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## Does Remuneration Affect the Discipline and the Selection of Politicians? Evidence from Pay Harmonization in the European Parliament

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February 2013

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# Does Remuneration Affect the Discipline and the Selection of Politicians? Evidence from Pay Harmonization in the European Parliament\*

Thomas Braendle<sup>†</sup>

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## Abstract

We study the harmonization of the base remuneration for the Members of the European Parliament (MEPs) who were previously paid like national parliamentarians implying large differences between the delegations from the 27 member countries. Based on detailed information on individual MEPs between 2004 and 2011, we find that the reform, which comes with an exceptional increase of, on average, 200 percent per national delegation, has a positive incentive effect on in-office effort as approximated by engagement in speeches, written declarations and drafted reports. However, a higher remuneration increases absence. With respect to political selection, we find that a higher remuneration increases re-election rates. The composition of the pool of MEPs in terms of (ex-ante) quality approximated with formal education, previous political experience and occupational background is, however, unaffected. If we restrict our attention to freshmen, we find that a higher remuneration is related to a lower fraction of MEPs with previous political experience at the highest national level.

*Keywords:* Political selection, remuneration of politicians, electoral system, European Parliament

*JEL classification:* D72, D73

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# 1 Introduction

There are two complementary perspectives on the role of institutions in political economy. On the one hand, institutions serve as devices to discipline the behavior of political agents. On the other hand, institutions serve as selection devices. This is relevant because the electoral control of politicians and the credibility of policy commitments are limited and thus the identity of politicians matters for political outcomes.<sup>1</sup> Recent research aims at better understanding which institutional conditions systematically impact the selection of politicians with heterogeneous quality characteristics in the first place.

In this paper, we want to bridge the traditional view on institutions impacting the discipline of politicians and the complementary view emphasizing that the same institutions systematically affect the selection into politics. We focus on the remuneration of politicians as one such important institutional condition. We exploit the exceptional remuneration reform in the European Parliament (EP) in 2009 involving an increase of the base remuneration of, on average, 200% per national delegation.<sup>2</sup> We investigate whether a higher remuneration increases the in-office effort of politicians and leads to a selection of better qualified politicians.

We pursue three goals with our contribution. First, using the exogenous variation in changes in pay across national delegations, we study the monetary impact on discipline. In particular, we analyze a broad set of measures of in-office effort ranging from absenteeism to engagement in legislative activities. Second, regarding the relationship between pay and selection, we study three important dimensions of quality characteristics; i.e., formal education, previous political and occupational experience. Third, while there is growing literature on how the pool of national or local political assemblies is composed, political economists and political scientists alike have paid relatively little attention to the analysis of the politicians at the supranational level. We, therefore, thoroughly document who is elected to the EP between 2004 and 2011.<sup>3</sup>

The harmonization of the base remuneration for the Members of the European Parliament (MEPs) constitutes an exceptional empirical set up to study the relationship between pay,

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<sup>1</sup>For a review of general ideas on the importance of selection in politics, see Fearon (1999), Brennan and Hamlin (2000), Besley (2005) and Mansbridge (2009). Recent research presents evidence showing that the identity of politicians matters for political outcomes; e.g., Jones and Olken (2005), Besley et al. (2011) and Chattopadhyay and Duflo (2004).

<sup>2</sup>We discuss previous work on the relationship between pay, discipline and selection in politics separately in Section II.

<sup>3</sup>Survey-based exceptions in political science are Scarrow (1997), Norris and Franklin (1997), Hobold and Hoyland (2011), and Hoyland et al. (2009). There are some political science studies that describe candidate selection for European elections in particular countries; i.e., Krasovec and Stremfel (2007) for Slovenia, Linek and Outly (2006) for the Czech Republic, Kauppi (1996) for France, and Gherghina and Chiru (2010) for Romania. Meserve et al. (2012) explore determinants of party list positioning of candidates in the European election in 2009 for twelve countries.

discipline and selection in politics. Up to 2009, MEPs were paid out of the national budget and received the same base remuneration as their colleagues in the national parliaments. This involved large differences between the 27 national delegations. For example, at the beginning of the sixth legislative period; i.e., the pre-harmonization period (2004-2009), a MEP from the Hungarian delegation received 10,080 Euros of annual base remuneration, whereas a MEP from the Italian delegation was conceded 144,084 Euros. In 2005, the European Parliament and the European Council enacted a new statute for the Members of the European Parliament and from July 2009 onwards (as of the beginning of the seventh legislative period), all MEPs receive the identical base remuneration which is 91,983 Euros in 2009. The remuneration is now paid out of the European Union budget and is fixed to 38.5% of the base remuneration of a judge of the European Court of Justice. All other components of the remuneration package, such as per-diem allowances for session attendance and reimbursements for travelling or staff have been paid out of the EU budget before and after 2009 and are unaffected by the harmonization.

The question of how to approximate individual discipline and quality in politics is subject to on-going research (see Padovano 2012 for a discussion). As regards discipline or performance, we look at four different in-office effort measures - all being individually attributable. First, we analyze absenteeism, often used as a proxy for effort and shirking. Second, we more specifically investigate legislative effort and study the engagement in plenary speeches, written declarations and drafting reports. Delivering speeches is an inherent part of the (representation) duties of a politician. The written declaration is a means to initiate parliamentary attention on matters of concern. The drafting of legislative reports is the most important individual instrument to influence legislating as reports that pass the voting are adopted into EU law. With respect to quality, we build and extend on the previous literature and concentrate on three dimensions of (ex-ante) quality characteristics; i.e., formal education, previous elected political experience and previous occupation.<sup>4</sup> Formal education is a proxy for ability in the private sector and is arguably positively related to ability in the political sector. Previous political experience hints at the role of elections as filters for quality (see Cooter 2002). We assume that an elected position at a higher level of government indicates higher and revealed political quality (or at least more relevant political experience). In addition, we look at previous occupation and focus on two groups; i.e., the MEPs with a previous occupation close to the political sector and high-skill occupations (e.g., university professors, senior public officials, liberal professions and entrepreneurs). The former group brings in the required knowledge and understanding of the political process. The reasoning for the latter group focuses more on revealed ability outside politics.<sup>5</sup>

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<sup>4</sup>Besley (2005) argues that quality in politics essentially comprises two aspects: competence and honesty. We focus on the former aspect and use the terms (ex-ante) quality and competence interchangeably.

<sup>5</sup>We are aware that these dimensions partly overlap. However, we want to capture a broad spectrum of

Based on our thoroughly collected panel dataset on the MEPs between 2004 and 2011, we exploit the enormous variation in the change of the base remuneration and apply a fixed effects model controlling for time-invariant and country-invariant unobserved heterogeneity. For the reform, which is not accompanied by any other institutional change, we find a positive incentive effect on in-office legislative effort as approximated by engagement in speeches, written declarations and drafted reports. For example, a 10% increase in base remuneration is related to a 1.1% increase in the number of drafted reports on average. However, a higher base remuneration is related to more absence. With respect to political selection, we find that a higher remuneration increases the re-election rate. Doubling the base remuneration increases the probability of re-election by 17.7 percentage points. The composition of the MEPs in terms of (ex-ante) quality approximated with formal education, previous political experience and occupational background is, however, unaffected by the exceptional remuneration reform. If we restrict our attention to freshmen, we find that a higher base remuneration is related to a lower fraction of MEPs with previous political experience at the highest national level. For formal education and previous occupational background, again, no selection effect is found for the restricted sample.

Our results support the traditional view that the institutional conditions determining the remuneration in politics matter for disciplining political agents. Little support is found for the (short-run) importance of the remuneration rule in systematically impacting political selection. This finding, however, seems to be partly driven by competition forces that benefit the incumbents and result in lower turnover. In addition, one should pay attention to the European proportional electoral rule and the correspondingly strong role of national parties in nominating candidates which weaken the (self-)selection arguments emphasized by the citizen candidate approach.

Closest to our study is parallel work by Fisman et al. (2012) and Altindag and Mocan (2011) who also investigate this unique empirical set up. Mocan and Altindag (2011) restrict their attention to the relationship between the base remuneration and absence and find a positive relationship. Fisman et al. (2012) study discipline and selection and overlap with our independent contribution. While they focus more on the analysis of effort and shirking, we center around selection. In particular, based on a more detailed data set regarding individual MEP characteristics, we provide an in-depth analysis of the composition and selection effects of the reform on three rather than one ex-ante quality dimensions and provide new results. In contrast to Fisman et al. (2012), we do not find that the increase in base remuneration decreases the quality of politicians in terms of education. We find similar results on incumbency. However, our results differ regarding in-office effort. While they find no systematic relationship between pay, absence and effort, we find that a higher pay is related to more engagement in legislative activities and, at the same time, to more absence.

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observable background indicators in education, in politics as well as outside politics.

Section 2 sets the stage and briefly discusses previous research on the relationship between pay, discipline and selection in politics. Section 3 deals with the institutional background. Section 4 presents the data. In Section 5, the empirical analysis is conducted. Section 6 concludes.

## 2 Previous literature

In the predominant perspective in political economics, the effect of salaries on a politician's discipline and performance has been analyzed in political agency models. In a recent model by Besley (2004) with the possibility of re-election, politicians are more likely to abstain from rent-seeking activities and behave more in congruence with citizens' preferences as the value of office-holding increases.<sup>6</sup>

As regards recent empirical contributions, Ferraz and Finan (2009) analyze an exogenous variation in the pay of local politicians across Brazilian municipalities for elections held in 2000 and 2004. They implement a fuzzy regression discontinuity design to use the discontinuities in pay depending on municipality population size thresholds to identify the causal effect of pay on performance. They find that a higher salary improves the in-office performance of local politicians as approximated with bill sponsorship and the provision of local public infrastructure (education and health). For Italian mayors, Gagliarducci and Nannicini (2013) find consistent evidence in a similar empirical set-up. Implementing a sharp regression discontinuity design, they find that mayors with higher salaries reduce the size of the municipal government and increase local bureaucratic efficiency.<sup>7</sup> Furthermore, the study exploits term limits in order to disentangle the selection and the incentive effects that pay has on in-office performance. Interestingly, most of the improved performance is driven by selection.

How the pay of politicians influences the incentive to run for political office and thus the composition of the pool of politicians has just recently been addressed by political economists.<sup>8</sup> Theoretical contributions are presented by Besley (2004), Caselli and Morelli (2004), Messner and Pohlborn (2004), Poutvaara and Takalo (2007) and Mattozzi and Merlo (2008) providing ambiguous predictions. Caselli and Morelli (2004); e.g., present a citizen-candidate model. One central result is that a higher relative pay in politics increases the average quality of politicians, as candidates with higher opportunity costs (self-)select into politics. In contrast, Messner and Pohlborn (2004) show that for intermediate levels of pay, another (indirect) effect may domi-

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<sup>6</sup>An early contribution discussing salary as a disciplining device in politics is Barro (1973).

