



Salaries & Remuneration
Commission
Rewarding productivity

PRESS RELEASE

Outcome of the Third Public Sector Remuneration and Benefits Review Cycle 2021/2022-2024/2025

Thursday, 17 June 2021, Nairobi: The Salaries and Remuneration Commission (SRC) is established under Article 230 of the Constitution of Kenya, 2010, with the mandate to set and regularly review the remuneration and benefits of State officers, and to advise on the remuneration and benefits of all other public officers.

As per Section 11(e) of the SRC Act, 2011, the Commission set a four-year review cycle for remuneration and benefits in the public sector. The first review cycle ran for the period 2013/14–2016/17, and the second review cycle was during the years 2017/18–2020/21. The third review cycle is for the period 2021/22–2024/25, and will commence in the financial year 2021/2022.

The Remuneration Review Cycle under reference is undertaken within the following context;

a) Economic outlook

The outbreak of the Covid-19 pandemic and the resultant containment measures has and continues to impact the global economy. The World Economic Outlook, January 2021, as published by the International Monetary Fund, estimates that the global economy slowed down by 3.5 per cent in 2020, from a growth rate of 2.8 per cent in 2019. The current economic slowdown is worse than the slowdown reported in the 2008–2009 global financial crisis.

Prior to the outbreak of the pandemic, Kenya's economy was resilient in spite of the challenging global environment. The economic growth for 2018 and 2019 averaged 5.4 per cent. In 2020, the economy was adversely affected by the outbreak of the pandemic, which affected lives and livelihoods and, to a greater extent, businesses and economic activities. As a result, the economy is estimated to have slowed down to around 0.6 per cent in the year 2020, from a growth of 5.4 per cent in 2019.

Kenya's economy is projected to recover and grow to around 6.6 per cent in 2021, supported by ongoing investments in strategic priorities of the government under the Big Four Agenda, and implementation of the economic recovery strategy.

b) Impact of Covid-19 on jobs and income

Due to Covid-19 restrictions globally, the International Labour Organization estimates that 8.8 per cent of global working hours were lost in 2020 relative to 2019. This is equivalent to 255 million Full-Time Equivalent jobs, which were about four times greater than during the 2009 global financial crisis.

Workers globally, including in Kenya, have had to accept shorter working hours and wage cuts in different sectors and industries. Several countries have taken measures to rearrange their expenditures to share the economic burden. The measures undertaken globally include, but not limited to: introducing basic salary cuts; withholding annual increment, freezing of minimum wage; freezing inflation-linked increases in basic salary and pension; suspending all planned salary increases effective financial year 2020/2021; and mandatory donations of portions of some employees' salaries to finance the pandemic response.

In Kenya, in the spirit of social dialogue, Kenya's social partners entered into a Memorandum of Understanding detailing a joint approach to managing labour relations during the period.

Review of remuneration and benefits in the Third Remuneration Review Cycle

While setting and advising on remuneration and benefits payable, SRC is guided by constitutional principles set out in Article 230(5) of the constitution and Section 12 of SRC Act, 2011. These principles are: a) Affordability and fiscally sustainability; b) Attraction and retention of requisite skills; c) Recognition of performance and productivity; d) Transparency and fairness; and e) Equal remuneration to persons for work of equal value (Equity).

The Commission has reviewed remuneration and benefits in the context of these principles as follows;

a) Affordability and fiscal sustainability of the wage bill

The current Public Sector Wage bill consumes a larger percentage of revenue than the target set in the Public Finance Management Act 2012 and a larger percentage of GDP compared to average for developing countries.

