International Journal of Economics, Commerce and Management
United Kingdom Vol. III, Issue 12, December 2015
http://ijecm.co.uk/ ISSN 2348 0386

DISSECTING THE KENYA'S WAGE BILL DILEMMA: WHAT IS THE MISSING LINK AND WHICH WAY TO GO?

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Abstract

Kenya's wage is considered very high, and way above the recommended level. This is expected to contribute towards various macroeconomic imbalances in the country. Against this, the paper sought to examine the causes of this huge wage bill, while documenting the coping strategies adopted so far and what possible measures may be considered to address this. The methodology used a mix of qualitative and quantitative techniques to collect and analyze data on public spending and their macroeconomic effects in the country. Data was largely collected through in-depth review of relevant literature, key stakeholders in-depth interviews and group interviews related to wage bill. The study reveals continuous increase in wage bill over the years, with a significant increase reported from 2012/13. This is attributed to two-tier level of government namely National and County government, numerous commissions and secretariats with huge salaries, sloppy management of funds at both levels of government, foreign trips by government officials, large number seats at both National and County Assemblies, unproductive workshops, demands by trade unions, among others. Whereas the government has undertaken various steps towards reduction in the wage bill, these strategies are not sustainable in the long run in the absence of legal framework. Among other recommendations include national referendum to reduce constitutional offices, harmonization of employment at the two levels of government, effective and efficient implementation of pay policy reforms and the performance contracts pegged on productivity and improved governance at the two levels of government.

Keywords: Economic Growth, Productivity Index, Two-tier government, Wage bill Dilemma

INTRODUCTION

World economies continue to experience high population growth backed by high fertility rate and declining economic growth rate (Okech *et al.,* 2011). The growth rates have continued to put pressure on demand for public goods in an effective and efficient manner from the government. Among the services include social services such as education and health in terms provision of drugs and other medical supplies, health infrastructure, health personnel, security, transport and communication infrastructure, social amenities, among others. These services are publicly financed through government budget but could be provided for directly by the government or through state agencies by sub-contracting the private sector. There has however, been budgetary rhetoric emanating world economies over the years suggesting a growing fear that public spending is getting out of control. For long periods of time the government budget has grown more rapidly than economic growth in most mixed economies, and observers of these trends have begun to realize that if this process continues, public expenditures will approach very high shares of GNP/GDP and income tax rates could get close to unity (Courant, 1979). These scare stories are counteracted by the simple question that if government gets too large, why can't voters band together to stop its growth? Rational, informed, democratic voting processes should provide a limit to the size of the public sector; indeed they should insure that the public sector is just as large as the voters want it to be. According to what economists have come to know as the "median voter" theory, it is puzzling to know exactly how government spending could ever get too high or out of control. There have been several attempts to explain the apparent anomaly. The major focus of previous efforts has been on some aspect of bureaucratic aggrandizement, either broadly or narrowly construed. William Niskanen (1971), for example, presents a model in which bureaucracies desire to obtain as large a budget as possible for the bureau in which they are employed.

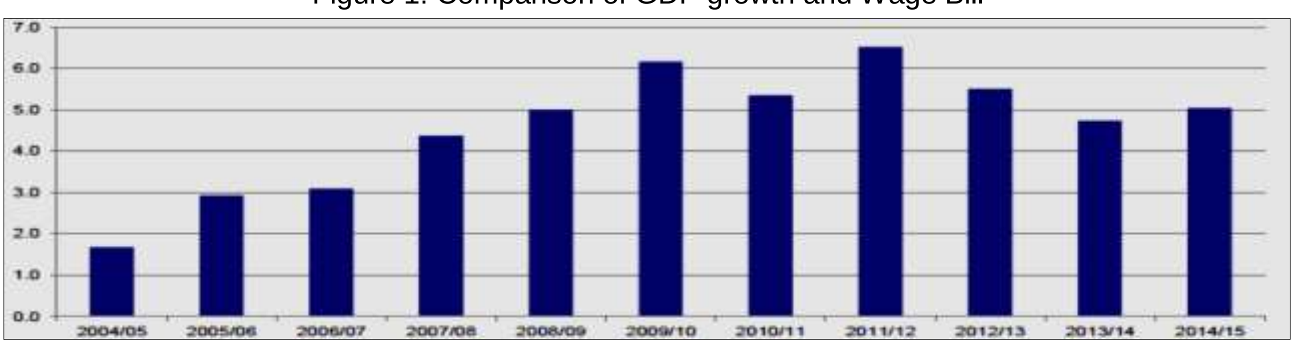
Despite competition from other bureaus, the size of the overall governmental budget is larger than socially optimal because the nature of the budget process allows bureaus to act as price-discriminating revenue maximizers. Their ability to use their market power is constrained, both by competition from other bureaus and by the preferences of relevant legislative committees. As is implicit in the title of his work, Bureaucracy and Representative Government, Niskanen's major concern is with the way in which the institutions of representative government may lead to an overprovision of public services. The model is not directly relevant to the behavior of local governments since it ignores two important constraints on local government spending. One is provided by households' opportunity to vote directly on referenda concerning tax collections, and the other by the ability of households to leave local jurisdictions in response to expenditure-taxation packages which they find to be unsatisfactory