<sup>7</sup>Earlier contributions supporting the positive relationship between remuneration and discipline/performance in politics are Di Tella and Fisman (2004) and Besley (2004) who look at U.S. governors.

<sup>8</sup>Further institutions that have been addressed so far include the regime type (Besley and Reynal-Querol 2011), electoral rules and parties (Galasso and Nannicini 2011, Mattozzi and Merlo 2011), institutions enhancing transparency in politics (Gehlbach et al. 2010, Rosenson 2006), and institutions which govern the dual office holding in different branches of government (Braendle and Stutzer 2010, 2011).



nate when pay is increased; i.e., a higher probability that candidates of low-quality with lower opportunity costs run increases the incentive for the candidates of high quality to free ride on low-quality candidates by not running for political office. Poutvaara and Takalo (2007) introduce a two party system and costly campaigning that generates informative but noisy signals about the quality of candidates. They show that the positive relationship between pay and the average quality of politicians also need not hold and depends on the level of campaigning costs.

Few contributions address this question empirically. Ferraz and Finan (2009) show that higher pay improves the quality of local candidates and elected politicians as approximated by education (average years of school attendance and the share with a high-school degree) and previous profession (a larger fraction of politicians with high opportunity costs; i.e., more lawyers and businessmen are attracted). Moreover, higher pay increases political competition indicated by more citizens who run for political office. Gagliarducci and Nannicini (2013) provide consistent evidence for Italian mayors; i.e., a higher salary attracts candidates with higher opportunity costs as approximated by years of schooling and a white collar professional background. This selection effect also carries over to the elected mayors. As regards the size of the effect, Gagliarducci and Nannicini (2013) find; e.g., that a 33% higher pay for mayors increases the average years of schooling by about 6.2%. Kotakorpi and Poutvaara (2011) analyze an increase in politicians' pay on the national level. Applying a differences-in-differences approach to an increase of 35% in Finnish parliamentary pay and using candidates in local elections as control group, they find a five percentage points higher fraction of female candidates with university education. No effect, however, is found for male candidates.<sup>9</sup>

For the exceptional remuneration reform at the European level, we want to test the predominant hypotheses. In particular, we test whether increases in pay lead to more in-office effort and to the selection of better qualified politicians. We analyze a broad set of in-office effort measures to evaluate the impact of pay on discipline. Moreover, we provide an in-depth analysis of the selection effect of the reform on the quality of elected politicians.

### 3 European Parliament

#### Electoral system

Since the European Parliament was founded in 1979, direct elections take place every five years. Up to the European elections in 1999, it was composed of 15 national delegations. In 2004,

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<sup>9</sup>Closely related questions are whether higher pay impacts the incentive to rerun (see Groseclose and Krehbiel 1994 and Keane and Merlo 2010) and whether outside or post-office earning possibilities also play a role for the decision to enter politics (see the first contribution by Gagliarducci et al. 2010 for outside earnings and Diermeier et al. 2005 and Eggers and Hainmueller 2009 for post-office returns).

ten new East European countries joined and in 2007, Bulgaria and Romania entered the EU. In the 6<sup>th</sup> (2004-2009) and 7<sup>th</sup> legislative period (2009-2014), the European Parliament consists of 785 and 736 seats, respectively. Before Bulgaria and Romania joined the European Parliament in 2007, the European Parliament had 732 MEP seats in the 6<sup>th</sup> legislative period. As a proportional representation electoral system is applied, the smallest number of seats is assigned to the delegation from Malta; i.e., five and the largest number is held by Germany with 99 seats. All member countries apply proportional representation electoral systems which differ in their specificities as regards closed versus open list proportional representation, minimum vote requirements, party nomination monopolies and rules on (simultaneous) dual office holding in the European and national political arena.<sup>10</sup> As far as we observed, all of these specific institutions of the national electoral system remained fixed within our observation period. By and large, the election to the EP is based on the national party systems and in combination with the proportional representation electoral system allows for a strong role for the national party in nominating candidates.<sup>11</sup>

## Legislative competencies

Most EU law and regulatory issues are decided by the co-decision procedure. This implies that the European Parliament together with the European Council have the power to pass the budget and to adopt and amend EU legislation in many policy areas, such as immigration, energy, transport, environment, consumer and labor protection.<sup>12</sup> Apart from voting, individual MEPs have several instruments at hand to influence the legislative decision-making process. The major means is the drafting of legislative reports where MEPs, called the rapporteurs, are entrusted by the responsible committee with improving or amending proposals brought in by the European Commission.<sup>13</sup> In addition to submitting reports, MEPs can influence the legislative process by putting; e.g., written declarations to initiate legislative attention on matters of concern or by engaging in legislative questions. All of these instruments are individually attributable MEP

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<sup>10</sup>The UK was the last country to change from a majority voting to a proportional representation electoral system in 1999. With respect to the national specificities, nine countries apply a closed-list proportional representation electoral system. See Hix (2004) for further details. Austria, Czech Republic, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Romania, Slovakia and Sweden have minimum vote requirements for parties in place (Fondation Robert Schuman 2009, Nohlen 2004). The countries which have a party nomination monopoly in place are the Czech Republic, Denmark, UK, Germany, Greece, Hungary, Latvia, Lithuania, Netherlands and Slovakia (Lehmann 2009). In the remaining 17 countries, independent candidates can run for office. Furthermore, rules of incompatibility prohibiting simultaneous dual office holding in the EP and at the national or subnational level apply in nine countries (Lehmann 2009).

<sup>11</sup>See Lundell (2004) for further discussion.

<sup>12</sup>Since the Lisbon Treaty was put in place in 2010, legislative competencies of the European Parliament have been further enlarged.

<sup>13</sup>See Benedetto (2005), Kaeding (2004, 2005), Mamadouh and Raunio (2003) and Hausemer (2006) for the importance and allocation of rapporteurship in the European Parliament.

rights.

## Harmonization of base remuneration

The compensation package is principally composed of a monthly base remuneration and allowances. Allowances include a per diem compensation for each plenary sitting day attended (304 Euros in 2011).<sup>14</sup> In addition, there are reimbursements for expenses associated with the costs of running a MEP's local office (4,299 Euros), travelling (the effective travelling costs are reimbursed but not more than .5 Euros per kilometre distance), and staff (up to 19,700 Euros monthly for effectively employed assistants). These allowances have always been paid by the EU and are not affected by the base remuneration harmonization in 2009.

Prior to the 7<sup>th</sup> legislative period, the monthly base remuneration was fixed by the MEP's home country and equal to the base remuneration of the members of the national legislative assembly. For example, the annual base remuneration paid to a Member of the European Parliament from Hungary was 10,080 Euros. In contrast, his colleague from the Italian delegation was paid 144,084 Euros. As of the beginning of the seventh legislative period, the new statute for Members of the European Parliament, enacted by the European Council and the EP in summer 2005, was put in place. This new statute contains the harmonization of the base remuneration. From July 2009 onwards, all MEPs receive a base remuneration equal to 38.5 percent of the base remuneration of a judge of the European Court of Justice which is now paid out of the EU budget. This is equivalent to 91, 983 Euro in July 2009.<sup>15</sup> Table 1 displays the change in base remuneration for all member countries. The Eastern European delegations, the Spanish, the Portuguese, the Finnish and the Swedish delegations benefitted most from the harmonization, while Italy and Austria had to accept a decrease in base remuneration. The harmonization led to a base remuneration increase of, on average, 211%, and of 186% if corrected for changes in GDP. Figure A.1 in the Appendix depicts the development of the base remuneration over the 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> legislative period. Table A.4 in the Appendix provides the respective figures and percentage changes for the sample of old member countries. As can be seen, the remuneration harmonization implied a significant increase and (in the countries which were members in the EU before enlargement in 2004) a significantly larger increase than in the previous period.<sup>16</sup> Overall,

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<sup>14</sup>A MEP who attends all plenary sitting days in one year, earns around 18,000 Euros in per-diem allowances in addition to the base remuneration.

<sup>15</sup>The new statute allowed incumbent MEPs to continue receiving the former, national base remuneration for as long as the MEP stayed in parliamentary duty. We, however, do not have the information on who opted for maintaining the old remuneration scheme and thus we have to neglect this issue in the empirical analysis. According to the parallel work by Fisman et al. (2012), there are only few MEPs who opted for the old remuneration scheme.

<sup>16</sup>Obviously, there are exceptions. The Netherlands and Ireland experienced larger increases in the period before. In our robustness checks, we therefore control the sensitivity of our results to the exclusion of these national delegations. Ideally, we would like to have information on the development of the remuneration in earlier

for all national delegations after the reform and for a majority of national delegations before the reform, the base remuneration constitutes the principal part of a MEP’s compensation.

## 4 Data

We, first, carefully document our data sources. Second, we briefly present our strategy to categorize the ex-ante quality characteristics and describe them in turn.

### 4.1 Data sources

The information on the base remuneration in the sixth legislative period is mainly taken from Corbett et al. (2003, 2005). For the 7<sup>th</sup> legislative period we use the information from the European Parliament Information Bureau in Germany. As regards information on the individual MEPs, the primary source is the official MEP entry provided by the European Parliament documentation service. Individual information contains year of birth, gender, date of entry into the EP, party affiliation, current and former membership and position in committees and delegations. More importantly, for many MEPs, a self-declared curriculum vitae is available ideally including information about formal education, previous political experience as well as previous occupational experience. Table A.1 in the Appendix presents one example of an individual MEP entry. For MEPs who were elected to the 6<sup>th</sup> legislative period, though not re-elected to the 7<sup>th</sup> legislative period, the collection of the background information proved to be challenging as the curriculum vitae information is not available at the European Parliament. Therefore, we took advantage of further sources providing information about the representatives such as the ”watch-dog” organizations: Votewatch, Powerbase or La Quadrature du net.<sup>17</sup> Moreover, we checked the personal homepages of MEPs and party homepages in order to find or validate insufficient or ambiguous information provided by the European Parliament. We used these further sources when information was available in English, French, German, Italian, Polish and Spanish. In some cases, we took reference to Wikipedia which either offers additional individual information for some MEPs or served to find further helpful sources. As regards in-office effort measures, we took advantage of the information provided by the European Parliament and Votewatch. Further sources and details are offered in the notes to Tables A.2 and A.3 in the Appendix.

