Salaries & Remuneration Commission

Rewarding productivity

THIRD QUARTER WAGE BILL BULLETIN (JANUARY - MARCH 2024)

APRIL 2024

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List of Acronyms and Abbreviations

CBA	Collective Bargaining Agreement
CBK	Central Bank of Kenya
CPI	Consumer Price Index
FY	Financial Year
GDP	Gross Domestic Product
Ksh	Kenya Shillings
KNBS	Kenya National Bureau of Statistics
MDAs	Ministries Departments and Agencies
NWBC	National Wage Bill Conference
OCOB	Office of the Controller of Budget
PE	Personnel Emoluments
PFMA/R	Public Finance Management Act / Regulations
SRC	Salaries and Remuneration Commission
VAT	Value Added Tax

1 INTRODUCTION

This Wage Bill Bulletin covers the third quarter of the financial year (FY) 2023/2024, from January and March 2024. The period was characterised by the following occurrences:

a) Following the 10th Summit resolution on co-convening of the Third National Wage Bill Conference (NWBC), the Salaries and Remuneration Commission (SRC), jointly with the Inter-Governmental Relations Technical Committee, and the Council of Governors, commenced preparations for the NWBC under the theme, *"Towards 35%".* The conference is scheduled to take place from 15 to 17 April 2024, at the Bomas of Kenya. The conference will bring together stakeholders from the national and county governments, private sector, civil society organisations, non-governmental organisations, faith-based organisations, development partners, diplomatic community, and the media. The delegates are expected to discuss strategies and action plans and agree to resolutions towards the achievement of 35 per cent public service wage bill to revenue ratio, through productivity improvement.

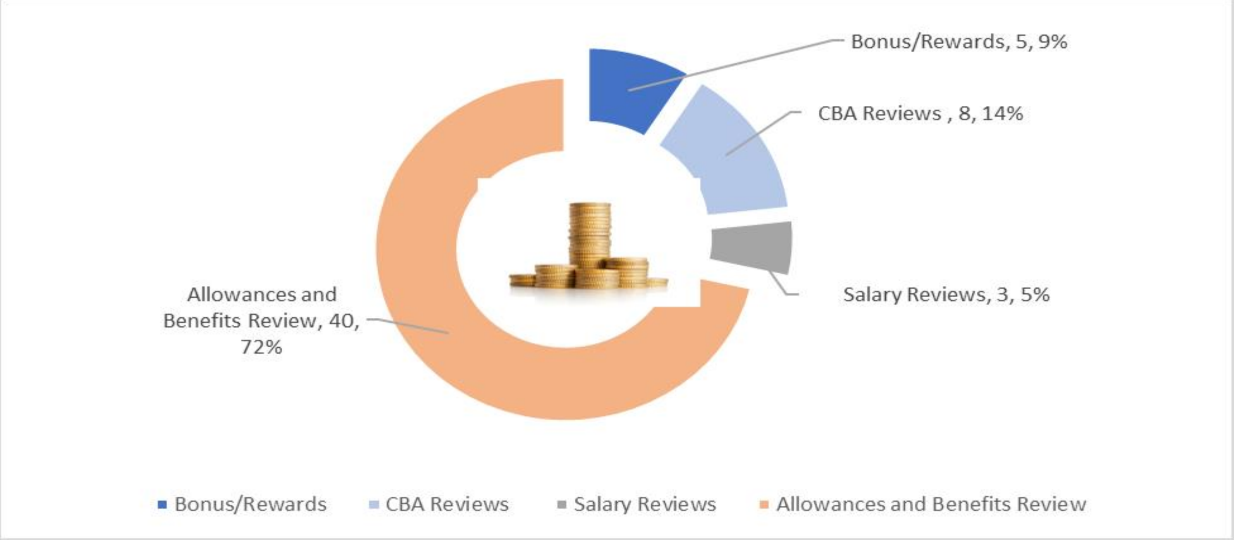
b) SRC developed institution-specific reports on allowances as part of Phase III implementation of the Allowances Policy Framework. The reports will form the basis for engagements with the institutions and subsequent advice on allowances that require either to be merged, renamed, restructured, cease to be payable or retained.

2 SRC ADVICE DURING THIRD QUARTER OF FY 2023/2024

2.1 Requests from Public Institutions

During the period under review, SRC received 56 requests from public institutions, as shown in **Figure 1**.

