



**Review of Universal Coverage**  
**Ontario WSIB**  
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# Preamble:

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The WSIA that defines who is covered and who is not has not been amended since the Meredith report of 1913. Presently Ontario ranks the lowest in Canada with 70% - 72% of the workforce covered. Ontario's economy is changing with new industries. Many of which are not covered which means Ontario's system will become smaller. The Advisory Committee is tasked with identifying the pros and cons of mandatory coverage and to provide recommendations.

The Brock Smith report of October 2002 (sponsored by WSIB) recommended eliminating the Schedule II category of employers who operate on a self-insured basis in favour of a common plan with one shared accident fund. Thus spreading financial risk and creating a level playing field for employers. The report also recommended mandatory WSIA coverage in Ontario by replacing coverage based on the "exclusionary" principle with a "presumptive – inclusionary" principle. Thus establishing coverage by default with specific exemptions where deemed necessary.<sup>1</sup>

Smith's work was reinforced by a study by Douglas Hyatt on the impact of expanding coverage, which identified the North American Industry Classification System (NAICS) codes applicable to industries currently excluded from WSIB coverage that would be affected by moving towards universal coverage.<sup>2</sup>

The Expert Advisory Panel on Occupational Health and Safety (referred to as the Tony Dean report) recommended that the Government address gaps in coverage under the WSIA.<sup>3</sup>

Coverage gaps affect both individual employees and the WSIB system as a whole. Lack of coverage leaves individual excluded employees reliant on either privately-provided insurance or the courts when they are injured or acquire an occupationally-related disease or disability. For the WSIB system, lack of coverage means that the overheads associated with operating the system are spread over a smaller payroll base than would be the case with broader coverage, increasing costs for currently-covered employers. Lack of coverage also results in occupationally related health care costs incurred by non-covered employees being borne by the public generally rather than by their employers.

As a result, under the WSIA the WSIB remains charged with raising funds from some of Ontario's employers (72%), to pay for Prevention and inspectorate duties for all Ontario workplaces (100%). Does the transfer of funds from WSIB to the MOL amount to an unfair taxation? Would Ontario's health and safety system be better served by adopting a presumptive – inclusionary principle to expand coverage?

Employment levels and payrolls in the major industries without WSIB coverage are summarized in the Appendix to this report. The major excluded groups are in broadcasting, information technology, finance and insurance, real estate, professional services and certain parts of the health and social services sector.

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<sup>1</sup> Smith, Brock "Coverage under the WSI Act, Report to the Board of Directors", WSIB October 8, 2002.

<sup>2</sup> Hyatt, Douglas "Workplace Safety and Insurance Act Coverage Study", WSIB November 14, 2003.

<sup>3</sup> Dean, Tony "Expert Panel on Occupational Health and Safety: Report and Recommendations to the Minister of Labour", December 2010, p.58.

# Estimated financial impact of Universal Coverage

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The financial impact of expanding to universal coverage can be estimated in three steps.

1. Using Statistics Canada's survey of employment, payroll and hours, we can estimate the total employment and payroll of industries not currently covered by WSIB.
2. Adjust the payroll estimate to reflect the fact that only payroll up to the WSIB coverage maximum of approximately \$80,000 would be added to the WSIB's payroll base.
3. Dividing total WSIB premium revenue into its component parts, estimate the revenue that would be derived from applying the current effective premium rate for legislative requirements to the additional payroll base.
4. Estimate the savings to the health care system from expanding coverage by estimating the proportion of anticipated claims costs that would be represented by health care costs.

## Step 1 – employment and payroll in industries not currently covered

The Hyatt report (2003) identified the specific NAICS codes that would be affected by moving to universal coverage. After updating those codes to reflect the 2007 classification system, data from Statistics Canada's Survey of Employment, Payroll and Hours were used to estimate the number of employees affected and the total payroll involved.<sup>4</sup>

The average weekly wage in industries not currently covered by WSIB is \$989.63. Total employment in those industries is 1,560,500, yielding a total payroll base of \$80.3 billion. Adjusting this estimate for total annual payroll for the estimated ratio of insured payroll to total payroll in covered industries yields an estimated \$67 billion increase in the WSIB's insured payroll base.

## Step 2 – estimating WSIB earnings base from total payroll

Total payroll calculated from Statistics Canada's Employment Earnings and Hours data, however, would overstate the payroll base that would be added to the WSIB from universal coverage, because it is an average of all wages and salaries in each affected industrial sector, including wages paid that are above the roughly \$80,000 WSIB maximum. To take that into account, we calculate the proportion of the total payroll of industries currently covered by WSIB represented by the insured payroll, and assume that this ratio would be the same for the added industries as it is for the currently-covered industries.

