



# Salaries & Remuneration Commission

Rewarding productivity

**THIRD QUARTER WAGE BILL BULLETIN  
(JANUARY-MARCH 2023)  
FINANCIAL YEAR 2022/2023**

**MARCH 2023**

2014 2016 2018 2020 2022 8000 12000 14000

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## List of Acronyms and Abbreviations

CBA	Collective Bargaining Agreement
CBN	Collective Bargaining Negotiation
CPI	Consumer Price Index
FY	Financial Year
GDP	Gross Domestic Product
Ksh	Kenya Shillings
KNBS	Kenya National Bureau of Statistics
OCOB	Office of the Controller of Budget
PE	Personal Emoluments
PFM	Public Finance Management

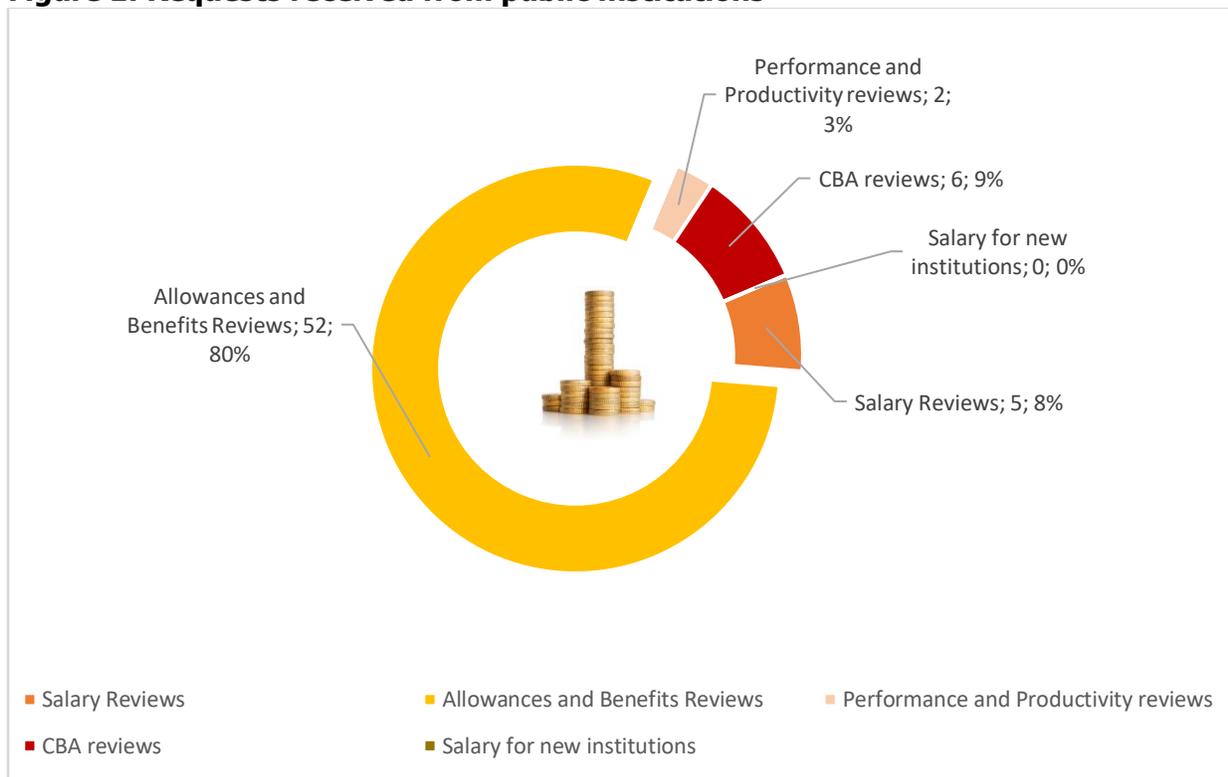
## 1 INTRODUCTION

This Third Quarter Wage Bill Bulletin covers the period January–March 2023 for the financial year (FY) 2022/2023.

