**Principle 6:** The level of allowances should not limit the diversity of representation in local government

**Principle 7:** Allowances should be set at a level that acknowledges the impact that performing the role of councillor imposes on personal lives and careers

**Principle 12:** It is appropriate for allowances to be index linked to a relevant measure to ensure reasonable adjustments for the effects of changes in the cost of living.

This 2000 Review also referred to the fact that “The December 1999 decision of the Commonwealth Remuneration Tribunal in relation to federal Senators and Members recognised the need to realign parliamentary remuneration with ‘broad community practice’.”

## Conclusions

Most of the deliberations leading to the establishment of acceptable remuneration at the levels of Federal and State government have referred to “principles”. These are in some instances directed to the processes for establishing the remuneration, for example, a Remuneration Tribunal. Others focus on the nature and extent of the remuneration itself. Still others again concern themselves with the practicalities and ethics of the form of remuneration and the financial position of office holders themselves.

It is clear that there *is* no agreed set of principles to determine councillor and mayoral remuneration at the third sphere of government.

There is an urgent need for a set of principles, grounded in democratic concepts and practice and acceptable to all stakeholders — local communities, sector organisations and other levels of government. This would be achievable through a rigorous community debate that is informed by appropriate research and effective processes for dialogue.

The Principles adopted by the Victorian Local Governance Association provide a useful starting point.

# Part 4

## In conclusion

**S**INCE THE 1996 amalgamations local governments in Victoria have experienced continuous change. With significantly larger municipalities and shires has come significantly enhanced roles for Councils and for councillors.

The responsibilities of Mayors and councillors, both to their citizens and to the State government, have expanded and been redefined. They are managing and being accountable for substantial budgets and complex strategic planning.

At the same time, their traditional roles in community advocacy and community strengthening have not diminished, and in fact expectations in these areas have grown. Mayors and councillors are now expected to operate at a level of professionalism and expertise far beyond that of their pre-amalgamation counterparts. And in many instances this has taken place in a climate of limited community understanding or appreciation of the changing world of local government.

Against this background there has been little change in the profile of councillors. The typical councillor is still a middle-aged, white male. Even though women now comprise 29% of councillors, this figure compares with 52% in the general population. And in terms of other demographics – ethnicity, disability, occupation and age – the composition of Councils is a very poor reflection of the wider community.

A hallmark of democracy is the opportunity it provides for any citizen to aspire to a representative role in government. In local government in Victoria in 2005, many individuals and groups are effectively barred from putting themselves forward, on the basis of financial capacity to support themselves in a volunteer role, or inability to

be flexible with their time. In particular women, young people, people with disabilities and Aborigines or Torres Strait Islanders are the groups who are systemically discouraged from representative roles in local government.

When we turn our attention to other spheres of government, it is obvious that remuneration has always been a complex and debated issue. Both Federal and State parliaments have wrestled with questions such as employment status of MPs, level of remuneration and the implications for democracy of parliaments which do not reflect the whole of society. In addition, there has always been anxiety about gaining community support for any increases.

In historical records there are multiple references to “principles” on which decisions have been made. These broadly fall into the categories of process, ethics and content. While much can be learned from these, particularly in relation to questions of equity and democracy, the fact remains that there is no set of principles that can assist the current debate at the level of local government.

Local government in Australia is poised to make a substantial contribution to the urgent task of reinvigorating democracy through good governance and community strengthening. However, this will only be possible if political representation at the local level accurately reflects community composition, needs and aspirations. Appropriate remuneration for councillors will be a critically important factor in strengthening this democratisation.

# Part 4

## In conclusion

### Recommendations

**1. That principles be established by which remuneration is paid to elected members in local government, and that these principles be aligned to those for elected members in other spheres of government.**

**ACTION:** State Government to sponsor a research project to engage local communities, key local government bodies and all levels of government in a rigorous process of investigation and public debate on principles to underpin remuneration of local government representatives.

**2. That a reference salary be identified, and a mechanism put in place for adjusting councillor and mayoral salaries which recognises both local autonomy and the broader community value of the work undertaken by these democratically elected representatives.**

**ACTION:** A working party comprising State and local government representatives, relevant community organisations and acknowledged experts to propose a reference salary and mechanisms for implementation and review.

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## Appendix A

# Current allowances structure for Mayors and councillors in Victoria

In Victoria the framework for councillor allowances is determined by the State Government. The universal minimum annual allowance which can be paid is \$5000. Local governments are designated as belonging to one of three bands based on population and total revenue. Local governments can choose whether to pay their councillors the minimum allowance, the maximum allowance or some figure between the two. Mayors are eligible for a payment of three times the councillor allowance, reflecting the additional representation and leadership roles they perform.

The allowance rates are as follows:

|                | <b>Councillors</b> | <b>Mayors</b>  |
|----------------|--------------------|----------------|
| <b>Level 1</b> | \$5,000—\$12,000   | up to \$36,000 |
| <b>Level 2</b> | \$5,000—\$15,000   | up to \$46,500 |
| <b>Level 3</b> | \$5,000—\$18,000   | up to \$57,500 |

**Level 1** approximately covers Councils with a population up to 20,000 and a total revenue up to \$18,000,000.

**Level 2** approximately covers Councils with a population between 20,000 and 120,000 and a total revenue of between \$18,000,000 and \$60,000,000.

**Level 3** approximately covers Councils with a population in excess of 120,000 and a total revenue in excess of \$60,000,000.

Regional centres are considered special cases and may move into a higher level than population and total revenue indicates.

## Appendix B

# VLGA principles for councillor remuneration

- Councils are governments.
- In Australia, governments are democratic.
- Democracy requires representative participation in decisions affecting the citizenry.
- Representative participation requires a system that attracts participants who reflect the variety and diversity of citizens.
- Anything less is a form of a systemic discrimination.
- Councillors are politicians. The volunteer ethos is expressed in the 24/7 access required by citizens of their local councillors.
- Since amalgamation the role and responsibilities of councillors have increased in the number, the diversity and the sophistication of issues which they must understand in order to make informed decisions.
- The appropriate way to reward councillors for their service to the community is through a salary.
- This would enlarge the pool of potential candidates.
- Councillors should be paid a salary which is determined through a Remuneration Tribunal type process and ideally linked as a proportion of a backbencher's salary.





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ISBN 1 876683 19 8