

# **SMALL**

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# **BUSINESS**

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**A Special Report On  
Workers' Compensation  
and Workplace Safety**

**November 1998**



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# Introduction

The Yellow Pages® *Small Business Index* is an ongoing series of surveys designed to track confidence and behaviour in the small business sector.

The primary objectives of the Yellow Pages® *Small Business Index* are to track small business activity over the past three months; expectations over both the next three and 12 months; and to measure overall confidence within the small business community. A second purpose is to provide an independent, objective channel for reporting proprietors' experience and attitudes on key issues. From time to time, the Index examines one or more special issues.

In the August 1998 survey, respondents were asked their views on the operation of workers' compensation systems in their state or territory. Information is reported for the 79% of small businesses that pay workers' compensation premiums.

The Index is an initiative of Pacific Access as part of its commitment to this vital business sector. Research is conducted by Brian Sweeney and Associates and economic advice is provided by Marsden Jacob Associates.

## About this Special Report

The Yellow Pages® *Small Business Index* is the largest economic survey of small business in Australia and focuses specifically on businesses with up to 19 full-time employees (including the proprietor if he or she is part of the workforce).

The sample was drawn from all metropolitan and non-metropolitan regions of Australia. Quotas were set on geographical locations and type of business division to produce the sample breakdown shown opposite.

Because this is a quota sample, results were weighted at the analysis stage by selected ANZSIC divisions within the metro and non-metro region of each state or territory to reflect actual small business population distribution. The ABS Business Register as at June 1996 is used to weight the sample to be representative of the total business population.

Interviewing for the Index was conducted over the period 2 July to 6 August 1998

Location of Business			
	TOTAL	METRO	NON-METRO
NSW	200	160	40
VIC	200	160	40
QLD	200	110	90
SA	150	130	20
WA	150	130	20
TAS	100	60	40
NT	100	60	40
ACT	100	100	—
TOTAL	1200	910	290

Division	
MANUFACTURING	215
BUILDING/CONSTRUCTION	215
WHOLESALE/RETAIL	215
TRANSPORT/STORAGE	125
FINANCE/PROPERTY/BUSINESS SERVICES	215
RECREATION/PERSONAL & OTHER SERVICES	215
TOTAL SAMPLE	1200

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## WORKPLACE SAFETY AND COMPENSATION: SMALL BUSINESS ATTITUDES

### OVERVIEW

Workplace accidents and deaths cost Australia an estimated 5% of GDP or more than \$25 billion a year.

Workplace safety and workers compensation are also major issues for small business. In 1995-96, the National Occupational Health and Safety Commission (NOHSC) estimated that work-related injuries cost small businesses (employing up to 19 full-time persons) \$8.3b.

While safety is an issue of national importance, safety programs and workers' compensation are state responsibilities with arrangements varying considerably. Numbers of accidents reported to workers' compensation authorities also differ substantially between different states and territories, according to statistics prepared by the National Occupational Health and Safety Commission. Reported accident rates vary according to precise definition but appear to be highest in New South Wales, Queensland, South Australia and Western Australia.

In August 1998, the Index surveyed small business proprietors on their attitudes to workplace safety and workers' compensation. Information is reported for the 79% of small businesses that pay workers' compensation premiums. Almost all businesses without workers' compensation insurance had either one or two persons in the business.

Main findings include:

- Almost eight out of 10 small businesses surveyed report placing much emphasis on workplace safety. A higher proportion of small businesses (88% nationally) report becoming more aware of the need for good workplace safety practices over recent years.

Reported emphasis on safety is significantly higher in the ACT and lower in South Australia and Western Australia. The increased awareness of safety is lowest in Queensland, South Australia and Western Australia.

We place a great amount of emphasis on workplace safety and have specific policies in that area			
	Agree	Neutral	Disagree
<b>National</b>	<b>79%</b>	<b>9%</b>	<b>12%</b>
New South Wales	79%	11%	10%
Victoria	79%	7%	13%
Queensland	81%	5%	14%
South Australia	69%	19%	11%
Western Australia	75%	10%	15%
Tasmania	82%	11%	7%
Northern Territory	80%	13%	7%
A.C.T.	88%	5%	7%

SOURCE: Yellow Pages® *Small Business Index*  
Brian Sweeney & Associates - August 1998

Over recent years we have become more aware of the need for good workplace safety practices			
	Agree	Neutral	Disagree
<b>National</b>	<b>88%</b>	<b>4%</b>	<b>8%</b>
New South Wales	87%	3%	10%
Victoria	92%	4%	4%
Queensland	84%	6%	11%
South Australia	83%	10%	7%
Western Australia	85%	2%	13%
Tasmania	97%	2%	1%
Northern Territory	94%	1%	5%
A.C.T.	90%	2%	8%

SOURCE: Yellow Pages® *Small Business Index*  
Brian Sweeney & Associates - August 1998

- Nationally, nine out of 10 small business proprietors believe that workers' compensation is a necessary cost of doing business.

