

---

## Policy

The WSIB classifies employers whose operations are either part of or added to Schedule 1 into classification units (CUs) and rate groups for premium purposes.

The WSIB assigns classifications to individual employers according to the nature of their business activities.

The WSIB determines whether a business activity falls within Schedule 1 or Schedule 2 and if so, under which class, rate group, and classification unit.

Premiums are calculated and paid based on methods established by the WSIB.

## Purpose

The purpose of this policy is outline how the WSIB classifies employers whose operations are either part of or added to Schedule 1.

## Guidelines

The classification scheme of the WSIB divides all business activities in Ontario into industry classes. These classes are then divided further into rate groups. To define the rate groups more clearly, the business activities in each rate group (RG) are clustered into classification units (CUs). Each CU includes one or more business activities and has a seven-digit identifier (CU code).

## NOTE

This document also appears in the Employer Classification manual (ECM).

The Employer Classification manual (ECM) lists all the CUs. They include

- business activities falling under Schedule 1 and covered on a compulsory basis
- employer operations involving non-covered activities that may be added to Schedule 1 as individual operations by application, and
- employer operations involving business activities covered under Schedule 2 that may be transferred from Schedule 2 to Schedule 1 as individual operations by application.

## NOTE

The coverage status for business activities in the classification scheme is based on Schedules 1 and 2 of O. Reg 175/98 under the *Workplace Safety and Insurance Act, 1997* (WSIA) . This Regulation and WSIA replaced O.Reg 1102 and the Workers' Compensation Act, effective January 1, 1998. However, the new Regulation and WSIA have not changed Schedules 1 and 2, the classification scheme, or the coverage status of business activities within the scheme as defined, effective January 1, 1993.

**Operational  
Policy**

---

Section  
Employer Classification

---

Subject  
**The Classification Scheme**

---

In most cases, employers carrying on operations involving non-covered or Schedule 2 business activities who are applying to enter Schedule 1, request coverage for their entire operation. However, under certain conditions, an employer may enter only part of the operation into Schedule 1 (see 12-01-02, Employer by Application). The WSIB reserves the right to determine the appropriate placement within the classification scheme of any business activity carried on in Ontario that is not specifically listed in Schedules 1 and 2 of the Act.

**Classification scheme****Classes**

The classification scheme generally reflects the industry classes in Schedule 1. Each has an alphabetic identifier

<b>A</b>	Forest Products
<b>B</b>	Mining & Related Industries*
<b>C</b>	Other Primary Industries
<b>D</b>	Manufacturing**
<b>E</b>	Transportation & Storage
<b>F</b>	Retail & Wholesale Trades***
<b>G</b>	Construction
<b>H</b>	Government & Related Services
<b>I</b>	Other Services (e.g., Financial, Hospitality, Real Estate)

\*All business activities carried out underground on contract for the mining industry are considered mining activities with the exception of business activities falling under the Class G (Construction) classification units that include special operations (see "Special Operations" below).

\*\*Manufacturing includes making, preparing, altering, repairing, ornamenting, printing, finishing, packing, packaging, inspecting, testing, assembling the parts of and adapting for use or sale any article or commodity or raw material.

\*\*\*For WSIB purposes, retailing is defined as buying products for resale to the general public for personal or household consumption. Retailing may include repair of the objects sold, but only when indicated in the CU document.

**Operational  
Policy**

---

Section  
Employer Classification

---

Subject  
**The Classification Scheme**

---

Wholesaling is the business of buying products for resale to other businesses, to government establishments, or to other institutions, which in turn either retail the product or use it in their operations.

The WSIB generally considers a wholesale activity to involve both taking title to goods and handling them, and lists all wholesale activities in Class F. The business activity of arranging for the sale of goods without handling them, with or without taking title, falls under Class I, Other Services.

For certain activities in Class F, the WSIB does not distinguish between retail and wholesale in the classification scheme. In these cases, both retail and wholesale business activities appear in the same CU.

