

WORKPLACE RELATIONS MINISTERS' COUNCIL

Comparative Performance Monitoring Report

Comparison of occupational health
and safety and workers' compensation
schemes in Australia and New Zealand

Eighth Edition
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The Labour Ministers' Council, now known as the Workplace Relations Ministers' Council (WRMC), released the first Comparative Performance Monitoring (CPM) report in December 1998. The CPM reports provide trend analysis on the occupational health and safety (OHS) and workers' compensation schemes operating in Australia and New Zealand. Information in the report is designed to help gauge the success of different approaches to workers' compensation, as well as the prevention of work-related injury and disease. This is the eighth annual report of the CPM project.

A major review of this project was conducted during 2005 with a new Statement of Purpose developed to better address the needs of the key users of this report.

Statement of purpose

Provide measurable information to support policy making and program development by Governments on OHS and workers' compensation, to meet the goal of Australian and New Zealand workplaces free from injury and disease and to enable durable return to work and rehabilitation for injured and ill workers. The information should provide:

- (a) measurement of progress against national strategies
- (b) identification of factors contributing to improved OHS and workers' compensation performance (which includes consideration of resources), and
- (c) measurement of changes in OHS and workers' compensation over time, including benchmarking where appropriate.

Changes to the report

A number of changes have been made to the CPM report. Firstly, the report has been substantially reduced in size to present only high level information and now includes progress against the targets in the *National OHS Strategy 2002-2012*. Secondly, incidence rates and premium rates are no longer shown standardised to remove the effect of different industry groups across jurisdictions as this was found to have little effect. Finally the majority of the industry related information has been removed from this report but will be made available via other media on the Australian Safety and Compensation Council website (ascc.gov.au).

Data

Readers should be aware that data presented here may differ from jurisdictional annual reports due to the use of different definitions and the application in the CPM report of some adjustment factors to aid the comparability of data. In addition, the Office of the Australian Compensation and Safety Council has undertaken an audit of the data supplied by each jurisdiction in an effort to increase comparability. This has resulted in substantial updates to numbers published in previous publications.

Explanatory commentary on the data items are contained within each chapter with additional information included in Appendix 1 - Explanatory Notes, at the end of this publication.

Data for this report are collected from:

- the various workers' compensation schemes and OHS authorities as follows:
 - New South Wales — WorkCover New South Wales
 - Victoria — Victorian WorkCover Authority
 - Queensland — Workplace Health and Safety Queensland, Department of Industrial Relations and Q-COMP
 - Western Australia — WorkCover Western Australia and WorkSafe Division, Department of Consumer and Employment Protection
 - South Australia — WorkCover Corporation South Australia and SafeWork SA
 - Tasmania — Workplace Standards Tasmania and WorkCover Tasmania
 - Northern Territory — Northern Territory WorkSafe and Department of Employment, Education and Training
 - Australian Capital Territory — Australian Capital Territory WorkCover and the Office of Regulatory Services within the Department of Justice and Community Services
 - Australian Government — Comcare
 - Seacare — Seacare Authority (Seafarers Safety, Rehabilitation and Compensation Authority), and
 - New Zealand — Accident Rehabilitation and Compensation Insurance Corporation.
- the Australian Heads of Workers' Compensation Authorities' *Return to Work Monitor*, the full results of which can be accessed at hwca.org.au/reports_rtw.php, and
- the Australian Bureau of Statistics, which provides denominator data, based on the Labour Force Survey, the Survey of Employment and Earnings and the Survey of Employment, Earnings and Hours.

Coordination

This report has been compiled and coordinated by the Office of the Australian Safety and Compensation Council (ASCC), Department of Employment and Workplace Relations. The role of the ASCC is to lead and coordinate national efforts to improve OHS and workers' compensation arrangements. The ASCC also declares national standards and codes of practice for OHS and provides policy advice to the WRMC on OHS and workers' compensation arrangements.

The ASCC, however, is not a regulatory authority and does not make or enforce laws. OHS in Australia is state-based and all OHS regulations and legislation is the responsibility of state and territory OHS authorities.

Contents

Foreword	III
Summary of findings.....	VII
Chapter 1 – Progress against the National OHS Strategy	1
Injury and musculoskeletal target	2
Fatalities target.....	2
International comparison	3
Chapter 2 - OHS performance.....	5
All claims - one or more weeks of compensation	5
All claims - twelve or more weeks of compensation	7
Compensated fatalities	8
Notified fatalities	9
Duration of absence	10
Claims by industry	11
Claims by mechanism of injury/disease	13
Claims by size of business	14
Chapter 3 – Enforcement	15
Chapter 4 – Workers’ compensation premiums and entitlements	19
Standardised average premium rates	19
Entitlements under workers’ compensation.....	20
Chapter 5 – Workers’ compensation scheme performance.....	25
Assets to liabilities ratio	25
Scheme expenditure	26
Durable return to work.....	28
Disputation rate	29
Dispute resolution.....	31
Appendix 1 – Explanatory notes	33
Appendix 2 – Key features of Australian Workers’ Compensation Schemes	43
Appendix 3 – Jurisdictional contact information	45

Summary of findings

Performance against the National OHS Strategy 2002–2012

The reduction in the incidence rate of injury and musculoskeletal claims between 2001–02p and 2004–05p was 5%. This is well below the rate of improvement required to meet the target of a 40% reduction by 2011–12. It should be noted, however, that work by all parties to the National Strategy during its first years may not result immediately in a large reduction in compensated injuries.

The reduction in the incidence of compensated fatalities from injury and musculoskeletal disorders between 2001–02p and 2004–05p was 10%. This is currently greater than the rate of improvement required to meet the long term target and is equal to the interim target of 10% to be achieved by 2006–07. However, the number of fatalities recorded each year can be volatile and a consistent rate of improvement is still required.

The National Strategy also includes an aspirational target for Australia to have the lowest work-related traumatic fatality rate in the world. Analysis of international data indicate that in 2003–04, Australia recorded the seventh lowest fatality injury rate, with this rate decreasing more quickly than the best performing countries in the world. If the current rate of improvement is maintained, it may be possible to achieve this aspirational goal.

OHS performance

Workers' compensation preliminary claims data indicate that in 2004–05 the incidence of work-related injury and disease involving one or more weeks of compensation was 16.6 claims per 1000 employees. The updated data shows a fall of 7% from the rate of 18.5 claims per 1000 employees reported in 2000–01 to the rate of 17.2 claims per 1000 employees reported in 2003–04.

There were 214 compensated fatalities recorded in Australia in 2004–05, of which 162 were from injury and musculoskeletal disorders and 52 were from other diseases. This is down from 256 compensated fatalities in 2003–04 and 317 compensated fatalities in 2000–01.

New Zealand's preliminary incidence of work-related injury and disease was 13.2 cases per 1000 employees in 2004–05. The updated data for New Zealand recorded a 15% increase in incidence rates from 2000–01 to 2003–04, though the New Zealand rate remains lower than Australia. One reason for this is that the New Zealand scheme does not provide the same level of coverage of occupational diseases (such as work-related stress) as Australia. There were 80 compensated fatalities in New Zealand in 2004–05, up from 75 recorded in 2003–04 and 63 recorded in 2000–01.

Body stressing continues to be the mechanism of injury/disease accounting for the greatest proportion of claims (42%). Claim numbers for this group have shown little change over the past four years. Claims for *Mental Stress* have shown the greatest percentage increase of all mechanism groups, recording a 26% increase over the period from 2000–01 to 2003–04. These claims represent 6% of all claims involving one or more weeks of compensation.

In 2004–05 over 110 000 inspections of workplaces around Australia took place with 71 262 notices issued, over 1000 businesses prosecuted and over \$19 million in fines handed out by the courts.

Workers' compensation scheme performance

Australia's standardised average premium rates have remained relatively steady over the past five years and is currently 2.25% of payroll. Just over 50% of total scheme expenditure was paid as direct compensation to workers, with 22% of costs paid out for medical and other services costs. Administration costs now consume 27% of total expenditure up from 20% in 2000–01.

The New Zealand standardised average premium rate was 1.00% of payroll in 2004–05, a 9% increase on the previous year. One reason for the lower rate in New Zealand (compared to Australia) is that it does not provide the same level of coverage for occupational diseases.

In 2004–05 the Australian average funding ratio rose to 99%. Improvements from last year were evident in nearly all the schemes due in part to stronger investment performances increasing the value of assets held and also to reforms introduced into some schemes.

The durable return to work rate remained at 76% in 2004–05 with decreases in five jurisdictions and improvements in three jurisdictions.

The rate of disputation on claims fell slightly to 9.2% of claims.

Chapter 1 – Progress against the National OHS Strategy

The *National OHS Strategy 2002–2012* (National Strategy) provides the framework for collective efforts to improve Australia's OHS performance. The National Strategy sets national targets to reduce work-related fatalities by at least 20% and reduce workplace injury (including musculoskeletal disorders) by at least 40% by 30 June 2012. Interim targets are to reduce work related fatalities by 10% and to reduce workplace injury by 20% by 30 June 2007. Only claims involving one week or more compensation have been used for analysis to enable greater comparability in the jurisdictional data. This takes account of the different employer excesses that exist in the various schemes.

Achievements against the national targets for injury and fatality are measured using the *National Data Set for Compensation-based Statistics* (NDS). The baseline for the national targets is taken from the preliminary data for 2001–02p (note that preliminary data is denoted by the letter 'p' following the year). Preliminary data are also used for all subsequent years to ensure that data are taken from the same stage of development of the claims. Caution should be exercised when comparing data in following chapters which are based on amended or updated data.

Since its adoption in May 2002, the National Strategy has informed the work and strategic plans of all Australian OHS authorities as well as driving the work of the Australian Safety and Compensation Council (ASCC) in the area of OHS. The ASCC is working to achieve the goals of the National Strategy through a variety of means including developing and reviewing national OHS standards and codes of practice to ensure industry can implement OHS best practice with a practical approach, supporting the development of national OHS units of competency to be included in all vocational education training, encouraging excellence in OHS through National Safe Work Australia Awards and improving the collection and analysis of OHS data and research to inform policy and regulatory frameworks which improve decision making within government.

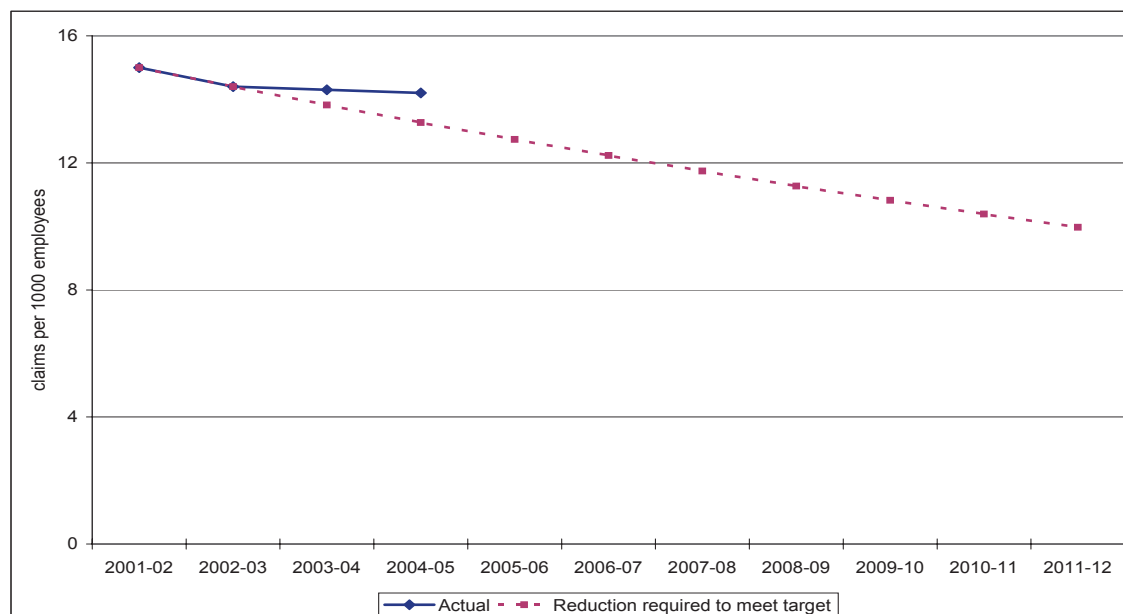
National compliance and intervention campaigns initiated by the Heads of Workplace Safety Authorities in 2003-04 demonstrate the emergence of coordinated and collaborative national programs relating to the priority risks and industries under the National Strategy. In 2004, national campaigns were undertaken in the areas of falls from height in the Construction industry, manual handling in the Health and Community Services industry and falls in the Transport and Storage industry. Further national campaigns are underway or planned in the areas of demolition/asbestos in the Construction industry, hazardous substances in Manufacturing (boat builders using fibreglass reinforced products) and agricultural plant manufacturers, suppliers and importers.

The work undertaken by all parties to the National Strategy during its first years may not result immediately in a large reduction in injuries and fatalities. All parties to the National Strategy are committed to achieving a steady improvement in OHS practices and performance and a corresponding decline in both incidence and severity of work-related injuries.

Injury and musculoskeletal target

Indicator 1 shows there was a 5% improvement recorded in the incidence of injury and musculoskeletal claims between 2001–02p and 2004–05p. This is well below the rate of improvement needed to meet the long term target of a 40% improvement by 2012. Therefore the rate of decline in the incidence of claims will need to accelerate in future years if the target is to be achieved.

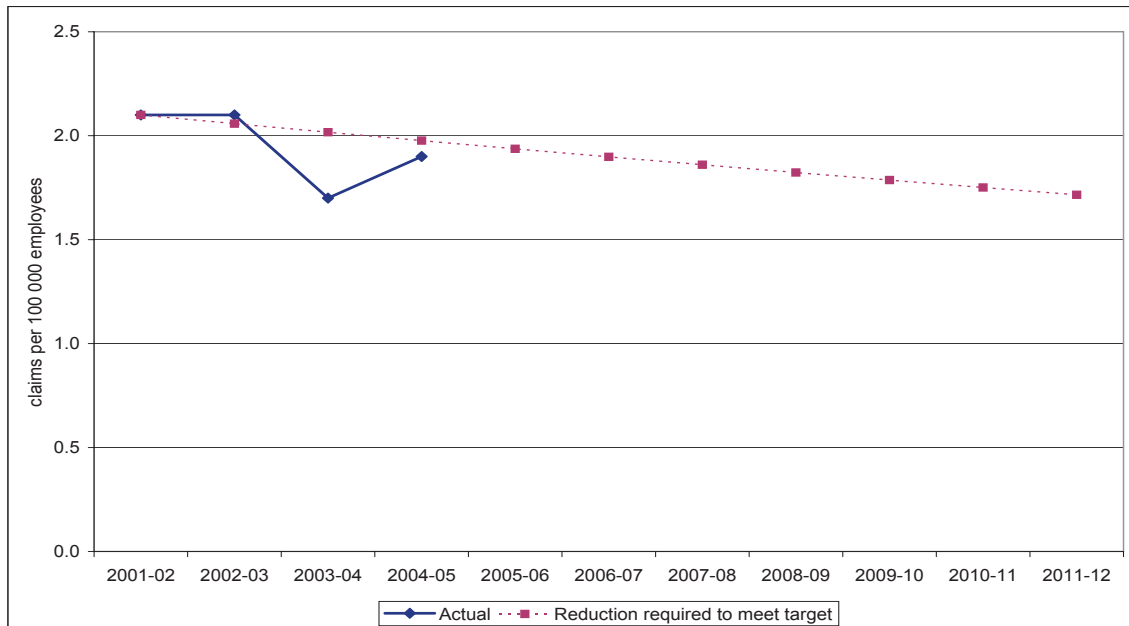
Indicator 1 – Preliminary incidence rates of compensated injury and musculoskeletal claims involving one or more weeks of compensation, Australia 2001–02p to 2004–05p



Fatalities target

Indicator 2 shows the incidence rate of compensated fatalities from injuries and musculoskeletal disorders during 2004–05p to be 10% lower than in 2001–02p. This is greater than the desired result for 2004–05 of 6% and is equal to the interim target of 10% to be achieved by 2006–07 but as the graph shows the incidence rate can be volatile and consistent improvement needs to be achieved.

