



Salaries & Remuneration  
Commission  
Rewarding productivity

## **PRESS RELEASE**

### **REMUNERATION AND BENEFITS FOR STATE AND OTHER PUBLIC OFFICERS FOR THE PERIOD 2023/2024 AND 2024/2025**

**Wednesday, 9 August 2023, Nairobi:** The Salaries and Remuneration Commission (SRC) is established under Article 230 of the Constitution of Kenya, 2010, to set and regularly review the remuneration and benefits of all State officers, and advise the national and county governments on the remuneration and benefits of all other public officers.

While setting and advising on remuneration and benefits payable in the public service, SRC is guided by principles set out in Article 230(5) of the Constitution, and Section 12 of SRC Act, 2011.

The constitutional principles are:

- a) The need to ensure that the total public compensation bill is fiscally sustainable.
- b) The need to ensure that the public services can attract and retain the skills required to execute their functions;
- c) The need to recognise productivity and performance; and
- d) Transparency and fairness.

Statutory requirement: Equal remuneration to persons for work of equal value, as required by Section 12 of SRC Act, 2011.

#### **A. Rationale for the current remuneration and benefits review**

This review is about harmonisation to achieve equity and fairness in remuneration and benefits in the public service, within the principle of affordability and fiscal sustainability.

**1) Four-year review cycle:** Pursuant to Section 11(e) of SRC Act, SRC set a four-year review cycle for remuneration and benefits in the public service, with the first cycle running for the period 2013/2014 – 2016/2017, and the second cycle between the years 2017/2018 – 2020/2021. The Third Remuneration and Benefits Review Cycle covers the financial years 2021/2022 – 2024/2025.

Due to economic conditions occasioned by the Covid-19 pandemic, SRC, in consultation with the National Treasury, froze the salary structures for the first two years of the third cycle 2021/2022 – 2022/2023.

In 2022, the economy sustained the growth momentum that started in 2021, after the recovery from the effects of the Covid-19 pandemic. Hence, a review for the third and fourth year of the third cycle.

**2) Attraction and retention of requisite skills:** SRC undertook an international labour market salary surveys for State officers, and local labour market surveys for other public officers to determine the positioning of gross remuneration structure for public institutions. This was to inform the development of remuneration structures that align to market trends so as to ensure attraction and retention of requisite skills.

The surveys revealed that gross salaries of some public service institutions are below the target 50th percentile positioning, as illustrated in the **Table 1** below.

**Table 1: Gross Market Positioning**

Sector	Average Current Gross Market Positioning
State Officers	45th percentile
State Corporations	89th percentile
Civil Service in both national and county governments	39th percentile
Teaching Service	36th percentile
Public Universities	49th percentile
Other public officers (Secretariat Staff) in Constitutional Commissions and Independent Offices	84th percentile

Hence, upward adjustment of remuneration and benefits structures that are below the target market position of the 50th percentile to ensure attraction and retention of requisite skills, to the extent of affordability and fiscal sustainability.

### 3) Equity and fairness

- a) Due to historical reasons, the public service has disparate remuneration and benefits structures. The different market positioning ranges from the 36th percentile to the 84th percentile, as shown in **Table 1** above. Hence, the adjustment of salary structures that are below the 50th percentile market positioning so as to achieve equity and fairness through harmonisation, to the extent of affordability and fiscal sustainability.
- b) Further, SRC undertook job evaluation to determine the relative worth of jobs to ensure equal remuneration to persons for work of equal value. This review takes into account the implementation of the job evaluation grading results and the resultant salary structures to achieve equity and fairness, to the extent of affordability and fiscal sustainability.

**4) Cost of living adjustment:** The review cushions against loss of purchasing power arising from the erosion in the real value of remuneration and benefits, to the extent of affordability and fiscal sustainability.

