

Business Coalition for Women (BCFW) – Briefing Note

National Minimum Wage Review in Papua New Guinea

July 2025

Executive Summary

- This brief aims to **inform policymakers and stakeholders** of the **potential impact of minimum wage reform** – on poverty reduction, productivity, and inclusive, long-term development outcomes in Papua New Guinea.
- The **current minimum wage of PGK 3.50 per hour has remained unchanged for over ten years**, despite stagnating wages, sustained inflation, and rising living costs. For many families, this wage no longer provides a basic standard of living. The last increase—a 53% adjustment—was determined in 2014 and implemented in three stages.
- PNG is facing **backdrop of significant structural challenges**, including rapid population growth, a large youth cohort, low labour productivity, high business costs, and poor health and education outcomes. These factors are collectively fuelling inequality and undermining inclusive growth.

- The **reactivation of the Minimum Wage Board (MWB)** offers a timely opportunity to address this gap.

Key Findings

- The current minimum wage has **lost over 30% of its value** since 2016.
- Full-time workers on minimum wage **struggle to meet basic needs**.
- **Stagnant wages** are contributing to working poverty, low morale, and poor productivity.

Policy Recommendations

1. **Raise the minimum wage to reflect living costs and inflation.**
2. Establish a **mechanism for regular wage reviews** to ensure continued relevance.
3. Complement wage increases with **policies that boost productivity, reduce business costs, and support job creation.**

Context

Papua New Guinea's current minimum wage of PGK 3.50 per hour has **remained unchanged for over a decade**, despite rising inflation and a sharp rise in the cost of living. The last increase—a 53% adjustment—was determined in 2014 and implemented in three stages. Since then, no further revisions have been made, even as economic conditions have significantly worsened for many workers.

To put the issue into perspective, a minimum-wage earner working 8 hours a day, 5 days a week earns just PGK 560 per month. In 2025, this amount **falls significantly short of sustaining a basic standard of living**. Between 2016 and 2023, PNG experienced 43.9% total inflation, effectively eroding the purchasing power of the minimum wage by 30.5%. **Without urgent action, more workers will continue to fall below the poverty line, despite being formally employed.**

With the Minimum Wage Board now reactivated after 10 years, there is a window to reverse these declines and align wages with economic realities.

Past Minimum Wage Changes

The most recent review to the minimum wage occurred a decade ago, and was implemented in three phases.



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80 000
workers
benefited

Date of increase	Previous wage (PGK)	Modified wage (PGK)	Increase from previous wage	Increase from original wage
June 2014	2.29	3.2	-	40%
June 2015	3.2	3.36	5%	47%
July 2016	3.36	3.5	4%	53%

Figure 1. Three stages of minimum wage increase from 2014 Minimum Wage Review for Papua New Guinean workers.¹

Previous reviews show patterns of sectorial exemptions, phasing and long gaps between reviews:

- 1992 (urban/rural divide eliminated, 75% National Youth Wage).
- 2000 (MWB increase recommendation vetoed, eventual slight increase in 2002).
- 2008 (slight increase in three stages).

Catching Up to Inflation – Increase Minimum Wage by 44%

43.9% total inflation between 2016 and 2023 means the **minimum wage has lost 30.5% in value**.

