



Speech by

Mr M. HORAN

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WORKCOVER QUEENSLAND AMENDMENT BILL

Mr HORAN (Toowoomba South—NPA) (3.55 p.m.): I find it amazing that after the trauma and disaster of workers compensation under the previous Labor Government and the fact that in two years the coalition Government was able to bring the system back to some form of safety and financial strength, this Labor Government is immediately moving to make the system more open ended, opening it up to the risks and dangers that drove it into such a disastrous position in the first place. It used to be a proud boast in Queensland that our financial systems were sound and that one of those financial systems, the workers compensation system, was being managed in a prudent way. Then we saw the disaster that occurred at about the time of the 1995 election. If ever there was corruption and a cover-up, it happened at about that time when the then Minister kept secret the fact that the Workers Compensation Fund was in the red to the tune of approximately \$114m.

Mr Littleproud: That was the member for Yeronga, wasn't it?

Mr HORAN: Yes, the member for Yeronga, who is now the senior law officer of this State, the Attorney-General. That was kept secret, despite the fact that previously that member had tried to classify himself as some sort of white knight of accountability and anti-corruption. Despite that, he went to an election with a workers compensation scheme that was an absolute financial disaster and hid that fact from the public of Queensland. What a pity it was not exposed at the time of the election, because there is no doubt that we would not have had any need for the Mundingburra by-election that took place some six or seven months later. We would have had a clear-cut win in 1995.

The extent of the financial problem is amazing. At that time the unfunded liability was approximately \$114m. When we came into Government, through various actuarial studies and the Kennedy report we were able to estimate that by 30 June 1996 the unfunded liability was likely to be approximately \$290m. The actuarial reports further indicated that there could be somewhere between \$323m and \$400m of unfunded liability. We are talking about bigger than lotto-sized numbers. That is financial imprudence of the scope that we saw with the collapse of the economy in Victoria and the collapse of the State Bank in South Australia.

We are dealing with a scheme that is absolutely essential. This scheme is very important to employees and it is very important that employers are able to provide the proper safeguards and benefits to their loyal staff. The scheme has always been delicately balanced and is open to being rorted. The scheme can very quickly get off the rails. Because the scheme involves such large numbers of employees, high amounts of compensation and lots of variation, and because of the involvement of the legal system, it does not take very much for it to run off the rails. As we saw under the Goss Labor Government, when the scheme runs off the rails it does so very quickly.

History will show that what occurred under Labor in 1994-95 was one of the biggest financial messes ever to be seen under a Queensland Government. We had to clean up the mess in 1996-97. That episode should have sent out clear warning signals. We should be working carefully with the system put in place by the coalition so that it can be made sounder and safer. We need a system that is able to be preserved. The last thing we want is a compensation system in respect of which there is a lack of confidence, for example, a scheme that is in boom one year and bust the next. We need a system that is financially prudent and which is able, through careful financial management, to operate on a stable and secure base year after year.

From 1989 to 1992, in the early part of the Goss Labor Government, premium rates in Queensland averaged about 1.43%. Prior to this period, Queensland employers and workers had enjoyed a long period of stability within the Queensland workers compensation scheme. Premium rates had been maintained at modest levels. It is important to look at both sides of the argument. Although we want a safe and secure system for workers, premium levels must be sufficiently modest to allow employers, particularly those in small business and those who have borrowed to create or expand a business, to put on more employees, if they wish to do so, without having to try to meet huge workers compensation payments.

In my previous employment as the general manager of the Toowoomba Showgrounds I remember well the effort that had to be made to budget for the workers compensation bill. We employed a lot of permanent and casual staff. We employed people in outdoor locations, for example, at rodeos and show society exhibitions. Some of those people worked with animals and machinery. There were high premium rates for certain classifications of occupation and lower premium rates for other classifications, for example, that might have involved clerical work indoors. I know the amount of hard work we had to go through each year to make sure that we had that money in the budget and that it could be put aside. If that bill had gone up substantially, we would have had to look at increasing the entrance fee. Families were already paying \$8 and kids were being charged \$3 or \$4. That fee is not something that can be increased; families cannot afford it. That is a good analogy to draw in respect of the need for modest premiums for small business.

