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Businesses could close without workers compensation reform

Business Hunter is backing the NSW Government's call for reform to the state's compulsory workers' compensation scheme, warning a predicted 36 per cent increase in premiums over the next three years could send thousands of businesses to the wall.

Insurance premiums are the most significant cost pressure facing business today, according to a state-wide survey of businesses conducted by Business NSW in May, which included responses from nearly 100 Hunter businesses.

Over 70 per cent of businesses surveyed indicated that they wanted "workers compensation insurance reform" included in the 2025-26 NSW Budget.

"One in five businesses say they would be forced to shut if subject to the sort of premium increases we are likely to see if there is no reform," Business Hunter CEO Bob Hawes said.

"That should sound alarm bells across the political spectrum.

"We are asking both the State Government and the Opposition to work together to ensure the proposed reforms pass through NSW Parliament in the coming week to keep NSW as the best place to start or grow a business."

Treasurer Daniel Moohkey warned Parliament in March the State's workers compensation system was in urgent need of reform to rein in ballooning costs and address inefficient practices associated with workplace psychological injury.

Workers with psychological claims typically take 20 weeks off work, compared to six weeks for non-psychological injuries. More than half of workers with psychological injuries have never returned to that workplace.

"We need to find a better way to ensure genuine psychological injuries are addressed promptly while plugging loopholes that can see cases drag on without resolution," Mr Hawes said.

Last year, the NSW workers compensation scheme ran a \$1.8 billion deficit – about \$5 million every day – with the disproportionate rise in psychological injury claims the main contributor to the blowout.

Psychological injury claims have risen by 65 per cent since 2021-22 and now exceed 11,000 claims a year, according to the State Insurance Regulatory Authority (SIRA).

Mr Hawes said business feedback indicated the workers compensation scheme was increasingly being used to escalate workplace grievances and performance issues, which is not what it was designed for.

"We must restore integrity and fairness to the system before it collapses under its own weight," Mr Hawes said.

"This isn't about taking rights away – it's about making sure the system is sustainable and works for the people it was designed to protect."

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