**Industry**

Industries that fall under compulsory coverage are listed in Schedules 1 and 2 according to the nine classes listed above. The listed industries can be quite specific or wide-ranging. An industry may contain one or more business activities (see definition of Business Activity, below).

A business activity may be listed by name as an industry in Schedule 1 or Schedule 2. However, if a business activity is not listed by name as an industry in either Schedule 1 or Schedule 2, the WSIB decides whether it is represented by one of the listed industries, or whether it should be considered a non-covered business activity to which Part 1 of the Act does not apply.

Employers whose operation is not considered to be part of the industries listed in either schedule may voluntarily apply for Schedule 1 coverage. In these cases, the WSIB classifies the business activity in the same manner as a compulsorily covered Schedule 1 activity. The WSIB then considers the employer's operation to be an addition to Schedule 1 and treats it as if it were a listed Schedule 1 industry. For more details, see 12-01-02, Employer by Application.

**Rate groups (RGs)**

The WSIB uses rate groups to set premium rates. Currently there are more than 150 RGs each identified by a three-digit RG number.

**Classification units (CUs)**

The WSIB has created over 800 CUs, each with its own title and seven-digit CU code. Each rate group has at least one CU in it.

All employers report premiums and accidents by CU code. The CU code appears on all WSIB forms and correspondence relating to an employer's premiums.

**Operational  
Policy**

---

Section  
Employer Classification

---

Subject  
**The Classification Scheme**

---

**Business activities**

A business activity is any operation which relates to producing a product or providing a service. This includes both profit-making and non-profit operations. Examples of non-profit operations include those carried on by privately or publicly funded social or government service agencies.

**Defining business activity in a RG and CU**

The WSIB may define the business activities in a RG or CU

- entirely by the nature of the service or end product provided
- entirely by the process (and risk) involved in providing the service or manufacturing the product, or
- by a combination of the above factors.

The WSIB may also take into account competitive situations in the marketplace when defining a business activity and determining its most appropriate placement within the classification scheme.

The WSIB has the discretion to define RGs and CUs and is not bound to any one alternative in establishing the classification scheme as set out in the ECM and OPM.

**Nature of service or end product**

For example, the determining factor in locating business activities in the trucking industry within the classification scheme is the nature of the service provided, i.e., the business activity of providing trucking services in the most inclusive sense.

Given the nature of the industry – widespread subcontracting, fluid payrolls, lack of clear and enforceable distinctions between business activities – less emphasis has been placed on the varying risk factors involved in the different types of activities that make up the industry.

Instead, the key factor in the placement of these activities in the scheme is the nature of the contract or agreement – if trucking services are included in the contract, the business activity is considered to be "general trucking" (RG 570). This holds true whether the services are provided directly by the principal, or indirectly through owner-operators or trucking subcontractors hired by the principal who is arranging for the trucking services.

**Classification of Construction Activities**

The WSIB classifies construction employers by the nature of work and services performed under a contract and considers the contract as a whole (i.e. not the individual trades within the contract) in determining the relevant overall business activity and corresponding classification unit. The exception to this rule applies when a construction contract includes a special operation (see Special Operations - construction, below).

**Operational  
Policy**

---

Section  
Employer Classification

---

Subject  
**The Classification Scheme**

---

In the case of general contracts, all general contracting services in the construction industry are located in one of only two RGs: all general contracting for homebuilding is in RG 764, and all general contracting for industrial, commercial, and institutional construction is in RG 723.

Again, the defining characteristic of general contracting services is the taking of a contract to carry out various construction activities. As a result, a business activity such as land development, for example, which may not involve any workers directly engaged in strictly construction-type business activities such as plumbing or carpentry, is included in RG 764 to maintain a level playing field within the homebuilding industry.

**Separate construction rate group**

The WSIB allows the insurable earnings of non-exempt partners and executive officers who do not engage in construction work to be reported under a separate construction rate group-755, Non-Exempt Partners and Executive Officers in Construction.

For the purpose of RG755, construction work refers to any manual work of a skilled or unskilled nature, the operation of equipment or machinery, or the direct on-site supervision of workers. Periodic on-site visits are permitted, provided that the partner or executive officer is not performing construction work on site.

