

# 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?