

The Management of Occupational Stress in Commonwealth Employment

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Canberra ACT
20 October 1997

Dear Madam President
Dear Mr Speaker

In accordance with the authority contained in the *Audit Act 1901*, the Australian National Audit Office has undertaken a performance audit of Comcare and a number of employing agencies. I present this report and the accompanying brochure to the Parliament. The report is titled *The Management of Occupational Stress in Commonwealth Employment*.

Yours sincerely

P. J. Barrett
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the Audit Act to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations / Glossary

ACT	The Australian Capital Territory
ANAO	The Australian National Audit Office
APS	The Australian Public Service
ATO	The Australian Taxation Office
Comcare	Commonwealth body responsible for workers' compensation coverage of employees, and overseeing OH&S programs in agencies
CSA	The Child Support Agency
DH&FS	The Department of Health and Family Services
DPRS	The Department of the Parliamentary Reporting Staff
NSW	New South Wales
OH&S	Occupational Health and Safety
QWCB	The Queensland Workers' Compensation Board
SCMC	The Stress Claims Management Centre
SRC Commission	The Safety, Rehabilitation and Compensation Commission

Part One

**Summary
and
Recommendations**

Summary

Occupational stress

1. Occupational stress is a significant direct and indirect cost in Commonwealth employment.
 - In 1996-97 it accounted for around \$35 million in Commonwealth compensation to injured staff. At \$38 million in 1995-96, stress was the third highest cost category of illness and injury experienced by the Commonwealth workers' compensation scheme after back injuries and strains.
 - The number of stress related workers' compensation cases rose from around 900 in 1989-90 to over 1600 in 1994-95. More recently, numbers declined to around 900 in 1995-96 and still further to 535 in 1996-97.
 - The average cost to the Commonwealth of a stress case is of the order of \$23,000 compared with an average for non-stress compensation cases of \$8,000.
 - The average period of employee incapacity was over 20 weeks for 1994-95 stress claims, compared with around three weeks for claims for all injuries.
 - It has not been possible to assess the indirect costs related to occupational stress, including the costs of replacement staff, but agency experience would suggest they are significant.
2. Because of different practices and definitions, there are difficulties in comparing Commonwealth experience with that of State and Territory workers' compensation authorities. However, broad comparisons suggest that the Commonwealth has relatively high case numbers and costs.

3. Comcare, as the agency responsible for managing the Commonwealth workers' compensation scheme, has been active in recent years in addressing the rising numbers and costs of stress claims. It has adopted strategies to prevent and manage stress in APS employment, introduced new methods of managing stress claims and provided advice to employing agencies. Agencies also have adopted strategies to prevent and manage stress. While there has been a decline in the rate at which claims are made, and a higher rate of rejection of claims by Comcare, relatively high levels of expenditure are expected to continue for some time.

4. A certain level of stress is a normal feature of most workplaces, and it is not always a negative factor. However, if employees are subject to increasing change in working conditions, and uncertainty in their organisations and management methods, some will experience difficulty in coping with that change and may suffer physical and psychological symptoms that can result in a disability and a workers' compensation claim, as well as other cost impacts on the employing organisation.

Audit objectives and criteria

5. The audit objectives were to establish:

- whether Comcare took an effective leadership role in helping to manage the cost of occupational stress to the Commonwealth; and
- whether agency management of occupational stress was efficient and effective.

The audit included reviews of the management of stress in four agencies.

6. The ANAO criteria for the audit focused on how well Comcare understood the impact of occupational stress across APS employment, and supported agencies in their management of the disability. They

also dealt with how well agencies understood and measured the impact of stress, and planned for its prevention or minimisation.

Conclusions

7. The audit found that Comcare had taken an effective leadership role in recent years in helping to manage the cost of occupational stress to the Commonwealth. However, the ANAO also identified a number of areas where the efficiency and effectiveness of Comcare's management of occupational stress could be improved.

8. Comcare had strategies to assist agencies in understanding and preventing stress and had acted recently to focus specialised resources on the management of this category of workers' compensation claim. Recent changes in claims management had resulted in a declining rate of approval of such claims. On the other hand, Comcare's management of stress in APS employment overall could be improved by:

- more investigation to establish appropriate benchmarks of APS experience against that of the States and Territories;
- reviewing claims procedures in other workers' compensation jurisdictions and adopting identified better management practice where justified;
- promoting to agencies the advantages of better management information on the impact of occupational injuries (including stress) and demonstrating how Comcare data could be more effectively used by agencies; and
- ensuring that the results of recent pilot prevention programs are disseminated effectively to employing agencies.

9. The audit found that agency management of occupational stress was adequate with respect to strategies and programs to address the causes of

stress in workplaces, but could be made more efficient by:

- better use of Comcare data on the numbers, costs and locations of stress compensation cases. While cost-benefit considerations must be taken into account in developing management information systems for work related injuries and illnesses, it is likely that by drawing on the information available by Comcare, all agencies would be better placed to manage stress;
- benchmarking with other agencies. Comparisons of case numbers, duration and cost levels could provide an agency with a broader base of experience and insights into better practice in other agencies; and
- monitoring the effects of agency OH&S strategies and programs on the incidence of stress claims to enable management to take appropriate action to target locations and workplaces where claims arise.

10. A key measure of effective management of stress would be reductions in the numbers and cost of stress cases. The audit found that numbers of stress related compensation cases have declined since 1995-96 and total costs have stabilised. These changes reflect several influences, both in better management and in the external environment.

11. From 1994-95, agency management began to implement OH&S programs to control or reduce stress in workplaces. At the same time, Comcare adopted a new approach to stress claims assessment, including a closer focus on the intent of the provisions of workers' compensation legislation. There has been limited opportunity to evaluate the effect to date of these changes. It is also noteworthy that stress claims have been affected by a decline in the numbers of workers' compensation claims of all types, reflecting changes in the environment of the Australian workforce overall.

Key findings

Number of occupational stress claims

12. An increasing proportion of workers' compensation claims made by Commonwealth employees is related to stress. In 1989-90, five per cent of claims made cited stress. In 1995-96 stress was cited in twelve per cent of claims.
13. Numbers of claims accepted each year rose substantially between 1989-90 and 1994-95 (from 891 to 1643). In 1995-96, there were 932 accepted claims and a further decrease to 535 claims took place in 1996-97.
14. In 1990, around 80 per cent of stress claims made by employees were accepted by Comcare. Since then, the rate of acceptance has declined markedly, most notably since 1994-95. The decline reflects a Comcare approach to improving the management of stress claims through closer adherence to existing statutory provisions concerning medical evidence and the relationship of a stress condition to employment. Currently, around 50 per cent of claims are accepted.
15. There was no estimate available of the total numbers of Commonwealth employees absent from work due to stress related compensation claims. Neither the agencies concerned nor Comcare correlated and reported data on this occurrence.

Cost of occupational stress claims

16. When claims are accepted, their costs are high relative to other work related illnesses. In 1995-96 stress accounted for only 7 per cent of accepted workers' compensation claims but 19 per cent of Commonwealth expenditure on compensation.

17. On average, an accepted stress claim by a Commonwealth employee costs around \$23,000. By comparison, claims involving back injuries and occupational overuse syndrome cost around \$15,000 on average. Medical and rehabilitation costs for stress claims are usually lower than for other injuries, with cost levels reflecting comparatively longer periods of absence from work. The average period of employee incapacity is currently more than ten weeks for stress claims.

18. Benchmarking costs with State and Territory workers' compensation authorities is a difficult exercise because of different definitions and cost attribution practices, and the use in some States of excesses and benefit caps not provided for in Commonwealth legislation. Comcare advised the ANAO that most other jurisdictions have 'tighter' legislation than the current Commonwealth provisions.

Agency information on occupational stress

19. Some agencies had little useful management information on the numbers of stress cases among their employees and the locations in their organisations where stress claims occurred. Lacking such information, the risks and occurrences of stress may not be understood by management and targeting preventive programs is seen to be difficult.

20. Comcare provides its client agencies with access to extensive data and reports on agency compensation cases, including stress. The rate at which agencies take up these services is not high. Only one-third of agencies receive a monthly Comcare data diskette service on which regular analysis of compensation cases (including stress) could be based.

Managing the risk of occupational stress

21. A risk management model was recently made available to agencies to apply in their OH&S assessments. The model also applies to risk

assessment in respect of stress. Many agency stress prevention and management improvement activities fit well within its principles.

22. One agency reviewed during the audit had adopted an early intervention pre-claim procedure aimed at encouraging early rehabilitation and return to work by compensation claimants. It made available up to \$500 for assessment of potential claims and \$1500 for the costs of developing a rehabilitation and return to work plan.

23. The agencies audited did not have specific strategies for the management or prevention of stress in workplaces. There was, however, a high degree of recognition that OH&S was a major issue addressed in most corporate strategies that dealt with improving management and implementing change in agency functions and programs. Most such corporate strategies were adopted recently and there has been, to date, no evaluation of outcomes.

Comcare and the management of occupational stress

24. At a cost of \$500,000, Comcare developed national prevention strategies for occupational stress and manual handling injuries. To focus expert resources on the management of stress claims, it established a Stress Claims Management Centre in February 1995. Although it is too early to fully evaluate that initiative, it is noteworthy that the rate of acceptance of stress claims has declined significantly since 1995-96. The Department of Finance has supported increased funding of the Centre.

25. Since 1989, Comcare has undertaken several projects focusing on stress prevention in its client agencies. Material developed in its Quality of Working Life Strategy was released in 1993 and has been a much-used source of advice on stress management by agencies. More recent pilot prevention programs are

nearing completion. Decisions need to be made by Comcare on how these program outcomes are to be disseminated to best assist agencies.

Recommendations and better practice

26. It will be noted that the recommendations arising from the audit (see page xix) concentrate on areas of improvement for Comcare.

27. Separate recommendations have not been made by the ANAO on issues noted during the audit of the four agencies where appropriate further action has been or will be taken by the agency concerned. ANAO observations of management practice varied from agency to agency, and the more significant elements are referred to in Chapter 4 of this report.

28. Based on observations made during the audit, ANAO has drafted a better practice guide on the management of occupational stress. As this report is being finalised, ANAO and Comcare are reviewing the possibility of a joint guide drawing on the results of both the ANAO audit and Comcare's pilot programs dealing with stress.

Recommendations

Set out below are the ANAO's recommendations with Report paragraph references and Comcare's abbreviated responses. More detailed responses and any ANAO comments are shown in the body of the report. The ANAO considers that Comcare should give priority to Recommendations Nos. 1 and 6.

Comcare agreed with ANAO's recommendations subject to some qualifications concerning recommendation No.1.

- | | |
|---------------------------------|---|
| Recommendation No. 1
Para. 0 | <p>2.35 The ANAO recommends, in respect of performance measurement and reporting of occupational stress cases, that Comcare:</p> <ul style="list-style-type: none">• develop, in relation to stress cases, appropriate national cost and impact measures and, through contact with State and Territory workers' compensation authorities, develop comparative methods on which it can introduce appropriate benchmarking of the Commonwealth experience with that of other jurisdictions, including the analysis of relevant trends; and• increase the level of its public reporting on the impact of stress in Commonwealth employment by providing information to stakeholders on the total numbers of employees absent from work due to accepted stress claims, and the results of benchmarking with other workers' compensation jurisdictions. |
|---------------------------------|---|

Comcare response

Comcare agrees with this recommendation with qualifications.

Recommendation No. 2
Para. 0

4.8 The ANAO recommends, in respect of reporting employee absences, that Comcare inform agencies of the relevant data reports that can be used as a basis for analysis to establish levels of staff absences connected with compensation (including stress) and provide examples of the types of analysis that can be performed.

Recommendation No.3
Para. 0

4.19 The ANAO recommends, in respect of the cost of stress cases, that Comcare include, in its injury and case reports to agencies, information on APS average case costs to provide agencies with appropriate benchmarks for assessing their performance in managing stress.