### 1.1 Requests from public institutions

During the period under review, SRC received 65 requests from public institutions. The requests are disaggregated as follows: 52 requests accounting for 80 per cent were on allowances and benefits; 6 requests accounting for 9 per cent were on Collective Bargaining Agreements (CBAs); 5 requests accounting for 8 per cent were on salary reviews; and 2 requests accounting for 3 per cent were on performance and productivity.

**Figure 1: Requests received from public institutions**



**Source:** SRC 2023, Internal Data

### 1.2 Cost of SRC advice

During the period under review, SRC approved requests worth Ksh 411,431,754, against requests from public institutions amounting to Ksh 3,240,442,086. Through this intervention, SRC saved taxpayers Ksh 2,829,010,332, equivalent to 12.7 per cent of the total requests.

**Table 1: Cost and share of SRC's advice compared to requests received from public institutions during the period between FY 2021/2022 and 2022/2023.**

FY	Quarter	Cost of Requests by Public Institutions (Ksh)	Cost of SRC Advice - (Amount Approved) - Ksh	Approved Advice as a share of the Request Received (%)
2021/2022	Q1	680,881,013	194,163,863	28.52
	Q2	18,090,117,624	1,281,498,142	7.08
	Q3	60,179,320	350,000	0.58
	<b>Q1+Q2+Q3</b>	<b>18,831,177,957</b>	<b>1,476,012,005</b>	<b>7.84</b>
	Q4	1,714,092,733	1,219,243,312	71.13
<b>Total – Q1+Q2+Q3+Q4</b>		<b>20,545,270,690</b>	<b>2,695,255,317</b>	<b>13.12</b>
2022/2023	Q1	2,099,836,579	1,611,950,575	76.77
	Q2	614,372,374	571,157,938	92.97
	Q3	3,240,442,086	411,431,754	12.70
	<b>Total - Q1+Q2+Q3</b>	<b>5,954,651,039</b>	<b>2,594,540,267</b>	<b>43.57</b>

Source: SRC 2022, Internal Data

#### Observations on requests from public institutions:

- The cumulative cost of requests by public institutions for the three quarters of the FY 2022/2023 is Ksh 5,954,651,039, compared to Ksh 18,831,177,957 in a similar period in FY 2021/2022;
- The cumulative cost of SRC's advice in the three quarters of 2022/2023 was Ksh 2,594,540,267, compared to Ksh 1,476,012,005, as advised in the similar period of FY 2021/2022.
- The cumulative savings to taxpayers during the first three quarters of FY 2022/2023 is 56.3 per cent, compared to 92.2 per cent saved in the similar period in FY 2021/2022.

Tables 2 below shows a breakdown of requests received against the cost of implementing SRC's advice for the three quarters of FY 2022/2023.

**Table 2: Quarterly trend on cost of requests from public institutions and SRC’s advice in FY 2022/2023**

Requests	Quarter 1 (July–September 2022)			Quarter 2 (October–December 2022)			Quarter 3 (January–March 2023)			Cumulative for the 3 Quarters		
	Cost of Requests (Ksh)	Cost of Advice (Ksh)	Advice as % of Request	Cost of Requests (Ksh)	Cost of Advice (Ksh)	Advice as % of Request	Cost of Requests (Ksh)	Cost of Advice (Ksh)	Advice as % of Request	Cost of Requests (Ksh)	Cost of Advice (Ksh)	Advice as % of Request
<b>CBAs reviews</b>	63,787,328	11,508,468	18.04	261,223,038	236,711,274	90.62	2,643,263,220	3,700,000	0.14	2,968,273,586	251,919,742	8.49
<b>Allowances and Benefits reviews</b>	415,915,002	13,431,000	3.23	231,646,000	213,639,000	92.23	362,437,434	224,743,340	62.01	1,009,998,436	451,813,340	44.73
<b>Salary reviews</b>	150,816,632	150,816,632	100.00	120,518,336	120,697,664	100.15	219,000,000	182,988,414	83.56	490,334,968	454,502,710	92.69
<b>Salary for new institutions</b>	0	0	0.00	0	0	0.00	-	-	0.00	0	0	0.00
<b>Rewards/ Bonuses</b>	1,469,317,617	1,436,194,475	97.75	985,000	110,000	11.17	15,741,432	0	0.00	1,486,044,049	1,436,304,475	96.65
<b>Total</b>	<b>2,099,836,579</b>	<b>1,611,950,575</b>	<b>82.70</b>	<b>614,372,374</b>	<b>571,157,938</b>	<b>92.97</b>	<b>3,240,442,086</b>	<b>411,431,754</b>	<b>12.70</b>	<b>5,954,651,039</b>	<b>2,594,540,267</b>	<b>43.57</b>