Buchanan (1977) argues that bureaucrats are no different from other persons, and, like others, they will rationally vote to further their own interests as producers when given the opportunity. Accordingly, Buchanan noted that their interests lie in an expanding governmental sector, and especially in one that expands the number of its employees. Salaries can be increased much more rapidly in an expanding agency than in a declining or stagnant one. Similarly, in order to realize better provision of these services, human resources play a key role since they ensure the services are effective to the consumers. However for human resource to remain effective and efficiency in services delivery, remuneration comes in handy. Remuneration motivates workers and where this matches their respective qualification, workers are expected to uphold their values and living standards, while still bearing in mind the current harsh economic realities in the country. In Kenya Reports however show that this has not been addressed accordingly in Kenya by the Kenyan government (KIPPRA, 2014). Recent statistics show that Kenya has a total workforce of twelve (12) million, ten (10) million of whom are in the informal sector. The remaining 2 million make up the formal sector which is comprised of the government civil service jobs, parastatals as well as the private sector (KIPPRA, 2014). It is estimated that Kenya currently has a civil service workforce of about 700,000. This is however considered the largest numbers of public employees in comparison to other sub-Saharan countries that are relatively at par with Kenya in terms of the rate of economic growth.

Public Wage Bill and Economic Growth

The country's GDP has been on a steady growth path for the few previous years. 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. Over the years however, the country has continued o report increased growth in wage bill as a percentage of GDP.

Figure 1: Comparison of GDP growth and Wage Bill



Source: Adapted from, Cabinet Secretary - Treasury speech on Wage Sustainability, 10, March, 2014

With the huge wage bill as component of recurrent expenditure, domestic resources funding development is likely to be crowded. Available statistics show that the government funding for development declined from a high of 6.5 % of GDP in 2011/12 FY to 5.0 % in 2014/15 FY. This decline was experienced despite the overall expenditure increment from 29.2 % to 32.9% over the same period (GoK, 2014). Similarly for the government to continue providing for public goods as enshrined in the constitution, it has first to collect revenue that would in turn be used to pay for these goods and services. In a more service-oriented kind of structure, it would be required that more allocation set aside to attain this. This is the ideal scenario, but far from the case of Kenya, where allocation for service provision is far outweighed by allocation towards payment of salaries and allowances for civil servants.