Workers' compensation is a necessary cost of doing business			
	Agree	Neutral	Disagree
<b>National</b>	<b>91%</b>	<b>2%</b>	<b>7%</b>
New South Wales	88%	3%	9%
Victoria	94%	1%	4%
Queensland	92%	0%	8%
South Australia	92%	3%	5%
Western Australia	89%	0%	11%
Tasmania	94%	6%	1%
Northern Territory	94%	2%	4%
A.C.T.	93%	5%	3%

SOURCE: Yellow Pages® Small Business Index  
Brian Sweeney & Associates - August 1998

- Virtually all small business proprietors agree that it is important that the workers' compensation system be fair to both the employee and the employer.
- Nationally, more than 60% of proprietors feel the system is reasonably fair to both the employee and employer. Small business proprietors in the Northern Territory, Victoria and South Australia are more likely than proprietors in other states to agree that the system is reasonably fair.

It's important that the system be fair to both employee and the employer			
	Agree	Neutral	Disagree
<b>National</b>	<b>99%</b>	<b>1%</b>	<b>0%</b>
New South Wales	99%	1%	0%
Victoria	99%	1%	0%
Queensland	100%	0%	0%
South Australia	96%	5%	3%
Western Australia	98%	2%	2%
Tasmania	100%	0%	0%
Northern Territory	100%	0%	0%
A.C.T.	100%	0%	0%

SOURCE: Yellow Pages® Small Business Index  
Brian Sweeney & Associates - August 1998

I feel that the system is reasonably fair to both the employee and the employer			
	Agree	Neutral	Disagree
<b>National</b>	<b>62%</b>	<b>13%</b>	<b>25%</b>
New South Wales	57%	12%	30%
Victoria	68%	13%	19%
Queensland	59%	14%	26%
South Australia	66%	12%	22%
Western Australia	64%	13%	23%
Tasmania	63%	25%	12%
Northern Territory	72%	7%	21%
A.C.T.	59%	16%	25%

SOURCE: Yellow Pages® Small Business Index  
Brian Sweeney & Associates - August 1998

- Nationally, almost-two thirds of small businesses believe that the workers' compensation system is unchanged or worse than it was a few years ago. However, consistent with the major policy changes introduced by the Kennett Government, more than half of Victorian small businesses believe that the system is better than it used to be. Similarly, in Tasmania and South Australia, the number of small businesses reporting a better system substantially exceeds those reporting the system to be worse now. Only in Western Australia, where there have been significant recent rises in premiums charged by insurers, do more proprietors believe the system is now worse than it used to be.

- More than one-third of small businesses disagree with the statement that the workers' compensation premium they pay represents "reasonable value for money". Value for money for premiums paid is seen to be greatest in South Australia, the Northern Territory and Victoria.

The level of premiums does not appear to determine whether the premium is seen to be value for money – South Australia has relatively higher premiums while Victoria has low and the Northern Territory the lowest. It appears that employers look beyond the premium level to see what they and the injured workers receive for the premium paid.

The workers' compensation system is better than it used to be a few years ago			
	Agree	Neutral	Disagree
<b>National</b>	<b>36%</b>	<b>41%</b>	<b>22%</b>
New South Wales	26%	50%	24%
Victoria	58%	24%	17%
Queensland	33%	37%	29%
South Australia	40%	41%	18%
Western Australia	17%	58%	25%
Tasmania	44%	48%	7%
Northern Territory	29%	61%	10%
A.C.T.	26%	58%	15%

SOURCE: Yellow Pages® Small Business Index  
Brian Sweeney & Associates - August 1998

The workers' compensation premium we pay represents reasonable value for money			
	Agree	Neutral	Disagree
<b>National</b>	<b>52%</b>	<b>9%</b>	<b>38%</b>
New South Wales	46%	7%	47%
Victoria	61%	10%	28%
Queensland	53%	12%	35%
South Australia	65%	6%	29%
Western Australia	47%	10%	42%
Tasmania	39%	14%	47%
Northern Territory	64%	11%	25%
A.C.T.	42%	14%	44%

SOURCE: Yellow Pages® Small Business Index  
Brian Sweeney & Associates - August 1998

- Most small businesses (69%) particularly in NSW, Queensland and Tasmania, agree that government should be tougher on compensation payouts so that premiums can be reduced. However, in Victoria, a substantial number of small businesses disagree with this statement suggesting that they think the process of tightening benefits to reduce premiums may have gone far enough.
- The level of disenchantment with the workers' compensation system is lowest in Victoria where only 2% agree (and 94% disagree) with abolition: and highest in Queensland and South Australia – but even in these two states 86% or more disagree with the notion of abolishing workers' compensation.

