

Missing a PRIME opportunity

Small business perspective on the PRIME program

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WorkplaceNL has undertaken a review of the Prevention and Return-to-Work Insurance Management for Employers/Employees (PRIME) Program. This submission will provide the views of members of the Canadian Federation of Independent Business on the PRIME program and make recommendations for WorkplaceNL's consideration.

Introduction

Workers' compensation is a requirement for virtually all employers in Newfoundland and Labrador and they are responsible for the premiums paid to WorkplaceNL. Small business owners have welcomed the premium reductions that have occurred in the past number of years, but, given the current business environment, would like more to be done to lower the premium costs. Introduced in 2005, the Prevention and Return-to-Work Insurance Management for Employers/Employees (PRIME) program is one way that employers can lower their premium contributions, but there are concerns over the administration of the program and the burden being placed on employers. Some employers have chosen not to participate in the program at all. WorkplaceNL's review of the PRIME program is timely. This submission will not only make recommendations on how the program can be improved, but will also provide an alternative that would make it easier for small businesses to lower their premium costs.

The Canadian Federation of Independent Business (CFIB) is a non-partisan and not-for-profit organization that represents independently-owned small- and medium-sized enterprises. We represent 110,000 members in Canada and over 2,000 members in Newfoundland and Labrador. Policy positions are taken at the direction of the membership through surveys and discussions with members. This submission was completed using survey data gathered from members in Newfoundland and Labrador.

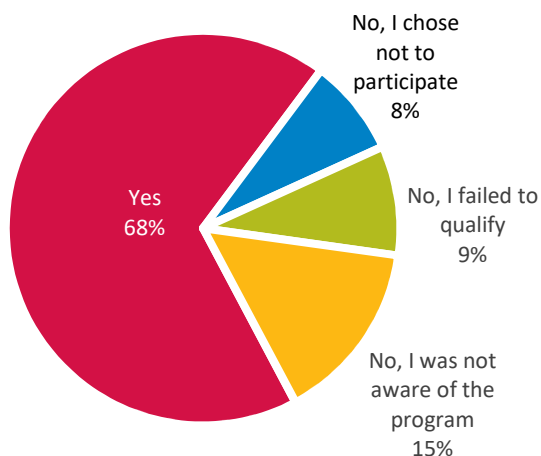
PRIME Program

In a recent survey of CFIB members, 67 per cent of those registered with WorkplaceNL stated they participated in the PRIME program within the last year (see Figure 1). Their primary motivation to participate in the program was to reduce their premiums and achieve cost

savings. Thirty per cent of respondents did not participate because they chose not to do so (eight per cent), they failed to qualify (eight per cent), or they were unaware the program existed (15 per cent). Those who chose not to participate in the program noted their businesses were too small (fewer than four employees) or the value of the premium rebate would not justify the time needed to meet the program requirements.

Figure 1

Have you participated in the PRIME program in the last year?



The PRIME program consultation document cites statistics related to health and safety such as 57 per cent of approximately 4100 OHS committees throughout the province are active and the other 43 per cent do not meet or file minutes. The consultation document concludes, “only a small portion of employers are having effective OHS committee meetings.” Some business owners think it is important for WorkplaceNL to make it easier for business to qualify for the program. For smaller businesses (i.e. fewer than 10 employees), there is significant administrative and financial burden related to occupational health and safety and return-to-work initiatives. It is incumbent on WorkplaceNL to provide greater flexibility to employers, especially smaller or seasonal businesses, in how OHS requirements are to be met, which could result in greater compliance with the PRIME program. However, it should be recognized that, except for a return-to-work policy, the OHS criteria of the PRIME program is legislated under the *Occupational Health and Safety Act* (Act). Failure to comply with the OHS criteria of the PRIME program effectively means businesses are breaking the law. A possible solution is for Service NL to offer individualized advice on the implementation of acceptable OHS practice for businesses with less than 10 employees.

“I agree with health and safety and return-to-work policies, but during the off-season when there is just one or two people at the workplace and we write a letter to explain that, we could be penalized if we don’t have meetings.”