As I said, premium rates had been maintained at modest levels and the benefits to workers had been improved steadily by successive coalition Governments. However, as has now been revealed through the Kennedy inquiry, as early as 1992 concerns were held about the growing incidence and cost of common law claims. It appeared that other parts of the scheme were not causing any financial pressures. The problem was the growing incidence and cost of common law claims.

I understand that actuarial advice has since shown that the cost issues involved with common law claims began to emerge in the 1980s, although it seems that the promotion of workers' rights to sue employers at common law and advertising by lawyers caused a worsening of what was a growing issue. The Goss Labor Government at the time should have been aware of the danger to the workers compensation scheme presented by these trends. Other major States had already experienced similar difficulties driven by precisely the same factors impacting upon the Queensland scheme. In fact, many States had already introduced legislative changes to restrict access to common law actions.

What did the Goss administration do about this very clearly emerging cost problem? It seems that nothing at all was done other than raising the cost of the premiums in 1993 by around 14%, and absolutely nothing was done to address the growing number of common law claims. At about this time, there was a general move to lift advertising restrictions on legal work. That move, together with the already increasing claims numbers, should have been a further warning to the Goss Government about the impending serious problems. Over a number of years we saw an emerging trend of increasing claims and claims for larger amounts of money and then the changing and widening of advertising guidelines and the virtual trawling for work, which was only going to increase those obvious problems.

Nevertheless, when the Government was next confronted with the cost issues in 1994, its solution was to raise premiums by a further 3%. That was another increase on top of the 14% increase. But again the Goss Government did not address any of the underlying causes. It now appears that the Goss Government had to consider the cost problems in workers compensation once again in 1995. By this time, the blow-out was starting to snowball—it was beginning to roll down the hill. But again the Goss Government delayed any action until 1996, when premiums were raised by another 26%. We had a 14% rise, a 3% rise and a 26% rise, but absolutely nothing was done to address the real issues driving the blow-out in and the financial destruction of the workers compensation scheme.

In the space of three years an overall premium increase of some 50% was imposed on employers, who were facing an increasingly competitive national and international environment. Leading up to the coalition forming Government in 1996, little information had been supplied to explain the issues facing the workers compensation scheme. In relation to premiums and costs, the coalition was rightly sceptical, given the small amount of information that had been provided. That is why the coalition stated its policy intention to undertake a wide inquiry into the scheme, and the eventual result of that was the establishment of the Kennedy inquiry.

Premiums were obviously an area that the Kennedy inquiry would scrutinise closely. Given the thoroughness and extensiveness of the inquiry's work, in 1996 the then coalition Government was pleased to implement the comprehensive premium rating reforms recommended in principle by the inquiry. Regrettably, the parlous financial position in which the scheme had been left by Labor meant that the premiums could not be reduced immediately. Jim Kennedy believed that the underlying cause of the cost difficulties needed to be addressed properly and a viable financial position reached before premiums could be responsibly reduced and a warranted relief provided to employers. That approach was supported and implemented by the coalition. Premium reforms, together with a range of other

reform measures, have placed the Workers Compensation Fund in a sound and a recovering financial position. That position needs to be maintained.

The issue that I wish to raise now relates to the ad hoc, unfair and irresponsible nature of this Labor Government's approach to providing what amounts to its version of a premium reduction—a version which will end up costing employers more in the year 1999-2000 and will delay any cash relief until well into the year 2000 or 2001, if in fact that ever occurs. At the same time, increases to scheme costs, which will deliver on promises made to unions and other ALP support groups, will come into effect almost immediately from 1 July 1999.

