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and date

20th June, 2007

The Attorney General
All Permanent Secretaries
All Accounting Officers
The Registrar, High Court of Kenya

**DETERMINATION OF SALARIES OF MANAGEMENT AND
UNIONISABLE STAFF OF STATE CORPORATIONS**

1. On 23rd November, 2004 the Government in a circular No. OP/CAB.9/21/2A/LII/43 issued guidelines on terms and conditions of service for Chief Executive Officers, Chairmen and Board members, management and unionisable staff of State Corporations.
2. **Paragraph 12** of the guidelines empowered the Board and the Chief Executive Officer to determine pay levels for management staff. This was however to be done within head count budget, job evaluation and existing pay structure. It was envisaged that with the onset of performance contracting in state corporations, performance related pay with matching rewards for exceptional performance would be introduced.
3. As regards unionisable staff the guidelines at **paragraph 17** provides that State Corporations having recognition agreements with trade unions are empowered to negotiate pay packages with the unions based on labour productivity and ability to pay.

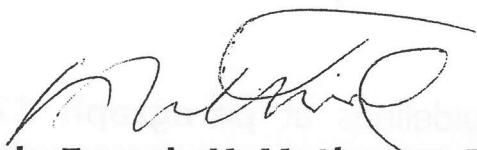
4. The guideline at paragraph 22 provides that there would be no compelling need for remuneration issues to be referred to SCAC except on matters to do with clarification of the guidelines.

5. In the course of time, it has been observed that empowerment of the Boards has been misconstrued and the ministerial approval of salary increases for management and other staff of State Corporations has not been sought. At the same time, the requirement to take performance and labour productivity into account while determining pay levels has not been observed. The tendency is for management to submit proposals for salary review to their Boards for approval, and once the Board approval is obtained the ministerial approval is overlooked particularly in state corporations whose wage bill is funded by profits or levies on the public.

6. You will recall that in January 2006 the Government issued a Pay Policy for the Public Sector. The policy emphasizes harmonization of salary structures across the sub-sectors within the Public Service, as well as affordability and sustainability of the wage bill.

7. This circular is a reminder on the requirement that all requests for salary increases by State Corporations **MUST** be approved by the parent Ministry taking into account provisions of paragraphs **51** and **74** of the Pay Policy for the Public Service.

Permanent Secretaries will henceforth be expected to ensure strict adherence to this requirement. In this regard only requests for salary increases accompanied by clear approvals from parent Ministries will be considered by the State Corporations Advisory Committee (SCAC).



**Amb. Francis K. Muthaura, EGH,
PERMANENT SECRETARY, SECRETARY TO THE
CABINET AND HEAD OF THE PUBLIC SERVICE**