



**Workers Rehabilitation & Compensation (Scheme Review) Amendment Bill 2008**  
**3 April 2008**

**Mrs PENFOLD (Flinders)** Labor governments are notoriously bad managers and this new WorkCover legislation is just another example of their bad management. This can be proved by comparing the performance of WorkCover under the Liberal government in 2002 with the existing legislation, where the unfunded liability had been reduced down to \$56 million in contrast to the performance of the current Labor government where the unfunded liability, as at 30 June 2007, under the existing legislation, was \$844 million and rising.

Sceptics who need more convincing can compare the differing success of the two schemes that currently fall under the same existing WorkCover legislation: first, the 65,000 registered small business employers, who represent 60 per cent of the employee workforce, who are already suffering increasing levies that are fortunately capped at 7.5 per cent, and who will be hit the hardest by the new legislation, with that cap being increased significantly; and, secondly, operating under the same existing legislation, the 74 self-insured large employers and the South Australian government who represent 40 per cent of the employee workforce and who manage their own claims. Many of these large businesses have reducing levies and even receive bonuses. But with this new legislation their employees will receive reduced benefits and their cap being increased will not matter, because it is even less likely to be reached.

If that is not enough for the sceptics, they can compare the levy rates for the 65,000 small businesses that are registered with WorkCover because they are too small to be self-insured. These levies are expected to rise for many of these small employers under the new legislation when the cap is removed, when the levies are higher than other states already, therefore making our businesses less competitive by comparison. Levies average 3 per cent here in South Australia, way above New South Wales at 1.77 per cent, Victoria at 1.46 per cent and Queensland at 1.15 per cent.

The message is: don't be a small business operator in South Australia under a Labor government, because your costs will be higher than other states and are going up, and this applies not just to WorkCover but also to payroll tax, stamp duty, etc.

I believe one of the reasons for the very poor WorkCover result by this Labor government is its decision in 2004 to cut stand-alone mediation services by fully qualified private providers. Presumably, this was done on the assumption that mediators would be provided by rehabilitation consultants and internal government human relations employees who were not necessarily properly qualified but who probably belonged to the right union. I dare say the additional government people required make up some of the 12,000-plus more public servants that Labor has employed at a huge cost to taxpayers since 2002.

Public servants undertaking this kind of work have, to my knowledge, not been a great success. For a start, many have little understanding of, or sympathy with, the risks and responsibilities taken by private enterprises, particularly small ones. Therefore, there is immediate distrust. There is a red tape requirement that is deadening for all public servants where they have to justify their existence with statistics which are not conducive to finding good outcomes, particularly for harder cases. In addition, there is the fact that Employers Mutual is the sole claims agent, providing no competition or choice for the employee or employer.

The results of WorkCover claims that I have seen in my office usually involve people who are at the end of their tether, suffering from depression caused by their lack of work, financial and family pressures and WorkCover requirements. The discussions are usually about the difficulties pertaining to WorkCover, not about their employers and the original issue with them. They just want to get off WorkCover. The same applies to employers who contact my office.

So, why cut the stand alone mediation services? In many of these cases early intervention between the employer and employee may well have solved the problems before WorkCover had to become more than superficially involved. Once WorkCover is involved, both employee and employer lose any sense of control and they are on a merry-go-round which moves very slowly but which is almost impossible to get off and costs time and money for all concerned.

I am advised that of one company which undertook mediation between 2002 and 2004, before this government severed ties, was able to provide a service that achieved a return to work on an average of about five weeks at an average cost of less than two weeks' notional weekly earnings; indeed, with over 70 per cent agreeing to return to work following mediation.

In 2004, the company was advised by the board that it would no longer be funded by the WorkCover Corporation. Keep in mind that the company had conducted about 300 mediations dealing with allegations of harassment and bullying in the workplace that resulted in claims for anxiety, depression and stress. As a result of the board's decision there is no requirement for accreditation or specialised mediation qualifications, and a rehabilitation consultant is not trained in mediation skills and may well have a conflict of interest between an injured worker and an employer.

The value of mediation cannot be underestimated. Mediation empowers the parties to find their own resolution, whereas in other forms the decision is imposed upon them. As the mediator cannot impose a decision upon the parties, it is likely to be quicker and more cost effective than the more formal processes of arbitration or litigation.

The current WorkCover situation shows that we have the nation's slowest return to work, and that is contributing to the increasing unfunded liability. Reverting back to accessing independent mediation services is perhaps just one small step in restoring our WorkCover system to a better state. It was interesting to note from the Clayton Walsh report that while South Australia, New South Wales and Victoria outsource claims management, South Australia is the only state that has one monopoly claims agent.

