

The impact of higher wages of politicians on municipal elections

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Summary

- In the Czech Republic in 2017, mayors, who are excused from their civil professions, received a gross monthly salary of some 46,000 CZK in municipalities with the mean number of inhabitants (about 1,700 inhabitants). This salary represents 157 % of the average wage in the country. In municipalities of median size (approx. 430 inhabitants) mayors received just 36,000 CZK. Meanwhile in municipalities of the size in which the median inhabitant lives (50% of the Czech population lives in municipalities with fewer than 11,600 inhabitants), mayors were entitled to 56,000 CZK per month. In international comparison, Czech local politicians are rather poorly paid.
- This study investigates whether raising local representatives' pay has the potential to motivate citizens to stand for election and thus improve the selection of elected councillors. We look at the influence pay has on the number of political subjects that enter the election (i.e. on the political competition), and at the selection of representatives in terms of their education, previous profession, gender and age. To identify the causal effects of salaries, we use the existence of sharp increases in the salaries paid to mayors based on municipality size.
- In line with foreign research, we establish that higher pay for local representatives increases the political competition. Our estimates suggest that to attract one additional political group to participate in the election, salaries for local representatives must be raised by five percent.
- We further establish that higher pay has a positive influence on the number of elected candidates with university degrees. We estimate that a 10 % increase in pay raises the share of councillors with masters level university education by 1.6 percentage points.
- Pay for local representatives also has an influence on the choice of those representatives in terms of their professional background. Our statistical analysis reveals that raising salaries for local representatives by 10% leads to an increase in the share of representatives from managerial, specialist and administrative professions by almost 7 percentage points. This effect is also seen in the choice of the local mayor.
- Our analysis is based on data from municipalities with fewer than 1,000 inhabitants (76% of Czech settlements). This is because pay for local representatives in these municipalities was raised rather sharply at the end of 2017 while the number of inhabitants remained fixed.