**Source:** SRC 2022, Internal Data

## 2 PUBLIC WAGE BILL TRENDS

This section covers public wage bill trends in Kenya for the period under review. The Commission is constitutionally mandated to set and regularly review the remuneration and benefits of all State officers, and advice the national and county governments on the remuneration and benefits of all other public officers.

### 2.1 Personnel Emolument for county governments

The Public Finance Management (PFM) Act, 2012, and the attendant PFM Regulations, 2015, sets the threshold of not more than 35 per cent of the compensation to employees to government revenue.

With respect to the Personnel Emoluments (PE) expenditure of county governments for the third quarter, analysis indicate that PE as a share of the total expenditure in majority of counties has remained above the PFM threshold. This continues to crowd out the available resources for undertaking development projects at the national and county level.

**Table 3: County governments' expenditure in FY 2021/2022–2022/2023 (Ksh Billion)**

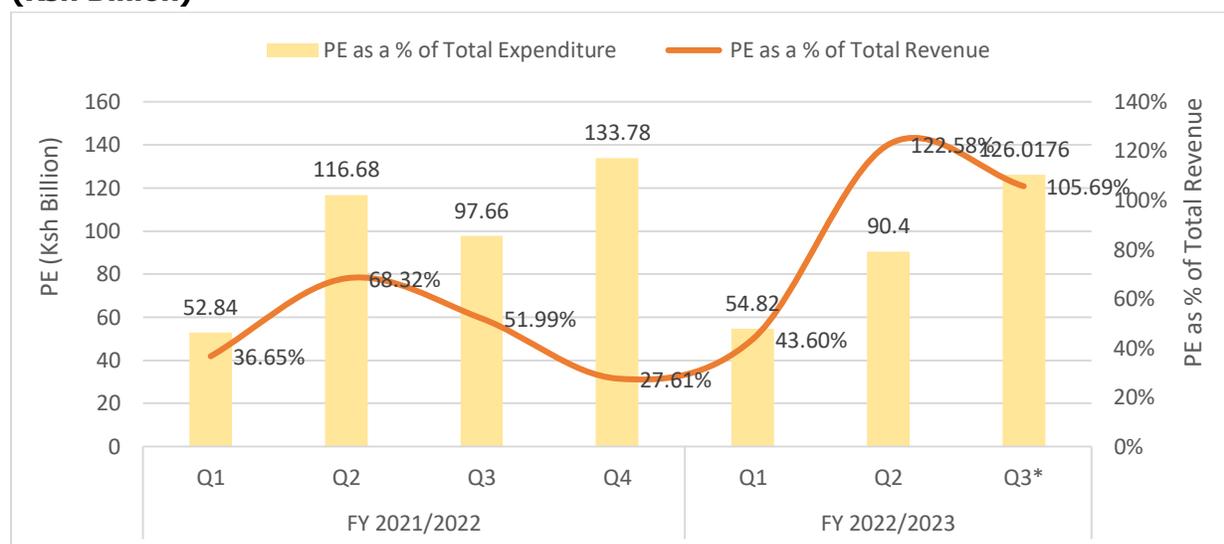
	FY 2021/2022				FY 2022/2023		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3*
Development	3.55	22.38	18.37	54.17	2.22	9.44	16.66
Operations & Maintenance	11.14	31.72	30.45	39.07	9.45	29.33	49.22
Personnel Emoluments	38.15	62.58	48.84	40.54	43.15	51.63	60.10
<b>Total Expenditure</b>	<b>52.84</b>	<b>116.68</b>	<b>97.66</b>	<b>133.78</b>	<b>54.82</b>	<b>90.4</b>	<b>126.02</b>
<b>PE as a % of Total Expenditure</b>	<b>72.2%</b>	<b>53.6%</b>	<b>50.0%</b>	<b>30.3%</b>	<b>78.7%</b>	<b>57.1%</b>	<b>47.7%</b>
Total Revenue	104.1	91.6	93.94	146.83	98.97	42.12	56.862
<b>PE as a % of Total Revenue</b>	<b>36.6%</b>	<b>68.3%</b>	<b>52.0%</b>	<b>27.6%</b>	<b>43.6%</b>	<b>122.6%</b>	<b>105.7%</b>

