

## Overview

The purpose of this fact sheet is to introduce employers and workers to the basic concepts related to the indexation of a worker's pre-injury average weekly earnings (PIAWE).

Once PIAWE has been determined, the scheme agent is responsible for the indexation of a worker's PIAWE. The scheme agent will need to review PIAWE on 1 April and 1 October each year to determine if indexation should be applied to PIAWE, in accordance with Division 6A of *The Workers Compensation Act, 1987 (The Act)*.

This fact sheet provides the employer and/or worker with instruction regarding the type and detail of information that should be supplied to a scheme agent by 1 April and 1 October each year ensure that the worker's PIAWE is calculated correctly.

## Why do we index a worker's PIAWE?

The purpose of indexation is to ensure workers receive a weekly payment aligned with what they would receive if they had not been injured.

After review, PIAWE will:

- remain the same, or
- be increased in line with current ordinary earnings, or
- be indexed in line with movements in the consumer price index.

## What information does the scheme agent require to apply indexation to the calculation of PIAWE?

To correctly apply indexation a scheme agent requires:

1. The amount of the worker's pre-injury average weekly earnings
2. The CPI (consumer price index – All Groups Index – for Sydney issued by the Australian Statistician) for the quarter immediately before and after the relevant review date
3. The amount of the current ordinary earnings (refer "PIAWE – Ordinary Earnings" fact sheet, for a definition of ordinary earnings) that the worker would be earning in their pre-injury employment, had they not been injured.

## How is this information used to index PIAWE?

Indexation of a worker's PIAWE is completed in accordance with the following steps:

### Step 1

Obtain the current ordinary earnings to confirm what the worker would have been paid whilst working in the same position at the same number of hours.

### Step 2

Apply the following formula to index the current PIAWE:

$$A \times \frac{B}{C}$$

A = the amount of the PIAWE to be varied

B = the CPI for the December or June quarter immediately prior to the review date (for 1 April or 1 October)

C = is the CPI for the June or December quarter prior to the review date (for 1 April or 1 October).

The Workers Compensation Benefits Guide contains the current published CPI figures to be used in this formula.

*Table of numbers equating to the factor B/C*

Review date	B All Groups CPI (Sydney)	C All Groups CPI (Sydney)	Number that equates to the factor B/C
1 April 2013	102.3 (December 2012)	100.5 (June 2012)	1.0179
1 October 2013	103.1 (June 2013)	102.3 (December 2012)	1.0078
1 April 2014	105.0 (December 2013)	103.1 (June 2013)	1.0184
1 October 2014	106.0 (June 2014)	105.0 (December 2013)	1.0095
1 April 2015	106.8 (December 2014)	106.0 (June 2014)	1.0075
1 October 2015	108.3 (June 2015)	106.8 (December 2014)	1.0140

The most current version of the Workers Compensation Benefits Guide must always be used.

### Step 3

The result of the calculation is then rounded in accordance with the following rounding rules:

- If the amount is less than \$1,000, round to the nearest whole \$1, OR
- If the amount is \$1,000 or more, round to the nearest whole \$10.

### Step 4

Compare the amount determined in Step 1 to amount determined in Step 3.

- If indexed rate (step 3 amount) is **greater than** what the worker would have been earning were it not for the injury (step 1 amount), indexation does not occur, however PIAWE may be increased to current ordinary earnings (step 1 amount), if different to PIAWE
- If indexed rate (step 3 amount) is **less than** what the worker would have been earning were it not for the injury (step 1 amount), indexation is applied (step 3 amount)

A worker's PIAWE should never be reduced by indexation. If by applying the above steps, the result would be a reduction in the PIAWE, then the PIAWE should not change.

### Indexation example

Laura's claim for compensation is due for an indexation review. Her PIAWE is \$1,020. The scheme agent sent a request to Laura's employer to obtain her current ordinary earnings (but for the injury).

### Step 1

Her employer confirmed that current ordinary earnings (but for the injury) would be \$1,050.