As my time in this place is coming to a close, and I would like to cease being amazed by the ineptitude of the Labor government, I can once again see that it will take the return of a Liberal government to bring our state back to financial security and to be able to afford to deliver quality services to all who need them. So much of what this government does is media-driven and delivered by smoke and mirrors.

It is important that South Australians remember that this legislation imposes a double whammy on businesses by their having to pay the WorkCover levy twice within a single financial year once the legislation comes into place. The effect of this will, of course, make this woeful government look better with a significant funding boost, and I have no doubt that will be a part of misleading propaganda leading up to the next election.

At the end of the day, this legislation further penalises small businesses and, most particularly, shows little regard or compassion for injured workers, nor does it assist them to return to work.

### **WORKCOVER 3 May 1994**

**Mrs PENFOLD (Flinders):** The Audit Commission report released today states:

*The level of WorkCover benefits is more generous in South Australia than any other State.*

Perhaps this helps to explain, first, the high WorkCover premiums levied against the Port Lincoln based firm that is now expanding its operations into other parts of the State and, secondly, the need for WorkCover reforms in South Australia. Since June 1990 to 31 March 1994, Port Lincoln Bacon Specialists has paid about \$252 958 in WorkCover premiums. Claims paid by WorkCover to the company's employees total just \$37 249 for the same period, which represents an excess of premiums over claims of about \$215 709 for this Port Lincoln based firm.

What astounds me is that the net excess WorkCover premium per week is more than the net combined wages of the firm's Managing Director and office manager. This is deplorable, outrageous and a disgrace. It is no wonder that South Australian firms say to me, 'We cannot afford to increase employment opportunities until we get some relief from overheads.' I ask that a full breakdown of Port Lincoln Bacon Specialist's financial commitment to WorkCover be incorporated in *Hansard* for the benefit of members. I ask that members consider this example, because I believe it is consistent with the costs that South Australian industry has to bear as to WorkCover premiums.

It is my view that Port Lincoln Bacon Specialists has not been neglectful in its obligations to provide a safe work environment. In the period from June 1990 to 31 March 1994 the company has had only three big or serious claims from its 72 employees. The company operates a bacon factory, an abattoir and a render plant. It has premises at Port Lincoln and Port Pirie and it produces a wide variety of innovative smallgoods. The company has an excellent reputation and its brand name is well recognised, particularly on Eyre Peninsula, which is where the company started.

Port Lincoln Bacon Specialists employ 20 full-time staff and another 54 part-time employees in its expanding business. As the House can see, with this level of employment, the company makes a significant impact on the economic health of the region. It also provides a valuable outlet for livestock produced on Eyre Peninsula, including baconer and porker pigs. The company purchases classes of lambs, sheep and cattle, mostly from Eyre Peninsula producers. Operating the only large abattoir on Lower Eyre Peninsula, the company provides a valuable service. The company supplies both the local supermarkets in Port Lincoln with fresh meat, and several outlets in Whyalla are also supplied with fresh meat, killed and processed at the Port Lincoln works.

I emphasise again how important it is to remove impediments to business. This is vital if we are to increase the employment opportunities in our far flung regions. Increasing employment will lead to growth and help to increase the economic performance of our State. WorkCover premiums have to be reduced one way or another. Perhaps the solution is to open up the workers compensation industry to private enterprise. I ask the House to note that this suggestion has already been promoted in Victoria in order to increase the efficiency and performance of its workers compensation scheme.

I am not saying everything they do in Victoria should be copied in South Australia, but we should look at options and study what is done in other States as well as what is done to cover the health and safety of workers in other countries. WorkCover reforms are long overdue and I hope, for the sake of local industries, that that happens sooner rather than later. As the Deputy Leader of the Opposition has just stated, small business needs venture capital and encouragement, and alleviation of unfair WorkCover premiums, as I have just illustrated, would go some way toward doing that and to provide funds for more employment and expansion, particularly in country regions.

**The ACTING SPEAKER:** Did the member for Flinders wish to have a table inserted in *Hansard*? Is that table of a purely statistical nature?

**Mrs PENFOLD:** Yes, it is of a purely statistical nature and I seek leave to have the table inserted in *Hansard*.

Leave granted.

**Port Lincoln Bacon Specialists WorkCover Payments 1.7.90 to 31.3.94**

Gross	paid	252	958.67	over	3.75	years
Total	claims	37	249.29	over	3.75	years
NET		215 709.38				

Gross paid per year (3.75 years)	\$67	455.64
Gross paid per month (3.75 years)	\$5	621.30
Gross paid per week (3.75 years)	\$1	297.22
Average on claims per year	\$9	933.14
Average on claims per month		\$827.76
Average on claims per week		\$191.02
Average NET: Excess per year	\$57	522.50 (3.75 years)
Excess per month	\$4	793.54 (45 months)
Excess per week	\$1	106.20 (195 weeks)