

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
BUDGET ESTIMATES 2017-18

Finance Portfolio
24-25 May 2017

Department/Agency: Finance
Outcome/Program: 1/1.1
Topic: Wage Cost Indices

Senator: McAllister

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Question:

Senator McALLISTER: So what is the forecast for public sector wage growth over the next two years?

Dr Camilleri: We do not make a forecast for public sector wage growth. Agencies get their departmental funding. They are indexed by the WCIs, which are calculated as we have explained. How that is split between wage costs—wages and salaries—and other costs is up to the agencies. They just get one envelope.

Senator McALLISTER: On notice could you provide a summary of each of the wage cost indices that are in use and how they are calculated?

Dr Camilleri: Yes.

Answer:

The Wage Cost Indices (WCIs) were introduced in 1995 and are used by the Australian Government to index departmental funding of agencies (except Defence).

The WCIs are weighted indices based on changes in a wage component and a non-wage component, to reflect labour content and supplier costs respectively. To account for differing proportions of these components in the delivery of services, a range of alternative WCIs are used with the weightings ranging from 40 to 90 per cent for the wage component in combination with, correspondingly, 60 to 10 per cent for the non-wage component.

The non-wage component is measured by the CPI. The wage component is the annual increase in the national minimum wage determined by the Fair Work Commission, expressed as a percentage of the latest estimate of average weekly ordinary time earnings published by the Australian Bureau of Statistics.