### Step 2

The Workers Compensation Benefits Guide (October 2015 – the current version of the Workers Compensation Benefits Guide must always be used) states that the B/C factor = 1.0140. Therefore, to index Laura's PIAWE the following calculation is applied:

$$\$1,020 \times 1.0140 = \$1034.28$$

### Step 3

Laura's PIAWE will be rounded to the nearest \$10, as her PIAWE is \$1,000 or more.

Applying the rounding rules means Laura's indexed PIAWE = \$1030.00: \$1034.28 >>> \$1030.00

As the new PIAWE of \$1,030 does not exceed her current ordinary earnings (but for the injury) of \$1,050, Laura's new PIAWE from 1 October 2015 becomes \$1,030.

### How is indexation applied if a worker is not currently in receipt of weekly payments?

Workers with a date of injury after 1 October 2012 (or older claims where workers have suffered a recurrence of their injury after this date) will have their PIAWE calculated in accordance with s44C of *The Act*. The PIAWE is reviewed for indexation at every April and October after this time. If a worker was not in receipt of weekly payments, but became entitled to weekly payments again after long periods where payments had not been made, indexation would be reviewed from 1 October 2012 onwards.

### **Does indexation occur for workers receiving the ‘Minimum PIAWE’?**

Yes. Currently the minimum PIAWE is \$155 per week. This is the amount paid to workers whose PIAWE is calculated to be less than \$155 per week. Workers in receipt of the minimum PIAWE will have this amount reviewed for indexation in April and October each year in accordance with the steps outlined above.

### **Does indexation apply for workers in receipt of the ‘Maximum weekly payment’?**

Yes. Workers earning higher incomes pre-injury will have their weekly payment capped. This capped amount is the weekly payment amount and not the PIAWE, and is indexed each April and October. The new indexed amount is published in the Workers Compensation Benefits Guide.

### **How does indexation apply for workers receiving the ‘Transitional amount’?**

The transitional amount (the amount that is deemed to be PIAWE for some workers) is automatically indexed each April and October. The new indexed amount is published in the Workers Compensation Benefits Guide.

### **How does indexation apply for workers receiving the ‘Special provision for workers with highest needs’?**

Workers with highest needs (more than 30 per cent permanent impairment) have access to a minimum weekly payment of compensation. This amount is the weekly payment amount and not the PIAWE, and is indexed each April and October. The new indexed amount is published in the Workers Compensation Benefits Guide.

### **What should the employer provide to the scheme agent to assist them to correctly index a worker’s PIAWE?**

A scheme agent needs up to date information about what a worker’s ordinary earnings would be had they not been injured at work. This includes changes to the worker’s hourly rate, changes to piece rates, non-pecuniary benefit rate / amount and method to calculate commissions (if applicable). The timely provision of this information to the scheme agent (before 1 April and 1 October each year), will assist them in calculating the correct PIAWE in a timely manner.

If a scheme agent is unable to obtain this information from the employer, there is a risk that the worker’s PIAWE will be indexed to an amount higher than what they would receive had they not been injured.

### **Can an indexed PIAWE decision be disputed?**

Ensuring that accurate information is provided early will enable PIAWE to be indexed correctly and efficiently.

The indexation of PIAWE is not considered a work capacity decision. If after 1 April or 1 October, a worker is not happy with their weekly payment after indexation, they can make an application to the scheme agent to alter the amount of their weekly payments. A scheme agent has 28 days to respond to this request.

## **Other useful information**

The “Calculating pre-injury average weekly earnings” form details the information that is required to assist the scheme agent to correctly calculate the worker’s PIAWE. Please complete the “Calculating pre-injury average weekly earnings” form and submit to the relevant scheme agent managing the claim.

In addition to this fact sheet you can refer to the following fact sheets to also assist in the completion of the “Calculating pre-injury average weekly earnings” form:

- “PIAWE – Relevant Period” fact sheet
- “PIAWE – Overtime and Shift Allowance” fact sheet
- “PIAWE – Leave” fact sheet
- “PIAWE – Concurrent Employment” fact sheet
- “PIAWE – Ordinary Earnings” fact sheet

## **Further assistance**

Further assistance can be provided by contacting the scheme agent.