For more information about coverage in construction, see 12-01-06, Expanded Compulsory Coverage in Construction.

**Process and risk factors**

An important consideration for placing a business activity within the classification scheme is the collective injury risk associated with the activity. In many situations, the nature of the process involved in the activity better reflects this risk than does the specific nature of the product manufactured or service provided.

For example, the WSIB lists the manufacture of virtually all rubber products, from rubber household items to rubber motor vehicle parts, under the rubber products manufacturing CUs. The reason is that the risk involved in manufacturing rubber products is largely a function of the rubber manufacturing processes involved. These processes are usually not unique to a particular product, but may be used to produce a variety of different end products, such as rubber household products, rubber motor vehicle parts, or other items made of rubber.

**Integrated operations**

Business activities listed in the ECM frequently include other activities which, if carried on as a business in their own right, might be considered distinct business activities.

**Operational  
Policy**

---

Section  
Employer Classification

---

Subject  
**The Classification Scheme**

---

However, the WSIB places limits on the extent to which certain business activities that may include other activities can be broken down into more than one business activity for classification purposes.

The limiting principle stated below is consistent with the guidelines on process breakdown in 14-01-03, Segregated Payrolls, and in the scopes of certain CUs.

**Retail business activity as integrated unit**

As a general rule, the WSIB considers the business activity of a **Class F** retail store at one work location to be an integrated unit regardless of whether it includes an activity (or activities) which might be considered a distinct business activity if carried out as a business in its own right.

The business activity (including credit card operations) of a retail store considered as an integrated unit is treated as compulsorily covered, in its entirety, under Schedule 1.

Below are examples of how the integrated unit principle as regards a retail business activity is reflected in the definition of several CUs.

**Examples of integrated retail activities:**

F-636-34 The business activity listed in F 636-34 (Department Stores) is "retailing a general line of merchandise." This business activity is the most inclusive retail operation, as indicated by the typical range of products and services noted in the CU. A retail operation that fits this description has its entire operation classified in this CU, subject to the provisions under "Exceptions" below.

F-644-02 The business activity listed in F-644-02 (Household Furniture, Appliances, Television, and Stereo Stores) is "retailing household furniture and appliances, television sets, and stereo equipment." The business activity includes a wide range of products, but is not as inclusive as 636-34. Also included in this CU are other items whose sale likewise falls under this category when sold as part of the same operation. A retail operation whose business activity is the sale of these items (and/or any related items) has its entire operation classified in this CU, subject to the provisions under "Exceptions" below.

F-668-01 The business activity listed in F-668-01 (Computer and Related Equipment, Sales) is "the sale of new and used electronic data processing machinery and related equipment, and packaged software". This description is limited to a particular range of products defined by a special technology. If a computer store sells other products such as stereo equipment or small appliances in addition to the items falling under F-668-01, then the classification of the operation may change if it is determined that the business activity no longer matches the scope of F-668-01. If the classification changes, the entire operation falls under the scope of only one other CU, subject to the provisions under "Exceptions" below.

**Operational  
Policy**

---

Section  
Employer Classification

---

Subject  
**The Classification Scheme**

---

**Exceptions**

In addition to special operations (see Special Operations under Classification Rules) the following two kinds of business activities are excluded from the general rule on integrated retail operations:

**1. Value-added business activities**

Any business activity such as cutting, reshaping, or installing (Class G) that adds value to a product is considered a distinct business activity when carried out in conjunction with a retail operation. The only exception is cutting or reshaping to length on a one-off basis upon request by a customer.

**Example**

A lumber yard classified in F-681-01 may cut a piece of 2x4 at a customer's request on a one-off basis without separately classifying the cutting activity. However, if the yard repeatedly cuts lengths of 2x4 to the same measure for a contractor, the cutting activity is considered a distinct business activity classifiable in a CU in either Class A or Class D. Single or multiple classification is then determined according to the WSIB's policies on segregated payrolls.

