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VIA EMAIL

Anthony Moffatt  
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WorkSafe BC  
PO Box 5350, Station Terminal  
Vancouver, BC V6B 5L5

Dear Mr. Moffatt

**Re: Net Rate Transitioning for Classification Changes**

The BC Building Trades Council supports the Board's proposal to introduce a Net Rate Transitioning Program that will reduce the financial impact on firms that experience a significant net assessment rate increase due to a reclassification.

The classification system was established pursuant to the *Workers' Compensation Act* in order to maintain the Accident Fund which, in turn, provides for workers who have been injured or killed as a result of their employment in keeping with the historic compromise of 1917. Given this essential service the classification system provides for, the BC Building Trades is cognizant that it must be carefully maintained which may include modifying the system from time to time in such a way as to better serve the business community.

In essence, the Board's policy recommends the introduction of a program that will enable qualifying firms that experience a significant rise in their historic assessment rate due to a classification unit change to "transition" into their new net assessment rate over a period of three years.

According to the *Workers' Compensation Act* and applicable policies and practices, employers and independent operators are assigned to classification units on the basis of the industry in which the firm is operating. When assigning a classification, some of the factors considered by the Board are the type of product or service being provided, the processes and equipment that are used, and the type of industry with which the firm is in competition. Central to the classifying process is for the Board to ensure that no business is unfairly differentiated from any other in a similar business. Failure to so classify could put the misclassified business at a competitive advantage vis-a-vis similar businesses. Such a situation would have dire consequences not only on the rightly classified firm, but also for our union members who work for these firms. Consequently, it is critical that the Board be vigilant when classifying and/or re-classifying a firm.

Current Board policy establishes four rationales for changing a firm's classification: (1) the Board exercising its authority under section 37(2)(f) of the Act; (2) a change in operations; (3) policy changes which result in changes to classification units; and lastly, (4) fraud or misrepresentation. In order to qualify for net rate transitioning under your proposal, however, a business would have to:

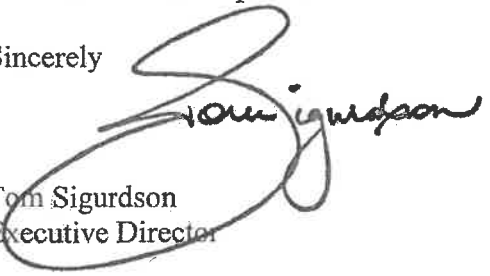
- have been transferred from one classification unit to another for reasons other than a change to their business operations, fraud or misrepresentation; and
- be facing a change in their net assessment rate of more than thirty-three percent (33%).

This threshold criterion appears to provide adequate safeguards against those who might abuse the system, while easing the financial burden, albeit only temporarily, of firms experiencing significant and legitimate classification changes.

If the Board's calculations are correct, the funding shortfalls resulting from the proposed program that fall to other firms within its rate group should be manageable. As noted in your policy paper, in 2011 only 273 out of the 4,400 firms that experienced a change in their classification units as a result of something other than a change in operations would qualify for the proposed Net Rate Transitioning reduction. This constitutes approximately .06% of insured firms. Under the proposed transitioning system, the reduction in the assessment fee for these firms would translate into additional premiums for other firms in the same rate group. However, your figures suggest that the amount would likely never exceed one cent per \$100 of payroll (based on 2011 data), and most likely considerably less. Be that as it may, some firms will no doubt oppose the subsidization of their competitors. From the BC Building Trades perspective, this is a manageable cost for business to address a significant funding problem for those firms experiencing what can be an overwhelming financial burden.

In closing, then, we support your proposal to implement net rate transitioning for classification changes so as to assist firms experiencing significant assessment rate increases over the short term. We also take this opportunity to underscore the importance of the classification system – for business and for workers – and the need to ensure firms are properly classified at every stage of the classification process.

Sincerely



Tom Sigurdson  
Executive Director

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