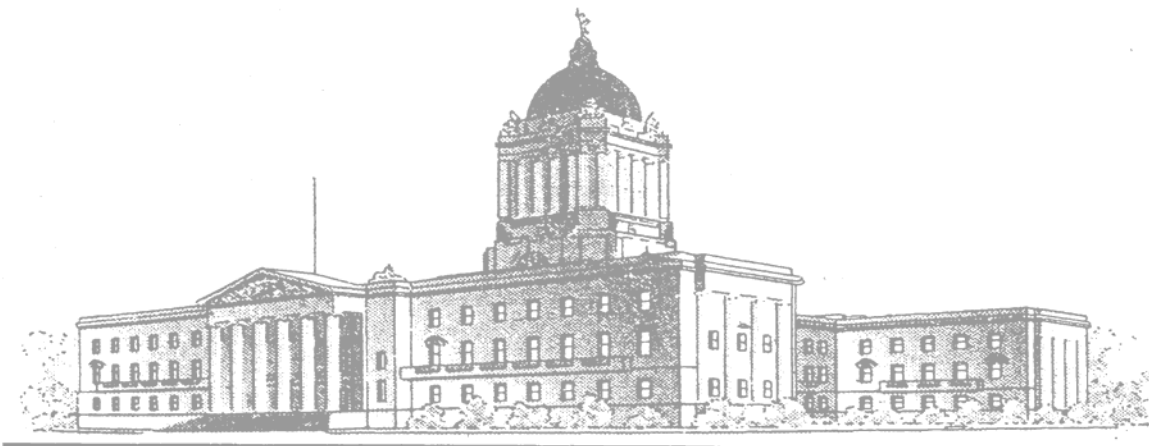


**SUPPLEMENTARY REPORT TO THE LEGISLATIVE
ASSEMBLY OF MANITOBA**

June 8, 2004



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COMMISSIONER

FOR MLA PAY, ALLOWANCES AND RETIREMENT BENEFITS

Supplementary Report to the Legislative Assembly of Manitoba

Submitted by Earl Backman

Commissioner for MLA Pay, Allowances and Retirement Benefits

June 8, 2004

This supplementary report is being provided to the Legislative Assembly as a result of a request for the Commissioner to review the section regarding salary increases for Members with a view to deferring them at this time. The following resolution encapsulates the request and the basis for it:

“Whereas all Members of the Legislative Assembly assert that salary increases are not appropriate at this time, recognizing the difficulties that are being faced by Manitobans as a result of economic conditions including the BSE issue, LAMC recommends to the Assembly that the Commissioner on MLA Allowances review the section regarding recommendations for salary increases with a view of deferring them at this time. We therefore respectfully reject the Report to the Legislative Assembly on MLA Pay, Allowances and Retirement Benefits 2004.”

“All or Nothing” Choice

The legislation authorizing the establishment of a Commission for this purpose limits the choices of Members of the Legislative Assembly to a “Yes”-“No” type vote on the entire report. Thus the request to review the salary section can only be accommodated by a rejection of the whole report and a subsequent recommendation by the Commissioner. While this legislation was initiated with good intentions to protect against “cherry picking” it is also evident that it does restrict Members choices very severely—and also severely limits the Commissioner’s ability to present options for Members to vote on.

Process

The legislated compensation review process called for submission of a report by the Commissioner to LAMC (the Legislative Assembly Management Commission) (May 18th, 2004) followed by a recommendation from LAMC to the entire Legislative Assembly within 15 sitting days for a vote on the report by all MLAs.

This Commissioner feels it is necessary to comment on the unfortunate turn of events that contributed to a “short-changing” of the intended process. This in turn contributed to very incomplete initial evaluation of the report and caused an unintentional focus on a single element of it—that being salary increases.

The Deleterious Effect of Premature Comments

The original report is a comprehensive 53-page document replete with research information, comparisons, rationale, evidence-based decisions and sound recommendations based on that evidence tempered with political and fiscal realities facing Manitoba MLAs and residents. It is impossible to gain a full understanding of the report in less than a few hours, let alone a few minutes.