Recommendation No. 4
Para. 0

5.12 The ANAO recommends, in respect of dealing with the results of pilot stress prevention programs, that Comcare:

- develop a strategy for the dissemination to agencies of the results of the pilot stress prevention and management programs undertaken in 1996; and
- encourage agencies to incorporate successful elements of the pilot programs into their OH&S program development, including:
 - (a) reporting on injury causes, age, gender, employee classification, occupation data and the location of stress cases; and
 - (b) developing management information collection and reporting systems as tools to support stress management strategies.

- Recommendation No.5
Para. 0
- 5.32 The ANAO recommends, in respect of improving the processing of stress claims, that Comcare:
- review stress claim procedures in State and Territory workers' compensation jurisdictions to see whether prompt claims determination has been effective in reducing costs;
 - consider how far those procedures could be adopted by Comcare in its management of Commonwealth stress claims; and
 - continue to develop processes with its client agencies to improve pre-determination handling of stress claims.

- Recommendation No.6
Para. 0
- 5.50 ANAO recommends that Comcare, in respect of its data files and customer information reports services:
- promote the advantages agencies can obtain by using Comcare data as a source for management information on compensation cases;
 - review the content and format of the data files it supplies to agencies and discuss with agencies whether changes in content and format are needed;
 - consider changes in data files supplied to agencies (such as including APS numbers and case estimates, and reducing the volume of data by eliminating old cases);
 - review its advice to agencies on data structures and provide more material on the potential use of data;
 - offer agencies training, if required, on the use of Comcare claims data; and

- promote and demonstrate the extent to which agencies can use the available data to improve their knowledge of the impact of stress and other workplace injuries.

Part Two

Audit Findings and Conclusions

1. Introduction

This chapter discusses why the management of occupational stress is important. It provides a brief introduction to the causes and effects of stress among employees, and outlines the responsibilities of Commonwealth agencies in connection with occupational health and workers' compensation. It also discusses the purpose, scope and methodology of ANAO's audit.

Why we did this audit

1.1 Occupational stress is having a significant impact in Commonwealth employment, an impact that rose rapidly between 1989-90 and 1994-95. The numbers of stress compensation cases and their annual cost effectively doubled in that period, the former from around 900 to 1600, and the latter from \$18.4 million to \$38 million. In 1995-96 and subsequently, there have been decreases in the numbers of new cases. There are other indirect costs to Commonwealth agencies including replacement staff and retraining, the higher use of sick leave, the costs of managing stress cases and productivity losses through lowered work quality.

1.2 Stress cases impose a disproportionate cost on the Commonwealth workers' compensation scheme. In 1995-

96, stress cases accounted for 19 per cent of all Commonwealth compensation payments, the third highest cost injury category after back injuries and strains. Hence the agencies managing the Commonwealth workers' compensation scheme, the Safety, Rehabilitation and Compensation (SRC) Commission and its operational arm Comcare, have a direct concern with the impact of stress on employees and the related cost of compensation.

1.3 Commonwealth agencies determine workplace conditions and are responsible for the occupational health and safety of employees. Hence, agency management is responsible for controlling stress factors and managing their impact on employees.

1.4 This ANAO performance audit was an opportunity to review the extent to which

occupational stress had affected Commonwealth employment, and to review agency strategies and activities to manage its occurrence in workplaces and Comcare's strategies in recent years to manage its impact overall.

Audit objectives

1.5 The audit objectives were to establish:

- whether Comcare took an effective leadership role in helping to manage the cost of occupational stress to the Commonwealth; and
- whether agency management of occupational stress was efficient and effective.

Audit methodology

1.6 A preliminary study was conducted of the materiality and effects of stress in Commonwealth employment, and the scope for agency and Comcare management action to address it.

1.7 The audit investigated four agency strategies and programs for the management of stress, within the framework of OH&S activities. It included reviews of the planning and implementation of stress and

other OH&S programs, and visits to agency workplaces. The audit looked at management activities in response to stress, but did not canvass the psychological aspects of stress disorders. The audit did not deal with rehabilitation and case management, which were the subjects of a recent ANAO performance audit of Comcare, reported in Audit Report No.22 of 1995-96 *Workers' Compensation Case Management*.

1.8 The four Commonwealth agencies selected for audit were:

- the Child Support Agency (part of the Australian Taxation Office);
- the Department of Defence (in relation to its civilian employment);
- the Department of Health and Family Services; and
- the Department of the Parliamentary Reporting Staff.

1.9 These agencies account for a variety of employment and workplace arrangements, including responsibility for service delivery, employment at central and regional locations, different employee skills and examples of organisational change. The type of work conducted in an agency can be of particular relevance for the incidence of occupational stress. In some agencies, staff are often required to deal with

clients who are extremely stressed.

1.10 The audit review of Comcare focused on its strategies and programs to control and prevent occupational stress in Commonwealth employment.

Audit criteria

1.11 Separate audit criteria were developed for the audits of Comcare and agency management activities. The ANAO conducted fieldwork to determine whether these criteria were met. The criteria were as follows.

1.12 If Comcare took an effective lead in managing stress in APS employment overall, then:

- a) it would take action to understand the causes of stress and its impact in APS employment;
- b) it would have strategies and programs to control its occurrence throughout APS employment;
- c) it would act as a focal point for helping agency management to improve the management of stress; and
- d) it would support agencies with services that agencies use to help them improve the management of stress.

1.13 If agencies were effective in their management of stress, then:

- a) the effects of stress on their organisations and employees would be understood and measured; and
- b) agencies would have in place strategies and programs to prevent or minimise stress and monitor outcomes.

1.14 Audit field work was conducted from August to December 1996 at Comcare and agency offices in Canberra and at regional locations in Melbourne, Brisbane and at Puckapunyal, Victoria.

1.15 Two consultants provided advice. They were:

- Dr Dianna Kenny of the University of Sydney; and
- Dr Malise Arnstein of Yarralumla, ACT.

1.16 The audit was conducted in conformity with the ANAO Auditing Standards. The estimated cost of the audit was \$390,000.

Audit conclusions

1.17 ANAO reviewed the following elements of the management of occupational stress:

- data systems;
- management strategies; and
- management information.

Without effective systems, strategies and management information, management could not be said to manage occupational stress effectively and efficiently.

1.18 The ANAO found that, of the four agencies in the sample:

- the Departments of Health and Family Services and Parliamentary Reporting Staff had adequate data systems and were considered to be managed efficiently;
- all had human resource management or corporate development strategies that incorporated many of the elements of a strategy to manage occupational stress. Three of the agencies were considered efficient in this regard, but one was less coordinated; and
- none of the four agencies made full use of the information Comcare could provide, and were not considered efficient in this regard.

1.19 Effective management would be indicated by a reduction in the numbers and costs of occupational stress cases because of management action.

The audit found that the number of stress related compensation had declined substantially since 1994-95, and that the overall cost to the Commonwealth had stabilised. These changes reflected the influence of better management by Comcare of the assessment and determination of claims and the adoption in some agencies of strategies and programs designed to control or reduce stress in workplaces. However, the numbers of such claims may also have been affected by an overall decline in numbers of workers' compensation claims of all types, currently experienced in all workers' compensation jurisdictions. In these circumstances, it was not possible to form an opinion on whether management action had been effective. No agency had data available to show whether any reduction in occupational stress cases was due to management action or external factors such as the general environment of the Australian workforce.

Best practice

1.20 Throughout the audit, the ANAO focused on identifying practices that represented better ways to manage stress effectively. This was to assist Commonwealth agencies not directly involved in the audit to

obtain some benefit by considering the potential of the reported approaches and strategies to help them improve performance.

1.21 The ANAO has drawn together a number of suggestions to agencies that could improve management practice, particularly in relation to management information on workers' compensation claims, including stress. These form the basis of a draft better practice guide at present under discussion between ANAO and Comcare. It is intended to publish a joint guide in the near future.

Background to stress in the workplace

1.22 Occupational stress has been a significant occupational health and safety (OH&S) issue since the 1980s. Workers' compensation authorities in all Australian States and Territories have experienced rising levels of compensation claims for stress related conditions. Reports from the USA and the UK indicate that stress is a health concern in many organisations. Stress related work disabilities have also become increasingly common.

The nature of occupational stress

1.23 'Stress' is a word with usages in many branches of human activity. It refers to the impact of demands on a system, whether physical, social or psychological. 'Occupational stressors' are work related factors that make demands of employees. 'Occupational stress' is their effect on employees exposed to them.

1.24 Employment involves a myriad of occupational stressors:

- work characteristics, such as task design, work quantity, diversity and complexity, resources and equipment, time availability and deadlines;
- the physical work environment, such as noise, light, ventilation, temperature, space and working hours;
- the nature of the work and its relation to employee temperament, training, skills and experience; and
- the human environment - a complex set of factors including organisational structure, management styles, methods and practice (at all levels), clarity and perceived fairness of conditions, conflict resolution, direction, communications, training and support, relations with peers and clients, the clarity of roles,

reasonableness of expectations and outcomes, the usefulness of the work and stability of employment.

1.25 Public sector agencies deal with a range of customers and stakeholders. Agency staff undertake work that covers a range of activities and includes front desk delivery of benefits and services, inspection and regulation of various client activities and law enforcement. Managing these and other programs sometimes involves exposing employees to client hostility, verbal aggression or physical danger, and emotional stress. In recent years, agencies have addressed some of these issues with changes in approach to ways of working and delivering service.

1.26 The process of change itself constitutes a stressor. Most Commonwealth agencies have experienced major structural and functional changes. Pressure from such change is a continuing feature of public sector employment. Downsizing of agencies has limited the opportunities employees previously had for transfer out of a work environment they might perceive as unsuitable to another part of the same agency.

1.27 These factors determine the quality of the working lives of employees. Away from work employees also face stress

factors through their homes, families, financial and other pressures. Together these make up a range of factors likely to add to an employee's perceptions of stress.

The response to stress

1.28 Employee responses depend not only on the stressors and exposure to them, but also on each individual's personal characteristics. Stress is not necessarily negative. It can increase the performance of some persons depending on how much stress is experienced and the effect of positive mitigating factors such as job satisfaction, recognition and effective management and consultation. Other employees are less successful in an environment they perceive as stressful. If the personal capacity to deal with stress is exceeded by stressors, quality of work performance is likely to be affected. The point at which this occurs will vary from person to person. In serious cases employees may develop physical and psychological symptoms that result in inability to take on their usual roles in the workplace. Such stress related disabilities are considered in OH&S terms as illnesses arising from employment.

Stress compensation claims and other absences

1.29 Employees may perceive themselves to be stressed as a result of some of the stress factors outlined above. Those who feel significantly affected by stress may require a period of absence from the workplace. In some cases, absences can be covered by the use of sick leave credits, and less frequently through other entitlements such as recreation and long service leave. An employee who makes a successful compensation claim for stress is paid for associated periods of disability, without recourse to accumulated sick leave. Paid absences due to stress, the so-called 'stress leave', fall within either of these categories. This audit deals mainly with absences and costs associated with successful compensation claims.

1.30 APS employees may be granted sick leave for any absence related to illness or disability, within the limits of credits that accrue at a set rate under their conditions of employment. An employee is usually required to state the nature of the condition. If absence extends beyond a few days, approval of leave is subject to production of the certificate of a medical practitioner that the employee is unfit for duty for a specified period. Many such certificates refer to the medical

condition in broad terms only. An employee absent on sick leave (or a medical practitioner) may specify 'stress' as a cause, but this does not provide evidence of a specific disabling condition or its connection with employment. Such evidence is not necessary in order for an employee to be granted sick leave, for stress or any other reason.

1.31 If employees avail themselves of annual or long service leave, there is no requirement to record or specify stress as a cause of the absence.

1.32 Much more stringent conditions apply to a claim for workers' compensation on the grounds of stress. Acceptance of a claim requires a claimant to produce evidence of the specific diagnosis of a medical condition brought about by stress. Comcare assessment of the claim involves considerations such as whether the condition goes beyond a normal stress response, whether it was materially contributed to by employment, and whether it has resulted from factors excluded from workers' compensation, such as reasonable disciplinary action or failure to obtain some employment benefit. Decisions on admitting claims are the responsibility of Comcare.

