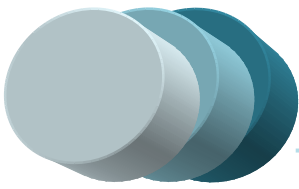


Submission  
No 288

## INQUIRY INTO NSW WORKERS COMPENSATION SCHEME

**Organisation:** Alliance for a Safer and Competitive Workplace  
**Date received:** 18/05/2012

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18 May, 2012

The Hon. Robert Borsak MLC  
Chair, Joint Select Committee on the NSW Workers Compensation Scheme  
Parliament House  
Sydney NSW 2000

Dear Mr Borsak,

**Submission to the Joint Select Committee on the NSW Workers Compensation Scheme**

Key members of the recently established *Alliance for a Safer and Competitive Workplace* welcome the establishment of the Joint Select Committee on the NSW Workers Compensation Scheme. The reforms being considered by the Committee are urgently needed if we are to ensure a more efficient and effective scheme and stop the drain of jobs and investment to other, more competitive states.

The *Alliance* is made up of leading business, industry and health advocacy groups across NSW. Our purpose is to support the NSW Government's proposed reforms to the failing NSW Workers Compensation Scheme to ensure premiums are competitive with other states, provide more effective support for injured workers and encourage a faster return to work.

The reform of the NSW Workers Compensation Scheme is one of the most urgent needed in New South Wales. The currently flawed Scheme is creating enormous pressure on businesses around the state, is severely hindering new employment and is placing a deeply unreasonable regulatory burden on employers and employees alike.

We, the undersigned members of the Alliance, would like to highlight the following issues:

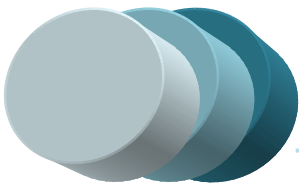
**Lack of competitiveness with other Australian states**

New South Wales businesses pay between 20 per cent and 60 per cent higher premiums than their counterparts in other states, particularly Victoria, Queensland and Western Australia. For businesses that can relocate to other states, the choice is clear. For others, the spiralling cost of premiums and the unreasonable regulatory burden, even for minor injuries, has at best, hindered jobs growth and at worst resulted in business failure.

New South Wales is clearly out of step with the nation, and it's costing the state jobs and investment. An analysis of the NSW Workers Compensation Scheme and schemes interstate has revealed several major factors applicable in New South Wales, resulting in skyrocketing premiums for employers and costing jobs.

Key differences in New South Wales driving up costs include:

- No limit on the duration of benefits in New South Wales, providing a major disincentive to return to work;



- No effective cap on medical and related expenses;
- The ability of employees to lodge workers compensation claims for journeys to and from work in all cases;
- Ongoing benefits for workers who have a partial incapacity, which can add up to pre-injury earnings, acting as strong disincentive to return to full pre-injury duties;
- No provision for specific work capacity tests at specified points of the claim; and
- A separate 'pain and suffering' lump sum based on subjective negotiation.

NSW businesses are required to prop up an inherently unfair system which does nothing to encourage injured employees back to work. Further, the cost of the Scheme has been increasing despite the number of claims dropping, and the overall severity of injuries not increasing. We agree with an independent scheme actuary – PwC – and the Auditor-General which have concluded that the scheme in its current form is not financially sustainable.

The need for serious reform of this failing scheme is now urgent. To do nothing will see the economy of New South Wales further stagnate, as the Government predicts premiums will continue to rise: while our Victorian counterparts will experience a three per cent reduction in premiums in the coming financial year, businesses in New South Wales have been told to expect a 28 per cent increase to pay for spiralling costs and a system which provides little incentive for injured workers to return to work. The impact of this is felt in all parts of the state, especially our regional centres and rural communities: the cost of doing business for farmers and small business owners in rural and regional towns in NSW is already a major impediment to keeping these towns alive.

### **Health benefits of an early return to work**

The NSW Workers Compensation Scheme does not provide for Best Practice management of workplace injury and provides little or no incentive for injured workers to return to work, producing much worse health outcomes than those schemes which encourage employees to return to the workplace.

Injured workers in NSW are remaining on workers compensation benefits for longer. The average amount of time that a worker remains unfit for duty in the first six months from injury has increased and because of the large number of people who receive weekly benefits and the duration of time, small changes in the average cause large changes in liability.