Figure 1: Requests Received from Public Institutions during the Third Quarter of FY 2023/2024



Data Source: SRC 2024

2.2 Requests approved by SRC

SRC approved requests worth Ksh 4,709.44 million during the period under review representing 96 per cent of the total requests from public service institutions, which amounted to Ksh 4,903.41 million as seen in Table 1.

Table 1: Requests Approved by SRC vis-a-vis Requests Received from Public Institutions from FY 2021/2022 to 2023/2024

Financial Year	Quarter	Requests by Public Service Institutions (Ksh million)	Requests Approved by SRC (Ksh million)	% of Requests Approved as a share of Requests received from public institutions
2021/2022	Q1	680.88	194.16	28.52%
	Q2	18,090.12	1,281.50	7.08%
	Q3	60.18	0.35	0.58%
	Q4	1,714.09	1,219.24	71.13%
Total	**Q1-Q4**	**20,545.27**	**2,695.26**	**13.12%**
2022/2023	Q1	2,099.84	1,611.95	76.8%
	Q2	614.37	571.16	93.0%
	Q3	3,240.44	411.43	12.7%
	Q4	2,224.00	1,679.24	75.5%
Total	**Q1-Q4**	**8,178.65**	**4,273.78**	**52.3%**
2023/2024	Q1	39,801.57	24,052.58	60.4%
	Q2	1,845.89	919.08	49.8%
	Q3	4,903.41	4,709.44	96%
Total	**Q1-Q3**	**46,550.88**	**29,681.10**	**63.8%**

Source: SRC 2024

Observations on requests from public institutions

a) The high percentage of value of requests approved by SRC as a share of requests received from public institutions in the third quarter was mainly attributed to SRC's advice on remuneration payable to healthcare professionals under internship programme.
b) Cumulatively, the total value of SRC advice for quarter one, two and three of FY 2023/2024 amounted to Ksh 29,681.10 million against total requests of Ksh 46,550.88 million, representing 63.8 per cent of the value of requests received and determined.
c) Compared to the same period in FY 2022/2023, the value of both the requests submitted and approved grew almost five times. In FY 2022/2023, the total value of requests received was Ksh 8,178.65 million, out of which requests totalling Ksh 4,273.16 million (52.3%) was approved by SRC.

2.3 Quarterly Requests Received from Public Institutions and Requests Approved by SRC

Table 2a and 2b show the breakdown of requests received and cost of SRC's advice for FY 2022/2023 and 2023/2024, respectively.

Table 2a: Requests from Public Institutions for FY 2022/2023 and 2023/2024 (Ksh million)

	Quarter 1 (July – Sep 2022)	Quarter 2 (Oct – Dec 2022)	Quarter 3 (Jan – Mar 2023)	Quarter 4 (April - June 2023)		Quarter 1 (July - Sept 2023)	Quarter 2 (Oct - Dec 2023)	Quarter 3 (Jan-March 2024)
CBA reviews	63.79	261.22	2,643.26	329.80		17,992.04	664.97	408.81
Allowances and Benefits	415.92	231.65	362.44	1,032.23		94.39	208.26	179.96
Salary reviews	0.00	120.52	219.00	839.62		21,660.11	0.00	4133.40
Rewards / Bonuses	1,469.32	0.99	15.74	22.35		55.04	972.66	181.24
Total	**1,949.02**	**614.37**	**3,240.44**	**2,224.00**		**39,801.57**	**1,845.89**	**4,903.41**

Source: SRC 2024

Table 2b: Requests Approved by SRC for FY 2022/2023 and 2023/2024 (Ksh million)

	Quarter 1 (July – Sep 2022)	Quarter 2 (Oct – Dec 2022)	Quarter 3 (Jan – Mar 2023)	Quarter 4 (April - June 2023)		Quarter 1 (July - Sept 2023)	Quarter 2 (Oct - Dec 2023)	Quarter 3 (Jan-March 2024)
CBA reviews	11.51	236.71	3.70	87.45		2,369.58	35.10	403.87
Allowances and Benefits	13.43	213.64	224.74	752.17		7.79	103.50	160.65
Salary reviews	150.82	120.70	182.99	839.62		21,660.11	0.00	4137.63
Rewards / Bonuses	1,436.19	0.11	0.00	0.00		15.11	780.48	7.29
Total	**1,611.95**	**571.16**	**411.43**	**1,679.24**		**24,052.58**	**919.08**	**4,709.44**

Source: SRC 2024

3 PUBLIC WAGE BILL TRENDS

This section presents the analysis of the public wage bill trends for the national and county governments against 35 per cent, as set by the Public Finance Management (PFM) Act, 2012, and PFM Regulations, 2015.