1.33 If a claim is admitted, the employee receives entitlements under workers' compensation

legislation, including payment during periods of disability. The management of approved stress claims includes appropriate rehabilitation and the development of a plan for returning the employee to work. On the other hand, employees availing themselves of sick or other leave receive appropriate pay entitlements during absences, and return to work when no longer unfit for duty.

Occupational health and Commonwealth workers' compensation

Employer responsibility

1.34 The *Occupational Health and Safety (Commonwealth Employment) Act 1991* requires the Commonwealth, as the employer, to take steps to protect the health and safety at work of its employees. Under the OH&S Act agencies are responsible to ensure that work is organised and conducted appropriately, protecting employee safety and preventing injury.

Workers' compensation

1.35 The present Commonwealth scheme was established under the *Safety, Rehabilitation and Compensation Act 1988*. The SRC Act replaced earlier legislation from 1 December 1988. It

emphasises minimising the human and financial costs of work related injury, while providing fair compensation and support for incapacitated employees. As in other Australian workers' compensation schemes, the Act sets up a 'no fault' arrangement. Compensation is not dependent on proven fault or negligence by the employer. There is limited access to common law.

1.36 The SRC Act created the Safety, Rehabilitation and Compensation Commission whose functions include developing OH&S policies and strategies for the Commonwealth, and guidelines for the operation of the Act. The Act established Comcare to administer the scheme. Comcare has a role in prevention, regulation and enforcement under the OH&S Act. The SRC Commission determines agency premiums for workers' compensation, reflecting agency shares of the scheme's costs.

1.37 Under the SRC Act, employees are entitled to medical care for work related injuries and diseases, and compensation for income loss during related absences from work. Acceptance of any compensation claim (including a stress claim) is subject to a number of tests:

- in the case of a disease (as which most stress claims are classified) the employee must suffer from a diagnosable medical condition or a clinically significant condition that impairs or incapacitates the employee for work or that requires medical treatment. That condition must have been contributed to by the employee's employment 'to a material degree';
- in the case of an injury, the injury must have arisen out of or in the course of an employee's employment; and
- for both injuries and diseases, compensation is excluded when a condition results from reasonable disciplinary action or action by management in connection with employment conditions such as promotion, transfer or the obtaining of a benefit.

The role of Comcare

1.38 At 30 June 1996 Comcare provided workers' compensation cover for 232,000 employees in 216 Commonwealth agencies. Comcare's services include:

- decision making on claims for compensation;
- administrative review and legal services;
- claims management;

- data and financial advice services;
- advice on occupational health and safety; and
- training and briefing of agency staff.

1.39 Comcare's agency service functions reflect its objective of taking a leading role in the prevention of workplace injuries in Commonwealth employment.

Proposals for legislative change

1.40 In December 1996 the Government introduced into Parliament the *Industrial Relations Legislation Amendment Bill 1996* to amend Commonwealth workers' compensation legislation. The changes proposed include new conditions affecting stress claims.

1.41 The Bill proposes to redefine 'disease' so as to require a high degree of association between employment and a claimed medical condition. The *Safety, Rehabilitation and Compensation Act 1988* required that employment must have been a contributory factor 'in a material degree' to a claimed condition. The changes would provide compensation where employment contributed 'in a significant degree,' and include factors to be taken into account in making this determination. They would

exclude injuries or diseases
contributed to by reasonable
employer actions or decisions on
a wide range of matters affecting

the employment, promotion,
transfer or discipline of an
employee.

2. Stress in Commonwealth Employment

This chapter discusses the problem of stress in Commonwealth employment and its impact in recent years. It comments on the incidence and cost of workers' compensation claims related to stress in Commonwealth employment and how those elements compare with the experience of employment elsewhere.

Claims for compensation based on stress

2.1 In 1989-90, five per cent of claims received by Comcare were based on stress related disabilities. In the 1990s there was an acceleration in the rate at which these claims were made. By 1995-96 they accounted for 12 per cent of claims¹.

2.2 Research in the late 1980s by Comcare showed that a major cause of stress claims was trauma resulting from hostile incidents and aggression by clients. However, causes in the workplace are now more

significant. In 1993-94 only 17 per cent of approved claims related to physical or verbal abuse. The other causes were:

- interpersonal conflict (24%)
- work pressure and deadlines (24%)
- anxiety due to organisational change (22%)
- performance counselling and other management processes (7%)
- forced relocation and organisational restructuring (6%)

2.3 Similarly, the audit observed that the main stated causes of stress claims in the Department of Health and Family Services (DH&FS) in three years to January 1997 were closely associated with work methods. Sixty per cent of DH&FS stress claims were attributed to anxiety due to interpersonal conflict with

¹ The source of the information in this Report about numbers, incidence and cost of successful stress related compensation claims was Comcare's claims information database. The data cited in this and succeeding Chapters is, in all cases, the most recent and reliable available to illustrate the issues under discussion.

peers and supervisors and pressure from work and deadlines.

Numbers and costs of successful compensation claims

2.4 The overall impact on the Commonwealth of stress claims can be reflected in numbers of successful claims and their total cost to the workers' compensation system, as set out in Table 1².

New stress claims

2.5 Table 1 shows that numbers of accepted stress claims peaked at 1,643 in 1994-95, declining to 932 in 1995-96 and 535 in 1996-97. There are a number of factors to which this can be attributed. In February 1995 Comcare established a specialist Stress Claims Management Centre to deal with claims in New South Wales and the ACT. This is discussed in more detail later, and in Chapter 5. Agencies became more active in managing stress. Most of the agencies

ANAO audited took action during 1995-96 to implement programs likely to lead to better stress management. This is discussed in more detail in Chapter 4.

Expenditure on stress claims

2.6 Table 1 shows aggregate payments by Comcare in respect of stress claims, currently around \$35 million per annum. These costs represent the annual bill payable by the Commonwealth in respect of compensation claims for stress. The annual expenditure level reflects the cumulative effect of past decisions to accept claims, as well as payments for claims accepted in the year in question. Rises and falls in expenditure 'lag' changes in the rate at which new claims are accepted. Consequently the declining number of claims accepted from 1994-95 will lead to falls in expenditure in future years.

² Other more indirect costs of stress include the costs to agencies of absences by employees who do not lodge claims, or whose claims are unsuccessful. There are also costs of additional staff needed while stressed employees are absent and training replacements. Generally agencies had no accurate estimates of the indirect cost of stress and it is not referred to in this report.

Table 1
Stress Compensation Claims Accepted by Comcare
Expenditure by Comcare on Stress

Financial Year:	1989 -90	1990 -91	1991 -92	1992 -93	1993 -94	1994 -95	1995 -96	1996 -97
<i>New stress compensation claims</i>								
Numbers of new stress claims accepted	891	918	1,040	1,176	1,506	1,643	932	535
Change in claims numbers accepted		+3%	+13%	+13%	+28%	+9%	-43%	-43%
New stress claims accepted as % of all claims accepted	4%	5%	5%	6%	8%	10%	7%	5.14%
<i>Expenditure on stress</i>								
Comcare Expenditure on stress claims	\$18.4m	\$21.6m	\$24.4m	\$26.1m	\$35.4m	\$37.2m	\$38.0m	\$35.3m
Change in expenditure		+17%	+13%	+7%	+36%	+5%	+2%	-7%
Expenditure on stress as % of expenditure on all injuries	14%	14%	14%	15%	17%	19%	19%	18%

2.7 Annual expenditure on stress doubled between 1989-90 and 1994-95 from \$18.4 million to \$37.2 million. The expenditure level in 1996-97 (\$35.3 million) was down from the previous years, reflecting a slowing down in numbers of claims. In 1995 Comcare expected that expenditure could rise to about \$50 million annually, but this now appears unlikely. Nevertheless, an expenditure level approaching \$40 million per annum imposes a substantial cost on the Commonwealth.

Comparing stress with other injury claims

2.8 Stress claims impose a disproportionate cost on the compensation system, mainly through prolonged periods of absence from work (incapacity) by injured employees. The average incapacity period for a 1995-96 stress claim was 8.2 weeks, compared to 2.6 weeks for all injuries. Compensation payments to employees for longer periods account for the generally higher cost of stress claims.

2.9 Table 1 demonstrates this disproportionate impact by comparing claim numbers and aggregate costs. Stress currently accounts for five per cent of claims and 18 per cent of expenditure, and over eight years it has consistently imposed higher costs than its proportion of the general body of claims.

Continuing stress claims

2.10 New claims accepted indicate the rate at which new stress illnesses occur. Another significant measure of the continuing impact of stress was not, however, reported. The numbers of active stress cases indicate aggregate employee absences due to accepted stress claims. Comcare publishes no information on this indicator and consequently total numbers of active occupational stress cases in Commonwealth employment are not known. No information is published concerning the levels and classifications of employees affected and the numbers of cases in each agency.

2.11 Some agencies request and receive reports on active compensation cases that would enable management to highlight numbers of stress cases and absent employees. Chapter 3 comments on the extent to which agencies used Comcare data

and reports to assess the impact of stress.

Decision making on stress claims

2.12 There have been significant recent changes in the rate at which stress claims are accepted for compensation.

Numbers of claims received

2.13 Table 2 shows a high rate of increase in claims lodged between 1989-90 and 1993-94. Thereafter the increase slowed and in 1995-96 there was, for the first time, a decline in the number of claims received.

Caveat: reduction in compensation claims overall

2.14 Declining numbers of stress claims by Commonwealth employees reflect, in part, a trend to fewer claims for workers' compensation overall. Comcare statistics indicate that the frequency of claims by employees for any injury or illness is declining. In 1991-92 there were 7.9 claims per 100 full time employees. In 1995-96 the comparable rate was 6.6 claims. Comcare advised that claims frequencies were declining in all injury categories, and that other Australian workers' compensation authorities have had similar experience.

**Table 2:
Comcare Decisions On Stress Compensation Claims
By Commonwealth Employees**

Financial Year:	1989 -90	1990 -91	1991 -92	1992 -93	1993 -94	1994 -95	1995 -96	1996 -97
Stress claims received by Comcare	1039	1128	1352	1574	2040	2465	1845	1143
Rate of increase/decrease	-	9%	20%	16%	30%	21%	-25%	-38%
Claims accepted by Comcare	891	918	1040	1178	1506	1643	932	535
Rate of increase/decrease	-	3%	13%	13%	28%	9%	-43%	-43%
Proportion rejected	14%	17%	17%	18%	24%	30%	49%	55%

Note: Tabulation is by the year in which a claim was lodged with Comcare.

2.15 The nature of claims is also changing. Comcare actuarial estimates suggest that, in 1994-95, 2.4 per cent of claims accepted (all injuries) would reach a duration of 52 weeks or more; for 1995-96 the equivalent estimate was 3.9 per cent. Workers' compensation systems are experiencing fewer claims but more are likely to be long term claims.

Rising rejection rates for stress claims

2.16 Table 2 shows that in 1989-90 around 14 per cent of claims were not accepted. Rejection rates for stress claims at all Comcare offices increased slowly. By 1993-94 the proportion not accepted was 26.2 per cent, nearly double the rate four years earlier.

2.17 From February 1995, the Stress Claims Management Centre (SCMC) took over the determination and management of claims arising in NSW and the ACT. Its establishment was part of a strategy to improve the handling of stress claims, referred to in Chapter 5. Overall rejection rates rose sharply from 1994-95. SCMC rejection rates for 1995-96 were 55 and 49 per cent for ACT and NSW claims respectively. Rejection rates at other Offices varied from 15 to 53 per cent.

2.18 It is noteworthy that changes in rates of acceptance took place within legislative provisions that were unchanged since 1988. The reduction in numbers of successful claims reflects the focusing of Comcare resources on this high cost area,

and better procedures for evidencing and determining stress claims.

2.19 In addition to establishing the SCMC, Comcare introduced a streamlined claims investigation model and data collection on claims and stress factors. Increasing rejection rates indicate that:

- the SCMC has raised awareness throughout Comcare of better management of stress claims; and
- changes in the claims determining process have brought about lower rates of acceptance of claims.

