



Salaries & Remuneration
Commission
Rewarding productivity

PRESS RELEASE

SRC issues 'Allowances Policy Guideline for the Public Service'

Thursday, 7 October 2021, Nairobi: The Salaries and Remuneration Commission (SRC) has released the '*Allowances Policy Guideline for the Public Service*.' The overarching objective of the policy guideline is to provide a structured approach for streamlining management and administration of allowances, so as to improve transparency, accountability, equity and fairness, thereby, ensuring that the total public compensation bill is affordable and fiscally sustainable.

The policy guideline was developed through a consultative and participatory process with stakeholder and public participation undertaken as required under Articles 10 and 232 of the Constitution of Kenya, 2010.

Therefore, the following policy guidelines shall apply:

A. Affordability and fiscal sustainability

Article 230(5) of the constitution mandates SRC to ensure that the public service compensation bill is affordable and fiscally sustainable. In this regard:

1. Policy Guideline: Allowances in the public service shall be set, regularly reviewed and advised by SRC, while taking into account the principles of affordability and fiscal sustainability.

To operationalise this:

- (a) Public service institutions shall be required to furnish SRC with all allowances payable in their institutions for review, setting and advice, to ensure fiscal sustainability and affordability;
- (b) SRC shall set, regularly review and advise on allowances payable in the public service, pursuant to Article 230(4) of the constitution.

B. Ratio of allowances to gross salary

The proportion of allowances to the gross salary, as per the 2019 SRC 'Report on Streamlining Allowances Payable in the Public Service,' ranges from 43 to 259 per cent, leading to a lower percentage of basic salary to gross salary in the public service. Further, similar allowances are paid as a percentage of basic salary, while others are paid in absolute amounts, resulting in additional distortions in remuneration. In this regard:

2. Policy Guideline: There shall be streamlining of allowances to progressively 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; and
3. Policy Guideline: Allowances shall be paid in absolute amounts and not as a percentage of the basic or gross salary, unless where explicitly advised by SRC.

To operationalise this:

- (a) Public service institutions shall be required to furnish SRC with all allowances payable in their institutions for review, setting and advice.
- (b) SRC shall issue an advisory on streamlining of allowances to progressively attain the desired proportion of basic salary to gross salary to be no less than 60 per cent; and
- (c) SRC shall issue an advisory on conversion of the allowances that are currently paid as a percentage of the basic salary into absolute amounts, while ensuring consistency across the public service.

C. Double compensation

Payment of allowances for purposes that are already compensated for in the relative worth of a job and/or whose purpose overlaps with that of the basic salary, results in double compensation. In this regard:

4. Policy Guideline: Gross remuneration package should not distort the relative worth of a job, thus, allowances shall not be paid for purposes that are already compensated for in the basic salary.

To operationalise this:

- (a) Public service institutions shall furnish the Commission with all allowances payable in their institutions for review, setting and advice to ensure that the remuneration package does not distort the relative worth of the job; and
- (b) SRC shall identify and streamline allowances that are already compensated in the relative worth of jobs.

D. Transparency, fairness and equity

To ensure that management of allowances is transparent, fair and equitable across the public service, and to create predictability in remuneration and benefits, the following shall apply:

5. Policy Guideline: The ability to pay higher allowances by any public service institution shall not be sufficient justification for the increase in allowances, if it means that one group of public service employees will earn a gross remuneration package that is out of step with those of comparable groups of public officers; and
6. Policy Guideline: Disparities in allowances will be progressively harmonised, 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.

To operationalise this:

- (a) SRC shall ensure that public service institutions are advised on a gross remuneration package that is not out of step with those of comparable groups.
- (b) Allowances will be progressively harmonised, 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, equity and fairness in pay, affordability and fiscal sustainability.

