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HOUSING ALLOWANCE FOR PUBLIC SERVANTS IN PAPUA NEW GUINEA:

DOES IT MEET HOUSING AFFORDABILITY CRITERIA?

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Key Points

- Housing assistance is mostly needed by low income households; however, least paid public servants in Papua New Guinea do not receive housing allowance.
- Housing allowance received by public servants who qualify for it is not enough to pay for house rental.
- To move the public service system forward and maintain a dependable workforce, all its public servants should receive 30% of their base salary as housing allowance as a way of meeting housing affordability criteria.
- Government agencies should facilitate supply of more houses for rentals by attracting private investment in housing through provision of facilities such as good road networks, portable pipe-borne water and electric power.
- Establish the Office of Customary Land Development to make more customary land available through the voluntary customary land registration system for property development.

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HOUSING ALLOWANCE FOR PUBLIC SERVANTS IN PAPUA NEW GUINEA: DOES IT MEET HOUSING AFFORDABILITY CRITERIA?

By Thomas Wangi, Justin Ondopa and Eugene Ezebilo

This paper focuses primarily on one of the findings from an article by Wangi and Howes (2014) concerning pay scales for public servants in Papua New Guinea (PNG). It was reported in the article that some public servants do not receive housing allowance whereas those that receive the allowance are paid too little. The study was based on the 2012 pay scale, which is currently being used in the public service system.

This paper focuses on the trend of housing allowance paid to various categories of public servants, and whether the allowance is able to meet housing affordability criteria. It was found that public servants at the lower end of the pay scale do not receive housing allowance. For public servants in qualified categories that receive housing allowance, their housing allowance-to-base salary ratio increases with the increase in pay scale. Only housing allowance for public servants of the highest pay scale category meets housing affordability criteria, which is 30% of their base salary. The findings reveal that housing allowance in the public service does not conform to housing affordability criteria.

The current housing allowance policy available among public servants is discriminatory, and it is difficult to understand how the housing allowance figures were derived. To help Papua New Guinea (PNG) move forward, all public servants should receive housing allowance which should not be lower than 30% of their base salary. The PNG National Research Institute (PNG NRI) is a good example of a government establishment that meets housing affordability criteria for all its employees, which is worth emulating by the Department of Personal Management. This would motivate public servants perform well, and in providing them with opportunities of saving part of their salaries towards meeting requirements to own a house through the state-sponsored First Home Ownership Scheme.

Lessons learnt from findings

- Public servants who do not receive housing allowance belong to the lowest pay scale. The affected workers belong to pay scales of 01 to 03, which constitute of workers with the least pay in the public service structure. These are the categories of workers that are in high need of help from the state because they may find it difficult to pay for housing while at the same time, meeting other necessities of life such as food, clothing, and health care. Not giving them housing allowance at all might further complicate their problems. It is important to note that the average family size in PNG is often large, which implies that public servants who do not receive housing allowance will find it difficult to meet their household needs. This will contribute to low standards of living and welfare for workers that do not receive housing allowance.
- Housing allowance favours group of workers on higher pay scale. The ratio of housing allowance-to-base salary increases as the pay scale increases, which suggests that the existing allowance system discriminates against workers on a lower pay scale. For example, workers on pay scale 04 to 05 receive 5% of their base salary as housing allowance; those on scales 15 to 16 receive 13%; and workers on scale 20 receive 30%. As housing is a necessity and needed by everyone, it is important that all public servants are treated equally.
- Criteria used for calculating the housing allowance is not clear. It is difficult to figure out how housing allowance values for different pay scales were derived, which leads people into asking whether the values were allocated arbitrarily. The values do not reflect house rental prices. To improve the productivity level in the public service, it is important to have a simple housing allowance calculating matrix such as a fixed percentage of base salary. This would not only remove the current discriminatory approach, but also serve as a model for other government establishments and the private sector.
- Workers who get housing allowance cannot pay for house rentals with their allowance. According to Ezebilo, et al.

(2016), the lowest average house rental price for a week in Port Moresby is K633, which is 21% higher than the weekly housing allowance for the highest pay scale category in the public service (i.e., pay scale 20). The high house rental prices and the low housing allowance have the potential to contribute to lowering efficiency in the public service. This is because public servants will need to source extra money to pay for house rentals, which might mean doing other jobs at the detriment of their primary employment. Furthermore, some public servants may be living far from their workplace because of the high housing prices in city centres where most offices are situated. This implies that they may often arrive at the workplace late and exhausted.

- Most public service workers may not be able to own their own homes. Buying or building a house is a huge investment that requires a lump sum of money, which implies that the potential house owner will need to save money over a period of time. As income (in this case, salary) and expenditures determine savings, most public servants may find it difficult to buy or build their own houses before they retire from public service. This is in part due to high house rental prices coupled with the low or non-existence of housing allowance. For example, many public servants find it difficult to meet the basic requirements of the government-sponsored First Home Ownership Scheme. The average lowest sales price for a house in Port Moresby is K300,000. Many public servants may find it difficult to pay the initial 10% value of the house they wish to buy as required by the home ownership scheme.