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terms in order to better rule out a time trend in pay. However, such information is not available.

<sup>17</sup>Votewatch is an independent organization providing information and analysis of the voting behavior and other activities of the MEPs. Powerbase is a wiki-database where profiles containing information on MEPs can be found. La Quadrature du net is a transparency advocacy group. They have designed a toolbox in order to follow and reach the MEPs.

## 4.2 Background of politicians: categorization and descriptive statistics

We concentrate on three main ex-ante quality indicators: formal education, political experience and occupation prior to election to the European Parliament.

### *Formal education*

Formal education is a proxy for ability in the private sector and is arguably positively related to ability in the political sector. Except for four percent of the MEPs, information on the formal educational attainment is mostly well documented. We identify the highest formal degree obtained. We classify the different levels of education into two main categories: Low to middle level of formal education and high level of formal education. Low and middle level of formal education include incomplete or intermediate school degree, apprenticeship or job training, high-school diploma or still studying. High level of formal education includes all degrees obtained at institutions of tertiary education; i.e., all completed Bachelor or Master degree at universities or colleges of education, technical colleges, universities/higher schools of applied sciences as well as postgraduate studies. We are further able to identify doctoral degree, medical doctor or above (see Table 2). Out of all 1319 unique MEPs in the sixth and seventh legislative period, 87% indicate to have at least a degree from an institution of tertiary education.<sup>18</sup> The fraction of MEPs with a doctoral degree or above is 26%, which is compared to national parliaments rather high (see Merlo et al. (2010) for the Italian parliament and Schindler (1999) for the German parliament). When looking at the total of 54 delegations (27 countries times two legislative periods), interesting differences emerge. The national delegation with the largest share of MEPs with a Ph.D. degree is Latvia with 75% in the seventh legislative period (LP7), whereas several national delegations, such as Luxembourg, Ireland, Finland (LP7), Estonia (LP7) and Denmark (LP7) do not have any member with a Ph.D. degree. As regards low to middle qualified MEPs, the share is highest in Austria in the 6<sup>th</sup> legislative period; i.e., 25%. 20 out of 54 delegations do not have any member without a tertiary education. In Table A.2 in the Appendix, the summary statistics are shown and Table A.3 in the Appendix provides the corresponding summary statistics at the delegation level.

### *Previous political experience*

Our focus is on whether the MEP is elected prior to becoming a MEP to either a local, a regional or a national executive office or legislative mandate. We assume that an elected position at a higher level of government indicates higher and revealed quality (or at least more relevant political experience). We capture the individual information on the position held at the highest level of government. MEPs indicate the highest level of previous political experience to be local

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<sup>18</sup>Among these 1319 unique MEPs, there are around 180 MEPs who retired early and a similar number of MEPs who followed up.

(14%), regional (12%) and national (39%). For 35% of the MEPs, no information is found. Most likely, this indicates no previous political experience in an elected office rather than a lack of information as politicians tend to report each previous political position held. Regarding the composition of national delegations, again marked differences emerge. The delegations which have no member with local political experience are Austria (LP6), Bulgaria (LP6), Cyprus, Estonia (LP6), Latvia, Lithuania (LP6), Luxembourg, Malta and Slovenia (LP7). The highest fraction of MEPs with local experience is found for the French delegation in both legislative periods; i.e., 31%. No members with regional experience are found in Belgium, Bulgaria, Cyprus, Denmark, Estonia, Finland (LP7), Greece (LP7), Hungary, Ireland (LP7), Latvia, Lithuania, Luxembourg, Malta, Slovakia and Slovenia. On the contrary, the Italian delegation has the largest share of MEPs with regional experience; i.e., 27.4% (LP7). The national delegation with the lowest share of MEPs with previous political experience at the national level is the Netherlands in LP6; i.e., 6.25%. In contrast, all members of the national delegation of Latvia in LP7 indicate to have previous political experience at the national level.

#### *Previous occupation*

We classified several occupational categories based on the last occupational position held by the MEP before first election to the European Parliament. We are particularly interested in two categories. The first category; i.e., occupations close to politics brings in the required knowledge and understanding of the political process. It includes professional/(full-time) politicians, party officials or assistants to politicians and trade union or trade association officials. If a person has been more than 10 years previous to his election to the European Parliament holding an elected political office, for example, being a member of the national parliament and indicated no further outside-politics activity, we coded this MEP's previous occupational experience as professional politician. The second category aims at capturing politicians with a previous high-skill occupation or an occupation with high previous earning possibilities outside politics. The category high-skill occupation includes white collar workers such as university professors, senior public officials, liberal professions (e.g., lawyers, notaries, pharmacists, physicians and managers in the private sector) and entrepreneurs and self-employed. See Table 2 for a detailed description and the remaining categories. On average, 25.35% of all MEPs indicate to have a previous occupation close to or in politics. The respective figure for the category high-skill profession is 37.1%. On the delegation level, the fraction of MEPs with a prior occupation close to politics varies strongly. It is lowest in Lithuania in LP6; i.e., 7.14% and largest in Estonia in LP6; i.e., 85.71%.

In Table A.2 in the Appendix, we display the summary statistics of the further employed individual-level variables including gender, age, tenure, party affiliation, position in parliament and the measures of in-office effort. Table A.3 in the Appendix provides further information

about the variables at the delegation level.

## 5 Empirical analysis

We investigate three major issues. We start with the analysis of the relationship between the remuneration reform and four measures of in-office effort. Subsequently, we focus our analysis on the effect on political selection. Finally, we analyze the relationship between remuneration and incumbency.

### 5.1 The remuneration harmonization and in-office effort

In order to investigate the effect of the pay harmonization on in-office effort, we apply the following OLS model to our microdata:

$$\text{Measure of effort}_{i,d,t} = \beta_0 + \beta_1 \ln(\text{Base remuneration}_{d,t}) + \beta_2 LP7 + \beta_3 D_d + \beta_4 X_{d,t} + \beta_5 Z_{i,d,t} + \epsilon_{i,d,t}$$

where the dependent variable is the absence rate in percentage or the natural logarithm of the number of plenary speeches, written declarations and drafted reports of individual  $i$  adhering to the national delegation  $d$  in legislative period  $t$  (LP6 or LP7). We include the base remuneration in natural logarithmic terms for the national delegation  $d$  at the beginning of legislative period  $t$ .  $LP7$  is an indicator variable of the post-harmonization legislative period. The national delegation fixed effects are denoted by  $D_d$ . The vector  $X_{d,t}$  includes characteristics common to the MEPs from a certain country; i.e.,  $\ln(\text{GDP})$  and the corruption perceptions index by Transparency International. The vector  $Z_{i,d,t}$  captures individual characteristics such as gender, age, tenure, party affiliation, educational, political and professional background and chair position in committees and delegations. The error term is denoted  $\epsilon$ .<sup>19</sup>

Given that the depending variables plenary speeches, written declarations and drafted reports are logarithmized, we estimate specifications of a semilogarithmic functional form. Accordingly, the coefficient for a continuous variable shows the percentage change in the untransformed dependent variable per one-unit change in the explanatory factor. However, this interpretation of the estimated correlation coefficients does not hold for categorical (dummy) variables. Therefore, we also report estimated mean coefficients (in square brackets) that are consistent, close to the unbiased results, and follow the interpretation of coefficients for continuous variables (Kennedy 1981). As we are interested in the incentive effect of the remuneration reform, we restrict our attention to the MEPs who are exposed to the exogenous change in the base

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<sup>19</sup>As we look at two periods, our fixed effects estimation approach in levels is analytically the same as looking at first differences.

remuneration. We focus on the MEPs elected to both legislative periods and compare the effort during the two first years of each legislative period; i.e., 2004-2006 and 2009-2011 (excluding all MEPs who early retired or followed up during these time periods).<sup>20</sup> The dummy variable for the seventh legislative period is included to capture a common time trend; e.g, more contested political issues that lead to more effort by politicians, in the absence of an institutional change. National delegation fixed effects are included to account for unobserved country specific time-invariant factors impacting in-office effort. Examples for such factors might be time-invariant differences in national institutions, a national delegation-specific political culture or simply the size of the delegation that influences the engagement in legislative activities. As our variable of interest varies across national delegations, we calculate clustered standard errors at this level to take into account intra-delegation correlation and correlation of the national delegation over time.<sup>21</sup>

[Table 3 about here]

The first set of results is presented in Table 3 focusing on absence at plenary sitting days (panels I and II) and engagement in plenary speeches (panels III and IV). In panel I, we find that the coefficient for the base remuneration is positive and statistically significant at the 10% level, which implies that an increased base remuneration is related to a higher absence rate. In each specification, we include  $\ln(\text{GDP})$  and the Corruption Perceptions Index to approximate major socio-economic country characteristics. The two variables, however, are not statistically significantly related to absence. In panel II, we introduce individual MEP characteristics that are potentially correlated with in-office effort. We take gender, age, tenure, party affiliation, educational, political and occupational background as well as committee and delegation chair position into account. Except for a negative coefficient for MEPs who chair a committee, i.e., being less absent, no clear picture emerges. The estimated coefficient for the remuneration remains almost unchanged. This result seems surprising as it stands in contrast to the hypothesis

<sup>20</sup>See the second part of Table A.2 in the Appendix for summary statistics of this subsample.

<sup>21</sup>We are aware that with the small number of clusters, the standard error adjustment for clustering runs the danger of underestimating intra-delegation correlation and/or serial correlation. In order to assess our results as regards intra-group correlation, we also ran our regressions with delegation averages (without individual level variables) instead of microlevel data; e.g., with the average legislative engagement per delegation or with the fraction of MEPs with a university degree as dependent variable. Overall, the results are qualitatively similar. We prefer the estimation approach on the microlevel. First, we can include a rich set of further relevant individual controls. Second, on the aggregate level, the small number of delegations immediately raises questions of whether or not to compute robust standard errors (relying on large sample size properties as well) in order to take heteroskedasticity in the delegation residuals into account. And, whether or not to weight the average delegation observations due to differences in delegation size. As regards serial correlation, Hansen (2007) shows that standard errors adjusted for clustering are reliable even if the number of clusters is small (see Angrist and Pischke 2009, chapter eight for a discussion).



that a higher pay has a disciplining effect on politicians. However, it lends support for the evidence provided by Mocan and Altindag (2011) who argue that the base remuneration reform constitutes an increase in unearned income. Accordingly, better remunerated MEPs face weaker incentives to collect per-diem compensation as this second part of the compensation package has become a relatively less important source of income. If this relationship also holds for more direct measures of legislative effort is not addressed by Mocan and Altindag (2011).<sup>22</sup> We therefore propose to look at three further measures of in-office effort to offer a broad basis for evaluating the impact of monetary incentives on discipline.

