Incentive Programs

a discussion paper

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1. Introduction

Incentive programs use either experience rating, best practices, or a combination of experience and best practices to adjust employers' compensation premiums. Of the three, experience rating by itself is more prevalent in Canadian jurisdictions.

Experience rating is a method for adjusting employers' compensation premiums to reflect claims costs. In most experience rating programs, employers whose claims costs are below their industry average get a discount. While employers whose claims costs are higher than their industry average pay a surcharge.

Best practice programs encourage employers to establish workplace best practices by providing a system of premium discounts or surcharges based on participation. These best practices may include appropriate return to work, reporting claims promptly, and audited elements of a certified safety program.

Generally, the goal of incentive programs is to increase the fairness of assessment premiums, and to reduce the financial and social costs of workplace injuries. Incentive programs also usually increase the administrative costs of compensation. Some of these costs are the ongoing explanations of the plan, dealing with complaints, and dealing with employers who may challenge claims being charged to their experience account.

Why have an incentive program?

There are two main reasons:

1. To improve equity among employers.
2. To motivate employers.

Equity

WCBs try to design incentive programs that are fairly based upon companies' claims experiences and workplace behaviours.

The system of discounts and surcharges are designed to reflect individual employer's claims experience or best practices, and to more fairly assign claims costs. The underlying philosophy is "employers who control costs and manage prevention programs should be rewarded while employers who do not should pay a surcharge."

Without an incentive program, it is possible that employers with poor safety and disability management habits increase the costs for all employers in their rate group. Arguably, these employers gain an unfair competitive advantage if they do not invest in safe practices. Surcharges can prevent employers with poor safety records and programs from imposing high costs on their peers and competitors.

Motivation

Incentive programs attempt to change behaviour by rewarding employers' positive results or actions, and punishing employers' negative results or actions.

Financial incentives (discounts) and disincentives (surcharges) motivate employers to:

- Improve safety in the workplace and reduce the number of workplace injuries;
- Provide effective first aid and emergency response planning so that injury severity is reduced; and
- Practice disability management, such as promoting the efficient and appropriate return to work of injured workers.

Pros and Cons

Experience rating type

<table>
<tr><th>PRO</th><th>CON</th></tr>
<tr><td>Supporters of experience rating see these programs as providing:
More equitable distribution of injury costs among employers;
Incentive for prevention activities; and
A catalyst for claims management programs.</td><td>Opponents of experience rating see these programs as:
Compromising the collective liability principle;
Providing an incentive to employers to control costs after an injury has occurred through under reporting; and
Diverting attention away from prevention activities and towards claims cost control.</td></tr>
</table>

Best practices type

<table>
<tr><th>PRO</th><th>CON</th></tr>
<tr><td>Supporters of best practices see these programs as providing:
More equitable distribution of prevention costs among employers;
More direct incentive for specific prevention activities such as claims management programs; and
No incentive to employers to under report claims (in fact, employers may be rewarded for prompt reporting).</td><td>Opponents of best practices see these programs as:
More difficult to administer and therefore more costly than experience rating programs;
Usually requiring more communication and education than experience rating programs; and
Less applicable to all businesses–in particular small business.</td></tr>
</table>

2. How They Work

Principles

Incentive programs should be based on broad principles. These principles inform the program and determine its relative success. Here are some examples:

- Affordable. They should not impoverish the compensation system. They should provide value in comparison with other prevention activities.
- Legitimate. They should reflect the true claims or safety experience of an employer, achieved through genuine prevention activities and the appropriate disability management techniques.
- Fair. Experience rating should not diminish workers' access to compensation benefits. An increased possibility of claims avoidance creates an administrative responsibility to have corrective measures in place.
- Sound. The incentive program should not be volatile, subjecting employers to capricious rate fluctuations.
- Easy to understand. It is critical that the program can be easily communicated to employers. If employers don't understand it, they will not be motivated appropriately or may not perceive it as fair.
- Simple to administer. Especially for smaller jurisdictions, the ability to administer a incentive program relies on it being effective and efficient.
- Measurable. The program should have targets or evaluation criteria in order to justify the expense and gauge the relative success of the program. Measurements may be "upstream" or "downstream." An example of an upstream measurement would be an improvement in compliance rates at worksites; such a change in behaviour is a good predictor of future performance. An example of a downstream measurement would be a decrease in injury rates; this decrease may be caused by a number of factors working in isolation or together. So although this outcome is a desirable product, it is a bad predictor of future performance.

