

THE ICGFM 2017 31ST ANNUAL INTERNATIONAL TRAINING CONFERENCE

**JOB EVALUATION & MANAGEMENT OF THE WAGE
BILL FOR STATE OFFICERS IN**

PRESENTATION BY

**SALARIES & REMUNERATION COMMISSION
OF KENYA**



PRESENTATION OUTLINE

- ❖ Introduction
- ❖ Overview
- ❖ Current situation
- ❖ Job Evaluation Objectives and results
- ❖ Challenges
- ❖ Lessons learnt from other countries
- ❖ Statistics
- ❖ Proposed Structure
- ❖ Conclusion

SALARIES AND REMUNERATION COMMISSION

The Salaries and Remuneration Commission (SRC) is established under chapter 12, Article 230 of the constitution of Kenya and mandated 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

PRINCIPLES OF PAY DETERMINATION

- ❖ Sustainability of wage bill
- ❖ Attraction and retention of requisite skills
- ❖ Recognition of productivity and performance
- ❖ Transparency and fairness

BACKGROUND INFORMATION

- ❖ Before establishment of SRC, there was no structure that recognised productivity;
- ❖ Remuneration & benefits were set through ad hoc Committees & pressure from unions;
- ❖ Many public service institutions determined their salaries independently;
- ❖ Consequently, there were disparities in payment of remuneration leading to frequent industrial unrest



BACKGROUND

- ❖ In 2013, remuneration for State Officers was set by SRC through a job evaluation exercise.
- ❖ Public Sector Remuneration and Benefits Policy, 2015 recommends that remuneration be reviewed every four years.
- ❖ In August 2017, new State Officers will be sworn in while others will be serving on a continuing basis (those on PnP eg. judges) others will be re-appointed (the Executive) or re-elected (legislators).

OVERVIEW OF SITUATION

- ❖ Unsustainable wage bill (50% of revenue)
- ❖ Inability to attract technical and professional staff
- ❖ Remuneration and benefits that do not promote and reward performance and productivity
- ❖ Remuneration systems do not support professional development and career progression
- ❖ Unfair and inadequate retirement benefits
- ❖ Non alignment of remuneration to the National Strategic Plan/agenda.



ANALYSIS OF CURRENT SITUATION (2013-2016)

- ❖ State Officers on contract paid at the highest salary point.
- ❖ Disparity in benefits conferred to State Officers at various public institutions e.g. car grant and hardship allowances.
- ❖ Payment of sitting allowances and salary at the same time to Legislators .
- ❖ Repayment period for mortgage and car loan.
- ❖ Monthly retainer to part time County Public Service Board members.
- ❖ Entry point for re-elected or re-appointed State Officers.

STATE AND PUBLIC OFFICERS

- ❖ The constitution of Kenya categorizes public servants into “State Officer” and “Public Officer”
- ❖ State officer; means a person holding a State office;
- ❖ Public Officer; any person, other than a State Officer, who holds a public office;
- ❖ State officers are classified under the leaders in judiciary, legislature and the executive

ABOUT STATE OFFICERS

- ❖ Before the establishment of SRC , the wage bill for State Officers was Kshs. 15.4 billion
- ❖ Currently wage bill for state officers is Kshs. 15.1 billion including newly created offices after devolution.
- ❖ Allowances were capped at 40% of gross salary.
- ❖ Savings - Kshs. 300 million
- ❖ Job Evaluation for State Officers conducted in 2012/13
- ❖ Followed by a salary survey

JOB EVALUATION OBJECTIVES

- ❖ To determine comparable and relative worth of jobs
- ❖ To develop an equitable job-grading structure;
- ❖ To eliminate wage inequities.
- ❖ To develop a consistent wage policy and framework for periodic review.

RESULTS OF THE JOB EVALUATION FOR STATE OFFICERS

- ❖ Reduction of compression ratio from 1:57 to 1:10
- ❖ Standardised structure removing disparities brought about by allowances
- ❖ The Worth of every job was determined
- ❖ Reduction in the wage bill

CHALLENGES IN UNDERTAKING J.E.

- ❖ Lack of cooperation from some state agencies;
- ❖ Job content not taking into account the technological changes, automation, devolution, new industries, etc.
- ❖ Inconsistency and variation of job titles for similar jobs
- ❖ Lack of standardized schemes of service;
- ❖ Different qualifications and skills for similar jobs
- ❖ Lack of sufficient differentiation in jobs and roles within the same grade leading to duplication and overlap
- ❖ Absence of harmonized grading structure across the public service
- ❖ Inadequate funding



LESSONS LEARNT FROM OTHER COUNTRIES

- ❖ The President earns the highest salary in all the countries studied. The salary of all other public officers are prorated from that of the President.
- ❖ In **Australia**, representatives are paid **electorate allowance** to reimburse them for costs incurred in providing services to their respective electorates.
- ❖ Senators and Representatives in **Australia** are provided with **private-plated vehicles** for Parliamentary, Electorate or official duties.
- ❖ Over a 220-year period, the salary of the **US President** was reviewed six times, that is: in 1789, 1873, 1909, 1949, 1969, and in 1999. This is because the job of the President of the United State of America is assumed to be the same over the 220 years period.



