

## COMPENSATION RATE

### A BRIEFING PAPER

**ISSUE:** Compensation rates are generally based on a percentage of the injured worker's average earnings or loss of earnings. "Earnings" for this purpose may be "gross" earnings or "net" earnings. This paper will discuss the percentages used in Canadian workers' compensation systems, the "gross" and "net" approaches and certain related issues.

#### BACKGROUND

##### 1. Introduction

This is one of several briefing papers the Policy and Regulation Development Bureau is preparing on topics that may fall within the Royal Commission's terms of reference.<sup>1</sup>

The Workers' Compensation Board pays compensation for temporary total disability<sup>2</sup> and permanent total disability<sup>3</sup> on the basis of 75% of the worker's average earnings from employment.<sup>4</sup> Compensation for temporary partial

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<sup>1</sup> The purpose of the papers is to give background information that will orient the Commission or others to some major issues. The WCB does not expect the Commission to make decisions on the basis of these documents. Rather, the Commission will make its own inquiries.

The papers do not pretend to cover all the issues that the Commission or others might raise. The general nature of the papers also means that they cannot include detailed discussion of all the issues. There may be relevant factors that are omitted with regard to some issues. The explanations of some matters may be less than would be desired if the issues were being considered for decision.

The papers refer to sources of additional information where known. There has been no attempt to exhaustively research all the issues. The papers do not include recommendations for resolving issues, or take a position with respect to them. They may discuss known alternatives, particularly when other jurisdictions have adopted them.

<sup>2</sup> See Section 29(1) of the *Workers Compensation Act*, RSBC 1979, c. 437 (the *Act*), copy attached in Appendix "A", and #34.00 of the *Rehabilitation Services and Claims Manual*. The WCB now commonly refers to "temporary disability" as "short term" disability.

<sup>3</sup> See Section 22(1), copy attached in Appendix "A", and #37.00 of the *Rehabilitation Services and Claims Manual*. The WCB now commonly refers to "permanent disability" as "long term" disability.

<sup>4</sup> The "average earnings" for an independent operator who has purchased "personal optional protection" are the earnings for which coverage has been purchased.

disability<sup>5</sup> or permanent partial disability<sup>6</sup> is based on the proportion of 75% of the average earnings lost by the worker as a result of his or her disability.

Compensation benefits are not subject to normal employment deductions. In particular, they are not considered “taxable income” under the *Income Tax Act*. Thus, a worker who is totally disabled actually receives 75% of his or her average earnings. As well, in BC, those “earnings” are “gross” earnings from employment, that is earnings before deductions for Canada Pension Plan contributions, unemployment insurance premiums, income tax and so forth, rather than “net earnings” or “take-home pay”.

When the first BC workers’ compensation statute came into effect in 1917, the compensation rate was 55% of average earnings or loss of earnings. The percentage was gradually increased over the years to the current 75%<sup>7</sup>. This approach was consistent with the approach prevalent in Canada for many years.

Only BC and the Yukon currently have a “75% gross” compensation rate. Beginning with Quebec in 1979, most other jurisdictions have moved to a compensation rate based on “net earnings” or “net income.” “Net income” for this purpose is generally calculated by deducting Canada Pension Plan (or sometimes Quebec Pension Plan) contributions, unemployment insurance premiums and income tax from gross income.

During the early 1980s, the compensation rate applied to “net income” was 90%. Although there have been subsequent moves in some jurisdictions to lower compensation rates,<sup>8</sup> this paper will refer to the “net income” approach generally as “90% net”.<sup>9</sup>

This paper discusses the history of the “75% gross” compensation rate in BC and the “90% net” compensation rate in other jurisdictions, more recent developments with respect to the establishment of compensation rates and the adequacy, equity, cost, and return to work incentive/disincentive factors that might be considered in evaluating alternatives.<sup>10</sup>

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<sup>5</sup> See Section 30(1), copy attached in Appendix “A”, and #35.00 of the *Rehabilitation Services and Claims Manual*.