3.1 Personnel Emoluments for the County Government

Analysis of the county government expenditure on wage bill as a share of the total revenue shows that on average, the ratio has remained above the PFM Regulations, 2015, of not more than 35 per cent.

The performance of the expenditure in county governments for FY 2022/2023 and FY 2023/2024 is as shown in Table 3.

Table 3: County Governments Expenditure in FY 2022/2023 and 2023/2024 (Ksh billion)

	FY 2022/2023					FY 2023/2024		
	Q1	**Q2**	**Q3**	**Q4**	**TOTAL**	**Q1**	**Q2**	**Q3***
Development	2.22	9.45	18.07	68.25	**97.98**	6.92	17.89	34.22
Operations and Maintenance	9.45	29.33	35.32	61.73	**135.83**	18.76	26.83	32.31
Personnel Emoluments	43.15	51.63	41.08	59.24	**195.09**	41.79	56.34	44.83
Total Expenditure	**54.82**	**90.40**	**94.46**	**189.22**	**428.90**	**67.47**	**101.06**	**111.36**
PE as a % of Total Expenditure	78.7%	57.1%	43.5%	31.3%	45.5%	61.9%	55.7%	40.3%
Total Revenue	**98.97**	**91.57**	**65.94**	**209.53**	**466.01**	**99.28**	**106.04**	**76.36**
PE as a % of Total Revenue	43.6%	56.4%	62.3%	28.3%	41.9%	42.1%	53.1%	58.7%

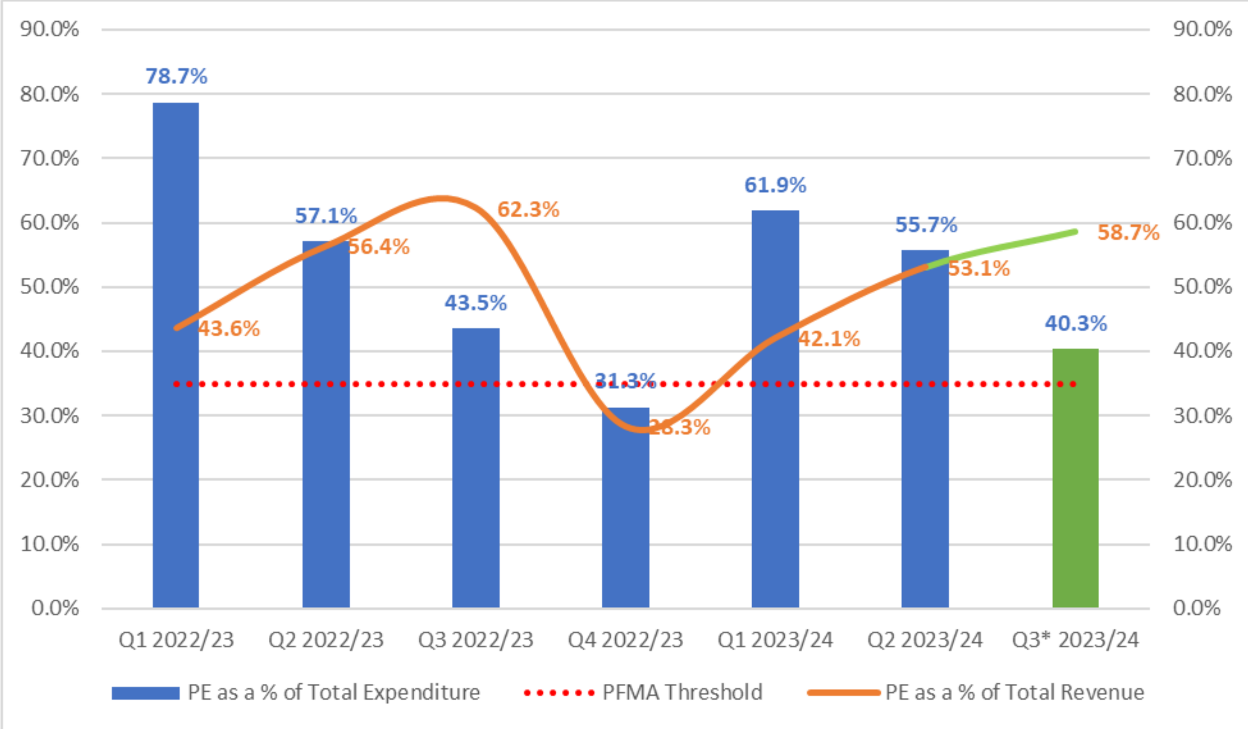
Source: Office of the Controller of Budget (OCOB) 2023 and 2024 ***** Projected