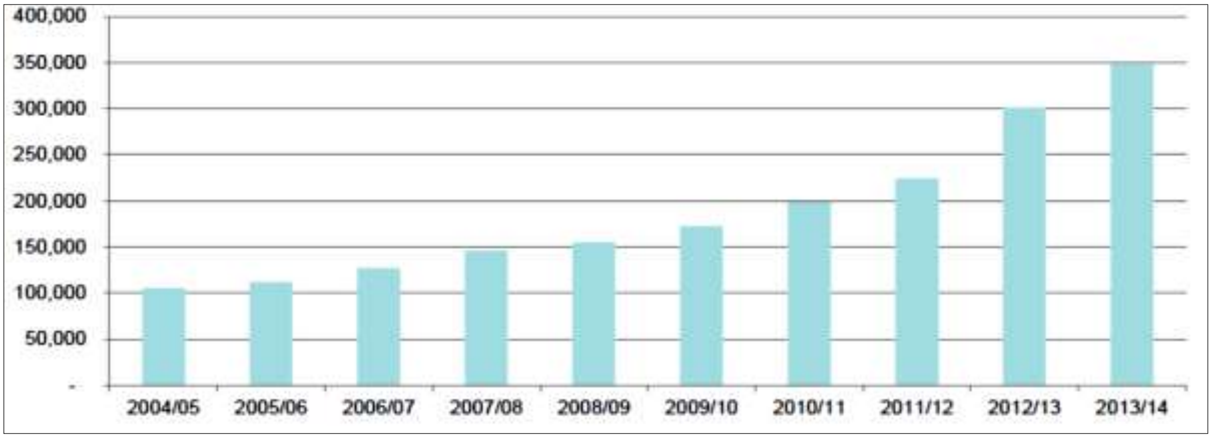
Figure 2 show that there has been a steady increase in the share of revenue allocated to payment of salaries and wages of civil servants which is expected to have negative impact on allocation towards development expenditures. For instance, whereas this percentage was 47.3 in 2009/10, it increased to 48.1 percent and 55 percent in 2011/12, and 2012/13, respectively. These percentages are way above the internationally desirable level of 35 percent. This means that only 45 percent of the revenue collected is left for development purposes, as well as meeting other recurrent expenditures for normal daily operations such as stationery, rent and other utilities.

Figure 2: Ratio of Wage Bill to total Revenue between 2009/10 - 2012/2013)

Adapted from IEA, 2014

In the country, there has been an upward trend in the increase in wage bill over last eight as illustrated in figure 3 with annual growth rate in wage bill averaging 20.9 percent for 2012/13 financial year, representing 34.3 percent increase from the previous year (GoK, 2014). This was well above the nominal GDP growth of about 14 percent and population growth rate of about 3 percent as illustrated in figure 1.

Figure 3: Government Wage Bill over the years



Source: Adapted from, CS Treasury speech on Wage Sustainability, 10, March, 2014

In table 1, current levels of wage bill between 2012/13 – 2014/15 is provided with 2014/2015 being projection. This is disaggregated in terms of national government, salaries transfer to semi-autonomous government agencies (SAGA), constitutional offices/state offices. Others are county government, pensions, interest payments and external debts service.

Table 1: Current level of Kenya's Public Wage Bill, 2013-14

	FY 2012/13	FY 2013/14		FY 2014/15
	Prel	Budget	Rev. Budget	Proj
National Government	291,831	263,020	284,804	297,618
Salaries through Transfers to SAGA	141,797	146,051	146,051	150,433
Constitutional Offices/State Officers	9,727	9,727	9,727	9,922
County (Devolved & Local Authority)	21,596	71,247	71,247	80,672
Sub total	**464,951**	**490,045**	**511,830**	**538,644**
as % of GDP	*12.7%*	*11.8%*	*12.6%*	*11.6%*
Pensions, etc	*27,008*	*48,594*	*31,863*	*51,766*
Sub total	**491,959**	**538,640**	**543,693**	**590,410**
as % of GDP	*13.4%*	*12.9%*	*13.3%*	*12.7%*
Interest Payments & external Debts Service	145,229	210,039	203,915	177,330
Total	**637,188**	**748,679**	**747,608**	**767,740**
as % of GDP	*17.4%*	*18.0%*	*18.3%*	*16.6%*
Nominal GDP	3,662,558	4,164,557	4,075,220	4,636,626

Source: Adapted from, CS Treasury speech on Wage Sustainability, 10, March, 2014

As indicated, the wage bill for National and Transferred functions to the counties stands at about Ksh347.9 billion. If the wage component for public universities, defense/NSIS, public investment projects are included the wage bill is estimated at Ksh511.8 billion. Together with Pensions this increases to KSh.543.7billion. These statistics show that the wage bill is very high and may contribute towards various internal and external macroeconomic effects. Among these include crowding out resources that could be used in other development priorities such as social and infrastructure development needed for long term growth and development. Others include large fiscal deficits with macroeconomic instability in terms of inflation which may lead to wage-price spiral, exchange rate impact; unsustainable public debt arising from high wage bill with may lead to refinancing and sovereign risks; and finally, loss of competitiveness of the economy, ultimately impacting negatively on growth and employment. Huge wage bill strains government budget and deny the economy the much needed resources for socio economics development such as infrastructure and social services like health and education. It is against this that we sought to dissect the causes of this huge wage bill, while documenting the strategies adopted so far and what possible measures may be considered to address this.