Affordability and sustainability ratios

Item Description	2015/16	2016/17	2017/18	2018/19	2019/20	Target %
Total wage bill (Ksh billion)	615	664	733	795	827	
Wage bill to ordinary revenue	53.3	50.8	53.5	48.1	51.7	35
Wage bill to GDP	9.2	8.7	8.3	7.9	8.3	7.5

To jumpstart the Covid-19-ravaged economy, more resources must be made available for investment in the government priority areas. To release resources for investment in the priority areas, the wage bill to revenue and to GDP ratios must take a trajectory towards achievement of the target ratios.

b) Equity and fairness

The Commission addresses equity and fairness through job evaluation, harmonisation of salary structures, and streamlining allowances and benefits. Consequently, SRC has undertaken;

- i. Job evaluation of the current review cycle to determine the relative worth of jobs and to harmonise job grades within and across sectors;
- ii. Review of salary structures; and
- iii. A study on allowances payable in the public sector and developed a policy, which will streamline allowances to ensure equity and fairness in total pay.

Harmonisation of basic salary structures, implementation of job evaluation results and implementation of the allowances policy will be done within the framework of affordability and fiscal sustainability.

c) Attraction and retention of requisite skills

Remuneration and benefits is a key driver of attraction and retention of requisite skills. The Commission ensures that remuneration and benefits in the public sector enables attraction and retention of requisite skills through salary labour market surveys in the public and private sector.

A study by SRC in 2018 revealed a high retention of 95 per cent of employees within the public sector. SRC carried out another salary survey in the public sector in 2020 to establish compensation levels and trends, which revealed a 90 per cent retention rate of employees in the public sector. The high retention is attributable to high job security, opportunities for growth and a good work environment.

Further, SRC undertook salary surveys in the private sector in 2021 to gauge remuneration levels and ensure a fair balance in the private and public sector remuneration and benefits. Implementation of this survey is subject to affordability and fiscal sustainability.

d) Recognition of performance and productivity

SRC has developed a draft framework to recognise performance and productivity and has received stakeholder input. These principles will be operationalised within the context of affordability and fiscal sustainability once the framework is finalised.

Outcome of remuneration and benefits in the Third Remuneration Review Cycle

The review of remuneration and benefits in the third review cycle is informed by outcomes of the job evaluation and grading, labour market salary surveys and a review of the current salary structures in the public sector. Implementation of the outcome of the third remuneration and benefits review cycle is projected to cost Ksh 82 billion over a four-fiscal-year period.

Pursuant to the constitutional principle of affordability and fiscal sustainability, SRC engaged the National Treasury on the projected cost. The National Treasury advised the Commission that due to the effect of Covid-19 pandemic on the performance of the revenue and the expected slow economic recovery;

- a) The Commission to consider postponing the review for the next two fiscal years until the economy improves, and
- b) The National Treasury will review the performance of the economy and advise SRC as/and when the review can be done based on the prevailing circumstances to ensure affordability and fiscal sustainability.

Pursuant to SRC's mandate to set, and regularly review the remuneration and benefits of State officers, and to advise on the remuneration and benefits of all other public officers, the Commission considered the advice of the National Treasury, the constitutional principles and SRC Act principle on remuneration and benefits and hereby, states as follows;

Notwithstanding the need to enhance equity and fairness through harmonisation of salary structures, implementation of job evaluation results and the need to review salary structures;

Cognisant of the government's financial constraints, the current wage bill ratios, the need to release resources for investment in the strategic priorities of the government to jumpstart the Covid-19-ravaged economy;

- 1) There will be no review of the basic salary structures, allowances and benefits paid in the public sector in the financial year 2021/2022-2022/23;
- 2) Annual salary notch adjustments in existing salary structures, as set or advised by SRC, will continue to be applied within budget allocation;
- 3) No additional funding will be provided for implementation of the job evaluation results in the financial year 2021-2022 and 2022/2023;
- 4) Public sector institutions may implement job evaluation results, by placing jobs in their rightful job evaluation grading, within the existing salary structures and approved budgets, subject to confirmation to SRC that the funding is provided for in the current budget;
- 5) Public sector institutions will be required to fully implement the Allowances and Benefits Policy; and
- 6) SRC will review the situation after two fiscal years, and based on the status of the economy, guide on the way forward for the remaining period of the third remuneration and benefits review cycle.

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About the Salaries and Remuneration Commission

The Salaries and Remuneration Commission (SRC) is 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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