2.20 These steps are likely to reduce the cost of stress to the Commonwealth. It is not possible to establish whether, and to what extent, numbers of accepted stress claims could have been reduced if the tighter focus on claims determination and management had been applied earlier.

Incidence of stress claims in Commonwealth employment

2.21 Another measure of the impact of an occupational injury

or illness is its incidence, the number of accepted claims per 1000 workers. Table 3 shows that the incidence of stress in Commonwealth employment varied substantially in recent years.

The cost of stress claims

2.22 The actual cost of individual cases is another measure of the impact of stress in Commonwealth employment. Comcare's Annual Reports cited the average liability (ie., estimated total cost) of a stress claim by a Commonwealth employee at \$31,545 in 1993-94 and \$29,548 in 1994-95. This indicates a continuing average cost of the order of \$30,000. More recent estimates of case costs for those claims, and comparative average case costs for other injuries, are set out in Table 4.

2.23 It is noteworthy that stress claims do not usually include a major medical cost component. Their relatively high cost reflects longer periods of absence from the workplace than most other injuries

**Table 3:
Incidence of Accepted Occupational Stress Claims in
Commonwealth Employment**

Financial Year (a)	1989 -90	1990 -91	1991 -92	1992 -93	1993 -94	1994 -95	1995 -96	1996 -97
Commonwealth agency employees covered by Comcare (b)	269,000	271,000	282,000	271,000	261,000	238,000	232,000	179,000
New stress claims accepted	891	918	1040	1176	1506	1643	932	535
Incidence (approximate) (c)	3.3	3.4	3.7	4.3	5.8	6.9	4.0	2.9

Notes

- a) Claims accepted during a financial year may relate to injuries that occurred in previous years.
- b) Excluding Government Business Enterprises and similar employment
- c) Injuries per 1000 employees

**Table 4:
Comcare Cases and Average Costs 1993-94 & 1994-95**

Year of Injury	1993-94		1994-95	
	Cases	Average Cost	Cases	Average Cost
Stress	1579	\$32,419	1523	\$30,974
Occupational Overuse Syndrome	1384	\$15,137	1332	\$15,555
Back injuries	2948	\$15,825	2865	\$14,888
Strains and sprains	5094	\$7051	5294	\$7803

Notes:

Tabulation is by the year in which injury occurred. Claims may have been lodged in subsequent years.

Includes costs claimed as at March 1997 and estimates of future costs as at December 1996

Comparison of Commonwealth experience with other employers

2.24 Comparisons between Commonwealth stress claims and those encountered in State and Territory workers' compensation jurisdictions are difficult to make due to a number of causes.

2.25 Comcare covers government employees. State and Territory workers' compensation authorities cover all workers, in both public and private sectors. Generally authorities publish no separate statistics for government employment.

2.26 There are differences between jurisdictions in how stress related conditions are classified. Most States and Territories classify cases as 'mental disorders' or, if they involve a physical condition, under the category that relates to that condition. Comcare classifies both physical and mental conditions as 'stress'.

2.27 Small (short duration) claims are also treated differently between jurisdictions. Some State and Territory authorities apply an 'excess', paying costs and benefits only after incapacity has exceeded a stated period (say, one or two weeks), or medical expenses have exceeded a set amount. Costs and benefits for the 'excess' period are paid by the employer and not the workers' compensation authority. In Commonwealth employment, Comcare pays for all absences and costs. Where 'excesses' are in place, the effect is to reduce the case costs recorded in the statistics of workers' compensation authorities.

2.28 Another difference in treatment of claims arises through the application in some States of 'caps' limiting benefits or setting maximum time periods for their payment. Commonwealth workers' compensation legislation does not include such provisions. Where such limits apply, they will be reflected in the lower total costs and absences for long running stress claims.

2.29 On the basis of statistical information compiled by State workers' compensation authorities, the incidence of stress claims in Commonwealth employment is high compared to other employment. However, the factors mentioned above influence the comparability of statistics about numbers, incidence, length and cost of claims.

Incidence

2.30 The incidence of stress cases in Commonwealth employment (see Table 3) was between 5.8 and 6.9 cases per 1000 employees in 1993-94 and 1994-95, declining to 4 cases in 1995-96.

- 1994-95 NSW WorkCover Authority statistics on work-related mental disorders showed 1109 cases across the entire NSW workforce, an incidence rate of 0.5.
- The Authority attributed 86 of these cases to persons employed in the industry category 'public administration', an incidence rate in that category of 1.2.
- Victorian statistics reported for 1995-96 a total of 1544 stress claims across all employment in both public and private sectors, an incidence rate of 0.74.
- The Tasmanian workers' compensation system also reported incidence rates for 'mental disorders' (mainly stress) of around 2-3 cases per 1000 workers.
- WorkSafe WA did not report rates of incidence, but stated that nearly 60 per cent of its 1993-94 stress cases were in the public sector, which employed around 25 per cent of the workforce.

The cost of stress claims

2.31 The average costs of Commonwealth employee stress claims (see Table 4 above), were around \$30,000 in 1993-94 and 1994-95. Comcare advised that, according to actuarial estimates, the expected average cost of a claim accepted in 1997-98 is of the order of \$23,000.

2.32 As with incidence, there are limited sources against which Commonwealth stress claim costs can be compared. Average levels of liability on claims for specific injuries or conditions (such as stress) are rarely reported by State and Territory compensation authorities. However, some comparable information is available.

- New South Wales reported an average incurred cost of \$13,339 for compensation claims in its mental disorders category (which includes stress cases) across all employment in 1994-95.
- Victorian statistics indicate an average stress claim cost in 1995-96 of \$18,493, compared with the average cost of \$10,463 for all claims.

- Statistics from Worksafe Australia on national workforce injuries indicate an average cost per occurrence of 'mental disorder' cases of \$13,695.

Better benchmarking is needed

2.33 Benchmarking with State and Territory authorities would provide a means of assessing the effectiveness of Comcare's strategy. This could be achieved by comparing claim incidence, average costs, length of incapacity periods, absences from work, and levels of medical and rehabilitation costs. Differences between jurisdictions, such as those mentioned above, could affect some comparisons of costs. However, Comcare's participation in forums of compensation authorities could help establish the extent of the differences and develop a basis for the exchange of information from which Comcare could derive data comparing the impact of stress in Commonwealth employment with its effects in other employment sectors..

Reporting the facts on stress

2.34 Comcare's principal vehicle of accountability to the Parliament is its Annual Report. There was, until recently, little reporting to the Parliament on incidence and costs of stress in Commonwealth employment. Comcare reported in 1995-96 on the achievements of the Stress Claims Management Centre. There is scope for more detailed reporting to inform the Parliament of the impacts and cost of stress, Comcare's aims and outcomes in prevention and impact reduction, and benchmarking to indicate how the Commonwealth compares with other employers.

Recommendation No.1

2.35 The ANAO recommends, in respect of performance measurement and reporting of occupational stress cases, that Comcare:

- develop, in relation to stress cases, appropriate national cost and impact measures and, through contact with State and Territory workers' compensation authorities, develop comparative methods on which it can introduce appropriate benchmarking of the Commonwealth experience with that of other jurisdictions, including the analysis of relevant trends; and

- increase the level of its public reporting on the impact of stress in Commonwealth employment by providing information to stakeholders on the total numbers of employees absent from work due to accepted stress claims, and the results of benchmarking with other workers' compensation jurisdictions.

Comcare response

2.36 Comcare agrees with this recommendation, with qualifications. Comcare is committed to continuous improvement in this area, but believes that an attempt to benchmark Commonwealth performance in this regard would be severely hampered by the combined effects of varying 'excesses', benefit 'caps' and definitional issues in each of the State workers' compensation jurisdictions. Comcare supports the provision of a clearer focus on 'active' claims in its reporting to Commonwealth agencies and the relevant stakeholders.

3. Identifying and Managing the Risk

This chapter discusses the ways agencies can identify and understand the risks posed by occupational stress. It also discusses the audit findings in the four agencies reviewed and compares agency practices with a Comcare OH&S Risk Management Model.

3.1 Commonwealth agencies can expect that some employees will be affected by disabling occupational stress; in other words, the prospect of stress in the workplace can be as much a part of the agency management environment as budgetary constraints and policy changes.

Principles of risk management

3.2 The risk of occupational stress should be treated the same as other business risks. Agencies can assess the nature of the risk, its effects on operations, and how likely it is to occur. Based on this assessment, agencies can make informed decisions about strategies and priorities.

3.3 Information is the key to effective assessment of the risk

and likely impacts. Agencies need general information about stress, its causes and broad impact, and specific information on potential and actual effects on their operations. Analysis of the locations and occurrence of claims is necessary to highlight situations and practices that have a high propensity to cause employee stress

Major impacts on agencies

Financial impact

3.4 Occupational injuries and illnesses become a financial cost to agencies through workers' compensation premiums. Stress accounts for nearly 20 per cent of all injury costs.

**Table 5:
Comparative Comcare Premium Rates for Three Agencies**

	DEFENCE APS EMPLOYEES	HEALTH & FAMILY SERVICES	PARLIAMENTARY REPORTING STAFF
1994-95	1.78%	1.33%	1.22%
1995-96	2.59%	2.15%	1.80%
1996-97	2.41%	2.0%	1.65%
1996-97 Average for all APS agencies	1.6%	1.6%	1.6%

Notes:

Rates expressed as a percentage of salaries and wages to provide a basis for comparison between agencies

3.5 Agency premiums are assessed as a percentage of its salary and wages bill. The level reflects the impact of injuries and illnesses (including stress) within the agency. Premium levels for three of the four agencies reviewed during this audit are set out in Table 5. The audit also included the Child Support Agency which, for premium purposes, was treated by Comcare as part of the larger Australian Taxation Office and not billed a separate premium.

Audit observations

3.6 Comparison of agency premiums showed that estimated 1996-97 premiums for DH&FS and DPRS were close to the APS average but the Defence premium was much higher.

3.7 Comparing an agency's premium level with the APS average provides management with a useful measure of its performance in managing workplace injury and illness, including stress. Changes in the premium level experienced by an agency can also provide a measure of the effectiveness of management strategies and programs to control the impact of occupational injury and illness in its workforce.

Identifying locations and conditions where stress occurs

3.8 A strategic approach to stress requires information to enable an understanding of how and where stress occurs. Most agencies are managed by function and location and have devolved and decentralised workplaces. Reliable information about where stress occurs is an essential starting point for assessing risk and identifying activities and workplace factors causing stress. Case data can highlight the sources of stress claims in terms of location and cause, and demographic and environmental factors. Numbers and costs of cases indicate activities and locations most at risk, to which management should direct preventive activity.

3.9 Comcare regularly reports to agencies information concerning injuries (including stress) through data files and customer reports. These can identify where a claim originated and the cost of the claim. With such information agencies can focus on functions and locations where stress claims occur, and where high cost claims originate. A basis is thereby provided for informed analysis of risks.

3.10 Comcare automatically provides information on the State or Territory in which an injury occurred. Attributing cases to work locations or programs is done only where the agency and Comcare have agreed on an appropriate framework of cost or activity centres.

Audit observations

3.11 In the agencies reviewed during the audit, attribution of stress cases to work locations occurred to a limited extent only:

- CSA and DPRS had no Comcare data on claim locations, but internal memorandum records provided appropriate information. CSA was arranging appropriate cost centres and has since received reports on case locations in regional Branches and full details of case costs;
- with a large workforce at numerous locations, Defence had little information on case numbers and locations. Its data was on a State basis, and there was no agreement with Comcare to provide data in line with its program cost structure. ANAO was advised that Defence had been working with Comcare for a number of years to have data so provided, and that further discussions on this point will be needed in the light of current changes in the Department;
- there was no clear responsibility for analysing Defence's Comcare data. Reports were received by Defence corporate management, and

not passed on to OH&S specialist groups. There was no evidence of regular analysis or use of the data, and little information on case numbers, locations and costs, including stress;

- DH&FS had an extensive OH&S reporting system and links to Comcare compensation case data were being developed. This provided management information on claims and locations;
- DH&FS also had a computerised interpreter package that simplified data analysis. It was available to agencies and at the time of the audit a small number had purchased it. Comcare was considering how to make it more widely available; and
- agencies advised that analysis to establish case locations were hampered by difficulties in handling and analysing large data files, and repetitive archive data of limited usefulness. Some commented that additional data such as personnel numbers and case cost estimates would assist data analysis.