METHODOLOGY

The methodology used a mix of qualitative and quantitative techniques to collect and analyze data and information on public spending and their macroeconomic effects in the country. Data was largely collected through in-depth review of relevant literature – published and unpublished - key stakeholders in-depth interviews and group interviews related to topical issues in the field of public spending in general and wage bill in particular. In addition, literature was reviewed from various topical journals, newspapers, magazines, policy documents and briefs, among others. Gaps identified were field through in-depth interviews with key stakeholders including government officials, members of the National Assembly, governors, civil servants, trade unions, employees of state agencies and commissions.

CAUSE OF THE HUGE WAGE BILL IN KENYA

Background

Before dissecting the root cause of soaring wage bill in the country, there is need to look at Kenya's history and what got Kenya to this current state. Immediately after Kenya attained independence, there was a push to substitute all white collar job holders, mostly the colonial masters and their perceived friendly locals, with native Kenyan. This saw both the qualified and the unqualified get plum government jobs in the civil service. This was followed by subsequent efforts to reform the country's civil service between the 1980's and 1990's, under the structural reform program initiated by the Bretton Wood's institutions. The government thereafter realized a shortfall in revenue and subsequently froze direct hiring of graduates, and reduced the retirement age limit. Further on, the government embarked on a strategy to maintain a leaner number of civil servants, with emphasis being placed on efficiency and productivity. Despite these efforts, the public sector wage bill still continued to increase as demonstrated in figures 1 – 3 and Table 1. The huge increases were however reported from 2010/2011 FY as indicated in figure 3. In this sub-section, we briefly examine what could have contributed towards the trend.

Causes of the Huge Wage Bill

In 2010, Kenyans loved, praised and celebrated the promulgation of the new constitution. According to many, it was one of the greatest milestones since Kenya started her long walk to democracy. The struggle for a new Constitution had been elusive for over two decades and as it was promulgated and finally realized on August 27th 2010 many could not hide their joy. Many breathed a sigh of relief and look forward to the promises enshrined in the document. The freedom enshrined in the constitution has been taunted as one of the most progressive in modern society. If the stone that the builders rejected became the corner stone in the bible, the new constitution is the stone that Kenyan's accepted the stone that created cracks in the new temple. Five years into its implementation, it is however turning out to be a threat to the nation's economic stability owing to its provisions (GoK, 2010). Among others, the constitution created the Senate arm of Parliament and enabled the National Assembly to increase by more than half from 222 seats to 349 seats while at the same time created political positions for county women representatives specifically to promote gender representation. It also provides for that there is no more than two thirds of one gender in appointive and elective offices thereby providing for nomination positions specifically for female gender.

Additionally, with the Constitution, commissions were created with the aim of enhancing service delivery which, however, have overlapping roles. For instance, the constitution created the Parliamentary Service Commission (PSC), Teachers Service Commission (TSC), Judicial Service Commission (JSC) and Public Service Commission (PSC) which generally do the same thing for different types of employees of the same National Government. These commissions, although independent, seem not to supposedly have the ability to fairly and justly determine the salaries of their respective employees in line with the economic realities. In this regard, the Salaries and Remuneration Commission (SRC) was created to help them do that minor function. The Commission of Revenue Allocation (CRA) and the Controller of National Budget (CNB) can also do the work of the other. Since we needed the constitution to be implemented, Parliament created a committee in charge of implementing the constitution while at the same time also decided to have a commission to do the same work in the name of the well paid Commission for the Implementation of the Constitution (CIC). In summary there are a myriad of commissions (with full secretariat) for the various departments of Government carrying out duties and roles that the Human Resource sections should be doing, sadly earning huge sums of money in salaries in the process.