**2. Same premises, different employer**

Excluded from the general rule on integrated retail operations is an operation at one work location such that

- the employer carrying out the operation is at arm's length from the retail employer
- the operation is a separate facility within a leased or purchased space on the retail store premises, and
- the employer also carries out the operation on premises other than premises of the retail employer.

An operation carried out on the premises of a retail store meeting all the above conditions is considered a distinct business activity and may be classified separately subject to the WSIB's policies on segregated payrolls.

**Classifying employers**

Individual employer operations are classified according to the WSIB's classification scheme. The employer's business activity is the sole criterion for classification. The WSIB does not take the individual employer's risk, claim experience or accident cost history into account when classifying the employer's operations.

**Exclusions from compulsory coverage**

In addition to the specific industries excluded from compulsory coverage, an operation that would otherwise be included in Schedule 1 is excluded from compulsory coverage under the WSIA if it is not carried on as a business or trade or for profit or gain. An exception is made if the operation is considered a part of, or incidental to, another Schedule 1 business activity.

**Operational  
Policy**

---

Section  
Employer Classification

---

Subject  
**The Classification Scheme**

---

The WSIB only excludes an operation that otherwise would be included in Schedule 1 from compulsory coverage when the operation operates as part of a non-covered activity, and both of the following conditions are met

- The operation in its entirety is not carried on as a business or trade in its own right. Its products, facilities, or services must operate exclusively for individuals or entities whose business is with the larger non-covered operation incorporating the business activity in question, and not in any way with the public at large.
- It must be demonstrated, and the WSIB must be satisfied, that the operation is not specifically set up to make a financial profit, regardless of whether or not it in fact does make a financial profit, and does not operate for direct or indirect business gain.

Unless the above conditions are met, the operation is considered compulsorily covered under Schedule 1, and classified accordingly.

**Application for Schedule 1 coverage**

An individual employer operation being added to Schedule 1 by application is usually classified according to its business activity. Exceptional cases are noted in the relevant CU documents (see, for example, H-845-01, General Municipal/Regional Operations).

**Registering**

When an employer registers, the WSIB classifies the employer in the appropriate CU(s) based on the employer's description of their business activities. To ensure accurate classification, the WSIB may consider other information, such as

- business contracts
- direct competitors
- equipment used
- operational processes, and
- staff duties.

Employers may provide annual reports, brochures, pamphlets, photos, and product samples to assist in the classification process. The WSIB also carries out on-site inspections to verify an employer's classification.

If Schedule 1 employers

- fail to fully register with the WSIB
  - fail to provide sufficient information regarding their business activities, or
  - engage in a business activity that is not listed in a CU,
- the WSIB classifies them in the CU it considers most appropriate.

Refer to 14-02-02, Registration, for additional information.

### **Changes to classification**

When registered employers change, add, or discontinue business activities, they must immediately report this to the WSIB to ensure that they are correctly classified. The WSIB determines how an addition or deletion of activities affects an employer's classification. For example, the WSIB may find that certain aspects of an employer's business activities should be classified in another CU, or even that the entire operation should be moved to another CU

### **Classification rules**

Classification rules and conditions for single and multiple classification apply to all employers in Schedule 1, whether they are in Schedule 1 on a compulsory basis or by application.

Most employers carry on a single business activity and are classified in a single CU and rate group (see 14-01-02, Single Classification). However, some employers with more than one business activity may be classified in multiple CUs, and possibly multiple RGs.

### **Payroll and wage records**

Once the WSIB has established that an employer is carrying on distinct business activities that are recognized as separate classifications (i.e., they are not ancillary or incidental activities as defined by the WSIB), the most important criterion for multiple classification is the status of the employer's payroll and wage records. These documents must record each worker's insurable (assessable) earnings, as defined by the WSIB.

The WSIB requires all employers engaged in multiple business activities that are classified in different CUs to maintain segregated payrolls and wage records for each business activity.

### **Segregated payrolls**

A payroll is considered segregated if the employer maintains a proper record of the payroll directly applicable to each business activity, using a method that can be verified on audit.

