

EDUCATION, SCIENCE AND TRAINING

SENATE LEGISLATION COMMITTEE - QUESTIONS ON NOTICE 2005-2006 BUDGET ESTIMATES HEARING

Outcome: 2

Output Group: 2.4 – Funding for Higher Education

DEST Question No. E340_06

Senator Carr provided in writing.

Question:

- a. Further, your report says that the Safety Net Adjustment, for the purpose of inclusion in the Wages Cost Indices (WCIs) takes the dollar amount of each annual increase and expresses this not as a percentage of the minimum wage itself, but of the average adult ordinary-time wage, known as AWOTE.

Have I understood that?

- b. That means that, since the minimum wage is around half of average wages (AWOTE), the percentage figure obtained by applying the dollar increase of the Safety Net Adjustment to average wages is about half the result of applying the dollar amount to the minimum wage itself.

Is that correct?

Answer:

Safety Net Adjustment

- a. The *Review of Indexation Arrangements in the Higher Education Sector* noted that one of the underlying principles of the Government's indexation framework is that "indexes used should include only those wage increases which are not offset or expected to be offset by productivity improvements".

The application of the Safety Net Adjustment (SNA) reflects this principle. It is a measure that captures changes in wage costs that are not related to productivity.

When the SNA is applied to derive the wages element in the WCI, it needs to be expressed as a percentage of agency and programme wage levels. Average Weekly Ordinary Time Earnings (AWOTE) is a measure that can be taken as a broad approximation of wage levels across agencies and programmes. The SNA is expressed as a percentage of AWOTE to obtain the percentage increase in wage costs that does not reflect productivity improvements.

- b. The SNA granted in decisions by the Australian Industrial Relations Commission is a dollar increase in award wage rates. This dollar increase is applied in full in the Government's indexation framework. With AWOTE as an approximation of average wage levels across agencies and programmes, the full dollar amount of the SNA is converted into a percentage of AWOTE in order to calculate the percentage increase in an agency's or programme's overall wage costs that will be supplemented under the indexation framework. This calculation accounts fully for the dollar increase in overall agency and programme wage costs from the application of the dollar value of SNA.

