

**Alberta WCB
Policies &
Information**

Chapter:

BENEFITS

Subject:

ESTABLISHING NET EARNINGS

Authorization:

BoD Resolution 2003/10/39

Date:

December 9, 2003

APPLICATION 1: GENERAL

1. *How are net earnings calculated?*

WCB calculates net earnings by applying a standard formula to the worker’s annual gross earnings rounded to the nearest \$100, as set out in s.1 of the *WC Regulation*. When rounding to the nearest \$100, WCB rounds up amounts of \$50 or more (for example, earnings of \$19,550 are rounded up to \$19,600).

The formula includes the deduction of Canada Pension Plan and Employment Insurance contributions, and the probable income tax on the gross earnings. The formula is the same for all workers, regardless of actual tax status.

To ensure consistency, WCB prepares tables for each calendar year, indicating gross income in \$100 increments and the corresponding weekly compensation rate, based on 90% of net earnings (see Appendix E, Compensation Tables).

2. *What earnings does WCB consider when determining compensable gross earnings?*

WCB considers basic hourly, weekly, bi-weekly, or monthly rates of pay, and may also include the following:

- overtime pay when there is a regular and consistent pattern of overtime
- vacation pay
- payment for shift differentials, bonuses, statutory holidays or gratuities
- the dollar value of the employer-subsidized portion of employer-provided accommodation, if the worker loses the accommodation because of the compensable accident

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Gross earnings (continued)

- the dollar value of an isolation allowance, if the isolation is a permanent part of the job and the worker loses the allowance because of the compensable accident
- the dollar value of travel, subsistence and lodging allowances, if they are recorded as taxable benefits
- any other taxable remuneration which, in WCB’s opinion, should be included when calculating the compensation rate

Employment Insurance and social services benefits are not considered to be employment income. As well, WCB does not include severance pay (or pay in lieu of notice) in the worker’s gross earnings. WCB considers severance pay to be compensation from the employer for the loss of employment, rather than employment earnings.

In some circumstances, WCB may use the worker’s gross taxable earnings for the previous calendar year instead of current earnings. The previous year’s gross earnings will be used only when there is not a regular pattern of shift cycles or overtime, making it unusually difficult to determine current earnings. WCB will not use the previous year’s gross earnings if those earnings are not representative of the worker’s current earnings loss.

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3. *When the worker has two or more jobs at the same time, what earnings does WCB include?*

When a worker with a compensable injury has two or more jobs concurrently (at the same time), WCB will pay compensation for earnings of the jobs from which the worker is disabled due to the compensable injury. The combined earnings must not exceed any maximum compensable earnings in effect at the date of the accident (see Addendum A).

Earnings from concurrent employment in an industry not covered under the *WCA* are included only when the date of accident is on or after January 1, 1981.

To establish the worker's net earnings, WCB includes earnings from all concurrent employment, as this is a more accurate representation of the worker's employment income and probable income tax (see Question 1). When paying compensation, however, WCB does not pay compensation for earnings from employment which the worker is still able to perform. For example, a worker with a sprained ankle is unable to work in his or her job as a restaurant waiter until he or she recovers from the injury, but is still able to perform the duties of his or her concurrent employment as a telephone operator. In this case, WCB pays compensation only for the worker's earnings as a waiter.

When a worker is disabled from more than one employment source, WCB will continue to consider fitness to work in each type of employment and will adjust the compensation if the worker's disability status changes.

4. *How does WCB determine earnings for workers who do not earn a consistent wage?*

WCB takes into consideration a variety of work arrangements that affect a worker's earnings. Refer to Application 2, Special Circumstances, for further information.

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5. *When is this policy application effective?*

This policy application (Application 1 – General) is effective January 1, 2004, except when noted otherwise in a specific policy section(s).

Previous versions

- [Policy 0401 Part II - April 2018](#)
- [Policy 0401 Part II - August 2015](#)
- [Policy 0401 Part II - June 2010](#)
- [Policy 0401 Part II - January 2, 2004](#)
- [Policy 0401 Part II - January 1, 2004](#)
- [Policy 0401 Part II - June 2001](#)
- [Policy 0401 Part II - March 1999](#)
- [Policy 0401 Part II \(consolidated manual 1st Issue\) - February 1997](#)