



**CANADIAN FEDERATION
OF INDEPENDENT BUSINESS.**

294 Portage Avenue, Suite 904
Winnipeg, Manitoba R3C 0B9

June 27, 2014

Mr. Winston Maharaj
Workers Compensation Board of Manitoba
300 Broadway Avenue
Winnipeg, Manitoba RC3 0V8

RE: CFIB Submission to the WCB Assessment Rate Model Review

Dear Mr. Maharaj,

On behalf of the Canadian Federation of Independent Business (CFIB) and our 4,800 members in Manitoba, I am happy to provide the perspective of small business owners for the Assessment Rate Model Review and its implications for the Workers Compensation Board of Manitoba (WCB).

As you may know, CFIB is a non-profit, non-partisan business association that seeks to give independent business a greater voice in determining the laws that govern business and the country. With 109,000 members across Canada, we are the largest organization exclusively representing the interests of small- and medium-sized businesses (SMEs) to all levels of government. The SME sector accounts for 97 per cent of all Manitoba businesses, creates nearly one quarter of Manitoba's GDP and employs 40 per cent of all working Manitobans.

CFIB's 2010 research report, *A Small Business Assessment of Workers' Compensation*, revealed that workers' compensation boards in Canada are doing a poor job of meeting the needs of small business, including those in Manitoba. While there were some highlights for Manitoba, such as the experience rating program and long-term financial sustainability, it is evident the WCB has work to do as it received the second-lowest overall provincial score. Manitoba scored low in claims management, classification and assessment, customer service and coverage categories. Revisions to the assessment rate model may help improve these rankings.

CFIB continues to support the WCB system and its fundamental principles of collective liability for businesses and security of benefits for injured workers. Workplace safety and having a good plan for covering workplace injuries is a priority for everyone. To achieve these principles, the system must remain financially sustainable and fully funded without redistributing costs or benefits to future generations. Therefore, it is critical the WCB is well run and keeps paperwork and costs reasonable for employers.

While maintaining collective liability for businesses is important, the WCB rate setting system must also recognize that risk of injury varies between employers and industries. Maintaining a rate setting model that responds to costs created by individual employers and industry sectors is important and can incentivize better workplace safety. For this reason, Manitoba's adoption of an Experience Rating Model (ERM) in 1989 was an important step in the WCB's evolution.

As indicated in the review's discussion paper, the current rate setting model is highly volatile. The occurrence of a workplace injury results in assessment rates that "go up like a rocket, and come down like a snail". This situation can result in small firms paying far more in assessment premiums than the cost of the injury claim(s) that caused an employer's premiums to rise. This situation significantly erodes the fundamental WCB principle of business collective liability and indicates the current system is not properly balanced. Allowing rate premiums to climb slower and fall faster

would reduce the rate model's volatility and ensure small businesses are paying their fair share of costs, but not more than their share.

Ensuring the rate setting model is clear, transparent and low cost is also of significant concern to small business. The Classification and Assessment sub-index in CFIB's research report focused on such issues as paying assessments, accuracy in rate classifications, and understandability on how premiums are set. Unfortunately, Manitoba was ranked worst in this area. Often small business owners raise their concerns with the accuracy in rate classification and their lack of understanding of the rate setting process. We believe the WCB can do a better job of ensuring all classification and premium information is communicated to employers in plain language.

In speaking with numerous small business owners throughout the province, it is clear that safety and a safe work environment are primary concerns. Business owners realize the people they employ are their most valuable resource and that a safe employee is also a productive employee. Employers feel that, together, they and their employees play key roles in safety and reducing accidents. This spirit must be embraced and translated into a workplace safety culture where the two parties work together to promote safety. Safety cultures cannot be fostered with "command and control" regulatory approaches to workplace safety.

While improving workplace safety is a laudable goal, further movement to link safety initiatives to the rate setting system may mitigate transparency in rate setting and create significant additional administrative costs. In fact, experience with other government programs suggest that the additional cost for compliance requirements can negate the rate savings of implementing government approved processes or equipment. This scenario is also possible if WCB safety initiatives are added to the assessment rate setting process. Thus, it is imperative that any change to the rate setting system does not create additional administrative overhead for small businesses.

In order to obtain fairness for small businesses, the WCB rate setting system must be reformed. While not an exhaustive list of definitive changes, CFIB believes the following amendments to the rate assessment model would improve fairness for small businesses:

1. Truncate the claim cost window for rate setting purposes from five years to three;
2. Reinstate a Maximum Insurable Earnings Rate for determining workers' benefits;
3. Discontinue classifying claims as "time-loss" if time loss occurs only for medical appointments related to a claim;
4. Reduce rate volatility by limiting rate increases and accelerating rate declines resulting from injury claims;
5. Ensure all classification and premium information is communicated to employers in plain language;
6. Improve customer service by providing training to front-line staff to ensure they are knowledgeable about the needs of small business and WCB processes.

Thank you for the opportunity to offer the small business perspective on Manitoba's WCB Assessment Rate Model. I look forward to providing further comment as the consultation process continues.

Sincerely,



Elliot Sims

Director, Provincial Affairs, Manitoba