All of these principles are not easy to juggle and have lead to many Canadian jurisdictions adjusting their incentive programs over time.

Incentive program key factors

The following chart outlines some of the key factors that can be used in both experience rating and best practices incentive programs

Voluntary or Compulsory	Incentive programs can be either voluntary (requiring enrollment) or compulsory (employers automatically participate). Often best practice programs are voluntary, allowing employers to register for the rebate. Most experience rating programs need to be compulsory or employers would withdraw when they are charged a surcharge.
Prospective or Retrospective	In retrospective programs companies pay the basic assessment rate for their industry sector and then at the end of the year are given a lump sum rebate or assessed a surcharge. Prospective programs apply a surcharge or discount to an employer's future assessment premiums based on a company's claims experience or best practices.
Employer Size	Employer size is of critical importance to incentive programs. **Exposure to risk.** Small firms typically have less effect on a rate group's total costs than large firms. The Board's exposure to risk is greater with large firms. The true measure of the Board's exposure to risk is a firm's annual base assessment--not the size of the payroll or the number of employees. "Employer size" is therefore best determined by the size of a firm's annual assessments. **Credible data.** In BC's experience[1], firms with assessments above $12,000/year tend to have a consistent number of injuries per year, with relatively little fluctuation from year to year. Smaller firms usually have little or few injuries within the chosen window of experience so both their number and costs can change wildly from year to year. In experience rating programs, the period of time used to calculate claims costs must be longer for small business in order to be credible and avoid huge rate fluctuations. **Incentive feasibility**. In best practices programs, number of employees may be an important element in the feasibility of the program. A firm with three employees may find it impracticable to have a substantive safety program.
Balanced or Unbalanced	Balanced programs are sometimes called "revenue neutral" programs–they bring in as much money as they give out. It means that the surcharges collected from employers in each rate group are equal to the discounts given out to other employers. Balanced programs are usually considered to be preferable to unbalanced ones. However, even when a program is revenue neutral on the day of its calculation, unavoidable imbalances occur throughout the year when business closures and

[1] See Appendix page 24: *Experience Rating Discussion Paper*

	payroll changes affect the industry group's bottom line. Also: Imbalances may be acceptable and even desirable if they are the result of significant reductions to a rate group's total injury costs. For example: If employers are offered a discount for participating in a safety program, and participating in the program results in a net reduction in claims costs, there is a net benefit to all of the employers in the rate group.
Size of Discount or Surcharge	Incentive programs vary according to the size of the discount and the surcharge they apply. These discounts and surcharges are applied as a percentage of premium rates. In experience rating programs, the surcharge that may be applied is usually greater then the discount that may be offered. For example: it may be 50% discount/100%surcharge (BC) or 40% discount/120% surcharge (Manitoba). This is because companies' experience is not evenly distributed around the average. The injury costs of a firm with no injuries are 100% lower than average and can go no lower. However, another firm's injury costs can be 500% above the average and can go still higher. At present, all best practices programs in effect in Canada apply a discount but do not apply a surcharge to employers for not participating.

Additional factors in experience rating programs

Claims Costs	Claims costs are usually assigned to the year in which the claim was registered. Experience rating programs vary according to what costs they include in their calculation of claims costs. Certain claims costs are usually not included– industrial disease claims, hearing loss claims, third party claims, overpayment on claims, and interest paid to claimants, for example. Industrial disease and hearing loss claims usually develop over a longer period of time and over many periods of employment with different employers, therefore it is not appropriate to charge them to any one employer's experience.
Per Claim Limits	Per claim limits are caps that are put on the cost of individual claims being used to calculate a firm's experience rating. Per claim limits are used for two reasons. First, to ensure that the experience rating program does not overly penalize an employer for having one catastrophic claim. Without a per claim limit a very safety conscious large employer might earn a significant experience rating discount over the years, only to loose it as a result of a single disastrous claim. The second reason is to prevent high claims costs from skewing the experience rating system through their disproportional effect on the rate group average. Per claim limits ensure that the system is responsive to the average claim and therefore more effective in encouraging prevention efforts.