Expenditure on Personnel Emoluments (PE) is projected to increase to Ksh 44.83 billion in the third quarter of FY 2023/2024, compared to Ksh 41.08 billion spent in the same period in FY 2022/2023. This is attributed to SRC Advice on remuneration payable to healthcare professionals under internship program.

The PE expenditure for the third quarter of FY 2023/2024, as a proportion of the total revenue, is projected to increase to 58.7 per cent from 53.1 per cent realized in the second quarter of FY 2023/2024. This is still above the PFM threshold as shown in Figure 2.

Figure 2 shows the quarterly PE to expenditure and revenue ratio trends in county governments for FY 2022/2023 and 2023/2024.

Figure 2: PE Expenditure for County Governments in FY 2022/23 and 2023/24 (Ksh billion)



Source: OCOB, 2022/2023 and 2023/2024

Note: PE and revenue for the third quarter* of FY 2023/2024 are projected from the performance of the third quarter of FY 2022/2023.

3.2 Personnel Emoluments for the National Government

An analysis of the Controller of Budget's report on budget implementation shows that in the third quarter of FY 2023/2024, the expenditure on PE in the national government is projected at Ksh 198.51 billion, compared to Ksh 148.07 billion in the similar period in FY 2022/2023.

Table 4 shows the quarterly trends on expenditure and revenue for the national government for FY 2022/2023 and 2023/2024.

Table 4: PE Expenditure for National Government for FY 2022/2023 and 2023/2024 (Ksh billion)

Expenditure	FY 2022/2023					FY 2023/2024		
	Q1 (Ksh billion)	Q2 (Ksh billion)	Q3 (Ksh billion)	Q4 (Ksh billion)	TOTAL (Ksh billion)	Q1 (Ksh. billion)	Q2 (Ksh. billion)	Q3* (Ksh. billion)
Development	78.97	92.64	87.91	214.03	**473.55**	83.70	113.71	107.59
Operations and maintenance	126.79	295.21	169.84	266.31	**858.15**	199.74	261.90	68.57
Personnel emoluments	130.89	123.53	148.07	142.52	**545.01**	120.99	170.29	198.51
Total Expenditure	**336.65**	**511.38**	**405.82**	**622.87**	**1,876.72**	**404.43**	**545.90**	**374.68**
PE as a % of total expenditure	38.9%	24.2%	36.5%	22.9%	29.0%	29.9%	31.2%	53.0%
Total Revenue	**681.30**	**753.20**	**656.90**	**1154.07**	**3,245.47**	**747.98**	**621.24**	**530.17**
PE as a % of total revenue	19.2%	16.4%	22.5%	12.3%	16.8%	16.2%	27.4%	37.4%