In the second part of Table 3, we look at engagement in plenary speeches.<sup>23</sup> We find that a higher base remuneration is related to more engagement in plenary speeches. The estimated coefficient for the remuneration can be interpreted as an elasticity of 0.18 since we look at logarithms. A 10% increase in the remuneration is related to 1.78% more plenary speeches *ceteris paribus*. This result holds not only if we adjust for country controls in panel III but also if we adjust for our full set of covariates in panel IV. In addition, we find that the engagement in plenary speeches has increased from the 6<sup>th</sup> to the 7<sup>th</sup> legislative period.

[Table 4 about here]

In Table 4, we analyze the effect of the reform on two further legislative in-office measures; i.e., the engagement in written declarations and drafted reports. In panel I, we report a strong positive correlation between the remuneration and the engagement in writing declarations. This result holds if we include individual controls in panel II. A similar result - though measured with less precision - is found for engagement in drafting reports in panels III and IV. With regard to the size of the coefficient, we find that, for example, a 10% increase in the base remuneration is associated, on average, with a 1.1% increase in the number of drafted reports *ceteris paribus* (panel IV). Both results are consistent with the hypothesis that an increased remuneration induces more discipline and leads to more in-office effort of elected politicians. As regards the further explanatory variables, we find that MEPs with a party affiliation, as compared to non-attached MEPs, engage less in writing declarations and more in drafting reports. This result is intuitive as non-attached members are less likely to be rapporteurs and, therefore, choose other means to influence legislative activities. Chairing a committee significantly increases the engagement in both legislative activities. Committee chairmanship is statistically significantly associated with 32.96% more submitted written declarations (at the 5% significance level) and

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<sup>22</sup>Fisman et al. (2012) further focus on shirking and look at the difference between signing the register at the entry and participating in voting sessions. They find that this form of shirking is not affected by the change in base remuneration and is positively correlated to home-country corruption. This relationship is identified based on mainly cross-country variation in corruption.

<sup>23</sup>See Slapin and Proksch (2010) for an analysis of parliamentary speeches.

with 175.2% more submitted drafted reports (at the 10% significance level).<sup>24</sup>

Our results suggest that the remuneration matters for in-office effort, however, no clear picture emerges. An increase in remuneration appears to reduce attendance. A possible explanation is the weaker incentive to collect per-diem allowances. At the same time, we find more engagement in legislative activities which is consistent with the hypothesis that a higher pay constitutes a disciplining device. The individual ex-ante quality characteristics do not appear to matter in a systematic way for engagement in the analyzed in-office effort measures. The results suggest that one should be careful relying only on one approximation measure of effort to evaluate the effects of pay on discipline in politics.

## 5.2 The remuneration harmonization and political selection

In this section, we test whether the remuneration reform affects the composition of the pool of the MEPs in terms of (ex-ante) quality characteristics. According to large parts of the theoretical literature and the previous empirical contributions, we expect that a higher pay attracts better qualified politicians. We, first, look at the compositional effects in the legislative period before and after the base remuneration harmonization. Second, we focus on the sample of elected freshmen.

We estimate the following linear probability model (OLS):<sup>25</sup>

$$Quality\ of\ MEP_{i,d,t} = \beta_0 + \beta_1 \ln(Base\ remuneration_{d,t}) + \beta_2 LP7 + \beta_3 D_d + \beta_4 X_{d,t} + \beta_5 Z_{i,d,t} + \epsilon_{i,d,t}$$

where the dependent variable is a dummy variable that indicates whether the individual MEP  $i$  adhering to the national delegation  $d$  in legislative period  $t$  exhibits a certain (ex-ante) quality characteristic. The further denotation is similar to the one described before. The post-harmonization dummy variable LP7 controls for a time trend in the quality characteristics of the politicians. The national delegation fixed effects are included to account for unobserved national delegation specific time-invariant factors affecting the quality of politicians. One might think of time-invariant differences between countries in the educational system impacting the educational structure, the rules that govern the labor market affecting the occupational structure or differences in the political institutions governing the electoral system or the federal structure

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<sup>24</sup>If we estimate the regressions in Tables 3 and 4 without transforming the dependent variable into logarithmic terms, we find qualitatively similar results.

<sup>25</sup>We are aware of the challenges that come with the linear probability model as regards heteroskedasticity, distribution of errors and linearity. Therefore, we did also run the regressions with a logistic regression model. Applying a logit model causes a loss in observations due to sparseness and the interpretation of the estimated coefficients is less straight forward. As results are qualitatively similar and provide coefficients of similar size when computing either marginal effects at the mean or average marginal effects, we prefer the linear probability model. The additional results are available upon request

of a country. In addition to adjusting for income and corruption at the country level, we control for individual characteristics to account for the possibility that MEPs of different gender, age, and ideology have a systematically different educational, political and occupational background. For example, descriptive evidence on national politics suggests that conservative politicians are better educated and come from high-skill professions (e.g., lawyers or entrepreneurs in politics).

[Table 5 about here]

### *All MEPs*

In Table 5, we present the estimation results for the sample of MEPs who were elected to the parliament and neither retired early nor followed up.<sup>26</sup> In panel I, we take the probability that the individual MEP has a university degree as our measure of (ex-ante) quality. As the fraction of MEPs with at least a tertiary degree is about 87%, we concentrate in panel II on the probability that an MEP has at least a doctoral degree as a more selective indication. We find no statistically significant evidence that a higher remuneration leads to a selection of formally better educated politicians neither if we look at the fraction of MEPs with at least a university degree nor if we look at the fraction of MEPs with a very high level of tertiary education. This result contrasts with the evidence found by Fisman et al. (2012). They also apply a linear probability model and report a negative selection effect on the formal education of politicians as approximated with the fraction of MEPs with a degree from the top 500 universities across the world provided by the 2010 Academic Ranking of World Universities. In panels III and IV, we concentrate on previous elected political experience. We find no effect of the remuneration on the probability that a MEP has at least local previous political experience in panel III. While we find - in contrast to our expectation - a negative coefficient for the partial correlation between the remuneration and the probability that a MEP has an elected office at the highest national level prior to election, this relationship is not statistically significant at conventional levels. We find no indication that a higher remuneration attracts more politicians with a previous occupation close to politics (panel V) or with a previous high-skill occupation (panel VI).

The results so far suggest that while the remuneration reform impacts in-office effort, it has no (short-run) effect on the composition of politicians in terms of the three proposed observable ex-ante quality characteristics. In particular, we find no evidence for the argument that a higher remuneration attracts better qualified candidates. In the next step, we want to better understand the latter finding and investigate whether the results on the composition of the pool of politicians also hold for the selection of freshmen.

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<sup>26</sup>The results do not change if we include MEPs who retired early and who followed up. However, we want to avoid including follow-ups and retirements that may be dominated by party strategic considerations or election (not election) to national offices.

## *Freshmen*

The analysis of freshmen, all being successful candidates, is closer to the question of whether higher pay influences electoral competition by impacting the incentives to enter politics and whether this leads to a different (improved) selection of politicians.

[Table 6 about here]

In Table 6, we run the same regressions as in the previous analysis and restrict our attention to the sample of freshmen elected to the 6<sup>th</sup> and 7<sup>th</sup> legislative period and exclude MEPs who followed-up. As we can see in panels I and II, again, a higher base remuneration does not statistically significantly impact the educational level of the newly elected MEPs. With respect to political experience, the effect of a higher remuneration on the fraction of newly elected MEPs with previous elected political experience at the highest national level is - rather than positive as expected - negative and statistically significant at the 1% level. As regards the size of the coefficient, doubling the base remuneration is statistically significantly related to a 9.6 percentage points ( $=\ln(2) \times \beta_1$ ) decrease in the probability that a MEP has prior political experience at the national level. Institutional reasons for this negative effect might be grounded in either the timing of national elections or the federal structure of the member countries. The (potentially) higher attractiveness of national parliamentary seats in terms of reputation and decision-making power for politicians might distract candidates with experience at the national level from running for a EP seat in years of parallel national elections. Another argument alludes to the different federal structures of the member countries. Our result might be driven by countries where national politicians face relatively more competitors from the subnational level which is the more the case in federally organized countries. We tested both arguments and find no evidence that our result is driven by the more federal member countries or by the member countries in which parallel national elections take place. When looking at the composition of the freshmen MEPs in terms of previous occupation, again, no statistically significant partial correlations for the remuneration are found.<sup>27</sup>

### **5.3 The remuneration harmonization and re-election**

In this section, we want to address the question whether an increase in the remuneration of politicians increases incumbency. On theoretical grounds, there are two opposing arguments: On the one hand, a higher remuneration increases the attractiveness of becoming a politician

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<sup>27</sup>We also addressed the heterogeneity within the group of high-skill professions. As incentives to enter politics may differ between high-skill professions from the public sector (university professors and senior civil servants) and the private sector, we split up these subgroups and looked at them separately. We find no different patterns. The additional estimation results are available upon request.

which leads to fierce electoral competition for political office and decreased re-election chances. On the other hand, an upcoming increase in pay reinforces the re-electoral incentives of the incumbents as the value of future office holding increases which enhances re-election rates.

In Figure 1, we plot the change in the base remuneration against the change in the fraction of re-elected MEPs in the countries that were members before enlargement in 2004. The figure on the first differences suggests that there is a positive relationship between the remuneration and re-election.

[Figure 1 about here]

In Table 7, we consider again a linear probability model. We concentrate on the sample of MEPs who were elected to the 6<sup>th</sup> and 7<sup>th</sup> legislative period (excluding all follow-up MEPs) from the 15 member countries before enlargement in 2004. In panel I, adjusting for country-level covariates, we find that a higher remuneration increases the re-election rate. This finding is also robust to the inclusion of individual controls in panel II. We also find that the prior political experience and the previous occupational background are positively related to the probability of being re-elected. Doubling the MEP base remuneration is statistically significantly related to an increased re-election probability of 17.7 percentage points ( $=\ln(2) \times \beta_1$ ). It lends support for the argument that incumbents who face an increased value of future office holding can take advantage of their incumbent position in the electoral competition when pleasing the party leader and/or when competing for votes.

