Indexation

New South Wales workers compensation legislation provides that weekly incapacity payments, death benefits (excluding funeral expenses), and the occupational rehabilitation service cost benefit be indexed.

Sections 79 and 80 of the *Workers Compensation Act 1987* describe how indexation is to be calculated. Essentially, indexation changes are linked to movements in an Australian Bureau of Statistics (ABS) wages measure.

The indexation of workers compensation benefits commenced on 1 April 1978. Indexation adjustments are applied from 1 April and 1 October each year according to the "latest index number" prescribed by regulation. These index numbers are contained in clause 13 of the *Workers Compensation Regulation 2003*.

Until October 1997, workers compensation benefits were indexed according to the "latest index number" based on movements in the *Australian Bureau of Statistics* (ABS) *Award Rates of Pay Index for NSW males* (ARPI). The Australian Statistician ceased publication of the ARPI in June 1997.

Consequently, from 1 April 1998, indexation was calculated using the *Wage Cost Index* (WCI). First published by the ABS in December 1997, the WCI captured wage movements from enterprise bargaining, not previously captured by the ARPI. The ABS ceased publication of the WCI in June 2004.

In September 2004 the ABS commenced publication of the 'Wage Price Index' (WPI) in a new quarterly publication entitled, the *Labour Price Index*. The WPI replaced the WCI for ordinary time hourly rates of pay excluding bonuses. The only difference between WPI and the WCI is the reference base year. The WPI reference base is 2003-04, compared to the WCI reference base of September 1997.

From 1 April 2005, benefits payable were indexed to reflect movements in the Quarterly Wage Price Index for NSW ordinary time hourly rates of pay excluding bonuses. The ABS changed the WPI reference base from the September 2009 quarter onwards. The new WPI is now presented on a reference base of 2008-09, where previously the old WPI was presented on a reference base of 2003-04. The new WPI is converted to the old WPI using a rescaling factor published by the ABS. The old WPI is then converted to the equivalent WCI by using another scaling factor published by the ABS.