



**Review of Universal Coverage**  
**Ontario WSIB**  
**October 2013**

Hugh Mackenzie, Principal

[www.hughmackenzie.ca](http://www.hughmackenzie.ca)

[hugh@hughmackenzie.ca](mailto:hugh@hughmackenzie.ca)

416-884-5378

fax 416-534-2122

# Preamble:

---

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 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.

---

<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

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 – the new payroll base

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>

That, 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, it was assumed that the ratio of WSIB covered payroll to total payroll would be the same for the added industries as it is for the currently-covered industries.

From Stats Canada	
Implicit payroll base	161,446,808,511 (premiums / 2.35%)
Measured payroll base	209,458,033,680
% adjustment	77%

For currently-covered industries, the payroll base implied by the weighted average premium rate of 2.35% and the current total of premium income for 2012 is approximately \$161.5 billion. The payroll base for those industries measured from the Statistics Canada data for 2012 is approximately \$209.5 billion, yielding a WSIB payroll to total payroll adjustment factor of 77%.

From Stats Canada		
Added payroll	72,591,238,939	
Adjusted added payroll	55,952,133,449	Multiplied by 77%
Payroll base coverage	74%	Payroll equivalent of the 72% of employees covered

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

The total payroll added through expanded coverage would be an estimated \$72.6 billion. Applying the adjustment factor of 77% to generate an estimate of the impact on the WSIB payroll base yields an estimate of \$56.0 billion in additional payroll base.

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 overhead costs.

The WSIB 2011 annual report indicates that 5% of the \$2.35/\$100 is for legislative requirements, which would clearly be the same for every employer. A further 13% is for overhead, which again would clearly be the same for every employer. And another 32% is for past claims (primarily the unfunded liability). 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.

Cost Calculation from WSIB annual report		
2011 premiums	3,794,000,000	
Average premium	2.35%	per \$100 of payroll
Breakdown		
Legislative	5%	0.118%
Overhead	13%	0.306%
Past claims	32%	0.752%
New claims	50%	1.175%
Total	100%	2.350%

<b>From Statistics Canada</b>		
Added payroll	72,591,238,939	
Adjusted added payroll	55,952,133,449	Multiplied by 77%
<b>Impact on WSIB cost categories</b>		
Legislative	65,743,757	0.118%
Overhead	170,933,768	0.306%
Past claims	420,760,044	0.752%

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

These calculations suggest that expanding coverage would add:

- \$65 million to the contribution to legislative requirements;
- \$170 million to the contribution to overhead;
- \$420 million to retiring the unfunded liability (if implemented)
- \* \$655 million total

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.

Impact on currently covered industries				
	Current	New revenue no premium change	Adjustment to restore current total contribution	New Premium rate
Legislative	189,700,000	65,743,757	-26%	0.087%
Overhead	493,220,000	170,933,768	-26%	0.227%
Saving				0.314%
\$ per 100				0.31
Overall average premium cut <sup>5</sup>				13.4%

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 up to 13.4%.

## Impact of Universal Coverage on lowering OHIP cost:

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 the Ontario Hospital Insurance Plan (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 OHIP. Estimates use information from the 2012 premium rate manual and the Service sector as the comparator using the following rate groups:

Rate Group	Description
604	Food, Sales
606	Grocery And Convenience Stores
607	Specialty Food Stores
608	Beer Stores
630	Vehicle Services And Repairs
633	Petroleum Products, Sales
636	Other Sales
638	Pharmacies
641	Clothing Stores
657	Automobile And Truck Dealers
668	Computer, Electronic And Electrical Equipment, Sales
919	Restaurants And Catering
921	Hotels, Motels And Camping
929	Supply Of Non-Clerical Labour
933	Equipment Rental And Repair Services
937	Recreational Services And Facilities

<sup>5</sup> Approximate calculation, given that we don't have the raw data.

944	Personal Services
956	Legal And Financial Services
962	Advertising And Entertainment
981	Membership Organizations

According to WSIB data, the WSIB eligible payroll for the covered rate groups in the service sector is approximately \$45 billion. This represents approximately 28% of the total payroll of \$160 billion for all Schedule 1 employers.

Total claims and administrative costs for covered service sector employers is approximately \$528M, representing approximately 20% of the \$2.7 billion in claims costs for all Schedule 1 employers.

Total claims cost in the service sector is thus \$528 million on a total payroll of \$45 billion, or approximately 1.17% of payroll.

Based on the WSIB's experience in the services sector generally, we could expect claims and administrative costs in the newly-covered industries to be 1.17% of newly-covered payroll of \$56 billion or \$657 million.

According to WSIB 17% of claims cost in the services sector are for health care. Using the services sector as the comparator and the 2012 claims cost for this sector we are able to approximate the future health care cost offset from OHIP to WSIB.

Thus we can estimate that health care costs that would be borne by newly-covered service sector employers would be 17% of \$657 million, or approximately \$111 million.

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

	2012	<i>Average Weekly Wages and Salaries</i>
	<i>Employment</i>	
512 – Motion Picture and Sound Recording	14,343	858.69
5151 -- Radio and Television Broadcasting	15,552	1,019.60
518 – Data Processing, Hosting and Related Services + 519 Other Information Services	25,862	1,089.44
52 – Finance and Insurance	305,047	876.57
531 – Real Estate	74,624	1,010.63
54 – Professional, Scientific and Technical Services, EXCLUDING 5413 – Architectural, Engineering and Related Services	267,118	1,124.78
55 – Management Companies and Enterprises	41,827	1,076.28
561 – Administrative and Support Services, EXCLUDING 5613 – Employment Services; 5616 – Investigation and Security Services); and 5617 – Services to Buildings and Dwellings	118,118	986.79
61 – Educational Services, EXCLUDING 6111 – Elementary and Secondary Schools; and 6112 – Community Colleges	131,856	638.07
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	276,318	1,062.40
71 – Arts, Entertainment and Recreation	92,793	654.31
81 – Other Services, EXCLUDING 811 – Repair and Maintenance; 8123 (Dry Cleaning and Laundry Services Itemized total	128,135	752.27
	1,491,593	935.90

(accessed: October 15, 2013)

Source:

Statistics Canada. Table 281-0024 - Employment (SEPH), unadjusted for seasonal variation, by type of employee for selected industries classified using the North American Industry Classification System (NAICS), annual (persons)