# NATIONAL PRODUCTIVITY AND PERFORMANCE CONFERENCE - 2026

17-19 JUNE 2026

KENYA SCHOOL OF GOVERNMENT - NAIROBI

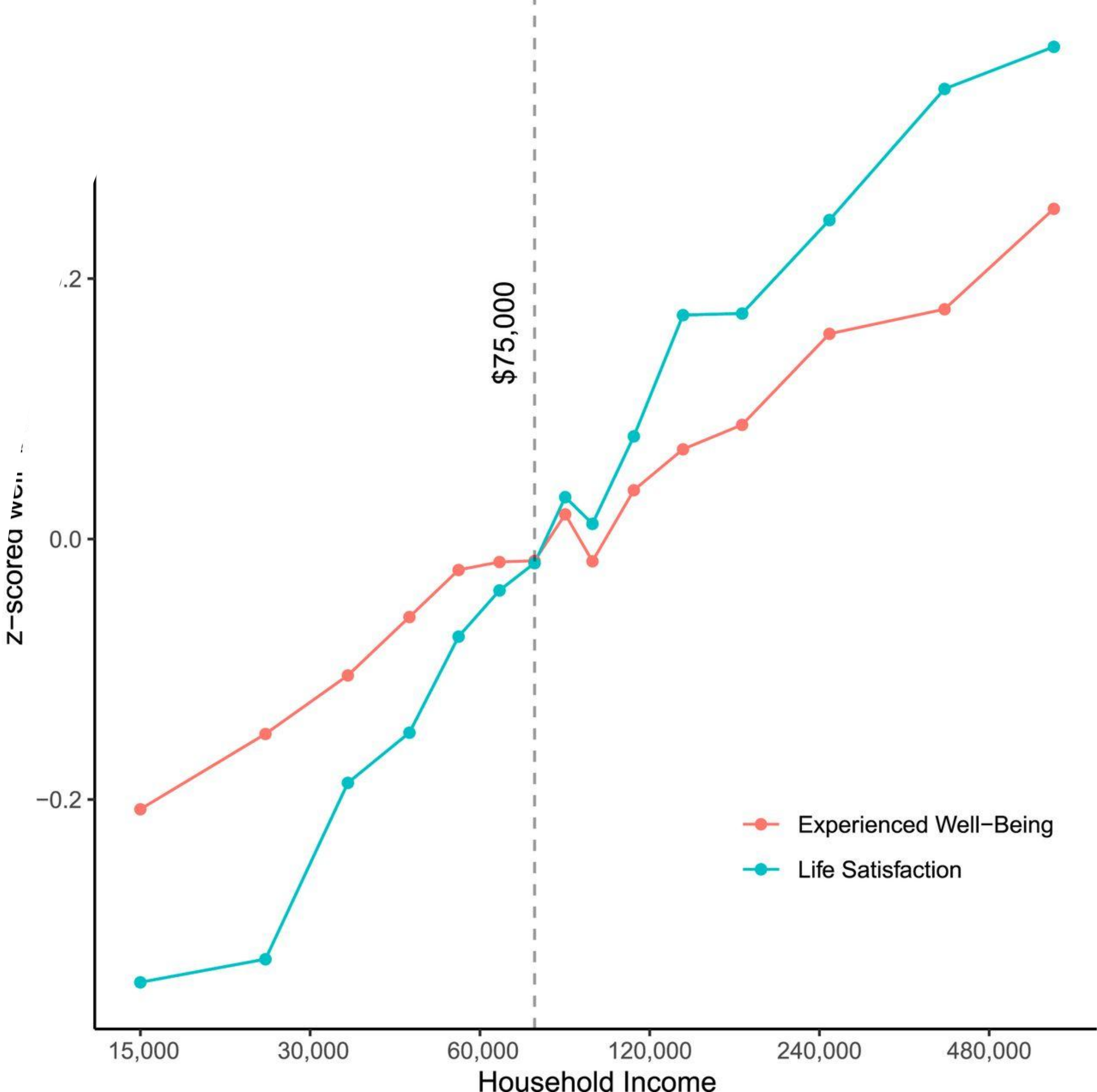
**Theme: Productivity for Fiscal Sustainability and Efficient Service Delivery**

