Reflections on Experience Rating: An Australian Perspective

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Experience Rating - Overview

- Periodic adjustment of employer premium rates based on recent claims experience

- Promoted as a powerful market-based tool for improving WHS

- Used widely in Australia since the 1980s

- Viewed as a business friendly form of WHS regulation

- Limited evidence base
Arguments in Support of ER

• Greater equity between employers
• Reduces work-related injury
• Facilitates better RTW outcomes
• Has a greater reach than traditional WHS regulation
• Widespread business support
Arguments Against ER

- Measures claims costs not WHS
- Doesn’t require compliance with WHS law
- Difficult to apply to small employers
- Not designed for occupational diseases
- Often difficult for employers to understand
- Insufficient ‘bite’ to make a difference
- Negative impact on injured workers
**BPS Design Features**

- Comprehensive employer coverage
- Location based
- Two year claims window
- Bs and Ps set by claims cost comparisons with similar employers/locations
- Certain claims costs excluded
- Participation and rating factors
- Revenue neutrality
BPS Performance

- Perverse incentives
- Exclusion of secondary disability costs
- The premium cap impasse
- Lack of evidence re lower injury rates and safer workplaces
- Failure to ensure revenue neutrality - $260m deficit over 10 years
Stakeholder Positions

Business Groups

• Very strong sense of ownership

• Blocked key changes to reform BPS design

WorkCover

• Initially, an ardent promoter of the BPS

• A Faustian compact?

• Tried but failed to gain employer support for reform of BPS

• BPS eventually scrapped in 2010 because of unsustainable cost

• New scheme in 2012 replicated similar design flaws as the BPS
**Unions**

- Opposed introduction of BPS in 1990
- Subsequently though, BPS was not a priority issue
- Did not oppose continued exclusion of secondary disability costs – fearing discrimination against injured workers

**Governments**

- Uncritical acceptance of the economic incentives argument
- Increasing bipartisan support
Where to Next with ER?

- **Prospects for change in Australia**
  - Immediate outlook in SA problematic
  - Not a priority in other states either

- **Greater scrutiny and transparency**
  - Information for workers re potential abuses
  - Program design issues
  - Targeted audits of ER employers to detect abuses
  - Appropriate sanctions to deter abuses
  - Revenue neutrality
• A new research agenda

The Arthurs’ approach
Other options
Does the evidence really matter?