[Table 7 about here]

In further robustness checks (not shown), we investigated whether our results throughout the paper are sensitive to the exclusion of particular national delegations. First, we ran the regressions without the delegations that entered later; i.e., Bulgaria and Romania. Second, we excluded the Dutch and the Irish delegations that experienced larger increases in the base remuneration due to national reforms in the legislative period before the harmonization took place. For both exercises, we find very similar results. Third, we excluded Italy and Austria that experienced a decrease in the base remuneration and the respective incumbent MEPs have a stronger incentive to opt out of the new remuneration rule. Without Italy and Austria, we estimate a weaker positive partial correlation between the base remuneration and absence and a stronger positive partial correlation between the base remuneration and engagement in plenary debates. As regards political selection, the negative coefficient for the impact of the remuneration reform on the fraction of MEPs with national experience gets larger. The estimated coefficient for the effect of the remuneration reform on re-election is also larger.

## 6 Concluding remarks

Political economics emphasizes the importance of institutional conditions as disciplining and selection devices. In this paper, we investigate the two complementary perspectives focusing on the remuneration of politicians.

Based on a thoroughly collected and detailed new data set on the Members of the European Parliament between 2004 and 2011, we exploit the fundamental base remuneration reform in 2009 and study the impact on discipline and on selection into parliament. Apart from strongly varying patterns in the composition of national delegations in terms of ex-ante quality characteristics, we find that the remuneration reform impacts discipline and selection in different ways. We apply a fixed effects model controlling for time-invariant and country-invariant unobserved heterogeneity to the rich micro-data set. A positive incentive effect on engagement in speeches, written declarations and drafted reports is found. However, a higher base remuneration is related to more absence. With respect to political selection, we find that a higher remuneration increases the incumbency rate. The composition of the MEPs in terms of (ex-ante) quality is, however, unaffected by the exceptional remuneration reform. If we restrict our attention to freshmen, we find that a higher base remuneration is related to a lower fraction of MEPs with previous experience at the highest national level, indicating a decrease in the ex-ante quality of entering politicians. Overall, our results support the view that the remuneration rule matters for disciplining political agents. In contrast to recent empirical work on local or national politicians, no support is found for the role of higher remuneration in systematically improving the (ex-ante) quality of politicians.

Especially the latter result calls for further discussion. We provide evidence for a pattern that works against strong changes in the composition of the pool of MEPs; i.e., the re-election of incumbents. Political competition forces seem to favor incumbent MEPs. A lower turnover, though, does not explain why we do not find a selection of MEPs with better ex-ante quality characteristics when focusing on freshmen. In trying to better understand this result, particular attention has to be paid to the proportional electoral rule and the correspondingly strong role of national parties in nominating candidates for the European elections. These institutional conditions weaken self-selection forces emphasized in current political economics research. If national parties control the entry to the European Parliament and allocate seats either to inexperienced politicians with national-level political career ambitions as a sort of training arena or to politicians who are about to retire, changes in the remuneration are likely to be of secondary importance. Then, the European Parliament is rather a laboratory to study the effects of electoral rules and parties in selecting and allocating candidates to different levels of government. A last argument concerns the timing of our analysis. As career paths into the European Parliament

are anecdotally reported to be quite stable (see e.g., Scarrow 1997) and the overall supply of politicians is likely to be rather fixed in the short run, we only identify weak short-run selection effects in the present study while selection patterns may change with substantial delay. Initial changes may occur at the candidate level; e.g., the number and quality of candidates running for a MEP seat. This is, however, left to future research.

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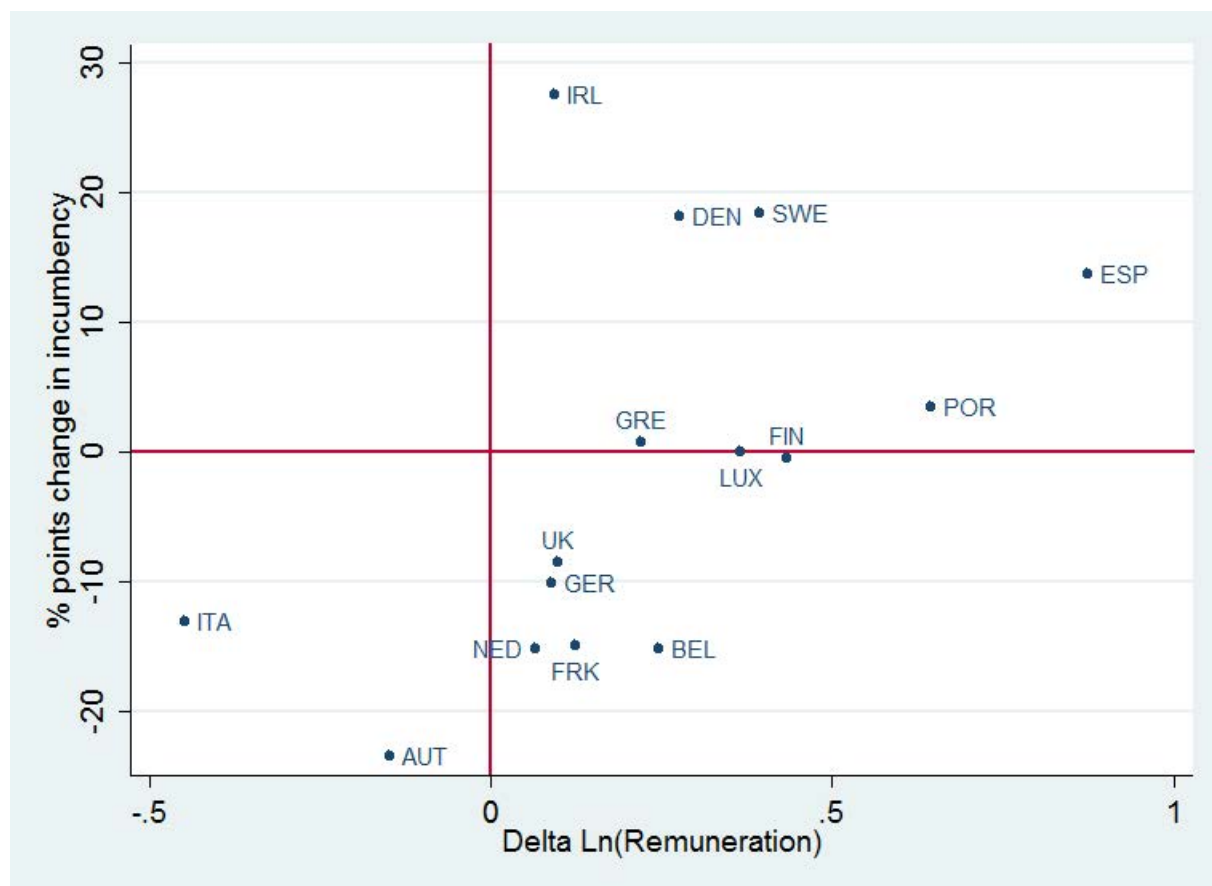
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## Figures and Tables

Figure 1: Change in base remuneration versus change in re-election rate



*Notes:* The vertical axis indicates the percentage points change in the re-election rate from the 6<sup>th</sup> to the 7<sup>th</sup> legislative period. We include only MEPs who were elected at the beginning of each legislative period (excluding follow-up MEPs). The horizontal axis shows the change in base remuneration due to the reform. Delta Ln(remuneration) is defined as the logarithm of the harmonized base remuneration as of the beginning of the 7<sup>th</sup> legislative period; i.e., 91,983 Euros minus the logarithm of the base remuneration as of the beginning of the 6<sup>th</sup> legislative period for MEPs from the 15 (old) member countries. Country labels: Austria (AUT), Belgium (BEL), Denmark (DEN), Finland (FIN), France (FRK), Germany (GER), Greece (GRE), Ireland (IRL), Italy (ITA), Luxembourg (LUX), Netherlands (NED), Portugal (POR), Spain (ESP), Sweden (SWE), and United Kingdom (UK).

*Sources:* See Table A.3 in the Appendix.

Table 1: Annual base remuneration before and after the reform in 2009 in Euros

Country	Before reform (in 2004)	After reform (in 2009)	Change in %	Change in % corrected for GDP/capita
Hungary	10,080	91,983	813%	798%
Bulgaria	10,226	91,983	800%	675%
Latvia	12,518	91,983	635%	567%
Slovakia	14,085	91,983	553%	416%
Lithuania	14,197	91,983	548%	467%
Malta	15,534	91,983	492%	442%
Czech Republic	19,774	91,983	365%	306%
Romania	21,746	91,983	323%	294%
Estonia	21,864	91,983	321%	295%
Poland	28,860	91,983	219%	154%
Spain	38,396	91,983	140%	137%
Portugal	48,286	91,983	90%	89%
Slovenia	48,815	91,983	88%	70%
Cyprus	52,041	91,983	77%	65%
Finland	59,640	91,983	54%	50%
Sweden	62,069	91,983	48%	47%
Luxembourg	63,791	91,983	44%	36%
Denmark	69,816	91,983	32%	34%
Belgium	72,018	91,983	28%	25%
Greece	73,850	91,983	25%	15%
France	81,273	91,983	13%	12%
United Kingdom	83,312	91,983	10%	11%
Ireland	83,712	91,983	10%	15%
Germany	84,108	91,983	9%	6%
Netherlands	86,126	91,983	7%	1%
Austria	106,583	91,983	-14%	-18%
Italy	144,084	91,983	-36%	-32%
Average	52,845	91,983	211%	184%

*Notes:* The values show the annual base remuneration at the beginning of the 6<sup>th</sup> and the 7<sup>th</sup> legislative period in Euro. For Bulgaria and Romania, which entered the European parliament in 2007, the values report the base remuneration paid before the reform as the average of the years 2007 - 2009. The adjustment for the percentage change in GDP per capita is based on data from the World Development Indicators.

*Sources:* See Table A.3 in the Appendix.

Table 2: Classification of formal education, previous political experience and previous occupation

Classification	Details
<b>Formal education</b>	
<i>No information</i>	No indication about any obtained school degree is found.
<i>Low to middle level of formal education</i>	Incomplete school degree, intermediate school degree, apprenticeship or job training, high school degree or still studying.
<i>High level of formal education</i>	
– University degree	Completed Bachelor or Master degree at universities or at colleges of education, technical colleges, higher schools of applied sciences as well as postgraduate studies.
– Doctoral degree or above	Completed Ph.D. or M.D. (medical doctor); completed Ph.D. and further qualifications such as university lecturer or diplomatic college; assistant professor or full professor.
<b>Previous political experience</b>	
<i>No information</i>	MEP does not indicate any previous elected political position.
<i>Local political experience</i>	Member of the local legislative assembly/local council and elected executive positions such as mayor.
<i>Regional political experience</i>	Member of the regional parliament and executive positions such as president/head of government of the region or regional minister.
<i>National political experience</i>	Member of the national parliament or senate as well executive positions such as president, prime minister, chancellor, and national minister.
<b>Previous occupation</b>	
<i>No information</i>	MEP does not indicate any previous occupation held.
<i>Occupational background close to politics</i>	
– Professional/(Full-time) politicians	MEP indicates a position such as head of government, minister or member of parliament or senate during the last 10 years before elected to the European Parliament and no other simultaneous employment.

