

The Hon Daniel Mookhey MLC
Treasurer



Our ref: BN2500878

Mr Steven Reynolds
Clerk of the Parliaments and Clerk of the Legislative Council
NSW Parliament House

Re: Government response to the *Proposed changes to liability and entitlements for psychological injury in New South Wales* inquiry

Dear Mr Reynolds

I write to provide the NSW Government's response to the Legislative Council's Standing Committee on Law and Justice final report on its inquiry into *Proposed changes to liability and entitlements for psychological injury in New South Wales* (the Inquiry).

Recommendation 1 states that:

- the Government take note of the evidence received throughout the course of the inquiry when preparing the final bill(s) as introduced into the Parliament
- the Legislative Council take note of the evidence received throughout the course of the inquiry when the final bill(s) is introduced in the House, and where appropriate, consider amendments in the committee stage of the debate on the bill(s) that address stakeholder concerns.

The NSW Government addressed stakeholder concerns made to the inquiry through the introduction of the Workers Compensation Legislation Amendment Bill 2025 in May 2025, which incorporated provisions that:

- make psychological injuries caused by 'excessive work demands' compensable, in recognition that being required to perform excessive amounts of work beyond normal requirements can result in a workplace injury and workers should be able to receive compensation for this
- introduce a definition for vicarious trauma to convey beyond reasonable doubt that workers who witness a dead or injured person in the aftermath of a traumatic incident will continue to be protected by the workers compensation scheme. The Government recognises and acknowledges the impact of witnessing traumatic incidents can have on workers
- establish an accelerated 8-week model for determining bullying, harassment and excessive work demands claims. This special provision addresses stakeholder concerns about the effects delayed decision-making can have on workers mental health and wellbeing
- establish a jurisdiction within the NSW Industrial Relations Commission to hear disputes on whether bullying, harassment or excessive work demands have occurred. The Commission will drive consistency on what constitutes bullying, harassment and excessive work demands across the State's workers compensation and the industrial relations systems. This will provide greater certainty to workers and employers on their obligations.

- gradually increase the Whole Person Impairment threshold to support transition, rising to 25 per cent from commencement and greater than 30 per cent from 1 July 2026.
- enable greater access to commutations. This would provide for greater flexibility in allowing claimants under the current scheme to reach an agreement to exit the system, which will help address transitional issues that may arise as the wider reforms are implemented.

On 6 August 2025, the Government introduced the Workers Compensation Legislation Amendment (Reform and Modernisation) Bill 2025 (the Bill). This Bill revises, updates, and improves upon the Workers Compensation Legislation Amendment Bill 2025.

The Bill preserves provisions that were informed by evidence heard over the course of the Committee's inquiry and incorporates amendments to the Workers Compensation Legislation Amendment Bill 2025 that were previously agreed to by the Legislative Assembly.

Amongst these are transition provisions and staged increases to the Whole Person Impairment threshold. These inclusions support workers already accessing the scheme as the reforms gradually take effect. The transitional provisions provide that claims for work injury damages will continue to be assessed under pre-reform Whole Person Impairment thresholds where the worker has:

- notified an injury before the date of assent;
- made a claim for lump sum compensation; and
- lodged a pre-filing statement before 1 July 2026.

The current thresholds will also continue to apply to a worker who notifies an injury before the date of assent to the Act, and makes a claim for lump sum compensation for permanent impairment before 1 July 2026.

The Bill provides clarification to ensure that the new limits on weekly and medical entitlements do not apply to workers who made these claims before the commencement of the reforms.

Workers compensation reform is part of the Government's roadmap to align workers compensation, industrial relations and workplace health and safety to achieve better outcomes for the workers and employers of New South Wales.

The reforms recognise that workplace health and safety and workers compensation laws are failing to both prevent psychological injuries and to treat those with psychological injuries quickly. The reforms are necessary to put the State's workers compensation scheme in a sustainable position so that it can continue to provide support to injured workers in the future.

I would like to thank the Committee on Law and Justice for their report, and for canvassing the insightful views of the community on reform options. The inquiry was an important step towards a NSW workers compensation system that future generations can rely on.

I would be grateful if you could arrange for the response to be tabled in the Legislative Council.

Please let me know if you need anything further.

Sincerely

Daniel Mookhey MLC
Treasurer

Date: 26/8/25