I believe that the government should be tougher on workers' compensation payouts so that premiums can be reduced			
	Agree	Neutral	Disagree
<b>National</b>	<b>69%</b>	<b>13%</b>	<b>18%</b>
New South Wales	76%	12%	12%
Victoria	53%	15%	31%
Queensland	79%	11%	10%
South Australia	67%	18%	14%
Western Australia	64%	14%	22%
Tasmania	78%	13%	9%
Northern Territory	69%	17%	13%
A.C.T.	65%	18%	17%

SOURCE: Yellow Pages® Small Business Index  
Brian Sweeney & Associates - August 1998

Workers' compensation should be abolished altogether			
	Agree	Neutral	Disagree
<b>National</b>	<b>6%</b>	<b>3%</b>	<b>91%</b>
New South Wales	5%	4%	90%
Victoria	2%	4%	94%
Queensland	11%	1%	88%
South Australia	10%	4%	86%
Western Australia	7%	1%	92%
Tasmania	6%	5%	89%
Northern Territory	5%	7%	88%
A.C.T.	5%	3%	92%

SOURCE: Yellow Pages® Small Business Index  
Brian Sweeney & Associates - August 1998

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- South Australian proprietors are also more likely to agree with the proposition that ‘if workers want this type of insurance then they should pay for it themselves’. Nonetheless, as in all other states and territories more proprietors disagree with this proposition than agree.

If workers want this type of insurance, they should pay for it themselves			
	Agree	Neutral	Disagree
<b>National</b>	<b>28%</b>	<b>7%</b>	<b>66%</b>
New South Wales	28%	6%	66%
Victoria	21%	7%	72%
Queensland	30%	8%	62%
South Australia	42%	7%	51%
Western Australia	29%	7%	64%
Tasmania	31%	7%	61%
Northern Territory	33%	7%	60%
A.C.T.	22%	7%	71%

SOURCE: Yellow Pages® *Small Business Index*  
Brian Sweeney & Associates - August 1998

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## **New South Wales**

### *Context*

Reported injury rates in New South Wales rank in the top half of Australian states and territories according to NOHSC statistics.

Workers' compensation insurance is currently provided by the WorkCover Authority. Following significant accumulated deficits in the NSW system and with average premiums in NSW among the highest across all states, the Government commissioned the Grellman Review. Subsequent legislation in 1998 will introduce private underwriting, tighter access and provide for stakeholder participation in the running of WorkCover.

This high profile review and change in direction of the system during 1998 will have heightened small businesses' awareness of workers' compensation issues.

### *Findings*

Emphasis on workplace safety and increased awareness of the need for good workplace safety among the state's small business proprietors are in line with the national average.

Small businesses in New South Wales are generally less impressed with their workers' compensation system than businesses in most other states:

- While nationally, most small businesses believe that their system represents reasonable value for money, small businesses in New South Wales are as likely to believe the opposite.
- Only one-quarter of NSW small businesses believe their system is getting better, with similar numbers believing it to now be worse than it was.
- While 57% of small businesses in NSW believe their system is fair (the lowest of all states and territories), three-in-ten do not.
- Three-quarters of small businesses believe that the NSW Government should be tougher on payouts and reduce premiums.

## **Victoria**

### *Context*

In Victoria, reported injury rates and costs to employers are among the lowest across Australian states and territories. The Victorian Government's concerted effort to keep premiums low has resulted in removal of common law and tighter access.

Victoria has a high level of awareness of injury and workers' compensation issues, especially following the graphic workplace accident media campaigns and the high level of publicity on both sides at the time of the abolition of common law rights for workers.

### *Findings*

Small businesses in Victoria are reasonably happy with their system:

- Over half (58%) believe that the system has improved over the past few years with less than one-fifth (17%) believing the system is worse.
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- Just over half of small businesses believe the government should be tougher on payouts. This is by far the lowest proportion across the states and territories. In fact, almost one-third of Victorian small businesses do not believe the government should be tougher, well above the national average.
  - More than two-thirds believe their system is fair to both employees and employers.
  - Very few (2%) want to see workers' compensation abolished and less than one-quarter believe that workers should pay for workers' compensation themselves.

