

Salaries of Elected Officials as Municipal Budget Expenditure

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Abstract

Remuneration of politicians is a relevant social issue that is worth to research. Salaries of local representatives in the Czech Republic are set by law and their size is in case of municipalities derived by municipal population. At the same time municipal councils are free to choose, how many elected officials will serve full time and get paid for that service and how many will keep their proper jobs or entrepreneurship and serve only part time and get quite symbolic remuneration. This choice may result in substantial differences in total related budget expenditure in otherwise similar municipalities. The purpose of the paper is to describe the system of local elected officials' remuneration and its evolution since 2010 and to analyse municipal expenditure on elected officials' remuneration in Czech towns with 10 to 50 thousand inhabitants between 2010 and 2018. A key part of the research is the collection of data from local government budgets, their processing and construction of appropriate indicators. Subsequently, these indicators will be analysed through the basic statistical methods resulting in comparison of the selected municipalities.

Keywords: Local budget, municipalities, expenditures, representatives.

JEL Classification: H72

1 Introduction

Remunerations of voted representatives are specific topic. They are obviously one of the motivators to enter politics, which can attract more qualified people and it is possibly also stimulator for performing better politics. In Europe is also, thanks to transparency, possibility to get many information about remunerations and about other data representing public finances.

This paper is orientated only on remunerations for representatives in municipalities in the Czech Republic from 5 to 50 thousand inhabitants. The aim of this paper is to analyse the relation of remunerations for representatives with other expenditures of municipalities and find out, if is there any diversity across them.

These remunerations are defined by the law, but it does not mean, that two municipalities with similar number of inhabitants will spend same amount of resources on remunerations. I will use descriptive statistics to find relations to other remunerations, which municipalities pay. Moreover, will be calculated cost per representative and share on current expenditures. Statistics will be completed with graphs for a comprehensive overview.

Data will be taken from Monitor, public database of municipal budgets, and Czech statistical office. With them will be created 3 indicators to describe differences between municipalities [1].

2 Theoretical background

Remunerations of political representatives as topic were discussed many times in history, but on communal level is still a lot of unknown. Italian economists Garliarducci a Nannicini (2009) described in their research that politicians with higher remuneration reduce expenditures and revenues of municipality budget. In numbers it means that 33% increased remuneration reduced budget about 17.6%. They evaluate data from Italian municipalities from 1993 to 2001 in quasi-experimental framework [3]. Different results presented Linde (2014). In Netherlands

municipalities increase their budgets with higher remuneration, but he also argues that there is also better meeting with demand of the median voter group. Both researches were summed up by authors as positive outcomes with higher remuneration [6]. Feraz and Finan (2009) in Brazil also discussed causality between increased remuneration and better effectivity of working, but they are not sure, if is it because of remuneration itself or if higher remuneration attracts more qualified people, who perform better outcomes [2].

In the Czech Republic Palguta and Pertold (2018) presented paper about relations between remunerations and qualities of candidates and competition during elections in municipalities with less than 500 inhabitants, they used method of regressed discontinuity. Results also declare positive impact of higher remuneration on education level and the size of competition [7].

But in this paper, I will be focused more on amount of resources, which are used on remunerations of elected representatives.

Czech law describes two categories of municipal politicians. First category is called released member, who is basically full-time politician. Habitually released member is mayor. His remuneration is deduced from the number of inhabitants in municipality and depends also on which post he have.

Non-released member is also, in parallel, employed somewhere else. Beside released member, remuneration is not automatically claimable, and it must be approved by municipal council assembly, but the upper limit is defined by law [4].

Table 1: Remunerations of released and non-released politicians in selected municipalities in CZK

Inhabitants	Released				Non-released					
	Mayor	Deputy mayor	Council member	Representatives	Mayor	Deputy mayor	Council member	Chairman of the Committee	Member of the Committee	Representatives
5001 - 10000	65 806	57 909	51 329	44 748	39 484	35 535	7 897	3 948	3 290	1 974
10001 - 20000	71 312	62 755	55 624	48 492	42 787	38 509	8 557	4 279	3 566	2 139
20001 - 50000	77 834	68 494	60 711	52 927	46 701	42 031	9 340	4 670	3 892	2 335

Source: Annex to the Government Order no. 202/2018 Sb., Czech Republic.

As you can see in Table 1, there are significant differences between released and non-released politicians. For example, between representatives from city with 510 inhabitants could be difference more than 22.5 times. Categories are selected by the aim of this paper. From this Figure we could logically expect that in municipality budget the amount of resources allocated to remunerations of representative could be relatively similar.

Two mayors in cities with 10000 and 10001 inhabitants have different remunerations by 8%, which is possibly not adequate, and it is disadvantage of the system.

The number of representatives is also limited by law [5].

Table 2: Number of representatives in selected municipalities in Czech republic

Inhabitants	Number of representatives
3 000 - 10 000	11 - 25
10 000 - 50 000	15 - 35

Source: § 68, Law no. 128/2000 Sb., Czech Republic.