**Source:** Office of Controller of Budget (OCOB) 2021 and 2022 \*Implies projected

The analysis of the OCOB report shows that during the third quarter, the total county governments expenditure is projected to increase from Ksh 90.40 billion in the second quarter, to Ksh 126.02 billion in the third quarter.

As a share of the total expenditure, the county government PE is expected to reduce from 57.1 per cent in the second quarter to 47.7 per cent in the third quarter.

**Figure 2: PE expenditure for county governments for FY 2021/22 and 2022/2023 (Ksh Billion)**



Source: OCOB, 2021 and 2022

Note: PE and revenue for Q3\* are projected from the performance of the first quarter of FY 2021/22

## 2.2 Personnel Emolument for the national government

In the third quarter of FY 2022/2023, the PE expenditure in the national government is projected to be Ksh 190.82 billion, representing a growth of 42.5 per cent, compared to Ksh 133.93 billion in a similar period in FY 2021/2022.

**Table 4: Quarterly national government expenditure on PE in FY 2021/2022 – FY 2022/2023 (Ksh Billion)**

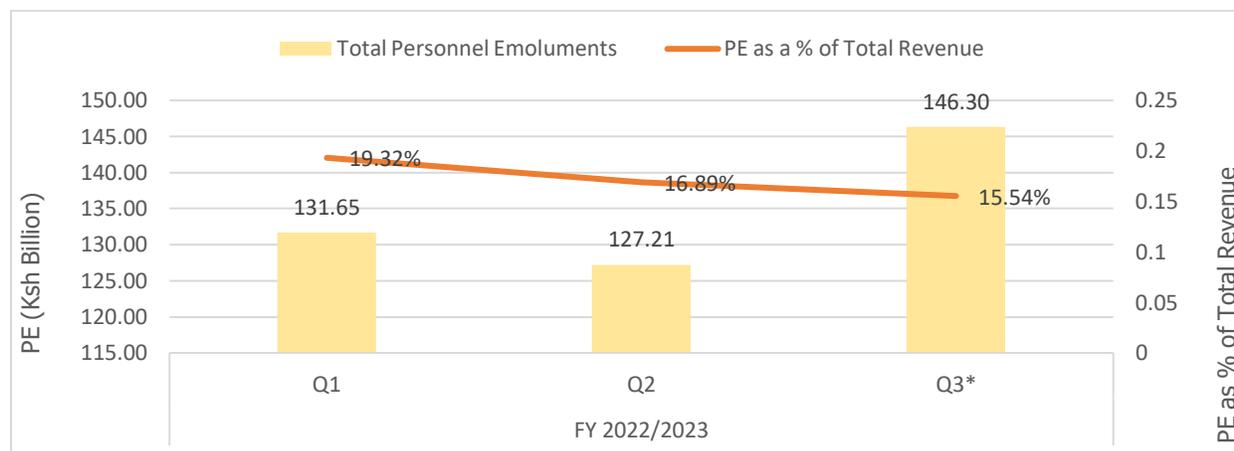
Expenditure	FY 2022/2023		
	Q1	Q2	Q3*
Development	78.97	92.64	138.96
Operations and maintenance	126.79	106.25	159.38
<b>Total PE:</b>	<b>131.65</b>	<b>127.21</b>	<b>190.82</b>
PE for Ministries, Departments & Agencies (MDAs)	130.89	123.53	185.30
PE for State officers	0.76	3.68	5.53
Current transfers to Semi-Autonomous Government Agencies (SAGAs)	98.31	90.33	135.49
Consolidated Fund Services	261.38	327.83	491.75
Total Expenditure	697.10	744.26	1116.39
<b>PE as a % of Total Expenditure</b>	<b>18.9%</b>	<b>17.1%</b>	<b>17.1%</b>
Total Revenue	681.30	753.18	1,129.77
<b>PE as a % of Total Revenue</b>	<b>19.3%</b>	<b>16.9%</b>	<b>16.9%</b>