Indicator 2 – Preliminary incidence rates of compensated injury & musculoskeletal fatalities, Australia 2001–02p to 2004–05p



International comparison

Following the first triennial review of the National Strategy, WRMC adopted an additional aspirational goal of having the lowest rate of traumatic fatalities in the world by 2009. In 2004 NOHSC undertook an analysis of injury fatality data using information published on the International Labor Office (ILO) website, <http://laborsta.ilo.org/>. The results of this analysis were published in a report titled *Fatal Occupational Injuries — How does Australia compare internationally?* (ascc.gov.au/ResearchCoordination/Files/ComparisonOfFatalities.pdf).

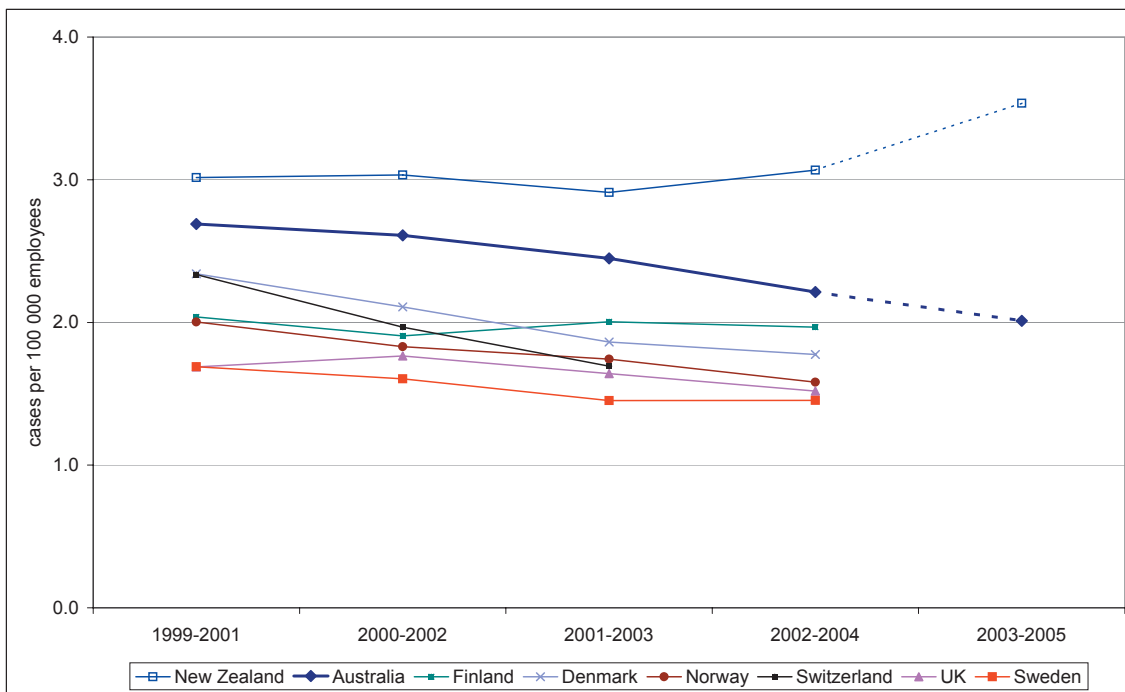
The main aim of this report was to obtain a measure of the gap in performance between Australia and the best performing countries. Countries were therefore included in this analysis if they had a lower incidence of fatality than Australia as reported to the ILO. This resulted in most of the countries included in this comparison being European. The analysis undertaken in the report only used fatalities from injuries, making adjustments where possible for differences in scope and coverage. The data were then standardised against Australia to take account of different industry mixes and finally a three-year average was calculated to remove some of the volatility that results from working with small numbers.

Using this same methodology and continuing the data series we can see in Indicator 3 that since 1999 Australia's work-related fatality rate has generally decreased at a greater rate than the best performing countries in the world. As at 2003–04 (the latest available international data) Australia remains in seventh place however the gap between Australia and the better performing countries has reduced. If Australia can maintain its current rate of improvement then it may be possible to achieve the goal of having the lowest fatality rate in the world.

It should be noted that due to differences in scope and methodology, comparisons of occupational injury fatalities data between countries have many limitations. The areas of concern lie in the exclusion of self-employed workers, the lack of data relating to road traffic

fatalities and the incomplete coverage within the data of the working population. The adopted methodology has attempted to address these concerns but some issues have not been fully resolved and may impact on the final results.

Indicator 3 – Comparison of Australia’s work-related injury fatality rate with the best performing countries



Chapter 2 - OHS performance

Workers' compensation data are currently the most comprehensive source of information for measuring OHS performance. While there are some limitations, most notably that the data only reflects the injury experience of employees and underreports the incidence of disease, workers' compensation data still provide a good indication of OHS trends. To take account of the different employer excesses that exist in the various schemes, only claims involving one week or more compensation have been used for analysis to enable greater comparability in the jurisdictional data. These data relate to new claims lodged in each financial year. More information on workers' compensation claims data is contained in point 1 of Appendix 1 - Explanatory Notes, at the end of this publication.

All claims - one or more weeks of compensation

Due to the different number of employees in each jurisdiction, rates have been calculated to assist with comparisons. Incidence rates assist in the comparison across jurisdictions on a 'per employee' basis while frequency rates allow a comparison 'per hour worked'.

Indicator 4 shows the Australian incidence rate for injury and disease claims involving one or more weeks of compensation has been steadily declining over the past five years. The preliminary data for 2004–05 indicates an incidence rate of 16.6 claims per 1000 employees however when the updated data are available it is expected this rate will rise. The updated data shows that there has been a fall of 7% from the rate of 18.5 claims per 1000 employees recorded in 2000–01 to the rate of 17.2 claims per 1000 employees recorded for 2003–04.

It should be noted that the National Strategy target measurement reported in Indicator 1 is based on preliminary data to remove the effect of differing development time. In addition the National Strategy includes only injury and musculoskeletal claims. The data shown in this chapter include all injury and all disease claims. Therefore the figures shown in Indicator 1 will not match those in Indicator 4. However these two indicators are showing similar levels of improvement.

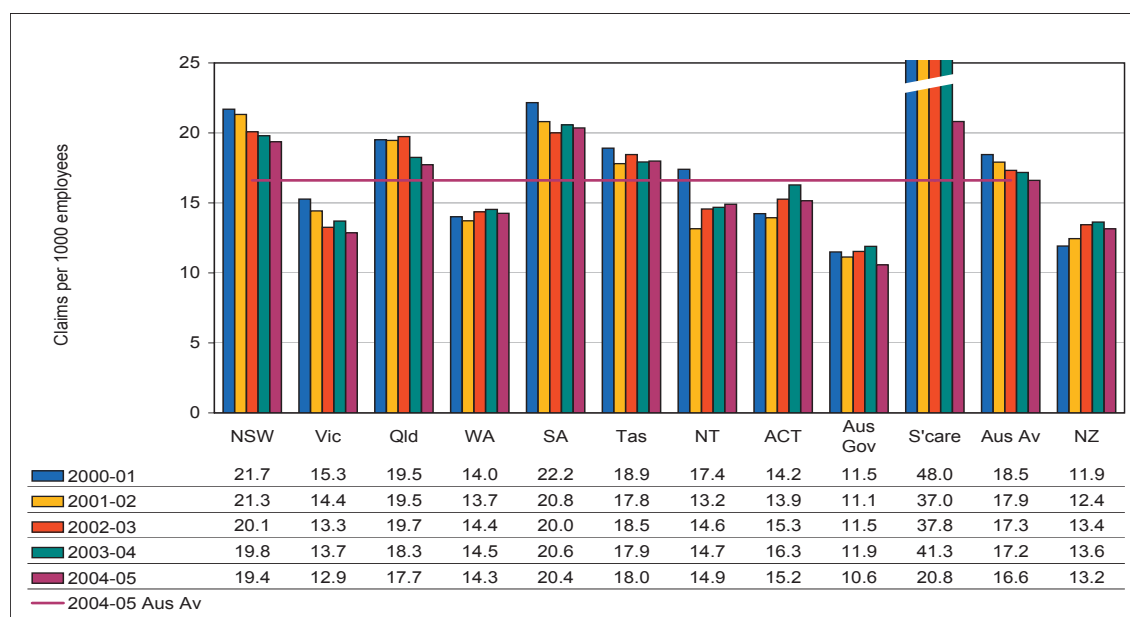
Falls from the previous year were recorded in all Australian jurisdictions except for Tasmania and the Northern Territory. The highest incidence rate was recorded by Seacare (20.8 claims per 1000 employees) followed by South Australia (20.4). The lowest rate was recorded by the Australian Government (10.6).

New Zealand recorded 13.2 claims per 1000 employees in 2004–05. This preliminary estimate is also expected to rise and may show a continuing trend for increasing incidence rates in New Zealand. Over the period 2000–01 to 2003–04, New Zealand recorded a 15% increase in incidence rates.

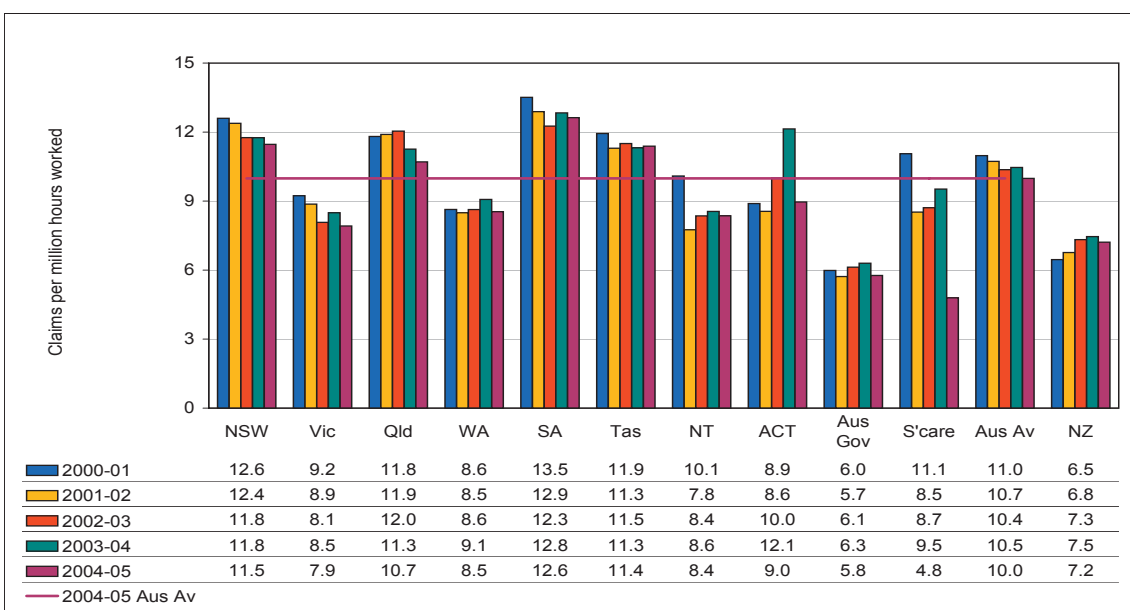
Incidence rates are expressed in terms of the number of new cases per thousand employees, irrespective of whether those workers are employed on a full-time or part-time basis. A better comparative measure can be to use frequency rates, which are expressed in terms of the number of new cases reported per million hours worked. Frequency rates should be used to undertake comparisons where there are differences between jurisdictions in the proportions of full-time and part-time workers.

Indicator 5 shows that in 2004–05 the Australian frequency rate was 10.0 claims per one million hours worked in 2004–05. Tasmania was the only jurisdiction to record an increase though small in size. Frequency rates have decreased by 5% from 2000–01 to 2003–04 which is a smaller rate of improvement than the incidence rates record due to a greater increase in the number of new employees compared to the total hours worked, possibly due to an increase in the number of part-time workers.

Indicator 4 – Incidence rates of compensated claims resulting in one or more weeks of compensation by jurisdiction



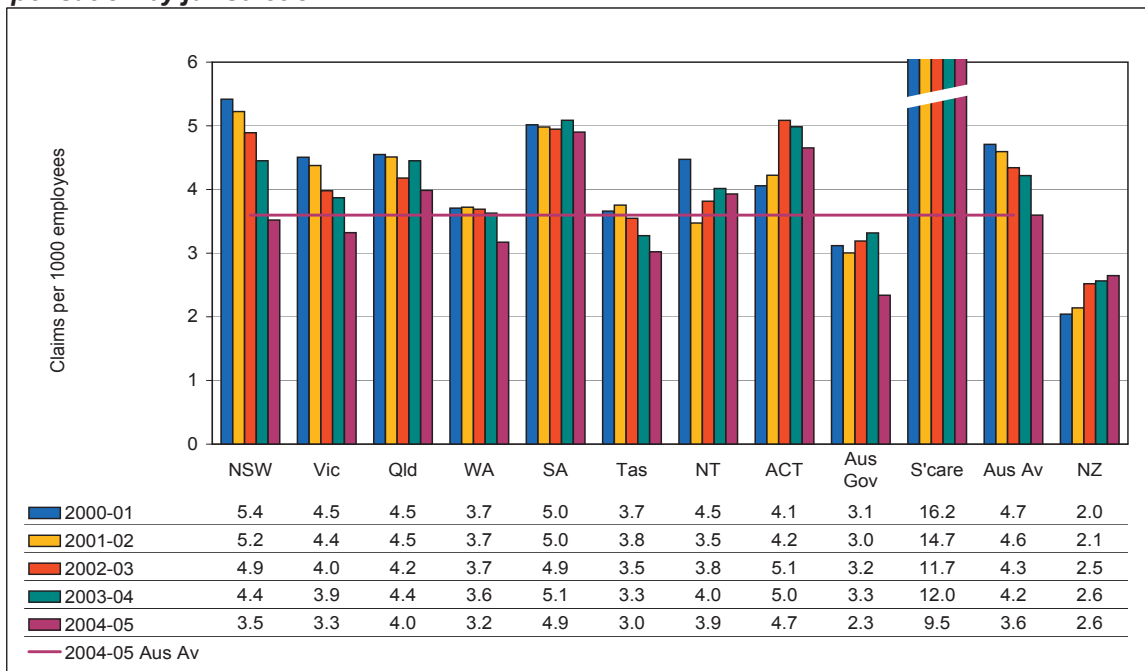
Indicator 5 – Frequency rates of compensated claims resulting in one or more weeks of compensation by jurisdiction



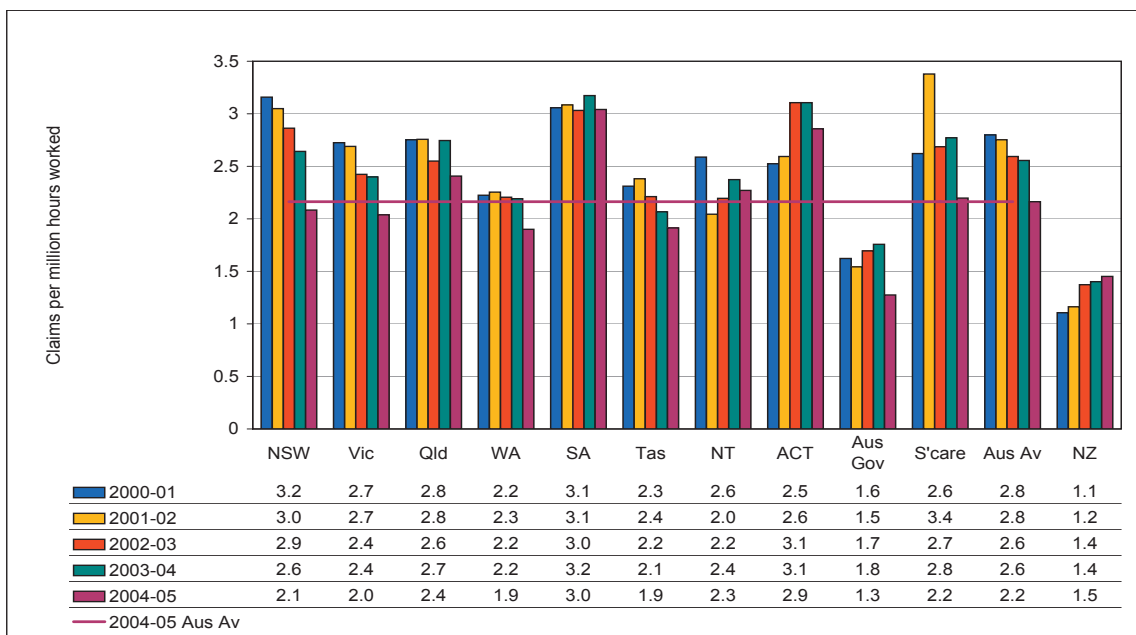
All claims - twelve or more weeks of compensation

Around 25% of claims that involved one week of compensation continue on to result in 12 or more weeks of compensation. Indicator 6 shows the average Australian incidence rate for injury and disease claims involving twelve or more weeks of compensation has been steadily decreasing over the past five years to 3.6 claims per 1000 employees in 2004–05. However this rate should be treated with caution due to the shorter period of time for these claims to finalise. Over the period 2000–01 to 2003–04 there has been a decrease of 11% in the incidence of claims involving 12 or more weeks of compensation.

