Speech by

KAREN STRUTHERS

MEMBER FOR ARCHERFIELD

Hansard 14 April 1999

WORKCOVER QUEENSLAND AMENDMENT BILL

Ms STRUTHERS (Archerfield—ALP) (2.47 p.m.): Fairness and equity were at the forefront of the first State workers compensation insurance scheme that was introduced by the Labor Government under the leadership of T. J. Ryan in 1916. Eighty-three years later, the Beattie Government is acting to protect this balance between the rights of injured workers and the need for competitive and affordable premiums for employers while maintaining a secure and viable workers compensation system. When in Government, the coalition parties seriously upset this balance. A number of residents in my electorate of Archerfield came to see me. They were concerned about their unfair treatment under the WorkCover scheme. They were very hard hit by the reforms that the coalition introduced. Therefore, I am delighted that the Honourable Paul Braddy has swiftly moved to correct and restore this balance.

I want to focus on the financial health of the fund, because I am concerned that what the member for Clayfield and his colleagues are indulging in is really nothing more than scaremongering. They are arguing that the financial viability of the fund will be put at risk by our reforms. I refute that emphatically. To safeguard the financial health of the fund and reduce the burden on employers, the Government has focused on a number of key issues that are related to employer premiums. The current average net premium rate is 1.95% with a 10% surcharge. That equates to an average premium rate of 2.145%. That is one of the lowest average premium rates in the country. However, employers' premiums are set to rise in the 1999-2000 financial year as a result of the transition to the experienced based rating formula that was introduced by the former coalition Government. The increase will occur due to the transition from a gross provisional premium scheme to a net provisional premium scheme. It is in no way a consequence of the reforms being introduced by this Government. I repeat: that increase is in no way a consequence of the reforms being introduced by our Government.

The Government and the board of WorkCover Queensland are concerned about the commercial consequences of the increase on employers and have proposed the following changes. It should be noted that these changes were based on actuarial advice. The first change is the removal of the current surcharge of 10% for all employers. The surcharge was introduced on 1 January 1996 by the then Labor Government for a period of five years to assist in returning the scheme to full funding. On the five-year basis, the surcharge would be due for removal on 31 December in the year 2000. The dropping of the surcharge from 1 July 1999—12 months earlier than planned—will have the effect of reducing employers' premiums by 10%.

The second change is a reduction in the solvency margin required for full funding. Under the WorkCover Queensland Act 1996 and the WorkCover Queensland Regulation 1997, the scheme is currently taken to be fully funded if it achieves 30% solvency. In addition to the 30% solvency requirements, WorkCover's provisions for outstanding claims liabilities currently include a 15% prudential margin. The Government considers that the current reserve is putting an unnecessary burden on Queensland employers which may adversely affect their competitiveness and future growth. This is not necessary given the current healthy position of the scheme. The WorkCover actuary advised the board that an appropriate solvency level for full funding would be 20%. That is in addition to the 15% prudential margin. This is considered sufficient to meet any catastrophes and other unpredictable events that may arise. A 20% solvency position is consistent with central estimate comparisons outlined in the Kennedy report. The adoption of a 20% solvency margin also allows greater flexibility in setting employer premium rates. The State Actuary has reviewed WorkCover's recommendation and supports this position.

The proposed changes will not impact negatively on the positive growth of the scheme. Based on the current estimate of returns, applying the current average premium rate of 1.95% with no surcharge and 20% solvency, plus the 15% prudential margin, the scheme should achieve full funding by the year 2001. The cost of implementing our reforms will be in the order of $17.35m to $20.25m. The cost of the total package of reforms is more than offset by improved compliance measures, which are expected to return between $50m and $60m. This is predominantly in one industry alone. The combined effect of the reforms will be to ease the burden on employers, particularly in light of the increases in premiums that some employers will face due to the transition to full experience based rating introduced by the coalition Government. This lessening of the burden on employers can only help to free up funds for investment in the future—investment in new jobs, training programs and expansion into new markets.

By maintaining a healthy, viable and balanced workers compensation scheme we are directly investing in the future of our State. I know that the people whom I represent in Archerfield will get a better deal from WorkCover as a result of the Minister's reforms. I commend these reforms to the House.