Potential Strategy for Improving Planning and Design of Housing Allowance for Employees

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Background Information

- Shelter is a basic necessity for humans (Bajari and Kahn, 2005).

- Providing housing that people can afford is becoming a concern for governments (Chen et al. 2010; Haffiner and Boumeester, 2010).

- Expenditures associated with housing have caused many households to reduce their expenditures for food, clothing, health care and education (Kutty, 2005).
Background Information

- To sustain workers wellbeing, housing must be affordable, i.e. be able to pay for housing and other necessities.

- Internationally housing affordability is expressed as the relationship between housing expenditure (rent, mortgage) and household income (Whitehead et al. 2009).

- Housing cost to income ratio is the most commonly used standard for measuring housing affordability.
In most countries, households must not spend more than 30% of their monthly income on house rent or mortgage, else they will have housing affordability problems (Ezebilo, 2016).

In a study of property prices in Port Moresby, Ezebilo et al. (2016) found that the least house rent per a month in formal built area is 2,800Kina.

In a review of housing affordability, Ezebilo (2016) found that PNG do not have criteria for measuring housing affordability.
Background Information

- Housing affordability criteria is often used for housing allowance calculations in most countries.

- In most countries housing affordability criteria are used to determine housing allowance paid to all groups of workers.

- In a PNG study of public pay scale, Wangi and Howes (2014) found that employees in the State-Owned Enterprises receive the highest housing allowance.
Objective

- To determine whether housing allowance in the public service meet internationally commonly used housing affordability criteria.

- To examine the distribution of housing allowance among groups of public servants.

- To discuss potential strategy that could be used to improve the current housing allowance calculations in the public service.
Methods

- Review of Public Pay Scale of 2012 for public servants.

- Review of publications related to public servants Pay and housing affordability in PNG such as Wangi and Howes (2014), Ezebilo (2016), and Ezebilo et al. 2016.
Findings

- Housing allowance for almost all groups of public servants do not meet internationally commonly used housing affordability standard.

- Groups of public servants who should be assisted most for housing do not receive housing allowance (see Figure 1).

- On average, the value of housing allowance increases as the pay scale increases.
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**PS01**: 8,290 PGK
**PS02**: 8,808 PGK
**PS03**: 9,724 PGK
**PS04**: 10,770 PGK
**PS05**: 12,017 PGK
**PS06**: 13,505 PGK
**PS07**: 15,229 PGK
**PS08**: 17,192 PGK
**PS09**: 19,551 PGK
**PS10**: 22,282 PGK
**PS11**: 25,489 PGK
**PS12**: 28,657 PGK
**PS13**: 31,044 PGK
**PS14**: 33,785 PGK
**PS15**: 37,290 PGK
**PS16**: 41,413 PGK
**PS17**: 49,732 PGK
**PS18**: 58,727 PGK
**PS19**: 71,977 PGK
**PS20**: 87,937 PGK
Continuation of findings

- Not all groups of public servants receive housing allowance.

- The housing allowance calculations that should be simple appears to be complicated.

- It is not clear why some groups of public servants do not receive housing allowance.
Continuation of Findings

- Public servants who belong to lower pay scale do not receive housing allowance
  - Pay scales PS01 to PS03, with least pay scales difficult to meet household needs (including accommodation)

- Housing allowance favours higher pay scales.

- Current housing allowance system is discriminatory.
  - PS04-05 receive 5% of their base salary, PS15-16 receive 13%, PS20 receives 30%
Potential policy interventions

- Review housing allowance using internationally commonly known housing affordability criteria.
- All groups of public servants must receive housing allowance.
- Calculations on housing allowance should be made simpler and clearer and should be based on a certain percentage of base salary for all groups of public servants.
- Facilitate supply of more houses into the property market to push down house price.
References


Thanks for your attention