Indicator 6 – Incidence rate of compensated claims resulting in 12 weeks or more compensation by jurisdiction



Indicator 7 – Frequency rate of compensated claims resulting in 12 weeks or more compensation by jurisdiction



Notable decreases over this time were recorded in New South Wales, Victoria, Tasmania and Seacare. The Australian Capital Territory recorded an increase of 22% in incidence rates over this period with small increases recorded by Western Australia and the Australian Government. New Zealand recorded an increase over this period (30%) but this may be due in part to the scheme only commencing from 2000–01.

The frequency rates of claims resulting in 12 weeks or more of compensation in Indicator 7 show a similar pattern to the incidence rates with slightly different levels of improvement recorded.

Compensated fatalities

Indicator 8 shows that in 2004-05 there were 214 accepted compensated claims for a work-related fatality made up of 162 fatalities from injury and musculoskeletal disorders and 52 fatalities from other diseases. As with the other data this number is expected to rise as more claims lodged in that year are accepted. The historical data shows that there has been a 19% fall in the number of fatalities from 2000–01 to 2003-04. New Zealand recorded 80 compensated fatalities in 2004–05. Over the period 2000–01 to 2003–04 New Zealand recorded a 19% increase in the number of compensated fatalities.

Fatalities are recorded in the NDS against the date of lodgement of the claim, not the year the worker died. Data revisions from previous years can occur where a claim is lodged in one year but not accepted until after the data are collected for that year or for an injury or disease in one year where the employee dies from that injury or disease in a subsequent year. This is particularly the case with disease fatalities, where considerable time could elapse between diagnosis resulting in a claim being lodged, and death. These data are known to understate the true number of fatalities from work-related causes, particularly deaths from diseases, deaths in the agricultural sector and potentially deaths from road traffic accidents for which compensation may alternatively be sought through the Compulsory Third Party insurance scheme. Note that fatalities occurring from a journey to or from work are not included in these statistics. In addition, substantial revisions have been made to these data from the previous publication following auditing of data extraction methodologies undertaken by many jurisdictions to ensure greater comparability.

Indicator 8 – Compensated Fatalities by jurisdiction

Jurisdiction	2000–01	2001–02	2002–03	2003–04	2004–05	5yr Average
Injury and musculoskeletal disorders						
New South Wales	64	69	55	51	51	58
Victoria	39	44	34	36	34	37
Queensland	51	45	48	40	41	45
Western Australia	27	17	19	18	13	19
South Australia	14	11	13	10	11	12
Tasmania	7	5	12	3	5	6
Northern Territory	4	3	0	4	1	2
Australian Capital Territory	1	4	1	0	4	2
Australian Government	3	3	5	0	2	3
Seacare	0	0	0	0	0	0
Australian Total	210	201	187	162	162	184
New Zealand	54	55	66	67	75	63
Other diseases						
New South Wales	23	25	15	15	8	17
Victoria	33	19	25	18	5	20
Queensland	33	36	40	39	31	36
Western Australia	1	7	2	6	4	4
South Australia	4	4	2	3	0	3
Tasmania	0	2	0	0	0	0
Northern Territory	0	0	1	0	0	0
Australian Capital Territory	2	1	0	1	1	1
Australian Government	11	13	11	12	3	10
Seacare	0	0	0	0	0	0
Australian Total	107	107	96	94	52	91
New Zealand	9	9	21	8	5	10
Total						
Australia	317	308	283	256	214	276
New Zealand	63	64	87	75	80	74

Notified fatalities

While workers' compensation data are currently the most comprehensive source of information for measuring OHS performance, there are some limitations. Other data sources can be used to supplement workers' compensation data and provide a more complete picture of work-related fatalities, injuries and diseases. One alternative data source is the Notified Fatalities dataset. These data are drawn from work-related traumatic fatalities that are notifiable under the various OHS jurisdictional legislation. As such, they are able to address some of the limitations of the compensated data by capturing fatalities occurring in categories of workers not covered for workers' compensation, such as self employed. This data source was only established in July 2003. More information about this data source can be found at ascc.gov.au/ascc/AboutUs/Publications/StatReports/StatisticalPublications.htm

Indicator 9 shows the number of notified fatalities stayed around the same level for workers but decreased for bystanders between 2003–04 and 2004–05.

Indicator 9 – Notified work-related traumatic fatalities, Australia

	2003–04	2004–05
Worker	126	127
Bystander	18	12
Total	144	139

Caution should be used in comparing these data to those shown in Indicator 8. The data in Indicator 9 do not include deaths from traffic incidents which account for around 30% of all compensated claims, whereas Indicator 8 does not include deaths of persons who are not classed as employees, such as self employed workers and bystanders.

Duration of absence

The duration of absence for claims provides one indicator of the severity of injuries occurring in Australia. Indicator 10 shows the variation across the jurisdictions in the percentage of claims involving selected periods of compensation. These data are based on claims lodged in 2002–03 that have had at least one week of compensation paid. This is the most recent year that reliable data are available for this indicator.

Indicator 10 shows that 60% of claims in Australia are finalised within 6 weeks with all jurisdictions, except Seacare, recording over half of their claims finalised in this time frame. In contrast, Seacare has over 60% of claims ongoing at 6 weeks. Injured workers in the Seacare scheme face unique problems in attempting to return to work, which need to be considered when interpreting Seacare results.

Indicator 10 – Claims involving one or more weeks of compensation: Percentage involving selected periods of compensation, 2002–03

Jurisdiction	Less than 6 weeks	6 weeks or more	12 weeks or more	26 weeks or more	52 weeks or more
	%	%	%	%	%
New South Wales	63	37	24	15	9
Victoria	55	45	30	18	12
Queensland	59	41	21	10	3
Western Australia	61	39	26	16	9
South Australia	63	37	25	16	10
Tasmania	65	35	19	10	5
Northern Territory	61	39	26	14	8
Australian Capital Territory	54	46	33	21	12
Australian Government	58	42	28	16	8
Seacare	38	62	31	13	6
Australian Average	60	40	25	15	9
New Zealand	69	31	19	9	5

Victoria has the highest percentage of claims continuing past 52 weeks of compensation (12% of claims). In contrast Queensland has only 3% of claims continuing to 52 weeks of compensation. This is mainly due to the nature of the Queensland scheme and the entitlements available under that scheme. The New Zealand scheme finalises a greater proportion of claims within 6 weeks than Australia. Subsequently New Zealand has a lower percentage of claims for all other periods of compensation.

Claims by industry

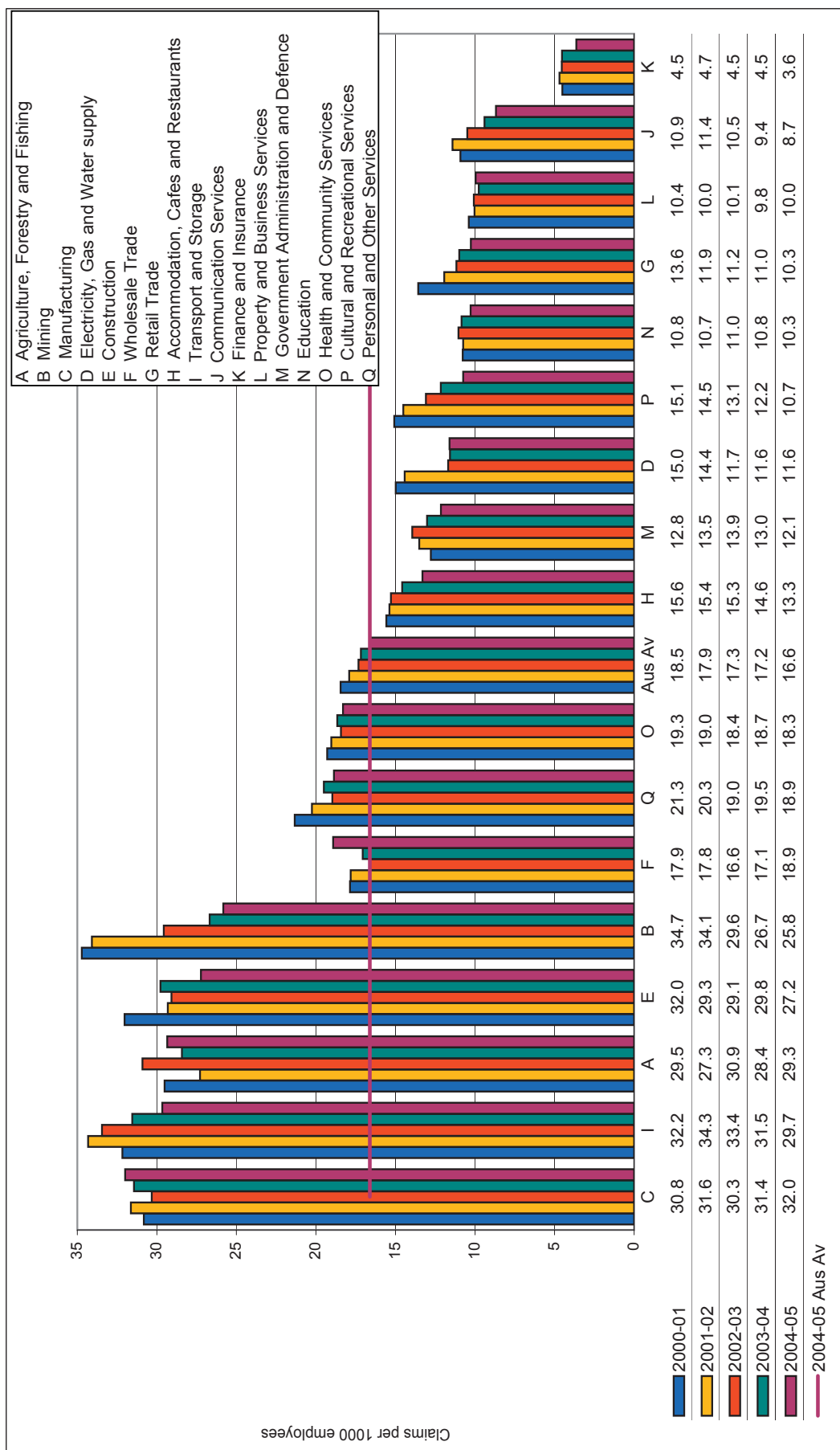
Indicator 11 shows the incidence rate of claims across industries in Australia in descending order based on the 2004–05 year. The Manufacturing industry reported the highest incidence rate at 32.0 claims per 1000 employees followed by the Transport and Storage industry with 29.7 and the Agriculture, Forestry and Fishing industry with 29.3.

Under the National Strategy the following industries are receiving a greater focus: Transport and storage, Manufacturing, Construction and Health and community services. Following the triennial review of the National Strategy the Agriculture, Forestry and Fishing industry has been added to this list from 2005-06. These five industries account for 35% of all employees in Australia. The four highest incidence rates have been recorded in industries receiving focus under the National Strategy.

Increases from the previous year were recorded in four industries: Manufacturing, Agriculture, Forestry and Fishing, Property and Business Services and Wholesale Trade. Considering the current year's data are preliminary and known to understate the true value, it is a concern that these industries have shown an increase from the previous year. Two of these industries are receiving attention under the National Strategy.

Excluding these preliminary data, falls were recorded in all industries over the period 2000–01 to 2003–04 except in the Government Administration and Defence industry which increased by 2%, and the Education and Finance and Insurance industries which recorded no change. The greatest percentage fall in incidence rates over this period was recorded by the Mining and Electricity, Gas and Water industries both with a 23% fall.

Indicator 11 – Incidence rate of compensated claims resulting in one week or more compensation by industry.



Claims by mechanism of injury/disease

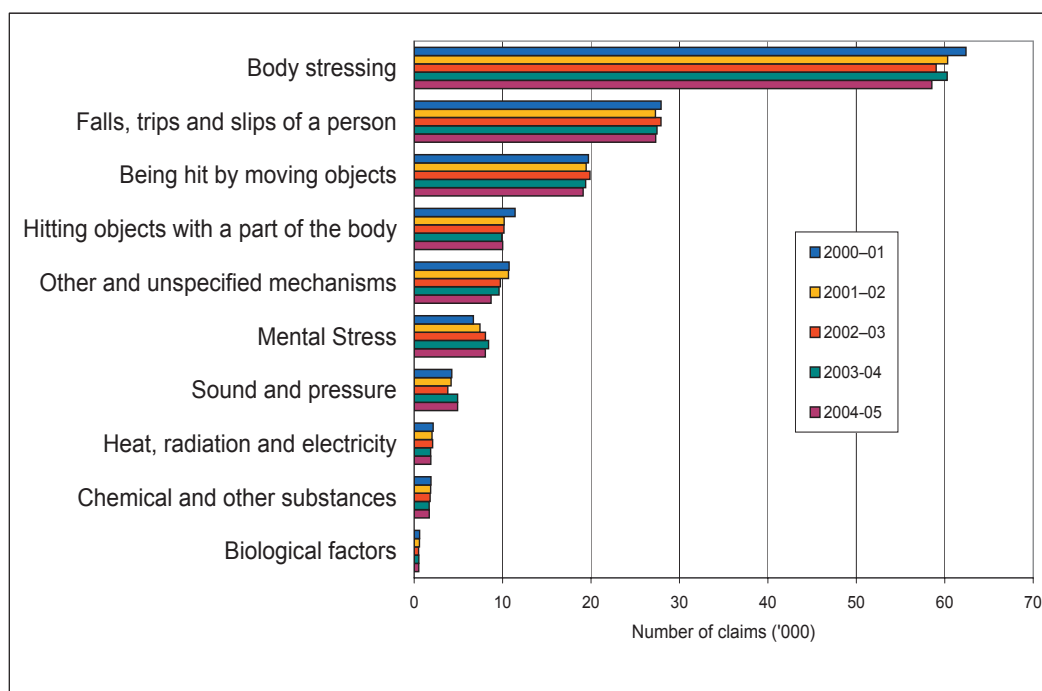
Claim patterns can be analysed using the *Type of Occurrence Classification System (TOOCS)* which is a series of codes providing information on the cause of the incident and the type of injury or disease sustained. One part of this system is the Mechanism of Injury/Disease which is intended to identify the action, exposure or event which was the direct cause of the most serious injury or disease. More information on the TOOCS can be found on the ASCC website (ascc.gov.au).

Indicator 12 shows the number of claims measured using Mechanism of injury/disease. Under the National Strategy the following are priority mechanisms: *Body stressing, Falls, trips and slips of a person, Being hit by moving objects and Hitting objects with a part of the body*; and are receiving national focus. The claims data indicate that the priority mechanisms account for 82% of claims. In particular, *Body stressing* remains the most common cause of claims, accounting for 42% of claims in 2004–05. Claim numbers for this group have shown little change over the last four years.

Excluding the preliminary 2004–05 data, the greatest percentage decrease in claims over the four years from 2000–01 to 2003–04 was recorded in the mechanism of *Biological factors* (15% fall). However this category accounts for less than 1% of all claims. Other notable falls were recorded in the mechanisms of *Heat, radiation and electricity* and *Hitting objects with a part of the body* both of which decreased by 13% over this period.

Two mechanisms recorded increases over this four year historical period: *Mental stress* increased by 26% and claims for *Sound and pressure* increased by 15%. These categories account for 6% and 3% of all claims respectively.

