

**Operational  
Policy**

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Section  
Employer Classification

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Subject  
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## Policy

If an employer carries on one or more business activities which fall under one classification unit (CU) in the WSIB's classification scheme, the WSIB classifies the employer's operation in that CU.

### Purpose

The purpose of this policy is to outline what the WSIB considers when classifying an employer operating in a single CU.

## Guidelines

### NOTE

For an overview of the WSIB's classification scheme, see 14-01-01, The Classification Scheme.

### General

The WSIB has the sole authority to classify employers under the WSIB's classification scheme. Employers are obligated to provide the WSIB with full disclosure of their business operations and any subsequent changes.

When a covered employer first contacts the WSIB, the WSIB records the business activity and registers the employer in either Schedule 1 or Schedule 2, see 14-02-02, Registration.

If the activity is considered covered under Schedule 1, the WSIB also classifies the employer's operation by assigning it a CU. The corresponding rate group for the CU determines the premium rate for the operation.

### NOTE

The term "classification unit" replaced "rate group subdivision", effective January 1, 1996. This was a change in name only. The structure of the classification scheme and the principles for classifying employers within that scheme have remained unchanged since the implementation of the scheme, effective January 1, 1993.

The WSIB's classification decisions are based on employers' descriptions of their business activities. To ensure that an employer is correctly classified, the WSIB may consider other sources of information, such as

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

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The WSIB may also ask employers to provide annual reports, website information, brochures, pamphlets, photos, and product samples to assist in the classification process. WSIB staff also carry out on-site inspections to verify an employer's classification.

**NOTE**

The WSIB does not take an individual employer's risk, claims experience, or accident cost history into account when classifying the employer's operations.

**Employers without workers**

Independent operators, and partners who do not employ workers, are not required to register. However, if they apply for optional insurance, and the WSIB grants it, the WSIB classifies them in the same manner as other employers, see 12-03-02, Optional Insurance.

**Employers without workers in construction**

In the construction industry, an independent operator, sole proprietor, partnership or corporation is required to register, with certain exceptions, even if they do not employ workers. The WSIB classifies them in the same manner as all other employers who do not employ workers. See 12-01-06, Expanded Compulsory Coverage in Construction.

**Provisional classification**

If employers whose operations fall under Schedule 1 on a compulsory basis

- fail to 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.

**Ancillary operations**

The WSIB defines an ancillary operation as an operation that supports or is incidental to the employer's business activity. Therefore, the WSIB does not classify ancillary operations differently from the employer's business activity.

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

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- 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 of an employer's own premises
- administration related to the employer's operations
- warranty repairs carried out on goods produced or sold by the employer
- 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**

1. Janitorial operations carried on by an employer at the employer's own premises are considered ancillary administrative operations.
2. Transport of personnel or trucking of goods carried on by an employer before the manufacture of its product are considered ancillary transportation operations.
3. Fundraising carried on by an employer to raise funds for its own business activity is considered an ancillary administrative operation.
4. 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.

**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 the site.

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

**Out-of-province business activity**

An operation normally considered ancillary that only exists to support an employer's out-of-province operation is regarded as a business activity in its own right and is classified accordingly.

For example, an employer has a head office in Ontario whose sole function is to provide administrative services to an out-of-province logging operation. The WSIB considers these

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administrative services to be a separate business activity and classifies them in the appropriate administrative CU for an out-of-province logging operation.

**Business activity ceased**

In cases where an employer ceases its business activity but continues to carry on an ancillary operation, the WSIB **may** classify the ancillary operation in the same CU as the business activity for up to one year from the date the business activity ceases. After one year, the ancillary operation must be treated as a business activity in its own right and classified accordingly.

**Example**

A manufacturing firm has ceased to manufacture but continues to wholesale goods from its inventory. Since the wholesaling activity is an ancillary operation, the WSIB classifies the wholesaling of the goods in the relevant manufacturing CU for one year. Afterwards, the operation is classified in the appropriate wholesale CU.

**Starting up & 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 minor changes to the business location including painting walls and installing grocery shelving. The start-up operations are performed by the employer's workers and take 2 months to complete. The WSIB classifies the earnings for these start-up operations as part of the business activity, i.e., in CU 6012-001, Grocery Stores.

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 to how start-up and winding down operations are classified, see "Special operations" in 14-01-04, Aggregated Payroll.

**Multiple business activities**

Most employers carry on a single business activity and are classified in a single CU. If an employer carries on several business activities which the classification scheme includes under the same CU, the WSIB classifies the employer's operation in that CU.

**Example**

An employer who manufactures and sells wooden ladders also sells wood shavings, a by-product of the ladder manufacturing process, as a stuffing for upholstery. The employer and the WSIB consider

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these to be separate business activities, but both are located in one CU (2599-000, Other Wood Operations). The employer's entire operation is therefore classified in 2599-000.

For operations where the employer carries on multiple business activities and the WSIB classification scheme includes the activities under two or more CU's, see 14-01-03, Segregated Payrolls and 14-01-04, Aggregated Payroll.

### **Wage records**

The WSIB requires that employers keep accurate wage records of all gross earnings and deductions showing the names of workers, their positions, their earnings, hours and days paid, and the dates on which they were employed. Employers must retain these records for the current year plus six prior years, for audit purposes.

The most common wage records are

- general ledgers and payroll ledgers/journals
- T4 summaries, T4's and T4A's from Canada Revenue Agency
- individual earnings records
- cash disbursements (for contractors considered workers).

### **Classification changes**

The WSIB changes an employer's classification when a business activity changes or when the employer's classification does not accurately represent the employer's business activity.

### **Application date**

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

### **Document history**

This document replaces 14-01-02, dated January 2, 2013.

The document was previously published as  
14-01-02 dated October 12, 2004  
08-03-03 dated October 22, 2001.

## **References**

### **Legislative Authority**

*Workplace Safety and Insurance Act, 1997* as amended  
Sections 12, 12.1, 12.2, 75(3), 77, 80, 81, 118(2)1, 135

O. Reg. 175/98

Sections 1, 6(1), 6(3), 7, 14

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*Workers' Compensation Act, R.S.O. 1990, as amended*  
Sections 69(2)(a), 108(2), 109, 111(1), 113, 117(2)

R.R.O. 1990, Reg. 1102  
Sections 1, 5

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