Review Period	Review period is the period of time used to calculate an employer's experience rating. Review periods need to balance two key factors: they need to be long enough to provide a credible picture of a firm's experience and they need to be responsive to a firm's most recent experience. An example: BC uses a three-year window of experience. This window of experience is also given weighted averages. Year 3 = 50% weighting; Year 2 = 33.3% weighting; Year 1 = 16.7% weighting. In BC's experience[2], review periods for smaller firms and larger firms are critically different. For employers with assessments over $12,000 a three-year review is adequate. But for smaller employers it would be too volatile, subjecting employers to capricious rate fluctuations. This problem can be handled in two different ways–a longer review period for small employers or graduated participation for small employers. BC for example has a system of graduated participation from 10% to 100%, with small employers participating at the bottom end of the scale.

Employer, labour and industry participation

Some incentive programs such as Ontario's CAD-7 and Alberta's Partners in Injury Reduction (PIR) use the combined efforts of the Board, industry partners, safety associations or labour groups. This participation is based on the concept that when employers and workers build effective health and safety programs the human and financial costs of workplace injuries and illnesses can be reduced.

Ontario's CAD-7 is only used by the construction industry and therefore can better reflect the experience of that particular industry.

Alberta's PIR is open to any industry and awards a sliding scale of further discounts to employers who have achieved a certificate of recognition, improved performance, and maintained industry leadership. PIR uses a combination of best practices and experience rating to award discounts to employers. For example, the certificate of recognition is give to employers who have a established an audited safety program.

[2] See Appendix page 24: *Experience Rating Discussion Paper*

3. A Survey of Programs in Canada

The first experience rating programs were introduced in Canada 20 years ago. In 2003, every jurisdiction in Canada—with the exception of the Yukon, Nunavut and the NWT—had some kind of incentive program factored into its premium assessment calculations.

Table 1 provides a breakdown of the different jurisdictions' programs.[3]

[3] See Appendix page 24: *Workers' Compensation Experience Rating Programs in Canada—2003* and *Experience Rating Programs—Cutting the Cost of Workers' Compensation*

TABLE 1						
Jurisdiction	Year	Title	Eligibility	Prospective or Retrospective	Balanced or Unbalanced	Details
BC	2000	*Experience Rating Plan*	Compulsory. All employers, with graduated participation for employers based on employer size (size of annual assessments). Must have 3 years of history.	Prospective	Balanced	Maximum 50% discount to a maximum 100% surcharge on base assessment rate. Weighted three year period used to calculate experience. A company's participation level influences how quickly it reaches maximum discount/surcharge.
Alberta	2000	*Partners in Injury Reduction*	Voluntary. All employers.	Prospective	Unbalanced	Includes a best practices component. Discounts only. Employers can receive up to 20% discounts by implementing a basic workplace health and safety management system, by reducing claims costs, or by reducing claims below industry average.
	1998	*Experience Rating Plan for Large Employers*	Compulsory. Employers with assessment premiums greater than $15,000 in the last 3 years.	Prospective	Unbalanced	Up to 40% discount or surcharge on industry rate.
	1998	*Experience Rating Plan for Small Employers*	Compulsory. Employers with assessment premiums of less than $15,000 in 3 of the previous 4 years. Must have 5 years of history.	Prospective	Unbalanced	5% discount if no lost time claims in 5-year period; 5% surcharge if 5 or more lost time claims in 5-year period; no discount or surcharge if 1-4 lost time claims.
	1998	*Poor Performance Surcharge for Large Employers*	Compulsory. Employers in *Experience Rating Plan for Large Employers* at maximum surcharge for 2 or more years and with 4 or more claims in at least 2 consecutive experience periods..	Prospective	Unbalanced	An additional surcharge of up to 40% is applied to the *Experience Rating Plan* surcharge. Meaning that employers may pay up to 80% more than their industry premium rate.
Saskatchewan	1992	*Merit/Surcharge Program*	Compulsory. Employers must be active for the last year for surcharge and the last 3 years for merit, with annual premiums of a minimum $50.	Retrospective	Unbalanced	Calculated by comparing the employer's injury claims costs and premium contributions for the previous 3 years with averages for other employers in the same industry. The maximum discount is 25% of the industry rate. The maximum surcharge is 40% of the industry rate. A fatality cancels any rebate for the year of the fatality and one additional year.
Manitoba	1989	*Experience Sensitive Rating*	Compulsory. All employers.	Prospective	Balanced	Surcharge up to 120% or discount up to 40% from the category base rate.