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Table 2 – continued

Classification	Detail
– Party officials or political assistants	Fulltime (leading) party official, employee of a party or of a politician.
– Trade union or trade association officials	Employee of a trade union or a trade association.
<i>High-skill occupations</i>	
– Professors	MEP indicates to be an assistant or full professor at an institution of tertiary education.
– Senior public officials	Senior public servants; i.e., for example, leading position in various fields of public administration, judge, ambassador or diplomat.
– Senior managers	Senior employee position in the private sector.
– Liberal professions	Legal professions such as lawyer and notary as well as pharmacist, physician, architect and accountant.
– Self-employed and entrepreneurs	MEP indicates to be self-employed or to run his own business.
<i>Other occupations</i>	
– Low/middle level public servants	Public servant or public sector employee who indicates teacher, public servant or employee in public administration, employee of the judicial branch, member of the military and police official (senior official positions excluded).
– Media-related professions	Editor, journalist, publisher and author.
– Agricultural sector	Farmer and employee in the agricultural sector.
– Employees in the private sector	Employee in the private sector (senior managers excluded).
– Engineers	MEP indicates to work as engineer.
– Further indicated occupations (main activities)	Athlete, singer, pastor, political activist.

Table 3: The effects of remuneration on in-office effort  
Absence and engagement in plenary speeches

	I	II	III	IV
Dependent variable:	Absence rate		Plenary speeches	
ln(Remuneration)	1.409*	1.375*	0.178**	0.174*
	(0.81)	(0.75)	(0.08)	(0.08)
LP7	-0.637	-0.385	0.452***	0.342**
	(1.41)	(1.40)	(0.15)	(0.15)
			[0.553]	[.391]
ln(GDP)	7.051	4.405	-0.606	-0.613
	(13.99)	(13.52)	(1.54)	(1.63)
Corruption	-1.714	-1.456	0.205	0.212
	(1.78)	(1.62)	(0.13)	(0.15)
Woman		-0.003		0.110
		(0.82)		(0.09)
				[0.112]
Age		-0.084		-0.017***
		(0.06)		(0.01)
Tenure		-0.048		0.188***
		(0.47)		(0.03)
EPP		-4.841		-0.343
		(3.96)		(0.26)
				[-0.314]
S&D		-4.741		-0.353
		(3.58)		(0.30)
				[-0.327]
ALDE		-4.173		0.002
		(3.79)		(0.30)
				[-0.042]
EFA		-5.897*		-0.014
		(3.44)		(0.32)
				[-0.062]
GUE/NGL		-0.029		0.075
		(4.82)		(0.32)
				[0.024]
Other party		0.569		-0.173
		(2.66)		(0.33)
				[-0.203]
University degree		-0.441		-0.203
		(1.26)		(0.22)
				[-0.204]
At least local political experience		1.204		0.039
		(1.02)		(0.09)
				[0.036]

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Table 3 – continued

	I	II	III	IV
Dependent variable:	Absence rate		Plenary speeches	
Occupation close to politics		4.087 (4.26)		-0.007 (0.20) [-0.028]
High-skill occupation		2.798 (4.64)		0.174 (0.19) [0.170]
Other occupation		2.758 (4.58)		-0.014 (0.21) [-0.035]
Committee chair		-3.203*** (0.94)		0.313** (0.13) [0.356]
Delegation chair		0.629 (1.99)		0.004 (0.13) [-0.004]
Country fixed effects	yes	yes	yes	yes
No. of observations	606	606	604	604
No. of clusters	25	25	25	25
R <sup>2</sup>	.081	.136	.221	.282

*Notes:* Partial correlations from OLS regressions. Robust standard errors clustered at the country (national delegation) level in parentheses. Significance levels: \*  $.05 < p < .1$ , \*\*  $.01 < p < .05$ , \*\*\*  $p < .01$ . The sample includes all individual MEPs elected to the 6<sup>th</sup> and re-elected to the 7<sup>th</sup> legislative period who were MEPs for the whole two first years in both legislative periods (N=303). Excluded are MEPs who retired earlier or followed-up and the MEPs from Bulgaria and Romania who joined in 2007. Dependent variable in I and II: Absence rate in percentage, in panel III and IV: Ln(number of speeches) where we apply a  $\ln(\text{number of speeches} + 1)$  transformation in order to make use of the MEPs who did not engage in plenary speeches. LP7 stands for seventh legislative period. As regards ideology, EPP stands for European People’s Party, S&D for Progressive Alliance of Socialists and Democrats, ALDE for Alliance of Liberals and Democrats for Europe, EFA for Green/European Free Alliance, and GUE/NGL for European United Left-Nordic Green Left. Other party captures Europe of Freedom and Democracy (EFD), European Conservatives and Reformist (ECR), Union for Europe of the Nations (UEN) or Independence/Democracy Group (Ind/Dem). The reference category is non-attached members. Occupation close to politics includes: Party official, trade union or trade association official, professional politician. High-skill profession includes: (university) professor, senior public official, senior manager, liberal professions and entrepreneurs. The reference category for occupational background is no occupation indicated. The values in square brackets accommodate the fact that we use a semilogarithmic functional form with dummy variables. The coefficients of the percentage change for all dummy variables are computed using the post estimation Stata command “logdumy”. *Sources:* See Tables A.2 and A.3 in the Appendix.

Table 4: The effect of remuneration on in-office effort  
Engagement in writing declarations and drafting reports

	I	II	III	IV
Dependent variable:	Written declarations		Drafted reports	
ln(Remuneration)	0.162*** (0.06)	0.158*** (0.05)	0.103 (0.06)	0.110* (0.06)
LP7	0.098 (0.06)	0.128* (0.07)	-0.068 (0.05)	-0.131*** (0.04)
ln(GDP)	-1.593** (0.71)	-1.457** (0.67)	1.000 (0.67)	1.222* (0.66)
Corruption	0.128 (0.08)	0.109* (0.06)	-0.036 (0.06)	-0.040 (0.06)
Woman		-0.066 (0.06)		0.067 (0.05)
Age		-0.001 (0.00)		-0.002 (0.00)
Tenure		-0.014 (0.03)		0.062*** (0.02)
EPP		-0.530** (0.21)		0.492*** (0.13)
S&D		-0.414* (0.21)		0.405*** (0.09)
ALDE		-0.292 (0.24)		0.415*** (0.14)
EFA		-0.130 (0.23)		0.466*** (0.12)
GUE/NGL		-0.387* (0.20)		0.349** (0.16)
Other party		-0.672*** (0.21)		0.335* (0.17)
University degree		0.051 (0.05)		-0.004 (0.07)
At least local political experience		-0.015 (0.05)		-0.040 (0.06)

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Table 4 – continued

	I	II	III	IV
Dependent variable:	Written declarations		Drafted report	
Occupation close to politics		0.149 (0.17) [0.144]		-0.017 (0.13) [-0.026]
High-skill occupation		0.215 (0.18) [0.219]		0.035 (0.15) [0.024]
Other occupation		0.215 (0.16) [0.223]		0.065 (0.12) [0.059]
Committee chair		0.297* (0.16) [0.330]		1.019*** (0.12) [1.752]
Delegation chair		-0.064 (0.09) [-0.066]		-0.008 (0.15) [-0.192]
Country fixed effects	yes	yes	yes	yes
No. of observations	606	606	606	606
No. of clusters	25	25	25	25
R <sup>2</sup>	.098	.179	.069	.188

*Notes:* Partial correlations from OLS regressions. Robust standard errors clustered at the country (national delegation) MEP level in parentheses. Significance levels: \*  $.05 < p < .1$ , \*\*  $.01 < p < .05$ , \*\*\*  $p < .01$ . The sample includes all individual MEPs elected to the 6<sup>th</sup> and re-elected to the 7<sup>th</sup> legislative period who were MEPs for the whole two first years in both legislative periods (N=303). Excluded are MEPs who retired earlier or followed-up and the MEPs from Bulgaria and Romania who joined in 2007. Dependent variable in panel I and II: Ln(number of written declarations) and in panel III and IV: Ln(number of drafted reports). In all panels, we apply a  $\ln(n + 1)$  transformation in order to make use of the MEPs who did not submit written declarations or reports. The values in square brackets accommodate the fact that we use a semilogarithmic functional form with dummy variables. The coefficients of the percentage change for all dummy variables are computed using the post estimation Stata command “logdummy”. For further details, see Table 3.

*Sources:* See Tables A.2 and A.3 in the Appendix.

Table 5: The effect of remuneration on political selection

	I	II	III	IV	V	VI
Dependent variable:	At least university degree	PhD degree	At least local political experience	National political experience	Occupation close to politics	High-skill Occupation
ln(Remuneration)	0.016 (0.02)	0.011 (0.04)	-0.015 (0.02)	-0.042 (0.03)	0.004 (0.04)	-0.034 (0.03)
LP7	-0.042** (0.02)	-0.049** (0.02)	0.020 (0.02)	0.008 (0.02)	-0.030 (0.02)	0.008 (0.02)
ln(GDP)	0.179 (0.24)	-0.158 (0.28)	0.103 (0.29)	0.173 (0.33)	0.573 (0.36)	0.036 (0.29)
Corruption	-0.018 (0.02)	-0.037** (0.02)	0.035 (0.03)	0.076** (0.04)	-0.003 (0.03)	-0.011 (0.03)
Woman	-0.016 (0.03)	-0.020 (0.03)	-0.033 (0.04)	-0.042 (0.03)	0.033 (0.03)	-0.045 (0.03)
Age	-0.001 (0.00)	0.009*** (0.00)	0.008*** (0.00)	0.011*** (0.00)	0.001 (0.00)	0.003* (0.00)
EPP	0.159** (0.06)	-0.015 (0.06)	0.126 (0.09)	-0.027 (0.08)	0.158*** (0.05)	0.072 (0.09)
S&D	0.169*** (0.06)	-0.037 (0.05)	0.149* (0.08)	0.016 (0.09)	0.233*** (0.04)	0.054 (0.09)
ALDE	0.183** (0.07)	-0.031 (0.05)	0.054 (0.11)	-0.002 (0.09)	0.189*** (0.05)	0.093 (0.11)
EFA	0.181** (0.08)	-0.025 (0.06)	0.014 (0.13)	-0.024 (0.11)	0.341*** (0.07)	-0.192** (0.09)

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Table 5 – continued

	I	II	III	IV	V	VI
Dependent variable:	At least university degree	PhD degree	At least local political experience	National political experience	Occupation close to politics	High-skill occupation
Dummy						
GUE/NGL	0.147* (0.08)	-0.086 (0.07)	-0.032 (0.10)	-0.049 (0.10)	0.084 (0.08)	-0.145 (0.09)
Other party	0.110 (0.07)	-0.070 (0.07)	0.154 (0.09)	0.036 (0.10)	0.175** (0.07)	0.024 (0.09)
Country fixed effects	yes	yes	yes	yes	yes	yes
No. of observations	1376	1376	1376	1376	1376	1376
No. of clusters	27	27	27	27	27	27
R <sup>2</sup>	.088	.148	.120	.247	.091	.087

*Notes:* Partial correlations from OLS regressions (Linear probability model). Robust standard errors clustered at the country (national delegation) level in parentheses. Significance levels: \*  $.05 < p < .1$ , \*\*  $.01 < p < .05$ , \*\*\*  $p < .01$ . Observations include all MEPs elected to the 6<sup>th</sup> and 7<sup>th</sup> legislative period (excluding MEPs who retired early or followed up). Occupation close to politics includes: Party official, trade union or trade association official, professional politician. High-skill profession includes: (university) professor, senior public official, senior manager, liberal professions and entrepreneurs. See Table 2 and 3 for further details.

