

EDUCATION, SCIENCE AND TRAINING

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

Outcome:

Output Group: 2.4 – Higher Education Group

DEST Question No. E353_06

Senator Carr provided in writing.

Refers to DEST Question No E740_04

Question:

Is the application of the Safety Net Adjustment to AWOTE a deliberate policy, designed to force annual so-called “productivity” gains?

Is this policy the reason why the Government has rejected calls for indexation for universities based on, for instance, Average Weekly Earnings or the ABS Education Labour Price Index? Is that what you mean when you say that such a form of indexation would include “a productivity element”?

Answer:

Safety Net Adjustment

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.