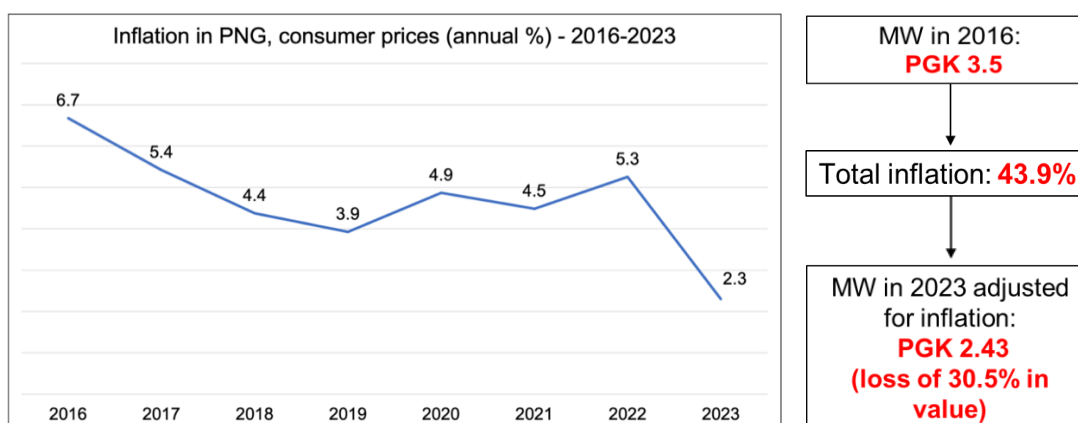


Figure 2. Inflation percentage in PNG from 2016 and 2023 reflecting the decreased value of current minimum wage.

To restore the purchasing power lost between 2016 and 2024, the **minimum wage would need to increase by approximately 44%**. Figure 3 illustrates this estimate by comparing the current minimum wage against inflation trends over that period. It highlights the gap that has emerged due to rising prices and highlights the need for an upward adjustment to maintain the real value of wages.

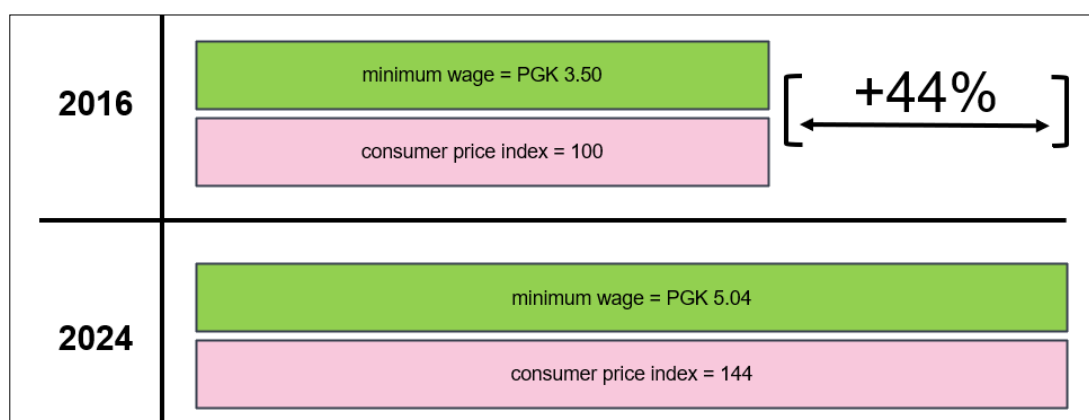


Figure 3. Minimum wage increase estimate to keep up with price increases from 2016 to 2024.

¹ <https://www.businessadvantagepng.com/third-stage-minimum-wage-increase-papua-new-guinea-workers-effective-july/>

Key Considerations

How Many People Would be Affected?

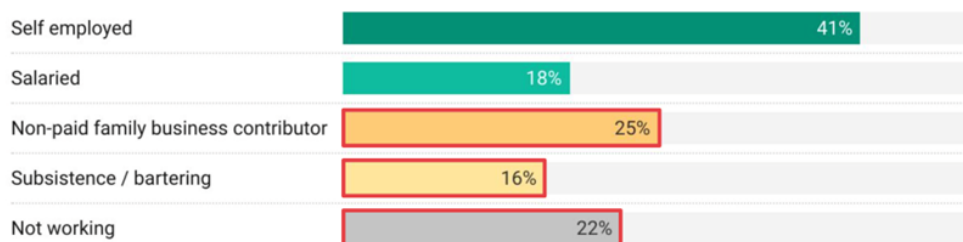
PNG has around 6.25 million adults aged 18 and over, according to 2023 UN estimates. Of these, just around 1.1 million (18%) are salaried workers, and an estimated 58% (656,000) are employed in the formal sector.²

Among these 656,000 formal workers, **53% (around 348,000 people) earn less than PGK 500 per month, placing them at or near the minimum wage threshold.** Roughly **127,000 of them (37%) are women.** By contrast, just 80,000 people benefited from the last minimum wage increase in 2014.

These figures, including the distribution of employment types and wage levels among salaried workers, are illustrated in Figure 4 and Figure 5 below.