An employer who maintains segregated payrolls acceptable to the WSIB may be eligible for multiple classifications. Refer to 14-01-03, Segregated Payrolls.

### **Aggregated payroll**

If an employer with multiple business activities cannot maintain segregated payrolls and records the insurable earnings of all workers with no regard to the business activity in which each worker is engaged, the payroll is considered **aggregated**. Employers with an aggregated payroll are not eligible for multiple classification (See 14-01-04, Aggregated Payroll).

If there is more than one business activity, and the CUs including these business activities are in the same RG, the aggregated payroll is classified in the CU for the business activity which is considered to make up the largest percentage of the employer's annual insurable earnings.

**Operational  
Policy**

---

Section  
Employer Classification

---

Subject  
**The Classification Scheme**

---

If the business activities are in different RGs, the aggregated payroll is classified in the CU with the highest premium rate (for exceptions, see Small employers, following).

**Small employers**

The WSIB makes an exception to the aggregated payroll rule for small employers. For this purpose, the WSIB defines a small employer as one whose workers' total annual insurable earnings are less than five times the ceiling placed on one worker's annual insurable earnings.

If a small employer carries on several business activities and cannot segregate the payrolls, the payroll is classified according to the RG and CU for the business activity which is considered to make up the largest percentage of the employer's annual insurable earnings.

**Ancillary operations**

The WSIB defines an ancillary operation as one that supports, or is incidental to, the employer's business activity. Thus, ancillary operations are assigned the same classification as the employer's business activity. (See 14-01-02 Single Classification.)

If an operation is ancillary to two or more business activities classified in separate CUs, any ancillary earnings that cannot be segregated and directly allocated to a CU are considered "common earnings" and are assigned to the CUs proportionally according to the insurable earnings under each CU. (See 14-01-05, Special Ancillary Rules.)

**NOTE**

These rules regarding ancillary operations apply to small employers as well.

An operation is ancillary to a business activity if it supports or is incidental to the business activity and falls under any of the following

- design, including drafting and engineering, research, and development related to goods produced or services provided, or intended to be produced or provided, by the employer
- operation of a plant to produce power or heat for the employer's use
- operation of maintenance or repair shops for the purpose of servicing or repairing the employer's vehicles or equipment
- inventory control
- the manufacture of packaging or packing materials to be used in the packaging of goods produced by the employer
- printing or lithography directly onto, or for use on, goods produced or sold by the employer
- warehousing or distribution of goods produced or sold by the employer
- transportation of an employer's personnel or of goods produced or sold by the employer
- wholesaling of goods produced by the employer
- the maintaining of security at the employer's premises
- administration related to the employer's operations
- warranty repairs carried out on goods produced or sold by the employer

**Operational  
Policy**

---

Section  
Employer Classification

---

Subject  
**The Classification Scheme**

---

- marketing, promotion, or communication related to goods sold or produced or services provided, or intended to be sold, produced or provided, by the employer
- training of personnel relating to the employer's business activities
- the operation of any of the following carried out for the employer's personnel: cafeterias, commissaries, parking lots, or health, recreational, or day care facilities.

**NOTE**

- a. Janitorial operations carried on by an employer at the employer's own premises are considered ancillary administrative operations.
- b. Transport of personnel or trucking of goods carried on by an employer before the manufacture of its product are considered ancillary transportation operations.
- c. Fundraising carried on by an employer to raise funds for its own business activity is considered an ancillary administrative operation.
- d. Packaging an employer's own goods (whether produced, assembled, or sold) is considered an ancillary marketing operation. The packaging remains ancillary when carried out in accordance with specifications provided by a third-party employer or regulatory body.

**Special operations**

A special operation may form part of, or operate in conjunction with, a business activity. When carried on as a separate business, a special operation is a business activity in its own right. But, as part of another business activity, it acquires a special status.

If the employer keeps a segregated payroll for the special operation, that operation is classified separately. However, if the employer has not segregated the wage records of a special operation from the wage records of the business activity, the premium rate for the employer's entire payroll is the higher of the business activity rate or the special operation rate.