Lessons learnt from other countries...

- ❖ Members of Congress in **USA** are provided with an **annual representational allowance** to cater for the cost of undertaking official and representational duties.
- ❖ In the **United Kingdom**, members of the House of Commons who ceases to be MPs after a general election are provided with a **resettlement grant** usually equivalent to three months' salary.
- ❖ Members of Parliament are not paid a salary in **Singapore**. They are paid allowances because their jobs are by law considered to be part time (Malta and Malaysia)
- ❖ In **South Africa**, the salary structure in the public sector is **adjusted to changes of cost of living every year**.



Comparison of Members of Parliament Earnings and GDP for 2013-2015

Country	GDP Per Capita (US \$)			GNI , PPP (US\$ billions)			Members of parliament Annual Earnings (US \$)
	2013	2014	2015	2013	2014	2015	2015
Australia	67,653	61,996	56,311	1,025	1,049	1,060	146,483
Canada	52,266	50,186	43,249	1,535	1,576	1,578	130,863
Egypt, Arab Rep.	3,265	3,366	3,615	888	925	980	9,549
Ghana	1,827	1,442	1,370	101	105	112	19,629
India	1,456	1,577	1,598	6,656	7,270	7,906	11,200
Kenya	1,261	1,369	1,377	124	132	141	82,019
Nigeria	2,980	3,203	2,640	926	1,019	1,058	189,500
South Africa	6,911	6,499	5,724	668	690	708	81,367
Tunisia	4,249	4,329	3,873	115	122	125	-
Uganda	683	735	705	62	66	71	8,648
United Kingdom	42,407	46,412	43,876	2,500	2,572	2,645	107,832
United States	52,750	54,540	56,116	17,074	17,899	18,496	174,000



Basic legislative salary in US\$ PPP (Annual) – Commonwealth countries

Country	2001	2005	2015
Kenya	3,900	70,100	82,019
India	5,500	15,683	11,200
Grenada	5,900	9,500	
Belize	9,700	40,900	
Bangladesh	1,000	13,900	
Nigeria	12,100	11,300	189,500
Sri Lanka	13,300	10,800	
Trinidad and Tobago	14,100	26,000	
St Lucia	19,700	19,200	
Antigua and Barbuda	22,600	24,000	
Samoa	24,600	23,000	
Malta	25,700	27,500	
Cyprus	39,000	89,400	
Malaysia	41,000	31,500	
Uganda	43,000	56,000	8,648
Canada	54,700	114,500	130,863
New Zealand	56,600	75,000	
Australia	64,600	73,700	146,483
United Kingdom	80,200	97,000	107,832
Singapore	90,100	97,800	
South Africa	104,100	144,200	81,367



Leading economic indicators (Actual)

Indicator	2012/13	2013/14	2014/15	2015/16	2016/17
Ordinary Revenue (Kshs billion)	775.7	919.0	1,031.2	1,202.0	1,374.5
Growth in Ordinary Revenue (%)		18.5	12.2	16.6	14.4
Total Revenue (Kshs billion)	866.5	974.4	1,106.4	1,311.1	1,518.7
Growth in Total Revenue (%)		12.5	13.5	18.5	15.8
Nominal GDP (Kshs billion)	4,506.2	5,044.0	5,703.0	6,444.0	7,435.2
Growth in Nominal GDP (%)		11.9	13.1	13.0	15.4
Growth in Real GDP (%)	5.1	5.5	5.5	5.8	6.0
Wage Bill (Kshs billion)	464.9	521.6	568.0	627.0	692.2
Growth in Wage Bill (%)		12.2	8.9	10.4	10.4
Wage bill as a % of Ordinary Revenue	59.9	56.8	55.1	52.2	50.4
Wage bill as a % of Total Revenue	53.7	53.5	51.3	47.8	45.6
Wage bill as a % of Nominal GDP	10.3	10.3	10.0	9.7	9.3



Leading economic indicators (Growth)

Economic Indicator	2012/13	2013/14	2014/15	2015/16	Average
Growth in Ordinary Revenue %	11.30	18.50	12.20	16.60	14.65
Growth in Nominal GDP %	11.37	11.90	13.10	13.00	12.35
Growth in Real GDP %	5.10	5.50	5.50	5.80	5.50
Consumer Price Index (CPI)	132.53	140.11	149.74	159.60	145.50
Inflation as measured by CPI %	9.40	5.70	6.90	6.60	7.15
Producer Price Index (PPI)	105.47	105.96	109.17	113.43	108.50
Inflation as measured by PPI %	3.30	0.40	3.03	3.90	2.65
Real Lending Interest Rate %	18.15	16.99	15.99	17.45	17.15