E. Categorisation of Allowances

Standardisation and categorisation of allowances payable in the public service provides a control framework for paying allowances. Further, it removes inconsistency and enhances standardised payment of allowances across the public service. In this regard:

7. Policy Guideline: Allowances shall be categorised as follows:
 - (a) **House Allowance:** This is an allowance provided to public officers to cater for accommodation or rent in addition to the wages or salary of the employee pursuant to the Employment Act 2007 Section 31(1). However, as per Section 31(2), this does not apply to an employee whose contract of service:

- (i) contains a provision that consolidates as part of the basic wage or salary of the employee, an element intended to be used by the employee as rent or which is otherwise intended to enable the employee to provide himself with housing accommodation; or
 - (ii) is the subject matter of or is otherwise covered by a collective bargaining agreement, which provides for consolidation of wages as provided in (i) above.
- (b) **Commuter Allowance:** This is an allowance paid to public officers not provided with official transport, to cater for their transportation to and from their place of work;
 - (c) **Job-Related Allowances:** Job-related allowances are paid to enhance salary. They account for the greatest proportion of allowances in the Kenyan public service. This category of allowances is expected to fall off once the relative worth of a job is appropriately determined;
 - (d) **Task-Related Allowances:** These allowances are paid for a temporary period to public officers and shall, therefore, be paid only to employees appointed to carry out assignments outside the scope of their responsibilities; and
 - (e) **Labour Market Adjustment Allowances:** These allowances are paid to respond to certain labour market trends and conditions so as to attract and retain scarce, distinct and specialised requisite skills in specific public service institutions.

To operationalise this:

- (a) Public service institutions are required to classify all allowances into the five categories above and submit the list to SRC for review and advise; and
- (b) SRC shall set, review and advice on the allowances that constitute the five categories outlining the purpose, eligibility criteria, rate, and scope.

F. Facilitative Allowances

Facilitative allowances are paid to employees to enable them meet expenses related to the execution of their duties. In this regard:

- 8. Policy Guideline: Officers working out of their duty station will be entitled to a facilitative allowance at rates as set and advised by SRC. The rates shall be standardised across the public service, subject to affordability and fiscal sustainability.

To operationalise this:

- (a) SRC shall set, review and advice on rates, clearly outlining the purpose, eligibility criteria, rate, and scope of facilitative allowances; and
- (b) Public service institutions shall put in place control mechanisms to ensure prudent management of public resources in line with Article 201 of the constitution, and the Public Finance Management Act, 2012.

G. Streamlining of allowances

The justification and eligibility criteria for some allowances vary across the public service institutions leading to disparity. Further, the purpose for which some allowances are paid are similar and/or redundant.

- 9. Policy Guideline: To avoid duplication, redundancy, disparities and varied eligibility criteria, allowances payable in the public service shall be streamlined as follows:
 - (a) Allowances that are paid for similar purposes, but have different names shall be merged and renamed;
 - (b) Allowances whose rationale for payment is still valid, but whose rates are not commensurate with the intended purpose shall be restructured;
 - (c) Allowances whose current form remains relevant shall be retained; and
 - (d) Allowances whose rationale for payment is redundant and/or overlaps with that of the basic salary, shall be abolished, taking into account existing Collective Bargaining Agreements, any contractual obligations and being cognizant of existing legal provisions.

To operationalise this:

- (a) Public service institutions shall furnish SRC with all allowances payable in their institutions, identifying allowances that fall into the following categories; retention, restructuring, merging and renaming and abolition; and
- (b) SRC shall set, review and advice on allowances to be retained, restructured, merged and renamed, and abolished;

H. Pensionable Pay

A number of schemes factor some allowances in the computation of pension, resulting in different quanta being used to calculate pension. This has been a major cause of the disparate scheme funding levels. In this regard:

- 10. Policy Guideline: Allowances payable to public officers shall not be used for purposes of computing pension and gratuity.

To operationalise this:

SRC shall develop a Pension Policy Guideline that will provide guidance on pensionable pay and employer contribution levels in the public service.

I. Transitional clause on operationalisation of the 'Allowances Policy Guideline for the public service'

To operationalise the implementation of these policy guidelines, the following transitional clauses shall apply:

- (a) Public service institutions shall submit to SRC all allowances payable, and await setting, review and advice by SRC; and
- (b) Allowances that are currently obtaining shall continue to be paid until SRC issues an advisory to public service institutions on the allowances.

Way forward

Submission of data on allowances from individual public service institutions is expected by 30 November 2021. The Commission will then review and issue advice on allowances to the individual public service institutions by 29 April 2022, following which the compliance checks to enhance adherence to the policy guidelines will be conducted in July 2022.

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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 to: a) Set and regularly review the remuneration and benefits of all State officers; and, b) Advise the national and county governments on the remuneration and benefits of all other public officers.

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