**5) Legal compliance:** The review ensures compliance with the statutory minimum wage.

### B. Salient features of the Third Remuneration and Benefits Review

The salient features of the review areas are as follows;

- 1) The review covers the entire public service (both State and other public officers), within the context of affordability and fiscal sustainability.
- 2) The average increase is 7 to 10 per cent over a two-year period, inclusive of the existing notch increase, which averages 3 per cent annually.
- 3) Progressive harmonisation of remuneration structures to achieve equity and fairness, thus, adjustment of remuneration structures that are below the 50th percentile market positioning, while freezing salary structures that are above the 50th percentile.
- 4) Where the salary structures are frozen, the notch increase will continue as budgeted up to the maximum salary point.
- 5) The salary structures for unionisable employees to be undertaken through the Collective Bargaining Negotiations (CBN) process.

### C. Effective date

The effective date of the review for the financial year (FY) 2023/2024 is 1 July 2023.

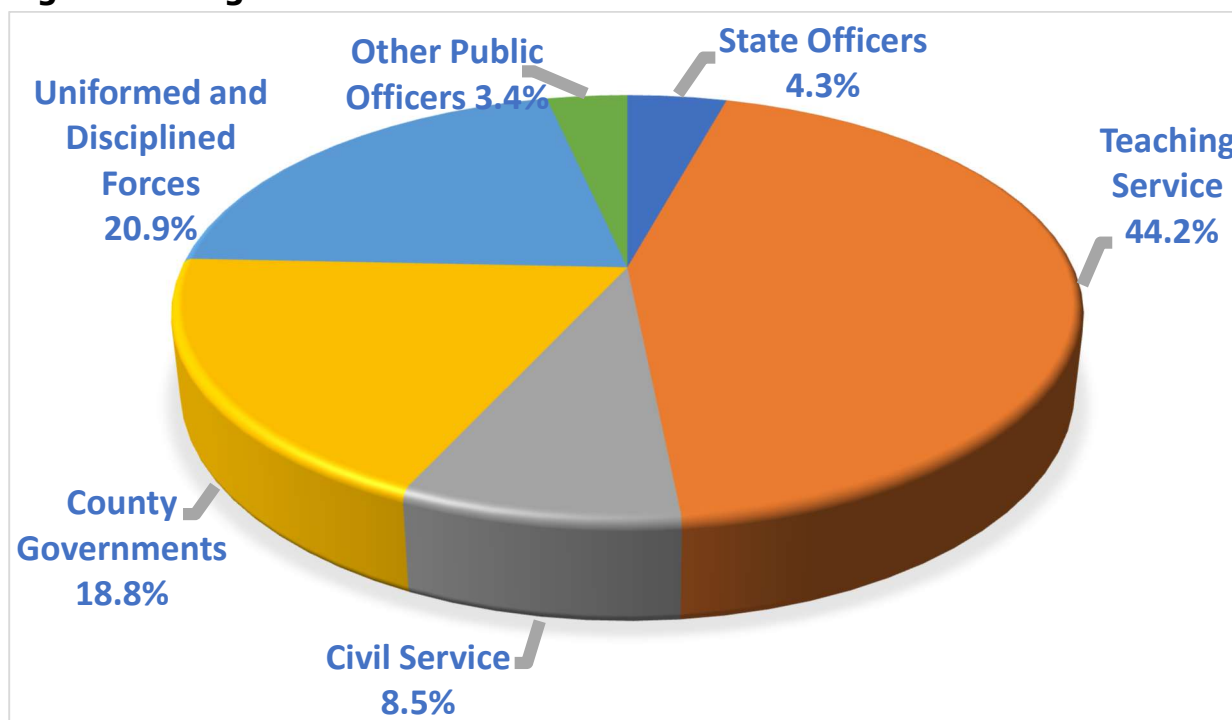
#### D. Implication of the review on the wage bill

- 1) **Budget:** Pursuant to the constitutional principle of affordability and fiscal sustainability, SRC engaged the National Treasury on funding. The National Treasury advised SRC to consider reviewing remuneration structures within a budget allocation of Ksh 21.7 billion for the year 2023/2024 distributed as per **Table 2** below.