From Table 2 we can deduce that two cities with similar number of inhabitants could have significantly different number of representatives.

3 Data and methods

For research will be chosen three indicators extracted from budgets of 255 municipalities in Czech Republic with more than 5 000 inhabitants or less than 50 000. All data are taken from online public database Monitor provided by Ministry of Finance in Czech Republic. This database provides data from year 2010 till today. This research is done in 2019, so last data are from 2018.

First indicator is cost per representative (CPR).

$$CPR = \frac{\text{Remunerations for representatives}}{\text{Number of representatives}} \quad (1)$$

Remunerations for representatives are meant as item in budget. It is found by paragraph 6112, item 5023 of the budget. Only real expenditures are used, not planned [1].

Number of representatives are taken from database Czech statistical office and their statistics from elections. Number of mandates in each election is used for calculation [8].

Second indicator is share on all remunerations (SOAR).

$$SOAR = \frac{\text{Remunerations for representatives}}{\text{Remunerations in total}} \quad (2)$$

Remunerations in total include all expenditures on remunerations which municipalities have. It is found by bloc 50 of the budget. It is the superior category of remunerations for representatives. SOAS represent how big part of remunerations is given to representatives [1].

Third indicator is share on current expenditures (SOCE).

$$SOCE = \frac{\text{Remunerations for representatives}}{\text{Current expenditures in total}} \quad (3)$$

Current expenditures are found as budget class number 5 and they are superior category of remunerations in total [1].

These three indicators will be analysed with descriptive statistics for each year and after that will be used graphical illustration to see, if is there any difference between year 2010 and 2018 and see the diversity between municipalities.

4 Results

Data about municipalities between 5 and 50 thousand inhabitants indicates that there is significant diversity across municipalities and amount of resources stated for representatives represents different share of budget.

Cost per representative

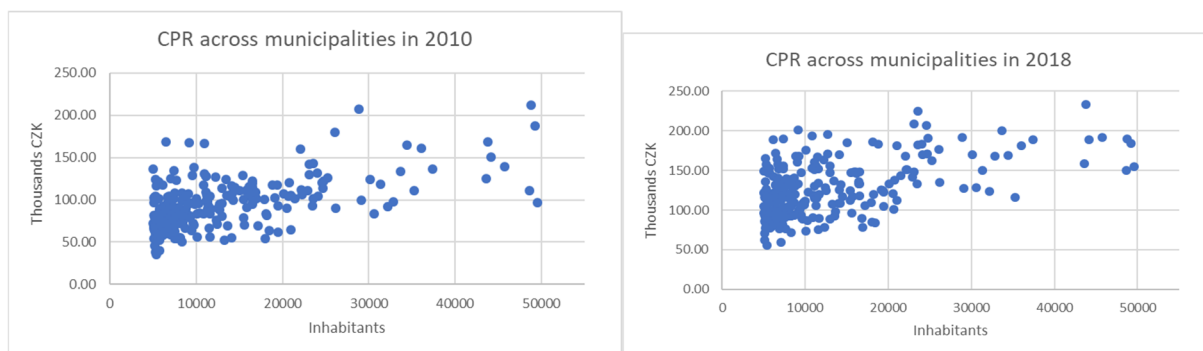
Table 3: Cost per representative in municipalities with 5-50 thousand inhabitants (in thousands CZK)

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Average	101.10	88.65	87.66	87.84	97.55	96.39	98.36	101.89	132.71
Max	211.68	181.59	159.50	164.80	187.61	191.75	201.45	197.89	233.68
Min	35.03	33.11	31.72	31.99	32.17	35.78	37.29	38.45	55.15
Spread	176.65	148.48	127.78	132.81	155.44	155.97	164.16	159.44	178.54
Median	90.48	77.61	76.93	77.56	87.12	84.23	87.63	90.75	119.61

Source: Author.

Wide spread in Table 3 indicates significant difference across municipalities, municipalities spend on remunerations for representative's different amount of resources. We can also see that numbers are mostly growing during time. Next figure shows distribution of CPR according to population in 2010 and 2018.

Figure 1: Cost per representative in municipalities from 5 to 50 thousand inhabitants in 2010 and 2018



Source: Author.

As we can see in Table 3, difference between municipalities is distinctive and it grows in 2018 in compare to 2010. There is also evident slightly growing trend. Growing number of inhabitants tends to growing CPR.

