



PRODUCTIVITY COMMISSION

INQUIRY INTO NATIONAL WORKERS' COMPENSATION AND OCCUPATIONAL HEALTH & SAFETY FRAMEWORKS

SUBMISSION

December 2003

EXECUTIVE SUMMARY

As a national employer Skilled Engineering welcomes the Productivity Commission's inquiry and strongly supports the introduction of National Workers' Compensation and Occupational Health and Safety Frameworks.

Occupational health and safety is an integral part of our business and we have stringent policies and processes to support our company goal of zero injury.

The current differing regulations for OHS and workers' in each of the jurisdictions present significant compliance and administration costs to Skilled. This lack of uniformity consumes resources that would be better utilised in preventing injuries.

A national framework would provide consistency across the country and streamline the management of claims and costs for workers compensation.

As we are not in the insurance business, our preference is not to self-insure (proposed models A and B). This pre-supposes access to a national system that is cost and administrative efficient. However, if the establishment of Model C, an alternative national insurance scheme, was not going to be established in the near future we would consider the pursuit of self-insurance options. We are currently self-insured in South Australia and are reviewing our position in New South Wales. Skilled has applied to join the Comcare scheme to pursue the savings and benefits of a national framework.

SKILLED ENGINEERING LIMITED

Skilled Engineering Limited ("Skilled"), an Australian owned company, was established in 1964 and specialises in the provision of labour and related strategic services to industries in the public and private sector.

The company operates 70 offices across all States and Territories of Australia and services more than 6,000 clients across a broad and diverse range of industries. Skilled employs over 11,000 people and has a diverse workforce encompassing production, trades and white collar personnel.

Skilled's success is a result of the expertise, dedication and professionalism of its employees. We are constantly striving to ensure we are an employer of choice with superior wages and working conditions and we are setting industry standards with our policies for Occupational Health and Safety and Industrial Relations.

A publicly listed company, Skilled's revenue was \$645m for the last financial year.

Occupational Health and Safety

Safety is an integral part of the Skilled culture and we believe each of our employees should safely return home each day. Supported by a national team of Occupational Health & Safety (OH&S) specialists, everyone from our board of directors down is permanently committed to safe working habits. We cannot overstate the importance of occupational health and safety. It is a key part of our competitive advantage and a cornerstone of our leadership position. Skilled is proud of its safety record and actively pursues its goal of an injury free working environment, supporting any endeavour to prevent injury and harm at work. This commitment is regularly acknowledged through industry recognised awards and commendations and Skilled is the only Australian workforce solutions provider to be awarded the international AS/NZS 4801 safety accreditation.

As a company with expertise in occupational health and safety, we work in partnership with our clients to help them to improve their workplace standards and provide a safer working environment.

Skilled will continue to commit the resources necessary for continuous improvement and achievement of best practice in occupational health and safety.

Workers' Compensation

Skilled is also committed to the principle of providing fair and equitable compensation to employees injured at work.

To support this commitment, workers compensation premiums should be fair and reflective of an employer's risk, based principally on claims experience. However, strong incentives should be available to all employers who improve and maintain their occupational health and safety and injury management performance.

Rehabilitation and return to work is an integral part of Skilled's OH&S philosophy and we work with our client to ensure our employee quickly recovers and returns to work, either in their previous position or a less intensive role.

In the last four years Skilled has experienced an increase in injury free days and a significant decline in the number and incidence of workers' compensation claims due to improved safety policies and procedures.

THE COST OF DIFFERING REGULATIONS

Skilled's estimated cost of OH&S and Workers' Compensation including premiums and infrastructure cost is in excess of \$17 million per annum.

With different legislation regulating every state and territory a national employer must bear significant costs relating to compliance and administration. Skilled estimates the introduction of a national system would save the company in excess of \$2.5 million which represents greater than 10 % of Skilled's annual EBIT (earnings before interest and tax).

A national scheme would also provide an enhanced focus on workplace safety. By providing a consistent and coordinated approach to the management of workplace incidents, reductions are anticipated in the number, duration and cost of workers compensation claims. Furthermore, resources could be allocated to accident prevention away from non-productive administration tasks.

The objective of any workers' compensation scheme should:

- minimise the risk of workplace incidents;
- provide effective injury management and rehabilitation to get the person back to work as soon as possible;
- provide appropriate compensation to the injured worker;
- manage the scheme in an effective and harmonious manner (ie. with minimum need for litigation).