Source: OCOB, 2021 and 2022 \* Implies projected

During the third quarter, the total expenditure for the national government is projected to increase to Ksh 1,129.77 billion, from Ksh 744.26 billion in the second quarter.

Figure 3 below shows that although the total PE is expected to grow in absolute terms, PE as a share of the total revenue is projected to reduce from 16.89 per cent in the second quarter, to 15.54 per cent in the third quarter of FY 2022/2023.

**Figure 3: PE expenditure for the national government for FY 2022/2023**



**Source:** OCOB 2021 and 2022

**Note:** PE and revenue for Q3\* are projected from the performance of the first quarter of FY 2021/2022

PE, as a share of the total revenue ratio, has remained within the recommended less than 35 per cent as per the PFM Act, 2012, and PFM Regulations, 2015, wage bill to total revenue threshold.

### 2.3 Other economic indicators

Other relevant economic indicators and parameters used in assessing fiscal sustainability of the national wage bill include, the nominal and real GDP, recurrent expenditure, ordinary revenue, inflation rates, pension, number of employees, and remuneration and benefits.

These indicators are useful in economic trend analysis and calculation of wage bill ratios. The trend of these indicators and ratios for the period 2016 to 2022 are presented in Annex 1.

The following are the key observations made from the review of key economic indicators:

- 1) The wage bill to nominal GDP ratio was 7.91 per cent in FY 2016/2017, rising to 8.82 per cent in FY 2019/2020. The ratio decreased to 8.25 per cent in FY 2020/2021, and is projected to reduce further to 7.73 per cent in FY 2021/2022. This ratio is projected to decrease towards 7.5 per cent in line with the average for developing countries, and approximately 7 per cent, which is the internationally desirable level.
- 2) The wage bill to ordinary revenue ratio has been fluctuating between 46 per cent in FY 2016/2017 and 56 per cent in 2020/2021, and is projected to reduce slightly to 51.77 per cent in FY 2021/2022.
- 3) The wage bill to total revenue ratio has been oscillating between 40 per cent in 2016/2017 and 44 per cent in 2020/2021, and is projected to increase to 46.26 per cent in FY 2021/2022. This implies that the ratio is projected to remain above 40 per cent in FY 2021/2022, significantly above 35 per cent, which is the recommended ratio as per PFM Act, 2012, and PFM Regulations, 2015.

- 4) The wage bill to recurrent expenditure ratio recorded the lowest and highest ratios in FY 2018/2019 (35.86%) and FY 2016/2017 (40.48%), respectively. The ratio is projected to reduce slightly from 36.89 per cent in FY 2020/2021 to 36.62 per cent in FY 2021/2022.
- 5) The number of public service employees rose from 774,700 in 2015/2016 to 923,100 in FY 2020/2021. On average, the public service labour force grew by 4.34 per cent as at FY 2020/2021, and is projected to grow by the same rate to 963,200 employees in FY 2021/2022.

### 3 CONSUMER PRICE INDEX AND INFLATION RATE

Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. Changes in CPI are used to assess price changes associated with the cost of living.

The CPI increased from 129.29 in January 2023, to 130.13 in February 2023, and to 131.18 in March 2023. A rise in CPI and inflation rate implies that the unit value of the currency continues to diminish, thus, a fall in its purchasing power and a rise in the prices of goods and services.

This can potentially fuel the clamour by trade unions for salary increments as a way of cushioning workers against the resultant high cost of living.

The average inflation rate during the period under review was 9.1 per cent, compared to an average of 9.4 per cent in the second quarter.

