



PRESS STATEMENT

NATIONAL WAGE BILL CONFERENCE ON TRANSFORMING KENYA'S ECONOMY THROUGH A FISCALLY SUSTAINABLE PUBLIC WAGE BILL

The public service remuneration policy and practice has critical fiscal implications on the country's development. The size of the wage bill has an impact on the performance of the national economy and the quality of life of the citizens. A wage bill that does not match economic and revenue growth puts pressure on development and investment share of fiscal budget meaning that there is less money to devote to development projects and provision of social services such as medical care and education.

The public sector wage bill has shown a positive trend but more needs to be done. The wage bill has reduced from 57.33% of revenue in 2013/2014 to 48.1% in 2018/2019 as a result of revenue growth and initiatives by the Salaries and Remuneration Commission in collaboration with stakeholders. However, concerted effort by all arms of Government is required to achieve a wage bill of not more than 35% of revenue as per the PFM Regulations (2015) and a wage bill to GDP of not more than 7.5% from the currently estimated at 7.9% in line with the average for developing Countries.

Expansion of public service coverage will continue in the context of achieving the Big 4 agenda and other sustainable development goals. The wage bill will continue to rise in an environment of revenue and financing constraints and the need for higher public investment. Competing expenditure needs means that the country requires a strong focus on government spending efficiency, including the wage bill. A fiscally sustainable wage bill shall release resources to address the Big 4 agenda and other development goals.

The Conference

At a special Summit meeting held on 4th March 2019, chaired by His Excellency the President of the Republic of Kenya, the Summit adopted as part of the plan of action that

a national discourse on the wage bill be held. The Salaries and Remuneration Commission (SRC) as the constitutionally mandated body is convening a Conference in collaboration with state actors from the National and County Governments under the auspice of a Steering Committee.

The Conference whose theme is **“Transforming Kenya’s Economy through a Fiscally Sustainable Public Wage Bill”** will be held on November 26 to 28, 2019 at Kenyatta International Convention Centre (KICC). The conference shall bring together key stakeholders from the National and County Governments, private sector, civil society and other non-state actors. Local and International speakers will share their experiences.

The keynote address will be by **H.E. the President** of the Republic of Kenya and Commander- in- Chief of the Defense Forces.

The objective of this conference is to engage stakeholders in discussions on how to achieve a fiscally sustainable wage bill that will contribute in transforming Kenya’s economy. Modalities to achieve the objective shall be as follows:

- (a) Engage public through the website (www.wagebillconference), social media and other media channels;
- (b) Participants discuss technical papers on key wage bill drivers;
- (c) Presentations on key topics by experts;
- (d) Pass resolutions on key strategies and policies on transforming Kenya’s economy through a fiscally sustainable public wage bill.

Deliberations at the conference will focus on sub themes that will address strategies and policies to improve spending efficiency and generate additional revenues to create the needed fiscal space to accommodate a larger wage bill. The sub themes are as follows;

- (a) Mainstreaming productivity in the public service;
- (b) Mainstreaming performance management in the public service;
- (c) Strengthening labour relations for National Wage bill sustainability;
- (d) Managing the wage bill through an optimal and efficient public service;
- (e) Mainstreaming work ethics to achieve productivity in the public service;
- (f) Managing public sector pension liability; and
- (g) Strengthening the Remuneration and Benefits policy for a fiscally sustainable wage bill

Key Wage Drivers

Key drivers of public sector wage bill have been identified and will be discussed during the conference under the thematic areas as above. Key highlights of the of discussion are as follows;

Productivity: Higher levels of productivity generate additional revenue to create the needed fiscal space to accommodate a larger wage bill. High labour productivity in the public sector will lead to enhanced private sector investment, which will help grow the economy and increase revenue. Kenya lacks a robust framework for measuring public service productivity at institutional, sectoral and national levels. Moreover, the country does not have a system of performance and productivity-based reward mechanism that would induce productivity improvement in the public service.

Performance Management: Public service performance is a critical component in enhancing productivity and effective and efficient service delivery. Public service reforms have been undertaken with a view to improving public service capability, performance and productivity. However, these initiatives have faced sustainability constraints.

Labour relations: Over the last five years, the country has experienced labor unrests from employees demanding higher wages, paralyzing essential services in the country. The demands, do not fully factor the principles of affordability and sustainability, equity and fairness and the impact of such across the entire public sector. In some cases, the right of the workers to strike is in conflict with the citizen's right to services.

Optimization of the public service: The numbers and skill composition of government employment, impacts service delivery and the wage bill. Despite implementing three rationalization programs aimed at fit for purpose public service, the public service still does not fully meet the expectations of the citizens and the wage bill remains higher than the PFM Act target.

Public sector pension liability: The civil service has been running an unfunded pension scheme, which has been increasing the pension liability over the years. As more

employees retire from civil service and life expectancy increases, pension liability continues to rise. The current pension liability is estimated at KSH 1 trillion. Public Service Superannuation Scheme Act on contributory pension scheme was enacted in 2012, but is yet to be implemented.

Remuneration and benefits policy: Government policies on compensation are important for efficient and effective delivery of public services. Whereas the Constitution and labour laws recognize productivity as a key component in wage determination, this has not been incorporated in the current wage policy and practices. In addition, there is a policy gap on management of allowances leading to proliferation of allowances. In the absence of a policy, allowances may be used to circumvent controls on the base pay. When used appropriately, allowances provide flexibility in varying pay to ensure competitive compensation.

Work ethic: A culture that creates and reinforces positive norms and values has a direct impact on service to the Nation and Productivity. A poor work ethic on the other hand, results in wastage of public resources which in turn negatively impacts on productivity and service delivery.

Expected Conference Outcomes

The expected outcomes of the conference are:

- (a) Policies and strategies to achieve a fiscally sustainable public wage bill;
- (b) Sessional paper on public sector wage bill management; and
- (c) Strengthened legal framework for the management of remuneration and benefits in the public service.

Mrs. Lyn C. Mengich
Chairperson, SRC

Editors Notes:

While the Salaries and Remuneration Commission is the convener of the Conference, State Actors responsible for the conference and implementation of outcomes are;

- 1) Head of Public Service;
- 2) Council of Governors;
- 3) The National Treasury;
- 4) Ministry of Public Service, Youth and Gender;
- 5) Ministry of Labour & Social Protection;
- 6) Ministry of Health;
- 7) Salaries and Remuneration Commission;
- 8) Public Service Commission;
- 9) Teachers Service Commission;
- 10) Commission on Revenue Allocation;
- 11) Office of Controller of Budget;
- 12) The Kenya Institute for Public Policy Research and Analysis (KIPPRA);
- 13) Intergovernmental Relations Technical Committee (IGRTC); and
- 14) Intergovernmental Budget and Economic Council (IBEC).

For more information on the Conference visit: www.wagebillconference.go.ke

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