<sup>6</sup> See Section 23(1) - (4), copy attached in Appendix “A”, and #39.00 and #40.00 of the *Rehabilitation Services and Claims Manual*.

<sup>7</sup> The current 75% was established in 1954.

<sup>8</sup> The percentages applied now range from 90% down to 75%.

<sup>9</sup> It is possible to use different terminology in describing these two approaches. Since income tax is the major factor in the difference between “gross” and “net” income, it is possible to characterize the approaches as “pre-tax” and “post-tax”. However, the discussion in other jurisdictions regarding compensation rate has used the “gross” and “net” terms as do the statutes for those jurisdictions which have moved to “90% net”.

<sup>10</sup> It is recognized that there are alternatives to compensation rates based upon fixed percentages of “gross” or “net” incomes. For example, in a recent seminar with the Policy and Regulation Development Bureau, Professor Terence D. Ison suggested that a variable percentage of gross

Workers' compensation statutes in Canada establish a ceiling or maximum for the earnings that may be considered in calculating a worker's compensation. The 1997 maximum average earnings for BC is \$55,800.<sup>11</sup> Decisions on compensation rate changes have sometimes been made in tandem with decisions on changes to the statutory maximum average earnings. Jurisdictions which have adopted the "90% net" approach apply the maximum to the worker's "gross" average earnings (before deductions).

The BC *Workers Compensation Act* also provides for statutory minimum compensation for permanent disability<sup>12</sup> and temporary disability.<sup>13</sup> While the minimum for permanent total disability is a set amount, the minimum for temporary total disability is the lesser of a set amount and the worker's average "gross" earnings. A number of jurisdictions which have adopted the "90% net" approach, base their minimum on the lesser of a set amount and the worker's average "net" earnings.

Appendix "A" to this paper contains the relevant provisions from the BC *Workers Compensation Act*.

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income according to income level might be appropriate. There is, however, no experience with such alternatives in Canada to draw on.

<sup>11</sup> See Sections 33(6)-(10), copy attached in Appendix "A", and #69.00 of the *Rehabilitation Services and Claims Manual* for the calculation of the annual maximum average earnings. Based upon information provided by the Association of Workers' Compensation Boards of Canada, 1997 maximum average earnings across Canada are as follows: BC - \$55,800; Alberta - \$44,700; Saskatchewan - \$48,000; Manitoba - \$49,530; Ontario - \$56,100; Quebec - \$49,000; New Brunswick - \$43,300; Nova Scotia - \$38,600; Prince Edward Island - \$35,900; Newfoundland - \$45,500; Yukon - \$54,200; Northwest Territories - \$49,000. See footnote 60 for further information regarding statutory average earnings maximums.

<sup>12</sup> See Section 22(2) of the *Act*.

<sup>13</sup> See Section 29(2) of the *Act*.

## 2. Historical Background to the “75% Gross” Compensation Rate in BC

### (a) Pineo Report - 1916<sup>14</sup>

The 1916 Pineo Committee Report accepted the recommendations in the 1913 Meredith Report in Ontario<sup>15</sup> which had been adopted elsewhere. The Meredith Report had recommended that compensation be based upon 55% of average earnings with a \$2,000 maximum.<sup>16</sup>

The Meredith Report did not specify the reasons for the 55% proposal. The later Ontario Middleton Royal Commission Report<sup>17</sup> stated that 50% had been originally suggested and that an additional 5% was added to reflect the indirect contribution of workers to the scheme as members of the general public. The 1952 BC Sloan Royal Commission Report<sup>18</sup> suggested that it was a compromise between labour and employers, with labour “getting a 5 per cent advantage”.

The Meredith Report, however, did set out its reasons for a statutory maximum - “the purpose of the proposed law is to protect the wage earner [and] there is no reason why highly paid managers and superintendents ... should be entitled to ... an amount greater than the highest wage earner would be entitled to receive”.