Ontario	1984	*Council Amendment to Draft #7 (CAD-7)* *UNDER REVIEW*	Compulsory. All employers in the construction sector with annual premiums over $25,000 per year. Must be operating for one year.	Retrospective	Balanced over time	Employers' claims are compared to the industry average over a 2-year period. Only claims up to 5 years old are considered. Discounts and surcharges are based on accident frequency, claims costs, and the size of the company. Scale of the discounts and surcharges vary according to company size–i.e. 15% for companies with 21,000 working hours, but up to 100% for companies with more than 100,000 working hours.
	1984	*New Experimental Experience Rating (NEER)* *UNDER REVIEW*	Compulsory. All employers with assessments over $25,000 per year except for the construction industry.	Retrospective	Balanced over time	Refunds of up to 45% and surcharges of up to 90% based upon a company's claim costs, with an annual calculation period and a 3-year review period. Like CAD-7, scale of the discounts and surcharges vary according to company size.
	1998	*Merit Adjusted Premium (MAP) Program*	Compulsory. All employers paying premiums of $1,000 to $25,000 annually. Must be in continuous operation for 3 year for a discount. Surcharges can be applied earlier.	Prospective	Balanced	Discounts of up to 10% and surcharges of up to 50% (or higher in the event of a fatality claim) based on the number of times in the past 3 years that an employer reported an injury that cost more than $500.
	1989	*Workwell Program*	Compulsory. All employers potentially (but they are selected by WISB).	Retrospective	Unbalanced	Best practices program. WSIB evaluates workplace conditions; health and safety programs, health and safety practices, and worker interviews are used to give employers passing or failing grades. If a company fails the evaluation, it will have 6 months to show improvement before a second evaluation. It the company fails the second evaluation an additional charge ranging from 10-75% is applied to the company's premiums.
	1997	*Safe Communities Incentive Program*	Voluntary. Employers paying less than $90,000 in annual premiums that are within a community registered with the Safe Communities Foundation. Must be registered with the WSIB as a schedule 1 employer. Employers may participate in other incentive programs with the exception of the Safety Groups Program.	Retrospective	Unbalanced	Discounts of 5% given to participants when they complete their program requirements. Cost reductions in the community as a whole are returned to participating members proportionate to the share of premiums that they pay.
	2000	*Safety Groups Program*	Voluntary. For NEER participants. A pilot program launched in 2000 for mentoring, pooling of resources and sharing best practices between member firms, their sponsor and the WSIB.	Retrospective	Unbalanced	Best practices program. At the beginning of the year, participants select 5 safety elements that they will initiate or improve on from the Safety Group's Achievement List provided by the WSIB. At year's end, participants receive a rebate based on the entire group's success at achieving the goals of the program. The members form one large WSIB ratepayer and are eligible for a greater potential pay-out under the NEER program (the group's individual NEER rebates are subtracted from the total.)

