

The Cost of Inadequate Psychosocial Management

Psychosocial hazards are now a critical board-level risk in Australia. Recent legislative changes across all jurisdictions have elevated psychological safety to equal standing with physical safety. The enforcement landscape has shifted dramatically in 2024-2025, with regulators actively prosecuting failures to manage psychosocial risks.



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1 The Numbers Behind Psychosocial Risk

See what's at stake with psychosocial risk

Psychosocial risk drives claims, fines, lost productivity, and director exposure. The impact is financial, operational, and increasingly personal for leadership teams.

~\$380,000

Average Fine for Major Breach
Court Services Victoria case

17%

of all serious claims are psychosocial related
WorkSafe Victoria Annual Report 2024-25

3-4x

Higher claim costs when compared to Physical Injuries
Safe Work Australia

2 Critical Risk Categories

- Legal Prosecution:** As of December 2025, psychosocial hazard regulations are fully enforceable across all Australian jurisdictions under the WHS Act. Regulators are actively conducting inspections and prosecutions, with landmark cases establishing new precedents for workplace mental health enforcement.
- Financial Impact:** Non-compliance penalties include fines up to \$3 million for corporations and \$600,000 for individuals. Mental health compensation claims average \$65,000 per case (five times higher than physical injuries), with insurers raising premiums by 23% in response to rising claims.
- Personal Liability:** WHS Act Section 27 imposes a personal, non-delegable duty on officers to exercise due diligence in managing psychosocial risks. Failure to implement adequate systems or ensure proper resources can result in personal prosecution, with penalties up to 5 years imprisonment for reckless conduct.
- Operational Risk:** Regulations mandate identification, assessment, and control of 14 recognized psychosocial hazards including bullying, excessive workload, job insecurity, and fatigue. Organizations must apply the hierarchy of controls, maintain documented risk assessments, consult workers, and demonstrate continuous monitoring under regulator scrutiny.

3 Why Psychosocial Safety systems matter



Why Systems Matter

Australian regulators have made it clear that 'set and forget' approaches are unacceptable. Most organizations run a single training day and assume compliance, but the WHS Code explicitly states training alone cannot fix psychosocial hazards. SafeWork auditors look for documented, systematic processes including:

- **Ongoing Hazard Identification:** Not a one-off event, but continuous monitoring
- **Worker Consultation:** A strict requirement under WHS Act s.47
- **Active Control Monitoring:** Mechanisms to review control measures regularly
- **Demonstrated Effectiveness:** Proof that systems work, not just that policies exist
- **Visible Leadership:** Behavior and commitment from the top

Training raises awareness, but regulators demand documented systems with hazard registers, risk assessments, control records, and evidence of ongoing risk management to prove compliance and defend prosecutions.

4 Complete Australian + Commonwealth Regulatory Landscape

Global & State Frameworks

Jurisdiction	Key Regulation / Code	Status
Commonwealth	Work Health and Safety (Managing Psychosocial Hazards at Work) Code of Practice 2024	Active (Enforced by Comcare, commenced Nov 2024)
ISO 45003	ISO 45003:2021 Psychological Health and Safety at Work (International Standard)	Voluntary framework aligned with Australian WHS regulations
Victoria	Occupational Health and Safety (Psychological Health) Regulations 2025	Active (Commenced 1 Dec 2025, Enforced by WorkSafe Vic)
New South Wales	Work Health and Safety Regulation 2025 (includes psychosocial provisions)	Active (Commenced 22 Aug 2025, SafeWork NSW)
Queensland	Managing the Risk of Psychosocial Hazards at Work Code of Practice 2022	Active (Commenced 1 Apr 2023, WorkSafe QLD)
Western Australia	WHS (Psychosocial Hazards) Code of Practice	Active (Commenced 24 Dec 2022, WorkSafe WA)
South Australia	Work Health and Safety (Psychosocial Risks) Amendment Regulations 2023 (Division 11)	Active (Commenced 25 Dec 2023, SafeWork SA)
Northern Territory	WHS (Psychosocial Risks) Amendment Regulations 2023	Active (Commenced 1 July 2023, NT WorkSafe)
Australian Capital Territory	Managing Psychosocial Hazards at Work Code of Practice (ACT)	Active (Commenced 27 Nov 2023, WorkSafe ACT)
Tasmania	Work Health and Safety Regulations 2022 (includes psychosocial provisions, regulations 55A to 55D)	Active (Commenced 2022, WorkSafe Tasmania)

5 Workers' Compensation

Workers' compensation: the numbers explained

Psychosocial claims have risen every year for a decade across Australia, driving unprecedented increases in workers' compensation costs, insurance premiums, and scheme liabilities. Organizations face compounding financial pressure with no signs of relief.