Indicator 12 – Mechanism of injury/disease: number of claims involving one week or more compensation by year, Australia



Claims by size of business

Indicator 13 compares the incidence of compensated claims resulting in one week or more compensation by size of business for 2000–01 and 2004–05. Eight Australian jurisdictions and New Zealand collect compensation data by size of business; however there are differences in the methodologies used by schemes to collect this information.

In Australia, just over half (54%) of all employees are employed by businesses in the 100+ employee group. Since 2000-01, all Australian jurisdictions have recorded decreases in their incidence rates for this group. New Zealand recorded a large rise for this group.

The trend across schemes over time is similar in most cases, with businesses with 5–19 employees having the lowest incidence rates for compensated claims in both 2000–01 and 2004–05. However, the incidence rates for this group are the only ones to record increases over the time period, with four of the jurisdictions recording increases despite decreases being achieved in the same jurisdictions for most other business sizes.

The highest percentage fall in incidence rates was recorded by the 1-4 employees group with the national rate decreasing 20% from 2000–01 to 2004–05. The 100+ group recorded an 18% fall.

Indicator 13 – Size of business: incidence rates(claims per 1000 employees) by jurisdiction

	1-4 employees	5-19 employees	20-99 employees	100+ employees
2000-01				
Victoria	10.4	8.8	15.3	19.3
Western Australia	26.3	10.2	13.3	13.7
South Australia	30.4	18.9	24.8	20.5
Tasmania	18.3	9.8	19.5	24.3
Northern Territory	31.7	25.5	18.9	9.7
Australian Capital Territory	18.3	10.2	15.2	14.8
Australian Government	np	11.6	9.3	11.7
Seacare	0.0	0.0	41.0	50.3
Australian Total*	17.5	11.0	16.9	17.4
New Zealand	9.3	13.7	15.5	11.4
2004-05				
Victoria	8.7	8.9	12.9	15.1
Western Australia	22.8	14.0	16.8	11.9
South Australia	20.0	18.3	35.4	16.6
Tasmania	11.9	16.4	13.1	23.0
Northern Territory	40.2	25.1	16.4	5.5
Australian Capital Territory	10.8	14.2	26.1	13.1
Australian Government	0.0	0.0	2.0	10.9
Seacare	0.0	0.0	14.4	22.3
Australian Total*	14.0	12.4	16.9	14.3
New Zealand	16.1	10.1	10.0	18.4

* consists only of Australian jurisdictions listed above

Chapter 3 – Enforcement

Jurisdictions enforce their OHS Acts using a variety of enforcement tools and protocols. Inspectors appointed under legislation may visit workplaces for the purpose of providing advice, investigating accidents or dangerous occurrences and ensuring compliance with the OHS legislation. Where breaches are detected the inspector, based on risk, may issue notices or escalate the action to formal procedures, which are addressed through the courts for serious contravention of the legislation. Indicator 16 provides details on specific enforcement activity undertaken by jurisdictions for each year from 2000–01 to 2004–05. In 2004–05 over 110 000 visits were made to workplaces around Australia with 71 262 notices issued, over 1000 businesses prosecuted and over \$19 million in fines handed out by the courts.

The largest increase in the number of workplace interventions over the past five years was recorded by South Australia. This is due to the creation of an additional 32 Inspector positions, which became field active in July 2004.

Victoria has recorded the largest fall in the number of workplace interventions over the past five years. From 2001, Victoria has changed its enforcement focus. This has seen a shift in the proportion of interventions between proactive and reactive visits from 60/40 to 80/20. The increased emphasis on the effectiveness of visits has led to the introduction of an independent, six monthly survey of inspected workplaces, where manager and employee representatives in those workplaces are contacted to gauge their perception of the effectiveness and professionalism of the inspection.

Total workplace interventions consist of the sum of all proactive and reactive workplace interventions. Note: interventions in the mining sector are not included in these data because mining inspectors in most jurisdictions utilised their own reporting mechanisms.

Proactive interventions are defined as all workplace visits that have not resulted from a complaint or workplace incident. They include all planned interventions, routine workplace visits, inspections/audits and industry forums/presentations (where an inspector delivers educational advice or information).

Reactive interventions are defined as attendances at work sites following notifiable work injuries, dangerous occurrences or issuing of notices where comprehensive investigation summaries (briefs of evidence) are completed. Not all requests for investigations or incidents result in a formal investigation. A range of enquiries may be made in order to inform a decision on whether an investigation is warranted.

Indicator 14 shows that in 2004–05, 67% of all interventions were proactive compared to 43% in 2000–01. This is due to the growth in proactive interventions being undertaken in most jurisdictions and in part by strategic audits of high risk industries identified by the ASCC and implemented by the Heads of Workplace Safety Authorities.

In Queensland in 2004–05, for example, there was a significant shift from reactive to proactive inspectorate activity. The number of reactive workplace interventions halved and the proactive interventions increased by the same amount. This is due to a shift in focus from responding to “low risk” reactive situations to using a more structured evidence based proactive approach for identifying where inspectorate resources should be deployed.

Where interventions by an Inspector identify a breach under OHS legislation, a notice may be issued. The total number of notices issued by the Australian jurisdictions has consistently increased over the last five years. The use of infringement notices, sometimes referred to as on-the-spot fines is the least used of the three notice types. In 2004–05, 2130 of this type of notice were handed out around Australia compared to 7751 prohibition notices and 61 381 improvement notices.

Note: notices are defined by legislation in each jurisdiction. In some instances a single notice may be issued for multiple breaches of the legislation while in other instances multiple notices are issued for each breach identified. Therefore the data shown under these items will not be strictly comparable across jurisdictions.

Indicator 14 shows a steady increase in the number of field active inspectors employed around Australia. Field active inspectors are defined as gazetted inspectors whose role is to spend the majority of their time enforcing provisions of the OHS legislation directly with workplaces i.e. a compliance field role. They do not include managers of the inspectorate. Current vacancies are included in these numbers and Mines inspectors have been excluded from the data due to different legislation operating across jurisdictions. Due to this definition it is possible that the number of field active inspectors shown in this report may differ to inspectorate numbers shown in jurisdictional reports.

Queensland reported a large increase in the number of inspectors for 2004–05 due to the growing demand for workplace health and safety inspections as a result of increasing economic activity in Queensland. The Construction industry in particular is growing and the majority of new inspectors have been appointed to this industry sector.

Substantial increases in the total amount of fines awarded by the court on offenders have also been recorded in most jurisdictions over the past five years, in part due to increases in maximum penalties. Information on penalty provisions can be found in the publication *Comparison of OHS Arrangements in Australia and New Zealand* available on the web at workplace.gov.au/cpm. In some instances the courts declare that penalty amounts are to remain confidential. Therefore the data recorded in Indicator 16 are only those amounts known publicly.

Comment on data for the Australian Government

Australian Government data are not comparable with other jurisdictions' data. Comcare's model for resourcing investigations utilises State and Territory inspectors, private sector investigators and Comcare staff. During 2004–05, Comcare had access to 302 investigators. This was made up of Comcare staff, inspectors from State and Territory OHS authorities and private sector organisations.

In terms of workplace interventions, the data for Comcare only represents interventions which resulted in a comprehensive investigation report. It does not include visits to workplaces for providing advice, routine workplace visits or industry forums/presentations.

Indicator 14 – Enforcement activity by jurisdiction

	NSW	Vic	Qld	WA	SA	Tas	NT	ACT	Aus Gov ^a	Seacare	Total Aus	NZ
Total workplace interventions	2000–01 n/a	59 763	16 044	^b 10 069	5 875	4 410	2 877	n/a	230	n/a	99 268	21 138
	2001–02 n/a	50 343	13 835	^b 10 600	10 325	8 256	1 883	n/a	134	n/a	95 376	21 094
	2002–03 n/a	48 425	17 375	^b 8 774	12 582	6 003	2 233	n/a	194	n/a	95 586	20 010
	2003–04 n/a	43 719	21 615	^b 10 085	16 931	4 523	3 188	1 360	245	191	101 857	20 787
	2004–05 n/a	41 842	21 068	^b 11 708	21 841	6 964	4 384	2 476	203	277	110 763	21 803
Number of proactive workplace interventions	2000–01 n/a	34 436	n/a	5 993	n/a	491	1 995	n/a	124	n/a	43 039	12 154
	2001–02 n/a	38 550	n/a	6 335	n/a	4 188	1 435	n/a	74	n/a	50 582	10 123
	2002–03 n/a	37 878	n/a	5 072	n/a	2 788	1 542	n/a	113	n/a	47 393	9 411
	2003–04 n/a	33 606	13 251	5 809	8 973	1 915	2 393	n/a	146	181	66 274	9 085
	2004–05 n/a	33 601	17 023	7 028	10 081	2 857	3 597	n/a	133	275	74 595	10 788
Number of reactive workplace interventions	2000–01 n/a	25 327	n/a	4 076	n/a	3 919	882	n/a	106	12	34 322	8 984
	2001–02 n/a	11 793	n/a	4 265	n/a	4 068	448	n/a	60	14	20 648	10 971
	2002–03 n/a	10 547	n/a	3 702	n/a	3 125	691	n/a	81	12	18 248	10 599
	2003–04 n/a	10 113	8 364	4 276	7 958	2 608	795	n/a	99	10	34 223	11 702
	2004–05 n/a	8 241	4 045	4 680	11 760	4 107	787	n/a	70	3	33 693	11 015
Number of infringement notices issued	2000–01 1 636	n/a	127	^c n/a	n/a	n/a	49	n/a	n/a	n/a	1 812	0
	2001–02 1 471	n/a	99	^c n/a	n/a	n/a	71	0	n/a	n/a	1 641	0
	2002–03 1 289	n/a	289	^c n/a	n/a	n/a	242	0	n/a	n/a	1 820	0
	2003–04 915	n/a	488	^c n/a	n/a	n/a	31	0	n/a	n/a	1 434	6
	2004–05 1 652	n/a	462	^c n/a	n/a	n/a	7	8	n/a	1	2 130	32
Number of improvement notices issued	2000–01 12 480	6 867	7 160	8 460	532	498	10	47	10	0	36 064	18 847
	2001–02 10 517	11 922	6 246	9 818	1 025	420	19	77	8	3	40 055	17 302
	2002–03 12 646	14 964	11 136	10 263	1 977	346	22	80	18	0	51 452	14 652
	2003–04 17 927	12 492	16 200	11 848	2 748	198	29	202	17	1	61 662	14 044
	2004–05 18 213	12 117	13 348	12 391	4 688	423	17	163	12	9	61 381	10 691
Number of prohibition notices issued	2000–01 1 332	2 752	1 411	736	184	93	19	42	4	0	6 573	^d
	2001–02 786	3 102	1 188	887	191	109	25	39	2	2	6 331	^d
	2002–03 779	2 904	1 256	895	364	131	56	48	9	2	6 444	990
	2003–04 1 139	2 303	1 696	870	814	87	14	90	6	1	7 020	1 117
	2004–05 1 421	2 308	1 788	963	899	266	14	66	20	6	7 751	745

	NSW	Vic	Qld	WA	SA	Tas	NT	ACT	Aus Gov	Seacare	Total Aus	NZ
Number of field active inspectors	301	220	121	69	57	n/a	12	12	16	3	811	165
	301	226	127	70	57	n/a	10	12	16	1	820	158
	301	236	148	70	57	n/a	10	12	16	2	852	142
	301	236	155	94	^e 89	25	12	12	16	5	945	152
	301	236	189	94	89	27	12	12	16	3	979	160
Number of field active inspectors per 10 000 employees	1.1	1.1	0.9	0.9	1.0	na	1.4	1.1	0.7	10.4	1.1	1.2
	1.1	1.1	1.0	0.9	1.0	na	1.1	1.0	0.7	3.3	1.1	0.9
	1.1	1.1	1.1	0.9	0.9	na	1.1	1.0	0.7	6.3	1.1	0.8
	1.1	1.1	1.1	1.2	1.5	1.4	1.4	1.1	0.7	15.4	1.1	0.8
	1.1	1.1	1.3	1.2	1.4	1.5	1.4	1.3	0.6	8.7	1.2	0.9
Number of legal proceedings commenced	467	^g 112	141	n/a	1	9	3	2	1	0	736	118
	550	^g 186	131	29	21	33	2	1	0	0	953	145
	462	^g 217	122	43	16	38	0	2	0	0	900	136
	336	^g 206	136	65	45	9	1	27	0	0	825	138
	587	^g 188	190	64	45	7	0	14	0	2	1 097	110
Number of prosecutions resulting in conviction	404	107	129	30	1	9	1	1	1	0	683	108
	455	115	114	41	8	11	2	0	0	0	746	132
	443	105	101	38	22	24	0	2	0	0	735	119
	399	110	120	43	30	7	0	5	0	0	714	100
	384	93	156	48	31	7	0	11	0	1	731	119
Total amount of fines awarded by the courts (\$'000)	\$5 400	\$1 665	\$897	\$109	\$33	\$66	\$28	\$4	\$160	\$0	\$8 360	NZ\$694
	\$9 500	^h \$6 069	\$1 593	\$187	\$101	\$32	\$2	\$0	\$0	\$0	\$17 484	NZ\$916
	\$13 000	\$2 997	\$1 994	\$152	\$379	\$199	\$0	\$3	\$0	\$0	\$18 724	NZ\$899
	\$13 300	\$4 159	\$2 024	\$385	\$628	\$87	\$0	\$55	\$0	\$0	\$20 668	NZ\$1 037
	\$11 500	\$3 294	\$3 344	\$457	\$439	\$78	\$0	\$32	\$0	\$0	\$19 145	NZ\$1 859

^a Aus Gov data cannot be compared directly with the other jurisdictions ^b In WA, 'total workplace interventions' does not include inspectors delivering educational advice or information. ^c There is no legislative requirement for infringement notices in WA. ^d NZ data for improvement and prohibition notices shown under improvement. ^e New inspector intake training occurred in SA in January 2004, full duties commenced in mid June 2004. ^f Includes inspectors who investigate unsafe asbestos. ^g Victoria data is for legal proceedings completed. ^h In Victoria 2001-02 there was one unusual prosecution of \$2 million. ⁱ Seacare are awaiting sentence of the court regarding the legal proceeding resulting in conviction listed above.

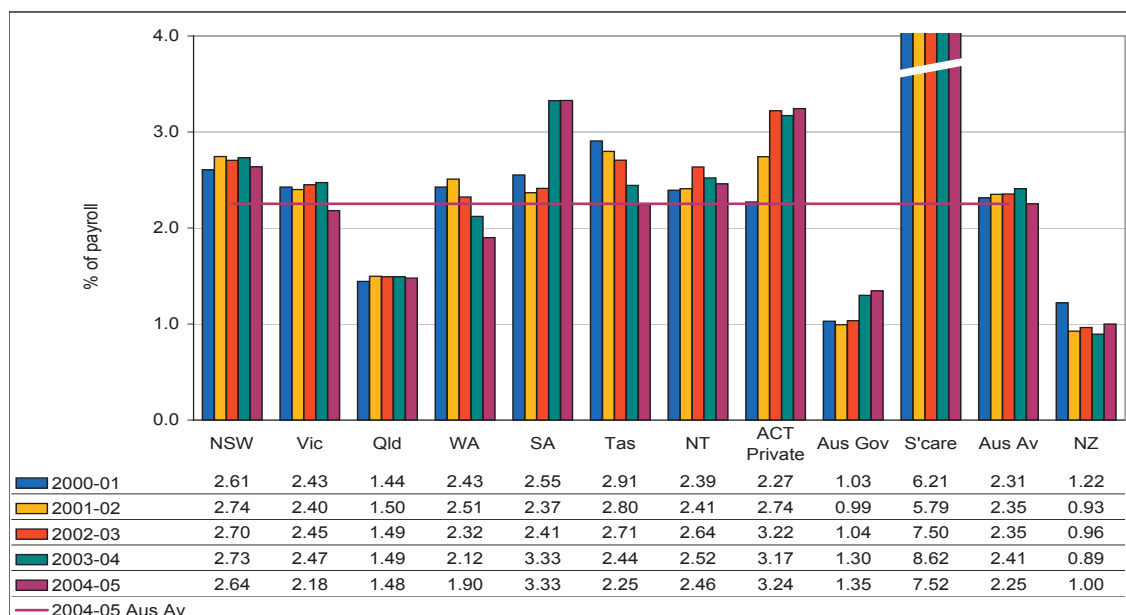
Chapter 4 – Workers’ compensation premiums and entitlements

Standardised average premium rates

The rates in this chapter are for policies that provided coverage during the reference financial years. Note that these data are no longer standardised for industry mix and hence the jurisdictional rates shown in Indicator 15 will be different to previous publications. These data will also be different to published rates from the jurisdictions due to the adjustments made to the data to enable more accurate jurisdictional comparisons to be undertaken. The principal regulatory differences that affect comparability and for which adjustments have been applied in this indicator are: the exclusion of provision for coverage of journey claims, the inclusion of self-insurers; the exclusion of superannuation as part of remuneration; and the standardisation of non-compensable excesses imposed by each scheme. The effect of each of these adjustments is shown in point 3 in Appendix 1 - Explanatory Notes, at the back of this report. Information on published rates can be found in the *Comparison of Workers Compensation Arrangements* publication (hwca.org.au).