Further, to address inequality and equity issues in resource distribution, the constitution created a devolved government structure thereby creating forty seven (47) Governors and their forty seven (47) deputies notwithstanding their respective secretariat and support staff. One would say that the Governors have simply taken over the positions left vacant by the Mayors, but no, the salaries demanded by the Governors and the fact that there are County Assembly Speakers water down such an argument. The members of County Assemblies also want to be well paid as well including allowances. To add salt to injury, it seems that all the ills of public expenditure delving the central government have simply been devolved. Sadly again, we have County Commissioners who are the representatives of the National Government at the County level carrying out functions that the Governors should be doing effectively. The County Commissioners have been made irrelevant due to the nature of their work compared to the Governors who are political and who take the limelight in the day to day Management of the County affairs.

Although the National Government supposedly trimmed down the Cabinet, other offices were created that the country does not need. Among these include offices such as Political Adviser to the President and the office of Digital Media and Diaspora (and their respective secretariat) whose functions can be carried out by the Ministries of Information and Communication Technology (ICT) and Foreign Affairs, respectively. Similarly, by creating the counties, we have ended up with as much as three (3) officers per office in the counties having the same mandate thereby creating bloated National and County Governments. The situation is made worse by the existence of "ghost" workers both in the national and county governments based on recent head count and audit of the workers (GoK, 2014). The Cabinet was trimmed down from forty four (44) in the previous government to the current twenty (19) positions but the Directorates in each Ministry remained intact, hence leading to a duplication of roles. Some Ministries were completely devolved to the County Governments which makes nonsensical the presence of the Central Government officials as Policy is developed both at the County and National level, a recipe for antagonism in some Ministries between the two levels of Governance.

Other expenses contributing towards high recurrent expenditure include the budget allocation to festivities, luxurious vehicles, and turning five-star hotels into residential homes by some counties, as well as numerous foreign trips and workshops by members of Senate, National Assembly, Executive and Members of County Assembly (MCA), to supposedly learn modern farming/production techniques, best practices in management, among others. In the end, large amount of money is spent on this in terms of travelling, allowances (per diem), hotel charges. National Treasury issued a circular regarding this which based on media reports this has not been implemented. A few days after the circular was issued, the executive held a week long-meeting at a five star hotel to take stock of the achievement of the last one year. Economically, resources would have been saved by simply holding this meeting at State house/state lodges or Harambee house or at the luxurious Kenya School of Monetary Studies (KSMS) or Kenya School of Government (KSG). These are state facilities, which the National Treasury had given a circular directing both national and county government to use them rather than go to expensive five star hotels.

The new offices created have managed to get the wage bill rise from Ksh. 241 billion in 2008/2009 to Ksh. 418 billion in 2013/2014 (GoK, 2015). In particular, the wage bill in the country has been increasing by an average 21 percent over the last three years. Last financial year (FY) it grew by a staggering 34 per cent leaving insignificant amount of resources for development expenditure which are urgently required in the country for productivity. Together with the pensions for retired workers, the government wage bill is estimated at Ksh. 534.7 million translating to 54 per cent of all government revenue and 13 per cent of the country's GDP. In simpler terms it means that 13 per cent of the wealth created in the country goes towards the payment of civil servants' salary. Given that the government also spends more than Ksh 200 billion on foreign debt, excluding domestic debt, development expenditure is bound to suffer. The proportion of government-funded development projects is estimated at paltry 6.5 per cent of the budget.