Employment Types

All Respondents



*Respondents could report more than one employment type

Without monetary pay

Figure 4. Employment types and wage distribution among salaried workers. Error! Bookmark not defined.

	Formal	Informal
n-size	241 (58%)	172 (42%)
Less than PGK 500	53%	28%
PGK 501-1,000	11%	14%
PGK 1,001-2,000	5%	15%
PGK 2,001-3,000	8%	16%
PGK 3,001-4,000	1%	7%
PGK 4,001-5,000	1%	2%
More than PGK 5,000	20%	19%

Figure 5. Wage distribution among salaried workers.³

Regional Experiences

Several Pacific countries have recently undertaken minimum wage reforms that offer valuable lessons for Papua New Guinea. While each country's context varies, their experiences highlight practical strategies that can guide PNG's approach.

For example, **Samoa and the Solomon Islands implemented strategies such as phased rollouts and sector-specific carve outs for national minimum wage increases.** These efforts were underpinned by strong stakeholder engagement and data-informed decision-making.

² BCFW Labour Market Survey 2024. <https://www.pngbcfw.org/resources/case-studies/png-labour-market-survey-earnings-gender-and-ambitions-findings-analysis-and-policy-implications-november-2024>

³ BCFW Labour Market Survey 2024. <https://www.pngbcfw.org/resources/case-studies/png-labour-market-survey-earnings-gender-and-ambitions-findings-analysis-and-policy-implications-november-2024>

Samoa	Solomon Islands
Recent 30% minimum wage increase (WST 3 to WST 4 per hour in 2024; WST 4.84 per hour by July 2025). Strong collaboration: MCIL, Samoa Tripartite Forum, Tautai Program, Massey University. Workers' priorities included regular wage reviews every 2–3 years and a living wage standard. Private sector assessment found minimal business impact but noted need for more consultation time and implementation support. Emphasis on data-driven decision-making (via Central Bank & Statistics Bureau). Considerations for PNG: phased increase, periodic reviews.	100% wage increase in 2019 (SBD 4 to SBD 8 per hour); agriculture and fishing sectors set at SBD 7.20 per hour. Agriculture and fisheries exemptions reflected concerns from major employers. SICCI supported increase, in phases (not adopted). Advocated for a concurrent 100% rise in the tax-free threshold and periodic, inclusive wage reviews allowing time for business adaptation. Considerations for PNG: sector-specific carveouts, business incentives to ease transition and encourage compliance.

Impact of Minimum Wages on Women: Insights from Other Countries

Generally, increases in minimum wage **reduced gender pay gap**; however, the groups of women who benefitted varied. For example, research on Mongolia's increase in national minimum wages by 34% (nominally), reduced the total raw gender pay gap from 13.8% to 10.5% (between 2018 to 2020).

By Age Group	Wage Gap Drop (Percentage Points)	By Education Level	Wage Gap Drop (Percentage Points)
16-20	↓3.1	Primary & Below	↓2.6
21-25	↓2.6	Secondary	↓3.1
26-30	↓1.2	Vocational	↓2.7
31+	Minimal	Bachelor & Up	Minimal

Figure 6. Reduction in gender wage gap in Mongolia, following minimum wage Increases.⁴

Findings are consistent with existing literature on increasing minimum wage, may contribute to a reduction in the gender wage gap, particularly among low-paid workers with low levels of qualifications.⁵

Implications for Gender Inequality in PNG?

Among women with salaried formal sector jobs, a higher proportion earn below PGK500/month (see Figure 7 for a breakdown). **So, a minimum wage increase could reduce the gender gap in the salaried formal sector.**

At the same time, the absolute number of men in the salaried formal sector (including those earning below PGK500/month) is greater than women. **So overall (including informal salaried + self-employed sectors), more men may be affected by a minimum wage increase.**

This highlights the need for regular minimum wage reviews—not only to adjust for inflation, but to track who benefits or is left behind. **Ongoing monitoring by gender, age, sector, and region can help ensure wage policies remain fair, inclusive, and responsive over time, as recommended by BCFW.**

⁴ www.etd.ceu.edu/2024/enkhbayar_namuun.pdf

⁵ Majchrowska studying Poland; and Strawinski, 2018, Li and Ma, 2015 studying China.

	formal f	formal m
n-size	82	159
Less than PGK 500	57%	51%
PGK 501-1,000	8%	13%
PGK 1,001-2,000	4%	6%
PGK 2,001-3,000	3%	10%
PGK 3,001-4,000	2%	1%
PGK 4,001-5,000	0%	2%
More than PGK 5,000	26%	17%
Median:	439	490
Wage Gap:		10.4%

Figure 7. Breakdown by gender and wage formal sector salaried workers in PNG. BCFW's 2024 Labour Market Survey.⁶

Policy Implications

Decreasing or keeping the minimum wage at the same level is **not an option**.

