To create a globally competitive and prosperous nation with a high quality of life by 2030

KIPPRA is ISO 9001:2008 certified
**Vision**
An international centre of excellence in public policy research and analysis

**Mission**
To provide quality public policy advice to the Government of Kenya and other stakeholders by conducting objective research and through capacity building in order to contribute to the achievement of national development goals
The Kenya Institute for Public Policy Research and Analysis (KIPPRA) is an autonomous institute whose primary mission is to conduct public policy research leading to policy advice. KIPPRA’s mission is to produce consistently high-quality analysis of key issues of public policy and to contribute to the achievement of national long-term development objectives by positively influencing the decision-making process. These goals are met through effective communication of recommendations resulting from analysis and by training policy analysts in the public sector. KIPPRA therefore produces a body of well-researched and documented information on public policy, and in the process assists in formulating long-term strategic perspectives. KIPPRA serves as a centralized source from which the Government and the private sector may obtain information and advice on public policy issues.

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List of KIPPRA Publications
Kenya Economic Reports

1. KER 2009: Building a globally competitive economy
2. KER 2010: Enhancing sectoral contribution towards reducing poverty, unemployment and inequality in Kenya
3. KER 2011: Transformative institutions for delivering Kenya Vision 2030
4. KER 2012: Imperatives for reducing the cost of living in Kenya
5. KER 2013: Creating an enabling environment for stimulating investment for competitive and sustainable counties
6. KER 2014: Navigating global challenges while exploiting opportunities for sustainable growth
7. KER 2015: Empowering youth through decent and productive employment
8. KER 2016: Fiscal decentralization in support of devolution

The Kenya Economic Report (KER) is the flagship publication of the Institute. The report, which is produced annually and presented to Parliament by the Minister in charge of economic planning and development, analyses Kenya’s economic performance for the last year, prospects for the next three years, and benchmarks the performance against comparator and selected countries. It is produced in consultation with the Ministry of Devolution and Planning, The National Treasury, and Central Bank of Kenya. The inaugural report was published in 2009.
Discussion Papers (DP) disseminate results and reflections from ongoing research activities of the Institute’s programmes. The papers are internally refereed and are disseminated to inform and invoke debate on policy issues.


2. Institutional factors and foreign direct investment flows: Implications for Kenya (Ngugi R W and Nyang’oro O, 2005) – DP No. 48


18. Participatory prioritization of issues in smallholder agricultural commercialization in Kenya (Omiti J et al., 2006) – DP No. 64


22. Policy and institutional interventions to revitalize Kenya’s pyrethrum industry (Omiti J et al., 2007) – DP No. 68


32. Employment outcomes and export orientation of firms in Kenya’s manufacturing sector (Were M, 2007) – DP No. 78


34. Implications of the proposed WTO tariff reduction modalities: Case of Kenya’s agricultural tariff structure (Miencha F, 2007) – DP No. 80


37. Scaling up domestic support for sustainable development of agriculture in Kenya (Onyango C H and Omiti J M, 2008) – DP No. 83


40. Short term private capital flows and real exchange rate in Kenya (Odongo M T, 2008) – DP No. 86


42. Factors affecting growth of micro and small enterprises in Kenya (Gitonga A, 2008) – DP No. 88

43. Determinants of inter-firm networks in Kenya (Ng’ang’a J, 2008) – DP No. 89

44. Environmental sustainability and policy implications of urban building and construction in Kenya (Adero N, 2008) – DP No. 90

45. Determinants of Kenya’s fiscal performance (Sirengo J, 2008) – DP No. 91
46. Assessing Kenya’s oil vulnerability: Key indicators and policy options (Roba G M, 2008) – DP No. 92


56. Enhancing household fuel choice and substitution in Kenya (Osiolo H, 2009) – DP No. 102


60. Implications of the global financial crisis on the Kenyan economy (Macroeconomics Division, 2009) - DP No. 106

61. Are prior restrictions on factor shares appropriate in economic growth accounting estimations (Oduor J, 2010) - DP No. 107


