

Statement of Public Interest

Tabled by... Mr. Moshay

Staffell  
For

Clerk of the Parliaments

TAB 7

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## WORKERS COMPENSATION LEGISLATION AMENDMENT (REFORM AND MODERNISATION) BILL 2025 STATEMENT OF PUBLIC INTEREST

### **Need: Why is the policy needed based on factual evidence and stakeholder input?**

The Workers Compensation Legislation Amendment Act 2025 (the 2025 Act), was passed by the Legislative Council on 14 November 2025, and the Legislative Assembly on 18 November 2025. The 2025 Act made significant amendments to workers compensation, but did not include all provisions necessary to allow for injured workers to be supported in recovery and return to work both now and into the future.

This bill will enable the delivery of the benefits intended for the 2025 Act.

Under the current system, only 50 per cent of workers with a psychological injury are returning to work within a year. This compares to 95 per cent for workers with a physical injury. A key objective of workers compensation is to support injured workers in returning to work. These reforms are needed to better promote return to work for injured workers, supporting their recovery, their return to good mental health, and their re-engagement with the workplace and the community, and to do so in a way that is financially sustainable.

The State's workers compensation system needs to be modernised to ensure that employees injured in the workplace continue to be protected and supported to recover and maximise their lifelong social and economic opportunities.

More effective prevention of psychological injury and early intervention to support workers with psychological injuries recover and return to work will stabilise scheme liabilities and avoid the need for continual steep increases in business premiums. Further premium increases are not sustainable for either business or not-for-profit employers, and will place downward pressure on wages, employment, and the ability of providers to deliver services.

### **Objectives: What is the policy's objective couched in terms of the public interest?**

The bill will improve the long-term wellbeing of workers and help secure the financial position of the workers compensation system necessary to continue to support injured workers with the highest needs in the future.

The bill recognises that recovery through work offers one of the best ways for workers to heal and maximise their lifelong social and economic opportunities. Conversely, the negative impacts on health and wellbeing of long-term absence from work suggests that there are significant benefits to workers in improving return to work rates. This supports not just worker health, but the NSW economy more broadly, through a larger and healthier labour force, and broader workforce participation.

At the same time, the bill recognises that there will be a cohort of workers with psychological injuries who are likely to require lifelong support. The ongoing provision of benefits for workers with the highest needs is supported by reforms to ensure that the scheme is in the financial position to fund claims in the future.

The bill will prevent imminent increases to workers compensation premiums for employers. These increases in premiums represent increases in the cost of employing workers, and detract from employment, wages, and productivity.

## **Options: What alternative policies and mechanisms were considered in advance of the bill?**

The default alternative option is to not reform the workers compensation system beyond what was done in the 2025 Act. This would require either substantial increases to employer premiums (and/or corresponding increases in taxpayer support to balance scheme expenses and funding), or would in the long run likely lead to the Nominal Insurer being unable to pay out claims against it.

A wide array of reforms were considered in the development of the bill, and in consultation on amendments since its introduction in August 2025. Key considerations in identifying the best reforms to pursue included the effects on supporting return to work objectives, any potential adverse impacts on current and future claimants, and the implications of reform on financial sustainability.

## **Analysis: What were the pros/cons and benefits/costs of each option considered?**

In the scenario where no additional reform is pursued, the main options are to either increase premiums and funding, or to allow the schemes' financial position to deteriorate further.

The reforms in this Bill and 2025 Act provide for more effective prevention of psychological injury and early intervention to support workers with psychological injuries recover and return to work, as well as the financial sustainability needed to allow workers compensation to be provided to workers into the future. Key benefits for workers and employers include:

- avoiding the imminent need for increases to premium rates, with significant mitigation of some of the main drivers of workers compensation expense growth
- improving the integrity of the workers compensation system by engaging the Chief Psychiatrist to update the way in which psychological impairment is assessed
- clarifications and corrections to assist with the interpretation and operation of reforms of the first bill

Without reforms the system will continue to fail injured workers, while eroding the financial sustainability of the Nominal Insurer and Treasury Managed Fund. Premiums would likely need to increase by around 17 percent over the two years to 2027-28. This significant additional cost of employment would erode wages and productivity.

For the Treasury Managed Fund, the government could continue to make cash top-ups and divert funding from other public services to ensure it has sufficient assets to meet future liabilities. Alternatively, the financial position of the scheme could be allowed to continue to deteriorate until workers compensation claims can no longer be paid for.

## **Pathway: What are the timetable and steps for the policy's rollout and who will administer it?**

Commencement relies on the timely passage of the bill and development of key regulations to support the practical operation of the bill. The Government's intention is to implement the reforms primarily from 1 July 2026.

The administration of the workers compensation scheme will continue across a wide range of stakeholders, including government agencies, insurers, and medical and legal professionals.

**Consultation: Were the views of affected stakeholders sought and considered in making the policy?**

The package of reforms across this Bill and the 2025 Act was informed by views and submissions made during consultations on matters related to workers compensation, industrial relations and work health & safety, and findings and recommendations from independent reviews including those by the Honourable Robert McDougall KC, the Standing Committee on Law and Justice and State Insurance Regulatory Authority.

The Government publicly consulted on reform options through the release and referral of an Exposure Draft to the Standing Committee on Law and Justice for inquiry. The Committee received 62 submissions and held a public hearing on Friday 16 May 2025.

The Government has considered evidence and submissions made to the Public Accountability and Works Committee inquiry. The Government made significant resources available to the Public Accountability and Works Committee, including the public release of over 430 pages of documentation published on Treasury's website.

The Bill was amended substantially in the Legislative Assembly with the support of the Government.