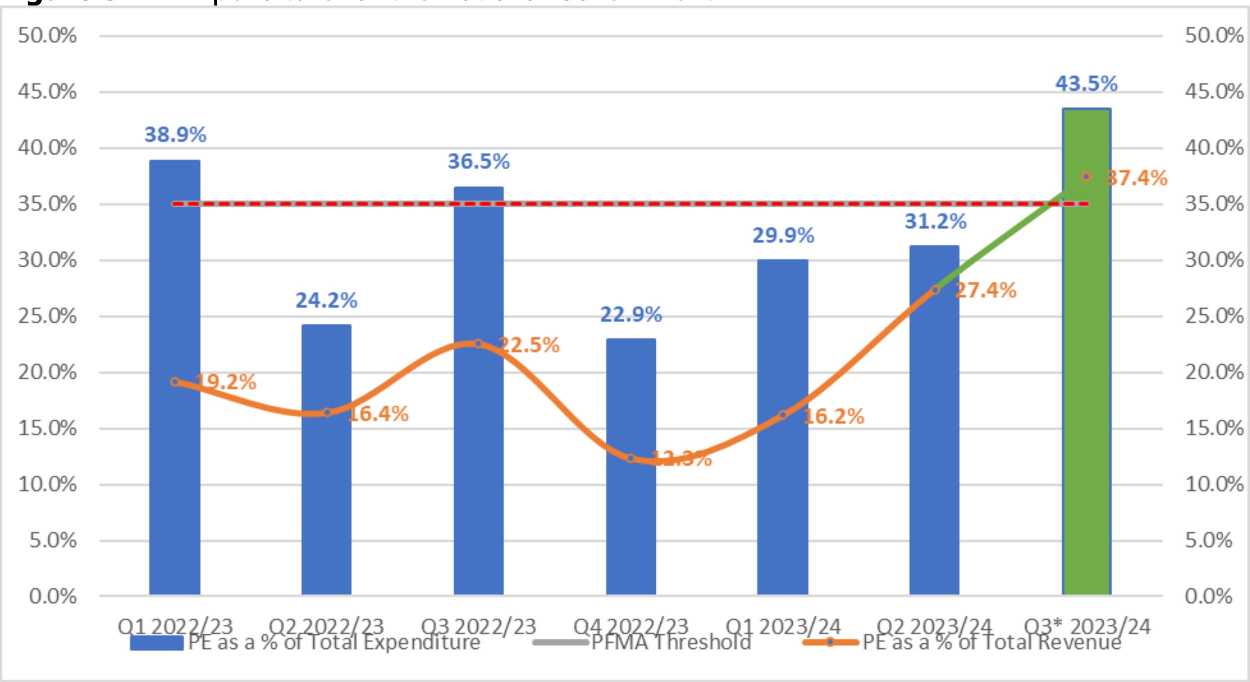
Source: OCOB, 2023 and 2024 * projections

Note:

(a) The PE and revenue for Q3* are projected from the performance of Q3 of FY 2022/2023;
(b) The total expenditure is exclusive of Ksh 308.56 billion in respect of the CFS expenditure; and
(c) The total PE in Table 4 is exclusive of the PE from the security sector, CFS and A-i-A spending/payments by MDAs.

The total expenditure by the national government is projected to decline from Ksh 545.90 billion in the second quarter to Ksh 374.68 billion in the third quarter of FY 2023/2024, resulting in an increase in the PE to total expenditure ratio of 53 per cent. Figure 3 below shows the trends in the PE to revenue and expenditure ratios.

Figure 3: PE Expenditure for the National Government



Source: OCOB 2023 and 2024

Note: PE and revenue for Q3* are projected from the performance of the third quarter of FY 2022/2023.

The PE for the national government (excluding the national security sector and CFS), as a share of the total revenue ratio, is projected to increase from 27.4 per cent in the second quarter to 37.4 per cent of the third quarter of FY 2023/2024. This is above the recommended threshold of 35 per cent, as set by PFM Act, 2012, and PFM Regulations, 2015.

3.3 Other Economic Indicators

The following are the key highlights of other relevant economic indicators and parameters used in assessing the fiscal sustainability of the national wage bill.

(a) The wage bill to nominal GDP ratio was 7.91 per cent in FY 2016/2017, rising to 8.57 per cent in FY 2019/2020. The ratio decreased to 8.21 per cent in FY 2020/2021, and 7.74 per cent in FY 2021/2022. It is projected to reduce marginally to 7.58 per cent in FY 2022/2023, and 7.19 per cent in FY 2023/2024. This ratio is projected to decline towards 7.5 per cent, which is the average for developing countries, and 7 per cent, which is the internationally desirable level.

(b) The wage bill to ordinary revenue ratio declined from 54.77 per cent in FY 2020/2021 to 47.06 per cent in FY 2021/2022 and projected to reduce further to 46.64 per cent in FY 2022/2023 and 39.22 per cent in FY 2023/2024.

(c) The total wage bill has been growing at an average rate of 7.2 per cent over the last five years, and projected to continue growing, but at a slightly slower rate of 6.36 per cent in FY 2022/2023, and 6.37 per cent in FY 2023/2024.

(d) In terms of changes in the number of employees in the public service, the Teachers Service Commission (TSC) and the National Police accounted for a significant proportion of the increase in FY 2020/2021 and 2021/2022 at 46 per cent and 95 per cent, respectively.

4 CONSUMER PRICE INDEX AND INFLATION RATE

Consumer Price Index (CPI) considers the weighted average of prices of a representative basket of household consumption goods and services, such as transportation, food, housing, water, food and non-alcoholic beverages, as well as electricity, gas and other fuels. Changes in CPI are one of the key parameters for assessing price changes associated with the cost of living.