Data analysis and the risk of stress

3.12 Based on the ANAO's review of four agencies, it was concluded that some agencies did not receive Comcare data on their compensation cases, and some did not conduct analysis of the data to help assess the level of risk and to highlight where stress cases were occurring and which employees were affected. Effective analysis was hindered in agencies where the Comcare data framework did not accord with current organisational structures. It was also difficult to integrate Comcare data into internal OH&S recording and reporting systems.

3.13 There is scope for agencies to improve the way they acquire management information on the occurrence of work related illnesses and injuries, including stress. They should ensure that Comcare claims data is provided in a framework that can be used by management to identify employment locations where claims have occurred. It is the responsibility of agencies to develop with Comcare a data framework that can form a basis for useful analysis.

3.14 Some of the agencies audited were developing useful reporting methods concerning OH&S and compensation, based on the advice of Comcare as to what information could be provided. Agencies generally could give attention to deciding what their management reporting needs are, and to discussing with Comcare what can be provided to assist them. Chapter 5 discusses Comcare's data support services in more

detail and includes a recommendation for closer consultation with agencies on the content and use of its data files and reports.

OH&S risk management model

3.15 In October 1996 while the ANAO audit was in progress, Comcare published the SRC Commission OH&S Risk Management Model. The Model set out a number of general principles that Commission saw as important in the effective recognition, assessment and management of OH&S risk. The Model is reproduced as Appendix 1 to this report.

3.16 The ANAO took the opportunity during this audit to review how the principles related to the agencies in recognising and managing the risk of stress.

Senior management leadership and commitment

3.17 The Model states that commitment by senior agency management is a key to effective OH&S activities. Evidence of commitment lies in having organisational objectives for OH&S, within a framework of defined and understood roles and responsibilities and reflected in plans and programs and the provision of resources.

Audit observations

3.18 The audit found that OH&S issues were recognised in agency planning, and OH&S activities (including stress prevention) received resources and attention. In the agencies:

- CSA corporate planning aimed to deal effectively with long term people management issues. Reports in that framework included a focus on OH&S activity;
- major Defence statements on OH&S in 1992 and 1996 stressed the integration of OH&S policy into planning and program performance statements. There was, however, little reporting by the Department of its OH&S performance. Notwithstanding, a high level of OH&S awareness was noted in Defence; and
- in DH&FS and DPRS, occupational stress was not identified as a separate key issue area for planning purposes. However, there was evidence that high level concern about OH&S issues, in the agencies audited, extended to stress.

Active involvement and effective communications

3.19 The Model calls for workplace structures and processes that actively involve each employee through cooperative working arrangements, and discusses the need for communications through consultation at all levels of the organisation.

3.20 The ANAO looked for infrastructure for consultation between agency management and employees, and how it was used to convey management views and employee interests and concerns.

Audit observations

3.21 The following elements were present, in greater and lesser degrees, in all agencies audited:

- CSA had a team-based approach to service delivery adopted to improve client service and the working environment. CSA's programs included technical training, client skills training and work and job redesign. Its work environment involved employees in workplace changes and extensive consultation;
- agencies had newsletters or other communication methods, in a wide range of formats and contents, used *inter alia* to address uncertainty about changes in programs and structures; and
- there were networks and structures for OH&S issues at management and workplace levels providing channels for effective communication between employees and management.

Appropriate information, education and training

3.22 The Model stated that each individual (manager and employee) should have the knowledge and skills necessary to understand OH&S responsibilities and functions.

Audit observations

3.23 The agencies audited demonstrated a high level of awareness by employees of OH&S:

- all had training for management on OH&S risks and the responsibilities of managers and supervisors;
- DPRS trained all employees in OH&S risks, reflecting its assessment that some of its activities were high-risk;
- all agencies widely used Comcare advisory and training material for OH&S in general and stress in particular; and

- an in-house OH&S Newsletter was distributed in Defence.

Risk identification, assessment and control at the workplace

3.24 The Model stressed the need to use the knowledge and experience of individual employees to help the assessment of workplace risks.

Audit observations

3.25 OH&S networks in the agencies provided a means of employee participation and brought their knowledge and experience into assessing and managing workplace risks. Planning for workplace health and stress prevention included consultative processes with employees and unions. In two agencies, OH&S provisions in agency agreements provided for regular consultation between employees and management.

Development and implementation of OH&S management information systems

3.26 The Model cited a need for recording tools and mechanisms, reporting systems, monitoring and evaluation.

Audit observations

3.27 Agencies understood the need for recording and reporting tools in managing OH&S including stress. In the larger agencies:

- current developments in the DH&FS OH&S system should result in improved reporting of claims, health hazards, critical case dates, and injury rates and types, including stress, and provide all managers with reports on the impact of workplace injuries; and
- a Defence database of accidents and injuries (military and civilian) supported broad reporting of injuries and lost time by region and the three Services. There was no regular reporting to supervisors and human resource managers, and no current plans for such reporting.

Audit conclusions

3.28 Weaknesses were noted in some agencies in connection with data on the impact of stress and other occupational injuries and illnesses. More comparative information on agency premiums could help management in assessing impact, as would better use of Comcare data on the costs and locations of stress cases in agency workplaces.

Agencies should act to ensure that data are provided in accordance with their cost and management structures so that programs and locations where claims occur can be highlighted.

3.29 The SRC Commission's OH&S Risk Management Model is a sound statement of principles that agencies should apply in relations to stress, and other workplace injuries. In most agencies, OH&S practices accorded with the Model. OH&S management information systems should include reporting at the level of program management and supervisors.

4. Agency Strategies for Dealing with Stress

This chapter discusses how much agencies understand about how they are affected by the impact of stress on their operations, and whether they have adopted specific strategies to deal with that impact. It looks at the incidence of stress compensation cases, in numbers and cost, compared to APS employment overall.

Impact of stress in agencies

4.1 The audit sought information on the impact of stress in the agencies selected for review, to give some indication of the risk and the possible nature of a response. A relatively minor impact could, for example, indicate that the agency did not need to develop a strategy to address stress. The audit looked at indicators connected with numbers and costs of stress cases, based on Comcare statistical information. The indicators, set out in Tables 6, 7 and 8, are based on estimates current at the completion of the audit. It should be noted that there could be variations in these statistics as claims are lodged subsequently for injuries or illnesses that

occurred in the periods under review, and as case cost estimates are reviewed and refined.

Numbers of successful stress claims

4.2 Table 6 shows, for the agencies audited and the APS overall, numbers of stress compensation claims accepted over three years. Comparing agency experiences as a proportion of APS total claims and their levels of employment provides a measure of stress. Broadly such comparison points to whether their services and programs, workplace structures, and employment categories, are more or less likely than average to give rise to accepted stress claims.

**Table 6:
Numbers Of New Stress Claims Accepted In
Four Commonwealth Employing Agencies**

Year in which injury occurred	1993-94	1994-95	1995-96
Australian Public Service - total number of stress claims accepted	1579	1523	802
Defence - number of stress claims accepted	77	96	50
Defence - proportion of total APS claims accepted	4.9%	6.3%	6.2%
Defence - proportion of total APS employment	13.1%	14.2%	14.2%
Health and Family Services - number of stress claims accepted	26	19	5
DH&FS - proportion of total APS claims accepted	1.6%	1.2%	0.6%
DH&FS - proportion of total APS employment	4.7%	5.2%	5.3%
Parliamentary Reporting Staff - number of stress claims accepted	2	1	0
DPRS - proportion of total APS claims accepted	0.13%	0.07%	0%
DPRS - proportion of total APS employment	0.19%	0.20%	0.21%
Child Support Agency - number of stress claims accepted	16	18	10
CSA - proportion of total APS claims accepted	1.0%	1.2%	1.2%
CSA - proportion of total APS employment	0.84%	1.04%	1.27%

Note:

Tabulation is by the year in which the injury or illness occurred, and includes claims lodged in subsequent years.

Audit observations

4.3 The comparisons suggested that:

- in both Defence and DH&FS the numbers of successful stress claims were low compared to overall APS levels;
- DH&FS experienced a major decline in claims in 1995-96, both in absolute and proportionate terms;
- changes in the DPRS experience points to the limits of comparisons of this type in small agencies with very few cases;
- CSA experienced for two years a greater than average number of accepted stress claims. In 1995-96 it experienced a decline in the number of cases, despite a significant growth in the number of employees.

4.4 According to these comparisons, none of the agencies are in a 'high risk' category for stress. Comparative analysis is useful to determine how agency risk compares with other agencies and how that comparison changes over time.

Numbers of employees absent

4.5 Information on the number of employees absent and the length of absences provides

an important measure of impact and can assist in developing and targeting appropriate strategies. ANAO found that most agencies had little information about the numbers of staff absent due to stress and other compensation related causes.

Audit observations

4.6 The audit reviewed the systems agencies used to track numbers absent from time to time due to stress claims:

- three of the agencies were unable to advise the total numbers of employees absent due to compensation, including stress;
- except for small agency memorandum records, there were no reporting systems for compensation related absences;
- the DH&FS OH&S database had stress claims status records, but no management reports on related absences; and
- Defence had no central system of tracking compensation cases or related employee absences.

4.7 ANAO also reviewed whether Comcare case data could help ascertain numbers of employees absent:

- the data did not include aggregate numbers of current

stress cases. Few agencies requested case list reports that could be used to establish total absences; and

- ANAO testing showed omissions in some data elements that could be a barrier to agencies attempting their own analysis of current cases, absences and employee return to work.

Recommendation No.2

4.8 The ANAO recommends, in respect of reporting employee absences, that Comcare inform agencies of the relevant data reports that can be used as a basis for analysis to establish levels of staff absences connected with compensation (including stress) and provide examples of the types of analysis that can be performed.

Comcare response

4.9 Comcare agrees with this recommendation. Comcare currently provides this service through National Business Managers assigned to work directly with appropriate staff in Commonwealth agencies. An increased focus on this activity will enhance awareness of the range of services offered by Comcare as well as the benefits they can provide to Commonwealth agencies.

Periods of employee incapacity

4.10 Stress cases can involve lengthy disability periods. The experiences of the agencies audited is at Table 7.

**Table 7:
Periods of Employee Disability Related to Stress Claims in Selected Commonwealth Employing Agencies**

Year in which injury occurred	1993-94	1994-95	1995-96
Australian Public Service - average weeks of incapacity for stress claims	17.0	13.3	8.2
Defence - average weeks of incapacity for stress claims	22.2	20.4	12.6
Health and Family Services - average weeks of incapacity for stress claims	10.9	30.2	8.1
Parliamentary Reporting Staff- average weeks of incapacity for stress claims	69.2	2.4	0
Child Support Agency - average weeks of incapacity for stress claims	n/a	n/a	n/a

Notes:

Comcare advised that data on incapacity periods contained estimates and were subject to change as further claims are made for injuries that took place in any year.

Child Support Agency information for these periods was not separable from Australian Taxation Office data.

Audit observations

4.11 Variations in agency experience mainly reflect the relative severity of the stress cases:

- Defence cases were, on average, 50 per cent longer in duration the APS average. Discussions suggested that the Department had not focused on incapacity periods for stress claims and was not aware of general APS experience;
- the DH&FS experience showed high variability;
- DPRS showed extreme variability through a single 1993-94 case with a long period of incapacity;
- CSA had no information on incapacity periods but, at its own request, began to receive it, with cost and other impact details, in October 1996.

4.12 Variations may also reflect differences in case management bringing about early returns to work by employees. There were no discernible differences in case management that could account for the different results in Defence and DH&FS. However, there were differences in initial case handling.

