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Regulating Wage Bill In The County Public Service, Kenya

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ABSTRACT: *Currently, the budgetary allocation for most County Governments development expenditure is lower than the allocation for recurrent expenditure - which mostly goes towards the payment of salaries and allowances of civil servants'/Government officials. It is also worth noting that there are disparities in salaries for County workers even for those with similar assignments and qualifications. This is because the remuneration package is not based on a systematic job description and pay analysis. It is clear from the recent happenings, different government agencies are adopting different approaches to address the issue of sky-rocketing wage bill, as well the issue seems not to be handled with the importance it deserves. In the near future, if the approach is not changed, the Government operations might be crippled by unmanageable wage bill which would then hamper realization of Vision 2030 and a prosperous Country. It is based on this background that this position paper was written, to discuss how this can be tackled moving forward. This paper looks at the current state of wage bill management more specifically in the County Governments of Kenya and outlines some Policy Options. This brief offers some policy recommendations which includes a multi-agency approach, strict policy measures that will be key in addressing wage bill concerns for improvement of the current situation and increasing revenue collection.*

KEY WORDS: *County, Economy, Public Service, wage bill*

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I. INTRODUCTION

The constitution of Kenya, 2010 and other relevant legislation designated the County Government specific functions and obligations to perform. The County Governments delivers these functions by formulation, alignment or integration of the National Government policy framework and implementation strategies into the County programs. The primary objective of devolution was to involve the people in governance, allow better supervision and implementation of policies at grass root level (CRA 2013).

In order to realize better provision of the good quality services, it is important to appreciate the role of human resources as a means of providing these services adequately and in a timely manner. The human resource has to be adequately remunerated in a manner that motivates them, that matches their qualifications and also upholds their values and living standards, while still bearing in mind the current harsh economic realities in the country. This is an issue that has not been addressed satisfactorily (Institute of economic affairs, 2006).

County wage bills are high and growing but most of it (94-97 percent) is due to inherited wage costs from the National Government and local authorities and the mandatory costs of new County structures. Given this, the wage bill issue at the County level is a problem requiring national solutions (International budget partnership, 2017).

Jairo (2014), in his paper on public sector wage bill indicates that the wage bill has been steadily rising against the GDP. In 2010, the wage bill was at 11.3% but rose to 12.1% and 12.5 % in 2012 and 2013 respectively; these rates are way above the desirable levels of 7% ratio of wage bill to GDP. In the same report Jairo shows that there has been a steady increase in the share of revenue allocated to payment of salaries and wages to civil servants since 2009/10. In 2009/10 it was at 47.3% which rose to 48.1 % in 2011/12 and further to 55% in 2012/13, this is above the desirable share of 35%.

This calls for concerted efforts from all agencies to put measures in place that will bring down these rates to desirable level since economic growth cannot be realized with huge debts, but with growth in real terms and not nominally. Counties should embark on a strategy to maintain a leaner number of staff with emphasis on efficiency, effectiveness and productivity.

II. PROBLEM STATEMENT

The promulgation of the Kenyan Constitution, 2010 brought about County and the National Governments which are distinct but interdependent. This brought about devolution of functions such as staff engagement and management of the human resource at each devolved unit. Devolution has created new offices in the Counties which were not in existence in the defunct local authorities. This has led to engagement of new personnel in addition to the devolved and inherited staff from the defunct Local Authorities. According to KNBS economic Survey (2014), public wage bill as a percentage of GDP was at 11.3 per cent in 2010. Decentralized administrative units (counties) saw this huge wage bill increase, rising to 12.1 percent of GDP in 2012 and 12.5 percent in 2013. These ratios are way above the internationally desirable levels of a 7 percent ratio of wage bill to GDP.

KNBS Economic survey (2016), states that the total public wage bill rose by 8.8 % in 2015; the share of the national Government wage bill to the total public-sector wage bill was 20.1 % with the County Governments registering the highest increase of 14.8%. According to the report, the County Governments wage bill has been on an upward trend since 2011. In 2011 the public wage payment was Ksh 11.63 billion but steadily rose to Ksh 61.96 billion by 2014. The total wage payments in the public sector increased by 9.1% from Ksh 461.7 billion in 2015 to Ksh 503.5 billion in 2016. The share of the County Governments wage payments to the total public sector was at 19.1% in 2016, this indicates a rise from Ksh 61.96 billion in 2014 to Ksh 81.95 billion in 2015 (KNBS Economic survey, 2017).

Every ministry/department should prepare annual human resource plans to support achievement of goals and objectives based on comprehensive job analysis. These plans can be reviewed annually to address emerging issues and needs (Human Resource Policies and Procedures Manual for the Public Service, May 2016). However, there has been continuous unplanned casual employee engagement by the County Governments resulting to uncontrolled and unjustified growth in the wage bill.

