Cost of Living Adjustment (COLA) 2023

It is important that wage loss benefits fairly reflect what a worker's earnings were at the time of accident. Section 59 of the *Workers' Compensation Act* gives us the authority to adjust long-term benefits yearly using a standard formula.

This is known as a cost of living adjustment (COLA) and is used to prevent a decrease in benefits due to inflation. COLA restates the date of accident earnings in current dollars so the wage loss benefits of today reflect the real wage loss.

COLA is calculated based on the change in the Alberta Consumer Price Index (ACPI) for 12 months, ending September 30, less 0.5 per cent.

This method, based on a rolling 12-month average, is commonly used by pension groups and is considered to be a fair representation of the marketplace. Cost of living adjustments are effective January 1 each year.

Rates for 2023

Item	Rate for 2023
COLA	5.48%
Effective date	January 1, 2023
Maximum Assessable Earnings	$102,100.00
Maximum Monthly PTD* Rate	$5,593.25
Maximum Weekly Compensation rate	$1,287.21
Minimum Monthly PTD* Rate	$2,016.91
Minimum NELP*	$2,049.59
Maximum NELP*	$102,479.36
Maximum Home Maintenance Allowance - Level 1	$257.49/month
Maximum Home Maintenance Allowance - Level 2	$2,356.38/year
Minimum Personal Coverage	$32,200/year

*PTD = Permanant Total Disability

*NELP = Non economic loss payment

WCB's Board of Directors approves the proposed COLA before it's put into use.

Why base adjustments on a consumer price index?

The Alberta economy drives the cost of living adjustment from year to year. The Alberta Consumer Price Index (ACPI) is the most accurate reflection of cost-of-living for most workers. By reflecting annual changes in the consumer price index, COLA ensures long-range stability and fair benefits for workers.

Why is 0.5% deducted in the current formula?

Although the consumer price index is the most accurate indicator of cost-of-living, Bank of Canada studies (1993, 2005 and updated in 2012) have shown that consumer price indexes consistently over-estimate the effect of price changes.

The Bank of Canada studies estimate the bias at approximately 0.5 per cent, regardless of the actual rate of inflation and concluded the bias results from four major factors:

- **Commodity-substitution bias.** The methodology does not capture the ability of consumers to choose less expensive goods in response to price changes.
- **Outlet-substitution bias**. The methodology does not capture the cost savings from shifting to lower-priced retail outlets
- **New-goods bias**. With a basket updated only every four years, new products or brands may be excluded, and gains from the availability of a broader selection of goods and brands are not captured.
- **Quality-adjustment bias**. Efforts to separate quality improvements from price movements may not always be captured correctly.

Taking the above into account, the formula we use for COLA includes a 0.5 per cent adjustment to the change in the Alberta Consumer Price Index to more accurately reflect the real impact of price changes.

[1] http://www.bankofcanada.ca/wp-content/uploads/2012/08/boc-review-summer12.pdf