4.13 In 1994-95, DH&FS introduced an early intervention program for compensation claims. It provided financial assistance of up to \$500 per case for assessing potential claims, including reviews by medical practitioners and occupational health professionals, and up to \$1500 for a rehabilitation and return to work plan. As a consequence, some DH&FS claims went to Comcare for decision with assessment and rehabilitation plans based on expert advice and agreement between agency and claimant.

4.14 It is possible that early intervention by DH&FS reduced incapacity periods, which declined substantially in 1995-96. An evaluation of OH&S programs is under DH&FS consideration. The approach requires some preliminary expenditure to help understand the basis for a claim and, if possible, to reach agreement with the employee on a rehabilitation plan. It offers a prospect of savings in case costs and encourages cooperation between management and the employee that could reduce the adversarial attitudes that sometimes lengthen claim resolution.

4.15 In Chapter 5 ANAO discusses a prompt claims model with some parallels to the DH&FS approach.

Stress claim costs

4.16 The major element of expense in stress cases is not

usually medical and rehabilitation costs but compensation payments to incapacitated employees. Consequently, case costs in agencies vary in line with periods of incapacity. Table 8 shows average case costs in the agencies audited.

**Table 8:
Costs of Stress Claims Experienced in Selected Agencies**

Year in which injury occurred	1993-94	1994-95	1995-96
Australian Public Service - average cost of a stress claim	\$32,419	\$30,974	\$25,546
Defence - average cost of a stress claim	\$36,671	\$55,994	\$31,727
Health and Family Services - average cost of a stress claim	\$45,777	\$61,844	\$19,769
Parliamentary Reporting Staff - average cost of a stress claim	\$247,737	\$2,525	\$0
Child Support Agency - average cost of a stress claim	n/a	n/a	n/a

Notes:

Comcare advised that stress claim cost data contained estimates and were subject to change as further claims are made for injuries that took place in that year.

Child Support Agency information for these periods was not separable from Australian Taxation Office data.

Audit observations

4.17 Case costs were highly variable in the agencies audited:

- DPRS was affected by one case with a long incapacity period. DPRS had a high degree of awareness of case costs;
- DH&FS actively reviewed and acted on case cost reports;
- CSA and Defence did not regularly review case costs and levels of awareness of costs were not high; and
- Defence made limited use of Comcare's data services and had no system to collate and report case cost levels. However, following a

1996 investigation into rises in its Comcare premium, Defence obtained ad-hoc Comcare reports on cases and costs.

4.18 The ANAO is of the view that comparing agency average costs is useful, particularly in large agencies, in creating awareness of trends and variations. Having such an awareness would facilitate identification of problem areas and the development of solutions. These steps could take place through contact with other agencies rather than in isolation. However, Comcare does not report information on national and agency averages that could facilitate this process.

Recommendation No.3

4.19 The ANAO recommends, in respect of the cost of stress cases, that Comcare include, in its injury and case reports to agencies, information on APS average case costs to provide agencies with appropriate benchmarks for assessing their performance in managing stress.

Comcare response

4.20 Comcare agrees with this recommendation. This information is currently available but can be more extensively used to support comparative performance assessments by Commonwealth agencies.

Agency strategies to manage the impact of stress

4.21 The audit aimed to establish whether agency corporate management managed occupational stress efficiently and effectively. Criteria for this objective included whether agencies had a strategic approach to stress and whether strategies were supported by programs of activity. ANAO considered what elements should be addressed in a strategy for dealing with stress and identified five key areas.

a) Understanding and managing the risk

Whether an agency can manage and influence the impact of stress on its workplaces depends on awareness of the number and cost of stress claims, trends in claims, and the potential for stress-related injuries in those workplaces.

b) Managing organisational change

Organisational change is a constant feature of public sector life and can be a major contributing factor to stress.

c) Management and supervision

Work organisation and management and supervision methods are significant factors in the occurrence of stress.

d) Employee support programs

Programs providing support for employees are important in improving resilience and ability to cope with change.

e) Rehabilitation and management of claims

Managing claims and rehabilitation can influence the length of an employee's absence and consequently costs.

4.22 These key issues are referred to in the Queensland Public Sector Occupational Stress Initiative, a project by the Queensland Office of the Public Service that was submitted for the 1997 Prime Minister's Awards for Innovation in the Public Sector. The ANAO found the project particularly helpful in developing concepts of better practice.

Audit observations

4.23 The four agencies had different approaches to strategies to manage stress:

- CSA had no one single strategy; its approach was more holistic, including a suite of strategies for change that addressed stress prevention;
- CSA work and job design strategy included cooperative team-based approaches to service delivery, a Client Contact Skills Program, and a Managing Productivity Through Health program;
- DH&FS had a broad strategy to prevent, and better manage, all workplace injuries (including stress) and it included preventive initiatives and OH&S training for managers and employees;
- DH&FS was considering a strategy to manage its Comcare premium to a target level over time. The strategy would focus on performance in managing OH&S, including stress;

- Defence accorded OH&S high level policy support but had no specific strategy in relation to stress. It had difficulty with OH&S strategies due to the number of focal points in its organisation for OH&S policy and programs;
- Defence was concerned at the high costs and its 1996 investigation of its Comcare premium produced information that could provide a basis for a strategy to reduce the costs of stress as part of a wider strategy to reduce the premium; and
- DPRS based its approach to stress on three major external studies of working conditions and OH&S since 1994.

4.24 While the agencies had no specific strategies to manage stress, this was no barrier to stress prevention programs. Stress was a major consideration in work redesign and injury strategies.

Understanding and managing the risk

Audit observations

4.25 Earlier sections of this report refer in detail to weaknesses in information on the impact of stress that were noted during the audit. Other aspects of agency information and understanding were also tested:

- a high level of unplanned short periods of leave may indicate stress. The ANAO tested agency practices to establish whether they reviewed this factor. In two agencies short leave absences were regularly reported. One recently introduced reporting by branch, and saw it as an indicator of job satisfaction. Another tested global reporting;
- all agencies had arrangements with employee assistance services. A high usage of these services may indicate stress. There was some management reporting of service usage, but not to highlight potential stress;
- testing employee attitudes and views through surveys and focus groups can indicate stress. All agencies had conducted surveys, and some targeted employee perceptions of stress. Others dealt with changes in functions and corporate planning. All the surveys had resulted in information that was useful in measuring the risk of stress; and

- defining the costs and benefits of intervention programs could provide better informed decisions on workplace health programs, and better evaluation of results. Only CSA had considered the business dimensions of a program. Most dealt with expected benefits in a general way, focusing more on broad corporate goals than health and cost outcomes.

4.26 The extent to which agency strategies succeeded in managing the risk of stress could be indicated by reduced numbers of accepted stress compensation claims or reduced claims costs. However, stress also manifests itself through employee absences, particularly sick leave, and these absences also impose costs on employing agencies. None of the agencies audited had analysed the relationship between compensation claims and sick leave related to stress. They did not know whether the incidence of sick leave related to stress had increased or decreased in recent years. Consequently, it was not possible to determine whether any reductions in numbers of stress cases were offset by the increased use of leave. In the absence of management analysis of the total impact of stress, ANAO found that the efficiency and effectiveness of agency management of stress was affected by the background of limited information about the impact of stress overall.

Planning for organisational change

Audit observations

4.27 Each of the agencies had experienced change and expected more. The audit looked at corporate planning as a way to establish the extent of change and how agencies will be affected:

- agency experience was varied. CSA business planning aimed at better client service and reducing overheads, and recognised OH&S as a key factor;
- most agencies foresaw changes in size, functions and program delivery methods, but not in sufficient detail for a firm strategy. Most changes were contingent on future Government decisions on services, programs, the role of States and Territories, and the results of efficiency reviews;
- agency management had been active in considering means of implementing change. DH&FS aimed to train leaders for expected priorities, and focused on managing transition;

- agencies were examining their needs for workforce skills. Each had recent experience in consultation with employees and unions concerning change; and
- agencies also had machinery for communicating the details of decisions (when made) to employees.

Management and supervision

Audit observations

4.28 The audit looked at how OH&S was addressed in workplaces, training in human resource management, the use of cooperative work methods and the measurement of workplace performance:

- each agency had an active OH&S program, joint management/employee OH&S activities groups and training;
- agencies had taken steps to improve levels of skill in human resource management in managers and supervisors;
- DH&FS aimed to provide for better management in a changing environment by identifying needed skills and conducting a major training program;
- agencies were considering cooperative working methods. CSA and DH&FS increased the use of teams in program delivery. DPRS training priorities were team and people management;
- agencies made limited use of performance information to give employees feedback on program achievements. A significant exception was CSA; from September 1996 it reported to branches with performance indicators; and
- Defence expected major changes in civilian employment as the results of the Defence Efficiency Review are implemented.

Other strategic approaches to reducing the impact of stress

Devolution of the Comcare premium

4.29 Many employing agencies are assessed for a single Comcare premium calculated on overall agency experience with work-related injury. In larger agencies, accountability for the level of the premium is

usually a matter for the central corporate or human resource management group, rather than the managers of agency programs and operations.

4.30 In smaller agencies, with small numbers of employees and programs, management may be well aware of the cost of the premium in relation to agency programs. In larger agencies, the separation of program management from corporate functions may reduce awareness. Comcare offers another option. An agency's premium can be devolved to programs, divisions, functional branches or locations, and an identifiable premium cost can be provided for each such group. Premium devolution can move accountability for the cost of occupational injuries and illnesses to managers closely and directly concerned with workplaces and programs, and more able to change working methods. It can increase cost awareness among managers and supervisors.

4.31 It is further open to agencies to provide incentives to improve workplace injury performance and thereby reduce premium levels. Better management performance at this level could lead to fewer stress cases and lower costs. Devolution of the Comcare premium could be part of a stress or injury management strategy.

4.32 Comcare advised that 16 agencies (including some large Departments) are currently receiving devolved premium advice. None of the agencies reviewed during this audit had taken this approach. Some recognised potential benefits, and two had the matter under consideration. DH&FS included a premium devolution model in its strategy to manage workplace injury. In smaller agencies, such as DPRS, devolution may not be as important if location and causes of injury are more visible to management.

Improved management information

4.33 The audit disclosed gaps in the knowledge of some agencies about stress, arising from the lack of systems for recording work injuries, and failure to take full advantage of Comcare data and reporting services.

4.34 Better information about the impact of stress is a first step in deciding what should be done about it, and without information it is difficult for agencies to fully understand and assess their risks. DH&FS had developed a system for recording workplace incidents, incorporating case management information and planned to be capable of using Comcare case data. The system enhanced the level of management

information on stress, and other injuries. Reporting raised awareness and enabled improvements such as targeted management of high cost cases. Chapter 3 refers to the DH&FS data interpreter package.

Audit conclusions

4.35 The agencies reviewed had not adopted specific strategies for the prevention or control of stress in their workplaces. However, most had human resource management and corporate development strategies that incorporated many of the elements that would find a place in a stress management strategy. The lack of specific strategies was not a major barrier to introducing intervention programs.

4.36 The impetus for a strategy should be an awareness of the scale and nature of the threat the agency faces. While agencies were aware of some aspects of their stress cases, they had little information on relative impact compared to the APS overall. The indicators tested during the audit (case numbers, employees absent, case costs and length of periods of incapacity) were all found to be areas in which comparisons between agencies would have improved each agency's awareness of its relative risk and impact. However, cross agency comparisons were not done.

4.37 The audit also examined management issues that are regarded as factors affecting the level of stress in agency workplaces, and related activities and programs. Two issues that relate to all workplace injury are also important to the management of stress. Agencies should organise themselves to take advantage of Comcare's procedure for premium devolution management at functional levels and improve accountability for workplace injury. Secondly, better management information and reporting is needed for workplace injuries, including stress.

4.38 The audit examined the way agencies addressed some key management issues that are significant in the control and prevention of stress. With some exceptions, agencies had addressed many of the relevant issues effectively.

5. Comcare's Stress Programs

This chapter discusses stress prevention programs conducted by Comcare with the support of the SRC Commission. It also reviews Comcare initiatives to improve its management of stress claims, and some of the services Comcare provides to agencies that can assist them to understand the risk and impact of stress.