Indicator 15 shows that in 2004–05 the standardised Australian average premium rate has decreased to 2.25% of payroll down from 2.41% in 2003–04. The standardised Australian average premium rate has remained relatively stable over the past five years despite considerable variation by some jurisdictions over this period.

Indicator 15 – Standardised average premium rates (insured and self insured sectors)



Decreases since 2000–01 have been recorded in Tasmania, Western Australia and Victoria, whereas rises have been recorded in South Australia, the Australian Capital Territory Private Scheme, the Australian Government scheme and the Seacare scheme.

The New Zealand standardised average premium rate increased in 2004–05 to 1.00% of payroll, which is still much lower than the level recorded in Australia. One reason for the lower rate in New Zealand is that its scheme does not provide the same level of coverage of disease cases.

In 2004–05, the lowest Australian standardised average premium rate was reported by the Australian Government scheme (1.35% of payroll). While the premium paying sector of the scheme predominantly covers administrative and community service workers, the scheme as a whole comprises a diverse range of occupations and industries including police, customs officers, communications, freight services, engineering and transport. Data for the Australian Government does not include the Australian Capital Territory Public Service.

Queensland recorded the next lowest premium rate at 1.48% of payroll. The Queensland scheme is a predominantly lump sum scheme with weekly benefits generally only payable for the first two years of incapacity. This results in lower administrative costs and hence lower premiums.

Seacare recorded the highest premium rate in 2004–05 due to the high risk nature of this industry. After a rise last year its rate has decreased this year to be similar to 2002–03.

South Australia's standardised average premium rate of 3.3% was the next highest rate and reflects WorkCover's decision to increase the average levy rate from 2.46% to 3.00% in 2003–2004 to improve the financial position of the scheme. The average levy rate has remained at 3.00% since that time.

Victoria recorded the largest percentage fall in premium rates from 2003–04 to 2004–05 (down 12%). This was due to the impact of reductions in claim numbers and duration on scheme liabilities, which in turn has enabled Victoria to reduce the average rate.

Entitlements under workers' compensation

Premium rates are set at a level to ensure sufficient funds are available to cover the entitlements under workers' compensation in the event an employee is injured or develops a work-related disease. Hence different entitlement levels across the jurisdictions can explain some of the differences in premium rates. The following examples have been included to provide indicative entitlements in some common events. Appendix 2 provides a brief summary of entitlements. More detailed information can be found in the *Comparison of Workers Compensation Arrangements* publication (hwca.org.au). These examples assume a date of injury of 1 January 2005 and therefore entitlements are based on legislation at that time.

Temporary incapacity

This example examines how jurisdictions compensate low, middle and high income employees during a period of temporary incapacity. Three payment profiles are shown for this example to highlight the statutory maximum entitlements payable. Entitlements for an injured employee are shown in the following three tables using pre-injury earnings of \$500 gross per week (award wage), \$1000 gross per week (non-award wage) and \$2000 gross per week (non-award wage). Weekly entitlements are capped in most jurisdictions and the effect of this capping is most evident in Indicator 16c.

Scenario

The employee has a dependent spouse and two children (aged 7 and 8). The employee injured their back and has lower back strain as a result. The employee remains unable to work for a period of 120 weeks and then returns to their previous duties on a full time basis.

Indicator 16a – Low income (\$500 per week) entitlements as at 1 January 2005

	NSW	Vic	Qld	WA	SA	Tas	NT	ACT	Aus Gov	NZ
Weeks of incapacity	Percentage of pre-injury earnings payable during selected periods of incapacity									
0–13	100	95	100	100	100	100	100	100	100	80
14–26	100	75	100	100	100	85	100	100	100	80
27–45	100	75	98	100	100	85	90	93	100	80
46–52	100	75	98	100	100	85	90	93	90	80
53–104	100	75	98	100	80	85	90	93	90	80
105–120	100	75	98	100	80	85	90	93	90	80
	Percentage of pre-injury earnings for full period of incapacity(%)									
Full incapacity period	100	77	99	100	89	86	92	95	94	80

For low income earners New South Wales and Western Australia provide the highest percentage of pre-injury earnings over the entire period of incapacity, providing 100% of pre-injury earnings in compensation. This is because these jurisdictions provide full coverage of earnings for employees working under awards. Reductions in compensation payments would have occurred for non-award employees. Victoria provides the lowest percentage pre-injury earnings for the full period of incapacity at 77% due to the step-down in benefits to 75% of pre-injury earnings that occurs after 13 weeks of compensation.

Indicator 16b – Middle income (\$1000 per week) entitlements as at 1 January 2005

	NSW	Vic	Qld	WA	SA	Tas	NT	ACT	Aus Gov	NZ
Weeks of incapacity	Percentage of pre-injury earnings payable during selected periods of incapacity(%)									
0–13	80	95	85	100	100	100	100	100	100	80
14–26	80	75	85	85	100	85	100	100	100	80
27–45	55	75	65	85	100	85	75	65	100	80
46–52	55	75	65	85	100	85	75	65	75	80
53–104	55	75	65	85	80	85	75	65	75	80
105–120	55	75	65	85	80	85	75	65	75	80
	Percentage of pre-injury earnings for full period of incapacity(%)									
Full incapacity period	61	77	69	87	89	86	80	73	84	80

For middle income earners South Australia provides the highest percentage of pre-injury earnings at 89%, followed by Western Australia (87%) and Tasmania (86%). New South Wales provides the lowest percentage of pre-injury earnings for the full period of incapacity at 64% due to the lower payments from the first day of injury for non-award workers and the restrictions applied after 26 weeks. In the New South Wales scheme once 26 weeks of compensation have been paid, the injured worker is entitled to 90% of Average Weekly Earnings (as defined by the Australian Bureau of Statistics) plus extra entitlements for dependants.

In contrast to the low income scenario where 8 of 9 Australian jurisdictions provide full income protection for the first 13 weeks, the high income scenario (see Indicator 16c) shows that when the employee earns a high income only four jurisdictions provide this level of coverage.

Indicator 16c – High income earners (\$2000) entitlements as at 1 January 2005

	NSW	Vic	Qld	WA	SA	Tas	NT	ACT	Aus Gov	NZ
Weeks of incapacity	Percentage of pre-injury earnings payable during selected periods of incapacity(%)									
0–13	70	57	85	72	97	100	100	100	100	72
14–26	70	57	85	72	97	85	100	100	100	72
27–45	28	57	65	72	97	85	72	65	100	72
46–52	28	57	65	72	97	85	72	65	72	72
53–104	28	57	65	72	78	85	72	65	72	72
105–111	28	57	65	72	78	85	72	65	72	72
112–120	28	57	65	0 ¹	78	85	72	65	72	72
	Percentage of pre-injury earnings for full period of incapacity(%)									
Full incapacity period	37	57	69	69	86	86	78	73	83	72

¹In Western Australia the prescribed maximum amount for weekly benefit (\$139 995) would be exhausted after 111 weeks of compensation. After this time, if there were exceptional circumstances a further amount of \$50 000 could be approved.

Permanent incapacity

This scenario shows the entitlements payable for a degree of permanent incapacity caused by a workplace injury. Each jurisdiction has a predetermined maximum lump sum payment for injuries causing permanent impairment. Maximum amounts are payable in cases of full and permanent impairment. The following scenario is indicative only for these types of payments.

Scenario

The employee's pre-injury earnings were \$1000 gross per week. The employee is 35 years of age and has a dependent spouse and two children aged 7 and 8 – the older child entered the workforce at 16 and the other remained in full-time education until age 25. The employee contributed to a superannuation fund. There was no contributory negligence on his part and no mitigating factors.

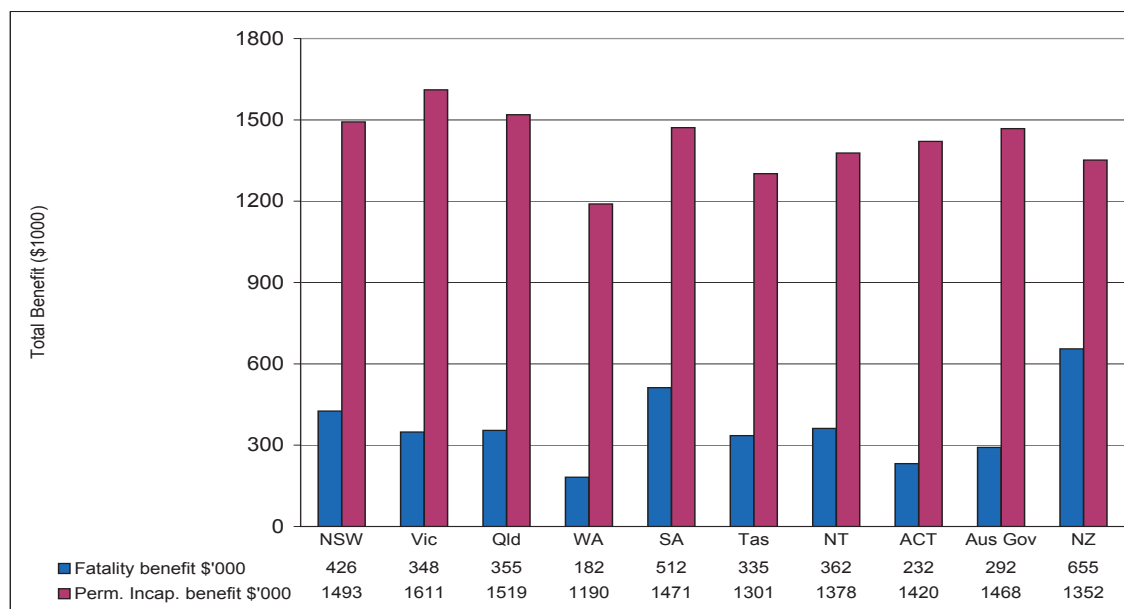
As a result of the workplace incident, the employee was diagnosed with complete tetraplegia below the 6th cervical neurological segment. This resulted in paralysis of his hands, impaired upper body movement and paralysis of the trunk and lower limbs. He lost all lower body function and was wheelchair-bound. Incapacity was total and permanent and there was no real prospect of returning to work.

Indicator 17 details the entitlements payable to the injured employee and includes: the weekly benefits payable for the remainder of the employee's working life (30 years in this instance); and all lump sum payments for permanent incapacity, including estimates of common law settlements where applicable, but excluding medical and like services such as attendant care.

Indicator 17 shows that most jurisdictions pay around the same amount in compensation under this scenario with Victoria providing the highest entitlements at \$1 610 920. Queensland provides the next highest entitlement at \$1 519 287 while Western Australia provides the lowest entitlement for this scenario at \$1 189 995. The Victorian scheme offers the injured worker a number of options. In this scenario as the statutory maximum of \$438 320 for pain and suffering damages is greater than the maximum statutory impairment benefit (\$355 650), it is assumed

that the worker will elect not to pursue the statutory impairment benefit but will instead seek and be awarded pain and suffering damages. Conversely, it is assumed the worker will elect to receive ongoing weekly compensation in preference to pursuing pecuniary loss damages which are capped at \$1 006 760.

Indicator 17 – Level of entitlements for permanent incapacity or fatality as at 1 January 2005



Workplace fatality

This example examines the entitlements payable to dependants of an employee who died following a workplace incident. Entitlements to dependants are paid by way of a lump sum and/or weekly benefits, depending on the employee’s circumstances and scheme design. The date of death for this example was 1 January 2005.

Pecuniary entitlements may be affected by common law payments in jurisdictions where there is access to common law redress. South Australia and the Northern Territory have no access to common law, while the Australian Government has limited access to common law. In Victoria there may be access to a lump sum under the Wrongs Act.

Scenario

The deceased employee and family circumstances in this scenario are the same as in the previous example but in this case the workplace incident resulted in death.

The spouse did not re-enter the workforce or re-marry for ten years.

Indicator 17 shows that a number of jurisdictions provide similar benefits, however South Australia provides the highest entitlement payable to dependants in Australia following a workplace incident resulting in a fatality at \$512 060. The South Australian scheme provides one of the highest lump sum entitlements plus it provides weekly benefits to the spouse and children at a higher level than all other jurisdictions. See Appendix 2 for details.

Western Australia provides the lowest entitlement payable to dependants at \$182 037, paying the lowest lump sum amount, no weekly support to the spouse and the lowest weekly benefits to dependant children. Note that entitlements under the Western Australia scheme were

increased from 14 November 2005. The increased entitlements will be reflected in next year's report.

New Zealand reports \$655 200 payable to dependants, substantially more than the Australian jurisdictions. The New Zealand scheme provides little in the way of lump sum amounts but provides high weekly benefits to the spouse and children while the children remain dependants.

Chapter 5 – Workers' compensation scheme performance

There are significant differences in the funding arrangements for the various schemes around Australia. The schemes that are centrally funded (New South Wales, Victoria, Queensland, South Australia, Comcare and New Zealand) have their OHS and workers' compensation functions, staffing and operational budgets funded by premiums. For those jurisdictions with privately underwritten schemes, funding for the non-workers' compensation functions come directly from government appropriation and not from workers' compensation premiums. This may have an impact on the data shown in this section.

Assets to liabilities ratio

This indicator reports the standardised ratio of assets to net outstanding claim liabilities (funding ratio) for each jurisdiction over the past five financial years. This ratio represents the funding level of net outstanding claims, assuming all jurisdictions fully fund other current and non-current liabilities to the same extent.

This indicator is a measure of the adequacy of the scheme to meet future claim payments. Ratios above 100% indicate that the scheme has more than sufficient assets to meet its predicted future liabilities. Conversely, low ratios could be an indication of the need for a scheme to increase its premium rates to ensure assets are available for future claim payments. Funding ratio trends should therefore be considered in conjunction with the premium rates reported elsewhere in this report.

The data shown in this indicator may differ from jurisdictions' annual reports due to the use of a standard definition. In addition, differences from annual reports will arise from the standardisation applied to account for the different economic and actuarial assumptions used in valuing liabilities across the jurisdictions.

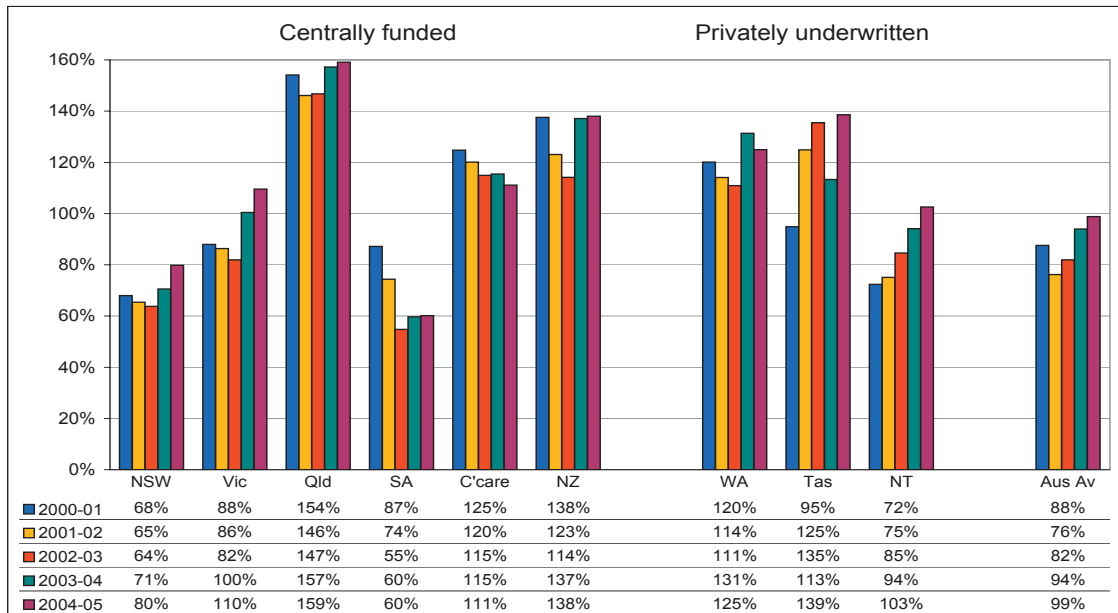
While a standard definition of the funding ratio of net outstanding claim liabilities has been adopted to improve comparability across jurisdictions there still remain fundamental differences between centrally managed and privately underwritten schemes. Therefore the schemes have been separated on the graph into these groups. The Seacare and Australian Capital Territory Private schemes are a privately underwritten schemes but no data are currently available for this indicator. Schemes within the one group are more comparable. More information is contained in point 4 of Appendix 1 - Explanatory notes, at the back of this report.