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<sup>4</sup> CANSIM 281-0024; results are summarized in Appendix.

<b>Implicit insured payroll base 2014<sup>5</sup></b>	<b>176,956,521,739</b>
<b>Average weekly implicit insured payroll<sup>6</sup></b>	766.68
<b>Average weekly wage covered industries<sup>7</sup></b>	919.65
<b>% adjustment<sup>8</sup></b>	83%

For currently-covered industries, the payroll base implied by the weighted average premium rate of 2.53% and the current total of premium income for 2014 is approximately \$177 billion, yielding an average weekly insured payroll of \$766.68. The average weekly total payroll in those industries measured from the Statistics Canada data for 2014 is \$919.65, yielding a WSIB payroll to total payroll adjustment factor of 83%.

<b>Average weekly wage industries not covered</b>	<b>989.63</b>
<b>Employment in industries not covered</b>	1,560,500
<b>Annual payroll industries not covered</b>	80,304,742,848
<b>Adjusted added payroll</b>	66,961,458,649

### Step 3 -- resultant WSIB revenue

To estimate the contribution of this added payroll base to WSIB revenue, we distinguish between revenue which would be neutralized by claims-linked experience rating and revenue which would be available to contribute to legislative and overhead costs and to pay down the unfunded liability.

The division of total premium revenue across all Schedule 1 employers is reported by the WSIB in its quarterly reports. The WSIB 4<sup>th</sup> quarter 2014 report indicates that 6.2% of the average premium of \$2.53/\$100 is for legislative requirements, which would clearly be the same for every employer. A further 8.0% is for general administrative overhead, which again would clearly be the same for every employer. An additional 8.1% is for general claims administration. Again, it would seem reasonable to share these costs of running the system among all employers. 23.7% of premium income went towards the reduction of the past unfunded liability associated with past claims. Although it would seem unfair to levy this against the newly-covered, this unfairness is actually not in principle different from the unfairness of levying against the current generation of employers for costs arising from a previous generation.

<b>2014 Premiums</b>	<b>4,477,000,000</b>	
<b>Average premium</b>	2.53%	per 100
<b>Breakdown</b>		
<b>Legislative</b>	6%	0.156%
<b>Overhead</b>	16%	0.407%
<b>Unfunded liability retirement</b>	24%	0.599%
<b>Current claims</b>	54%	1.368%

<sup>5</sup> Calculated from 4<sup>th</sup> Quarter 2014 Report, WSIB – premium income divided by average premium rate of 2.53%

<sup>6</sup> Implicit insured payroll base divided by Schedule 1 covered employees – Source: 4<sup>th</sup> Quarter 2014 Report, WSIB

<sup>7</sup> Calculated from Statistics Canada 281-0042 (Employment) and 281-0044 (Earnings).

<sup>8</sup> Implicit insured payroll divided by average weekly wage covered industries

Because this distribution is for Schedule 1 employers as a group, which is dominated by the manufacturing, raw materials processing and construction industries, we obtained WSIB administrative data for Class I – Other Services, a group that would be more representative of the industries that would be added with universal coverage.<sup>9</sup>

<b>2014 Premiums</b>	<b>477,774,936</b>	
<b>Average premium</b>	1.32 % per 100	
<b>Breakdown</b>		
<b>Legislative</b>	6%	0.079%
<b>Overhead</b>	16%	0.187%
<b>Unfunded liability retirement</b>	36%	0.481%
<b>Current claims</b>	42%	0.551%

Using the new payroll base one can estimate what would be contributed by the newly covered.

These calculations suggest that expanding coverage would add:

- \$53 million to the contribution to legislative requirements;
- \$141 million to the contribution to overhead;
- \$322 million to retiring the unfunded liability

Because this increase in WSIB revenue for items not directly related to current claims would not result in substantial increased costs for the WSIB, broadening coverage would result in cost savings for industries currently covered by WSIB.

