South Australian Labor government to slash payments to injured workers

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In line with big business demands, South Australian Labor Premier Mike Rann tabled a Bill in state parliament last month aimed at slashing compensation entitlements for injured workers. The proposed cuts, which will be debated in state parliament in April, mainly target badly injured workers receiving long-term salary maintenance from WorkCover, the state-managed insurance provider.

The WorkCover Corporation is funded by compulsory levies on employers. As in other Australian states and territories, the government-run scheme is meant to oversee compensation for injured workers, work rehabilitation and injury prevention. Employers in all states have constantly pushed for the reduction of premiums and abolition of other compensation obligations under the schemes.

Premier Rann has personally taken charge of the issue, claiming that measures are needed to prevent WorkCover's unfunded liabilities, currently at $843 million ($US788 million), from blowing-out to over $1 billion by the end of the year. The unfunded liability is the difference between WorkCover's assets and the actuary's estimate of the scheme's liability claims.

Liabilities in the scheme have risen dramatically over the past decade as legislation has restricted injured workers' ability to sue employers for compensation under common law. In the past, seriously injured workers would have settled claims through the courts but now remain in the scheme on long-term salary maintenance, thus accelerating the scheme's annual costs. At the same time, the government refuses to increase employer premiums.

According to WorkCover's 2006-07 annual report, the number of claims decreased over the past decade but the number of workers receiving income maintenance for longer than three years increased from 1,100 to 3,000. The number on salary maintenance for over ten years escalated from zero to 400. Currently, 7,000 workers are on salary maintenance, compared to 4,900 in 1997.

The proposed changes echo recommendations by financial consultant Alan Clayton, whom the government commissioned last year to review WorkCover's financial position. While the review was supposed to be "independent", it was designed to provide a cover for cuts already decided by the government.

The Clayton review proposed that the largest savings could be made by cutting payments to injured workers on benefits for three years and longer, and recommended that payments for partially incapacitated workers be reduced to 80 percent of average weekly earnings after 13 weeks (currently 52 weeks) and discontinued after 78 weeks. This equates to a $100 million per year reduction in benefits and will see thousands of injured workers driven back into the workforce or limited welfare schemes. The review rejected any return to allowing injured workers to sue employers under common law provisions, so that those cut off payments will receive no compensation whatsoever.

David Frith, director of Business SA's employer advocacy programs, told the *Advertiser* newspaper that "injured workers were not returning to work soon enough". He claimed that WorkCover "did not provide the incentives needed to get injured workers rehabilitated". By "incentives" Frith means depriving injured workers of any means of subsistence.

Business SA's submission to last year's review complained that WorkCover levies on employers were the highest in Australia, currently running at 3 percent of employers' wage bills, compared to the national average of 1.9 percent and the federal government Comcare scheme's 1.2 percent.

While Business SA claimed that the scheme was "the worst performing in the country," it made no criticism of the employers' chronic health and safety record. According to the latest report from the federal government's Workplace Relations Ministers Council, the number of serious injuries per hours worked in South Australia from 2001 to 2006 was the highest in the country. In 2006, the state recorded 11.2 serious injuries per million hours worked, well above the national average of 9.4.

Labor's proposals drew criticism from Unions SA secretary Janet Giles, who declared that Rann was "stripping away" injured workers' rights "in order to appease the business lobby".

Giles, a member of the WorkCover Board, resigned her position over what she described as a "conflict of interest" with her role "fighting for workers' rights". Her resignation, however, is designed to distance the unions from Labor so that they will be in a better position to divert workers' anger into dead-end protests.

Giles's "conflict of interest", moreover, did not stop her from remaining on the board over the past six years as it cut injured workers' conditions and carried through a multi-million dollar outsourcing program, which privatised the management of injury claims. According to Dr Kevin Purse of UniSA's Hawk Research, outsourcing added an extra $75 million in costs and produced a "conspicuous deterioration in WorkCover's financial performance".

Giles declared that Labor's attack on workers' compensation was "an election issue" and that hundreds of workers would be mobilised to "protest, doorknock and letterbox". Unions SA has also threatened to run a television advertising campaign. But with the state government not facing another election for two years, these "threats" are hot air and were treated as such by Rann. He arrogantly told the local media that the unions would "just have to eat" the compensation cuts.

The Rann government's assault on workers' compensation is in line with the attack on jobs and living standards being prepared by the federal Labor government of Prime Minister Kevin Rudd, which plans to slash more than $A10 billion ($US 9.2 billion, € 5.8 billion) in government spending in its first budget in May.

All state and territory governments are under increasing pressure to lower their compensation premiums as major corporations threaten to transfer to the cheaper federal Comcare scheme. So far, 19 national employers, including National Australia Bank, Chubb and Linfox, have self insured through Comcare, with another 15 companies eligible to apply.

The last federal Labor government, that of Hawke and Keating from 1983 to 1996, produced an onslaught against injured workers, led in particular by the two largest states—NSW and Victoria. From 1995 to 1997, for example, the NSW Labor government drastically slashed workers' compensation payments and introduced tough sanctions to force injured workers back to work. In 2001, it abolished common law actions, capped payouts and severely tightened the qualification levels for injury.

The NSW attacks were carried through against broad opposition in the working class, which culminated in a mass blockade of parliament for 15 hours when the second round of legislation was passed in June 2001. The unions, however, worked to divert the opposition into appeals to "left" Labor MPs to oppose the legislation. When the government ignored the blockade and pushed the changes through parliament—without a single Labor MP voting in opposition—the unions called off the campaign.