



## CALCULATION OF EARNINGS FOR CONTRACT (DEEMED) WORKERS

This fact sheet applies to individuals who work on a contract basis for one employer and are deemed by the WCB to be a worker for that employer. The employer is responsible for the payment of WCB premiums for all deemed workers.

Please see the fact sheets on Coverage for Contract (Deemed) Workers and Wage Loss Benefits for Contract (Deemed) Workers, both of which are located at: <https://www.wcb.mb.ca/fact-sheets>.

An example is provided to show how the WCB calculates and reviews earnings for a deemed worker. A deemed worker is paid on a contract basis. Often the contract is for labour, materials and equipment.

A deemed worker's earnings for WCB wage loss benefits are based on the labour portion of the contract value.

To determine the labour portion of the contract, the WCB applies a fixed percentage to the gross contract earnings reported by your employer.

The fixed percentages vary by industry and represent an average for the industry.

The labour percentages by industry are displayed in the fact sheet Assessment Schedule for Contract Labour.

Let us assume that your gross contract earnings are \$100,000 as reported by your employer. Your average earnings for WCB wage loss benefits are calculated in a series of steps.

### 1. Earnings Calculation

Gross contract earnings reported by your employer	\$ 100,000
Less wages paid to workers and company commissions	- <u>5,000</u>
Adjusted gross contract earnings	\$ 95,000
Multiplied by applicable labour percentage	<u>    X 25%</u>
Annual Earnings for WCB Wage Loss Benefits	= \$23,750

As mentioned above, the labour percentage is an industry average used to calculate the labour portion of a contract. If you disagree with the labour percentage used you can request an average earnings review. Your request must include the necessary information to support your request. The WCB reviews this information to determine whether a different labour percentage should be used.



## 2. Verifying the Earnings Level and the Labour Percentage

The WCB verifies these amounts in two steps. The first step calculates your adjusted net business income. The next step calculates your individual labour percentage based on the information provided.

### Step 1:

The WCB verifies your average earnings by reviewing your income tax returns and supporting documents from the previous one to two years or, in some cases, up to five years. The WCB may obtain this information from Canada Revenue Agency (CRA) or another independent source.

To verify earnings or adjusted net business income for deemed workers, the WCB adds back the deductions taken for depreciation expense/capital cost allowance and business use of home expense to your reported net business income.

As an example, if your income tax return recorded net business income of \$22,250 after a capital cost allowance deduction of \$5,000 and business use of home expense deduction of \$750, the WCB would verify your earnings or your adjusted net business income at \$28,000.

In this situation, your earnings for WCB wage loss benefits would increase from \$23,750 to \$28,000. The revised earnings level \$28,000 would be retroactive to the date of your injury or illness.

### Step 2:

Your individual labour percentage is calculated as follows:

- Adjusted Net Business Income calculated above  
**divided by**
- Adjusted gross contract earnings (gross contract earnings less company commissions and/or wages paid to other workers, confirmed with CRA or another independent source).

Using the figures from above, your individual labour percentage would be 29% (\$28,000 divided by \$95,000).

In this example, the WCB adjusts the labour percentage used for your claim from 25% to 29%. The revised labour percentage is used to calculate your post-injury earnings.

This publication is provided for general information. It is not intended to be legal advice, and should not be relied on as such. For more specific information, see *The Workers Compensation Act and Regulations and WCB Policies*. These documents are available on the WCB website at [wcb.mb.ca](http://wcb.mb.ca).