**Table 2: Budget distribution for salary review for State and public officers**

Sector	Total	Percentage (%)
Executive State Officers	126,973,208	0.6
Parliament State Officers	78,880,020	0.4
Judiciary State Officers	305,202,183	1.4
County State Officers	408,903,411	1.9
Teaching Service	9,565,821,905	44.2
Civil Service	1,830,714,532	8.5
County Governments	4,075,506,670	18.8
Uniformed and Disciplined Forces	4,522,501,455	20.9
Other Public Officers	745,605,382	3.4
	<b>21,660,108,766</b>	<b>100.0</b>

**Figure 1: Budget distribution of Ksh 21.7 billion**



**Note:** The bulk of the budget is allocated to the teaching and security sector, as well as county governments.

2) **Wage bill:** The current wage bill and ratios are as shown in **Table 3** below:

**Table 3: Wage Bill Figure and Ratios**

Economic Indicators (Ksh "Millions")	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23*	2023/24 <sup>+</sup>
	2018	2019	2020	2021	2022	2023*	2024 <sup>+</sup>
<b>Compensation to Employees/Total Wage bill</b>	784,526	870,130	917,820	987,780	1,035,160	1,100,972	1,171,086
<b>GDP Nominal/Current Price</b>	9,340,307	10,237,727	10,715,070	12,027,662	13,368,340	14,521,600	16,290,300
<b>Total Ordinary Revenue</b>	1,522,276	1,704,363	1,797,665	1,803,536	2,199,808	2,528,825	2,894,900
<b>Public Service Employment</b>							
<b>Public Sector Employees</b>	842,900	865,200	884,700	923,000	937,900	953,041	968,425
<b>Average Monthly Gross Salary Per Employee</b>	62,341	66,307	67,038	68,630	70,229	71,865	73,540
<b>Ratios (Per cent)</b>							
<b>Wage Bill to Nominal GDP (Benchmark Target: 7.5%)</b>	8.40	8.50	8.57	8.21	7.74	7.58	7.19
<b>Wage Bill to Ordinary Revenue (PFM Target: 35%)</b>	51.54	51.05	51.06	54.77	47.06	43.54	40.45
<b>Growth (Per cent)</b>							
<b>Growth in Wage Bill</b>	16.96	10.91	5.48	7.62	4.80	6.36	6.37
<b>Growth in Nominal GDP</b>	10.10	9.61	4.66	12.25	11.15	8.63	12.18
<b>Growth in Real GDP</b>	5.65	5.11	- 0.27	7.59	4.85	5.10	6.10
<b>Growth in Ordinary Revenue</b>	5.75	11.96	5.47	0.33	21.97	14.96	14.48
<b>Growth in Average Monthly Gross Salary Per Employee</b>	6.00	6.36	1.10	2.37	2.33	2.33	2.33

**Source:** The Economic Survey Reports (various); Budget Policy Statements (various) \*means provisional/Estimate +means projection

There are three broad strategies to bring the wage bill ratio to the target stipulated in the Public Finance Management Act, 2012, and Regulations, 2015, and within the ratio to developing countries. These are;

- (i) Gross Domestic Product (GDP) and revenue growth outpacing wage bill growth;
- (ii) Reviewing, setting and advising on remuneration of benefits within the principle of fiscal sustainability; and
- (iii) Increased public service productivity.

The ratio of wage bill to GDP has declined from 8.4 per cent in FY 2017/2018 to 7.58 per cent in FY 2022/2023. It is projected to further decline to 7.19 per cent in FY 2023/2024, against a target of 7.5 per cent for developing countries.

As a ratio of revenue, it has declined from 51.54 per cent in FY 2017/2018 to 43.54 per cent in FY 2022/2023, and projected to further decline to 40.45 per cent in FY 2023/2024, against a target of 35 per cent as stipulated in the Public Finance Management Regulations, 2015.