63. Evaluating the impact of micro-franchising the distribution of anti-malarial drugs in Kenya on malaria mortality and morbidity (Oduor J, Kamau A and Mathenge E, 2010) - DP No. 109

64. General equilibrium real exchange rates in a three-good open economy setting (Oduor, J, 2010) - DP No. 110

67. Some effects of regional trade arrangements on Kenya’s export flows (Githuku S, 2010) - DP No. 113
68. Determinants of regional disparity in Kenya (Ng’ang’a J and Njenga G, 2010) – DP No. 114
70. To conserve or convert the Yala wetland (Ikiara M, Mwakubo S and Nyang’oro O, 2010) – DP No. 116
71. Liberalization of services and its implications on agricultural trade in Eastern Africa region (Onyango C, 2010) - DP No. 117
74. Production risk and farm technology adoption in rain-fed maize production in semi-arid lands of Kenya (Ogada M, 2010) - DP No. 120
75. A panel data analysis of the determinants of tourism destination (Sagwe J, 2010) - DP No. 121


79. International trade liberalization and economic growth: The role of regulatory policies (Biwott P, 2011) – DP 125

80. Is there a real estate market boom or bubble in urban Kenya: A case study of residential real estate in Nairobi Metropolitan Region (Mbae/Njoroge C, 2011) – DP 126


82. Evaluating the impact of road traffic congestion mitigation measures in Nairobi Metropolitan Region (Gachanja J, 2012) – DP 128

83. The relationship between electricity consumption and output in Kenyan manufacturing sector (Karumba M, 2012) – DP 129

85. Evaluating trade and revenue effects of the EAC customs union in Kenya (Onyango C, 2012) – DP 131
87. The water poverty index: A situational analysis of selected counties in Kenya (Githiora Y, 2012) – DP 133
89. Household demand for housing in urban Kenya: The case of Nairobi and Mombasa counties (Musyoka P, 2012) – DP 135
90. Enhancing formal access to water in Kenya: The non revenue water management approach (Olwa B, 2012) – DP 136
93. Effects of minimum wage on gendered employment in Kenya (Bengal E, 2012) – DP 139
96. Effects of financial literacy on financial access in Kenya (Shibia A, 2012) – DP 142
97. Institutional and policy framework necessary for harnessing diaspora remittances in Kenya (Githuku S, 2013) – DP 143
98. Determinants of private car ownership in Kenyan households (Randu E, 2013) – DP 144
100. Cost efficiency and scale economies of Kenya’s water service providers (Kalunde H, 2013) – DP 146
101. Effect of health insurance on child and maternal health outcomes in Kenya (Kiplagat I, 2013) – DP 147
102. Sustainability of current account deficits in Kenya (Gichuki J, 2013) – DP 148
103. Diplomacy and exports: The case of Kenya (Gichuru J, 2013) – DP 149
104. Determinants of manufacturing firm’s location in Kenyan counties (Marang’a W, 2013) – DP 150
105. Dietary diversity and child malnutrition in Kenya (Mbogori T, 2013) – DP 151


110. Effects of household food expenditure on child nutritional status in Kenya (Ochieng’ C, 2013) – DP 156


112. The role of cash transfers in poverty reduction: Evidence from Kenya (Nafula N and Onsomu E, 2013) – DP 158

113. Poverty growth and inequality decomposition: A household survey analysis (Nafula N, Ndirangu L and Onsomu E, 2013) – DP 159


