



Australian Government
Comcare

Jurisdictional Policy Advice No. 2010/06 *Safety, Rehabilitation and Compensation Act 1988*

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Safety, Rehabilitation and Compensation Act 1988

Indexation of normal weekly earnings under subsections 8(9B) and 8(9F)

Purpose

1. The purpose of this advice is to inform determining authorities about the new percentage increase they need to apply to normal weekly earnings (NWE) in accordance with subsections 8(9B) and 8(9F) of the *Safety, Rehabilitation and Compensation Act 1988* (SRC Act).
2. The percentage increase is 2.9% and will come into effect on 1 July 2010.

Background

3. Section 8 of the SRC Act requires, under certain circumstances, that the NWE for both ex-employees and current employees is increased. The increase to NWE is calculated using the percentage increase (if any) in a prescribed index.

Legislation

4. Changes to the SRC Act on 1 October 2001 included the introduction of subsections 8(9B)–8(9D). These new subsections provided for a further increase to the NWE of an ex-employee—over any increase already applied under section 8—with effect from 1 July each year. The increase (if any) is calculated by referring to a prescribed index.
5. The *Safety, Rehabilitation and Compensation and Other Legislation Amendment Act 2007* (SRCOLA Act 2007) inserted new subsections 8(9E)–8(9G) regarding current employees of the Commonwealth or a licensee. These subsections state that where there has been no change in NWE in the 12 months preceding 1 July each year—and it cannot be increased under the previous section 8 provisions—it can be increased in line with a prescribed index.
6. Subsections 8(9B) and 8(9F) of the SRC Act state that the increase to NWE must be calculated using movement in the prescribed index from one December quarter to the next December quarter. The movement is applied to the NWE of relevant current and ex-employees and may result in an increase in their entitlements. The increase applies from 1 July the following year.

7. The Safety, Rehabilitation and Compensation Regulations 2002 (the Regulations) refer to the prescribed index as the wage price index (WPI). WPI is published by the Australian Bureau of Statistics (ABS) and is defined as 'total hourly rates of pay—Australia/all industries/all occupations—excluding bonuses'.
8. The Regulations require that the movement in the WPI be calculated to four decimal places and rounded up to three decimal places, which when expressed as a percentage as required by section 8, becomes the annual indexation percentage increase.
9. The Regulations also assist determining authorities by specifying the manner in which the NWE increase is calculated. The WPI movement is applied to the current NWE, calculated to three decimal places and rounded up to two decimal places.
10. The Regulations include the following formula:

..... the further increase in normal weekly earnings mentioned inthe Actis the amount (if any) calculated, to three decimal places and rounded up to two decimal places, in accordance with the formula:

$$(F \times PE) - PE$$

F is the greater of the following:

- (a) the number calculated, to four decimal places and rounded up to three decimal places, by dividing the index number by the previous index number
- (b) 1.000.

Index number is the index number of the index mentioned in regulation 5 for the quarter that ended on 31 December in the year immediately before the indexation date.

PE is the normal weekly earnings that applied immediately before the indexation date.

Previous index number is the index number of the index mentioned in regulation 5 for the quarter that ended on 31 December in the previous year.

Note: Under the formula above, there will be a further increase in normal weekly earnings only if F is greater than 1.000.

Calculation

11. For the purposes of this JPA:
 - the relevant year is 2010
 - the 'index number' December quarter is 2009 (the December quarter before 1 July 2010) and the 'previous index number' December quarter is 2008 (the December quarter before that)
 - although not prescribed by the Regulations, the 'original' WPI number is used to maintain parity with the section 13 and 13AA indexation process
 - the December 2009 quarter WPI (original) index number published by the ABS is 102.7
 - the December 2008 quarter WPI (original) index number published by the ABS is 99.8

Refer to the table below for the relevant calculations.

1	WPI at December 2009 (1)	102.7
2	WPI at December 2008 (2)	99.8
3	(1) divided by (2)	1.029058116
4	Read to 4 decimal places	1.0290
5	Rounded up to 3 decimal places	1.029
6	Expressed as a percentage	2.9%

The Regulations prescribe that the result of the equation must be rounded up to three decimal places. This does not occur if the fourth decimal place is a zero so in this instance the result is rounded to 1.029.

Policy advice

12. Determining authorities must have appropriate processes and procedures in place to ensure NWE calculations under subsections 8(9B) and 8(9F) are increased in accordance with the Regulations with effect from 1 July 2010.
13. For both subsections 8(9B) and 8(9F), the increase expressed as a percentage is 2.9%.
14. When calculating these NWE increases, determining authorities must apply the 2.9% increase in accordance with the formula provided in the Regulations, where 'F' is 2.9% (specifically 1.029) and 'PE' is the NWE immediately prior to 1 July 2010.
15. The resulting increase must be rounded up (not just rounded) to two decimal places and added to 'PE' to obtain the new, indexed NWE.
16. For example, an NWE of \$1234.56 multiplied by 2.9% equals \$35.8022. This figure rounded up to two decimal places is \$35.81, and added to \$1234.56 equals \$1270.37.
17. For enquiries concerning this policy advice, please contact the SRC Policy Section by telephone on 1300 366 979, or by email at SRC.Policy@comcare.gov.au.

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