Due to inflation between 2016 and 2023, **the minimum wage would need to be increased by 44% to have the same value** (in 2024). **Inflation** is probably the most straightforward benchmark for an increase.

Another consideration is the increase in **overall GDP since 2016 to 2023 (13%-19%)**.

BCFW proposes 3 policy dimensions:

1. **Adjust the national minimum wage** – at minimum, to reflect inflation.
2. **Ensure compliance** – enforce standards consistently across all businesses.
3. **Mandate regular reviews** – introduce a legal or policy commitment to review every 2-3 years.

Policy Dimension 1: National Minimum Wage Adjustment Options

Figure 8 below outlines a range of adjustment options for the national minimum wage, illustrating how different levels of increase relate to inflation and wage adequacy. These scenarios are intended to support informed discussions during the review process and help stakeholders understand the potential implications of various adjustment levels.

Policy Dimension 2: Compliance

- Important for business, so that playing field is levelled
- Ensure adequate funding for the Department of Labour and Industrial Relations to **carry out inspections, investigate complaints, enforce penalties, raise awareness on NMW rates and publish compliance reports**
- **Grant incentives to business?** Such as the tax cuts for workers and businesses currently under consideration by the Internal Revenue Commission
- Could **unions** have a reporting role?

⁶ BCFW Labour Market Survey 2024. <https://www.pngbcfw.org/resources/case-studies/png-labour-market-survey-earnings-gender-and-ambitions-findings-analysis-and-policy-implications-november-2024>

	INCREASE	PROS	CONS
OPTION A: one-time sizeable increase	44% (from PGK 3.5 to PGK 5.04) Catch up to inflation. And an additional 13-19% to account for GDP growth.	• Sufficiently large to fully address the cost-of-living crisis • Less disruptions in formal employment than a higher increase • Support from businesses would allow them to portray themselves as willing to contribute to the well-being of employees	• May be challenging for businesses to quickly adapt to increase • May generate some loss of employment in the private sector, mainly in small firms with low productivity and that are marginally above subsistence levels • No noticeable impact on wages of those in the informal sector
OPTION B: three-stage sizeable increase before 2027	Between 44% and 50% (from PGK 3.5 to PGK 5.04–PGK 5.25) Three instalments: (i) in 2025 after the MWB's recommendation, (ii) a year later in 2026 and (iii) shortly before the 2027 election An additional 13-19% needed to account for GDP growth.	• Spacing out would allow for a slightly larger increase • Would allow time for businesses to adapt in the medium-/long-term	• Higher overall increase might lead to slightly more loss of employment, though this would be offset by the time given to businesses to prepare
OPTION C: one-time small increase	36% (from PGK 3.5 to PGK 4.75)	• Less potential disruptions in formal employment • Would be less challenging for businesses to adapt	• May not do enough in helping address the cost-of-living crisis • Possible negative public perception towards business for not supporting a larger increase

Figure 8. Three options for minimum wage adjustment.

Policy Dimension 3: Periodic Review

- The 1962 Industrial Relations Act doesn't specify how frequently the Board should meet – **an amendment or formal government commitment could ensure regular reviews**
- **Predictable wage reviews help** businesses to adapt to rate adjustments and have their concerns/view continuously heard

Conclusion

Raising the minimum wage is a critical step toward restoring economic fairness, improving gender equity, and supporting PNG's formal sector workforce.

With careful planning and inclusive implementation, the MWB has a timely opportunity to deliver a wage policy that works for both workers and businesses.

The BCFW is a non-profit organisation that aims to help businesses in PNG overcome challenges to women's participation in Papua New Guinea (PNG) workforce. <https://www.pngbcfw.org/>