SRC Commission prevention program

5.1 In its Annual Report for 1992-93, the Safety, Rehabilitation and Compensation (SRC) Commission reported that Comcare had undertaken a Quality of Working Life project. It identified stress claims as the most expensive of all categories of compensation claims in Commonwealth employment. In 1995-96, the Commission allocated \$500,000 for the development and implementation of national prevention strategies for manual handling injuries and occupational stress. It also agreed to the establishment of a Stress Claims Management Centre in February 1995 to improve decision making on stress claims.

5.2 Through its direction of Comcare and its developmental funding, the SRC Commission continues to sponsor stress

prevention programs carried out by Comcare.

5.3 Two of the principal objectives of Comcare's Occupational Health and Safety Program are:

- to take a leading role in the prevention of workplace injury and disease; and
- to provide cost effective and efficient prevention to its customers, with the overall aim of reducing human and financial costs of workplace injury and disease.

5.4 In pursuance of these objectives, Comcare undertook a number of activities concerned with assisting agencies to a better understanding of the causes of stress, and with activities to reduce its incidence and severity.

The Quality of Working Life strategy

5.5 In 1989, Comcare commissioned a project aimed at improving its ability, and that of its client agencies, to manage the problems associated with occupational stress. The result was a report³, published in 1993, based on extensive research that included work in six Commonwealth agencies. It canvassed the nature of stress and provided Comcare with detailed analysis on the types and causes of stress claims, and the effects of a number of work factors on employees. It suggested strategic directions for improving the management of stress among employees.

5.6 Comcare launched a Quality of Working Life Strategy (based on the report) in September 1993. It focused on stress prevention through better work organisation and people management, emphasising organisational change through better work practices, leading to improvements in the quality of working life and increased productivity.

5.7 The strategy resulted in the publication of manuals to give

agencies practical tools. These were:

- Developing an Action Plan to Improve Health and Productivity;
- Guidelines for the Prevention and Management of Client Aggression; and
- Supervisors Handbook: Managing Staff with Stress Responses.

5.8 ANAO noted that the manuals had received a wide distribution in agencies and featured prominently in their OH&S planning and training. They had also been influential on the intervention programs developed by CSA and DH&FS.

Initiative on occupational stress

5.9 The SRC Commission's funding of \$500,000 was directed by Comcare to four pilot prevention programs. These are now in various stages of completion and outcomes are under review.

5.10 There are indications that the pilot programs increased the appreciation of risk factors in participating agencies. This was achieved through the development of indicators of organisational environment, reporting systems for OH&S related incidents and reporting of

³ *The Quality of Working Life - A Study of Occupational Stress in Commonwealth Government Agencies* A Research Report by Dr John Toohey, Australian Government Publishing Service, 1993.

features such as rates of submission of compensation claims, claim cost and demographics and mechanisms of injury. The programs also dealt with assessment of risk through use of surveys and monitoring of issues such as workloads, relations with customers and issues arising from how programs are delivered by agency offices.

5.11 Comcare has yet to decide how the outcomes of the pilot studies are to be demonstrated and disseminated to other agencies. To obtain full value for the investment by Comcare and the participating agencies, a strategy is needed for the demonstration and dissemination of its results.

Recommendation No.4

5.12 The ANAO recommends, in respect of dealing with the results of pilot stress prevention programs, that Comcare:

- develop a strategy for the dissemination to agencies of the results of the pilot stress prevention and management programs undertaken in 1996; and
- encourage agencies to incorporate successful elements of the pilot programs into their OH&S program development, including:

(a) reporting on injury causes, age, gender, employee classification, occupation data and the location of stress cases; and

(b) developing management information collection and reporting systems as tools to support stress management strategies.

Comcare response

5.13 Comcare agrees with this recommendation. The successful elements of the pilot program have been identified through the SRC Commission's OHS Risk Management Model which forms the cornerstone of the Commission's ongoing prevention program. The SRC Commission is currently considering the most appropriate strategy for dissemination of its pilot prevention programs to Commonwealth agencies.

OH&S risk management model

5.14 Another outcome of the injury prevention initiatives was a risk management model applicable to occupational injuries and illnesses of all types, including stress. As mentioned earlier, the text of the model is reproduced at Appendix 1. It provides a framework which agencies can apply to the management of stress. Of note

is that the model was agreed to by the Minister for Industrial Relations under the terms of the *Continuous Improvement in the Australian Public Service Enterprise Agreement: 1995-96*, and agreed for inclusion in Comcare's advice to agencies under its stress prevention program.

5.15 During the audit ANAO considered agency stress prevention and management within the framework of the model. The results are reported in Chapter 3.

Improving claims management

5.16 In February 1995 Comcare set up the Stress Claims Management Centre (SCMC), a specialised group to manage stress claims from Commonwealth employees in the ACT and New South Wales. SCMC was part of an integrated Comcare strategy that involved better management of each claim through assessment, internal and Tribunal review, and court action. It initiated a specialist team based approach to improve the management of claims and the level of professionalism in dealings with clients, employers and service providers.

5.17 The SCMC approach to stress claims involved a closer adherence to, and uniform

application of, the provisions of the legislation excluding claims related to reasonable disciplinary action against an employee or failure by an employee to obtain a promotion, transfer or benefit in connection with employment. The approach also focused on the need for medical evidence including a specific diagnosis of a medical condition on which a claim was based, and on establishing a relationship between employment and the claimed condition. The approach involved the application of the existing legislation, backed up by specialised resources.

5.18 An evaluation of the efficiency and effectiveness of the SCMC was carried out during 1996 by Comcare, supported by client agencies. The evaluation reported that SCMC:

- had reduced claim numbers by around 400 per year;
- had reduced costs to Comcare by around \$11 million per annum, at an operating cost of \$0.6 million per annum;
- had trialed innovative practices suitable for wider adoption by Comcare; and
- had achieved a rate of return to work by claimants higher than other Comcare Offices.

5.19 The evaluation acknowledged that some stress claims involve long terms of absence and management, and

the experience of less than two years of operation may not be sufficient to enable firm judgements about the success of the SCMC trial. However, the achievements of the SCMC were clearly important in substantially reducing the number of accepted stress claims in Commonwealth employment.

5.20 More recently, Comcare advised ANAO that the SCMC evaluation had been considered as part of the 1997-98 Budget process, and decisions made to increase funding for the Centre to \$800,000 for 1997-98 and 1998-99. Those decisions were supported by the Department of Finance.

Scope for better management through prompt claims processing

5.21 The high cost of stress claims is driven by the length of employee absence from the workplace. If developing, submitting and deciding on a claim is a long process, a claimant may have experienced a lengthy absence from work by the time a decision is made. There is also a risk of an adversarial approach to the detriment of early resolution. Delays in processing may also cause delays in commencing rehabilitation.

5.22 The SCMC has reported delays due to the length of time

between an event on which a stress claim is based and an employee making the claim. Other, more manageable, delays occur between receiving a claim and making a decision on it. The evaluation reported that the average time lapse was:

- 58 days for 1994-95 claims; and
- 63 days for 1995-96 claims.

Average processing times are influenced by need for long and careful consideration of difficult claims and disputes. However, prompt decisions appear to be a factor in reducing high costs and achieving early returns to work by some disabled employees.

A prompt claims model

5.23 During the audit the ANAO consulted with other workers' compensation authorities and reviewed management processes that could represent better practice. There were discussions with the Queensland Workers' Compensation Board (QWCB), whose claims management processes are stated to be a major factor in reducing the cost of stress claims in the Queensland public sector.

5.24 The QWCB procedure aims to shorten claims approval. Its approach has several elements, including an active management role in the

workplace. The QWCB requires employers, before submitting a claim, to:

- investigate the injury;
- advise the employee of claim requirements;
- liaise with a treating medical practitioner concerning diagnosis, treatment and return to work; and
- consider the prospects of rehabilitation including such options as temporary reassignment.

5.25 The procedure aims to ensure that claim details presented to the insurer are accurate and, if possible, agreed to by the employee, and to ensure that discussions on rehabilitation begin as early as possible. Ideally, a return to work plan goes forward with the claim.

5.26 These steps require management action in the initiation of a claim. The insurer provides an early decision. The employer has five days in which to consult with the claimant, organise advice on rehabilitation, and collect medical and other evidence. A decision on the claim is made, where possible, no later than fifteen days after it is received by the insurer.

5.27 QWCB advised that improving the information content of claims and, where possible, shortening the decision period,

had given rise to fewer appeals against decisions. Shorter employee absences and lower cost claims could also result.

5.28 The ANAO considered that there could be scope to adopt a similar approach in the management of Commonwealth stress claims. Commonwealth agencies have, for the most part, effective OH&S networks and access to professional OH&S advice. These are important prerequisites to more involvement in the pre-processing of claims. As reported in Chapter 4, the Department of Health and Family Services provides stress claimants with access to professional help in the pre-claim period.

5.29 The specialised handling by SCMC of a large number of stress claims provides the opportunity for Comcare to trial a similar approach to reduce delays and improve the quality and level of evidence in claims documentation. This issue was raised in an ANAO discussion paper conveying preliminary audit conclusions.

5.30 Comcare recently provided ANAO a copy of a letter it issued to agency rehabilitation case managers in April 1997. The advice includes policy guidelines on early intervention and return to work plans. Some

significant features of the guidelines are:

- involving service providers and treating medical practitioners in pre-claim assessment of employees;
- concentrating on the beneficial effects of early intervention;
- using case managers as a way to detect likely cases for intervention through workplace absences or conflicts;
- early preparation of rehabilitation assessments that indicate the services needed to facilitate a return to work; and
- suggestions that agencies be prepared to pay (up to \$800) for rehabilitation assessments in the pre-claim period.

5.31 These guidelines are helpful in affirming that agencies have the authority to act in the pre-claim period to assess employee prospects of rehabilitation and return to work.

Recommendation No.5

5.32 The ANAO recommends, in respect of improving the processing of stress claims, that Comcare:

- review stress claim procedures in State and Territory workers' compensation jurisdictions to see whether prompt claims

determination has been effective in reducing costs;

- consider how far those procedures could be adopted by Comcare in its management of Commonwealth stress claims; and
- continue to develop processes with its client agencies to improve pre-determination handling of stress claims.

Comcare response

5.33 Comcare agrees with this recommendation. Comcare is currently an active participant in national forums set up by the Australian workers' compensation jurisdictions to share information on strategies and initiatives.

Comcare services to agencies

5.34 Comcare provides services to client agencies in a process analogous to a purchaser-provider arrangement, albeit one in which Comcare's role is mandated by legislation and clients are tied to using Comcare services.

5.35 Comcare does not have agreements with client agencies to define and manage the relationship. The main roles of the parties are, in broad terms, part of the relevant Act. However, features such as the

level and frequency of client service, data and information flows are not part of the statutory relationship. ANAO considered that there are benefits in spelling out the detail of these services and what both the customer (the agency) and the service provider (Comcare) expect from the service. Memoranda of Understanding or Service Level Agreements would normally provide an avenue to deal with these issues, help agencies to focus on their needs and assist Comcare to focus on how to meet them. Agreements could include performance indicators for both parties.

5.36 In July 1997 Comcare published and implemented a *Charter of Partnership* with its customer organisations. The Charter is a significant development in Comcare/customer relations. It describes the roles and responsibilities of each party and the processes by which workers' compensation claims are managed. Comcare systematically involved customer organisations in its development and advised that it will continue to liaise with customers to build on this initiative. Comcare has advised that it is the first Commonwealth organisation to develop a Charter based on principles set out in the Department of Industry, Science and Technology's "Principles for

developing a Service Charter." The ANAO considers that the Charter is a useful statement of roles and principles.

5.37 ANAO noted that the Charter did not deal in detail with the scope, contents and regularity of reporting to customers on their compensation cases and costs. It urges customer organisations to evaluate their own performance in workers' compensation management without specifying the information that Comcare can provide to help them in this task. ANAO noted that client forums already exist through which Comcare advises agencies and canvases opinions about services. However, the audit showed that some agencies had imperfect knowledge of Comcare's information services, and used them to varying extents. Some were uncertain, for instance, about how to use Comcare information for management.