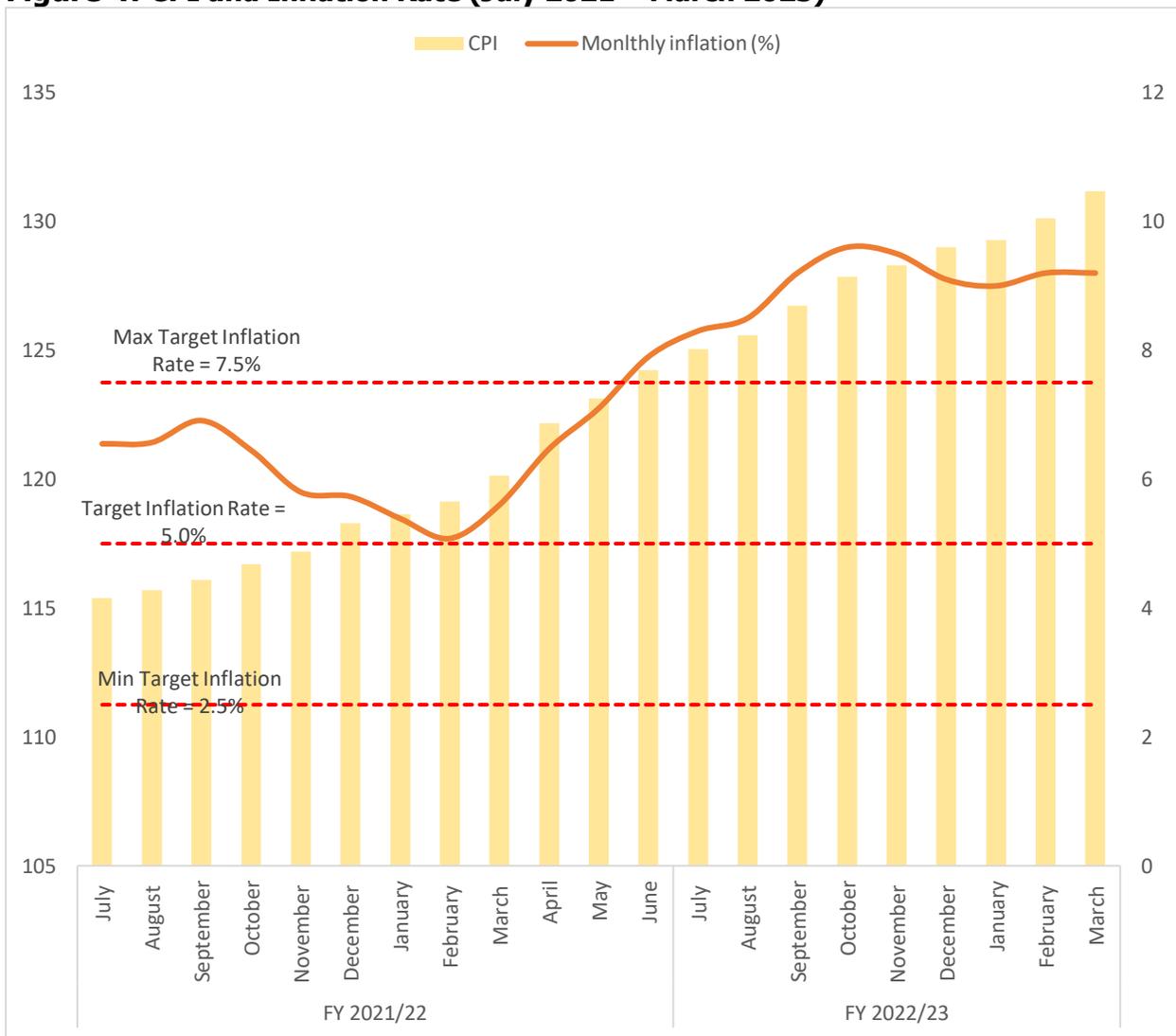
**Table 5: Monthly CPI and Inflation Rate for FY 2021/2022 – FY 2022/2023**