Indicator 18 shows that the Australian average funding ratio continues to rise to be at 99% due to better investment returns over recent years and reforms introduced into a number of schemes designed to improve their financial position. Substantial improvements have been recorded in New South Wales, Victoria, Tasmania and the Northern Territory.

Victoria continues to record improvements due to improved management of claims.

The Northern Territory scheme has recorded a steady improvement in its viability over past five years. This has been achieved by: the setting of premiums at a level which has resulted in a scheme profit (\$6.05 million net for 2004–05); a stabilisation in the number of workers' compensation claims; active claims management by their approved insurers; and the highest durable return to work rate in the country (86%).

Indicator 18 – Standardised ratio of assets to net outstanding claim liabilities



Scheme expenditure

Indicator 19 shows the proportion of total scheme expenditure paid out in payments to injured employees plus administrative costs for the periods 2000–01 and 2004–05. This table shows the shift to higher proportions of expenditure going in claim management costs and less in direct payments. This is not to be interpreted as less money going to injured workers but increased claims management expenditure has led to injured workers returning to work sooner.

This indicator shows that in 2004–05, compensation paid direct to the worker accounted for just over half of all scheme expenditure. Direct compensation is paid to injured employees either as weekly benefits, redemptions, common law settlements (excluding legal costs) and non-economic loss benefits. Direct payments as a proportion of total scheme expenditure were highest in Queensland (66%) and lowest in Tasmania (42%). Generally the privately underwritten schemes have higher proportional expenditure on administrative costs and lower direct payments. This is due to the profit margins built into the administration costs.

Medical and other services expenditure (such as medical treatment, rehabilitation, legal costs, return to work assistance, transportation, employee advisory services and interpreter costs) is used to assist employees to recover from injury. The Australian proportion paid in medical and other services costs was 22% in 2004–05. The proportion of medical costs were highest in New South Wales (26%) and lowest in Queensland (12%) due to restrictions placed on medical bills and legal costs reimbursed by the Queensland scheme.

Claims management costs encompass: registration of employers, collection of premiums, claim investigations, medical reports, case management, coordinated care programs and other costs associated with the management and payment of claims. Other administration costs are predominantly costs associated with dispute.

Indicator 19 – Payments as a proportion of total scheme expenditure

	Direct compensation paid %	Medical and other services costs %	Administration costs		Total %
			Claims management costs %	Other administration costs %	
2000–01					
New South Wales	58.8	22.9	12.3	6.0	100.0
Victoria	63.0	18.1	9.3	9.6	100.0
Queensland	63.7	13.8	8.5	14.0	100.0
Western Australia	47.7	20.8	20.0	11.4	100.0
South Australia	60.9	20.3	10.5	8.2	100.0
Tasmania	49.0	19.2	23.6	8.3	100.0
Northern Territory	52.1	20.3	17.8	9.7	100.0
Comcare	64.0	18.6	8.4	9.0	100.0
Seacare	64.2	12.1	9.1	14.6	100.0
Australian Total	59.5	20.2	11.8	8.4	100.0
New Zealand	31.0	40.2	12.8	16.0	100.0
2004–05					
New South Wales	46.4	25.6	21.6	6.5	100.0
Victoria	46.8	22.1	20.8	10.3	100.0
Queensland	65.5	12.2	9.6	12.7	100.0
Western Australia	44.9	21.1	24.6	9.3	100.0
South Australia	61.0	21.9	9.1	7.9	100.0
Tasmania	42.4	21.3	31.9	4.4	100.0
Northern Territory	53.0	19.4	20.1	7.5	100.0
Comcare	60.6	21.8	8.5	9.0	100.0
Seacare	68.4	11.5	10.6	9.5	100.0
Australian Total	50.8	21.9	18.6	8.7	100.0
New Zealand	39.6	36.6	7.8	16.0	100.0

In 2004–05 claims management costs on average accounted for 19% of total expenditure. These costs were highest in Tasmania, accounting for 32% of expenditure. NSW recorded an increase in the proportion of claims management costs due to the introduction of new agent remuneration arrangements, which contained incentives to improve performance, particularly in the tail and recovery areas.

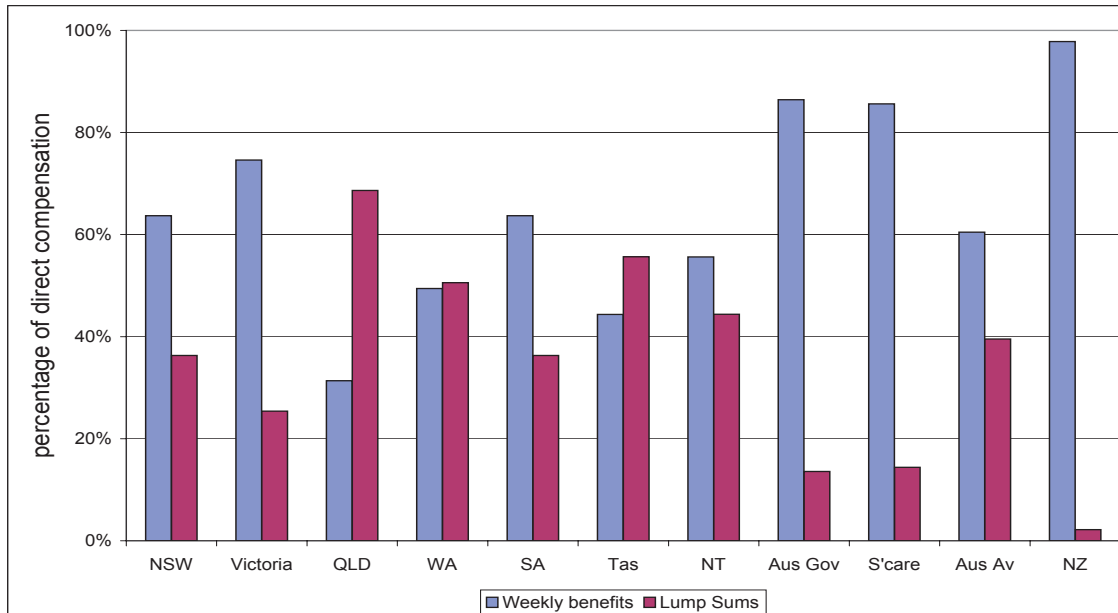
The remuneration package for NSW was also structured to drive insurer performance during a time of significant Scheme change. Through the combination of all these factors there has been a significant improvement in the Scheme performance.

During 2005–06 the management structure of the Scheme was further overhauled to link agent performance with remuneration. As a result of these changes continued improvement is expected from NSW.

The New Zealand proportions display a different pattern to the Australian schemes with a lower proportion in direct payments but a higher proportion in medical and other services costs.

Administrative costs are impacted on by the type of scheme in operation. Indicator 20 shows that Queensland is a predominantly lump sum scheme whereas the Australian Government and Victorian schemes pay out more as weekly benefits.

Indicator 20 – Payment of entitlements by type and jurisdiction, 2004–05



Durable return to work

This section presents the durable return to work rate compiled from data published in the *2004–05 Australia and New Zealand Return To Work Monitor* (RTW Monitor), which reports on return to work outcomes and injured workers' perceptions of the return to work process. Data for the RTW Monitor are drawn from a survey conducted by Campbell Research and Consulting on behalf of the Heads of Workers' Compensation Authorities (hwca.org.au/reports_rtw.php). The survey includes injured workers who have been paid 10 days or more compensation by a workers' compensation authority or their employer. The survey does not include injured workers from organisations who self-insure their workers' compensation risk.

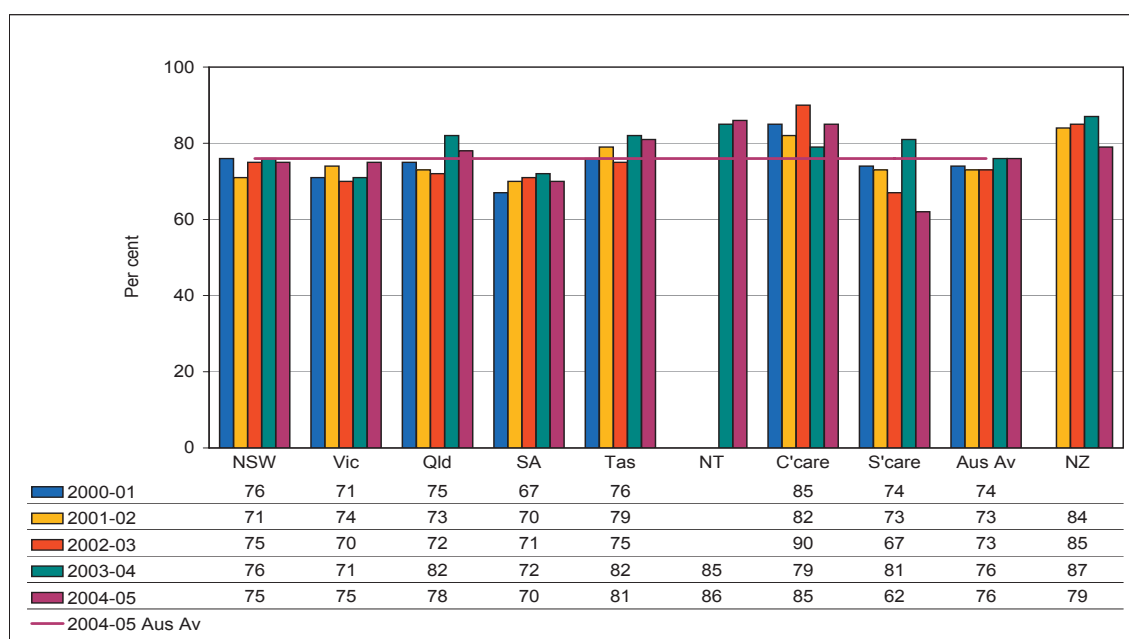
The sample selected for all RTW Monitor surveys consisted of injured workers who had:

- submitted a claim seven to eight months before the date of the survey or seven to nine months for Tasmania, the Northern Territory and the Australian Government, due to the small number of claims in these jurisdictions. For Seacare, due to their even smaller size, the entire population of claimants were invited to be interviewed over four rounds in August, November, February and May
- 10 days or more compensation paid, inclusive of any excess, and
- not been included in another workers' compensation survey in the previous 12 months.

Durable return to work refers to an injured worker who returned to work and was still working at the time of the survey, seven to nine months after their claim. Durable return to work is measured by the injured worker reporting their work status, sources of income and compensation status.

Indicator 21 shows that the 2004–05 Australian average for durable return to work was 76%. This remained unchanged from 2003–04, and is slightly higher than the rates reported in the three years previous to that. The Northern Territory (86%), Comcare (85%) and Tasmania (81%) have the highest durable return to work rates of the jurisdictions who participate in this survey, while Seacare (62%) and South Australia (70%) have the lowest. Seacare and New Zealand recorded large decreases in the durable return to work rate over the past year. Comcare experienced the largest percentage increase but has not yet returned to the rate recorded in 2002–03.

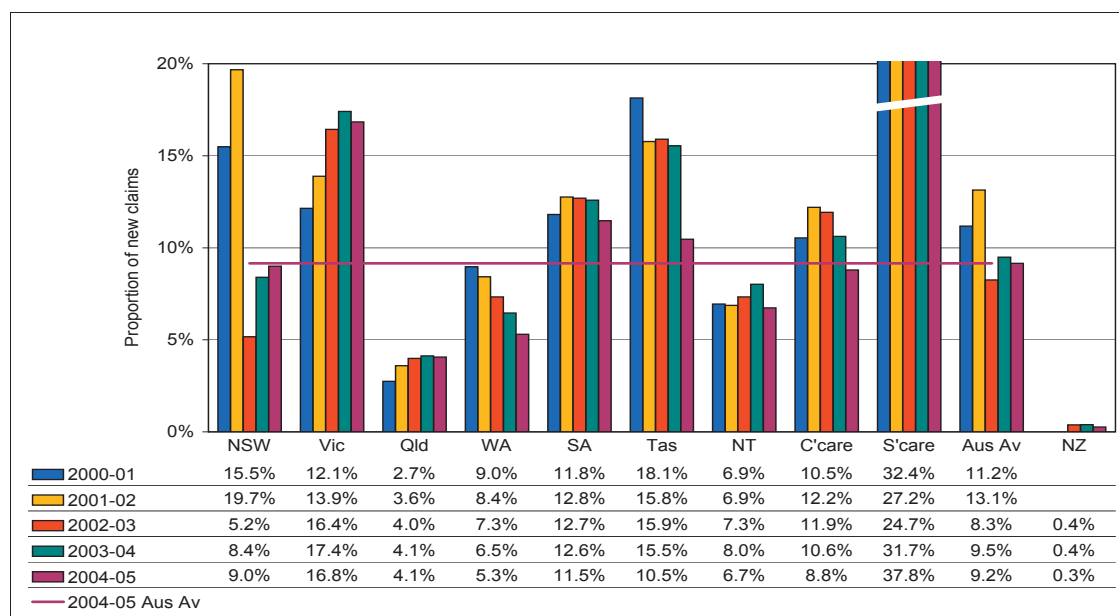
Indicator 21 – Durable return to work rate



Disputation rate

A dispute is an appeal to a formal mechanism, such as a review officer or conciliation or mediation service, against an insurer's decision or decisions relating to compensation. Disputes exclude common law and also exclude redemptions and commutations unless processed as disputes through the Dispute Resolution System. They do not include internal quality assurance audits by senior claims managers.

Indicator 22 shows the number of new disputes as a proportion of new claims lodged in the reference financial year. Therefore the dispute may not be in relation to a claim lodged in the same year. It should also be noted that the number of new claims used in this calculation is all claims lodged within a jurisdiction. The Australian average disputation rate decreased to 9.2% of claims lodged in the reference financial year. However it still remains above the rate reported in 2002–03 (8.3%). Decreases were recorded in most jurisdictions with increases recorded in two Australian jurisdictions. Queensland reported the lowest disputation rate of all the Australian jurisdictions at 4.1% of claims lodged, with Seacare recording the highest rate at 37.8% of claims lodged.

Indicator 22 – Proportion of claims with dispute**Jurisdictional notes**

- The significant fall reported in New South Wales from 2002–03 is primarily a result of the introduction of legislative changes to reform the dispute resolution system operating in the state from 1 January 2002. Workers injured prior to 1 January 2002 were given until 1 April 2002 to lodge a dispute under the old system. This resulted in a high number of disputes being lodged in the first three months of 2002 and very few disputes over the period 1 April 2002 to 30 June 2003.
- In South Australia, there is a provision of deeming delayed, non-exempt decisions as disputes and this may increase the rate for this scheme.
- The dispute rate for Tasmania is influenced by the existence of a preliminary dispute process that was originally intended to protect workers against frivolous and vexatious disputes by employers. From July 2001 Tasmanian employers were required to make weekly payments on an interim or without prejudice basis until liability was either accepted or the Tribunal had determined that a 'genuine dispute' existed. Less than half the number of 'genuine disputes' proceeded to a hearing. From July 2004 the genuine dispute test was replaced by a higher 'reasonably arguable case' test and the period allowed to determine liability was increased from 28 days to 84 days. These changes have had a dramatic impact on the number of initial liability disputes.
- The dispute rates reported by Comcare have reduced substantially from previous publications due to the removal of all internal reconsiderations from the number of disputes, as per the definition of a dispute used in this report. Only those disputes that proceed to an external and independent body, such as a court or tribunal, have been included. However, these disputes are often complex and usually take longer to resolve.
- Despite the long tail nature of the scheme, where a high number of ongoing disputes can arise from the large population of ongoing claims, compared to the smaller number of new claims, the Comcare dispute rate is now similar to the Australian average.