According to the Kenya National Bureau of Statistics, CPI for the third quarter of FY 2023/2024 increased marginally from 138.15 in January 2024 to 138.6 in March 2024. On average, CPI for the third quarter of FY 2023/2024 was 138.4 compared to 130.2 in the same period in FY 2022/2023, representing a 6.3 per cent growth as shown in Table 5.

Table 5: Monthly CPI and Inflation Rate for FY 2022/2023 and 2023/2024

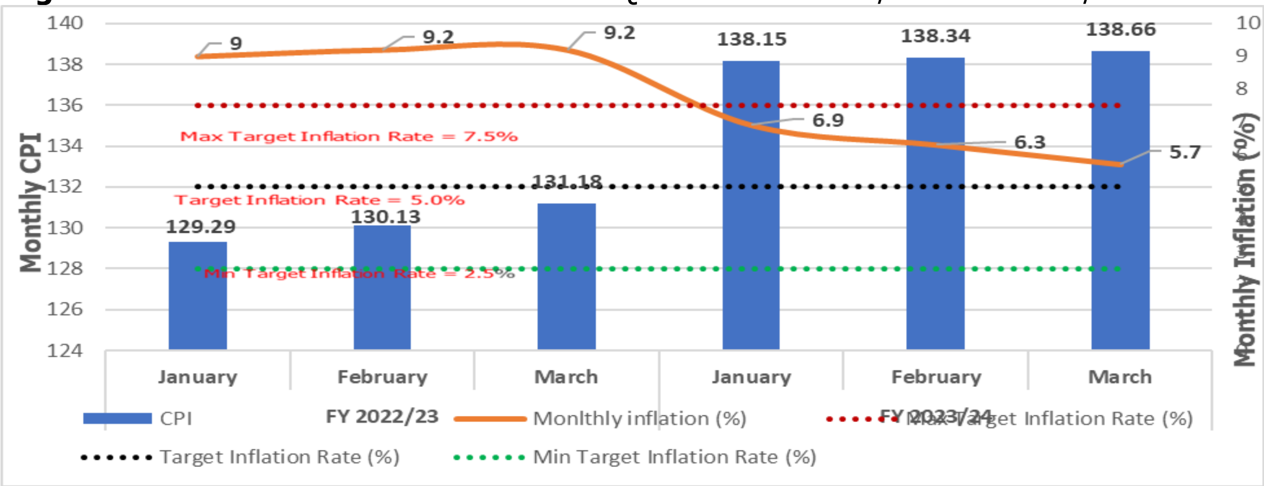
<table>
<tr><th rowspan="2">Months</th><th colspan="4">FY 2022/2023</th><th colspan="4">FY 2023/2024</th></tr>
<tr><th>CPI</th><th>Q. Av. CPI</th><th>M-on-M inflation</th><th>Q. Av. Inflation</th><th>CPI</th><th>Q. Av. CPI</th><th>M-on-M inflation</th><th>Q. Av. Inflation</th></tr>
<tr><td>January</td><td>129.29</td><td rowspan="4">130.2</td><td>9.0</td><td rowspan="4">9.1</td><td>138.15</td><td rowspan="4">138.4</td><td>6.9</td><td rowspan="4">6.3</td></tr>
<tr><td>February</td><td>130.13</td><td>9.2</td><td>138.34</td><td>6.3</td></tr>
<tr><td>March</td><td>131.18</td><td>9.2</td><td>138.66</td><td>5.7</td></tr>
<tr><td>Quarterly Average</td><td>130.2</td><td>9.1</td><td>138.4</td><td>6.3</td></tr>
</table>

Source: KNBS 2024 **Key:** Q. Av. = Quarterly Average; M-on-M = Month-on-Month

The month-on-month inflation declined from 6.9 per cent in January 2024 to 5.7 per cent in March 2024. The drop in the monthly inflation is partly attributed to the drop in the prices of petrol and diesel during the quarter. Similarly, the average inflation rate dropped from an average of 9.1 per cent in the third quarter of FY 2022/2023 to an average of 6.3 per cent in the third quarter of FY 2023/2024.

The country's average inflation rate for the third quarter of FY 2023/2024 was above the Central Bank of Kenya's (CBK) target inflation rate of 5.0 per cent, but below the maximum inflation targeted threshold of 7.5 per cent as shown in **Figure 4**.