Available statistics also show that most of the money is being spent on workers who do minimal work based on the productivity index. As a result of all these, money for development is tight. The government is thus forced to borrow to fill the holes in its books as recently experienced with Eurobond, M-Akiba and syndicated loans. This is inflationary, raising the cost of living and creating demands for higher salaries)leading to wage-spiral), weakens the shilling, thereby raising the cost of imported raw materials and upsetting the economic apple cart even more. Also, there is less money made available to pay the debt, which unless checked it may lead to the danger of Greek-like meltdown. Other reasons for the increased wage bill include additional employees especially health workers and teachers; legal and trade union demands. As mentioned earlier, existence of "ghost" workers at both national and county government, numerous workshops by the county governments and the executives as revealed in the audit report by the government further contributes to the problem. Others causes include sloppy management of public resources by government officers which has contributed towards leakage of revenue from the system, membership to a number of regional groupings where we not only contribute towards the running of the secretariat but also participation in the meetings of cabinets and summits, and duplication of roles at the ministry level at both levels of government. The current state of government expenditure is a sure pointer that the country's vision 2030 may be a pipe dream. At the moment, there are no resources to fund critical flagship projects since most monies go to offset the costs of recurrent expenditure and repayment of public debt.

Thus, when the government is talking about freezing pay rise, implementing pay cuts and retrenchment in the civil service you can understand. When the Government starts talking about retrenching persons from the civil service, fear and anxiety must be running through the minds of those who are likely to be caught in between. As much as the civil servants who are likely to be affected are complaining, it is evident the retrenchment is becoming inevitable. It is not easy to forget the dramatic results the Government action had on several families who had to go through it. The disparities in the public sector wages and benefits pose a unique problem for the Government. Ideally, the State wishes to attract and retain the best brains to deliver quality services to the public, but at the same time it needs to ensure that in doing so, it does not push recurrent expenditure to levels that cannot be sustained. Any worker has a right to earn a decent wage in return for his or her labor and this is protected by the Constitution of Kenya. In determining what is fair, labor experts compute figures based on, among others, the cost of living. One of the key issues of public debate and attention in Kenya is the difference in wages between the public and private sector, which has made it difficult for the public sector to attract and retain talent. While surveys from developed countries show that public sector wages are, on average, higher than those of the private sector, evidence from developing countries is either limited or non-existent. The general perception is that employees in the private sector, particularly the highly skilled ones, earn much higher salaries compared to their public sector counterparts.

An additional problem is the perception that there are even wider disparities within the public service itself, with those in the higher cadres earning disproportionately higher salaries, and those in presumed plum public service offices or sectors earning more than their counterparts in similar roles in otherwise nondescript public offices. Also, within certain levels in the public service, education and experience do not seem, as they should, to account for differences in the wages. It is worth noting that a number of civil servants and employees in quasi government institution have reached the mandatory retirement age and they will need to be replaced. The wage bill will increase further in terms of new employment and payment of pension to those retiring from active employment in the central government. This is expected to worsen given that each County already has a county public service board which function is to hire and fire.

Strategies Adopted by Government in tackling the high Wage Bill

Upon the realization of the soaring wage bill, the government in 2014/2015 fiscal year as well as 2015/2015 has been implementing new measures like the introduction of taxes on goods and services which were initially zero-rated, levies on bank and mobile money transactions and the VAT on exempted commodities are examples increase on excise duty. Introduction of VAT has and Excise duty is expected to worsen the economic situation. Consider an example of mobile phones where without VAT, many Kenyans were buying mobile phones making Kenya one of the most penetrated market by mobile devices. As the number of people with mobile phones increased, their expenditure on voice, text and data also increased a million fold. Leniently taxing the telephony services gave the government more than 10% of national revenue. Although latest data from Communications Authority shows an increase in penetration with internet penetration and mobile subscription, cases of catastrophic spending are likely to be witnessed. Farmers on the other hand have experienced the same economic effect. Initially, farmers were able to purchase farming machinery and equipment cost effectively, thereby contributing towards increased level of gross domestic product which from tax buoyancy led to increase in government revenue (Mburu and Okech, 2011). This however is not likely to be the case.

Recently, the government of Kenya also indicated that the government would also restrict international travel for its officials to only essential trips to mimimize on wastage. Such actions would demonstrate the government's firm resolve to properly manage public funds. The government noted that the cabinet had singled out the need for more spending in security, to buy more equipment such as cars, better housing and life insurance for each police officer to help improve security and attract investment. With improved security, there is probability that new private investment will be attracted thereby generating job opportunities for many Kenyans estimated at 40 percent who are currently unemployed. Through multiplier effects, government will generate more public revenue which could be expended on capital projects hence more job opportunities and enhanced social welfare. The effect of this has not been analysed nor documented to support the governments well intended resolve.