It is the Commissioner's opinion that it was most unfortunate that the Leaders of all three parties chose to respond to media questions on the pay element of the document prior to receipt and evaluation of the full report itself. Even though in some cases the early comments were intended only as an individual personal opinion, those responses were quickly converted to "official party positions" and reported by the media as outright rejection of the report without any opportunity for a measured response based on a comprehensive review of the complete report. The public thus received a very jaundiced and prejudicially abbreviated view of a soundly researched, evidence based document.

In this Commissioner's opinion those early comments also effectively emasculated LAMC because of the natural instincts and actions of MLAs to avoid embarrassment for their Leader by any form of subsequent contradiction. The Commissioner is very much aware that the public proclamations made individually do not universally represent the opinions of all MLAs. I believe that if the process had been allowed to follow the intended path called for by the legislation, MLAs would have had a better chance to absorb and understand all the components of the report and that they would have concluded that the recommendations were sound and would stand the test of public scrutiny.

Public Response to the Report

It is evident that some MLAs have been surprised at the level of positive and empathetic response the original report has received from the public and the media, even including corrective action to salaries. Other than the most cynical, the thinking public and media actually support fair treatment for everyone—even MLAs. It is an inevitable fact of life that some taxpayers will resent paying politicians at any level and even when they don't know how much the politicians are paid—it's always too much!! This was obvious in the "street corner interviews" wherein it is easy to get respondents to say "No" to raises for elected officials even if they know nothing of the actual numbers or history or comparisons. It is critical that MLAs face this issue head on at some point in the near future—otherwise we are guaranteed to confront the same problem every time a Commissioner and/or the Legislature attempts to deal with this sensitive topic.

Difficult Economic Conditions in Manitoba

The economic conditions referred to in the resolution on page 1 and used as the justification for a reconsideration request were actually major considerations for this Commissioner as the original report was finalized. In fact, you will find references to specific economic difficulties listed no less than 6 times at critical points in the report and they contributed substantially to the deferral choices that were already made in the existing recommendations. Extracts from the original report are shown below:

- (1) Page 14 where Recommendation #1 re MLA Basic salary included NO EXTRA PAY increase for 2004 with phased increases in 2005 and 2006:

“The Commissioner would have preferred, and was initially prepared, to recommend that these changes become effective one year earlier. They are being deferred because of fiscal challenges facing Manitoba at this time.”

- (2) Page 15 in the MLA Salary section:

“Due to difficult budgetary decisions, that increase is being deferred. Because Manitoba has faced substantial fiscal pressures as well, the Commissioner is deferring the increase for one year. This deferral will serve to exacerbate the inequities, but is provided as a response to fiscal reality.”

- (3) Page 15 respecting the Premier and Cabinet Ministers’ salaries:

“The Commissioner has concluded that the Premier and Cabinet Ministers are considerably under valued relative to most Provinces/Territories and substantial corrective action is warranted. This must be tempered by budgetary concerns, however.”

- (4) Page 17 respecting the Premier’s salary:

“While it would be tempting to correct these inequities quickly, the Commissioner is very cognizant of the difficult budgetary decisions facing Members of the Legislative Assembly at the same time as this report is being considered. It is also a very difficult, if not impossible, task for MLAs to vote on anything that affects their incomes directly without being accused of ‘feathering their own nests’!”

- (5) Page 19 respecting the Premier's compensation recommendation # 2 in which NO EXTRA PAY increase was recommended for 2004 and increases were recommended for year 2 and 3 (2005 and 2006) of a three year phase-in of much needed corrective action:

“The Commissioner would have preferred, and was initially prepared, to recommend that these changes become effective one year earlier. They are being deferred because of fiscal challenges facing Manitoba at this time.”

- (6) Page 23 respecting Ministers' compensation recommendation # 3 in which NO EXTRA PAY INCREASE was recommended for 2004 and increases were recommended to correct serious deficiencies in 2005 and 2006 as year 2 and 3 of a three year phase in plan:

“The Commissioner would have preferred, and was initially prepared, to recommend that these changes become effective one year earlier. They are being deferred because of fiscal challenges facing Manitoba at this time.”