Potential policy interventions to help move the public service forward

In major cities of PNG where most public servants live, rental and sales price of houses are often high due to high demand for, and low supply of houses. In order for the state to maintain a vibrant, quality and dependable workforce in PNG, there is a need to introduce a housing strategy that would boost the morale of workers to remain in public service, as well as to improve their productivity.

Some of the potential strategies include:

- Paying housing allowance to all public servants using a housing affordability criteria. All public servants, regardless of their pay scale category, should be paid a housing allowance. The allowance should be at least 30% of their base salary, in line with the international housing affordability criteria. For example, in the USA, housing can be affordable if a household spends at most 30% of

their income on housing (U.S. Department of Housing and Urban Development, 2016). This would provide public servants with more opportunity to afford other necessities in life, improve their standard of living, as well as save money towards buying or building their own houses. It is important to note that public servants who have access to houses provided by the state should not benefit from housing allowance.

- Facilitate the supply of more houses for rentals to the residential property market. One of the main reasons for the skyrocketing house rental prices in major cities such as Port Moresby is the shortage of supply of houses relative to demand. Paying housing allowance to public servants might not be enough for them to access housing. Residential property market is competitive, which implies that people who have much money will have access to the house of their choice. In order to lower the housing rental price, government agencies in charge of housing should be more effective in playing facilitating roles that could attract more private developers to invest in residential property development. The agencies could play facilitating roles through provision of trunk infrastructures such as good road networks, portable pipe-borne water facilities, and electric power, among others. The state should also encourage research in local building materials in order to reduce house building costs.
- Calculations on housing allowance should be simple. As the state is often the model that private agencies might like to emulate, it is important to make the criteria for determining housing allowance value clear and simple. This could serve as a guideline, which other establishments in PNG could use in determining the appropriate housing allowance for their employees. Furthermore, using clear and simple criteria can contribute to promoting transparency and trust in the public service. Existing employment structures and salary levels, with and without housing benefits, should be reviewed thoroughly. The review should focus on mechanisms that will allow all public servants receive housing allowance as well as prepare them towards owning a house.
- Provide loan facility for accessing First Home Ownership Scheme. The state has done a good job in creating the First Home Ownership Scheme so that PNG citizens could afford their first house. However, most public servants may find it difficult to meet some requirements set by the scheme. For example, the lowest sales price for a house in Port Moresby is K300,000, and some public servants may not be able to pay the 10% (i.e., K30,000) required to be paid up front. The state could provide the

10% amount to public servants as a loan. This will enable many public servants to have their own houses, even when they retire from service.

- Develop a sustainable housing policy. One of the most important problems that was identified in the International Consumer and Competition Commission Review (ICCC, 2010) is the lack of a sustainable housing policy. This lowers investor and public confidence on the state's commitment to the housing sector. There is a need for the state to develop a housing policy that could attract more private investment in this sector. This would help increase supply of houses relative to demand in the longer term, which should lower house rental and sales prices.
- Establish the Office of Customary Land Development. One of the contributory factors for the high housing rental and sales prices is the shortage in supply of land for development. As state-owned land which most investors prefer are almost exhausted, more attention is on customarily owned land. The proposed Office of Customary Land Development (OCLD) aims to address the land shortage problem through close collaboration with landowners. The OCLD will make customary land more accessible through the voluntary customary land registration system that makes customary land secure for development without eroding landowners' benefits. The OCLD requires the support of all relevant government agencies to help PNG move forward, and in addressing the chronic housing shortage facing the country.

Conclusion

The current housing allowance structure in the PNG public service, which favours only public servants in certain pay scales, is discriminatory. Public servants that belong to the lower pay scale often need support from the state for housing; however, many of them are denied from benefiting from housing allowance. This contributes to lowering their standard of living and access to other necessities of life such as food, clothing and health care. If the intention of the state is to promote a vibrant and productive workforce, all public servants should receive housing allowance that should be meeting the housing affordability criteria (i.e., 30% of their base salary). The state could use establishments such as the PNG NRI as a model for developing a housing allowance strategy for public servants. As a matter of urgency, govern-

ment agencies in charge of housing allowance, such as the Department of Personal Management, should review existing policies on housing allowance in the public service. Government agencies in charge of housing should facilitate the supply of more houses for rentals into the residential property market through provision of trunk infrastructure such as good road networks, portable pipe-borne water and electric power facilities. The state could provide a loan facility to enable public servants to pay the 10% upfront lump sum required for the First Home Ownership Scheme. Furthermore, the government should establish the OCLD to make more land available for property development. It is hoped that this paper will contribute to reforms in the public service that could promote job satisfaction among public servants. The paper will also contribute to housing policymaking and revisions, especially on the provision of housing for government employees.

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