- The New Zealand disputation rate is very low because of the universal nature of New Zealand's accident compensation scheme. Since people who have accidents are covered whether the accident occurs at work, home, on the road, playing sport etc., and whether they are employed, self-employed or a non-earner (child, pensioner, student, unemployed), there are very few disputes relating to cover.

Dispute resolution

Generally, it can be said that better managed schemes resolve disputes within shorter time periods, ensuring that pertinent information is made available by both parties early in the process. Where there is a lag in the collection, exchange and lodgement of information by one or more parties, disputes are likely to be more adversarial and therefore more costly. A high percentage of disputes resolved in a longer timeframe may also indicate that there are a high number of more complex disputes being dealt with within a jurisdiction. Only some jurisdictions can supply data on the time to resolve disputes.

Indicator 23 shows that in 2004–05, Queensland, Western Australia and Tasmania resolved at least 30% of disputes within one month. In contrast less than 3% of disputes were resolved within one month in New South Wales, Victoria and the Comcare schemes. New Zealand also recorded a low proportion of disputes resolved within one month at 4%.

Indicator 23 – Percentage of disputes resolved within selected time periods (cumulative)

	Within 1 month (%)	Within 3 months (%)	Within 6 months (%)	Within 9 months (%)
2001–02				
New South Wales	n/a	n/a	n/a	n/a
Victoria	3.5	55.1	77.8	89.2
Queensland	17.4	83.7	96.9	98.2
Western Australia	27.5	51.3	69.6	81.3
Tasmania	16.0	65.3	79.8	85.7
Comcare	4.5	13.5	28.7	47.7
New Zealand	17.4	69.9	92.3	97.0
2004–05				
New South Wales	2.0	32.0	65.0	80.0
Victoria	2.3	51.4	74.4	87.4
Queensland	31.9	91.0	98.3	99.7
Western Australia	39.3	64.1	80.5	87.4
Tasmania	36.5	67.0	80.7	87.4
Comcare	2.7	13.2	23.3	45.1
New Zealand	4.1	57.8	84.0	91.1

For most jurisdictions, the majority of disputes were resolved between one and three months from the date of lodgement. In 2004–05 over 90% of disputes had been resolved within three months in Queensland, 67% in Tasmania and 64% in Western Australia. More than half of Comcare's disputes took longer than nine months to resolve.

Jurisdictional notes

- Caution should be taken when comparing resolution times for New South Wales with the other jurisdictions because of the following distinguishing features of the Workers' Compensation Commission (WCC). These features inherently increase the time taken to finalise disputes:
 - i. the WCC incorporates a mandatory binding medical assessment process into their proceedings in relation to disputes over the quantum of permanent impairment entitlements. Entitlement to compensation for permanent impairment is disputed in over 70% of Applications to Resolve a Dispute lodged with the Commission; and
 - ii. the WCC incorporates appellate processes for both decisions of arbitrators and decisions of approved medical specialists. The Commission's figures include appeals against binding medical decisions and appeals against decisions by arbitrators (both interlocutory decisions and substantive decisions by arbitrators).
 - iii. the WCC also has a 10-week information exchange period, to provide for material under Direction for Production (subpoena) to be obtained, during which no dispute resolution intervention is undertaken.
- Caution should be taken when comparing resolution times for Victoria with other jurisdictions because the compulsory conciliation process may or may not involve medical panel referral and court litigation can only occur at the conclusion of the compulsory conciliation process.
- As Comcare disputes proceed to an external and independent body, Comcare has no control over the associated timeframes for dispute resolution. These disputes tend to be quite complex and require a longer time to resolve.

Appendix 1 - Explanatory notes

1. Workers' compensation claims data

Scope

The data presented in this report are collected through the *National Data Set for Compensation-based Statistics* (NDS) and are compiled annually from claims made under the State, Territory and Australian Government workers' compensation Acts. The New Zealand Accident Compensation Corporation also collects data in accordance with the NDS. This report is restricted to claims which resulted in a fatality, permanent disability or a temporary disability with an absence from work of one working week or more excluding those occurring on a journey to or from work. One working week is defined as being lost when the number of hours lost is greater than or equal to the number of hours usually worked per week.

The data in this report do not cover all cases of occupational injury and disease as generally only employees are covered by workers' compensation. Therefore many contractors and self-employed workers are not covered by these data. The exclusion of self-employed persons is likely to result in an understatement of the number of cases for industries where self-employed persons are common, for example, Agriculture, forestry and fishing; Construction; Transport and storage - Road transport; and Retail trade. However the incidence and frequency rates shown in this report for all industries can be considered reliable as the denominators used in the calculation of the rates have been adjusted to also exclude self-employed persons.

In addition the following have been excluded from the data in this report:

- temporary disability occupational injuries resulting in absences from work of less than one working week
- military personnel within the Defence Forces
- cases not claimed as workers' compensation or not acknowledged as being work-related, and
- claims for compensation to the Dust Diseases Board of New South Wales have also been excluded.

The estimates for number of employees and hours worked are supplied by the Australian Bureau of Statistics and are based on the Labour Force Survey and the Survey of Employment and Earnings data. These data are matched to the scope of the claims data but may not be exact, particularly in the smaller jurisdictions due to the number of employees being derived from a survey of the population rather than a census. The Australian Bureau of Statistics also conducts a full census of the population every five years. The labour force estimates are then benchmarked against the Census when the Census results are finalised.

Australian Government employees working in each jurisdiction, including Australia Post and Telstra employees, have been included in Australian Government figures rather than State or Territory results. The Australian Capital Territory Public Service employees are covered by the Comcare scheme but operate under the OHS provisions of the Australian Capital Territory. As such, these employees and their claims have been combined with Australian Capital Territory Private sector employees for reporting outcomes in Chapters 1 and 2 of this report.

The number of employees for the Seacare scheme have been substantially revised following a review of the definition to be used for this publication. For all years prior to 2004–05, the

number of employees have been reduced resulting in an increase in the incidence rates shown for this scheme compared to previous publications. In addition the decision to use a 24-hour basis for calculating frequency rates has been made. In previous reports a 12-hour (or 14-hour) basis had been used. This change has been made in recognition of the 24-hour risk of exposure due to the nature of maritime industry employment. This definition is consistent with data published by the Seacare Authority and has resulted in substantial reductions in frequency rates.

The following table shows: the number of claims that resulted in a fatality, permanent incapacity or a temporary incapacity with an absence from work of one or more weeks; an estimate of the number of employees in each jurisdiction; and an estimate of the number of hours worked in each jurisdiction in 2004–05. Note that the number of claims shown for Victoria include the adjustment factors as explained later in these notes. The figures in the table below are those used to calculate the incidence and frequency rates in this report.

Appendix Table 1 – Summary of key jurisdictional data, 2004-05

Jurisdiction	Claims	% of claims	Employees	% of employees	Hours ('000)	% of hours
New South Wales	52 440	37.3	2 707 140	31.9	4 572 536 690	32.4
Victoria	27 410	19.5	2 130 760	25.1	3 473 530 730	24.6
Queensland	26 980	19.2	1 521 870	18.0	2 520 364 970	17.9
Western Australia	12 030	8.5	843 880	10.0	1 408 903 660	10.0
South Australia	12 790	9.1	627 360	7.4	1 011 321 140	7.2
Tasmania	3 350	2.4	186 370	2.2	294 242 560	2.1
Northern Territory	1 280	0.9	85 950	1.0	148 755 300	1.1
Australian Capital Territory	1 760	1.3	116 070	1.4	189 014 460	1.3
Australian Government	2 660	1.9	251 370	3.0	461 043 800	3.3
Seacare	70	0.0	3 460	0.0	15 016 800	0.1
Australian Total	140 770	100	8 474 230	100	14 094 730 110	100
New Zealand	24 130		1 834 850		3 344 892 480	

Time series and adjustment of scheme data

The incidence and frequency rates shown for historical data are different from those presented in previous reports as rates change annually due to further data development. Therefore comparison of 2004–05 data with previous annual data should be undertaken with caution. Where provided, commentary relating to these comparisons should be read carefully. Data shown for 2004–05 are preliminary as they are taken from an earlier stage of claims processing than data for previous years shown in this publication. Therefore, these data are likely to be understated. Moreover, in analysing trends over time, consideration needs to be given to any changes to jurisdiction-specific legislation during the period concerned.

Due to difficulties obtaining time lost in hours for the Northern Territory, data have been estimated using the definition of a working week of five working days. To make the data reported from the Northern Territory and data reported for all other jurisdictions comparable, the data for the Northern Territory has been increased by a factor of 3.3% from 2000–01 onwards. A factor of 3.3% has also been applied to the Western Australia data in 2004–05 to account for the large number of claims for which liability had not yet been resolved but which were expected to be accepted shortly.

Definition of injury and disease

Occupational injuries are defined as all employment-related injuries which are the result of a single traumatic event, occurring while a person is on duty, or during a recess period, and where there was a short or non-existent latency period. This includes injuries which are the result of a single exposure to an agent(s) causing an acute toxic effect.

Occupational diseases are defined as all employment-related diseases which result from repeated or long-term exposure to an agent(s) or event(s), or which are the result of a single traumatic event where there was a long latency period (for example, the development of hepatitis following a single exposure to the infection).

In this report Indicator 8 reports data on fatalities from injuries separately to disease. In this indicator the injuries data also include claims for musculoskeletal disorders (MSD). This change was necessitated by the introduction of a new coding system in Victoria in 2002-03 which resulted in a high number of claims previously coded as *strains and sprains* (injuries) being coded as *diseases of the musculoskeletal system and connective tissue*, more accurately reflecting the repetitive and long term muscle stress that results in these conditions. To minimise the effect of this coding change on time series consistency, musculoskeletal diseases have been combined with the data on injuries for all years and all jurisdictions in this report. A similar change in coding practices across all other jurisdictions will occur progressively from 2005-06 as the 3rd edition of the *Type of Occurrence Classification System* (TOOCS) is introduced in each jurisdiction.

Adjustment of Victorian data

Only claims involving one or more weeks of compensation have been used for analysis in Chapters 1 and 2 to enable greater comparability in the jurisdictional data. This takes account of the different employer excesses that exist in various schemes. However under the Victorian workers' compensation scheme the employer is generally liable for the first 10 days of lost wages by the injured worker plus the first \$506 (in 2004-05) of medical services, unless the employer has elected the Excess Buyout option (more information on the Excess Buyout option can be found at workcover.vic.gov.au).

In order to compare Victorian claims data with other jurisdictions, adjustments have been made to estimate the number of claims in Victoria with 5 to 10 days off work. To calculate the Victorian under 10 day excess impact, the percentage of claims of 5 to 10 days duration for Victoria was compared with the percentage of 5 to 10 day claims for other Australian jurisdictions (averaged over the period 2001-02 to 2003-04 to allow adequate claim development). From this comparison, the number of Victorian 5 to 10 day claims was increased by a factor so that the percentage of such claims was similar to the Australian average for 5 to 10 day duration claims. The analysis was undertaken at the industry division level to allow for a greater degree of homogeneity in respect of claim duration. The application of the factors has increased the claims supplied by the Victorian WorkCover Authority from 21 935 to 27 410.

Size of business

The number of employees in each business size has been provided by the ABS. For 2000-01 the employment data was collected from the *Survey of Employment and Earnings* (SEE). From 2002-03 onwards employment data has been collected from the *Employment, Earnings and Hours* survey (EEH). These are comparable sources for use as denominators. Data on the number of claims is collected in each jurisdiction by a variety of methods, some via the claim form and others by imputing estimates from the data supplied by employers.

2. Return to work data

Data for the *2004–05 Australia and New Zealand Return to Work Monitor* (RTW Monitor) are drawn from a survey conducted by Campbell Research and Consulting on behalf of the Heads of Workers' Compensation Authorities. The survey is conducted in November and May each year. The 2004–05 sample consisted of 2995 injured workers who had made a workers' compensation claim. The figures reported in this section for Comcare include the Australian Capital Territory Public Service. The Australian Capital Territory Private Sector no longer participates in this survey. Western Australia does not currently participate in this survey. The Australian average for each year is calculated using the jurisdictions that participated in the survey for that year. The full RTW Monitor can be viewed at hwca.org.au.

Appendix Table 2 – Sample size by jurisdiction 2004–05

Jurisdiction	Total Sample Size
New South Wales	600
Victoria	600
Queensland	600
South Australia	400
Tasmania	373
Northern Territory	120
Comcare	253
Seacare	49
TOTAL of Australian jurisdictions	2 995
New Zealand	600

Sampling error

The following paragraph is taken from the RTW Monitor.

As only a sample of all eligible injured workers are surveyed, the statistics produced have sampling error associated with them. That is, estimates from the survey may differ from the numbers that would have been produced if all eligible injured workers had been surveyed. The statistical estimate of sampling error is the standard error. The standard error provides a basis for measuring the precision to which the sample estimate can estimate the population value. There is about a 5% chance that the true value lies outside a range of two standard errors either side of the sample estimate. Such a range defines a 95% confidence interval (CI) for that estimate.

Appendix table 3 – Survey estimates of 50% and 80% at 95% confidence interval

Sample size	Confidence interval	Survey estimate of 50%		Survey estimate of 80%		
		Lower band	Upper band	Confidence interval	Lower band	Upper band
2995	+/- 1.9%	48.1%	51.9%	+/- 1.5%	78.5%	81.5%

Interpretation of Seacare Authority return to work results

Seacare Authority injured workers face unique problems in attempting to return to work which need to be considered when interpreting Seacare results. To facilitate graduated return to work for an injured seafarer, a supernumerary position on a ship needs to be found and there are few supernumerary positions available. Also, it can be difficult to include shore-based duties as part of a graduated return to work, as many seafarers live in different locations to their employers' offices.

Injured seafarers have to be passed as medically fit under fitness-for-duties regulations to resume full pre-injury duties. The injury time for seafarers may also be extended by the fact that ships are away from port for four to six weeks, meaning that injured workers may not be able to resume work immediately after they are deemed fit to do so. These factors can result in injured workers waiting additional time to return to work.

3. Standardised average premium rates

The premium rates reported are 'earned premium', which is defined as the amount allocated for cover in a financial year from premiums collected during the previous and current financial years. The premiums reported are allocated for defined periods of risk, irrespective of when they were actually paid, enabling rates to be compared for each financial year. GST charged on premiums is not included in the reported rates, as most Australian employers recoup part, or all, of this tax through input tax credits.

Jurisdictional comparability is affected by a number of factors. One of the most significant is the definition of remuneration for the purpose of premium calculations. The inclusion of superannuation within remuneration increases the base on which premiums are calculated, thereby reducing the percentage premium rate, meaning the rates across schemes are not comparable. Therefore, where applicable, superannuation has been removed from remuneration for the calculation of standardised average premium rates.

Other Issues affecting the comparability of premium rates across the schemes include:

- differences in benefits and coverage for certain types of injuries, in particular the coverage of the journey to and from work
- different levels of accident frequency and severity
- differences in claims management arrangements
- variations in the funding arrangements for delivery of occupational health and safety (OHS) services, with some jurisdictions providing degrees of cross-subsidisation
- differences in the definitions of wages for premium setting purposes and different scheme excess deductibles (note that wage under-declaration has not been accounted for as it is considered to have a similar prevalence in each jurisdiction)
- different levels of self-insurance
- different industry mixes
- differences in premium calculation methodology, for example, some schemes have experience rating formulae and some have exemptions for employers with low payrolls
- different actuarial assumptions used in the calculation of premium rates, and
- Queensland levies stamp duty on premiums. In Western Australia stamp duty on workers' compensation premiums was abolished as from 30 June 2004.