Quebec	1998	*Prevention Mutual Group (PMG) Program*	Program allows small and medium sized businesses to join a PMG whose larger payroll is used as a basis for the calculation of experience rating, enabling members to benefit from a personalized rate plan.	Prospective	Balanced	Includes best practices. Members of PMG must commit to a program of occupational injury prevention and management. The larger the group (in terms of assessment premiums), the more its claims performance is taken into account and the greater the potential for reducing premiums. Discounts can range from 20 to 62%.
	1990	*Personalized Rate Plan*	Medium and large sized companies with at least 2 years experience and a specified minimum assessment over a 3-year period.	Prospective	Balanced	Discounts and surcharges are applied using a risk index based on a comparison between an employer's past 3 years claims experience (both costs and frequency) and the experience of their unit.
	1990	*Retrospective Plan*	Compulsory. For all large employers with a specified minimum assessment.	Retrospective	Not yearly balanced (but appropriately considered by the funding policy)	Premium amounts are adjusted retrospectively to ensure that they more accurately reflect the accident experience of employers.
New Brunswick	2003	*Experience Rating System*	Compulsory. Employers with more than $1000 of assessments participate at the minimum level of 25%. The participation level increases by 1% for every additional $500 of assessments, up to full participation at 100%.	Prospective	Balanced	The claims costs arising from injuries occurring in the most recent 3 years divided by the company's payroll over that period are compared to the ratio of costs to payroll for the company's industry group. A company's assessments are initially adjusted higher or lower by 1% for every 2.5% variance from its group's cost ratio.
Nova Scotia	1996	*Experience Rating Program*	Compulsory. All employers with sufficient claims cost experience participate. New firms do not participate the first year. After one year, firms participate at 25%; after 2 years at 50%; after 3 years at 100%. Special protection accounts are not subject to experience rating. Companies' participation rates increase with assessment premium size.	Prospective	Balanced	Discounts and surcharges are calculated by comparing a company's ratio of new injury costs to payroll over a 3-year period against the aggregate ratio of the companies industry. A large company participating fully in the experience rating program may receive up to a 30% discount or 60% surcharge. Smaller employers may receive up to 10% discounts or 20% surcharges. Participation rate is based on companies' assessment premiums.
PEI	1996	*Experience Rating System*	Compulsory. Employers who paid assessments of more than $3000 over the previous 3 years (an average assessment of $1000 per year) are experience rated.	Prospective	Balanced	Total claims costs divided by total assessable payroll over 3 years are compared to the company's industry average. A company with a better cost ratio can receive a reduction of up to 25%; and a worse cost ratio can receive a surcharge of up to 25%.

Newfoundland & Labrador	2002	*Experience Rating Program*	Compulsory. All industry groups with the exception of federally and provincially funded projects, volunteer firefighters, ambulance drivers, and fishing. To be eligible a firm must have been active and paying premiums in each of the 3 base years. These premiums must be more than $3000 (an average assessment of $1000 per year).	Prospective	Unbalanced	Each employer's experience is compared with the experience of employers in that industry group. An employer may be assessed either a surcharge of up to 40% or a discount of up to 20% on their base rate.
Yukon	1992 to 1999	*Risk Reduction Merit Rebate Program*	Voluntary. Small employers with annual assessments of more than $500 and less than $10,000 with 3 years experience. Large employers with assessments greater than $10,000 with 3 years experience.	Retrospective	Unbalanced	Small employers could receive a 10% rebate for a registered safety plan. An additional 20% rebate was awarded to employers with a favourable ratio of claims costs to assessments. Employers whose claims costs represented 60% or more of their assessments did not receive a rebate. Large employers could receive a 30% rebate based on a ratio of the employer's claims costs to assessments. Employers whose claims costs represented 60% or more of their assessments did not receive a rebate. The WCA allows for super assessments where an employer's claims cost are more than 105% of their industry group. Within four years, the Board may levy upon the employer a surcharge of up to 33% on their assessment premium.
NWT	1996 to 1999	*Safety Incentive and Rate Reduction*	Employers with a 3-year average assessment over $1000 and more than 2 time loss claims within the 3-year time period. Special assessment must exceed $500 to be assessed.	Retrospective	Unbalanced	Surcharges of up to 40% are applied to any qualifying firm whose claim cost experience is higher than a 3 year average assessment. Twenty-five percent of the special assessment surcharge paid to the Board is used to fund safety programs with the remainder held in reserve to offset costs of the annual rate setting process.