Discussion Papers

118. Alcohol consumption and health care expenditure (Kanina J, 2014) – DP 164

119. Predictors of availability of maternal health medicines in Kenya’s health facilities (Muriithi G, 2014) – DP 165

120. Analysis of electricity consumption by households in Kenya (Ojudi M, 2014) – DP 166

121. Stimulating supply of residential housing for low income earners in Kenya (Vuluku G, 2014) – DP 167


123. The sustainability and macroeconomic effects of the public sector wage bill in Kenya (Yagan S, 2014) – DP 169


126. Effects of mixed traffic on road traffic deaths in Kenya (Muhoro, G, 2015) – DP 172


133. A fiscal reaction function for Kenya (Mutuku C, 2015) – DP 179


137. Supply response of Kenya’s primary exports to price and non-price factors (Mugo P, 2015) – DP 183


144. Implications of trade facilitation on FDI in Kenya (Onyango, C H, 2015) – DP 189


Forthcoming

143. Effect of trade facilitation on Kenyan exports to the European Union: Case of fruits and vegetables

146. Digital dividends: Evidence from Internet usage in Kenya
Working Papers (WP) disseminate results of ongoing research at the Institute. The papers in the series cover specific policy issues in detail and are meant to provide policy makers and researchers with background information that can be used in developing refined discussion and policy papers. The papers are authored and reviewed by KIPPRA researchers and disseminated to provoke debate and solicit comments.


5. Inequality, poverty and the environment in Kenya (Ikiara M, Mwakubo S and Olukoye G, 2009) - WP No. 16


Policy Briefs (PB) aim at wide dissemination of the Institute’s policy research findings. The findings are meant to stimulate discussion and also build capacity in the public policy making process in Kenya.

1. Negotiating trade in services under an economic partnership agreement: A proposal for Kenya (No. 1, 2006)
2. Enhancing the role of development finance institutions in Kenya’s development process (No. 2, 2006)
4. Promoting private sector participation in provision of higher education in Kenya (No. 4, 2006)
5. Multiplicity of taxes and licences in the trucking industry in Kenya: Is there a case for deregulation? (No. 5, 2006)
6. Flaws in the development and allocation of Jua Kali sheds and hawkers markets in Kenya (No. 6, 2006)
8. Enhancing growth of the Nairobi Stock Exchange primary market (No. 8, 2006)
9. Using social budgeting to improve the budgetary process in Kenya (No. 9, 2006)
Wage Disparities in the Formal Sectors: Policy Options for Kenya

Introduction

Over time, the public sector has relied on fragmented structures of determining wages, such as the minimum wage regulation, administered wage setting, and flexible and collective bargaining approaches to determine the formal sector wages. These wage setting mechanisms have not, however, promoted productivity and efficiency in the public formal sectors. Instead, they have propagated unprecedented wage differences leading to wage penalties in some sectors of the economy and also within the sub-sectors.

Until the promulgation of a new Constitution in 2010, the Permanent Public Service Remuneration and Review Board was responsible for salary reviews but instead ended up playing an advisory role, with their decisions not binding by the respective government agencies. The new Constitution now mandates the Salaries and Remuneration Commission (SRC) to set and review salaries of state officers and advice both county and national government on wage matters.

Empirical evidence from developed countries shows that wages in the public sector are higher than in the private sector, while evidence from developing countries is either limited or lacking. For instance, in Kenya, there is a general perception that employees in the private sector, particularly the highly skilled ones, earn much higher salaries compared to their public sector counterparts. There are also wider disparities within the public service itself, with those in the higher job groups earning proportionately higher salaries. The compression ratio is 98:1. Moreover, within certain job groups in the public service, education and experience do not seem to account for differences in the wages. As a result of these glaring disparities, and coupled with the rising cost of living, various categories of public servants have in the recent past “downed their tools” to demand higher wages.

Wage premiums in favour of the private sector may impose severe implications on the overall output in the public sector, and on the capacity of the sector to design and implement policies and reforms. Several consequences are likely to follow:

• First, wage differences in favour of the private sector may result in massive ‘brain drain’ of specialized expertise from the public sector to the private sector, thereby incapacitating the public sector in its mandate of making and implementing policies.

