

# 2016 Salary Benchmark Projection & Scale

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## Overview

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## Introduction

A correct reward is a critical business decision for all organizations. The organization has to balance the cost of labour and the returns from the dispensation of labour. Reward and recognition is a critical management function and if done wrongly and for the wrong reasons can be detrimental to the organization. Appropriate remuneration must be fair and affordable. The cost and benefit analysis is required to ensure that remuneration serves its purpose and is also understood as it is one of the major cost item in the organization.

Remuneration throughout the world is determined by various factors such as;

- the ability to pay,
- the level of the position,
- the competency of the incumbent,
- the supply and demand of labour,
- industry benchmark,
- performance levels of the incumbent,
- in many cases the tenure of the incumbent
- and the relative value of the position based on an evaluation system.

## PNG Salaries Trends

A recent study by Dr Jones and Professor McGavin through INA (Institute of National Affairs) have published some remarkable studies on remuneration trends in PNG based on a study of over 136,000 surveys. The mean gross employee fortnightly salary for both public and private sectors is K820.38 per fortnight or K21,329.88 per annum. The lesson we can draw from this is that norm pay for most of the employees should be around K21,329.88 to be on par with most employers in the PNG labour market.

The public sector remuneration has been increased by a factor of 7.5% per year for the past 5 years through PEA (Public Employees Association) award with the Government of PNG. The total percentage increase for public sector pay, is 37.5% over the past 5 years. With the CPI adjustment going back 5 years the cost of living has increased by a factor of 35%. In other words, the real buying power of the Kina has reduced by a factor of 35%. Thus the need for employers to take into account all these in determining the appropriate level of salary for its staff.

### **Basis of 2016 Salary Projection.**

- The new Minimum wage of K3.50 will be effective in July 2016. The current minimum wages in effect is K3.20 /hr.
- CPI (Consumer Price Index) of 5% as provided by the Bank of PNG
- GDP (Gross Domestic Product) of 5.5% also as provided by the Bank of PNG
- Unemployment of 3.5% also provided by the Bank of PNG.
- Exchange rate also as provided by the Bank of PNG and also the Commercial Banks as Published in the dailies

PNGHRI has salary benchmark comparisons since 2009. This adjustment is based on government projected economic indicators.

Each entity is urged to make the appropriate adjustments to suit their individual organizational needs. What is provided in this presentation is generalized and may be adjusted to suit each individual organization.....

To access the entire document and the salary benchmark projection table, please email [dannfrancis@gmail.com](mailto:dannfrancis@gmail.com). We are selling the report and related documents, templates and samples in CDs for K500 per copy. Thank you.