Premiums in the self-insured sector

Most jurisdictions allow large employers to self-insure their workers' compensation if they prove they can manage the associated financial and other risks. Jurisdictions with a large proportion of employees under self-insurance arrangements include New South Wales, South Australia, Tasmania and the Australian Government. Significantly fewer self-insurers operate in Victoria, Queensland, Western Australia and the Australian Capital Territory Private Scheme. A number of methodologies are employed in this report to obtain an estimate of the amount of premium that self-insurers would pay.

Employer excess factors

Some schemes have non-compensable excesses whereby the employer pays the first five or ten days compensation and/or meets medical expenses to a maximum amount. To improve comparability of premium rates, a common deductible of the first five days compensation with no medical costs has been applied. The factors applied to the insured sector data in each jurisdiction are shown in the Appendix Table 4. Adjustment factors are also applied to the self-insured sector to make the data consistent with the common deductible of the first five days compensation with no medical costs.

Journey factors

All jurisdictions except Victoria, Western Australia, South Australia and New Zealand provide some level of coverage for journey claims. Hence an estimated amount equal to the cost of providing this coverage has been removed from the premium rates of the jurisdictions who provide this type of coverage. The factors applied are shown in the Appendix table 4. In New Zealand journey claims are covered by a different scheme.

Appendix table 4 – Premium rate adjustment factors (%)

Jurisdiction	Employer excess factors			Journey factor
	Insured sector		Self insured sector	
	Time lost excess	Medical expenses excess	Time lost excess	
New South Wales	n/a	n/a	-4.2	-7.1
Victoria	2.3	1.6	-4.2	n/a
Queensland	n/a	n/a	-4.2	-5.9
Western Australia	-4.0	n/a	-4.0	n/a
South Australia	2.0	n/a	-4.2	n/a
Tasmania	n/a	1.2	-4.2	-0.8
Northern Territory	-5.0	n/a	-4.2	-1.3
Australian Capital Territory Private	-6.2	n/a	-6.2	-4.3
Australian Government	-2.5	n/a	-2.5	-8.5
Seacare	Excess adjustment factors reviewed annually			-6.4
New Zealand	n/a	n/a	n/a	n/a

Seacare scheme

Seacare scheme policies often include large excesses, ranging from \$5000 to \$100 000, representing approximately three weeks to more than 12 months compensation, with the majority of policies containing excesses in the \$5000 to \$25 000 range. An adjustment factor has been developed to take into account the large and variable deductible. The impact of this factor is observed in the notable difference between Seacare's raw premium rate and the premium rate after the employer excess adjustment has been applied (see columns 3 and 4 of the Appendix Table 5).

Effect of adjustment factors on premium rates

The table below presents average premium rates with various adjustments to assist comparability. Each column in this table represents progressively adjusted premium rates as follows:

- Column 1. These data are average premium rates for insured employers only, calculated using the definition of remuneration as used by that jurisdiction, i.e. superannuation was included where applicable. GST was excluded in all cases. The rates for a particular jurisdiction are aligned to the employer and medical excess that applies in that jurisdiction. Since these are different across jurisdictions, the rates shown at this step should not be compared.
- Column 2. These rates are as per column 1 but with average premium rates for the insured sector adjusted to exclude superannuation from the remuneration used in the calculations. This adjustment was applied to New South Wales, Victoria, South Australia and Australian Capital Territory Private.
- Column 3. These rates estimate an average premium rate for each jurisdiction including both the insured and self-insured sectors before any adjustment factors are applied. These rates take into account the different remuneration definitions for the different sectors and they do not account for the different industry mixes in each jurisdiction.
- Column 4. These rates adjust the rates in column 3 to account for the different employer excesses that apply in each jurisdiction. The adjustment made to the data from the self-insured sector may be different to that applied to the premium paying sector due to the assumption that a nil employer excess applies to the self insured sector. More information on the adjustment factors used in this calculation is included in the Explanatory notes at the end of this section.
- Column 5. These rates further adjust the rates in column 4 to remove a component comparable to the cost of providing workers' compensation coverage for journeys to and from work. These adjustments apply to all jurisdictions except Victoria, Western Australia, South Australia and New Zealand where the coverage for these types of claims is outside the workers' compensation system.

Appendix Table 5 – Effect of adjustment factors on premium rates in 2004–05

Jurisdiction	Average premium rates for premium paying sector		Total* average premium rate	Total* average premium rate adjusted for employer excess	Total* average premium rate adjusted for employer excess and journey claims
	Unadjusted	Adjusted for super-annuation			
	1	2	3	4	5
NSW ^a	2.51	2.75	2.87	2.84	2.64
Vic	1.98	2.19	2.11	2.18	2.18
Qld ^b	1.54	1.54	1.58	1.57	1.48
WA ^c	1.94	1.94	1.98	1.90	1.90
SA	3.00	3.27	3.34	3.33	3.33
Tas	2.46	2.46	2.26	2.26	2.25
NT	2.95	2.95	2.62	2.49	2.46
ACT Private	3.33	3.63	3.61	3.39	3.24
Aus Gov	1.54	1.54	1.51	1.47	1.35
Seacare ^d	4.43	4.43	4.43	8.04	7.52
Australia	2.15	2.29	2.26	2.35	2.25
NZ	0.97	0.97	0.97	0.97	0.97

*Total of adjusted premium for insured sector plus calculated premium for self-insured sector.

a. The NSW average premium rates also include the dust diseases levy which is not part of the WorkCover New South Wales scheme but is payable by employers in that State.

b. Queensland includes stamp duty levied at a rate of 5% of the premium including GST.

c. Western Australia includes a temporary levy to meet the costs associated with the failure of HIH Insurance Ltd.

d. Note that there are no self-insurers in the Seacare scheme.

4. Assets to liability ratio data

Different measures of assets to liabilities can arise from different economic and actuarial assumptions in valuing liabilities as well as differences in the definitions of:

- assets and net assets, and
- liabilities, such as allowance in some schemes for prudential margins, and allowance for different levels of claim handling expenses.

Different definitions of net assets have been addressed in this publication by the application of a consistent definition. For centrally funded schemes, net assets are equal to the total current and non-current assets of the scheme minus the outstanding claim recoveries as at the end of the reference financial year. For privately underwritten schemes, assets are considered to be the insurers' overall balance sheet claims provisions.

A consistent definition of net outstanding claim liabilities has also been adopted, but there are still some differences between jurisdictions in the measurement of net outstanding claim liabilities. These relate to the different claim handling expense assumptions by jurisdictions for which adjustments have not been applied. For centrally funded schemes, net outstanding claim liabilities are equal to the total current and non-current liabilities of the scheme minus outstanding claim recoveries as at the end of the reference financial year. For privately underwritten schemes, liabilities are taken as the central estimate of outstanding claims for the scheme (excluding the self-insured sector) as at the end of the reference financial year.

For jurisdictions with a separate fund dedicated to workers' compensation (centrally funded schemes), the assets set aside for future liabilities can be easily identified from annual reports. Centrally funded schemes operate in Victoria, Queensland, South Australia, Comcare and New Zealand.

For jurisdictions where workers' compensation is underwritten by insurance companies (privately underwritten schemes), assets are set aside to meet all insurance liabilities but the insurance companies do not identify reserves specifically for workers' compensation liabilities. For these schemes, net assets are considered to be the balance sheet provisions made by the insurers at the end of each financial year. Privately underwritten schemes operate in Western Australia, Tasmania, Northern Territory, Australian Capital Territory and Seacare. It should be noted that not all of these schemes carry out independent reviews of liabilities each year. In addition, the ratios for privately underwritten schemes do not include the solvency reserves held by private insurers. The ratio for these schemes is therefore not a comprehensive indicator of the adequacy of insurer assets.

Seacare is shown as having a 100% funding ratio due to the way in which the two major insurers writing seafarer workers' compensation policies structure the Seacare portfolio. There is 100% asset backing for those liabilities.

The New South Wales scheme is a managed fund, combining some of the features of centrally funded schemes and privately underwritten schemes. Under the WorkCover Scheme, insurers have been licensed as fund managers on behalf of WorkCover Authority of New South Wales.

Prudential margins

Some jurisdictions add prudential margins to their estimates of outstanding claims liabilities to increase the probability of maintaining sufficient assets to meet the liabilities estimate. This is done in recognition that there are inherent uncertainties in the actuarial assumptions underlying the value of outstanding liabilities. The addition of a prudential margin will lower the assets to liabilities ratio for that jurisdiction. As only a few jurisdictions have prudential margins, these margins have been removed from the estimates to enhance comparability. For jurisdictions that use prudential margins in determining their liabilities, there will be a greater discrepancy between the ratios shown in this report and those shown in the annual reports. The margins that have been removed are:

- Queensland — prudential margin of 15% removed from all years
- Northern Territory — prudential margin of 15% removed from years 2001–02 onwards
- Comcare — prudential margin of 10.5% removed from years 1999–2000 and 2000–01 and 10.6% from 2001–02 onwards, and
- South Australia — a prudential margin of 7% removed from years 2002–03 onwards.

The liabilities for the remainder of the schemes are central estimates, without prudential margins.

Actuarial assumptions

Another area of difference is in the various economic and actuarial assumptions used by each jurisdiction. To aid comparability, outstanding claim liabilities for each jurisdiction were adjusted to a consistent economic basis as follows:

1. calculate the average inflation and discount rates used in the estimation of the outstanding claims liabilities
2. assume a discounted mean term to settlement of the outstanding liabilities of three years (further precision seems unwarranted given the uncertainty regarding expense assumptions), and
3. apply the average rates of inflation and discount to each jurisdiction, using the assumed discounted mean term to settlement.

Appendix Table 6 contains the inflation and discount rates for each jurisdiction, as well as the Australian average of those rates.

Appendix Table 6 – Economic and actuarial assumptions

Jurisdiction	Discount rate % ¹	Inflation rate % ²
New South Wales	5.11	3.75
Victoria	5.18	3.01
Queensland	5.15	4.00
Western Australia	5.36	4.00
South Australia	5.25	3.19
Tasmania	5.50	4.00
Northern Territory	5.25	4.00
Comcare	5.12	3.89
Australian average	5.24	3.73
New Zealand	5.75	2.44

¹Several of the discount rate assumptions are weighted averages of assumptions that vary for the first and subsequent years.

²Several of the inflation rate assumptions are weighted averages of assumptions that vary for the first and subsequent years, and vary by payment type.

Appendix 2 - Key features of Australian Workers' Compensation Schemes

Appendix Table 7 – Key features of Australian workers' compensation schemes, 2004-05

	New South Wales	Victoria	Queensland	Western Australia	South Australia	Tasmania	Northern Territory	Australian Capital Territory Private	Australian Government
Fund Type	Managed fund	Central fund	Central fund	Private insurers	Central fund	Private insurers	Private insurers	Private insurers	Central fund
Cover for journey claims	Yes	No ¹	Yes	No	No	No	Yes	Yes	Yes
Common law available	Yes	Yes - limited	Yes	Yes	No	Yes	No	Yes	No
Redemptions/ Settlements available	Yes	Yes - limited	Yes	Yes	Yes	Yes	Yes	Yes	Yes - under limited circumstances
Number of employees	2 707 140	2 130 760	1 521 870	843 880	627 360	186 370	85 950	95 410	251 370
Number of self-insurers	66	39	26	28	70 plus crown	17	6	9	8
Standardised avg. premium rate (%)	2.64	2.18	1.48	1.96	3.33	2.25	2.46	3.24	1.35
Funding ratio (%)	80	110	159	125	60	139	103	not available	111
Disputation rate (%)	9	17	4	5	11	10	7	n/a	9
Direct compensation proportion(%)	46	47	66	45	61	42	53	n/a	61
Durable return to work rate(%)	75	75	78	n/a	70	81	86	n/a	85

¹Note that journey claims are covered by the TAC in Victoria for injuries sustained to/from work. Journey injuries sustained in the course of work are compensable under the Accident Compensation Act 1985.

Appendix Table 8 – Entitlements under Australian workers' compensation schemes as at 1 January 2005

	New South Wales*	Victoria	Queensland	Western Australia*	South Australia	Tasmania	Northern Territory	Australian Capital Territory	Australian Government
Income 0-13 weeks (total incapacity)	100% (excl O/T)	95%	85%	100%	100%	100%	100%	100%	100%
Income 13-26 weeks (total incapacity)	100% (excl O/T)	75%	85%	85%	100%	85%	100%	90%	100%
Income 27-51 weeks (total incapacity)	90% (excl O/T) up to \$323pw + allowances	75% (excl O/T)	27-39 weeks = 75%, 40-51 weeks = 65%	85%	100%	85%	27-51 wks - 75%	90%	27-45 wks 100% 46-52 wks - 75%
Income 52-104 weeks (total incapacity)	90% (excl O/T) up to \$323pw + allowances	75% (excl O/T)	65%	85%	80%	52-78 weeks 85% 79-104 weeks 80%	75%	90%	75%
Income 104+ weeks (total incapacity)	90% (excl O/T) up to \$323pw + allowances	75% (excl O/T, subject to work capacity)	65%	85%	80% subject to capacity review	80%	75%	90%	75%
Lump Sums- maximum	>75% impairment - \$200 000 + \$50 000 pain & suffering	\$355 650	\$174 625 + if >50% impairment \$174 625	\$139 995	\$127 200 + \$85 860 where lump sum >55%	\$183 522	\$216 112 permanent impairment	\$158 445	\$134 016 + \$50 256 non-economic loss
Limits- medical and hospital	\$50 000 or greater amount prescribed or directed by WC Commission	52 weeks from cessation of weekly payments	Medical - no limit. Hospital - \$10 000 + \$10 000 in special circumstances	\$41 998.50 + \$50 000 in special circumstances	No limit	No limits but entitlements cease after 9 years	No limit	No limit	No limit
Death benefits (all jurisdictions pay funeral expenses to differing amounts)	\$296 250 + \$93,10pw for each dependant child	\$207 390 (shared) + pre-injury earnings-related pensions to a maximum of \$1130pw for dependant partner/s and children**	\$300 000 + \$10 925 each dependant child + \$63,34pw for each dependant child	\$139 995 + \$36,75pw for each dependant child + max of \$41 998.50 for medical expenses	\$213 060 + \$500pw for totally dependant spouse + \$125pw for each dependant child	\$187,725 +100% weekly payment 0-13 weeks, 85% weekly payment 14-78 weeks, 80% weekly payment 79-104 weeks + \$50.87 pw for each dependant child	\$270 140 + \$103 900 for each dependant child to max of 10 children	\$160 034 + \$53,34pw for each dependant child	\$180 923 + \$10 051 + \$66.99pw for each dependant child

* Benefits shown for employees working under an industrial award

** Lump sum shared under statutory formulae between spouse and children. Pension payable to partner for 3 years and to children until age of 16 (or 21 in in full-time study).

Appendix 3 - Jurisdictional contact information

Jurisdiction	Organisation	Contact details
New South Wales	WorkCover NSW	WorkCover Assistance 13 10 50 contact@workcover.nsw.gov.au www.workcover.nsw.gov.au
Victoria	Victorian WorkCover Authority	Advisory Service (03) 9641 1444 info@workcover.vic.gov.au www.workcover.vic.gov.au
Queensland	Workplace Health and Safety Queensland – Department of Industrial Relations	www.whs.qld.gov.au
Western Australia	WorkSafe Division of the Department of Consumer and Employment Protection	(08) 9327 8777 safety@docep.wa.gov.au www.docep.wa.gov.au www.safetyline.wa.gov.au
South Australia	SafeWork SA WorkCover Corporation	(08) 8303 0245 www.safeworksa.gov.au 13 18 55 www.workcover.com
Tasmania	WorkCover Tasmania and Workplace Standards	Helpline 1300 366 322 (inside Tas) (03) 6233 7657 (outside Tas) wstinfo@justice.tas.gov.au www.wst.tas.gov.au
Northern Territory	NT WorkSafe	(08) 8999 5010 ntworksafe.deet@nt.gov.au www.worksafe.nt.gov.au
Australian Capital Territory	ACT WorkCover	(02) 6205 0200 www.workcover.act.gov.au
Seafarers	Seacare Authority	(02) 6275 0070 seacare@comcare.gov.au www.seacare.gov.au
Australian Government	Comcare	1300 366 979 ohs.help@comcare.gov.au www.comcare.gov.au
New Zealand	Accident Compensation Commission	64 4918 4295 www.acc.co.nz