4. Trends & Concerns

Trends

Many jurisdictions have reviewed and reworked their incentive programs over the last 20 years so that any deficiencies are corrected and the programs better meet their goals.

Certain trends have emerged in the incentive program world in the last few years.

- Balanced programs are favoured over imbalanced programs. Balanced programs put less financial pressure on the compensation fund. The effectiveness and efficiency of incentive programs is a concern–even when they are balanced they require an investment in administration and education. In addition, in all Canadian jurisdictions there appears to be a lack of measurement of the effectiveness of incentive programs. At least with a balanced program, the board is not “just giving away money” with no measurable result.
- Recently there is a movement towards offering best practices programs using industry involvement, in addition to running experience rating programs. The rationale behind this move is that it allows for increased educational opportunities for spreading the prevention message. Industry involvement also fosters self-regulation and can lower the costs of education and administration if an industry association takes a leadership role.
- In experience rating programs, there is a trend toward increasing the level of disincentive (surcharge) so it is a stronger motivator for changing employers’ behaviour. This is also required in order to balance the program.
- The smaller jurisdictions either run no programs (Yukon, NWT) or they run programs limited to employers with more than $3,000 in assessment premiums over 3 years.

Shortcomings

Incentive programs can fail if they do not address a variety of crucial issues. The following incentive program shortcomings were identified by the BC WCB during their “Employer

Services Strategy" (begun in 1997).[4] The strategy looked at reforming the classification and experience rating systems. BC's new incentive program was launched in 2000 and took these shortcomings into consideration.

Problems occur in incentive programs when:

- All firms are treated the same. Treating different sized firms the same results in several undesirable outcomes, in particular for small firms. Small businesses experience rate extremes, going from the maximum surcharge to the maximum discount in one year. Quality of insurance is compromised when small firms suffer rate swings where they cannot predict their compensation costs and therefore cannot bid confidently on extended projects. Such drastic changes were also not perceived as fair.
- A criterion other than assessment premiums is used to determine the board's exposure to risk. Using payroll, for example, can lead to employers in low risk industries paying more through experience rating than the costs of their claims.
- The program is too imbalanced. Equal discounts and surcharges create imbalances because the distribution of a firm's experience is not balanced around the average.
- The maximum discounts and surcharges are too low. BC found that a 33.3% maximum surcharge or discount did not provide enough of an incentive for employers with poor safety practices and programs to improve their performance.

The Yukon Experience

The YWCHSB performed an internal review of the Risk Reduction Merit Rebate Program and came to the following conclusions on the shortcomings of the program.[5]

- There was no direct link between the employer's injury record and their submitted safety programs. Many employers received a discount when there was no documented prevention program. Some employers may have had one but felt it would not be worth

[4] See appendix page 24: *Experience Rating Discussion Paper*
[5] See appendix page 24: *Merit Rebate Program*, *Risk Reduction Merit Rebate Program*, *Board Submission 93/03/10*.

while to fill out the application. Nonetheless, incentives were given to 93% of eligible employers.

- Employers complained that the program was complex, with too many requirements.
- The YWCHSB put in an equivalent .5 person year in the administration of the prevention rebate. This is a substantial amount of time for the Yukon. Yet staff were still not able to do on site audits for more than 10% of the submitted safety programs.
- The safety audit used for small business amounted to a simple checklist. The one for large business was too generic for good evaluation purposes. These forms provided little in the way of substantiation that there were effective practices in place at the workplace.
- Businesses with the largest risks and the poorest safety records were not motivated to submit an audited safety program. Neither were there every surcharges applied that may have motivated these employers.
- There appeared to be no changes in the injury rates after the program was implemented. It did not provide any evidence of having changed worksite behaviours.