Conclusion on Economic Conditions

As can be seen by the foregoing excerpts, the original recommendations were inclusive of a deferral of extra pay increases for 2004 due to the very same reasons the present resolution quotes to substantiate a request for a further review.

Effective Dates

The original Commission report was designed for all provisions except salaries to come into effect April 1, 2004. This Commissioner considers it urgent that all other sections of the report be implemented as soon as possible because they are sorely needed and are mostly related to service to and access for constituents—not to MLA compensation.

Pension options were to start within 6 months of report adoption in 2004 with optional buy back of previous eligible service back to 1995 at actuarial cost.

With the exception of an already planned 1.4% salary increase, all other salary changes were to happen in 2005 and 2006 followed by use of the Average Weekly Wage in Manitoba as a future COLA.

Present Salary Increase

There was one portion of MLA compensation that the Commissioner chose not to defer by the recommendations in the original report and it has already been paid for 2 months since April 1, 2004. I refer to the fact that without implementation of this report to replace the former system, effective April 1, 2004, MLAs have already been granted an increase of 1.4% for 2004/2005 on their basic and supplementary salary components. The Commissioner supported allowing these salary increases being implemented but recommended NO EXTRA INCREASES for 2004/2005.

This 1.4% does represent an actual salary increase this year and the public proclamations made by all three Leaders and the resolution passed by all Members of the Legislative Assembly state very clearly that **“salary increases are not appropriate at this time”**. Considering the fact that this is the only salary increase that was contemplated and recommended for 2004/2005 in the report, the Commissioner has no choice but to review this component. All other increases recommended by the Commissioner, with the exception of the Speaker's, were already deferred to 2005 and 2006 and these will also be revisited as requested by the resolution of the Assembly. The Commissioner recommended that the Speaker receive the same pay as a Minister with salary adjustments the same as a Minister in 2005 and 2006. This would represent more than a \$4600 raise this year and this is being revisited here.

This same situation applies to the Additional salaries paid for 17 supplementary roles including Deputy Speaker, House Leaders, Party Whips, Legislative Assistants, Committee Chairs and Vice Chairs, etc. The Commissioner recommended allowing these 1.4% increases to go through (by not displacing the scheduled increases) and also added Caucus Chairs to the list to become effective April 1, 2005. Except for Caucus Chairs these all represent actual salary increases and are hereby being reviewed as requested.

Future Salary Increases

This Commissioner strongly urges all MLAs and Leaders to confront this issue directly at this time or be prepared to struggle with this same dilemma every time it is raised in the future.

The recommendations originally made are sound, valid and appropriate, and the numbers recommended for 2006 should actually be in place in 2004. If we truly want to be fair to existing MLAs and attract the best candidates possible in the future we need to ensure we are “in the ball park” in all areas of compensation, expenses and retirement planning. We are “missing the boat” right now on an entire sector of the population which does not/cannot consider public office because of the potential interruption of pensionable service.

Right/Obligation of a Vote of the Legislative Assembly

While reiterating that the existing recommendations are solid and should have been implemented in their entirety, the Commissioner respects the right, obligation and necessity of MLAs to vote on the compensation issue in one form or another. This part of the existing process will forever be the “Achilles heel” as long as it is in effect. It is for this reason that I will be recommending that the Assembly decide again just prior to March 31, 2005 whether or not the increases planned for 2005 and 2006 are implemented or deferred further at that time. A recommendation will also be made respecting the actual process itself.

Compensation Levels for MLAs

The increases previously recommended are, upon further review, very appropriate. They have already, and will continue to meet, the test of public scrutiny for fairness. One newspaper editorial even stated that, given the background research, “*if anything, the proposed raises were lower than what should have been expected*”. MLAs should not feel an obligation to apologize for accepting fair treatment. On the contrary, the Commissioner urges all MLAs to recognize that the recommendations do not move Manitoba compensation to “the middle of the pack”, or 5th place as most Manitobans and MLAs expect they should be—instead these recommendations retain MLAs’ compensation in 8th place—it only reduces the widening gap created by past reticence to deal with this issue honestly.