In the beginning of the second term of devolved Governments set up, it has been observed that several County leaderships have been disengaging the staff on the allegations that they are taming the wage bill and that some were irregularly engaged. It was also observed that some counties continued engaging new staff despite the soaring wage bill. This is an indication that the recruitment of staff at the County level is not well regulated or if regulated, there is a loophole that needs to be sealed through review of existing regulations and laws governing staff engagement At the Moment, the County Governments are spending large proportions of the allocations from the exchequer on the wage bill leaving insufficient funds to cater for development projects. This trend has raised attention in various fora hence the need for concerned Government agencies to address this issue with sobriety.

III. LITERATURE REVIEW

Civil servants means employees of the Public Service Commission and the County Governments deployed in state departments (Human Resource Policies and Procedures Manual for Public Service in Kenya, 2016).

County Governments inherited staff from the defunct Local Authorities who had worked for many years. Thereafter, the Counties continued to engage more staff through the various departments and as a result the Counties' wage bill has increased progressively. (Jairo, 2014). Jairo further argues that the Country's GDP has been on a steady growth path for the few previous years, he states that, the GDP score was 4.4 in the year 2011, whereas the percentage of wage bill to GDP was at 11 percent. The growth of GDP signifies steady economic growth of the country, and this is expected to trickle down to the population at large, as economic activities benefit individuals and the country at large. Comparing the GDP against the wage bill is essential, since economic growth cannot be realized with huge debts, but with growth in real terms and not nominally.

According to Okundi Benson in his wage bill publication, the country's current wage bill is neither affordable nor sustainable given the current economic situation. He notes that the circumstance is not different in most countries in Sub-Saharan Africa as a survey by both the International Monetary Fund (IMF) and the World Bank in 2010 found that 41 African countries spent an average of 30.4 percent of their expenditure on wages, salaries and other benefits, while 27 countries in the European Union allocated an average of 15.9 percent.

In his state of the nation address on 15th March 2017, H.E. Hon Uhuru Kenyatta noted that there is need to cut the wage bill by implementing the Salaries and Remuneration Commission's review of Public workers salary. The Commission's Chairperson recommended that the wage bill to be cut to not more than 30% of revenue. By then the public wage bill stood at 627 Billion shillings per year which was equivalent to 50% of the total revenues collected by the Government.

In the Employment and labor relations Court of Kenya in Nyeri, Petition No. 10 of 2015, in a case between the Kenya County Government workers' union (Petitioner) versus the County Government of Nyeri and Nyeri County Public Service Board (Respondent), before Hon. Justice Byram Ongaya, with the petitioner challenging termination of services of casual workers by the County Government of Nyeri, the Judge ruled against the County Government and ordered for change of terms of service and compensation of the petitioner's members due to violation of law.

IV. CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

The International Monetary Fund observed that one of the key contributors to the increase of the wage bill in Kenya was the abandonment of wage guidelines in 1994. The 1994 guideline envisaged that productivity would become the primary criteria for wage increases, in this regard, a National Productivity Center was to be established. However, the Center was not constituted leaving the wage awards to be set as a result of bargains between the government and powerful lobby groups and trade unions, without due regard to the cost of living or productivity changes the results of which led to un-uniform salaries within the public sector.

A huge wage bill is a threat to sustainable Government operation, a healthy economic growth and realization of Kenya's vision 2030, In view of this, it is important that the escalating wage requires total commitment from the relevant agencies/stakeholders before it reaches unmanageable levels. For this reason, there is need for goodwill from all stakeholders, and development of water-tight legal tools expounding on how to tame the increasing wage bill or how to increase the Country revenue base and GDP to match or supersede the rate of growth of the wage bill.

4.2 Recommendations

In his first term, H. E Hon Uhuru Kenyatta issued a directive that all public servants take a 10% pay cut. He as well directed his salary and that of his deputy be reduced by 20%. This is an indication that the issue of public service wage bill is a weighty matter that requires intervention from all levels. For this reason, it is the authors' opinion that the following policy recommendations could help tame the ballooning wage bill.

Counties should contain the wage bill at the acceptable levels and in compliance with the Public Finance Management regulations of 2015, which sets the limit on County Governments expenditure on wages at 35% of the total revenue.

The Government through the relevant agencies should review job descriptions where existing jobs are merged to allow civil servants to multitask and avoid duplication of duties, this will result in reduction of the current and future work force. A functional review of Government departments and organizations can expose areas of duplication and identify non-core functions which can be outsourced. Rationalization of various Government departments should be undertaken to weed out duplication of work which means double pay for the same job.

There is need to revise labor policies as the existing labor policies are not strong enough; Dealing with trade unions who continuously lobby for salary increases and better terms for their members continues to be a problem that the Government faces. There is need to review the existing labor policies to align them with the changing economic times and conditions. It is therefore necessary to encourage sobriety from trade unions, the Cabinet, Salaries and Remunerations Commission, Parliament and all leaders and to implore upon them to review salaries based on periodic reviews.

Increased revenue collection; it has been noted in this paper that the rate at which wage bill is rising is not comparable to revenue growth, revenue collections have been on the downward trend whereas government expenditure has been on the upward trend, this is a serious threat to the economy hence the National and County Governments should devise ways of growing revenue collections and limiting revenue leakages.

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