# WAGE DETERMINATION AND MANAGEMENT FOR A HIGH PERFORMING PUB,IC SERVICE: LINKING COMPENSATION TO PRODUCTIVITY-FLEXIBLE WAGES

https://productivityconference.src.go.ke

# CAN MONEY BUY YOU HAPPINESS ?

- **Killingsworth, Kahneman, & Mellers (2023)**: Yes for 80%
- Health, Relationships, time Autonomy Meaning and Purpose matter more.



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# Why This Conversation Matters

- The challenge confronting Kenya today is not merely the size of the wage bill but the productivity generated by that wage bill.

- Kenya has made important progress in wage bill containment, but sustainability cannot be achieved through restraint alone.

- Sustainable wage determination requires moving from a culture of entitlement and comparison toward a culture of measurable contribution, institutional accountability, and fiscally sustainable reward systems.

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# Kenya's Economic Performance

## 02 DOMESTIC ECONOMY

In 2025, Kenya's real Gross Domestic Product (GDP) grew by 4.6% compared to a revised growth of 4.7% in 2024, largely supported by positive growths in all sectors of the economy.

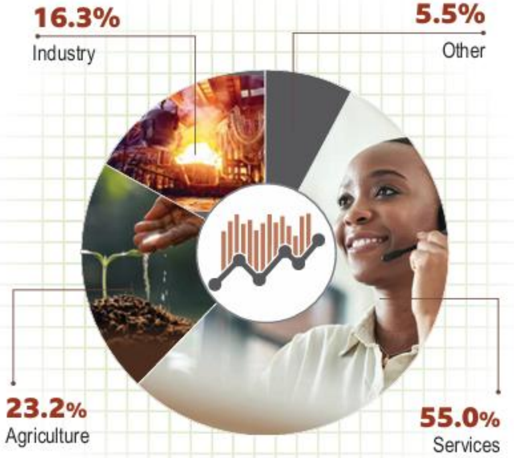
KSh17.6tn Gross Domestic Product, 2025

$2,549 GDP per Capita, 2025

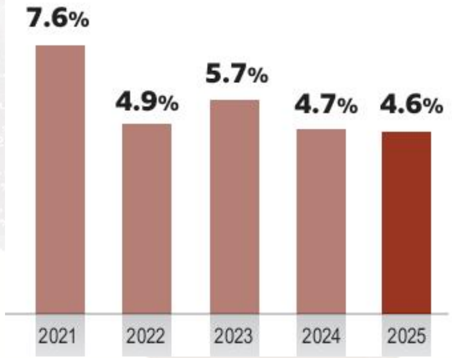
**Inflation and Forex Rates** (2021 - 2025)

| Industry | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| Inflation (%) | 6.1 | 7.7 | 7.7 | 4.5 | 4.1 |
| KSh/USD Rate | 109.7 | 117.9 | 139.8 | 134.8 | 129.3 |

**Share of GDP by Broad Economic Sectors**, 2025




**GDP Growth Rates** ( 2021 - 2025 )




**Analysis of Key Fiscal Ratios** (2021/22 -2025/26)

| Indicator | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|---|---|
| Net lending/borrowing as % of Ordinary Revenue | -34.0 | -37.7 | -32.3 | -39.8 | -26.6 |
| Net lending/borrowing as % of Total Expenditure | -25.1 | -27.2 | -24.4 | -28.2 | -20.8 |
| Ordinary Revenue as % of GDP at Current Market Prices | 17.5 | 16.3 | 17.3 | 17.1 | 19.0 |
| Total Government Expenditure as % of GDP at Current Market Prices | 23.4 | 22.0 | 23.1 | 24.1 | 24.3 |
| Net lending/borrowing as % of GDP at Current Market Prices | -6.0 | -5.8 | -5.6 | -6.8 | -5.0 |

