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Management of Wage Bill in Kenya: A Case Study of Baringo County Government

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Abstract— This paper presents a case study on management of wage bill in Kenya, Baringo county government.

***Index Terms*— wage bill management, county government, Baringo county, fiscal sustainability, expenditure control, service delivery, economic development.**

1. Introduction

A. Background

A sustainable wage bill is crucial for long-term economic health. It allows governments to invest in critical public services, infrastructure, and economic development, while remaining attractive to businesses and investors. County governments in Kenya, similar to their national counterpart, have grappled with rising wage bills exacerbated by factors such as duplication of roles, overstaffing, and inadequate revenue streams. For instance, counties like Baringo have faced criticism for bloated workforces, inefficient hiring practices, and unsustainable salary structures. Instances of ghost workers and irregularities in payroll management have further strained limited financial resources.

According to the Controller of Budget report, county governments spent an average of 59% of their total expenditures on the wage bill in the financial year 2022/2023. This figure is higher than the 47.4% recorded in the 2021/2022 financial year and the trend has been increasing since FY 2013/2014. In Baringo County, while the expenditure on the wage bill was 46.3% in FY 2022/2023—below the average for overall county governments—it is still far from the 35% target. However, there has been a decreasing trend from 51% in FY 2013/2014 to 46.3% in FY 2022/2023, indicating that the mechanisms put in place by the county government are slowly bearing fruit.

1) Problem Statement

Achieving a 35% wage bill to revenue ratio presents significant challenges. Measures to address this situation sustainably must first candidly seek to understand the drivers and realities at the county level. During the transition period, county governments inherited staff from the defunct local authorities, leading to high initial wage bills. Additionally, critical sectors like health remain understaffed despite high wage costs. National policies and directives on human resource management, including taxes, levies, and allowances, also contribute to the high cost of the wage bill. Limited revenue streams further exacerbate fiscal challenges related to the wage bill.

2. Challenges Toward Achieving the 35% Wage Bill to Revenue Ratio

A. Inherited Workforce

County governments did not start from a clean slate. During the transition period, they inherited staff from defunct local authorities. In Baringo County's first year of existence, the wage bill was already 51% of the total revenue. A significant portion of the inherited staff were non-technical, necessitating additional hires to ensure effective service delivery.

B. Provision of Basic Services

Despite the high wage bill, some essential sectors remain highly understaffed. For instance, the health sector in Baringo County contributed 56.3% of the total wage bill for FY 2022/2023. Many health facilities remain non-operational due to staffing shortfalls, despite the substantial wage bill.

C. National Policies and Directives

Policies on human resource management, such as hardship allowances for arid counties and medic allowances, contribute to the high wage bill. New policies like the Housing Levy and Social Health Insurance schemes will further impact the wage bill. For example, Baringo County projects to spend around Ksh 45 million on the Housing Levy and Ksh 33 million on the Social Health Insurance Fund in FY 2024/2025.

D. Revenue Allocation Formula

The current revenue allocation formula does not adequately consider unique allowances for arid and semi-arid counties. For instance, the gross pay of a medical officer in Job Group P in an ASAL county is almost double that of an equivalent officer in a non-ASAL county, directly impacting the county's wage bill.

E. Limited Revenue Streams

Revenue collection remains below optimal levels due to capacity constraints and the operating environment. Despite efforts to increase revenue through taxation and other means, fiscal challenges related to the wage bill persist.

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3. Strategies and Action Plans Toward Achieving the 35% Wage Bill to Revenue Ratio

A. Revenue Growth

a) Broadening the Tax Base: Exploring a wider range of taxable goods and services, and investing in revenue-rich programs and projects.
b) Improving Collection Efficiency: Leveraging technology to reduce pilferage and enhance collection efficiency.
c) Nurturing a Pro-Business Climate: Enacting policies that support businesses, reduce bottlenecks, and invest in supportive infrastructure.

B. Expenditure Control

a) Optimizing Workforce Size and Structure: Managing the wage bill through civil service reforms aimed at optimizing service delivery sustainably.
b) Performance-Based Incentives: Motivating employees through performance-based incentives while ensuring fiscal responsibility.
c) Robust Performance Management Systems: Implementing systems that reward merit, foster accountability, and link performance with remuneration.
d) Eliminating Duplication: Ensuring full handover of devolved functions to eliminate duplication between county and national governments.
e) Public-Private Partnerships: Leveraging partnerships for non-core government functions to deliver cost-effective solutions.

4. County-Specific Initiatives

A. Revenue Raising Mechanisms

Baringo County has implemented measures such as automating revenue collection, reducing revenue administration costs, and investing in strategic sectors like tourism, livestock, and agriculture. These efforts have seen own-source revenue grow from Ksh 279.3 million in FY 2015/2016 to Ksh 359.3 million in FY 2018/2019, and Ksh 313.35 million in FY 2022/2023.

B. Prudent Management of Resources

Reforms in human resource management, including reviewing staff establishments, implementing recruitment and promotions, and performance management systems, have contributed to better wage bill management.

5. Policy Implications of Wage Bill Management

A. Balancing Fiscal Sustainability and Employee Welfare

Achieving a sustainable wage bill requires balancing fiscal discipline with employee welfare. Policymakers must ensure cost-saving measures do not disproportionately burden workers or compromise their well-being. This may involve salary reviews, job reclassifications, and targeted downsizing, along with provisions for social safety nets and support mechanisms.

B. Adopting a Holistic Approach

Addressing wage bill challenges requires a comprehensive approach encompassing fiscal reforms, human resource management strategies, and institutional capacity building. Policies should focus on enhancing workforce productivity, optimizing staffing structures, and improving service delivery outcomes.

C. Engaging Stakeholders

Reform efforts must be inclusive and transparent, with active engagement of stakeholders such as labor unions, civil society organizations, and development partners. Consultation with these groups is essential for garnering support, building consensus, and identifying potential challenges or unintended consequences of proposed reforms.

6. Conclusion

Managing the wage bill in Kenya, particularly in Baringo County, requires a multi-pronged approach addressing both revenue growth and expenditure control. By implementing strategic solutions and engaging stakeholders, Baringo County can work towards achieving the 35% wage bill to revenue ratio, ensuring fiscal sustainability and improved service delivery.

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