Wage bill for State Officers, 2013-2017

	March 2013 - March 2014	March 2014 - March 2015	March 2015 - March 2016	March 2016 March 2017	Total Wage Bill
Executive	798,545,844	847,785,600	907,825,944	962,465,700	3,516,623,088
Legislature	6,656,286,482	6,893,830,514	7,131,254,546	7,368,918,578	28,050,290,120
Judiciary	1,763,048,496	1,851,065,448	1,938,829,500	2,026,199,976	7,579,143,420
County Government	12,795,567,228	13,271,353,812	13,747,114,248	14,222,900,832	54,036,936,120
Constitutional Commissions and Independent Offices	557,461,392	591,750,108	626,329,176	660,224,652	2,435,765,328
Total Annual Expenditure	22,570,909,442	23,455,785,482	24,351,353,414	25,240,709,738	95,618,758,076



PROPOSED SALARY STRUCTURE FOR STATE OFFICERS

- ❖ Retention of an incremental salary structure.
- ❖ Payment of a fixed salary structure for the period 2017-2022
- ❖ Payment of a salary structure guided by performance of the economy:



ALLOWANCES FOR LEGISLATORS

- ❖ Recommendations from the public during the 2014 wage bill that the Commission abolish paying sitting allowances
- ❖ It is proposed that Legislators be paid a sitting allowance of 45% of current salary
- ❖ Mileage allowance payable at a standard AA rate of Ksh. 109.8 per km for a 3000CC vehicle up to a maximum of 375 km (return 750km) per week (**Kshs. 356,525 per month.**)



ALLOWANCES FOR STATE OFFICERS...

- ❖ **Car Grant for Members of Parliament:** grant of Kshs. 5 million, interest free, once in a parliamentary term.
- ❖ **Car Loan Scheme:** Legislators in the National Assembly are entitled to Kshs. 7 million car loan, at an interest rate of 3% p.a. to enable them carry out a legislative function
- ❖ MCAs at the County Assembly are entitled to car loan of Kshs. 2, million payable with 3% interest rate p.a
- ❖ Proposed Payment on Banded Actual Mileage with Car Maintenance and Fuel Allowance using the maximum.



OTHER COUNTRIES MILEAGE ALLOWANCE

- ❖ **Canada, QUÉBEC:** Members of Parliament in Canada paid mileage allowance for trips over 240km return.
- ❖ **United Kingdom:** Members who live outside Greater London recover travel expenses for certain journeys between a registered residential address and Westminster, London.
- ❖ **Australia:** Introduced a notional dollar value for Members of Parliament which is set at \$22,650.
- ❖ **Rwanda:** Fleet Policy of 2014 provides for a loan scheme for Members of Parliament at a full tax exemption on retail cost of the vehicle. ceiling is RWF 18 Million (Kshs. 2.6 Million) for the tax-free vehicles.



OTHER COUNTRIES MILEAGE ALLOWANCE...

- **United State of America (USA):** In the USA, House Representatives have one allowance available to support them in their official and representational duties to the districts from which they were elected.
- **Ghana:** In Ghana the Government orders vehicles for legislators' use, up to about \$100,000, after 4 years the government writes off those vehicles for them.
- **India:** An Indian MP is entitled to a traveling allowance if traveling by road at the rate of Rs 13 per kilometer.



ISSUES FOR DIRECTION

1. Repayment and standardization on State Officers' mortgage and car loan
2. Mileage allowance based on zoning principal.
3. Leave allowance for State Officers;
4. Review of special duty allowances and non practising allowances
5. Fixed pay for duration of term

CONCLUSION

SRC has :

- ❖ Placed positions evaluated with comparable requirements.
- ❖ Have a consistent rationale for the pay structure.
- ❖ Removed the state officers from determining their own pay.
- ❖ Rationalized payment of allowances.
- ❖ Have a transparent and defensible pay structure.
- ❖ Reduced the disparities and inequities on the salaries.
- ❖ Managed to assist in wage bill rationalization.

ISSUES TO PONDER

- ❖ The efficacy of monetary incentives in political settings is far from clear. Discussions have frequently adopted a view based on the notion that political service is a calling and that money is a distraction. (Besley, 2004)
- ❖ McCormick and Tollison (1981) extend the argument to elected representatives, “politicians will be less corrupt if they are paid more, and voters may view legislative determination of pay as a method of controlling malfeasance among politicians.”



Thank you