- Kenya's real **Gross Domestic Product** (GDP) grew by 4.6 per cent in 2025 compared to a growth of 4.7 per cent in 2024 supported by positive growths in all sectors of the economy.
- The **Nominal GDP** increased from Ksh 16,232.3 billion in 2024 to Ksh 17,577.6 billion in 2025. The agriculture sector's contribution to GDP increased to 23.2 per cent, followed by Transportation and Storage at 11.8 per cent during the period under review. Government final consumption expenditure grew by 8.0 per cent while private consumption expenditure expanded by 4.7 per cent in 2025.
- **Gross National Income** at current prices stood at Ksh 17,301.5 billion in 2025 compared to Ksh 15,865.2 billion in 2024, reflecting 9.1 per cent increase.
- **Gross National Disposable Income** expanded from Ksh 16,890.9 billion in 2024 to Ksh 18,257.6 billion 2025.
- **GDP per capita** increased to Ksh 329,594, up from Ksh 309,609 in 2024.

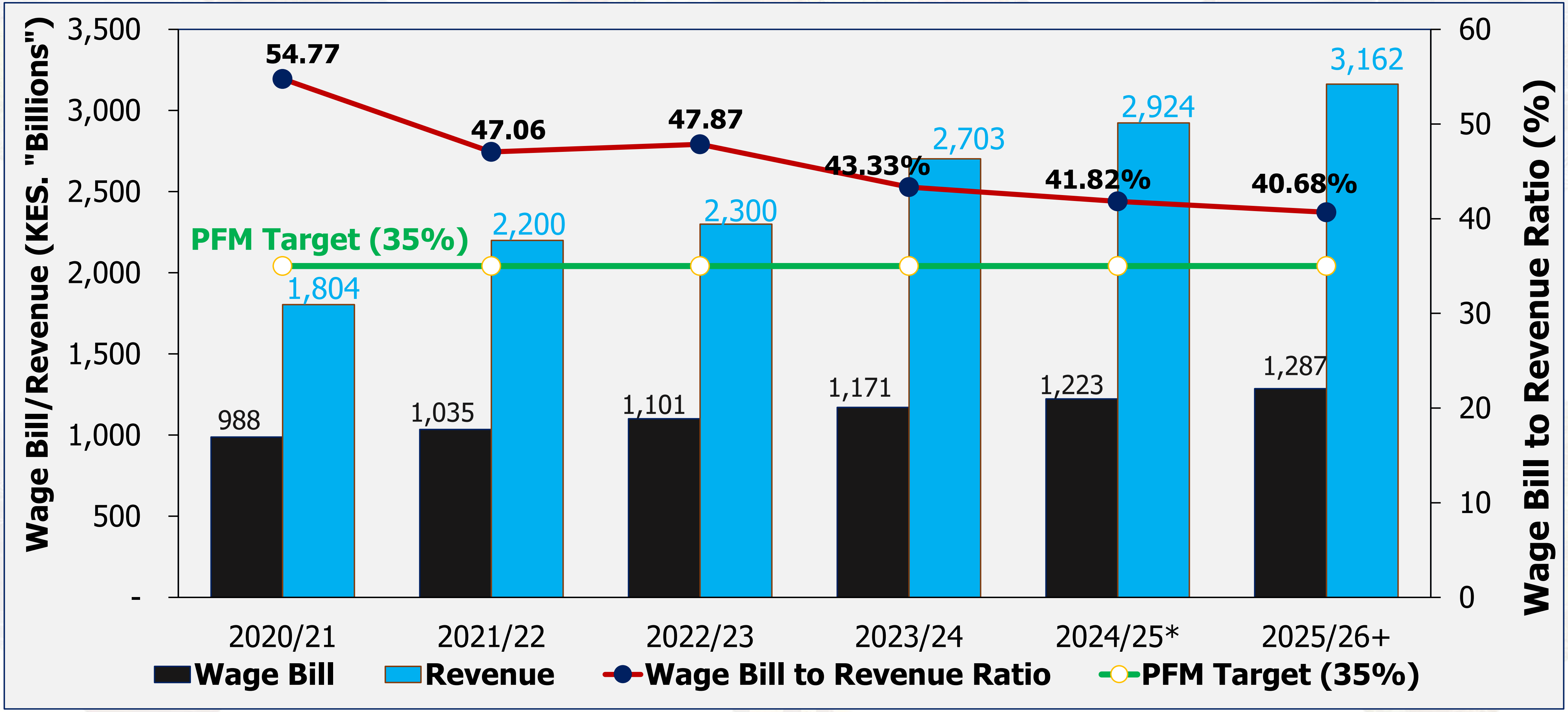
# Kenya's Fiscal Context

- Fiscal space remains constrained
- Rising debt service obligations
- Competing demands from health, education, infrastructure and social protection
- Demographic pressures and increasing demand for public services

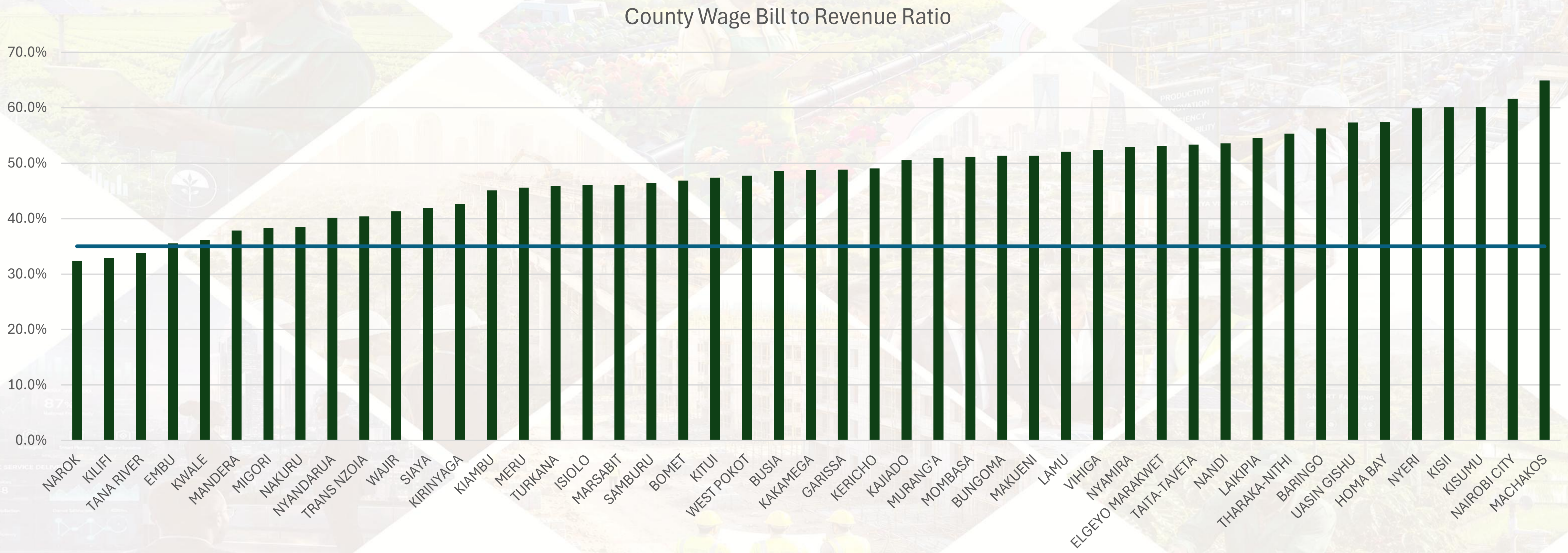
# Wage employment in the public service 2020 – 2025 (‘000)