Where is the fairness in this approach, particularly when we study the history of Labor policy direction during the early 1990s, when employers were hit with massive premium increases before any real attempt was made to bring these costs under control? Even when Labor hesitantly considered some tangible reform in about 1995, it still had to bow to the wishes of its union bosses. It just kept upping the premium and never attacking the real basis and fundamentals of why the scheme was collapsing and failing. Without any prior consultation with employers and with limited advice to employers since, the Government has announced that the 10% surcharge, introduced by Labor, is to be removed. I use the words "limited advice" because what has occurred is certainly not consultation or the sort of behaviour which a responsible Minister or Government should be applying.

There has been no logical explanation of the thinking or the policy that has underpinned the decision to remove the surcharge or the premium setting arrangements which the Government intends to apply. Without this explanation, the Government's surcharge decision appears to be an ad hoc decision to try to appease employers. The ad hoc nature of the decision is further reinforced when one appreciates that employers will suffer an average 27% increase in their premiums in 1999-2000, as announced by this Labor Government, and will not receive any cash benefit on premiums until well into the 2000-2001 financial year.

Employers have a legitimate right to understand the Government's plan or policy underpinning premium rate setting and how it relates to the costs of running the scheme and reaching the targeted solvency position. After all, it is the employers who are required to compulsorily fund the scheme through premiums. Why should they not be properly consulted, particularly as they are being depended upon so heavily to create employment and to create jobs and job opportunities in this State?

Employers also have a right to understand why premium rates are not being reduced to coincide with increased costs they will need to bear arising from the Government's other changes. For example, the change to the definition of "injury" will see individual employers facing higher costs now through funding the excess on increased claim numbers. Where is the equity in this flawed policy direction? Once again the approach seems to be to hit the employers first and in this case not fix the problem, as should have happened back in the early nineties, but create one. I say "create one" because this Government does not know what behavioural changes it will unleash with its reforms in its opening up of the system or what the result and cost impacts might be. It is not prepared to consult fairly or to consult responsibly. It clearly is not prepared to explain its position on premium rate setting or what it expects the future to be for employer premiums.

So-called recent actuarial briefings were an absolute farce. By all accounts from those attending, the actuary was not allowed to respond to legitimate questions. This type of jackboot policy development and delivery of a fait accompli to employers is disgraceful. After this debate, the next thing this Government will do is to court employers on employment or some other issue on which it wants their support. As I get towards the end of this speech I would like to say that, for the reasons I have outlined, this Government's announcement to remove the surcharge is a cynical attempt to appease employers. It is not founded on any serious analysis of premium setting or explanation to employers in a consultative way of what the future might hold.

In summary, as I said at the outset, workers compensation is a delicately balanced system. It is a delicately balanced financial system of huge proportions. The key ingredients going in at one end are the contributions by the employers, the way in which those contributions are managed, the cash management, the investment, the way in which the claims are examined so that the claims are fair dinkum claims—accurate and honest claims—so that the money that comes out of the system at the other end is coming out in a planned way, in an honest way. It has to come out in a way that provides a social benefit to our society so that those people who are genuinely injured in the course of their employment and their families are able to be looked after and cared for so that that injury or illness does not bring about a financial disaster for them while they hopefully recover and get back into the work force.

We are seeing small business right across the State battle to stay afloat. Honourable members have only to look at the threats to newsagencies and pharmacies and the threat by this Government in its examination of the Liquor Act. I think something in the order of 1,300 hotels and 500 or 600 detached bottle shops throughout the State face serious threats to their business. Everywhere small

business is fighting and struggling for survival and yet small business probably provides about 60% of the jobs in this State.

What else are they going to face now? After all these increases in premiums that they have had to handle through the nineties, they are now entering into an open-ended system in which the Government is increasing the opportunities for rorting and expanding the definitions. It says about funding the changes just what we heard year after year from Federal Governments, "Yes, we are going to do this, that and the other. It is going to cost a few hundred million, but we are going to get some more money from the tax cheats", and some sort of system is going to be put in place which is supposedly going to bring in more money.

What we are really facing here, as was clearly demonstrated in the 1990s—the fundamental reason why this system collapsed, despite massive hikes in premiums almost every year—is the fact that the Government did not provide a proper basis for the system, and this legislation will open it up all over again.