In general terms, special operations include the following (For further definition, see 14-01-04, Aggregated Payroll.)

- high-rise forming
- structural steel erection and steel reinforcing
- demolition
- construction of large bridges
- construction, logging, and millwright and rigging work performed by employers not in these respective industries, and
- garages for motor vehicle service and repairs, restaurants or home improvements and renovations operated as part of a retail operation.

**NOTE**

The rule for special operations does not apply to small employers.

**Special operations - construction**

The WSIB classifies construction employers by the nature of work and services performed under a contract and considers the contract as a whole (i.e., not the individual trades within the contract) in determining the relevant overall business activity and corresponding classification unit.

The only exception to this rule applies when a construction contract includes special Operations. Special operations must first be segregated for classification purposes before the remainder of any contract is classified. Where the special operations activity accounts for

- **less than 10 %** of the insurable earnings (or labour content) of a construction contract, **and**
- is considered by the WSIB to be integral (i.e., essential to the performance of) the main activity of the contract,

it is not classified separately but instead is classified as part of the contract.

Where a general contractor sub-contracts part of the work under a construction contract and performs the remaining portion directly (including a special operations activity), the special operations activity must be separately rated if it accounts for 10% or more of the general contractor's direct insurable earnings for that contract.

**Associated employers**

For the purpose of classification, the WSIB may classify the payrolls of associated employers in the same CU. This occurs when the WSIB determines that the operations of the associated employers are such that, if the operations were carried out by one employer only, the operation of the other would be considered ancillary.

Generally speaking, employers are associated if one of the following conditions applies

- the employers are related to each other
- one employer is a corporation and the other employer has a controlling interest in the corporation either directly or through a relation
- the employers are corporations and are controlled by the same individual or related individuals or groups, or
- the employers are partnerships with common partners entitled to 50 percent or more of the profits of each partnership.

Refer to 14-01-06, Associated Employers for further definition.

**Contracting out**

When an employer contracts with another arm's-length employer to carry out the business activity that defines the original employer's classification, the WSIB classifies the original employer's remaining operation(s) as if nothing had been "contracted out." In doing so the WSIB takes into account

**Operational  
Policy**

---

Section  
Employer Classification

---

Subject  
**The Classification Scheme**

---

- the nature of the employer's business activity
- the diversity of the employer's operations
- any competitive advantage derived from contracting out, and
- reduction of WSIB premiums as the dominant motive for contracting out.

**Starting up and winding down**

Almost all operations required by an employer to start up an operation are classified as part of the employer's business activity.

**Example**

An employer starting up a grocery store makes changes to the business location including minor repairs and painting walls. The start-up operations are performed by the employer's workers and take two months to complete. The WSIB classifies the earnings for these start-up operations as part of the business activity, i.e., in Grocery Stores (rate group 606).

Similarly, when an employer is in the process of winding down an operation because of

- intent to cease business
- bankruptcy, or
- receivership,

but continues to employ workers, the classification of the employer's operation is unchanged. For exceptions, see Special operations.

**Premium rates**

Every year the WSIB sets one premium rate for each rate group known as the "standard rate." Employer operations classified in the CUs for the rate group in question are, in most cases, subject to the same standard rate. This rate may be modified on an individual employer basis under the WSIB's safety incentive programs (e.g., MAP for small businesses, effective January 1, 1998) according to the employer's claims experience and accident cost history.

**Application date**

This policy applies to all decisions made on or after January 1, 2013.

**Document history**

This document replaces 14-01-01 dated January 2, 2014.

This document was previously published as  
14-01-01 dated January 2, 2013  
08-01-04 dated July 25, 1996

## **References**

### **Legislative authority**

*Workplace Safety and Insurance Act, 1997* (as amended)  
Sections 12.2, 74(1), 81, 87, 88, 90(1), 96, 183(2)

O. Reg. 175/98

### **Minute**

Administrative  
#6, March 22, 2016, Page 533