Salaries & Remuneration Commission
Rewarding productivity

OPENING REMARKS BY THE SALARIES AND REMUNERATION COMMISSION CHAIRPERSON DURING THE STAKEHOLDERS BREAKFAST MEETING OF PROFESSIONAL BODIES AT INTERCONTINENTAL HOTEL; 22ND SEPTEMBER, 2015

"The Journey towards Harmonization of Remuneration and Benefits in the Public Service"

Principal Secretaries

Chief Executive Officers

Fellow SRC Commissioners;

SRC Secretariat Team;

Ladies and Gentlemen;

Good Morning,

Let me start by thanking all of you for finding time to attend this briefing meeting. The last time we met in March 2014, the Commission was undertaking a national dialogue on The Public sector Wage Bill. Since then, a number of events have taken place that the Commission would like to apprise you.

Immediately after our meeting then, the Commission consolidated comments it had received and developed a Public Sector Remuneration and Benefits Policy. I am happy to let you know that the Policy was completed, launched by His Excellency the President in June 2015 and is now in operation. The policy can be down loaded from the SRC Website.

In the same year 2014, the Commission undertook a study on allowances payable in the Public Sector. The study assisted us to review some of the existing allowances upwards for the benefit of the public officers (including teachers). These were; house allowance, hardship allowance, leave allowance and subsistence allowance. House allowance, for example, had not been reviewed since 2001 and teachers benefited from leave allowance for the first time.

Ladies and Gentlemen

As part of the review on Benefits, the Commission initiated a study on the public sector pension liabilities. The study revealed that the public sector pension liabilities stood at Kshs 900 billion as at 30th June 2013. This is the liability the Government shoulder for the public sector employees (teachers, disciplined forces and main stream civil service under the Pensions act Cap 189). While the Government's annual expenditure on pensions alone stood at **KShs 32 billion** for the financial year 2013/14 and was projected to rise to **KShs 50 billion** in FY 2014/15 due to maturity of pension liabilities from new retirees. This liability continues to burden the Government and any further upward adjustment in salaries will further aggravate the Pension liability.

In March 2015, the Salaries and Remuneration Commission embarked on a Journey, a very long journey that would most likely be a lonely and daunting one! Why do I say this? The journey is about determining the true worth of the public service jobs and as you may know whenever one is doing something that in one way or another touch someone’s pay, there is bound to be apprehension, fear and suspicion.

To enable the Commission effectively discharge its advisory mandate under Article 230 (4) (b) of the Constitution, SRC is currently conducting a job evaluation exercise for the public service in order to have a remuneration system that is equitable, harmonized, and fairly determined. The Job evaluation exercise has been segmented into seven sectors for ease of administration; these are:

a) Civil Service (National Government)
b) County Governments
c) Commercial and Strategic State Corporations
d) Service and Regulatory State Corporations

e) Constitutional Commissions, Independent Offices and Teaching Service
f) Disciplined Services
g) Research and Learning Institutions

I am happy to inform you that much progress has been made in this exercise. In fact the Commission is at 50% completion level for all the sectors except one (Research and Learning Institutions) which is yet to begin. The Job Evaluation exercise is expected to be concluded in the second quarter of 2016.

Ladies and Gentlemen:
The Commission is aware that although part of its mandate is to harmonize salaries of public officers, this is an objective that is intended to be achieved in the medium to long run. This is due to the fact that SRC inherited a distorted public service salary structure and a harmonization process must be accomplished before embarking on reforms. Job evaluation will lead to three outcomes;

i. A job that is undervalued
ii. A job that is overvalued or
iii. No change in the job value

In the second and third scenario there will be no remuneration adjustment. But in the case where the job is undervalued, there will be need to review the salary.

At this juncture, please allow me to emphasize that the harmonization process is not about reducing salaries of public officers. Far from that! The harmonization process will be achieved in the medium run and probably at a cost. The Commission shall have fulfilled harmonization when all the public officers will have achieved some level of satisfaction in their remuneration and benefits.

With regard to productivity in public service, the Commission together with other institutions such as the Public Service Commission, Teachers Service Commission, Judicial Service Commission and the Parliamentary Service Commission with the support of the Productivity Centre of Kenya, shall develop necessary systems and processes of monitoring and evaluating performance.

As you are all aware the country's public sector productivity is currently quite low compared to other countries. It is important that we invest in performance and productivity in order to bring down the unit cost of service delivery, improve the national wellbeing including quality healthcare, education, safer communities, better roads and infrastructure and better support for the people. If we wish to make Kenya competitive, attract foreign investment and ensure economic growth and development, we will need to give performance and productivity the importance it deserves.

Ladies and gentlemen,
In executing its mandate, the Commission has encountered several challenges. First is the Commission's advisory function that has been the subject of litigations in the Courts (Industrial Courts) and this has greatly affected the implementation of the SRC's advice by the public sector organizations.

On the other hand, the Commission's financial ability to undertake its mandate has been affected following the budget cuts even in the middle of key projects such as the ongoing job evaluation exercise spearheded by the Commission. The SRC's budget for 2015/16 financial year was reduced by Kes 200 million putting the Job Evaluation exercise in limbo.

Some Government Institutions have not cooperated in undertaking the Job Evaluation partly because of influence of the court rulings (NSSF, Sugar Sectors), non-acceptability of the SRC's mandate to undertake the exercise in their institutions (e.g. Teaching Service, National Assembly).

These challenges however do not dampen the Commission's resolve to ensure that its mandate is executed.

In conclusion, ladies and gentlemen, my remarks would not be complete without saying something about the Wage Bill. Many have voiced concern that the Commission should not only speak on the wage bill but also zero-in on other areas such revenue collections and economic growth. For the Commission wage bill enables us to see where we are in terms of fiscal sustainability. It is clear that 1.5% of Kenya's total population are consuming KShs 568 billion per year and expected to rise to kshs 630 billion in 2015/16 financial year. This is about 52% of all tax revenues collected and 10% of our GDP being consumed by a small group of the population. All other Governments commitments must be met by the 48% including Interest Payments, County Budgets, CFS etc. The Commission will continue to raise concern with the relevant authorities on a rising wage bill that is not complemented with growth in productivity.

Finally, on behalf of the SRC, I wish to thank you once again for your presence here today. Your continuous support as professionals will go a long way in enlightening Kenyans on the role that SRC plays especially in ensuring that our labour cost is competitive within the region. This will no doubt place Kenya on the map of many firms that are looking for favorable investment destinations.

Thank You and God Bless You.

Mrs. Sarah JC Serem, EBS.