Further, in the last two years, the revenue grew on average by 18.5 per cent, while the wage bill grew on average by 5.6 per cent. The growth in the average monthly salary per employee was 2.3 per cent.

Increase in employee numbers is a key contributor to the increase in the wage bill as an absolute amount. As a developing nation, the government will continue to employ in key sectors to achieve the ideal ratios for effective service delivery, notably in teaching, healthcare, and security. However, increase in employee numbers is not always attributed to service delivery in critical areas.

In reviewing, setting and advising on remuneration and benefits in the public service, SRC focuses on fiscal sustainability, alongside other principles. In doing this, SRC checks the public service wage bill, as shown in **Table 4** below:

**Table 4: Rationalised potential expenditure**

Financial Year	Value of Requests by Public Service Institutions (Ksh)	Value of Requests Approved by SRC - Amount Approved (Ksh)	Approved Advice as a Share of the Request Received (%)
2020/2021	70,137,071,565	5,932,904,900	8.46
2021/2022	20,545,270,690	2,695,255,317	13.12
2022/2023	8,178,654,178	4,273,782,553	52.26
<b>Total</b>	<b>98,860,996,433</b>	<b>12,901,942,770</b>	

Kenya's Labour productivity remains low compared to other countries. According to the International Labour Organization, 2021, statistics on labour productivity, Kenya is ranked at number 151 out of 185 countries globally, and number 22 out of 46 countries in Africa. Improved labour productivity drives economic growth, which results in higher revenue, and in turn, improved wage bill to revenue ratio. A collaborative effort is required in public service to drive productivity as a key enabler towards achieving the wage bill to revenue ratio of 35 per cent.

### E. Review of allowances for State and public officers

In 2021, SRC commenced a process of streamlining allowances to achieve transparency, accountability, equity and fairness in remuneration, and to ensure affordability and fiscal sustainability of the wage bill in the public service.

In Phase One, which was implemented in the last financial year, three allowances ceased to be payable. These are; Plenary Sitting Allowances and Ministerial Allowance, resulting in an annual total cost saving of Ksh 1,735,920,000 (Ksh 1.7 billion), and the Taxable Car Allowance, resulting in a cost saving of Ksh 9,752,000,000 (Ksh 9.7 billion) over a four-year period.

SRC has now completed Phase Two in which four allowances have been reviewed, set and advised, as follows:

- a) **Retreat Allowance:** Payment of Retreat Allowance, in addition to the basic salary, amounts to double compensation, and consequently, **ceases to be payable**
- b) **Sitting Allowance for Institutional Internal Committees:** Payment of Sitting Allowance for Institutional Internal Committees, in addition to the basic salary, amounts to double compensation, and consequently, **ceases to be payable.**
- c) **Taskforce Allowance for Institutional Internal Committees:** Payment of Taskforce Allowance to internal institution taskforce members, in addition to the basic salary, amounts to double compensation, and consequently, **ceases to be payable.**
- d) **Daily Subsistence Allowances:** Daily Subsistence Allowance (DSA) for Local Travel has been standardised across the country for the respective grades. The prevailing rates for cities will apply. The DSA for Foreign Travel remains unchanged, save for correction of a few countries.

Detailed communication has been made to all public service institutions.

### F. Conclusion

This review is about harmonisation to achieve equity and fairness in remuneration and benefits in the public service within the principle of fiscal sustainability. The increase maintains the trajectory towards achieving the wage bill to revenue ratio of 35 per cent.

Although, the trajectory is positive, a lot more needs to be done, especially in the area of productivity. Public service productivity is a transformative agenda that will enable government drive and align the entire public service towards: economic growth, high and sustained revenue growth, which will reduce the wage bill to revenue ratio, improve service delivery, competitiveness and employment creation.

SRC continues to urge all public service institutions to improve on productivity, and together, deliver the country's agenda for the benefit of its citizens.

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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. SRC's 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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