The Pineo Report also proposed a statutory minimum compensation of \$5 per week for workers who were totally disabled.

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<sup>14</sup> See Avarid V. Pineo, Report of the Committee of Investigation on Workmen's Compensation Laws, presented March 1st, 1916 (Victoria, B.C.: Queen's Printer, 1916) pp. 13, 14.

<sup>15</sup> See Sir William Ralph Meredith, Final Report on Laws of Employers to Make Compensation to their Employees for Injuries Received in the Course of their Employment Which Are Now in Force in Other Countries, and as to how far such Laws are Found to Work Satisfactorily (Toronto, Ontario: L.K. Cameron, King's Printer, 1913) pp. 13 - 16.

<sup>16</sup> The British Columbia Sessional Papers, vol.2, Victoria: 1914 set out the following quotation from the Meredith Report: “We believe that, though each class surrenders to the state certain rights, it is in the public welfare that this should be so. The employer in submitting to the levy of taxes upon his industry receives the benefit of protection from expensive litigation, the workman in return, though he loses the precarious right to sue in tort for damages, receives in return a stipulated amount based upon his economic position in the community. Both ... as well as the State as a whole, benefit from the elimination of the friction and loss which necessarily attends all litigation.”

<sup>17</sup> See W.E. Middleton, Report of the Commissioner in the Matter of the Workmen's Compensation Act (Toronto, Ontario: Herbert H. Ball, King's Printer, 1932) p. 6.

<sup>18</sup> See Gordon McGregor Sloan, Report of the Commissioner relating to the Workmen's Compensation Act and Board, 1952 (Victoria, B.C.: Queen's Printer, 1952) pp. 21-33.

**(b) Sloan Report - 1942<sup>19</sup>**

Between the 1916 Pineo Committee Report and the 1942 Sloan Royal Commission Report, the BC compensation rate increased to 66 2/3% of average earnings<sup>20</sup> and minimum compensation for total disability increased to \$10 per week.<sup>21</sup> Statutory maximum average earnings, however, remained at \$2,000 per year.

In response to requests by labour groups for an increase in the percentage, the Sloan Report noted that a great number of the workers who had become entitled to be indemnified against loss under the workers' compensation legislation would not have successfully maintained a common law action in the courts. The Report saw the question as being what was adequate to support the injured worker but not high enough to encourage malingering or to impose too onerous a burden on employers and consumers. It noted also that workers on wage loss did not experience the normal risk of layoff or the normal work-related expenses for tools, carfare and so forth.

The Report considered that a maximum was appropriate for average earnings because the legislation was designed to protect those who were not able to afford accident insurance (as opposed to high earners who presumably could afford insurance). Abolition of the maximum would give small industries an unduly high assessment rate. The Report recommended, however, that the maximum for average earnings be increased to \$2,500 per year and the minimum compensation for permanent total disability be increased to \$12.50 per week.

**(c) Sloan Report - 1952<sup>22</sup>**

There was no change to the percentage between the 1942 Sloan Report and the 1952 Sloan Report. However, the maximum for average earnings did go up to \$2,500 per year<sup>23</sup> and the minimum up to \$12.50 per week as recommended.<sup>24</sup>

Faced with labour requests that the percentage be increased to 75% and upwards to 100%, the 1952 Sloan Royal Commission looked back at the original compromise and benefits to workers noted above. It stated that:

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<sup>19</sup> See Gordon McGregor Sloan, Report of the Commissioner relating to the Workmen's Compensation Board, 1942 (Victoria, B.C.: Queen's Printer, 1942) pp. 158-168.

<sup>20</sup> The rate increased to 62 1/2% in 1922 and 66 2/3% in 1938. The 1952 Sloan Royal Commission Report noted that the reason for the increases were not disclosed. It suggested, however, that perhaps the lower percentages did not provide a reasonable subsistence rate.

