

EDUCATION, SCIENCE AND TRAINING

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

Outcome: 2
Output Group: 2.4 – Higher Education Group

DEST Question No. E351_06

Senator Carr provided in writing.

Question:

How does that situation meet the requirement that programs with substantial wage costs should be indexed by the same index?

Answer:

Policy on Indexation

See answer to Question 740_04 in 2004 – Extract provided below.

Indexation Rationale

In the 1995–96 Budget the then Government agreed to new indexation arrangements following a review. The Government commissioned the review in the 1994 Budget in light of the growing importance of enterprise bargaining which had caused the existing wage indices to be increasingly unsuitable. There was also concern that the existing arrangements were not being consistently applied and had become overly complex.

In general it was agreed that all programmes across the whole of government with substantial wage costs components be standardised to “cocktail” indices known as Wage Cost Indices (WCI). These indices consist of different combinations of wage and non wage indexation components. The wage component is based on the Safety Net Adjustment (SNA) which is determined by the Australian Industrial Relations Commission and the non wage component based on the Consumer Price Index (CPI).

Programmes were evaluated to determine the nature of the expenditure. In line with the Government decision each programme was allocated an index based on best match to the ratio of its expenditure between wage costs and other expenses. This means that programmes with substantial wage costs were matched to a wage cost index with a higher SNA contribution whereas programmes with substantial “other costs” were matched to a WCI with greater CPI contribution. Ten wage cost indices are currently used, each identified by a different number, eg WCI1, WCI2, etc. However, not all programmes’ expenditure nature fitted into this indexation arrangement, so more suitable indices were agreed.”