

**Operational  
Policy**

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Section  
Employer Classification

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Subject  
**Aggregated Payroll**

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## Policy

If an employer's operation involves more than one activity classifiable in more than one rate group but the employer does not maintain segregated payroll records, the WSIB classifies the employer in the rate group with the highest premium rate.

A small employer is excepted from this rule and is instead classified in the rate group for the predominant business activity.

## Purpose

The purpose of this policy is to set out how the WSIB classifies employers in more than one classification unit, when the employer has an aggregated payroll.

## Guidelines

### Definitions

**Aggregated payroll** - An employer carrying on two or more business activities is considered to have an aggregated (or combined) payroll when proper documentation does not exist to support the clear separation of wage records based on the direct labour time expended on each business activity.

**Predominant business activity** - If an employer has an aggregated payroll, the predominant business activity is the one which the employer determines will generate the largest percentage of the annual insurable earnings. This determination must be verifiable upon audit.

**Small employer** - A small employer is one that has annual insurable earnings that are less than five times the maximum insurable earnings ceiling for the premium year in question.

### NOTE

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

## Classifying an aggregated payroll

When an employer with multiple business activities and an aggregated payroll determines the relative amount of labour time expended on each activity (for example, when determining the predominant business activity), the WSIB must be able to confirm the determination upon audit.

To make the determination of which business activity is predominant, the employer must use as many of the documents approved by the WSIB to support segregation as are available, see "Proof of segregation," in 14-01-03, Segregated Payrolls. The employer may also refer to other documentation (e.g., sales volumes, revenue figures, or units of production) on the

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understanding that the responsibility for justifying the relative figures rests with the employer.

**NOTE**

Sales volumes and revenue figures cannot be used to support the segregation of a payroll.

**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.

**Aggregated payroll: same rate group**

If an employer has an aggregated payroll for two or more business activities which the classification scheme includes under separate CUs in the same rate group, the WSIB classifies the employer in the CU for the predominant business activity.

**Example: Aggregated payroll, same rate group**

An employer manufactures upholstered household furniture and repairs furniture as well. These business activities are located in the classification scheme under CU 2612-000, Upholstered Household Furniture, and CU 6213-000, Furniture Refinishing and Repair Shops, both in rate group 322. The employer has an aggregated payroll with annual insurable earnings of \$1,000,000.

The employer first determines the relative amount of labour time expended on each activity by reviewing wage records, job descriptions, and other documentation. On this basis, the employer then reports that the largest percentage of the insurable earnings comes from manufacturing furniture. If the WSIB accepts the determination, the WSIB classifies the entire operation in CU 2612-000, Upholstered Household Furniture, at the rate for RG #322.

**Aggregated payroll: different rate group**

If an employer has an aggregated payroll for two or more different business activities which the classification scheme includes under different CUs in different rate groups, the WSIB classifies the employer in the CU (and rate group) for the business activity with the highest premium rate.

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**Example: Aggregated payroll, different rate groups**

An employer manufactures steel hoppers and demountable scaffolding equipment. These business activities are located in the classification scheme under different CUs in different rate groups: CU 3022-000, Plate Work (RG 375), for the manufacturing of hoppers, and CU 3099-001, Other Metal Fabricating Operations (RG 387), for the manufacturing of scaffolding equipment. The employer has an aggregated payroll with annual insurable earnings of \$1,000,000. RG 375 currently has a higher premium rate than RG 387. Therefore, the WSIB classifies the entire operation in the CU belonging to the rate group with the higher rate, CU 3022-000, Plate Work (RG 375).

**Small employer rule**

If a small employer (see "Definitions,") has two or more business activities which the classification scheme includes under different CUs in different rate groups and the employer cannot properly segregate the payrolls, the WSIB classifies the entire operation according to the predominant business activity. This is called the "small employer rule."

**Example: Aggregated payroll, different rate groups - small employer**

Using the previous example ("Aggregated payroll, different rate groups"), assume the employer manufacturing steel hoppers and the scaffolding equipment has an aggregated payroll with \$300,000 in annual insurable earnings in 2003. The insurable earnings ceiling in that year was \$65,600, so the small employer threshold for 2003 was  $5 \times \$65,600 = \$328,000$ . The employer is therefore considered a small employer. The employer first determines the relative amount of labour time expended on each activity by reviewing wage records, job descriptions, and other criteria. On this basis, the employer then reports that the largest percentage of insurable earnings comes from manufacturing scaffolding equipment. If the WSIB accepts the determination, the WSIB classifies the entire operation in CU 3099-001, Other Metal Fabricating Operations.

**Exception to small employer rule**

The small employer rule does not apply to a small employer who maintains (or is able to maintain) segregated payrolls for activities in different rate groups. In this case, the employer cannot use the small employer rule to report and pay premiums as if the payroll were aggregated.

Similarly, if the employer has an aggregated payroll and applies the small employer rule but the WSIB finds that the payroll can and should be segregated, the WSIB reserves the right to waive the small employer rule and classify the operation as if the payroll were segregated.

**Special operations**

Special operations form part of, or operate in conjunction with, an employer's business activity. The WSIB always classifies and treats special operations as separate business activities. Ordinarily, a special operation treated as a business activity in its own right has a higher premium rate than the principal business activity.

The following are special operations

- high-rise forming

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- structural steel erection and steel reinforcing
- demolition
- construction of a bridge that has a span between abutments of at least 6.1 metres and a height, at some point, of at least 3.1 metres to the top of the bridge floor
- construction, excluding repairs relating to ordinary wear and tear, by employers who are not in the construction industry
- logging performed by employers who are not in the logging industry
- millwright and rigging work performed by employers not engaged in a millwright and rigging industry
- any of the following operated as part of a retail operation: garages for servicing and repairing motor vehicles, restaurants, or home improvement and renovation services.

If the payroll for the special operation is properly segregated, then the special operation is classified separately in the corresponding CU and the employer's operations are subject to all other rules relating to multi-CU and multi-rate classification.

If the employer has not properly segregated the payroll of a special operation from the payroll of the principal business activity, then the employer's entire payroll is classified in the CU and corresponding rate group which has the highest premium rate.

**Special operations - construction contract**

In the case of an employer who has a construction contract that includes a special operation, if the special operation activity accounts for

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

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

**NOTE**

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.

**Example**

A general contractor who is classified in CU 4021-099, Industrial, Commercial, and Institutional Construction (RG 723) demolishes a building to complete its contract work. Demolition is a special operation and currently has a higher premium rate. The contractor sub-contracts out some of the construction work, but has a total insurable payroll of \$500,000 for that portion of the contract that it carries out, including demolition activity. The payroll for the demolition workers amounts to 15% of the total payroll or \$75,000.00.

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If the employer keeps a segregated payroll for demolition, the employer's operations are classified in separate CUs in different rate groups—one for general contracting and one for demolition. However, if the employer keeps an aggregated payroll which includes both the general contracting and the demolition, the entire payroll is classified at the higher rate for demolition.

**NOTE**

Small employers are not subject to the general requirements to maintain segregated payroll if their operations include a special operation.

**Change in premium rates**

If an employer has an aggregated payroll with CUs belonging to different rate groups and the premium rates change so that a different CU becomes the CU with the highest rate, the employer is responsible for notifying the WSIB of the classification change.

**Application date**

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

**Document history**

This document replaces 14-01-04 dated January 2, 2014.

This document was previously published as:

14-01-04 dated January 2, 2013

14-01-04 dated October 12, 2004

08-03-05 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 8, 9

**Minute**

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