<sup>21</sup> In 1935.

<sup>22</sup> See 1952 Sloan Royal Commission Report, pp. 158-168.

<sup>23</sup> In 1943.

<sup>24</sup> In 1943.

Industry did not agree to bestow these benefits nor to disarm itself of the weapons of defence it was entitled to use at common law without exacting some concessions from labour. Labour makes its major contributions by an original 45-per-cent deduction of wage loss now lowered to 33 1/3 per cent, by a waiting period, and by foregoing any money claims based on pain and suffering. For labour to attempt now to charge industry with 100-per-cent wage loss is to destroy the basic foundations upon which the Act was built.

The Report accepted the general theory that a pension should be enough to provide a standard of living for higher paid workers above the subsistence level and for lower paid workers at not less than the subsistence level. It noted that Ontario and Saskatchewan had raised their percentages to 75%. It recommended an increase in BC to 70%.

**(d) Tysoe Report - 1966<sup>25</sup>**

At the time the Tysoe Royal Commission began, the compensation rate had increased to 75%<sup>26</sup> of average earnings to a maximum earnings of \$5,000 per year. Minimum compensation for permanent disability had increased to \$25 per week.

In response to labour requests for increases in the compensation rate to 100%, the Tysoe Report affirmed the position taken in the 1952 Sloan Report. It also noted that, under the legislation, injured workers paid no income tax and no travelling or other expenses and, in the case of permanent disability, received a pension for life regardless of subsequent accident or sickness, strikes or unemployment. In judging the adequacy of workers' compensation, the Report noted that:

It may well be that there are individual cases where, because of the particular attendant circumstances, the receipt of only 75 per cent of average earnings, instead of the man's usual take-home pay, results in him suffering some hardship. But there are also cases where a man, particularly a single man, is actually better off financially when on compensation than he is when he is working. It has been said that hard cases make bad law. The propriety of the amount of workmen's compensation must not be judged by such cases, nor by the cases at the other end of the scale, but by

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<sup>25</sup> See Charles W. Tysoe, Report of the Commissioner (Victoria, B.C.: Queen's Printer, 1966) pp. 24-27 and 33-36.

<sup>26</sup> In 1952, the percentage was increased to 70%, in 1954 to 75%.

conditions that apply to the general mass average of those employed in industry.

The use of “net”, rather than “gross”, earnings was raised before the Royal Commission. In rejecting the use of “net” earnings, the Tysoe Report stated:

I do not think it would be fair and just to either labour or industry as a whole to base the compensation on net earnings or take-home pay as at the time of the disability. On such a basis after events have no consequence. The compensation remains the same whether (a) the pensioner is a married man who later has a child or further children or is a widower or single man who gets married and so becomes entitled to additional income-tax deductions, or (b) the pensioner is a married man who later loses his wife or his dependent child or children and so loses income-tax deductions for them. These income-tax deductions must be taken into account in arriving net income. The net-income basis cannot operate fairly unless these future contingencies are taken into account. The task of keeping track of them and adjusting and readjusting the pension is an almost impossible one.

Moreover, in my opinion, if compensation were to be based on net earnings or take-home pay, the rate of 75 per cent would, in all fairness to workmen, have to be increased. I do not have sufficient reliable information to enable me to arrive at any proper conclusion as to what the increase would have to be. The subject is an extremely complex one.

Having given this matter the best consideration I can, I am persuaded that the only fair and proper basis for the compensation rate is on average earnings as now prevails. Accordingly I reject all requests for a change to a net earnings or take-home pay basis.