## **Queensland**

### *Context*

Workers' compensation insurance is provided by WorkCover Queensland. Following the 1996 Kennedy Inquiry, the system was tightened to reduce unfunded liabilities. According to statistics reported by NOHSC, Queensland injury rates are moderate to high according to the precise definition used. Costs to employers, including WorkCover Queensland premiums, are low compared with other states and territories.

### *Findings*

The attitudes of small businesses in Queensland are generally in line with those across Australia:

- Most believe workers' compensation represents reasonable value for money (53%), and is fair to both sides (59%).
- Only one-third believe that workers' compensation has improved in the last few years, although only slightly fewer believe it has worsened.
- However, there is a significant minority (11%) who believe the system should be abolished (the highest in Australia). This may reflect a very widespread concern (79%) that the Government should be tougher on payouts.

## **South Australia**

### *Context*

According to NOHSC statistics, reported rates of injury in South Australia are among the highest and benefits payable to injured workers in South Australia were among the most generous in Australia. As a result, premiums paid by employers and workers' compensation costs are among the highest. The high cost of workplace injury and death has been recognised by the South Australian Government and has led to Premier Olsen's recent announcement of major initiatives to reduce workplace injury.

### *Findings*

The survey highlighted some concerns about the system:

- South Australian small businesses are more supportive of their compensation insurance system than are small businesses nationally. On key measures, such as "value for money" they are the most supportive;
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- Though nationally most businesses place a high emphasis on workplace safety, in South Australia, this emphasis is lowest. Similarly, the proportion of South Australian small businesses reporting increased awareness of workplace safety is lower than the national average;
  - Across Australia, six per cent of all small businesses want to abolish workers' compensation; in South Australia 10% wish to do so which is second only to Queensland (11%); and
  - Nationally, more than one-quarter of small businesses believe that workers should pay for the insurance themselves. This attitude is strongest in South Australia where 42% believed the cost should be paid directly by the worker.

## **Western Australia**

### *Context*

Reported accident rates in Western Australia appear high, tending to lie in the top half of Australian states and territories according to statistics prepared by NOHSC. Workers' compensation is administered by WorkCover WA and underwritten by approved private insurers. Following several years of heavy discounting and escalating compensation costs, particularly common law costs, premiums have recently risen sharply.

### *Findings*

Western Australian small businesses tend to have a poorer view of workers' compensation than businesses overall around Australia:

- Small businesses in Western Australia are among the least likely to agree with the statement that they *place a great deal of emphasis on workplace safety and have specific workplace safety policies.*
- West Australian proprietors are also the least likely across Australia to agree that they *have become more aware of the need for good workplace practices.*
- Less than half believe workers' compensation represents reasonable value for money.
- Few small businesses (17%) believe that their system is improving with one-quarter believing that it is getting worse.

## **Tasmania**

### *Context*

In Tasmania, costs to employers, including premiums paid to private insurers, were among the highest in Australia. This is despite the fact that the State's reported injury rates are moderate, according to statistics reported in National Occupational Health and Safety Commission.

In recent years, the Government has increased its focus on safety; it is likely that this has increased the awareness of safety issues.

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### *Findings*

Small businesses in Tasmania have a poor opinion of their workers' compensation system:

- Almost all (97%) Tasmanian small businesses have become more aware of the need for good workplace safety and 82% have put in place specific policies in this area.
- Almost one-half of small businesses believe they are not getting value for money from the workers' compensation system. More than three-quarters believe the Government should be tougher on payouts.
- This is despite recognition by a sizeable proportion (44%) that their system is getting better.

### **Northern Territory**

#### *Context*

Workers' compensation insurance is provided by government and private insurers in competition. Consistent with low reported injury rates, premiums and total cost to employers are the lowest in Australia.

#### *Findings*

Small businesses in the Northern Territory are less likely to see problems with their workers' compensation system:

- Only one-quarter do not believe it gives reasonable value for money. This is the lowest proportion among all states and territories. Nearly two-thirds believe it does represent reasonable value for money.
- Almost three-quarters believe their system is reasonably fair to both employees and employers.

### **ACT**

#### *Context*

The Workers Compensation Act is currently undergoing a comprehensive review. However, it is not expected to affect the survey responses. Premiums paid by employers in the ACT were moderate compared with other rates across Australia.

#### *Findings*

Small businesses in the ACT tend to be less enthusiastic about their workers' compensation system than the national average:

- More small businesses believe their system does not represent reasonable value for money than those who believe it does.
  - Less than 25% of small businesses believe that workers should pay for their own insurance.
  - Small businesses in the ACT place the greatest emphasis on workplace safety (88%) and have specific policies in place.
-