| Category | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| Ministries and other extra-budgetary institutions[1] | 206.1 | 220.7 | 226.0 | 233.6 | 236.7 | 243.5 |
| Teachers Service Commission (TSC) | 331.1 | 349.9 | 348.6 | 390.4 | 410.7 | 436.3 |
| Parastatal bodies[2] | 95.7 | 96.7 | 97.8 | 98.9 | 100.1 | 101.4 |
| Corporations controlled by the government[3] | 47.1 | 47.5 | 48.1 | 48.6 | 49.2 | 49.8 |
| County governments | 204.6 | 208.1 | 217.3 | 221.4 | 226.5 | 239 |
| **Total** | **884.7** | **923** | **937.8** | **992.9** | **1,023.2** | **1,070** |

# Trend of Wage Bill to Revenue Ratio



# Trend of Wage Bill to Revenue Ratio - County Government 2024/25



# The Productivity Paradox in Kenya's Public Service

Higher compensation has not consistently translated into higher productivity. Public sector productivity remains difficult to measure, yet several indicators suggest substantial inefficiencies.

# Performance Management Systems

- ❑Procedural rather than transformational
  - ➢Compliance-driven rather than impact driven
  - ➢Limited consequences for poor performance
  - ➢Limited rewards for exceptional performance
- ❑Result:
  - ➢A compressed performance culture where high performers and low performers receive similar outcomes

# The Psychology of Public Sector Pay

## The "Beast of Comparison"

- One of the most important but under-discussed drivers of wage pressure in Kenya. The result is a cycle of parity demands.

- This phenomenon creates what may be termed the "harmonization trap."
  - ➢The system becomes focused on equalizing compensation rather than maximizing productivity.
  - ➢In practice, harmonization often translates into upward convergence, generating recurring wage pressures without corresponding efficiency gains.

# CBAs: Essential Services and Strike Policy

## Policy Debate

- Should essential services operate under modified bargaining frameworks?

## Objective

- Protect:
  - Citizen welfare
  - Economic stability
  - Service continuity
  - While preserving labor rights.

# A Kenyan Model for Flexible Wages

# Pillar 1: Fair Base Pay

Protect:

- Living standards
- Internal equity
- Market competitiveness

# Pillar 2: Performance-Based Variable Pay

Limited share of total remuneration.

Linked to:

- Institutional KPIs
- Team outcomes
- Individual performance

# Pillar 3: Managing Collective Bargaining within Fiscal Constraints

- Collective bargaining remains a constitutional right and an important mechanism for protecting workers.
- However, compensation agreements must operate within macroeconomic realities.
- Future bargaining frameworks should incorporate:
    - Medium-term fiscal projections
    - Revenue forecasts
    - Productivity indicators
    - Affordability analyses
- This would improve transparency and reduce recurring disputes.

# Pillar 4: Fiscal Sustainability Rule

Compensation growth cannot systematically exceed:

- Revenue growth
- Productivity growth
- over the medium term.

# Final Word

- Kenya's future wage policy must move beyond wage containment toward productivity-centred compensation governance.

- The objective is not a smaller wage bill.

- The objective is a higher-performing public service that delivers greater value for every shilling invested, ensuring that every shilling invested in public servants delivers measurable value to citizens."

# Strategic Question

**Are you worth your pay?**

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# Thank You


PUBLIC SERVICE COMMISSION KENYA — HONOUR COMMITMENT TRUST

SCAC — Diligent in Serving

REPUBLIC OF KENYA

SRC — Salaries & Remuneration Commission — Rewarding productivity

COUNCIL OF GOVERNORS — 48 Governments 1 Nation

IGRTC — INTERGOVERNMENTAL RELATIONS TECHNICAL COMMITTEE — Consultation, Cooperation & Coordination in Devolution