

**Operational
Policy**

Section
Employer Classification

Subject
Segregated Payroll

Policy

If the WSIB classifies an employer's operation in more than one classification unit (CU), the employer must maintain documents supporting the segregation of wage records and payroll for each CU. To do so, the documents must provide proof of the direct labour or labour time expended on each CU.

Purpose

The purpose of this policy is to outline how the WSIB assigns more than one CU when an employer segregates payroll records.

Guidelines

General

The following guidelines apply to operations with two or more business activities which the WSIB classification scheme includes under two or more CUs. For general rules regarding employer classification and ancillary operations, see 14-01-02, Single Classification.

If an employer has business activities which the WSIB classification scheme includes in separate CUs, the WSIB classifies the activities in the appropriate CUs as long as the employer maintains segregated payrolls. Employers should maintain segregated payrolls whenever possible in order to provide accurate data for the purposes of claims reporting and setting premium rates.

For guidelines when the employer does not maintain segregated payrolls for the business activities, see 14-01-04, Aggregated Payroll.

NOTE

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

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 RG 755, 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. Period 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.

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Change in payroll status

When registering with the WSIB, see 14-02-02, Registration, the employer must declare the status of the payroll, i.e., segregated or aggregated. If the employer subsequently changes the status of the payroll, the employer must notify the WSIB immediately of the change.

Segregating payrolls

Employers segregating their payrolls must do so on the basis of the amount of labour (or "labour time") directly relating to each business activity. An employer is more likely to be able to maintain segregated payrolls when different workers are assigned to each activity exclusively.

However, if one worker engages in multiple business activities which the classification scheme includes under more than one CU (i.e., the worker's earnings are "intermingled"), the WSIB classifies the earnings under the relevant CUs provided that the worker's wage records for each activity are properly segregated.

Example: Multiple business activities, same rate group

An employer manufactures upholstered furniture as well as carrying on a furniture repair and refinishing service. These business activities are located separately in the classification scheme under different CUs in the same rate group (RG #322): CU 2612-000, Upholstered Household Furniture, and CU 6213-000, Furniture Refinishing and Repair Shops. Some employees work exclusively on manufacturing the furniture, some do repairs exclusively, and some work in both activities.

The employer records the earnings of all the workers, including those with intermingled earnings, on wage records which are properly segregated. The WSIB therefore classifies each activity according to the CU in the classification scheme which includes that activity. Since the two CUs are in the same rate group (RG #322), the employer is classified at the same rate for both activities.

In the example below, the classification scheme includes the CUs in different rate groups. Since the employer maintains segregated payrolls for the CUs, the WSIB classifies the activities in the relevant CUs. However, because the CUs are located in different rate groups, the WSIB classifies each activity at the premium rate for its own rate group.

Example: Multiple business activities, different rate groups

An employer has workers who manufactures kitchen cabinets and who installs them on site. These business activities are located separately in the classification scheme under different CUs in different rate groups: CU 2542-000, Wooden Cabinet Operations (RG #311), and CU 4274-000, Finish Carpentry (RG #764).

The employer maintains segregated wage records of his workers, including any that record intermingled earnings, and the WSIB therefore classifies each activity in the appropriate CU. Because CU 2542-000, Wooden Cabinet Operations, is in rate group 311, the WSIB classifies the manufacturing activity at the rate for RG #311. CU 4274-000, Finish Carpentry, is in rate group 764, so the WSIB classifies the installation activity at the rate for RG #764.

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Proof of segregation

In addition to keeping accurate wage records, see 14-01-02, Single Classification, an employer with multiple CUs must provide, upon request or on audit, the following types of documentation (as applicable) to support the segregation of the wage records of individual workers

- time sheets and cards or time logs
- personnel records
- job descriptions and duties
- invoices and contracts (for contractors)
- mileage records (logs) for trucking firms
- other documentation may be considered such as
 - employer management reports which break down earnings according to business activity, department, product line, cost centres, and occupation
 - contract costing documents
 - budget reports.

Process breakdown

Under the WSIB's classification scheme, the nature of the employer's business activity, not the final product or service provided, is the determining factor for the purposes of classification.

An employer with segregated payrolls for two or more distinct business activities or processes which the scheme normally includes under different CUs could possibly have as many separate CUs as business activities. However, in those cases where the employer carries on a multi-CU operation at one work location, the WSIB may place limits on this kind of "process breakdown."

Different work locations

As a general rule, the WSIB assigns multiple CUs to clearly distinct, separable, and classifiable operations carried on at **different** work locations. In most cases, operations at totally different physical and non-adjacent addresses (not different P.O. Boxes) are considered to be at different work locations.

Example

A wooden table manufacturer assembles all the components of the table in one plant but manufactures the metal hinges used in the table at a different location. The payrolls for the workers at each location are segregated. The WSIB does not consider the hinge-making operation to be ancillary to the table assembly. The two operations are therefore distinct business activities, and the WSIB classifies each part of the operation in the appropriate CU for the activity: CU 2611-000, Wooden Household Furniture (RG #325) for table assembly, and CU 3099-001, Other Metal Fabricating Operations (RG #387) for hinge making.

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Same work location

For multiple business activities in the same work location, the WSIB generally assigns each activity a separate CU only if each activity sells to or services another employer.

In the example of the table manufacturer given above, assume that the employer carries on both the table assembly operation and the hinge-making operation in the **same** plant. The activities are still distinct, and the payrolls are segregated.

In addition to being used in the manufacturer's own table assembly operation, the hinges are also sold to other employers. In this case, the WSIB assigns separate CUs to the two parts of the operation.

However, if the manufacturer does not sell the hinges to other employers, the WSIB does not assign multiple CUs **even if the payrolls are segregated**. The WSIB generally considers the operation to be an integrated unit and classifies it according to the main business activity. In this case, the WSIB classifies the entire payroll under CU 2611-000, Wooden Household Furniture. For exceptions, see "Special operations" in 14-01-04, Aggregated Payroll.

NOTE

Where a process is typically considered to be part of a manufacturing operation, then the process is not considered to be a separate classifiable business activity, e.g., painting a product or part which is being manufactured or assembled.

Application date

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

Document history

This document replaces 14-01-03 dated January 2, 2014.

This document was previously published as:

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14-01-03 dated October 12, 2004

08-03-04 dated October 22, 2001.

References**Legislative authority**

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

O.Reg. 175/98

Sections 1, 9(1)

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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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