\$65,400

Median mental health claim
Safe Work Australia

161%

surge in mental health claims
Safe Work Australia

23%

increase insurance premium across schemes
AICD Workers' Compensation Report

6 Case Study #1: Court Services Victoria (CSV)

The Incident

Between 2015 and 2018, the Coroners Court of Victoria (operated by CSV) developed a toxic workplace culture. Employees were exposed to risks including:

- Traumatic materials without adequate support.
- Role conflict and excessive workloads.
- Inappropriate workplace behaviors (bullying, verbal abuse).

Tragically, a dedicated employee lawyer took her own life after being diagnosed with a work-related major depressive disorder. She had been subjected to excessive demands and felt unable to take leave due to reputational fears.



Systematic Failures Identified

- **No Risk Assessment:** Failed to conduct adequate psychosocial risk assessments.
- **Ignored Indicators:** High turnover and stress leave rates were ignored as safety indicators.
- **Inadequate Controls:** No effective systems to monitor workload or behavior.
- **Culture of Silence:** Complaints were not effectively addressed.

Legal Outcome

CSV pleaded guilty to breaching the OHS Act 2004 (Vic) by failing to provide and maintain a safe working environment. The Melbourne Magistrates' Court imposed a significant fine, emphasizing that psychological health must be treated with the same rigor as physical safety.

Fine: \$379,987 | Toxic Workplace Culture

7 Case Study #2: Blisspell Pty Ltd (trading as Toy Network)

The Incident

A children's toy wholesaler in Reservoir, Victoria (Blisspell Pty Ltd trading as Toy Network), exposed workers to psychological injury from sexual harassment.

The inappropriate behavior came from a company director who engaged in unwelcome conduct toward employees.

The company had no formal systems in place to prevent, identify, or respond to sexual harassment despite the evident risks.



Systematic Failures Identified

- **No Policy Framework:** Company lacked any formal workplace behavior or sexual harassment policies
- **No Risk Assessment:** Failed to identify sexual harassment as a psychosocial hazard requiring controls
- **Lack of Training:** No training provided to staff or management on appropriate workplace conduct
- **No Reporting Mechanisms:** Workers had no safe channels to report inappropriate behavior
- **Director Involvement:** Harassment originated from person in position of power with no oversight

Legal Outcome

Blisspell Pty Ltd was convicted by Heidelberg Magistrates' Court in May 2025 for failing to provide or maintain a safe workplace. The company was fined \$100,000 plus \$6,000+ in costs. WorkSafe found it was reasonably practicable to implement policies, training, and systems to manage psychosocial risks.

Fine: \$100,000 | Sexual Harassment & Policy Failures

7 Case Study #3: Erudite Legal (Have gone Bankrupt)

The Incident

A Melbourne law firm forced a junior lawyer to work egregious hours including up to 24-hour shifts and 79-hour work weeks.

The employee was required to watch an ice hockey movie at 1am to 'understand her boss's philosophical position.'

The excessive workload exacerbated her medical condition, and she was forced to work on the day of her ex-partner's funeral.



Systematic Failures Identified

- **No Risk Assessment:** Failed to identify excessive workload as a psychosocial hazard
- **Inadequate Controls:** No systems to monitor or limit working hours
- **Ignored Medical Needs:** Continued demanding hours despite known medical condition
- **Culture of Overwork:** Unreasonable expectations normalized without intervention

Legal Outcome

Melbourne Magistrates' Court ruled Erudite Legal breached workplace laws through exploitative hours and unreasonable hours as critical psychosocial hazards requiring systematic controls.

Fine: \$50,000+ | Excessive Workload & Exploitative Hours