Similarly, a few senior government officers agreed to a pay cut as part of austerity measures meant to reduce the government wage bill and free up funds for use in economic development - and called a measure that lawmakers were requested to also consider. The pay cut was to take effect immediately. Further Chiefs of State Agencies were also requested to accept a 20 percent cut in their salaries with those unwilling asked to resign. Although this could be considered a bold step in the right direction, this might not be a long-term economic and legal solution in the absence a policy to operationalize it.

CONCLUSION

From the foregoing, it is clear that Kenya's recurrent expenditure in general and wage bill in particular is soaring and urgent strategies need to be thought about collectively (all stakeholders need to be consulted). This is because, if the trend continues, the country is likely to suffer in terms of competitiveness (locally manufactured products will be expensive in the international market); budget deficit which may plunge the country into a spate of public borrowing notwithstanding the economic effects on consumption, saving, investment and balance of payment. Others include low spending on development expenditure which may impact negatively on economic growth and improved welfare of the populace; and unemployment as the employers will not afford the high wage bill and may resort to automation of processes. In our view though the intentions are very good for the country, the proposal has no legal backing and may not succeed in the long run. Similarly, the initiative is bound to attract legal issues where a number of Kenyans affected are likely rush to court to seek court orders. The decision may again contribute to disharmony between the Judiciary and the Executive. Similarly, the government decision to unilaterally cut wages is likely to be accompanied by trade union protests and even strikes in the country. The unions'strong mobilization capacity in the event of public sector austerity measures is enhanced by the fact that the public sector represents a traditional stronghold of union organization.

RECOMMENDATIONS

In our view the following possible strategies need to be considered while addressing the high wage bill that the country is facing at the moment.

Harmonize employments by the counties with the national government: A commission or task force should be set up to create and harmonize offices in the counties and the National Government. Just as the Parastatals were merged and some eradicated due to duplicity of roles – though not yet implemented, offices in the National and County Governments with duplicate mandates should be merged or scrapped. In my view the Transition Authority (creation of the constitution) ought to have been in the forefront in ensuring smooth transition from the central government to county government but it seems job vacancies and county offices were not addressed. The National Government employees based at the counties ought to have been absorbed by the county governments before new job vacancies were advertised.

Counties to pay their own work force: Out of about Ksh. 210 billion allocated to counties, only Ksh. 44 billion is channeled to development projects. The rest of the money goes to settle the soaring wage bill inherited from the local governments and the other ever bulging recurrent budget. The counties are mandated to collect their own revenues from several sources. It is our considered opinion that every county must be made to channel more than thirty percent of revenues received from the National Government to development projects and allowed to independently pay their respective employees.

*Reduction in the number of seats in National Assembly and scrap some constitution commissions***:** The main role of Parliament is to enact laws, provide oversight and representation of the people as enshrined in the constitution. In the recent past, there have been cases where crucial bills were passed by insignificant number of Members of Parliament. What we need to ask is “what is the right number of members of parliament required to enact laws and make economic decision devoid of politics”. Changing some of the provisions may however require a National Referendum. The Problem with a referendum is that most Kenyans do not really know the impact of a bloated Parliament and redundant commissions on the economy; so they will be convinced, very easily by the opposing side, to vote against such a referendum. For prosperity sake, we need a lean Government. Additionally, commissions have been set up to carry out mandates which the same institutions have failed to carry out in a transparent manner. The solution would be to enhance the skills of the employees in all sectors to enable them carry out 100% of these activities without relying on Commissions.

*Salaries for Constitutional Office Holders***:** Other things that should be addressed are salaries of the commissioners. As a country, we do not have to employ people who work less than an hour daily on a full time basis. Some of these employees earn more on sitting allowance than most Kenyans earn after 30 days of hard labor. Commissioners should be paid per sitting since in terms of productivity it is not clear how they impact on the same. This work can effectively be done by the public officers who have been given the necessary skills which also call for proper planning by government.