*Sources:* See Tables A.2 and A.3 in the Appendix.

Table 6: The effect of remuneration on political selection  
Only freshmen

	I	II	III	IV	V	VI
Dependent variable:	At least university degree	PhD degree	At least local political experience	National political experience	Occupation close to politics	High-skill occupation
ln(Remuneration)	0.033 (0.03)	0.028 (0.06)	-0.045 (0.04)	-0.139*** (0.05)	-0.014 (0.11)	0.022 (0.07)
LP7	-0.075*** (0.02)	-0.081 (0.05)	0.032 (0.06)	0.046 (0.05)	-0.069 (0.05)	-0.062 (0.07)
ln(GDP)	0.170 (0.27)	-0.105 (0.41)	0.058 (0.46)	0.138 (0.66)	0.769 (1.03)	0.284 (0.69)
Corruption	-0.040 (0.03)	-0.049 (0.04)	0.060 (0.06)	0.146* (0.07)	0.079 (0.08)	-0.149 (0.09)
Woman	0.015 (0.02)	-0.000 (0.02)	-0.002 (0.04)	-0.026 (0.04)	-0.038 (0.04)	0.004 (0.04)
Age	-0.001 (0.00)	0.009*** (0.00)	0.010*** (0.00)	0.012*** (0.00)	-0.000 (0.00)	0.002 (0.00)
EPP	0.219*** (0.07)	-0.013 (0.08)	0.149 (0.09)	-0.060 (0.07)	0.164*** (0.05)	-0.006 (0.09)
S&D	0.195*** (0.07)	-0.013 (0.07)	0.135 (0.08)	-0.008 (0.06)	0.253*** (0.06)	0.013 (0.09)
ALDE	0.193*** (0.08)	0.017 (0.08)	0.035 (0.11)	-0.049 (0.08)	0.183*** (0.07)	-0.030 (0.12)
EFA	0.182*** (0.07)	0.004 (0.09)	0.005 (0.15)	-0.018 (0.09)	0.304*** (0.08)	-0.318*** (0.10)

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Table 6 – continued

	I	II	III	IV	V	VI
Dependent variable:	At least university degree	PhD degree	At least local political experience	National political experience	Occupation close to politics	High-skill occupation
Dummy						
GUE/NGL	0.186** (0.09)	-0.060 (0.07)	-0.048 (0.12)	-0.070 (0.10)	0.067 (0.09)	-0.243** (0.09)
Other party	0.198** (0.08)	-0.034 (0.08)	0.183* (0.09)	-0.025 (0.08)	0.220** (0.08)	-0.025 (0.12)
Country fixed effects	yes	yes	yes	yes	yes	yes
No. of observations	709	709	709	709	709	709
No. of clusters	27	27	27	27	27	27
R <sup>2</sup>	.116	.159	.157	.262	.128	.114

*Notes:* Partial correlations from OLS regressions (Linear probability model). Robust standard errors clustered at the country (national delegation) level in parentheses. Significance levels: \*  $.05 < p < .1$ , \*\*  $.01 < p < .05$ , \*\*\*  $p < .01$ . Observations include all MEPs elected for the first time either to the 6<sup>th</sup> or 7<sup>th</sup> legislative period (excluding MEPs who followed up). Occupation close to politics includes: Party official, trade union or trade association official, professional politician. High-skill profession includes: (university) professor, senior public official, senior manager, liberal professions and entrepreneurs. See Table 2 and 3 for further details.

*Sources:* See Tables A.2 and A.3 in the Appendix.

Table 7: The effect of remuneration on re-election  
 Dependent variable: Re-election dummy

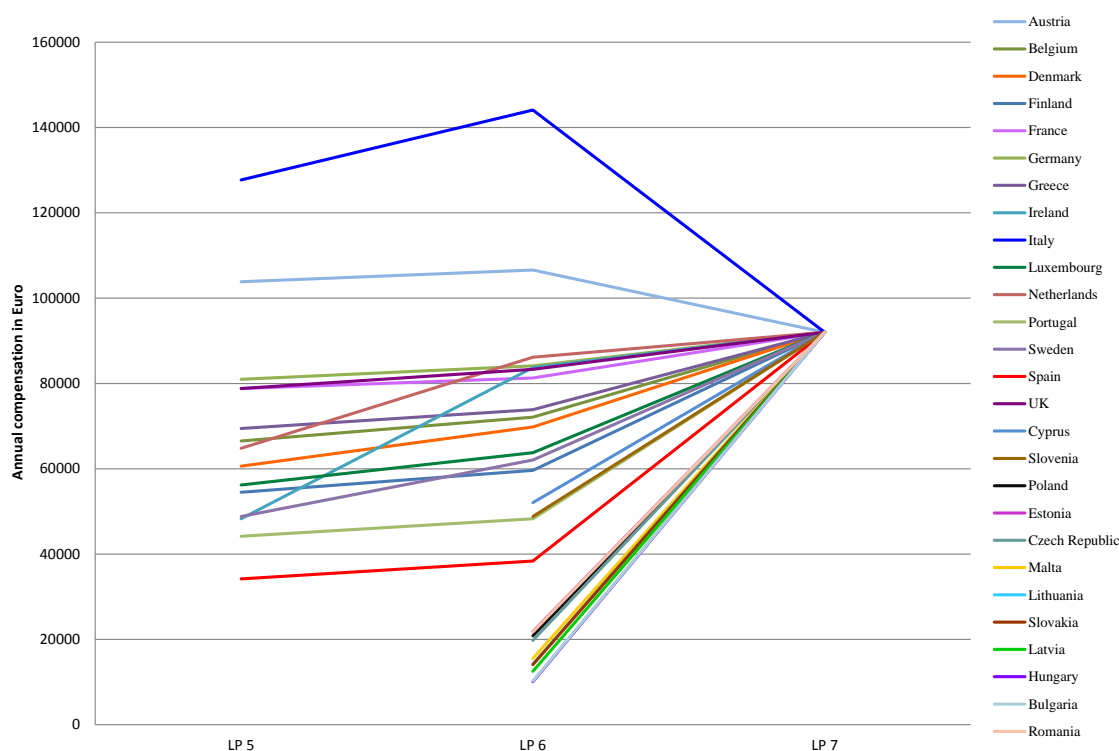
	I	II
ln(Remuneration)	0.371*** (0.08)	0.263*** (0.07)
LP7	-0.034 (0.05)	-0.026 (0.02)
ln(GDP)	-1.582* (0.79)	-0.864 (0.51)
Corruption	0.129 (0.09)	0.119** (0.05)
Woman		0.023 (0.02)
Age		-0.000 (0.00)
Tenure		0.300*** (0.02)
EPP		0.102 (0.06)
S&D		0.080 (0.06)
ALDE		0.049 (0.06)
EFA		0.066 (0.05)
GUE/NGL		0.100* (0.06)
Other party		0.061 (0.06)
University degree		0.005 (0.03)
At least local political experience		0.033 (0.02)
High-skill and close to politics occupation		0.039* (0.02)
Country fixed effects	yes	yes
No. of observation	991	990
No. of clusters	15	15
R <sup>2</sup>	.092	.570

*Notes:* Partial correlations from OLS (Linear Probability Model). Robust standard errors clustered at the country (national delegation) level. Significance levels: \*  $.05 < p < .1$ , \*\*  $.01 < p < .05$ , \*\*\*  $< .01$ . Observations from the 15 (old) member countries are included. *Sources:* See Tables A.2 and A.3 in the Appendix.



## Appendix

Figure A.1: Base remuneration for the Members of the European Parliament in the 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> legislative period



*Notes:* LP stands for legislative period. The lines connect the values for each legislative period. The lines do not imply a continuous increase within the legislative periods. Regular legislative periods in the European Parliament last five years. The 5<sup>th</sup> (6<sup>th</sup>) legislative period lasted from 1999 to 2004 (2004-2009).

*Sources:* The values for the 5<sup>th</sup> legislative period are taken from Corbett et al. (2003) who report the base remuneration as of autumn 2001. The values for the 6<sup>th</sup> legislative period are taken from Corbett et al. (2005) reporting the values as of the beginning of the 6<sup>th</sup> legislative period in late 2004. The value for the 7<sup>th</sup> legislative period is taken from the European Parliament Information Bureau in Germany ([www.europarl.de](http://www.europarl.de)) and indicates the value as of the beginning of the 7<sup>th</sup> legislative period. For further details see Table A.3.