A conclusion drawn by the directors at the time was that the program rewarded paper performance without actually influencing behaviour of owners, managers, supervisors and workers. The program was neither effective or efficient, nor did it meet the primary goals of changing behaviour and increasing fairness. Essentially, the board was providing employers with a subsidy not an incentive.

The Yukon Challenge

The Yukon is particularly challenged due to the small size of its jurisdiction.

Table 2 provides a broad analysis of the assessment base in 2001 (before the assessment premium review). Eligibility levels of $1000 per year of assessment premiums and over $12,000 have been used as groupings, since these provide indications of the stability of these employers' injury statistics in an experience rating program and their ability to implement a best practices program.

There are over 1,620 employers who pay assessment premiums of less than $1,000 a year, just over 700 employers who pay between $1,000-12,000, and 67 employers who pay over $12,000.
The following points are of interest:

- Some of the industry categories are very small (as small as two employers); most have under 50 employers. Do these small categories already reflect a proportionally high ratio of individual liability compared to other jurisdictions?
- 67 employers would have stable enough injury statistics in order to immediately participate in an experience-rating program (assuming BC's experience is relevant to the Yukon). Of those 67, 13 do not receive a subsidy because they are in the government category. The other 700 medium-sized employers should likely be handled with phased in participation. Employers with assessment premiums under $1,000 per year may not participate in an incentive program at all, since both experience rating and best practices programs are problematic for employers this small.
- Because of the small number of employers, does the Yukon have an increased ability to target more specifically the behaviours that are leading to increased claims costs? This may be a more efficient and effective approach, with a more measurable result. If, for example, duration is the single largest driver in raising claims costs, would it be more effective and efficient to build an incentive program around return to work programs? Would such an approach provide the greatest benefit for expenditures?

TABLE 2				
#	Description	# of employers with assessment premiums of under $1000/yr	# of employers with assessment premiums of over $1000/yr	# of employers with assessment premiums of over $12,000/yr
Resources and Transportation				
101	Diamond drilling	3	4	1
102	Drilling gas or oil wells	5	1	0
103	Drilling or digging water wells	1	0	1
104	Exploration	35	15	0
105	Farming, trapping, fishing	15	2	0
106	Gravel crushing or stockpiling	2	2	1
107	Logging, log hauling, skidding or sawmills	19	6	0
108	Long haul trucking	29	27	3
109	Mapping, surveying or prospecting	18	6	2
110	Metal mining	4	3	1
111	Placer mining	36	29	1
112	Short haul trucking	9	7	0
113	Slashing, staking or line cutting	8	9	0
Construction				
201	Bridge construction or road making	22	10	4
202	Building construction	109	90	6
203	Concrete construction	3	7	0
204	Concrete mixing plants	0	3	0
205	Transmission line construcTion	2	6	1
206	Electrical contractors	22	13	2
207	Excavation	11	9	1
208	Heating and air conditioning	13	5	0
209	Landscaping	12	4	0
210	Lumber yards	3	2	1
211	Machine, carpentry or glazing shops	10	12	0
212	Other service trades	47	21	1
213	Painting, dry-walling or plastering	21	18	0
214	Plumbing, steam fitting or gas fitting	23	3	0
215	Trailer courts	19	6	0
216	Welding shops or portable welding	17	8	1

Services				
301	Air services	21	12	3
302	Vehicle sales or service	43	30	2
303	Bulk oil dealers	5	8	1
304	Bus lines or school buses	5	7	0
305	Churches, libraries, museums or schools	35	2	1
306	Cities, towns, villages or municipalities	1	5	3
307	Clubs or recreation centres	30	3	0
308	Communication services	4	2	1
309	Day care	27	5	0
310	Heavy equipment sales or service	31	4	0
311	Homes for children or seniors	1	6	2
312	Hotels, motels, lodges, cabarets or lounges	132	62	6
313	Light and power operations	1	1	2
314	Other business	129	29	0
315	Other service industries	72	37	0
316	Outfitting	5	17	0
317	Printing, publishing or engraving	11	4	0
318	Professional offices	363	47	0
319	Restaurants and Caterers	61	21	0
320	Retail sales	119	65	6
321	Wholesale establishments	13	11	0
401	First Nations Governments	0	2	12
402	Government of Yukon	0	0	1