*Reduction in non-productive activities***:** The government has to prioritize its expenses and where possible invest in capital expenditure items that have huge multiplier effects to the economy. For instance, at the moment, we do not need free laptops, free milk (is that promise still on?) and free Wi-Fi. However infrastructure investments such as the standard gauge rail line from Mombasa to Malaba, energy generation projects, among others should be given the necessary priority.

Borrowing: We borrow for small and big projects just because we want to pay a lot to an insignificant percentage of Kenyans. These Kenyans should be made to contribute to the big projects we borrow for. Just as the wage bill, our external debt rate has exceeded the internationally recommended upper limit. The larger problem is compounded by the borrowing not being informed by monetary policy. Often the Central Bank has lamented at National Treasury’s appetite for borrowing without consulting them, leading to increased inflation. By failing to inform them or seek their advice, the Central Bank finds itself in a tight spot to guide Kenya's monetary policy.

Allowances: There are many different categories of allowances in the public sector, some of which are relatively small, whereas others are sufficiently large and make public sector employment more attractive when the complete package is considered. Some job groups in the civil service are entitled to more allowances than others, these preponderantly benefiting the higher and middle job cadres. This has promoted inequalities in wages, with individual incomes from allowances highly supplementing the basic remuneration. Incentives and allowances play a significant role in ensuring employee retention within the public sector. SRC should undertake a comprehensive review of all allowances with a view to standardizing them and/or including them as part of basic pay. Allowances that are not directly linked to job responsibilities and productivity can be merged, redesigned, or eliminated. In these undertakings, safeguards should be put in place to ensure that no employee is disadvantaged through decreases in pay. Some job groups, especially in the lower cadres, could be merged or re-graded where possible.

Wage Policy: A general observation is that the current remuneration structures in the public sector are ad hoc. Although the existing performance contracting is a fairly good measure of productivity, it does not effectively cascade to individual employees especially in the lower cadres. Moreover, it is difficult to objectively measure and compare productivity in the public sector due to the service nature of output. The relatively highly educated individuals working in the public sector, non-degree holders with high school education and above on average, earn a lower wage compared to their private sector counterparts. Further, the relatively highly educated workers in the public sector are risk-averse, placing a high premium on job security. They remain in the sector despite the resulting wage penalty. The government should develop and implement a wage policy as a matter of priority. The key pillars of the proposed wage policy should include: promotion of economic growth with jobs; payment of decent wages; creation of aggregate demand for goods and services; equity dividend in terms of "equal pay for work of equal value"; enhancing social protection as a tool for redistribution; and promotion of social dialogue and rights at work. Additionally, public sector remuneration should be linked to employee performance and productivity, proven skills, competencies and achieved results.

Effective and efficient implementation of pay policy reforms: Effective and efficient implementation of pay policy reforms in Kenya call for efficient data and information management systems. Thus, relevant government organs should strengthen the Integrated Payroll and Personnel Database system and develop an information management system for human resources in all employment institutions under public sector, both at national and county levels. The system should capture, among others, information on pay, employee characteristics, and best pay practices. The information can then be used to inform policy in the short and long-term, and for monitoring and evaluation of pay policies in the country. The SRC initiative to undertake a job evaluation exercise to determine the value of each job description is in the right direction. While this is a noble idea, it is important that all stake holders (workers, employers and their representatives) are involved in the whole process. This is important for ownership, buy-in and smooth implementation of the outcome of the job evaluation. This should be completed with a view to continually improving the working conditions in the public sector. The results of job evaluation should be supplemented with other pay decision-making strategies, such as market benchmarking and cost of living.

Implementation of the Performance Contracts: Currently, all the senior managers in the public sector agree to sign a performance contract on an annual basis. The review of the performance contract is not objective as it is carried out in venues away from the operations site. A complete audit of the agreed objectives and their implementation should be done on site, which should ultimately form the basis for salary reviews in the public sector.

Minimize on wastages of resources: Recently, the Parliament's Budget Office (PBO) authored a document that strikes in public service can be a thing of the past if government reduces wastes. It further called for measures to stamp out corruption. This office in Parliament, guided by the role Parliament plays as it holds the purse strings for the country, means that there should be much to be expected from government if the debate about wage bill in the country is arrested and better guided.

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