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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 a 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.

Background Information

- ❑ 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.



Figure 1 Public Sector Pay Scale 2012

	Base Salary	Allowances						Total Salary
		Accommodation	Vehicle	Utilities	Tele-phone	Entertainment	Total	
	PGK	PGK	PGK	PGK	PGK	PGK	PGK	PGK
PS01	8,290	0	0	0	0	0	0	8,290
PS02	8,808	0	0	0	0	0	0	8,808
PS03	9,724	0	0	0	0	0	0	9,724
PS04	10,770	600	0	0	0	0	600	11,370
PS05	12,017	600	0	0	0	0	600	12,617
PS06	13,505	1,000	0	0	0	0	1,000	14,505
PS07	15,229	1,000	0	0	0	0	1,000	16,229
PS08	17,192	1,000	0	0	0	0	1,000	18,192
PS09	19,551	1,500	0	0	0	0	1,500	21,051
PS10	22,282	1,500	0	0	0	0	1,500	23,782
PS11	25,489	1,500	0	0	0	0	1,500	26,989
PS12	28,657	2,250	0	0	0	0	2,250	30,907
PS13	31,044	2,500	0	0	0	0	2,500	33,544
PS14	33,785	2,500	0	0	0	0	2,500	36,285
PS15	37,290	5,000	0	350	0	0	5,350	42,640
PS16	41,413	5,000	0	350	0	0	5,350	46,763
PS17	49,732	7,500	0	1,200	900	1,800	11,400	61,132
PS18	58,727	15,000	15,000	1,800	1,200	2,600	35,600	94,327
PS19	71,977	15,000	15,000	1,800	1,200	2,600	35,600	107,577
PS20	87,937	26,000	26,000	2,600	1,800	3,600	60,000	147,937

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.

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