Figure 4: CPI and Inflation Rate for the Third Quarters of FY 2022/2023 and 2023/2024



Source: KNBS 2024

5 EMPLOYMENT IN THE PUBLIC SERVICE

An analysis of the Economic Survey 2023 shows that Kenya's total workforce stands at 12 million. Out of this, approximately two million are in the formal sector, which includes government civil service, parastatals, and the private sector employees.

5.1 Wage Employment in the Public Service

Wage employment in the public service registered a 2.7 per cent growth in 2022, compared to an increase of 4.4 per cent recorded in 2021. **Table 6** presents the statistics on wage employment in the public service.

Table 6: Wage Employment in the Public Service for the period 2017 – 2022 ('000)

Category	2017	2018	2019	2020	2021	2022*	% Change (2021 to 2022)
Ministries and other extra-budgetary institutions[1]	197.6	206.4	207.2	206.1	220.7	226.0	2.4
TSC	302.9	313.6	324.5	331.1	349.9	359.1	2.6
Parastatal bodies[2]	110.1	96.7	96.2	95.7	96.7	97.8	1.1
Corporations controlled by the government[3]	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
Total	**833.1**	**842.9**	**865.2**	**884.7**	**923.0**	**948.2**	**2.7**

Source: KNBS, Economic Survey 2023 *Provisional

TSC, which is the largest employer in the public service, registered a growth of 2.6 per cent in employment in 2022, while county governments registered a growth of 4.4 per cent to 217,300 persons. Employment in State 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

[1] Includes employees of the Judiciary and Parliament.
[2] Refers to wholly owned government corporations.
[3] Refers to institutions where the government has over 50 per cent shares, but does not wholly own them.

institutions registered an increase of 2.4 per cent. This was, however, a decelerated growth compared to 7.1 per cent recorded in 2021.

5.2 Wage Payment in the Public Service

In terms of wage payments in the public service, State corporations and consolidated fund services registered the highest growth at 29.43 per cent and 22.16 per cent, respectively, in FY 2021/2022. Extra budgetary and social services institutions recorded a decline in wage payments by 11.59 per cent within the same period. Wage payments in the public service grew by 4.8 per cent in FY 2021/2022 and are projected to grow further by 6.5 per cent to Ksh 1,100 billion in FY 2022/2023, as shown in **Table 7.**

Table 7: Wage Payments in the Public Service

	2018/19 (Ksh billion)	2019/20 (Ksh billion)	2020/21 (Ksh billion)	2021/22 (Ksh billion)	2022/23* (Ksh billion)	2023/24* (Ksh billion)
National government	187.30	208.24	256.53	280.70	298.55	317.56
TSC	313.6	324.5	331.1	349.9	372.14	395.85
CFS - Salaries and Wages	4.19	2.62	2.60	3.18	3.38	3.60
County governments	163.39	171.83	176.03	190.11	202.20	215.07
Extra-budgetary and social services (State corporations - public universities)	159.65	144.29	183.94	162.63	172.97	183.99
State corporations (commercial corporations - financial and non-financial corporations)	42.00	66.34	37.58	48.64	51.73	55.03
Total	**870.14**	**917.81**	**987.78**	**1,035.15**	**1,100.97**	**1,171.09**

Source: KNBS Statistical Abstracts (Various), KNBS Economic Survey (Various), OCOB Reports (Various), National Treasury *Projected

6 CONCLUSION

In conclusion, the following were observed during the third quarter of FY 2023/2024:

(a) SRC received 56 requests from public institutions, 8 of which were on CBA reviews (14%); 40 on allowances and benefits (72%), 5 on bonus requests (9%) and 3 on salary reviews (5%).

(b) SRC advice during the third quarter amounted to Ksh 4,709.44 million. This was 96 per cent of the total requests received from public service institutions and was attributed to advice on remuneration payable to healthcare professionals under internship program.

(c) The month-on-month inflation declined from 6.9 per cent in January 2024 to 5.7 per cent in March 2024. The drop in the monthly inflation is partly attributed to the drop in fuel prices.

(d) The average inflation rate dropped from an average of 9.1 per cent in the third quarter of FY 2022/2023 to an average of 6.3 per cent in the third quarter of 2023/2024. This continued to be above the Central Bank of Kenya's (CBK) target inflation rate of 5.0 per cent, but below the maximum inflation targeted threshold of 7.5 per cent.

