

A Submission to the Economic Development Committee

Parliament of Victoria Inquiry into WorkCover Premiums

MacKillop Family Services
October 2000

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1. Introduction and summary

MacKillop Family Services welcomes the Economic Development Committee's inquiry into WorkCover premiums for 2000-2001. In the space of three years our WorkCover premiums, expressed as a percentage of remunerations, have escalated by 69%. In order to meet these premiums, our ability to resource quality services to vulnerable children and families will be adversely affected. Similarly, our ability to resource quality training for staff in order to address some of the issues related to the increasing number of claims has been constrained. As a consequence, the cycle of WorkCover costs is likely to increase rather than decrease.

MacKillop Family Services began on 1 July 1997 as a refounding of the work of seven Catholic child welfare organisations whose origins in Victoria can be traced back to the 1850s. The refounded organisation is committed to both direct service provision and broader social change through advocacy and social policy. MacKillop is one of the largest providers of child and family services in Victoria.

MacKillop aims to build community, to reconnect families as much as possible, and to empower them to take control of their decision-making. It provides innovative responses to the most difficult demands of children, young people and families, with a focus on alternative care, education, and family support programs that link families to communities.

MacKillop provides more than a hundred services in Melbourne and the Barwon Region. Many of our programs operate on inadequate funding in high risk, high need, and high stress service areas. Our services include:

- MacKillop Youth Services, Barwon: two high risk, high need, medium to long term residential units, two family group homes, two lead tenant houses, a short term emergency transitional residential unit for high risk, high need adolescents, supported independent living units, and eight adolescent home based care placements.
- St Joseph's Babies and Family Services, Flemington: six family group homes, one contingency unit, three units for high-risk adolescents, and three lead tenant units.
- Rice Education and Youth Services, South Melbourne: three residential units for high-risk children and young people.
- McAuley Child and Family Services, Black Rock: four family group homes, two lead tenant services, one temporary Emergency Care Unit.

- St Anthony's Family Service, Footscray, Substance Abuse Family Service, and other family support services.
- St Augustine's Education and Training, Geelong: special schools and education programs for children excluded from mainstream schools.

We undertake these services not because there are funding advantages – indeed the reverse is true – but because we are not prepared to walk away from our commitment to support young people in need.

2. Terms of Reference

The Terms of Reference require the Economic Development Committee "to inquire into, consider and report on WorkCover premiums for 2000-01, including:

- (a) the reasons for the level of those premiums;
- (b) the manner in which those premiums were determined, both in aggregate and for individual classifications and employers;
- (c) the impact which those premiums have had and can be expected to have on economic activity and employment....
- (d) the impact which those premiums have had and can be expected to have on the State budget and on the provision of services by government departments and agencies, by local government and by non-profit and community organisations;
- (e) whether the government can or should take action to reduce or compensate for any such adverse impact;
- (f) what changes should be made to the manner in which WorkCover premiums are determined in future..."

Our submission particularly addresses (d) and (e) above. With respect to (d), MacKillop is a non-profit community organisation that is very adversely affected by the recent increase in our industry rates. The recent increases -- if not matched by a comparable increase in funding by a principal funding body in DHS -- will only serve to hamper our organisation in our efforts to provide a safer workplace for staff.

With respect to (e), note that MacKillop Family Services accepts the statutory placements of moderate and high risk adolescents from government into our care. We could minimise the likelihood of WorkCover claims by not accepting some of the higher risk adolescents, but we choose not to ignore the enormous problems created for these young people, and consequently have suffered a huge increase in WorkCover costs. While we strongly agree that due WorkCover care be given to employees, we believe that government needs to meet the cost of such care in the same way that it meets the other legitimate and demonstrable costs entailed in providing community services.

3. MacKillop's WorkCover Premiums 1998-99 to 2000-01

In 1998-99 MacKillop's WorkCover premium amounted to \$270,598, or 3.73% of remunerations to staff. In 2000-01 it is estimated that the WorkCover premium will stand at \$536,551, or 6.31% of remunerations. These figures do not include GST factors. They show that our WorkCover premium, as a percentage of remunerations, has increased by 69.5% in the space of three years.

TABLE HERE

Table 1: Remuneration and Work Cover Premium at MacKillop Family Services 1998-99 to 2000-01

Table 1 illustrates graphically the sharp increase in the WorkCover premium compared to remuneration. The increases in the WorkCover premium are primarily due to three factors:

1. Common law rights have been re-introduced into WorkCover.
2. Within our own organisation a number of recent claims for stress and/or physical injury has meant an increase in our internal rate of 5.01%
3. The industry rates for 2000-01 for community support services and welfare and charitable homes, which covers the majority of our services, have increased by 21%.

We are not proposing that the *first factor* be reversed, but government should recognise that this constitutes an additional cost to community service providers and resource such additional costs.

The *second factor* has arisen largely through recent changes in government policy for the placement of high need and high risk children. For example, in 1999-00 the WorkCover premium for St Joseph's Babies and Family Service in Flemington was 2.4% of remuneration to staff at that site. In 2000-01 our estimated premium will be 8.1% of remuneration, an increase of 246%. The increase particularly reflects claims made by staff working with high risk adolescents. This is effectively a cost-transfer from government with the closure of DHS services in 1998 and the spread of their clients through our services from that period on. This figure would be lessened if funding were increased for

- Providing increased infrastructure, systems and resources to track, monitor and evaluate incidents and WorkCover claims
- Better quality work locations
- Better qualified and competent staff
- Increased staff to client ratios
- Quality training and learning resources for staff.