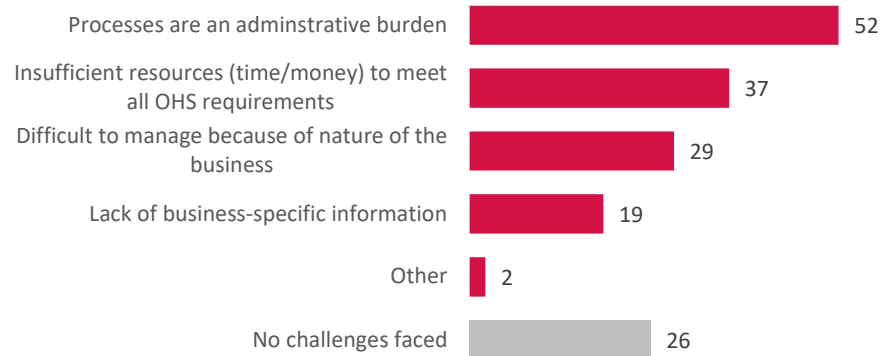
— Hospitality, Western Newfoundland

As it concerns the implementation of OHS programs, 26 per cent of respondents said that they faced no challenges in addressing occupational health and safety in their workplace. Yet, 52 per

cent stated the processes involved are administratively burdensome and 37 per cent noted they have insufficient resources, whether time or money, to meet all the requirements (see Figure 2).

Figure 2

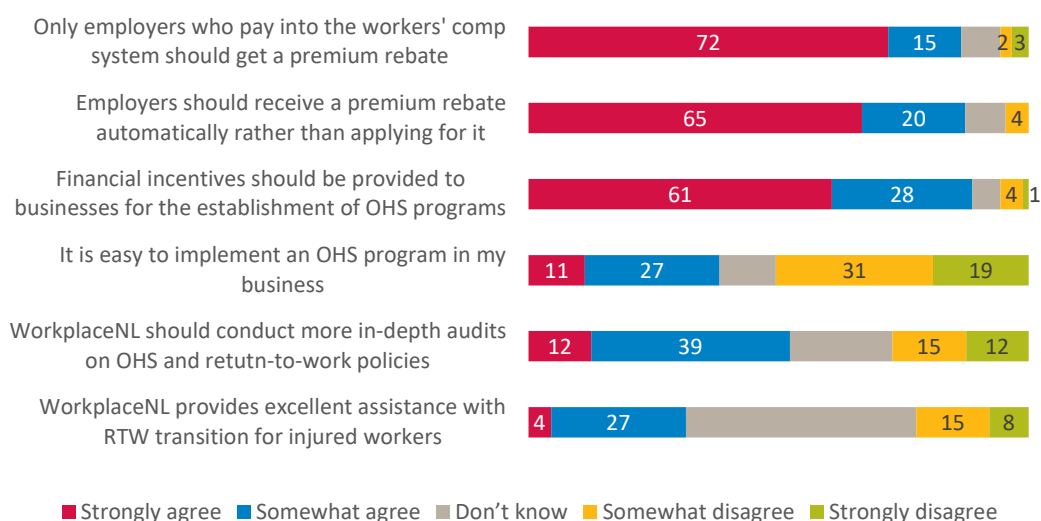
What challenges, if any, have you faced in addressing occupational health and safety in your workplace? (% of response)



Further, 50 per cent of CFIB members strongly or somewhat disagreed it is easy to implement OHS programs in their businesses. Consideration should be given to how government can best support small businesses adopt OHS programs. When asked about financial incentives for the establishment of OHS programs, 89 per cent strongly or somewhat agreed they should be provided (see Figure 3).

Figure 3

Do you agree or disagree with the following statements (% of response)



As per the Act, employers with 10 or more workers are required to provide committee training and compensate any workers who participate. Typically, the initial training certification is two days absent from the workplace, which means lost productivity for the small business owner as well as the related financial costs. Committee training is relatively expensive, especially for

those small businesses who experience high employee turnover. The re-certification process for committee training is less costly as employees are able to complete this online in a few hours depending on the individual's circumstance. Providing financial incentives to assist with the establishment of OHS programs would be especially helpful in the current business environment.