(e) The decline in CPI and inflation rate implies a decline in the general prices of goods and services. This is positive as it rebuilds the value and purchasing power of the Kenya Shilling and hence more disposable income to a Kenyan consumer.

References

1) OCOB (2023), County Governments Budget Implementation Review Report for Quarter 1 of FY 2023/24
2) OCOB (2023), Annual County Governments Budget Implementation Review Report for FY 2022/2023.
3) OCOB (2023), National Government Budget Implementation Review Report for Quarter 1 of FY 2023/24
4) OCOB (2023), Annual National Government Budget Implementation Review Report for FY 2022/2023.
5) OCOB (2022), Annual National Government Budget Implementation Review Report for FY 2021/2022.
6) KNBS (2023), Economic Survey, 2023.
7) KNBS (2022), Consumer Price Indices and Inflation Rates for March 2024

Annexes

Annex 1: Public Wage Bill, Nominal GDP, Ordinary Revenue, Recurrent Expenditure, Employment Trends, Ratios

Economic Indicators (Ksh "millions")	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23*	2023/24⁺
	2015	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023**	*2024⁺*
Compensation to Employees/ Total Wage bill (Ksh millions)	563,097	622,269	670,762	784,526	870,130	917,820	987,780	1,035,160	1,100,972	1,171,086
GDP Real/Constant	4,061,902	7,594,064	7,885,521	8,330,891	8,756,946	8,733,060	9,395,942	9,851,329	10,353,747	10,985,325
GDP Nominal/Current Price	6,284,185	7,594,064	8,483,397	9,340,307	10,237,727	10,715,070	12,027,662	13,368,340	14,521,600	16,290,300
Inflation Rates (%)	6.6	6.3	8.0	8.0	4.7	5.2	6.1	7.7	6.6	6.6
Total Ordinary Revenue	1,113,038	1,254,790	1,439,570	1,522,276	1,704,363	1,797,665	1,803,536	2,199,808	2,360,510	2,985,600
Total Revenue (Including Grants)	1,396,518	1,512,828	1,661,785	1,804,762	2,042,969	2,255,535	2,151,976	2,616,660	3,181,686	3,642,270
Pension	37,500	53,400	64,000	65,100	66,400	87,000	110,300	119,300	140,700	165,939
Total Expenditure	1,374,151	1,426,498	1,578,275	1,800,999	2,213,109	2,765,766	2,918,522	3,181,561	3,468,308	3,780,898
Total Public Sector Employees ("000")			833,100	842,900	865,200	884,700	923,000	937,900	953,041	968,425
Average monthly gross salary per employee (Ksh)	51,019	54,161	58,810	62,341	66,307	67,038	68,630	70,229	71,865	73,540
Wage bill to Nominal GDP (Benchmark Target: 7.5%)	8.96	8.19	7.91	8.40	8.50	8.57	8.21	7.74	7.58	7.19
Wage bill to Ordinary Revenue (PFM Target: 35%)	50.59	49.59	46.59	51.54	51.05	51.06	54.77	47.06	46.64	39.22
Wage bill to Total Revenue (including grants) (%)	40.32	41.13	40.36	43.47	42.59	40.69	45.90	39.56	34.60	32.15
Wage bill to Total Expenditure (%)	40.98	43.62	42.50	43.56	39.32	33.19	33.85	32.54	31.74	30.97
Growth in Wage Bill (%)		10.51	7.79	16.96	10.91	5.48	7.62	4.80	6.36	6.37
Growth in Nominal GDP (%)		20.84	11.71	10.10	9.61	4.66	12.25	11.15	8.63	12.18
Growth in Real GDP (%)		86.96	3.84	5.65	5.11	-0.27	7.59	4.85	5.10	6.10
Growth in Ordinary Revenue (%)		12.74	14.73	5.75	11.96	5.47	0.33	21.97	7.31	26.48
Growth in Total Revenue (%)		8.33	9.85	8.60	13.20	10.40	-4.59	21.59	21.59	14.48
Growth in Total Expenditure (%)		3.81	10.64	14.11	22.88	24.97	5.52	9.01	9.01	9.01
Growth in Average monthly gross salary per employee (%)		6.16	8.58	6.00	6.36	1.10	2.37	2.33	2.33	2.33
Growth in Employment (%)				1.18	2.65	2.25	4.33	1.61	1.61	1.61

Source: The Economic Survey 2020, 2021, 2022 and 2023; Budget Policy Statements 2016–2023 *Estimate ⁺Projection