Salaries & Remuneration Commission
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PRESS RELEASE

SRC 'Draft Allowances and Benefits Policy for the Public Sector' goes into public and stakeholder participation

Monday, 22 March 2021, Nairobi: The Salaries and Remuneration Commission (SRC) has issued a 'Draft Allowances and Benefits Policy for the Public Sector', aimed at streamlining the management and administration of allowances in the public sector.

The policy, which has been released for public and stakeholder participation, is expected to improve transparency, accountability, equity and fairness, thereby, ensuring that the total public compensation bill is affordable and fiscally sustainable.

The public sector in Kenya has traditionally been compensated through the payment of a basic salary and a set of allowances depending on the situation and sector. The allowances, classified into remunerative and duty facilitating allowances, have also been paid to meet expenses incurred in the course of duty.

Streamlining the management of allowances

Over the years, allowances have become a major component of the total compensation package in the public sector, yet there lacks a common policy on its management.

In the absence of such a policy framework to guide the determination and payment of allowances in the public sector, different institutions pay allowances using different justifications, eligibility criteria, rates and modes of payment.

The Commission, therefore, developed a draft allowances policy aimed at streamlining the management of allowances to promote transparency, accountability, equity and fairness of pay.

Effect of allowances on the public sector wage bill

The public sector wage bill in Kenya comprises: basic salary; remunerative allowances such as, house and commuter; hardship, extraneous, domestic, and risk; facilitative allowances paid to meet expenses incurred by officers in the course of duty, such as daily subsistence allowance; and benefits such as medical cover.

The wage bill has been increasing over the years, rising from Ksh 434.9 billion in 2012/13 to Ksh 827 billion in 2019/20. The expenditure on allowances rose from Ksh 263.3 billion in 2015/16 to Ksh 322.5 billion in 2018/19.

A 2019 study by SRC identified 247 allowances paid to public officers, which accounted for 48 per cent of the total wage bill as of 2019. This was against 31 allowances in 1999. The Public Finance Management (PFM) Act 2015 stipulates that the national government's expenditure on the wage bill should not exceed 35 per cent of ordinary revenue.

The remuneration cycle

Section 11(e) of SRC Act, 2011, sets a four-year review cycle for remuneration and benefits in the public sector. The first cycle ran for the financial year 2013/14 – 2016/17, the second was for the financial year 2017/18 – 2020/21, while the third, and current cycle, launched in September 2020, will run for the financial year 2021/22 – 2024/25.

The remuneration cycle shall be anchored on the principles of pay determination as set out in Article 230(4) of the Constitution of Kenya, 2010, and SRC Act, 2011. To address these principles, the remuneration cycle shall be informed by job evaluation, salary survey, and streamlining of the management of allowances.

The Commission is currently undertaking job evaluation in the public sector, which will systematically and objectively determine the relative worth of jobs. The process aims at making a systematic comparison between jobs to assess their relative worth for establishing rational grading and salary structures.

The salary surveys will provide information on current compensation levels and trends, including policies and practices to inform the Commission in setting, reviewing and providing advice on remuneration and benefits for State officers and other public officers.

Strategic concerns in the management of allowances

The Commission has enumerated some strategic concerns in relation to the management of allowances. These are:

1. Disparity in economic value or rates of allowances paid.
2. Unreasonable proportion of allowances in relation to basic pay.
3. Payment of allowances for factors that are already catered for through the basic salary.
4. Proliferation of allowances, leading to distortions in the remuneration regime, further resulting in unfair gross pay, lack of transparency and inequity.
5. Institutions paying similar allowances for similar and related purposes, but have different titles (nomenclature).
6. Facilitative allowances have taken a remunerative facet, whilst they were intended to be facilitative.
7. Sector and institutional specific allowances resulting in disparities in pay.

8. Unclear and varied justification and eligibility criteria for some allowances and benefits across the public sector institutions, leading to inequality in pay.
9. Obsolete and/or redundant allowances whose purpose or rationale are no longer justifiable.
10. Inclusion of allowances in computing pension.

Policy interventions to streamline the management of allowances

To achieve the objective of streamlining the management of allowances, the Commission outlines the following policy interventions:

1. **Affordability and fiscal sustainability:** Allowances and benefits in the public sector shall be set and regularly reviewed and advised by SRC, while taking into account the principles of affordability and fiscal sustainability.
2. **Ratio of basic salary to gross salary:** There shall be a consolidation of allowances to achieve a proportion of basic salary to gross salary that is no less than 60 per cent, while taking into account the impact on pension.
3. Allowances and benefits shall be paid in absolute amounts and not as a percentage of the basic or gross salary.
4. **Hedging against double compensation:** The total remuneration package should not exceed the relative worth of a job, thus, allowances and benefits shall not be paid for purposes that are already compensated in the basic salary.
5. **Promotion of transparency, fairness and equity:** The ability to pay higher allowances and benefits by any public sector institution shall not be regarded as a sufficient condition for the increase in allowances and benefits.
6. Disparities in remuneration and benefits, will be minimised taking into account the relative worth of jobs, the need to facilitate attraction and retention of requisite skills in different sectors in the public service, as well as affordability and fiscal sustainability.
7. **Categorisation of allowances:** Allowances will be categorised as follows; House Allowance; Commuter Allowance; Job-Related Allowances; Task-Related Allowances; and Labour Market Adjustment Allowances.
8. **Facilitative allowances:** Officers who are working out of their duty station will be entitled to a facilitative allowance at rates that are set and advised by SRC. The rates shall be standardised across the public sector.
9. **Streamlining of allowances and benefits:** Allowances payable in the public service shall be harmonised and streamlined as follows:
    a. Allowances and benefits that are paid for similar purposes, but have different names shall be **merged and renamed**;
    b. Allowances and benefits whose rates are not commensurate with the intended purpose shall be **restructured**;
    c. Allowances and benefits whose current form does not change shall be r**etained;**
    d. Allowances and benefits whose rationale for payment is redundant and or overlaps with that of the basic salary shall be **abolished**.
10. **Pensionable Pay:** Allowances and benefits payable to public officers shall not be used for purposes of computing pension and gratuity.

Expected outcomes of the draft allowances policy

The Commission expects that the draft allowances policy shall:

1. Minimise disparities in gross remuneration package to progressively attain the desired proportion of basic salary to gross salary to be no less than 60 per cent;
2. Entrench relative worth of job as determined by job evaluation;
3. Elimination of duplication, redundancy, disparities and varied eligibility criteria, allowances payable in the public sector;
4. Embed control mechanisms to ensure prudent management of financial resources as per the constitution and PFM Act, 2012;
5. Clear purpose, scope, eligibility criteria, and rate of payment of allowances; and
6. Attain predictability in remuneration planning and management.

Way Forward

The Commission, therefore, seeks feedback from stakeholders and the public on the draft allowances policy. The final policy shall be issued before the next financial year, and thereafter, the implementation shall be undertaken within six months.

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Public and Stakeholder Participation: SRC invites submission of memoranda for the 'Draft Allowances and Benefits Policy for the Public Sector, 2021' to be received on or before 31 March 2021. The policy is available on SRC website link: https://src.go.ke/download/allowances-and-benefits-policy-for-the-public-sector-2021/

About the Salaries and Remuneration Commission

The Salaries and Remuneration Commission (SRC) was established under Chapter 12, Article 230 of the Constitution of Kenya, 2010. Its mandate is: a) To set and regularly review the remuneration and benefits of all State officers; and, b) To advise the national and county governments on the remuneration and benefits of all other public officers.

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