Policy Briefs

PB No. (2006)

11. Improving the enabling environment for business in Kenya (No. 11, 2006)
12. Reducing implicit taxation of the agricultural sector in Kenya (No. 12, 2006)
15. Attracting foreign direct investment into Kenya (No. 15, 2006)
16. Strengthening the budgetary framework for private healthcare providers in Kenya (No. 16, 2006)
17. The future of monetary policy regime in Kenya (No. 17, 2006)
18. Organizing urban road public transport in Nairobi city (No. 18, 2006)
1. Options for sustaining Kenya’s economic growth pattern (No. 1, 2007)
2. Improving the growth of small firms sub-sector: Role of interfirm linkages (No. 2, 2007)
4. Governance challenges in public expenditure management in Kenya (No. 4, 2007)
5. Enhancing the commercialization of smallholder agriculture in Kenya (No. 5, 2007)
6. Promoting development of bonds in Kenya (No. 6, 2007)
7. Improving the security situation in Kenya (No. 7, 2007)
8. Strategies for securing energy supply in Kenya (No. 8, 2007)
9. Explaining chronic poverty in Kenya (No. 9, 2007)
10. Improving technology competitiveness of small enterprises in Kenya (No. 10, 2007)
11. Effectiveness of financial sector reforms in promoting domestic private investment in Kenya (No. 11, 2007)
Policy Briefs

PB No. (2007)

13. Strategies for revitalizing the pyrethrum industry in Kenya (No. 13, 2007)
15. Enhancing investment performance for sustained economic growth in Kenya (No. 15, 2007)
16. How should MSEs be supported to access the public procurement market in Kenya (No. 16, 2007)
17. Enhancing private sector participation in the provision of primary and secondary education in Kenya (No. 17, 2007)
18. Estimating the size of the underground economy in Kenya and its tax potential (No. 18, 2007)
1. Rebasing GDP: Rationale and the economic implications (No. 1, 2014)
2. Kenya now a middle income economy but Wanjiku still crying (No. 2, 2014)
4. Implications of GDP rebasing on skills and professional development (No. 4, 2014)
5. Rebased economy and the implications on Kenya’s participation in international trade (No. 5, 2014)
Policy Briefs

PB No. (2015)

1. Making youth employment policies work (No. 1, 2015)
2. Mitigating road traffic congestion in the Nairobi metropolitan region (No. 2, 2015)
Policy Papers

Policy Papers (PP) aim at wide dissemination of the Institute’s policy research findings. The findings are meant to stimulate discussion and also build capacity in the public policy making process in Kenya.

2. A comparative study on public-private sector wage differentials in Kenya (KIPPRA, 2013) - PP. 05
Special Reports (SP) deal with specific issues that are of policy concern. The reports provide in-depth survey results and/or analysis on policy issues. They are meant to help policy analysts in their research work and assist policy makers in evaluating various policy options. Deliberate effort is made to simplify the presentation so that issues discussed can be easily grasped by a wide audience.

2. Policy advocacy needs of MSE associations in Kenya: A survey of MSE associations in Nairobi, Mombasa, Kisumu and Nakuru (Moyi E, 2006) - SP No. 8
3. Review of the 2004/05 budget (2005) - SP No. 9
4. Review of the 2005/06 budget (2006) - SP No. 10
7. Enhancing productivity and competitiveness of the Kenyan economy through a cluster development strategy (2012) - SP No. 13
These report the proceedings of conferences and workshops organized by the Institute. Whenever possible, discussions at such forums are also included. The proceedings are compiled and reviewed by KIPPRA researchers and are disseminated to inform, provoke, and solicit comments.

1. Urban and regional planning as an instrument for wealth and employment creation: Proceedings of the national conference held from 2-3 February 2005, Nairobi—CP No. 3

2. Economic impact of illicit trade in East Africa: Proceedings of the regional conference held on 6 May 2005, Nairobi—CP No. 4


In addition to reviewing the Institute’s activities, this newsletter carries incisive articles on current policy issues and debate in the country. It also provides an Economic Outlook of Kenya’s economy.
5. KIPPRA Policy Monitor, Issue 6, No. 1 (2013): Devolution is more than ‘equitable’ distribution of resources