Months	FY 2021/2022				FY 2022/2023			
	CPI	Q. Av. CPI	M-on-M inflation	Q. Av. Inflation	CPI	Q. Av. CPI	M-on-M inflation	Q. Av. Inflation
July	115.4	115.74	6.55	6.68	125.05	125.79	8.3	8.67
August	115.7		6.57		125.58		8.5	
September	116.1		6.91		126.73		9.2	
October	116.7	107.87	6.45	5.99	127.86	128.39	9.6	9.4
November	117.2		5.8		128.31		9.5	
December	118.3		5.73		128.99		9.1	
January	118.64	119.3	5.39	5.36	129.29	130.2	9.0	9.1
February	119.13		5.08		130.13		9.2	
March	120.14		5.6		131.18		9.2	
April	122.17	123.17	6.47	7.16				
May	123.12		7.1					
June	124.22		7.9					

**Source:** KNBS, 2022      **Key:** Q. Av. = Quarterly Average; M-on-M = Month-on-Month

As shown in Figure 4 below, the country’s inflation for the months of January to March 2023 was above the maximum target inflation range of 7.5 per cent set by the Central Bank of Kenya.

**Figure 4: CPI and Inflation Rate (July 2021 – March 2023)**



Source: KNBS, 2022

## 4 EMPLOYEES IN THE PUBLIC SERVICE

A review of the Economic Survey 2023 reveals that Kenya's total workforce stands at 12 million. Out of this, two million constitute the formal sector, which includes government civil service, parastatals, and the private sector employees.

The survey shows that wage employment in the public service registered a 1.6 per cent growth in 2022, compared to an increase of 4.4 per cent recorded in 2021. TSC, as the largest employer in the public service, registered a reduction of 0.3 per cent in employment in 2022. County governments registered a growth of 4.4 per cent in the review period to 217,300 employees.

Further, employment in corporations controlled by the government and parastatal bodies grew by 1.1 per cent each in 2022, while employment in ministries and other extra-budgetary institutions registered an increase of 2.4 per cent. This was, however, a decelerated growth compared to 7.1 per cent recorded in 2021.

**Table 6: Wage employment in the public service 2017–2022 ('000)**

Category	2017	2018	2019	2020	2021	2022 *	Annual % Change
Ministries and other extra-budgetary institutions <i>(Includes employees of the Judiciary and Parliament)</i>	197.6	206.4	207.2	206.1	220.7	226.0	2.4
Teachers Service Commission	302.9	313.6	324.5	331.1	349.9	348.6	-0.3
Parastatal Bodies <i>(Refers to government wholly-owned corporations)</i>	110.1	96.7	96.2	95.7	96.7	97.8	1.1
Corporations controlled by the Government <i>(Refers to institutions where the government has over 50% shares, but does not wholly own them)</i>	47	47.5	47.3	47.1	47.5	48.1	1.1
County governments	175.5	178.7	190	204.6	208.1	217.3	4.4
<b>Total</b>	<b>833.1</b>	<b>842.9</b>	<b>865.2</b>	<b>884.7</b>	<b>923.0</b>	<b>937.8</b>	<b>1.6</b>

Source: KNBS, Economic Survey 2023 \*Implies provisional

## 5 CONCLUSION

During the period under review, the following were observed:

- 1) During the third quarter, SRC received 65 requests from public institutions, most of which were on Allowances and Benefits (80%) and CBA reviews (9.1%);
- 2) The requests received were valued at approximately Ksh 3,240,442,086, while the cost of implementing the advice issued by SRC was estimated at Ksh 411,431,754, constituting 12.7 per cent of the cost of requests;
- 3) The projected expenditure on PE for county governments for the third quarter stood at 47.7 per cent of the total expenditure, and 56.9 per cent of the total revenue, which is above the PFM Regulations, 2015, recommended threshold of 35 per cent. On the other hand, the projected PE to total revenue ratio for the national government stood at 16.4 per cent, and is within the recommended threshold;
- 4) The quarterly average CPI and Inflation Rate went up in the third quarter, as compared to the second quarter. The quarterly CPI increased by 2 per cent, while the quarterly Inflation Rate increased by +0.1 per cent, thus indicating a rise in the general cost of living.