This would then provide quality premises, better staff, and more staff, sufficient to cope with difficulties currently experienced in residential units such as increased violence and substance abuse. The Division of Community Care has recently recognised that these services have been underfunded and is re-assessing the costs entailed in providing appropriate residential services for these children. Such costs, however, do not include an increase in industry rates, and further review of costs is under way.

On 11 September 2000 the Minister for Community Services, the Hon Christine Campbell, wrote to Ms Coleen Clare, CEO of the Children's Welfare Association of Victoria:

"I am aware that your member organisations have recently experienced a 21% increase in your Industry Rate, which has a flow on effect to WorkCover premium.

Industry rate increases are directly connected to the number and cost of work place injuries. The best way to reduce premiums is to work with employees to create a safer work place."

The effect on industry rates due to the re-introduction of common law rights into WorkCover appears to have been overlooked here. The Minister then further suggested:

"The new price for residential care services, effective from 1 July 2000, will assist in the management of WorkCover costs for community service organisations."

The Minister's letter illustrates a classic Catch 22 situation. The new price for residential care services was negotiated to bring funding closer to actual costs as experienced in 1999-2000. Allowance was not made for an increase in the industry rate for WorkCover premiums. If, as the Minister suggests, a portion of the new price for residential care services is directed to pay WorkCover premiums, then once again there will be increased pressure on providing services, and less resources to provide quality services. Staff levels, staff training, and other occupational health and safety issues will be constrained. Stress and physical injury will occur. Our internal WorkCover premiums will rise again. The vicious circle will continue.

The most significant factor in our sharp increase in premiums, however, is the *third factor*, a 21% increase in the industry rates for community support services and welfare and charitable homes. As the Minister's letter indicates, the 21% increase is "directly connected to the number and cost of work place injuries". This "user pays" principle raises questions about the balance of social policy and economic policy with respect to the community sector. However, if the "user pays" principle is to be applied to WorkCover costs in community support services and charitable homes, then the government must acknowledge that it is one of the "users". If WorkCover costs are part of providing quality services, then government cannot neglect meeting these costs within its various funding and pricing models.

4. Factors driving workplace injuries and WorkCover claims

The factors driving workplace injuries and WorkCover claims are many and varied. These can be gathered under two headings, one concerned with the structure and resources of the organisation, and the other with the impacts on staff because of the demanding nature of the work.

Structure and resources of the organisation

Organisationally, resources do not allow for appropriate administrative infrastructure and systems to effectively undertake the Occupational Health and Safety / WorkCover function. There is also a need to link OH&S management performance indicators and risk management strategies into real health and safety practices in the workplace. From a leadership perspective organisational leaders need to be accountable for occupational health and safety and lead by example. This means employing effective supervision and management practices and demonstrating the skills in managing injured/ill workers and their rehabilitation. The capacity for any organisation to provide a safe and healthy workplace is dependent on improving skills, strategies and systems, but the Catch 22 is that an increase in WorkCover premiums will further diminish the resources available to provide these systems and supports.

Impacts on staff

Staff who work with children and young people in tertiary services work in environments that are inherently stressful. The majority of the injuries sustained and WorkCover claims made are in the categories of occupational assault and stress. There are varied causes for these incidents and injuries. For example:

- a residential carer opens the front door to an adolescent and is punched in the face without any warning,

- a novice carer who has had no training in managing challenging behaviours or in defusing potential conflict situations ends up being captive in her car whilst being threatened by a frenzied young woman with scissors.

Significantly, however, many of the stress claims come not from an isolated incident but from one incident on the back of an accumulation of incidents over a period of time. These claims also result from job burnout simply due to the nature of this work and the levels of personal commitment required. This accumulation of pressure is a major factor in high levels of absenteeism and high staff turnover due to staff resignations. When high turnover is combined with numbers of staff absent with a WorkCover claim, together with staff with normal work absences such as sick leave, annual leave etc, the outcome is a lack of continuity in staffing, teamwork, levels of competence which affects client service and care. The inevitable likelihood, once again, is an increase in the number of incidents likely to lead to further WorkCover claims.

This vicious circle will not be broken by increases in WorkCover premiums. Rather, the increases in WorkCover premiums will further drain resources, place greater burdens on staff, and inevitably lead to further increases in premiums.

MacKillop Family Services' experience is not unique. Our submission reflects the circumstance of many similar agencies providing residential and community support services. Broadly, we are faced with three choices:

1. obtain improved funding to match increased costs in WorkCover and to resource proper OH&S practices,
2. divert resources from direct services to meet increased WorkCover costs,
3. cease high cost/high risk services.

Only options (1) and (3) are responsible and viable.

5. Recommendations

In the light of the Economic Development Committee's Terms of Reference, especially with respect to

- the impact which those premiums have had and can be expected to have on the State budget and on the provision of services by government departments and agencies, by local government and by non-profit and community organisations;
- whether the government can or should take action to reduce or compensate for any such adverse impact;
- what changes should be made to the manner in which WorkCover premiums are determined in future.....,

it is clear that, despite our desire and effort to provide better working conditions for staff,

- the rise in WorkCover premiums will have a systematically escalating negative impact on community support services and charitable homes, and
- the government must take action to compensate for this adverse impact.

We therefore recommend that

- *Government compensates agencies like MacKillop Family Services for the increase in premiums due to the inclusion of common law rights and the 21% increase in industry rates*
- *Government recognise that significant changes in its own policies in the placement of high risk adolescents have contributed to these costs, and that the review of actual costs in providing these services must factor in the increased costs of providing a safe working place.*

Prevention is better than compensation, but prevention requires greater investment in staff, legitimate infrastructure and facilities.