



**Salaries & Remuneration
Commission**

Rewarding productivity

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17th June, 2021

Chairperson, Parliamentary Service Commission
The Chief Justice and President of the Supreme Court
Chairperson, Judicial Service Commission
Chairperson, Public Service Commission
Chairperson, Teachers Service Commission
Chairperson, National Police Service Commission
Chairperson, Independent Electoral and Boundaries Commission
Chairperson, Ethics and Anti-Corruption Commission
Chairperson, Commission on Administrative Justice
Chairperson, National Land Commission
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Chairperson, Kenya National Commission on Human Rights
Chairperson, National Cohesion and Integration Commission
Chairperson, National Gender and Equality Commission
Chairperson, Inter Governmental Relations Technical Committee
Chairperson, Independent Police Oversight Authority
Auditor General
Controller of Budget
Director of Public Prosecutions
Data Protection Commissioner
Registrar of Political Parties
All Principal Secretaries and All Accounting Officers
All Chairpersons of Boards & Accounting Officers/CEOs, All State Corporations & Statutory Bodies
All Chairpersons of Councils & Vice Chancellors of all Public Universities
All Chairpersons, of all County Public Service Boards
All Chairpersons, of all County Assembly Service Boards

**THE THIRD PUBLIC SECTOR REMUNERATION AND BENEFITS REVIEW CYCLE
2021/2022-2024/2025 FOR ALL OTHER PUBLIC OFFICERS**

1.0 Preamble

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.

The SRC, while setting and advising on remuneration and benefits payable in the public sector is guided by the constitutional principles set out in Article 230 (5) of the Constitution and Section 12 of the SRC Act, 2011. The 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 are able to attract and retain the skills required to execute their functions;
- (c) The need to recognize productivity and performance;
- (d) Transparency and fairness; and
- (e) Equal remuneration to persons for work of equal value (Equity).

In addition, within the context of the above principles, the SRC considers the following factors:

- (a) **Comparability:** This is the relationship between remuneration and benefits obtaining for similar jobs within and across institutions in the same sector.
- (b) **Cost of Living Adjustment (COLA):** This is a periodic increase in wages or salaries to cushion against loss in purchasing power of money due to inflation. The SRC considers Consumer Price Index (CPI) to cushion for COLA.

Pursuant to Section 11(e) of the SRC Act, the SRC set a four (4)-year review cycle of remuneration and benefits in the Public Service with the first cycle running for the period between the years 2013/2014–2016/2017 and the second cycle between the years 2017/2018–2020/2021. The third remuneration and benefits review cycle is for the period 2021/2022–2024/2025, and will commence in the financial year 2021/2022.

The Remuneration and benefits Review Cycle under reference is undertaken within the following context:

2.0 Context

(a) Economic Outlook

The outbreak of the COVID-19 pandemic and the resultant containment measures have and continue to impact the global economy. The World Economic Outlook, January 2021, as published by the International Monetary Fund (IMF), 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 COVID-19 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 has slowed down to around 0.6 per cent in the year 2020, from a growth of 5.4 per cent in 2019.

The economy is projected to recover and grow to around 6.6 per cent in 2021 on account the base effect and government investments. The growth will be supported by ongoing investments in strategic priorities of the government under the 'Big Four' Agenda and

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

- (i) Job evaluation of the current remuneration and benefits review cycle to determine the relative worth of jobs and to harmonise job grades within and across sectors;
- (ii) A review of salary structures to determine the extent of harmonization; and
- (iii) A study on allowances and benefits payable in the public sector, resulting in development of allowances and benefits 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 and benefits policy will be undertaken within the framework of affordability and fiscal sustainability.

(c) Attraction and Retention

Remuneration and benefits are key drivers of attraction and retention. The SRC ensures that remuneration and benefits in the public sector enables attraction and retention of requisite skills through labour market salary surveys in the public sector and the private sector.

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

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

(d) Recognition of Performance and Productivity

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

4.0 Outcome of the Remuneration and Benefits Review for all Other Public Officers in the Third Remuneration and Benefits Review Cycle 2021/2022-2024/2025

The 3rd remuneration and benefits review cycle 2021/2022-2024/2025 which is undertaken by the SRC entails; 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 Kshs. 82 billion over a four-fiscal-year period.

implementation of the economic recovery strategy. To jump start the COVID-19 ravaged economy, more resources must be made available for investment in these priority areas.

(b) The Impact of COVID-19 Pandemic on Jobs and Income

Due to COVID-19 restrictions across countries, the International Labour Organization (ILO) 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 (FTE) jobs, which were about four times greater than during the 2009 global financial crisis. Global labour income in 2020 is estimated to have declined by 8.3 per cent, translating to 4.4 per cent of the global Gross Domestic Product (GDP).

A continued loss in working hours and labour income is projected in 2021 with a modest recovery. Workers globally have had to accept shorter working hours and wage cuts in different industries. Wage cuts have also been negotiated within collective bargaining agreements. Several countries, including South Africa, Rwanda, Burkina Faso, India, Argentina, Australia, Brazil, the United Kingdom, the United State of America, and Canada, took measures to rearrange their expenditures during the COVID-19 pandemic and in a bid to share the economic burden.

The measures undertaken in the above countries include, but not limited to:

- (i) Introducing basic salary cuts;
- (ii) Withholding annual increment and freezing of minimum wage;
- (iii) Freezing inflation-linked increases in basic salary and pension;
- (iv) Suspending all planned salary increases effective financial year 2020/2021; and
- (v) Mandatory donations of portions of the salaries of some employees 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 pandemic period.

3.0 Review of Remuneration and Benefits in the Third Remuneration and Benefits Review Cycle

The SRC has reviewed remuneration and benefits, guided by the constitutional principles set out in Article 230(5) of the Constitution and Section 12 of SRC Act, 2011, 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.

Table 1: Affordability and sustainability ratios

Item Description	2015/16	2016/17	2017/18	2018/19	2019/20	Target %
Total wage bill (KShs 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

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

- (i) The SRC to consider postponing the review of remuneration and benefits for the next two fiscal years with effect from FY 2021/22 until the economy improves; and
- (ii) The National Treasury will review the performance of the economy and advise the SRC as/and when remuneration and benefits can be reviewed based on the prevailing circumstances to ensure affordability and fiscal sustainability.

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

Cognisant of the government's financial constraints, the current wage bill ratios and the need to release resources for investment in the priority areas, to jump start the COVID-19 ravaged economy, the SRC has deliberated on the review of remuneration and benefits for the third public sector remuneration and benefits review cycle, taking into account the constitutional principles, Section 12 of the SRC Act, 2011 and the advice of the National Treasury. Consequently:

- (i) There will be no review of the basic salary structures, allowances and benefits paid in the public sector in the financial year 2021/2022 – 2022/2023;
- (ii) Annual salary notch adjustments in existing salary structures, as set or advised by the SRC, will continue to be applied within budget allocation;
- (iii) No additional funding will be provided for implementation of the job evaluation results in the FY 2021/2022 and 2022/2023;
- (iv) Public sector institutions may implement job evaluation results, by placing jobs in their rightful job evaluation grading, within the existing salary structures and approved budget subject to confirmation to the SRC that the funding is provided for in the current budget;
- (v) Public sector institutions will be required to fully implement the allowances and benefits policy; and
- (vi) The 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.

5.0 The Purpose

The purpose of this letter therefore, is to convey the Commission's advice on the remuneration and benefits for all other public officers for your necessary action.

Yours



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CHAIRPERSON

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