### References

- 1) KNBS (2022), Consumer Price Indices and Inflation Rates for March 2023
- 2) KNBS (2021), Economic Survey
- 3) KNBS (2020), Economic Survey.
- 4) OCOB (2022), County Governments Budget Implementation Review Report for the FY 2021/22.
- 5) OCOB (2021), County Governments Budget Implementation Review Report for the FY 2021/22.

**Annex 1: Public wage bill, nominal GDP, ordinary revenue, recurrent expenditure and employment trends and ratios**

Economic Indicators (Ksh Millions)	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21*	2021/22+
	2016	2017	2018	2019	2020	2021	2022
Compensation of Employees/Total Wage bill	622,269	670,762	784,526	851,683	944,890	998,643	1,055,454
GDP Real/Constant Price	7,594,064	7,885,521	8,330,891	8,756,946	8,735,040	9,391,684	9,861,268
Inflation Rates	6.3	8	8	5.3	5.4	6.1	5
GDP Nominal/ Current Price	7,594,064	8,483,397	9,340,307	10,237,727	10,716,034	12,098,201	13,658,640
Total Ordinary Revenue	1,254,790	1,439,570	1,522,276	1,705,094	1,795,977	1,783,778	2,038,678
Total Revenue (Including Grants)	1,512,828	1,661,785	1,804,762	2,042,969	2,255,535	2,268,511	2,281,562
Total Recurrent Expenditure	1,564,286	1,657,215	2,083,678	2,375,053	2,339,114	2,706,990	2,882,145
Pension	37,500	53,400	64,000	65,100	66,400	87,000	110,300
<b>Public Service Employees</b>							
Total Public Service Employees ('000)	774.7	833.1	842.9	865.2	884.7	923.1	963.2
Average Monthly Gross Salary Per Employee (Ksh)	62,434	66,937	67,095	77,562	82,031	89,003	90,153
<b>Ratios (Percent)</b>							
Wage bill to Nominal GDP (Benchmark Target: 7.5%)	8.19%	7.91%	8.40%	8.32%	8.82%	8.25%	7.73%
Wage bill to Ordinary Revenue	49.59	46.59	51.54	49.95	52.61	55.98	51.77
Wage bill to Total Revenue (PFM Target: 35%)	41.13%	40.36%	43.47%	41.69%	41.89%	44.02%	46.26%
Wage bill to Recurrent Expenditure (PFM Target: 30%)	39.78%	40.48%	37.65%	35.86%	40.40%	36.89%	36.62%
<b>Growth (Percent)</b>							
Growth in Wage Bill	10.13	7.79	16.96	8.56	10.94	5.69	5.69
Growth in Average Monthly Gross Salary Per Employee (%)	7.21%	0.24%	15.60%	5.76%	8.50%	1.29%	1.29%
Growth in Real GDP	86.96	3.84	5.65	5.11	-0.25	7.52	5.00
Growth in Ordinary Revenue	12.74	14.73	5.75	12.01	5.33	-0.68	14.29
Growth in Total Revenue	8.33	9.85	8.60	13.20	10.40	0.58	0.58
Growth in Recurrent Expenditure	13.27	5.94	25.73	13.98	-1.51	15.73	6.47
Growth in Employment	2.72	7.54	1.18	2.65	2.25	4.34	4.34

**Source:** The Economic Survey 2020, 2021 and 2022; Budget Policy Statements 2016–2022 \*Implies provisional/estimates +implies projections.

**Notes:**

- 1) The total wage bill, GDP nominal, total revenue and total public service employees for FY 2021/2022 were projected using the same growth rate as the previous year;
- 2) The real GDP value for FY 2021/2022 was projected using a growth rate of 5 per cent, as projected in the Economic Survey 2022; and
- 3) The Inflation Rate, total ordinary revenue, and total recurrent expenditure for FY 2021/2022, are as projected in the Economic Survey 2022.



## **Contact us**

Salaries and Remuneration Commission  
Williamson House 6th Floor,  
4th Ngong Avenue,  
Nairobi, Kenya

P.O Box 43126 - 00100

[info@src.go.ke](mailto:info@src.go.ke)

+254 (20) 2710051/71/73/75/81

+254 736 712 864



@srckeny



@SRCKE



@salaries and Remuneration  
Commission