



# Incentive programs

Incentive programs can play an important role in creating and maintaining safe and healthy workplaces. If you're an employer, these programs increase the fairness of your assessment premiums and reduce workplace injuries. If you're a worker, incentive programs benefit you because your employer is committed to safety excellence. Most jurisdictions in Canada have some type of incentive program.

Talking about incentive programs is timely. The YWCHSB has been phasing out subsidies to employer assessment premiums since 2003. In earlier consultations, employers told us that they'd like to see incentive programs introduced before those subsidies end.

## What is an incentive program?

In Canada there are two types of incentive programs: experience rating and best practices. Some jurisdictions combine the two.

Experience rating is a method of adjusting employers' assessment premiums to reflect their claims costs. Employers whose claims costs are below their industry average get a discount, while those whose claims costs are higher than average pay a penalty.

Best practices programs encourage employers to establish effective prevention strategies in the workplace. These may include suitable return-to-work policies, prompt reporting of claims, and audited safety programs.

## Comparison of incentive programs

Experience Rating type		Best Practices type	
Opportunities	Challenges	Opportunities	Challenges
<ul style="list-style-type: none"> <li>• assigns injury costs fairly among employers</li> <li>• encourages setting up prevention programs</li> <li>• encourages setting up detailed claims reports and return-to-work programs</li> </ul>	<ul style="list-style-type: none"> <li>• weakens the collective liability principle</li> <li>• may lead employers to control claims costs by under-reporting injuries</li> <li>• maintains attention on claims cost control rather than prevention programs</li> <li>• applicability to small employers</li> </ul>	<ul style="list-style-type: none"> <li>• distributes prevention costs more fairly among employers</li> <li>• more direct incentive for specific prevention programs</li> <li>• no incentive to employers to under-report claims (in fact may reward employers for prompt reporting)</li> </ul>	<ul style="list-style-type: none"> <li>• challenging to administer and monitor</li> <li>• will need strong communication and education strategies for success</li> </ul>

## The challenge of incentive programs in the Yukon

The Yukon presents a special challenge because it is a small jurisdiction, and because most of its employers have fewer than 20 workers. It's useful to look at the experience of other small jurisdictions such as Newfoundland, NWT/Nunavut, and Prince Edward Island.

Newfoundland is introducing a best practices program in addition to its existing experience rating method. By doing so, Newfoundland is following the trend in Canada to combine these two types. The best practices program is being introduced in stages and will be fully in place in 2007.

Newfoundland's program rewards employers for good prevention and return-to-work practices. It also recognizes consistently good claims experience, and discourages poor accident performance. Employers receive a five percent practice incentive refund on their assessments if they have the following programs and policies in place:

- occupational health and safety policy and program;
- trained health and safety representatives or health and safety committees;
- injury reporting system; and
- return-to-work policy and program.

These requirements vary depending on the size of the employer.

The NWT/Nunavut workers' compensation board is introducing a combined experience rating/best practices program in 2006, after subsidies to employer assessments end. Its program will be similar to Newfoundland's except that it will focus on the 100 largest employers (about three percent of all employers). Under the NWT/Nunavut program, the refunds and penalties will depend partly on accident experience and partly on best practices, particularly prevention and return-to-work policies.

Prince Edward Island uses an experience rating system for all qualifying employers. Only those employers with a yearly assessment payment of \$1,000 or more can take part. Employers' level of participation varies depending on their size.

## What kind of incentive program do we want?

If an incentive program is developed, it must suit the special needs of the Yukon. Here are some questions to help us think about the kind of program we want:

1. In order to achieve our goal of safe and healthy workplaces, should we reward workplace results (e.g. low claims costs) or workplace practices that give those results (e.g. an audited safety program)?
2. Should an incentive program be voluntary, or should it be compulsory for certain employers?
3. Should an incentive program be available to all employers or just larger employers?
4. Should an incentive program provide an advantage for employers with excellent safety practices when bidding on public sector contracts?
5. Should an incentive program be revenue neutral?
6. What are your thoughts on how we should proceed?

We look forward to receiving your comments.  
For more information or to provide feedback, contact us:

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