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Research Brief

TO: Representative Andy Josephson
FROM: Patricia Young, Manager
DATE: February 4, 2015
RE: Impact of Inflation on Statutory Compensation for Partial But Permanent Impairment under the Alaska Workers' Compensation Act
LRS Report 15.225

You asked for a calculation of the impact of inflation on the dollar amount (\$177,000) delineated in AS § 23.30.190 since 2000, the year in which that amount was last adjusted.

As you know, the dollar figure in AS § 23.30.190—\$177,000—is the amount under Alaska Workers' Compensation laws used to determine the compensation due to an employee who has suffered a partial but permanent impairment due to a workplace injury.

We used the Consumer Price Index (CPI) for Anchorage to determine the total amount of inflation that has occurred since 2000, the year in which the dollar figure in AS § 23.30.190 was last adjusted. We then multiplied \$177,000 by that inflation amount. Those calculations are as follows:

Average Anchorage CPI ¹	
First Half 2000	150.00
Second Half 2014	216.83
Difference	66.83
Aggregate Inflation	44.55% (66.83/150*100)
Inflation Calculation for AS § 23.30.190	
\$177,000 * 1.4455	\$255,854

As you may know, the CPI is the most widely cited measure of U.S. inflation. Compiled by the U.S. Bureau of Labor Statistics with the assistance of state agencies, the CPI tracks price changes for a "market basket" of various consumer goods and services. It is therefore best seen as a measure of changes in costs to consumers and, in recent years, has become viewed by many economists as a cost of living index. The CPI has many critics, however, who argue that the index can be misleading when applied to specific sectors of the economy. For instance, prices for items such as healthcare and energy costs often do not move in concert with changes in the overall CPI.²

It is therefore most appropriate to view the inflationary changes we calculate as the generally accepted difference in overall consumer buying power of the \$177,000 in question, rather than a change to the value of those dollars per se.

We hope this is helpful. If you have questions or need additional information, please let us know.

¹ Anchorage CPI figures are from the Alaska Department of Labor and Workforce Development, Research and Analysis Section, <http://laborstats.alaska.gov/cpi/cpi.htm>.

² More information on the CPI is available at <http://www.bls.gov/cpi/>.