The current framework of differing state and territory regulations fails to meet these objectives. A national scheme for workers' compensation and OH&S would be more effective.

Previous applications for a national scheme

Under the *Safety, Rehabilitation and Compensation Act 1998*, Skilled meets the prudential, claims management, OHS and other eligibility requirements to participate in the Commonwealth's Comcare scheme. In October 2000, the company submitted an application to the Federal Government. This application remains unresolved pending the Productivity Commission's Inquiry.

THE STATE SYSTEM IS NOT WORKING

As regulation increases, workers' compensation and OH&S legislation is becoming increasingly complex.

This has the effect of:

- consuming resources due to the degree of staff specialisation required for each set of regulations;
- prevents the establishment of national best practices, reducing the effectiveness of internal systems;
- increases the risk to the company of non-compliance; and
- adds costs to the company.

Skilled is subject to varying premium setting policies and rates across the country for workers' compensation. Furthermore, the collection, compilation and reporting of claims data into a single format for national reporting is highly complex and time consuming.

Injured workers are treated differently

The benefit structures differ between the jurisdictions so that identical injuries result in injured workers being treated differently in each state. Apart from matters of equity, this increases complexity resulting in inefficient administration.

Inconsistency and confusion for clients

The different approaches by the individual WorkCover schemes to labour hire organisations in the classification of industry rates and the application to specific worksites generates unnecessary complexity. A national client can be charged different rates depending on the classification in each state.

Advantages the public sector

Commonwealth government or former government owned firms currently benefit from the cheaper more efficient workers' compensation scheme available to them under Comcare.

A NATIONAL OCCUPATIONAL HEALTH AND SAFETY FRAMEWORK

Skilled has one nationally accredited safety management system throughout Australia but due to the differing OH&S regulations in each jurisdiction, extra specialist resources are employed in each state. While an injured employee is managed in the same way throughout the country, each state has differing requirements and timeframes for each type of injury to be reported to WorkCover. As a result, things can fall through the gaps.

BENEFITS OF A NATIONAL WORKERS' COMPENSATION MODEL

The benefits to Skilled, our employees and clients for participating in a national scheme are:

Improved Health & Safety

- delivery of improved health and safety programs through access to nationally consistent data to analyse and prioritise the programs; and
- further investment in workplace safety through education, training and awareness activities, from the savings generated from the implementation of a national workers' compensation scheme.

Early Injury Management & faster rehabilitation

- the introduction of standard national legislative requirements/standards for the return to work process for all Skilled workplaces across Australia;
- the achievement of more effective and durable return to work outcomes through the operation of a national rehabilitation framework; and
- continued improvement in the provision of rehabilitation services through national return to work performance measures.

More efficient claims management

- the application of a standard definition in relation to what constitutes a work related injury;
- nationally consistent requirements for the notification and lodgement of workers' compensation claims;
- the introduction of standard legislative requirements for the determination of liability on all claims and resolution of disputed claims; and
- nationally consistent claims management performance indicators to monitor and benchmark the efficiency and quality of claims management services to injured employees.

Less administration

- national consistency for employees located throughout Australia, for all issues associated with the management of workplace injury; and
- the ease of administration and simplicity for employees operating under a single legislative framework for the management of their work related injuries.

Reduced costs

- significant savings through reduced compliance costs and administration.

Competitive neutrality

- level the playing field between the public and private sector.

PREFERRED NATIONAL WORKERS' COMPENSATION MODELS

Skilled specialises in the provision of labour and related strategic services, not insurance. Therefore, Model C is our preferred national model as it does not require Skilled to self-insure.

Skilled notes according to the interim recommendations published in the interim report on page 108, the Productivity Commission's intention to establish a broad-based national insurance scheme for all employers underwritten by private insurers is a long term measure (step 3).

If this is the plan, in the short term it would be preferable for Skilled to self-insure under the Commonwealth's Comcare scheme provided the Company could gain the savings and benefits it has identified, given the existing generous benefit structure. Skilled would support the introduction of legislation allowing all corporations self-insured under Comcare to elect to be covered exclusively by existing or new Commonwealth OHS legislation.

It is Skilled's perception that although Model D, a national cooperative model, is good in theory it is unlikely to happen as there are too many political agendas and too much compromise required between the states and territories.

CONCLUSION

The introduction of a national framework for workers' compensation and OHS is strongly supported by Skilled Engineering. A national model would eliminate unnecessary administration and compliance costs, provide consistency across the country and enable resources to be better utilised in injury prevention to achieve our goal of zero injuries.