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Workers' Compensation Earning Capacity Formula (WCEC)

by

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Through the WCEC Formula, the calculation of diminished future earning capacity is expressed in the following equation:

$$DFEC = f(WLE) \times \left[\frac{\text{PRE-POST}}{\text{PRE}} \right]$$

Where:

DFEC = diminished future earning capacity
WLE = worklife expectancy
PRE = pre-injury earning capacity
POST = post-injury earning capacity
f = function of

This formula provides the vocational expert an empirically based methodology for calculating post-injury employability and resultant earning capacity. The post-injury earning capacity figure can then be applied to the formula to determine diminished future earning capacity expressed as a percentage.

The Workers' Compensation Earning Capacity Formula (WCEC) can be applied in determining diminished future earning capacity under SB 899 and Labor Code section 4660.

I. Clarify Worklife Expectancy

- A. Clarify date of birth, date of injury and P&S (MMI) date.
- B. Determine pre-injury worklife expectancy.
- C. Determine post-injury worklife expectancy.

II. Establish Pre-injury Earning Capacity

- A. Clarify wages at time of injury.
- B. Clarify benefits at time of injury, particularly if they are likely to be substantially different post-injury.
- C. Combine wages and benefits to establish pre-injury earning capacity.

- D. Consider wages alone, if you expect benefits to represent a comparable portion of earnings post-injury.
- E. If necessary, convert partial workyear earnings to full workyear earnings.

III. Calculate Post-injury Earning Capacity

- A. Use the total labor market access approach or the most suitable job(s) approach.
- B. For the total labor market access approach, use the *McCroskey Transferable Skills Program* (MTSP), *OASYS*, *SkillTRAN*, or a comparable program to determine the entry-level wage for the highest paying job or jobs for which the injured employee has some or all of the skills required for employment.
- C. For the most suitable job(s) approach, use the *RAPEL Method* or a related method to identify the most suitable jobs to use as the basis for post-injury earning capacity, using MTSP, OES, or another source of wage data.
- D. Add a separate calculation for benefits if they are likely to be substantially different as a percentage of wages post-injury.
- E. Calculate earnings after 3 to 5 years through the MTSP, OES, or another source of wage data.
- F. Add benefits, if substantially different as a percentage of wages post-injury.
- G. Determine earnings, if any, while in training.
- H. Calculate the average hourly earnings for the first 3 to 5 years post-injury.
- I. Calculate earnings for the remainder of the worklife post-injury.

IV. Calculate future earning capacity.

- A. Earnings for the first 3 to 5 years plus training and job search time
- B. Plus earnings for the remainder of worklife
- C. Equals total post-injury EC
- D. Pre-injury EC less post-injury EC
- E. Equals DFEC
- F. Divided by pre-injury EC
- G. Equals the percentage of DFEC
- H. Add any training related costs
- I. Determine DFEC including training related costs

V. Calculate the impact of any additional disability factors on DFEC.

- A. Medically necessary use of a mobility aid such as a cane, crutches, walker, or wheelchair.
- B. Artificial member or brace.
- C. Limited to part-time work, e.g., 4 hours per day only or 3 days per week only.
- D. Need for extra or extended rest breaks, lie-down breaks, or unscheduled absences due to flare-ups.
- E. Absences from work for anticipated surgeries and other treatment.
- F. Need for ready access to a bathroom.
- G. Special environmental limitations.