Abstract

Workers' compensation scheme design - An Australian perspective

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Management of workplace injuries and compensation of injured workers is an important issue with high financial and social costs. Organisational and competition literature suggest that the degree of government control the market affects the incentives of agents to provide the contracted service. However, there has been little progress in understanding the dispersion of claims and human management under different workers’ compensation schemes with varying degrees of government control. This work provides an empirical literature review of existing workers’ compensation studies and compares the results to our panel-data analysis of Australian workers’ compensation schemes. We find that public schemes exhibit double the injury incidence rate but return injured workers back to work twice as fast as private schemes, resulting in lower overall compensation costs. They also provide a higher quality of service to injured workers. In light of this, greater government control appears favourable in Australian workers’ compensation.