The Tysoe Report also considered the yearly maximum set for average earnings and the minimum weekly compensation for permanent total disability. The Report recommended that the maximum for average earnings be set at \$6,500 and for the first time suggested a statutory formula for future increases to the maximum.<sup>27</sup> It did not, however, support total income replacement:

... he who has greater earnings than that [\$6500] and whose living habits are moderate and not extravagant will, except for unusual

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<sup>27</sup> The Report suggested that the maximum be increased by \$1,000 as often as year-end WCB statistics showed that 45% or more of the time loss claims were by workers with gross earnings during the previous twelve months that were higher than existing maximum with 20% of those individuals having average earnings more than \$1,000 over the maximum. The government of the day subsequently enacted a slight variation of this formula.

misfortune, be able to put aside some surplus money for insurance protection against loss arising from injury or disease resulting from his work, or for savings which can be used in case of need.

The recommended maximum would also result in maximum compensation that would not be such as to destroy the initiative to return to work of some sort.

The Report recommended that the minimum compensation for permanent disability be increased to \$30 per week. It indicated that no “authoritative” figures had been produced suggesting that some higher figure should be granted, so it relied on CPI increases since 1955 when the \$25 minimum had been set.

### **(e) Subsequent Legislative History**

There have been no changes to the compensation rate, that is 75% of “gross” average earnings or earnings loss, since 1954.

In response to the Tysoe Royal Commission Report, the government of the day inserted a formula for automatically increasing the statutory maximum for yearly average earnings. A different formula was enacted in 1974. The current formula is an updated version of the 1974 formula. Starting with a base level of \$40,000 as of 1984, it ties increases to the maximum wage level to increases in annual average provincial wage levels, lagged by one year.

In 1968, the minimum compensation for temporary total disability was set at \$32.47 per week and for permanent total disability at \$150 per month. The minimum for permanent total disability was increased to \$250 per month in 1972 and \$325 per month in 1974. The minimum for temporary total disability was increased to \$75 per week in 1974. That same year, both were made subject to the CPI changes provided for by the *Act* every six months.

The statutory maximum for 1997 is \$55,800.<sup>28</sup> The current minimum compensation for permanent total disability is \$1,200.91 per month.<sup>29</sup> The minimum for temporary total disability is the lesser of \$277.10 per week and the worker’s actual average earnings.<sup>30</sup>

### **3. Historical Background to “90% Net” Compensation Rate in Other Jurisdictions**

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<sup>28</sup> See Section 33(6) - (10) of the *Act* for determination of maximum average earnings.

<sup>29</sup> See Section 22(2) for permanent total disability and Section 23(4) for permanent partial disability.

<sup>30</sup> See Section 29(2) for temporary total disability and Section 30(2) for temporary partial disability.

### (a) Introduction

The “90% net” compensation rate was introduced in Quebec effective January 1, 1979. During the 1980s, it was recommended to various provincial and territorial governments by a number of review committees:

- 1980 - by the Alberta Select Committee of the Legislative Assembly,<sup>31</sup>
- 1980 - by the New Brunswick Workers’ Compensation Study Committee,<sup>32</sup>
- 1980 - by Paul Weiler in Ontario,<sup>33</sup>
- 1982 - by the Saskatchewan Workers’ Compensation Act Review Committee,<sup>34</sup>
- 1986 - by the Northwest Territories Workers’ Compensation Act Review Committee,<sup>35</sup> and
- 1987 - by the Manitoba Workers’ Compensation Act Legislative Review Committee.<sup>36</sup>

The recommendations for a “net income” approach were subsequently adopted in all the foregoing jurisdictions. Nova Scotia, PEI and Newfoundland followed in the 1990s. Some jurisdictions have since moved to a lower percentage of “net”.

The following chart sets out the compensation rates across Canada as of January 1, 1997.

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<sup>31</sup> See Report of the Select Committee of the Legislative Assembly on the Workers’ Compensation Act (Edmonton, Alberta: the Committee, 1980) p. 6.

<sup>32</sup> See Report of the Workers’ Compensation Study Committee (Fredericton, New Brunswick: the Committee, 1980) pp. 108-110.