Under $1,000/yr = 1,627

Over $1,000 and under $12,000/yr = 708

Over $12,000/yr = 67

5. Stakeholder Feedback

During the 2002 Assessment Premium Review the Board asked for public feedback on incentive programs. Before the consultations, the Board determined that an incentive program would not be implemented until the subsidies had been removed. During the consultation, the Board heard from many employers that they wanted some sort of incentive program to be considered sooner rather than later.

Many of the individual employers who provided feedback supported the idea of rewarding employers with lower claims costs. However there were a number of employers who liked the idea of rewarding employers with certified safety programs. While the majority of employers who responded thought that incentives should be available to all employers, there are some that believed that incentive programs should be completely voluntary. Several employers suggested an incentive program that rewards a combination of both low claims costs and certified safety programs.

Organized labour was opposed to any incentive program based on injury statistics and/or claims costs. A focus on claims costs, they maintained, would inevitably result in abuse of the reporting and claims system by employers. It was organized labour's belief that it should not be necessary to offer a financial incentive. An effective safety program is its own incentive. Safety programs produce a reduction in injuries, and in the long run reduce assessments and provide a financial incentive, labour argued.[6]

[6] See Appendix page 24: *YWCHSB Assessment Premium Review Stakeholder Report (Draft2)*

6. Next Steps

Developing incentive program options for the Yukon is challenging. There are more constraining factors to take into account: limited resources and a smaller but diverse client base. The smallness of the Yukon's client base is also an opportunity to refine an incentive program so it is targeted to the distinct needs and abilities of the region. The level of complexity and investment required to make an incentive program work in the Yukon also begs the question: Do incentive programs compare favourably with investing in other prevention activities?

In order to define what options should be pursued, there first needs to be some discussion on the principles and goals of the program.

Discussion points

- In a climate of limited resources, what is the most effective and efficient way to achieve the results we believe will provide the greatest benefit to workers and employers?
- If incentives are a legitimate option, upon what principles should an incentive program be based?
- What result or results should an incentive program provide and how can these results be measured? Should we focus on one key result rather than many?
- Does a best practices, experience rating or combination program best meet our goals?
- What has worked, and not worked, in other jurisdictions? What have we learnt from our past experience with incentive programs?
- What makes the Yukon unique? How do we overcome the limitations and maximize on the opportunities offered by a small jurisdiction?
- How much do incentive programs cost? What resources do they require?
- Given the subsidies that are still in place, how and when would an incentive program apply?
- How do we ensure that the distinction between a subsidy program and an incentive program is effectively communicated to our clients?

7. Legislative Authority

The Yukon Workers' Compensation Act allows for incentive programs in section 56.

> ***Super-assessment***
> *56.(1) If in any year, or other period determined by the board, the claims cost charged to the experience account of an employer are in excess of 105 percent of the ordinary assessment of that employer for the same year, the board may, within four years, assess and levy upon the employer in that year a super-assessment in an amount directed by the board, but not in excess of 133 percent of the employer's ordinary assessment for the year, having regard to the amount of the excess and the extent of the amounts previously charged against that employer's experience account.*
> *(2) Where the board has levied an assessment under subsection (1), the employer continues to be liable for the ordinary assessment for the year.*
> *Merit rating*
> *57. The board may, by order, adopt a system of merit rating for employers.*

8. Appendix

Workers' Compensation Experience Rating Programs in Canada – 2003

Experience Rating Programs – Cutting the Cost of Workers' Compensation
By William Glenn
Workplace Environment Health & Safety Reporter

Experience Rating Discussion Paper
Workers' Compensation Board of BC

YWCHSB Assessment Premium Review Stakeholder Report (Draft #2)
YWCHSB

Merit Rebate Program
YWCHSB

Risk Reduction Merit Rebate Program
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Board Submission 93/03/10
YWCHSB