Table A.1: Example of an entry for a Spanish Member of the European Parliament



## Alejandro CERCAS

S&D **Group of the Progressive Alliance of Socialists and Democrats in the European Parliament**  
 Member

Spain **Spain**  
 Partido Socialista Obrero Español

Born on 25 May 1949, Ibahernando (Cáceres)

**Member**

- EMPL Committee on Employment and Social Affairs
- D-CA Delegation for relations with Canada

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**Substitute**

- AGRI Committee on Agriculture and Rural Development
- DKOR Delegation for relations with the Korean Peninsula

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**Curriculum vitae** (The MEP is solely responsible for the information published)

- Graduate in law (1974). Legal advisor for an insurance company (1974). Legal advisor to the Agricultural Development Agency (1975). Civil servant in the higher technical section of the Social Security Department (1977-1982). Civil servant on secondment (since 1982).
- Member of the Young Socialists Executive Committee (1974-1977). Member of the PSOE Federal Committee (1979-2000). Area secretary, PSOE Executive Committee (1984-1996)
- Member of the Congress of Deputies for Madrid (1982-1989). Member of the Congress of Deputies for Cáceres (1989-1999). Chairman of the Committee on Social Policy and Employment of the Congress of Deputies (1982-1986); spokesman on Social Affairs (1986-1999).
- Member of the European Parliament (since 1999).

Sources: [www.europarl.europa.eu/meps/en/4337/Alejandro\\_CERCAS.html](http://www.europarl.europa.eu/meps/en/4337/Alejandro_CERCAS.html), visited on 13.08.2012.

Table A.2: Descriptive statistics I  
Individual information

	Obs.	Mean	Std. dev.	Min.	Max.
<i>MEP characteristics</i>					
Female	1319	0.31	0.46	0	1
Age	1319	49.45	10.61	21	90
Tenure	1319	1.46	0.91	1	6
<i>Ideology</i>					
European People's Party (EPP)	1319	0.35	0.48	0	1
Progressive Alliance of Socialists and Democrats (S&D)	1319	0.28	0.45	0	1
Alliance of Liberals and Democrats for Europe (ALDE)	1319	0.13	0.33	0	1
Green/European Free Alliance (EFA)	1319	0.06	0.24	0	1
European United Left-Nordic Green Left (GUE/NGL)	1319	0.05	0.22	0	1
Europe of Freedom and Democracy (EFD)	1319	0.02	0.13	0	1
European Conservatives and Reformist (ECR)	1319	0.02	0.13	0	1
Union for Europe of the Nations (UEN)	1319	0.03	0.18	0	1
Independence/Democracy Group (Ind/Dem)	1319	0.02	0.14	0	1
Non-attached members	1319	0.04	0.20	0	1
<i>Education, political and occupational experience</i>					
No educational information	1319	0.04	0.19	0	1
Low to middle level of education	1319	0.10	0.29	0	1
University degree (without Ph.D.)	1319	0.61	0.49	0	1
Doctoral degree and above	1319	0.26	0.44	0	1
No political experience information	1319	0.35	0.48	0	1
Local political experience	1319	0.14	0.35	0	1
Regional political experience	1319	0.12	0.33	0	1
National political experience	1319	0.39	0.49	0	1
No occupational experience	1319	0.04	0.18	0	1
Occupations close to politics	1319	0.25	0.43	0	1
High-skill occupations	1319	0.37	0.48	0	1
Other occupations	1319	0.34	0.47	0	1
<i>Position in parliament</i>					
Committee chair	1319	0.02	0.15	0	1
Delegation chair	1319	0.04	0.20	0	1

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Table A.2 – continued

	Obs.	Mean	Std. dev.	Min.	Max.
<i>Subsample of MEPs elected to the 6<sup>th</sup> and 7<sup>th</sup> LP</i>					
<i>MEP characteristics</i>					
Female	303	0.33	0.47	0	1
Age	303	49.49	9.14	28	76
Tenure	303	1.76	1.05	1	6
<i>Ideology</i>					
European People's Party (EPP)	303	0.46	0.50	0	1
Progressive Alliance of Socialists and Democrats (S&D)	303	0.25	0.43	0	1
Alliance of Liberals and Democrats for Europe	303	0.11	0.31	0	1
Green/European Free Alliance (EFA)	303	0.06	0.24	0	1
European United Left-Nordic Green Left (GUE/NGL)	303	0.04	0.20	0	1
Union for Europe of the Nations (UEN)**	303	0.02	0.14	0	1
Independence/Democracy Group (Ind/Dem)**	303	0.02	0.15	0	1
Non-attached members	303	0.04	0.19	0	1
<i>Education, political and professional experience</i>					
No educational information	303	0.02	0.13	0	1
Low to middle level of education	303	0.11	0.31	0	1
University degree (without Ph.D.)	303	0.63	0.48	0	1
Doctoral degree and above	303	0.25	0.43	0	1
No political experience information	303	0.34	0.48	0	1
Local political experience	303	0.15	0.36	0	1
Regional political experience	303	0.12	0.32	0	1
National political experience	303	0.39	0.49	0	1
No occupational experience	303	0.01	0.10	0	1
Occupation close to politics	303	0.29	0.45	0	1
High-skill occupations	303	0.36	0.48	0	1
Other occupations	303	0.34	0.48	0	1
<i>Position in parliament</i>					
Committee chair	303	0.03	0.17	0	1
Delegation chair	303	0.02	0.14	0	1

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Table A.2 – continued

	Obs.	Mean	Std. dev.	Min.	Max.
<i>Measures of in-office effort</i>					
Absence rate	606	10.71	8.66	0	47.41
Number of plenary speeches	604	43.22	64.16	0	649
Number of written declarations	606	.70	1.28	0	11
Number of drafted reports	606	1.20	2.44	0	28

*Notes:* There are 1319 unique MEPs who served between 2004 and 2011. If the parliamentarian is member of both legislative assemblies, the descriptive statistics are indicated for the first period. The subsample of MEPs elected to the 6<sup>th</sup> and 7<sup>th</sup> legislative period concentrates on MEPs who were members in the two first years of each legislative period. In the subsample, MEPs who retired early or followed up as well as the MEPs from Bulgaria and Romania who joined in 2007 are excluded. Tenure is indicated as the number of previous membership in legislative periods. In the current legislative period, there are seven political parties: European People’s Party (EPP), Progressive Alliance of Socialists and Democrats (S&D), Alliance of Liberals and Democrats for Europe (ALDE), the Greens-European Free Alliance (EFA), European United Left-Nordic Green Left (GUE/NGL), Europe of Freedom and Democracy (EFD) and European Conservatives and Reformists (ECR). EFD and ECR are new political groups formed at the beginning of the seventh legislative period. ECR is a split off of the EPP. It is composed of MEPs who were previously members of the EPP, Union for Europe of the Nation (UEN) and Independence/Democracy Group (Ind/Dem). As the Independence/Democracy and Union for Europe suffered heavy losses in the 2009 election, they had on their own no longer enough members to form a separate political group. Therefore, MEPs from these parties formed EFD on 1 July 2009. In the subsample of 303 MEPs, the party affiliation is categorized as of the beginning of the sixth legislative period. The values for the measures of in-office effort summarize the sixth and the seventh legislative period for each MEP in the subsample. The delegation level descriptive statistics are shown in Table A.3.

*Sources:* Official MEP entries at the European Parliament. For complementary information on the educational, political and professional background, further sources are votewatch, powerbase, la quadrature du net, official national party homepages and the personal MEP homepages.

Table A.3: Descriptive statistics II  
Information on delegation level

	Obs.	Mean	Std. dev.	Min.	Max.
<i>Composition regarding formal education</i>					
No information	54	2.81	4.72	0	20
Low to middle level of formal education	54	6.79	7.54	0	25
University degree (without Ph.D.)	54	63.76	17.82	25	100
Doctoral degree or above	54	26.64	18.73	0	75
<i>Composition regarding political experience</i>					
No information	54	33.79	18.65	0	83.33
Local political experience	54	8.84	8.37	0	31.17
Regional political experience	54	6.20	8.06	0	27.40
National political experience	54	51.18	24.03	6.25	100
<i>Composition regarding occupation</i>					
No information	54	3.12	4.39	0	17.24
Occupations close to politics	54	31.03	15.54	7.14	85.71
High-skill occupations	54	33.39	15.37	0	71.43
Other occupations	54	32.45	9.98	0	66.67
<i>Further variables</i>					
Fraction of women	54	32.69	12.46	0	60
Fraction of incumbents	30	46.21	15.12	12.90	77.11
Ln(Remuneration)	54	11.02	.69	9.22	11.88
ln(GDP)	54	9.53	0.83	7.70	10.96
Corruption index	54	6.36	1.91	2.9	9.7

*Notes:* The unit of observation is the national delegation in the 6<sup>th</sup> and 7<sup>th</sup> legislative period. Ln(Remuneration) is defined as the logarithm of the base remuneration at the beginning of the 6<sup>th</sup> or 7<sup>th</sup> legislative period. The base remuneration in the 7<sup>th</sup> legislative period is a constant and the amount is 91,983 Euros. The values for the 6<sup>th</sup> legislative period are taken from Corbett et al. (2005) reporting the values at the beginning of the 6<sup>th</sup> legislative period. For Bulgaria and Romania, which joined the European Parliament in 2007, the values are complemented with information from Mocan and Altindag (2011). They report the base remuneration paid just before the reform as the average of the years 2007 - 2009. The value for the 7<sup>th</sup> legislative period is taken from the European Parliament Information Bureau in Germany ([www.europarl.de](http://www.europarl.de)) and indicates the value at the beginning of the 7<sup>th</sup> legislative period. The fraction of incumbents refers to the 15 old member countries before enlargement in 2004. Ln(GDP) is the logarithm of the GDP per capita in each country in the year of election taken from the World Development Indicators. The corruption index measures the perceived corruption in each country in the year of election and is taken from Transparency International. It is scaled from 0 to 10, 10 indicates the lowest level of perceived corruption.

Table A.4: Annual base remuneration in the 5<sup>th</sup>, 6<sup>th</sup> and 7<sup>th</sup> legislative period in Euros.

Country	Base remuneration in LP5	Base remuneration in LP6	Base remuneration in LP7	Change in % from LP 5 to LP 6	Change in % from LP 6 to LP 7
Spain	34,190	38,396	91,983	12%	140%
Portugal	44,203	48,286	91,983	9%	90%
Finland	54,493	59,640	91,983	9%	54%
Sweden	48,829	62,069	91,983	27%	48%
Luxembourg	56,222	63,791	91,983	13%	44%
Denmark	60,624	69,816	91,983	15%	32%
Belgium	66,533	72,018	91,983	8%	28%
Greece	69,455	73,850	91,983	6%	25%
France	78,830	81,273	91,983	3%	13%
United Kingdom	78,795	83,312	91,983	6%	10%
Ireland	48,295	83,712	91,983	73%	10%
Germany	80,989	84,108	91,983	4%	9%
Netherlands	64,800	86,126	91,983	33%	7%
Austria	103,861	106,583	91,983	3%	-14%
Italy	127,717	144,084	91,983	13%	-36%
Average	67,856	77,142	91,983	16%	31%

Sources: See Table A.3.