Share on all remunerations

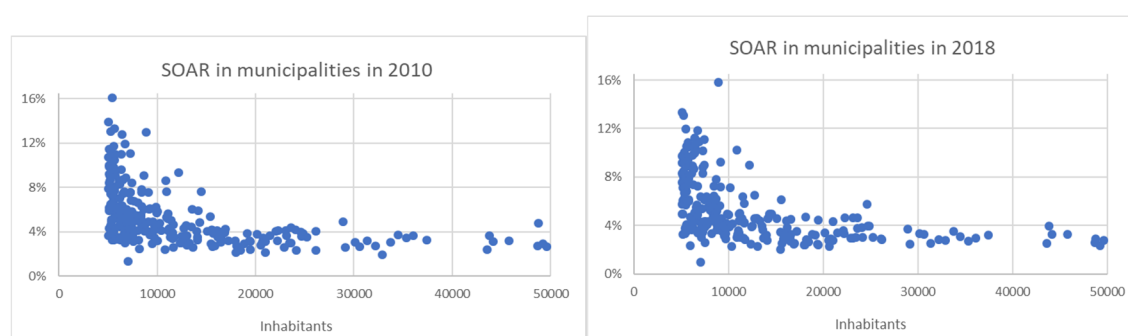
Table 4: Share of remunerations for representatives on all remunerations in municipalities with 5 - 50 thousand inhabitants

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Average	0.053	0.048	0.048	0.046	0.049	0.047	0.046	0.044	0.052
Max	0.161	0.148	0.137	0.141	0.144	0.145	0.149	0.146	0.158
Min	0.013	0.012	0.012	0.012	0.011	0.011	0.010	0.009	0.010
Spread	0.148	0.136	0.125	0.129	0.133	0.134	0.139	0.137	0.149
Median	0.044	0.040	0.040	0.038	0.041	0.039	0.038	0.037	0.044

Source: Author.

In Table 4 we can also see wide spread between maximum and minimum. Municipalities obviously have different attitude to the size of administration and other employed people. Graphical illustration (Figure 2) shows relation with number of inhabitants.

Figure 2: Share of remunerations for representatives on all remunerations in municipalities from 5 to 50 thousand inhabitants in 2010 and 2018



Source: Author.

As in previous graphs there is also noticeable variety across municipalities. Lower share on all remunerations is as expected in bigger municipalities, but the most interesting is wide spread of values in cities from 5000 to 10000 inhabitants. This indicates different attitude to management organisation in municipalities with similar size and there are no significant differences during periods.

Share on current expenditures

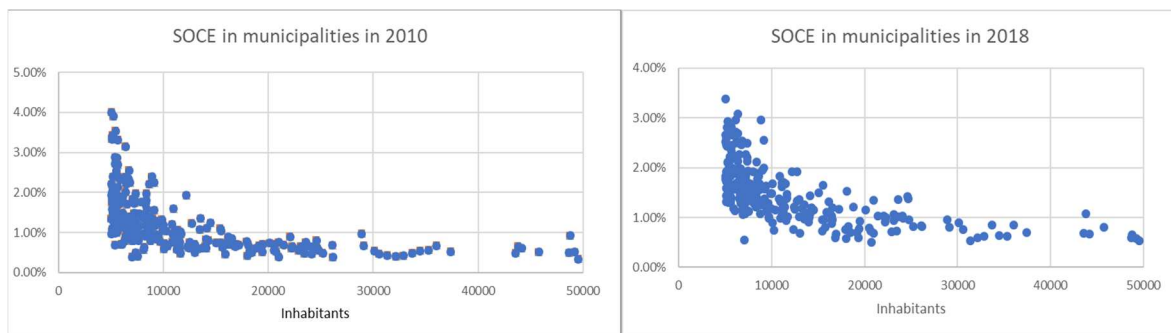
Table 5: Share on Current expenditures in municipalities from 5 to 50 thousand inhabitants

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Average	0,012	0,010	0,013	0,013	0,013	0,013	0,013	0,012	0,015
Max	0,040	0,037	0,035	0,041	0,028	0,031	0,030	0,027	0,031
Min	0,003	0,003	0,004	0,004	0,004	0,004	0,004	0,004	0,005
Spread	0,037	0,034	0,031	0,037	0,024	0,027	0,026	0,023	0,026
Median	0,010	0,009	0,012	0,012	0,012	0,012	0,012	0,011	0,014

Source: Author.

Table 5 basically copies the trends of previous table (Table 4). Spread is still relatively wide, and numbers confirms that there are differences between municipalities.

Figure 3: Share of remunerations for representatives on current expenditures in municipalities from 5 to 50 thousand inhabitants in 2010 and 2018



Source: Author.

Again, there is wide spread of values between municipalities from 5 to 10 thousand inhabitants, but the spread is decreasing during years. Bigger municipalities again have lower share remunerations for representatives on current expenditures. Different attitude to management organisation is obviously once more.

5 Conclusion

Data taken from 255 municipalities about budget for remunerations and current expenditures were analysed successfully. All data were firstly formed into three indicators - cost per representative (CPR), share on all remunerations (SOAR), share on current expenditures (SOCE) and after that values were expressed during years a with descriptive statistics. Finally, each indicator was shown in scatter diagrams in years 2010 and 2018.

All indicators confirm expectation of wide dissimilarity across municipalities, especially between municipalities from 5 to 10 thousand inhabitants. We can clearly declare that municipalities have different attitude to management organisation. And except SOCE there are not significant changes during years.

Next research should be orientated on finding reasons of diversity and relations to other items of budgets.

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