WorkplaceNL's consultation document posed questions on the PRIME audit process. About 51 per cent of respondents strongly or somewhat agreed that WorkplaceNL should conduct more in-depth audits on OHS and return-to-work policies (see Figure 3). While it may be appropriate for WorkplaceNL to conduct more audits, it should be cautious that there is no additional cost to the system, resulting in increases in workers' compensation premiums.

The financial incentives are designed to encourage improved workplace health and safety, however, the cost incentive range poses a concern. One CFIB member stated it is fair to require businesses to meet OHS and return-to-work criteria in order to qualify for the PRIME program, but, in his opinion,

“it is the cost incentive range that is objectionable. We've made tremendous improvements to safety and had no injuries [in recent] years. Then one person trips and falls and I probably won't qualify for PRIME for the next three years. The message is that none of our efforts or improvements matter unless we achieve perfection. It's unrealistic, so why be motivated to strive.”

“I feel business needs support and understanding if you are doing your best as a small business to meet all requirements.”

—Personal services, Northeast Avalon

An Alternative to the PRIME Program

As Figure 3 above shows, 85 per cent of respondents strongly or somewhat agree with the notion that a premium rebate should be provided automatically rather than through an application process. CFIB has been advocating for a premium rebate when WorkplaceNL's injury fund is overfunded by more than 110 per cent. In July 2017, CFIB wrote a letter to WorkplaceNL asking the Board of Directors for a policy change providing an immediate rebate of the difference between the overfunded position of the injury fund and 110 per cent. Similar surplus rebates have been provided in other provinces, like Saskatchewan and Prince Edward Island. WorkplaceNL's 2017 annual report showed a funded position (assets divided by liabilities) of 131.6 per cent. This has been achieved largely due to investment performance, but signifies that employers contributed more than they needed. In 2017, employers paid nearly \$248 million more into the system than if the funded position was maintained at 110 per cent.

Conclusion

Employers in the province have appreciated the reductions in workers' compensation premiums in recent years. However, many small business owners are missing a prime opportunity to

reduce their premium costs by not participating in the PRIME program. While the main advantage of the PRIME program for many CFIB members is the cost savings it provides, for some, the savings do not necessarily reflect the efforts required to meet the program's criteria and they therefore decide to opt out of the program. More importantly, WorkplaceNL is missing an important opportunity to lower the costs of workers' compensation for employers in Newfoundland and Labrador. A more equitable and sustainable approach to ensuring employers are receiving lower premiums is to provide an immediate rebate based on the funded position of WorkplaceNL. The workers' compensation system has a significant effect on the operations of a business, whether it is the cost of premiums or the processes involved to ensure the employees operate in a healthy and safe environment. Government, including WorkplaceNL, has to be more cognizant of how their policies and programs are affecting small businesses in the province.

Summary of recommendations

- Replace the Prevention and Return-to-Work Insurance Management for Employers/Employees (PRIME) program with an automatic premium rebate in years when the Injury Fund is overfunded more than 110 per cent.
- If WorkplaceNL chooses to maintain the PRIME program, reforms are required to make it easier for small businesses to participate:
 - Recognize the realities of running a smaller and/or seasonal business in the province (e.g. fewer employees in the off-season or less human resources to meet government obligations) and offer more flexibility in meeting the occupational health and safety (OHS) criteria associated with the program; and
 - Reduce the red tape related to OHS requirements and provide financial support for businesses to meet those requirements, especially as it concerns committee training and re-certification.

Methodology

This submission presents findings from CFIB's *NL PRIME Program and Automobile Insurance Survey*. The online survey was completed by 108 CFIB members between August 13 and August 21, 2018. To ensure the views of those with experience in the workers' compensation system are gathered, there was a qualifying question asking if the business is registered with WorkplaceNL. As a result, 103 respondents completed the full survey and their responses have been presented in this submission.