<b>Impact on currently covered industries</b>					
	Current	New revenue no premium change	Adjustment to restore current revenue	New Premium rate	Premium rate savings
<b>Legislative</b>	282,207,782	53,033,475	-16%	0.136%	0.026%
<b>Overhead</b>	515,638,911	141,422,601	-22%	0.232%	0.064%
<b>Contribution to past claims</b>	1,811,704,280	322,084,616	-15%	0.883%	0.157%
<b>Total</b>				0.369%	0.089%
<b>\$ per 100</b>				0.37	0.09
<b>Overall average premium cut</b>					3.44%

Overall, should the Workplace Safety and Insurance Act be amended by replacing coverage based on the “exclusionary” principle with a “presumptive – inclusionary” principle it is estimated currently covered employers could benefit from an assessment rate reductions of approximately 3.44%.

<sup>9</sup> WSIB Information Management Catalogue as at 01-Oct-2015

# Impact of Universal Coverage on lowering OHIP cost:

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As noted above, in addition to the impact of universal coverage on the economics of the WSIB, broadening of coverage would also shift health care related costs from the general public, through OHIP, to the newly-covered employers.

Universal Coverage under the Workplace Safety and Insurance Act will result in a cost reduction for the public tax base in relation to the Ontario Hospital Insurance Plan (OHIP). Estimates use information from the 2012 premium rate manual and the Service sector as the comparator using the following rate groups:

<b>Rate Group</b>	<b>Description</b>
<b>604</b>	Food, Sales
<b>606</b>	Grocery And Convenience Stores
<b>607</b>	Specialty Food Stores
<b>608</b>	Beer Stores
<b>630</b>	Vehicle Services And Repairs
<b>633</b>	Petroleum Products, Sales
<b>636</b>	Other Sales
<b>638</b>	Pharmacies
<b>641</b>	Clothing Stores
<b>657</b>	Automobile And Truck Dealers
<b>668</b>	Computer, Electronic And Electrical Equipment, Sales
<b>919</b>	Restaurants And Catering
<b>921</b>	Hotels, Motels And Camping
<b>929</b>	Supply Of Non-Clerical Labour
<b>933</b>	Equipment Rental And Repair Services
<b>937</b>	Recreational Services And Facilities
<b>944</b>	Personal Services
<b>956</b>	Legal And Financial Services
<b>962</b>	Advertising And Entertainment
<b>981</b>	Membership Organizations

According to WSIB data, health care accounts for 30% of claims costs for Class I – Other Services, the closest current class to the industries that would be added through universal coverage. Assuming that current claims costs represent the same percentage of covered payroll for the added group as it does for Class I – 0.551% of covered payroll -- health care costs would be expected to represent 30% of that amount, or 0.165% of payroll.

On an estimated newly covered payroll base of approximately \$67 billion, health care costs would be an estimated \$110.5 million out of estimated current claims of \$368.5 million.

That would suggest that newly-added service sector employers would absorb approximately \$110 million in health care costs currently borne by the health care system.

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**Estimated employment and payroll****Industries not covered by WSIB**

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	2014	
	<i>Employment</i>	<i>Average Weekly Wages and Salaries</i>
<b>512 – Motion Picture and Sound Recording</b>	15,572	1,032.71
<b>5151 -- Radio and Television Broadcasting</b>	11,653	1,032.71
<b>518 – Data Processing, Hosting and Related Services + 519 Other Information Services</b>	29,175	1,219.30
<b>52 – Finance and Insurance</b>	317,108	1,218.46
<b>531 – Real Estate</b>	84,545	956.38
<b>54 – Professional, Scientific and Technical Services, EXCLUDING 5413 – Architectural, Engineering and Related Services</b>	289,252	1,292.84
<b>55 – Management Companies and Enterprises</b>	38,049	1,271.17
<b>561 – Administrative and Support Services, EXCLUDING 5613 – Employment Services; 5616 – Investigation and Security Services); and 5617 – Services to Buildings and Dwellings</b>	118,118	819.94
<b>61 – Educational Services, EXCLUDING 6111 – Elementary and Secondary Schools; and 6112 – Community Colleges</b>	131,856	957.82
<b>62 – Health Care and Social Assistance, EXCLUDING 6211 – Offices of Physicians; 622 – Hospitals; 6231 – Nursing Care Facilities; and 6233 – Community Care Facilities for the Elderly</b>	294,039	703.04
<b>71 – Arts, Entertainment and Recreation</b>	94,026	612.53
<b>81 – Other Services, EXCLUDING 811 – Repair and Maintenance; 8123 (Dry Cleaning and Laundry Services</b>	137,107.00	755.70
<b>Itemized total</b>	<b>1,560,500</b>	<b>989.63</b>

(accessed: October 15, 2013)

Sources: CANSIM 281-0042 and 281-0044 and author's  
calculations

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