



# PRIME MINISTER

## STATEMENT BY THE PRIME MINISTER, THE HON PJ KEATING, MP INDUSTRY COMMISSION REPORT INTO WORKERS' COMPENSATION

The Commonwealth Government today released the Report of the Industry Commission into Workers' Compensation in Australia .

In the report the Industry Commission has highlighted the economic and social importance of workers' compensation and has identified deficiencies in current arrangements which warranted careful consideration by Commonwealth, State and Territory Governments.

Each year around 500 people die and 200,000 are injured in workplace accidents in Australia. It is claimed that a further 20,000 cases of occupational disease go unrecognised. Workers' compensation premiums account for about 17% of non-wage labour costs.

There are ten main workers' compensation schemes in Australia, one in each State and Territory and two under Commonwealth legislation. The Commission found that significant differences exist among schemes in relation to their administration, insurance arrangements, benefit levels/structures, dispute resolution procedures and rehabilitation and return to work strategies and programs.

The Industry Commission findings show that

- the costs arising from work-related injury and illness -- to individuals, to firms and to the community -- are large. The cost to Australia is estimated to be at least \$10 billion each year;
- costs are shifted (both ways) between workers' compensation schemes and government programs often to the detriment of both;
- the existing multiplicity of workers' compensation arrangements results in inequity (eg different benefit structures and entitlements) and inefficiency (eg national employers and their employees must cope with different rules in each jurisdiction); and
- better standards of service by insurers to injured workers and to employers would help improve attitudes to good health and safety practice and, by

facilitating co-operative employee-employer relationships, help achieve good return to work rates.

The Commission said, "the very scale of the problems – in terms of people affected and costs involved – demands attention and emphasises why they should be addressed as a matter of urgency".

The impact of actions by governments to influence the location decisions of businesses by creating low benefit, low cost workers' compensation schemes was also referred to by the Commission, which concluded that such schemes were generally being paid for by other firms or taxpayers.

The Commission also concluded that competition at this level was unhealthy as it eroded both benefits and incentives to reduce the cost of work related injury and disease, and called for healthy competition which would lead to best practice in prevention, rehabilitation and claims management.

The Commission's preferred approach involves:

- putting in place agreed national benefits and supporting arrangements to limit the extent of cost-shifting onto injured and ill workers and the community; while at the same time
- encouraging greater competition in the provision of insurance (and other services aimed at effective prevention and rehabilitation).

The Commission has recommended wide ranging changes in relation to prevention, rehabilitation, compensation and licensing and prudential arrangements. In particular, it has highlighted that an effectively structured compensation benefits package combined with performance based premium systems, will create incentives for employers and employees to reduce the incidence and costs of claims and that a nationally consistent approach to these and associated administrative arrangements will address equity, efficiency and cost sharing issues.

The government acknowledges there is room for substantial improvement in Australia's workers' compensation arrangements and generally endorses the directions for reform contained in the Commission's recommendations. However, very careful consideration must be given to the design of any new, uniform, benefits structure to ensure that an appropriate balance is achieved between the needs of injured workers, the incentives for employers to maintain safety as well as the implications for labour costs and employment. In this context, I note the Commission's illustrative benefits structure which would create greater incentives to reduce the costs of workplace injury and illness but also involve at least a short term increase in premium levels.

Consistent with the usual timetable for handling Industry Commission reports, the Government will provide a detailed response to this report no later than August, with a view to co-operatively developing a strategy for reform with the States and Territories.

The next meeting of the Labour Ministers Council in May would provide an early opportunity for the States and Territories to provide initial comments on the Industry Commission report.

CANBERRA  
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*Copies of the report are available from Australian Government Bookshops.*