

Income Compensation Calculation and Step Down

The *Workers Compensation and Injury Management Act 2023 (the WCIMA23)* sets out the method for calculating income compensation.

Key Points

Act ref: ss. 54-57, 556, 557

- Income compensation payments are calculated based on pre-injury average earnings over a 12-month period for award and non-award workers (or period employed if less than one year).
- Any period a worker has taken leave without pay is excluded from the calculation of the worker's average earnings.
- A step down to 85% of the worker's pre-injury weekly rate of income applies after 26 weeks of payments, subject to minimum and maximum amounts.
- A safety net minimum weekly rate of income compensation applies if the step down to 85% of a worker's pre-injury weekly rate of income would otherwise result in income compensation falling below:
 - the base award rate under provisions of an industrial instrument to which the worker would be entitled to be paid in a week (plus any regular additional earnings - over award payments, overtime and allowances); or
 - the minimum amount to which the worker would be entitled under the *Minimum Conditions of Employment Act 1993* to be paid in a week - the current safety net for non-award workers.
- There is a cap on the maximum weekly rate of income compensation and a cap on total income compensation payments – both are indexed annually.

Questions & Answers

Q. Will the same calculation method apply regardless of whether a worker is covered by an Award or not?

A. Yes. However, after week 26 when the 85% step down applies there is a minimum weekly rate that needs to be considered if the 85% step down results in payments less than the base award rate of pay and any regular additional earnings.

Q. Is there a minimum amount for part-time workers?

A. Yes. It is the minimum amount (base award rate component) to which the worker would have been entitled (if not injured) to be paid in a week for working.

Q. How are payments calculated if weekly payments commenced under the 1981 Act?

A. If weekly payments commenced under the 1981 Act before commencement day of the *WCIMA23*, the amount of any payments to the worker for income compensation for any period of incapacity on or after commencement day must continue to be calculated in the manner provided by the 1981 Act for the calculation of weekly payments (s.556).