

PRESS STATEMENT BY THE MANAGEMENT BOARD OF THE FEDERATION OF KENYA EMPLOYERS (FKE) AS AT 30TH APRIL 2019

FKE OPPOSED TO A REQUEST BY COTU(K) ON GENERAL WAGE INCREASE

- Our attention has been drawn to reports in the media indicating that COTU(K) has now put a request to the government to grant 15% general wage increment in exchange for their support for the proposed Housing Fund Levy.
- FKE is strongly opposed to this request by the Secretary General of COTU (K) as government has no mandate to increase a general wage for the Private Sector. This is a matter governed by voluntary negotiations between the parties in the case of unionisable workers.
- Decisions on wage increases in Kenya follow policies and practices that are clearly spelt out in the labour laws and employment contracts. The government cannot increase the general wages except for the public servants. The private sector wages are determined through free and voluntary negotiations between the employers and the employees or their representatives in line with the

Headquarters:

Waajiri House, Arwings Kodhek Road
P. O Box 48311-00100 Nairobi, Kenya
Tel: 020 2721929/48/49/52
Cell: +254 709 827 101/ 102 Email: fkehq@fke-kenya.org

Coast Branch Office:
First Floor, Ralli House,
P.O. Box 84115-80100 Mombasa,
Tel: 041-2311112, 0709827 300
Email: fkemsa@fke-kenya.org

Western Kenya Branch Office:
Second Floor, Reinsurance Plaza,
P.O. Box 1449-40100 Kisumu
Tel: 057-2020620/020233347/ 0709 827 321
Email: fkeksm@fke-kenya.org

Rift Valley Branch Office:
First Floor, Plaza
P.O. Box 3216-20100, Nakuru,
Tel: 057-2216690, 0709827311
Email: fkenkr@fke-kenya.org

Recognition Agreements signed between the parties. This is done through the collective bargaining negotiations or through contractual agreements between individual employees and their employers.

- General Wage increases have a knock on effect on the cost of doing business and the competitiveness of enterprises. Factors of wage determination such as the productivity and the ability of employers to pay must be taken into account. The proposed trade-off by COTU (K) is therefore ill advised.

EMPLOYERS ARE OPPOSED TO INCREASING STATUTORY MINIMUM WAGES IN 2019

- Employers strongly oppose any attempt to increase the statutory minimum wages during the 2019 Labour Day celebrations.
- The statutory minimum wages are determined through structures such as the Wages Councils and the National Labour Board which have been put in place to offer advice on wage setting mechanisms.
- As of today none of these bodies have met to discuss and offer advice in this regard. FKE therefore expects that there will be no surprise decision on this issue.

f

- As employers, we value stability in the policy environment and in the prevailing wages. Random increments of statutory minimum wages only leads to conflicts between the employer and employees, as those increments are done without regard to the ability and preparedness of the employers to pay.
- We, therefore, call upon all parties to adhere to the principle and spirit of tripartism and social-dialogue so that unnecessary shocks in the labour market are avoided. We should remember that the labour market is about building trust and good relationships.

HOUSING FUND LEVY

- This matter is currently in court and the grounds for our objection to the Levy are in the public domain and well documented. Consultations have not yet taken place with the employers and this has forced us to move to court. Let us allow the matter in court to be settled.
- We want to make it clear that, we are not party to any Agreement that has been made between COTU(K) and the government on the implementation of the Housing Fund Levy. As an Employers Federation we expect our position to be respected by other Social Partners.



- Our position remains that social dialogue done in good faith and not under duress is the only avenue for ensuring that positive reforms are introduced and implemented, including reforms on housing.

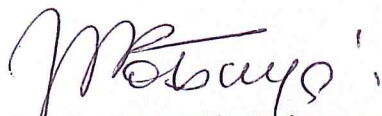
THE UNSUSTAINABLE COST OF LABOUR

- The payroll burden on the employer is becoming unsustainable and unacceptable. In the last few months the government has proposed to introduce a number of levies on the employers in addition to a 5% increase in the statutory minimum wages. These levies are:
 1. 1.5% Housing Fund Levy
 2. Proposal in Parliament on increasing NITA fund levy by 100%
 3. Push to implement the 6% NSSF levy
 4. The push to introduce an NHIF levy to employers
- These levies have a negative impact on employers and we are observing a lot of redundancies, companies existing Kenya and depression in formal job creation because employers cannot keep up with the cost of labour.
- Employers are committed to creating jobs which is what the Big 4 agenda is about. Pushing up the payroll costs slows down job creation in the formal sector.



FKE LABOUR DAY MESSAGE

- Tomorrow is Labour Day and as a nation we need to take stock of the progress we have made towards improvement of the Labour market.
- It is very unfortunate that as we approach Labour Day, Social Partners are divided on key labour market policy issues.
- We need to come together to chart a way forward on actions we need to take to create wealth and employment to improve welfare of our people.
- The Federation wishes workers and employers a happy Labour Day celebrations.



Mark Joseph Obuya,

THE NATIONAL PRESIDENT

FEDERATION OF KENYA EMPLOYERS

30TH APRIL 2019