5.38 It could be appropriate for Comcare to supplement the terms of its Charter by more specific arrangements through which customer organisations are made aware of the extent to which Comcare can supply data for agency management of workers' compensation. This could be arranged through agency-specific agreements. In other respects the Charter provides a means for Comcare

and agencies to negotiate and implement continuous improvement in OH&S and the management of workers' compensation.

Comcare information for agencies

5.39 Comcare approves claims, pays costs, medical expenses and compensation and controls primary case records. Agencies depend on Comcare for all compensation case data, including on stress cases. The audit reviewed the extent to which these data are useful to, and used by, agencies in managing stress.

Comcare statistical data support

5.40 Comcare's regular reporting to agencies comprises a monthly computer diskette service and customer information statistical reports. Agencies may also elect to receive detailed summary reports in an annual Premium Brief. Agencies may also request *ad-hoc* reports for specific information.

Diskette service

5.41 Comcare advised that around one-third of agencies elect to receive the diskette service. It comprises two data files:

- a full copy of data on all cases since the inception of the current scheme in 1988; and

- data on approved employee return to work plans.

Comcare is currently reviewing the service with a view to simplifying its operation, and is considering its current content.

5.42 ANAO reviewed and tested sample data from the diskette service. The data files could be manipulated and information extracted on a range of case variables, including types, dates and causes of injury, claimant names and accumulated costs. Data could be organised into reports on cases and injury types with modest expertise in spread sheet or data base packages.

5.43 Some omissions were noted in the sample data. Case data did not include employee Australian Government Service numbers, an almost universal identifier in Commonwealth employment, nor employee classifications. Some cases did not include cost estimates and others recorded 'nil' costs. These factors limited the utility of the diskette data.

5.44 The take up rate of the service among agencies is not high. Of the four agencies reviewed during the audit, two received the service and their use of the data is referred to in Chapter 3.

5.45 Comcare's monthly diskette data files include all

cases, current and closed, since 1988. Consequently, the monthly files for agencies with a substantial workforce can be very large. A large volume of data on closed cases, and cases involving persons no longer employed by the Commonwealth, is provided as part of the files in each monthly service. The repetition of this historical data appears to be largely superfluous and of limited use to agencies. Some agencies cited the size of the data files as a factor creating difficulty in using the data files and acting as a disincentive to explore the possible uses of the data for reporting.

5.46 Comcare should address the apparently low take up rate of its diskette service by agencies. A review of the service, currently under way, provides an opportunity for Comcare to consider whether the data files can be modified for greater ease of use. Other issues that should be considered include whether distribution could be coordinated with the DH&FS data interpreter package, referred to in Chapter 3, to make the data more accessible to agencies. More action is needed to promote and demonstrate to agencies the ways that the diskette service data can be used to improve management information and reporting on workplace injuries, including stress, and the benefits

that agencies have derived from better information.

Customer information reports

5.47 Comcare provides a series of 28 standard reports on aspects of injuries, compensation claims, costs and lost time. Agencies nominate those reports that they wish to receive. The agencies reviewed during the audit made more use of these reports than of the diskette service.

5.48 In some instances, the standard reports offer insights not readily obtainable such as claims at different cost centres by injury group. Agencies also pointed to the importance of Comcare's Hot Spot Report that lists details of the most expensive claims experienced by an agency. This report was used by agencies to identify claims on which resources could be focused to control costs. While commenting that a number of reports were very useful, some agencies saw no benefit in some standard reports and pointed to duplication in information.

Recent developments

5.49 Comcare recently advised ANAO that it is currently undertaking a re-engineering of its claims processes, and that management information reporting is receiving attention.

The project aims to achieve fundamental improvements in the way workers' compensation claims are managed across the Commonwealth public sector. It is intended to improve customer information services and enhance access. Comcare intends to enhance and integrate its customer information services with a view to providing an on-line service. Specifications for this service were being developed through a customer reference group. Comcare's business managers also work directly with customers to tailor management information and cost centre packages to their needs.

Recommendation No.6

5.50 ANAO recommends that Comcare, in respect of its data files and customer information reports services:

- promote the advantages agencies can obtain by using Comcare data as a source for management information on compensation cases;
- review the content and format of the data files it supplies to agencies and discuss with agencies whether changes in content and format are needed;
- consider changes in data files supplied to agencies (such as including APS numbers and case estimates, and reducing

the volume of data by eliminating old cases);

- review its advice to agencies on data structures and provide more material on the potential use of data;
- offer agencies training, if required, on the use of Comcare claims data; and
- promote and demonstrate the extent to which agencies can use the available data to improve their knowledge of the impact of stress and other workplace injuries.

Comcare response

5.51 Comcare agrees with this recommendation. Comcare is currently reviewing mechanisms for the provision of data as well as the format and content of products in this regard as part of its Claims Process Redesign project.

Other information issues

5.52 The usefulness of Comcare's data services would be substantially enhanced if the case data reflected agency cost and operational structures. Chapter 4 'Agency Strategies for Dealing with Stress' discusses the potential benefits of Comcare's capacity to devolve premiums to operational units. The benefits of devolved premiums also include better targeted data and reports for management information.

5.53 It was also noted that a useful selection of reports was produced for agencies (on request) as part of premium briefing information. Details of trends and comparisons by experience years in injury types, costs and time lost were produced. The reports were a good information source enabling client agencies to consider the effectiveness of prevention strategies and their experience with, and progress in handling, occupational injury and disease.

5.54 Not all the agencies audited took advantage of the briefing service. Comcare should ensure that agencies are aware of the fact that such briefings are available, encourage them to take up the procedure that forms part of the premium cycle and affirm that it can provide information at no additional cost.

Advice on agency performance

5.55 Some agencies reviewed during the audit commented that they had little information about the experiences of other Comcare clients in respect of case incidence and costs. Some were also not informed of how their premium rate compared with other, similar, agencies. Agencies were not usually aware of the levels of cost and length of employee absences encountered in stress claims elsewhere. They considered that the ability to

compare their results with other agencies would be useful. Then there would be an incentive to share experiences and discuss approaches and strategies that had succeeded elsewhere in keeping costs down.

Audit conclusions

5.56 Comcare had strategies to prevent and manage stress in Commonwealth employment. There was a high level of directed activity, and active dissemination of the outcomes of past work in this area. Furthermore, there was evidence that agencies had benefited from the outcomes of Comcare's strategies.

5.57 Comcare introduced new methods of managing stress claims through the Stress Claims Management Centre. Early indications are that some success has been achieved. ANAO has made some suggestions for more involvement of employing agencies in stress claims prior to submission to Comcare for decision. Comcare's recently issued policy guidelines also support this approach.

5.58 Agency needs for management information and data services were not, in all cases, fully met by Comcare. The standard of the services was good, but there could be scope

for more consultation with agencies concerning their needs, and advice by Comcare on how the current services could be used, or expanded, to meet those needs.

5.59 Finally, there is scope for Comcare to consider whether its

purchaser-provider arrangements with agencies could be improved by Memoranda of Understanding or Service Level Agreements to provide a vehicle for agencies to express their needs and for Comcare to detail its services.

Canberra ACT
20 October 1997

P. J. Barrett
Auditor-General

Part Three

Appendices

Appendix 1

The SRC Commission OHS Risk Management Model

Senior management leadership and commitment	Examples of practices
* Having a vision of what is to be achieved in OHS	<ul style="list-style-type: none"> • Develop a vision statement which expresses the organisation's vision for achieving a healthy and safe work environment
* Recognising the steps required to achieve the vision	<ul style="list-style-type: none"> • Develop an OHS policy which incorporates the vision statement • Establish the current level of the organisation's OHS performance • Identify OHS issues of concern to the organisation
* Making achievement of the vision possible	<ul style="list-style-type: none"> • Initiate the development and implementation of a prevention program addressing OHS issues of concern • Define roles and responsibilities • Allocate adequate human and financial resources for the development and implementation of the prevention program • Promote and support the establishment of appropriate forums responsible for the development and implementation of the prevention program • Provide regular and timely direction and advice • Develop a strategy for continuous improvement in OHS performance through: <ul style="list-style-type: none"> - monitoring and evaluation of the efficiency and effectiveness of the implemented prevention program - monitoring of individuals' OHS management activities (nature, scope and frequency) - bench marking with other organisations addressing the same OHS issues of concern
* Promoting a culture of continuous improvement in OHS performance	<ul style="list-style-type: none"> - arranging an OHS audit by Comcare or by an independent professional OHS consultant

2. Active involvement of each individual in the workplace	Examples of practices
<p>* Creating an environment based on cooperation and trust, which values the contribution and active participation of each individual</p> <p>*</p>	<ul style="list-style-type: none"> • Senior management: <ul style="list-style-type: none"> - seek input from their staff at all levels within the organisation when addressing OHS issues - work cooperatively to develop solutions - act on agreed decisions - provide timely feedback to involved parties • Establish small 'natural working groups', throughout the organisation, to work as teams in addressing specific OHS risks • Establish risk assessment team(s) to provide assistance to the natural working groups where requested

3. Effective communication through consultation with all relevant parties (including managers, supervisors, unions and employees)	
<ul style="list-style-type: none"> • Ensuring that each individual is fully informed about current OHS activities • Establishing a framework to encompass the views of all parties 	<ul style="list-style-type: none"> • Promote the proposed prevention program throughout the organisation • Conduct information sessions for managers, supervisors, unions and employees • Establish appropriate forums (eg., Working Party, Steering Committee, etc.) specifically responsible for the development and implementation of the prevention program

4. Provision of appropriate information, education and training	Examples of practices
<ul style="list-style-type: none"> • Ensuring that each individual has the necessary knowledge and skills to actively undertake their OHS functions and responsibilities 	<ul style="list-style-type: none"> • Provide initial information, education and training • Provide ongoing information, education and training

5. Risk identification, risk assessment and risk control at workplace level	
<ul style="list-style-type: none"> • Managing the process at workplace level by using the knowledge and expertise of individuals most familiar with operational tasks involving particular risks 	<ul style="list-style-type: none"> • Natural working groups: • identify and assess OHS issues of concern • design practices and procedures for preventing and/or managing specific OHS risks • integrate those practices and procedures into existing operational practices and procedures

6. Development and implementation of appropriate (new or revised) OHS management information systems	
<ul style="list-style-type: none"> * Establishing appropriate recording and reporting tools and mechanisms * Establishing appropriate monitoring and evaluation tools and mechanisms 	<ul style="list-style-type: none"> • Design specific recording and reporting tools, appropriate for use at various levels and areas of operation and management within the organisation • Develop performance monitoring and evaluation tools based on set objectives and goals, for use at various levels of operation and management within the organisation

The Safety, Rehabilitation and Compensation Commission (SRC Commission) OHS Risk Management Model has been successfully applied to manage the risks from:

- **Manual handling,**
- **Occupational Overuse Syndrome , and**
- **Occupational Stress.**

For more information about applying the Model in your organisation contact Comcare Australia on: 1 800 642 770 or (02) 6275 0000

Appendix 2

Performance Audits in the Industrial Relations Portfolio

Set out below are the titles of the reports of the main performance audits by the ANAO in the Industrial Relations Portfolio tabled in the Parliament in the past three years.

Audit Report No.26 1994-95
Inoperative Staff in the APS

Audit Report No.27 1994-95
Studybank

Audit Report No.22 1995-96
*Workers' Compensation Case Management
Comcare Australia and Selected Agencies*

Audit Report No.6 1996-97
*Commonwealth Guarantees, Indemnities
and Letters of Comfort*

Audit Report No.16 1996-97
Payment of Accounts

Audit Report No.19 1996-97
Results of the 1995-96 Financial Statements Audits of Commonwealth Entities

Audit Report No.29 1996-97
Management of Corporate Sponsorship

Audit Report No.32 1996-97
Administration of Grants in the Australian Public Service

Audit Report No.39 1996-97
Audit Committees