Workers' Compensation Policy in Australia: Contention and Controversy
1970 - 1996

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Abstract

From the 1970s through to the mid 1990s, workers' compensation policy was a major source of contention and controversy between capital and organised labour in Australia. Inadequate compensation levels and anachronistic scheme design principles led to a growing demand from the labour movement for an overhaul of workers' compensation arrangements. During the mid 1980s the demand for reform reached a crescendo and resulted in a radical restructuring of workers' compensation arrangements in several Australian jurisdictions, most notably Victoria, South Australia and the Commonwealth.

The defining features of these reforms included the provision of long-term income support for injured workers unable to return to work, the introduction of vocational rehabilitation, a greater emphasis on workplace health and safety, the replacement of private underwriting arrangements with publicly managed schemes, and the adoption of less adversarial dispute resolution mechanisms for contested claims. These holistic reforms stood in stark contrast to traditional workers' compensation arrangements with their narrow focus on short-term income support and the use of lump sum payments to secure claims closure.

Though undertaken in a more muted manner, many of these reforms were subsequently adopted elsewhere in Australia. It was not long, however, before the reform agenda came under attack and by the end of the decade a process of counter-reform was well under way. This movement was orchestrated by major employer organisations and gained further impetus during the early 1990s. The overriding aim was legislative change designed to significantly reduce employer costs for workers' compensation insurance. Although the results varied from jurisdiction to jurisdiction, by the mid 1990s it was abundantly clear that this objective was being largely achieved through reductions in compensation for injured workers along with more stringent eligibility criteria designed to restrict access to the system.

This thesis seeks to explain the fundamental policy shifts underlying these dramatic changes in workers' compensation arrangements that took place in Australia between 1970 and 1996. The major explanatory focus is the contestation over the apportionment of costs for work related injury between employers and workers. In turn, this distributional struggle is located within a broader theoretical framework based on the concept of punctuated equilibrium. The use of punctuated equilibrium analysis contrasts sharply with the ahistorical approach found in neoclassical treatments of workers' compensation policy. Its emphasis on non-linear change enables a four-stage periodisation of Australian workers' compensation policy to be constructed. The nodal points within this schema, including the period from 1970 to 1996, are shown to correspond with periods of intensified contestation between capital and organised labour.

The thesis proceeds primarily through a series of peer reviewed publications that address several of the key issues involved. The analysis contained in these publications is complemented by a detailed examination of major changes in the
design of workers' compensations that took place over the course of this 26-year period, and their impact on compensation levels and average premium rates. It is demonstrated that both the increases in workers' entitlements that took place during the 1970s and 1980s, along with the subsequent reversals that occurred through to the mid 1990s, reflected changes in the distribution of work-related injury costs brought about largely by shifts in the balance of power between employers and labour movement.