



# Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party

Proposal No: B373

Date Referred: 20/02/2019

Date Published: 18/03/2019

Proposal Title: Safer Workplaces

Cluster: Various

## General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	76,573	78,380	80,231	235,184
Depreciation	-	1,576	1,607	1,639	4,822
Less: Offsets	-	78,149	79,987	81,870	240,006
Revenue	-	-	-	-	-
<b>Net Operating Balance:</b>	-	-	-	-	-

Capital Expenditure	-	4,138	4,138	4,138	12,414
Capital Offsets	-	4,138	4,138	4,138	12,414
<b>Net Capital Expenditure:</b>	-	-	-	-	-

<b>Net Lending/(Borrowing):</b>	-	1,576	1,607	1,639	4,822
---------------------------------	---	-------	-------	-------	-------

## Total State Sector Impacts

<b>Net Lending/(Borrowing):</b>	-	1,576	1,607	1,639	4,822
---------------------------------	---	-------	-------	-------	-------

## Notes and costing assumptions

The proposal has 10 policy components:

1. Double the inspectorate and compliance functions of SafeWork NSW
2. Return work, health and safety matters from the District Court to the Supreme Court
3. Confer new mechanisms to enforce rights and responsibilities that currently exist in work safety and workers' compensation laws on the Industrial Relations Commission
4. Ensuring workers and workplace representatives can enforce workplace safety laws
5. Strengthen employer obligations to provide employment opportunities for injured workers
6. Provide incentives for employers to return injured workers back to the workplace
7. Fully implement the Ten Year Framework from the National Work, Health and Safety Strategy
8. Create a charter of rights for injured workers
9. Ensuring that icare services contracted to scheme agents are performed in NSW
10. Ensuring all successful tenders for government contracts have workplaces that have highest standards of workplace safety

Most of the policies (2, 3, 4, 5, 8 and 10) involve regulatory and/or administrative changes and are part of the normal business of government. These are expected to have no significant budget impact. The proposal assumes these policy costs can be met from within existing agency resources.

A discussion of the other policies and their budget impact is overleaf.

## Notes and costing assumptions continued:

### **Policy 1: Double the inspectorate and compliance functions of SafeWork NSW**

On 1 September 2015, the functions of WorkCover were assumed by three new organisations: SafeWork NSW, the State Insurance Regulatory Authority (SIRA) and Insurance and Care NSW (icare). The policy proposes to double the inspectorate and compliance functions of SafeWork NSW from 1 July 2019, to be funded through existing surpluses from workers compensation insurance premiums.

The impact on the net operating balance and capital expenditure is nil as the policy specifies for costs to be funded through existing surpluses from workers compensation insurance premiums. However, there is an improvement of \$4.8 million to the net lending position as depreciation expense is not included in the net lending calculation.

#### **Key assumptions**

- Figures included in the financial table cover frontline services for the inspectorate and compliance functions of SafeWork NSW. The costing excludes support service costs such as clerical staff, business analysts and project officers etc.
- The costing assumes a sufficient surplus from contributions by the nominal insurer to the Workers Compensation Operational Fund to be able to cover the costs of this policy. icare has advised that the Fund has been affected by increasing medical costs and a changing employment landscape, which has increased the level of uncertainty in injured worker outcomes and costs. The net asset position of the Fund is also affected by stock market fluctuations and therefore the PBO notes there is a high degree of uncertainty over whether a surplus (if any) would be sufficient to fully cover the costs of the policy .
- The figures in the financial table are escalated in accordance with the Public Sector Wages Policy given most of the expenses are employee related.

### **Policy 6: Provide incentives for employers to return injured workers back to the workplace**

The policy is to introduce a range of incentives to return injured workers back to the workplace with an overall net neutral budget impact. The costing assumes that the NSW Government will introduce relevant legislative and regulatory changes to facilitate the incentives chosen. Introducing new legislation is standard business for government agencies and the normal practice is for costs associated with such work to be met from within existing resources.

### **Policy 7: Fully implement the Ten Year Framework from the National Work, Health and Safety Strategy**

The policy is to fully implement the '*Australian Work Health and Safety Strategy 2012-2022*' published by Safe Work Australia. SafeWork NSW has advised that the national strategy is a framework for all jurisdictions to which each is expected to apply elements to varying degrees. SafeWork NSW currently delivers on the strategy through the '*Work Health and Safety Roadmap for NSW 2022*'. All SafeWork NSW programs support the delivery of the Roadmap, and consequently the national strategy. As this forms the core of work performed by SafeWork NSW, the PBO considers there to be no additional budget impact from continuing this work.

### **Policy 9: Ensuring that icare services contracted to scheme agents are performed in NSW**

The policy proposes that scheme agents contracted by icare perform all work in NSW as soon as practicable after 1 July 2019, without incurring contract breach expenses. icare acts for the Workers Compensation Nominal Insurer (Nominal Insurer) and engages external insurers to manage workers compensation claims on its behalf. The Nominal Insurer outsources the management of workers compensation claims to scheme agents who are engaged under a contract. The PBO has been advised by icare that while the Nominal Insurer approves material subcontracts that scheme agents may enter into is information not held by the Government. The policy states the costs of the policy are to be absorbed by the agency.