New South Wales needs a more efficient, fair, affordable, competitive and sustainable Scheme that will help injured workers get back to work.

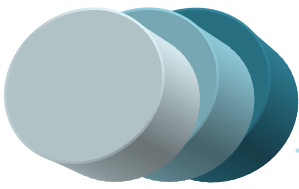
International research has consistently found a correlation between Best Practice management of injury, early return to work and improved health outcomes.

In March 2011, the Australasian Faculty of Occupational and Environmental Medicine of the Royal Australian College of Physicians, released a *Consensus Statement* on the health benefits of work.<sup>1</sup>

The Consensus recognises a recommendation from the Faculty's Position Statement, *Realising the health benefits of work*, that work is generally good for health and wellbeing

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<sup>1</sup> Link to the *Statement on the Health Benefits of Work*  
<http://www.racp.edu.au/index.cfm?objectid=57063EA7-0A13-1AB6-E0CA75D0CB353BA8>



and that long term work absence, work disability and unemployment generally have a negative impact on health and wellbeing.

The *Position Statement* states “Work absence tends to perpetuate itself: that is, the longer someone is off work, the less likely they become ever to return.”<sup>2</sup>

The chance of a person ever returning to work after a workplace injury is<sup>3</sup>:

- 70% if off for 20 days;
- 50 % if off for 45 days; and
- 35% if off for 70 days.

Long term work absence, work disability and unemployment are one of the most significant negative factors impacting on the health and wellbeing of individuals, families, the economy and society.

There is a large body of research that has identified long-term workless-ness as one of the greatest known risks to public health.<sup>4</sup>

Psychiatrists have also established that lack of work is bad for mental health, with suicide rates 35 times higher in the long-term unemployed than in the employed.<sup>5</sup>

In this respect, it is obvious that getting back to work quickly is the best outcome for an injured worker. It is better for a worker’s own health and wellbeing, their workmates, their family and their employer. Improving return to work outcomes is important for the community and the economy.

That is why recovery and return to work should be key priorities of any workers compensation system.

The Issues Paper released by the Government canvasses a number of possible solutions to the problems currently being experienced in the New South Wales Workers Compensation Scheme, with particular reference to other state workers compensation systems.

Central to these possible solutions is the fundamental aim of:

- promoting recovery and the health benefits of returning to work;
- guaranteeing quality long-term medical and financial support for seriously injured workers;
- supporting less seriously injured workers to recover and regain their financial independence;

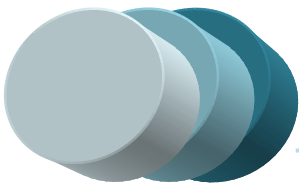
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<sup>2</sup> *Position Statement: Realising the health benefits of work* p.12

<sup>3</sup> Johnson D, Fry T. *Factors Affecting Return to Work after Injury: A study for the Victorian WorkCover Authority*. Melbourne. Melbourne Institute of Applied Economic and Social Research; 2002

<sup>4</sup> Waddell, G, Burton A *Is Work good for your health and well being?* London, UK: The Stationary Office; 2006 is an extensive and independent review of the scientific evidence regarding work, health and wellbeing.

<sup>5</sup> Wessely S. Mental health issues in Holland-Elliot K, ed. *What about the workers?* Proceedings of an RSM Symposium. London: Royal Society of Medicine Press; 2004:41-6.



## Alliance for a Safer and Competitive Workplace

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- reducing the high regulatory burden and making it simple for injured workers, employers and service providers to navigate the system; and
- strongly discouraging payments, treatments and services that do not contribute to recovery and return to work.

It is vital that better rehabilitation outcomes, better rates of return-to-work and better management of the Scheme occur to ensure its survival.

A Workers Compensation Scheme that is \$4.1 billion in deficit is not sustainable. A Scheme that is unsustainable cannot support the State's workers in the unfortunate event they are injured.

In the interests of continuing jobs growth in NSW, and having regard for the need to support injured workers, the Alliance considers it essential that this scheme be reformed – so that it runs at least as efficiently and effectively as its interstate counterparts, provides fair assurance to workers and eases this State's regulatory burden.

To this end, the Alliance requests that the Committee considers reforms to the NSW workers compensation scheme as proposed. These reforms would, in the Alliance's view, restore the commercial imperative of competitive premiums while ensuring the welfare and rights of injured workers are upheld.

Ends

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