Compensation for the Premier

The compensation level for our Premier relative to his/her responsibilities is woefully inadequate and as evidenced by the public and media response to the original report, most Manitobans feel strongly that this should be corrected soon.

The Premier has publicly stated that he did not ask for a raise and could not support an increase for himself and his Ministers (paraphrased). However, MLAs’ compensation is not nearly as far “out of whack” as is that of our Premier and Cabinet Ministers. Many respondents have indicated that it is highly inappropriate that the Premier is \$17,000 lower than either the Mayor of Winnipeg or the Premier of Saskatchewan and is dead last of all Provincial Premiers in Canada. Thus it would be totally inappropriate to consider giving increases to MLAs only without stronger corrective action for our Cabinet Ministers and the Premier. The Commissioner has been involved in human resource compensation at all pay levels for over 30 years and feels very strongly that Manitoba MLAs, Ministers and the Premier should be appropriately and fairly compensated. There is clear public support for this position.

Supplementary Recommendations

While restating the belief that the original recommendations were both sound and publicly acceptable, the Commissioner is responding to the request to review the salary increase portions of the report and makes the following supplementary recommendations:

- (1) In order to honor the public pronouncements of our three party leaders and the resolution passed unanimously in the legislature that “**salary increases are not appropriate at this time**” the Commissioner recommends that the 1.4% salary and additional indemnity increases already being paid for 2004/2005 (the only increase recommended for this year in the original report) be rolled back effective April 1, 2004. This modifies original Recommendations 1, 2, and 3 relating to compensation for MLAs, the Premier, Speaker and Ministers and additionally to the 17 existing leadership roles referenced in section 2.2.2 of the original report in which the 1.4% was allowed to go through.
- (2) In order to ensure that all MLAs are dealt with fairly and so that none receive an increase this year, the recommendation that the Speaker’s compensation be raised to become equivalent to a Minister should also be deferred to the 2005 vote in Recommendation #3 below.
- (3) In order to give the Legislative Assembly the opportunity to revisit the salary issue before implementation of Phase 2 and 3 of the recommended salary increases contained in the original report for April 1, 2005 and 2006 respectively, the Commissioner recommends that the Assembly collectively decide just prior to April 1, 2005 whether or not to proceed as planned or consider further deferral at that time. This will also apply to the future of the Speaker receiving the same salary as a Minister.

These three additional recommendations will actualize the public statements of the Leaders and the Assembly relating to “no salary increases at this time” and will ensure that a decision relative to future increases can be made approximately one year from now with the benefit of the knowledge of economic conditions at that time. While it remains this Commissioner’s very strong conviction that the recommendations in the original report should have been implemented as originally planned, I believe these revisions will at least allow Members to expedite implementation of all non-salary sections of the report while retaining control of the section that is destined to cause the highest level of indigestion.

- (4) The Commissioner recommends that all other recommendations included in the original report which are unaffected by the first two recommendations above, be implemented immediately with effective dates as listed in the original report so that service to constituents can be expedited.

- (5) The Commissioner further recommends that the Assembly give some consideration in the future to removing the necessity for MLAs to vote directly on their own compensation levels, as this is destined to be an ongoing problem for which there is no obvious political solution—with the possible exception of delegating the duty to a truly independent body or Commissioner.

This last recommendation is not meant to be personally critical of MLAs' ability to deal with this issue but rather it recognizes the reality that expecting MLAs to vote on their own salaries is doomed to political difficulties and potential failure. It is this Commissioner's opinion that it would be less self-serving and more acceptable to the public for MLAs of all parties to vote on the choice of Commission or Commissioner to do a truly independent job than it would to continue a process that will forever be an exercise in masochism that serves neither the MLA nor the Public very well.

It is my hope that the Assembly can finalize this before rising for the summer break. I have provided my revisions expeditiously in order that this may happen. It is extremely urgent that all of these issues be settled early in the fiscal year to minimize retroactivity computations and to reduce unnecessary and onerous administrative requirements if decisions are allowed to drag on.

Respectfully submitted,

Earl Backman, Commissioner