<sup>33</sup> See Paul C. Weiler, Reshaping Workers’ Compensation for Ontario (Toronto, Ontario: Ontario Government Bookstore, 1980) pp. 33-40.

<sup>34</sup> See Report of the Workers’ Compensation Act Review Committee (Regina, Saskatchewan: Workers’ Compensation Act Review Committee, 1982) pp. 1,2.

<sup>35</sup> See Report of the Workers’ Compensation Act Review Committee (Yellowknife, Northwest Territories: the Committee, 1986) p. 23.

<sup>36</sup> See Report of the Workers’ Compensation Act Legislative Review Committee (Winnipeg, Manitoba: the Committee, 1987) pp. 149-155.

<b>Jurisdiction</b>	<b>Compensation Rate</b>
BC	75% of gross <sup>37</sup>
Alberta	90% of net <sup>38</sup>
Saskatchewan	90% of net <sup>39</sup>
Manitoba	90% of net for first 24 months, 80% thereafter <sup>40</sup>
Ontario	90% of net <sup>41</sup>
Quebec	90% of net <sup>42</sup>
New Brunswick	80% of net for first 39 weeks, 85% thereafter <sup>43</sup>
Nova Scotia	75% of net for first 26 weeks, 85% thereafter <sup>44</sup>
PEI	80% of net for first 39 weeks, 85% thereafter <sup>45</sup>
Newfoundland	75% of net for first 39 weeks, 80% thereafter <sup>46</sup>
Yukon	75% of gross <sup>47</sup>
NWT	90% of net <sup>48</sup>

Jurisdictions having a “net” approach determine a worker’s “net earnings” by deducting from his or her “gross earnings” amounts for income tax, unemployment insurance premiums and Canada Pension Plan and/or Quebec Pension Plan contributions.

**(b) Factors Cited in Changing from “75% Gross” to “90% Net”**

Three factors have been cited in moving from “75% gross” to “90% net” and then to lower percentages of “net”:

- equity,

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<sup>37</sup> See Sections 22, 23, 29 and 30 of the *Act*.

<sup>38</sup> See Sections 1(1)(r) and 51 of the *Workers’ Compensation Act*, SA 1981, c. W-16 and s. 1 of the *Workers’ Compensation Act Regulation* (Alta. Reg. 427/81).

<sup>39</sup> See Section 68 of the *Workers’ Compensation Act*, 1979, SS 1979, c. W-17.1.

<sup>40</sup> See Sections 39 and 40 of the *Workers’ Compensation Act*, RSM 1987, c. W200.

<sup>41</sup> See Sections 37 and 41 of the *Workers’ Compensation Act* RSO, 1990, c. W.11.

<sup>42</sup> See Sections 45 and 63 of the *Industrial Accidents and Occupational Diseases Act*, RSQ, c. A-3.001.

<sup>43</sup> See Sections 38.1 and 38.2 of the *Workers’ Compensation Act*, RSNB 1973, c. W-13.

<sup>44</sup> See Sections 37, 38 and 39 of *An Act to Reform the Law Respecting Compensation for Workers*, SNS 1995-96, c.26.

<sup>45</sup> See Sections 40 and 41 of the *Workers Compensation Act*, SPEI 1994, c.67.

<sup>46</sup> See Sections 2(v) and 74 of the *Workers’ Compensation Act*, RSN 1990, c.W-11.

<sup>47</sup> See Sections 22 and 23 of the *Workers’ Compensation Act*, 1992.

<sup>48</sup> See Sections 39, 40 and 42 of the *Workers’ Compensation Act*, RSNWT 1988, c.W-6.

- incentives/disincentives for returning to work, and
- costs.

Since both the equity and return to work incentive/disincentive factors are related to the fact that workers' compensation benefits are not subject to income tax, a brief explanation is necessary.<sup>49</sup>

Workers pay income tax on their employment income. Normal take home pay for workers at the same gross income level differs depending upon various factors including spousal and other exemptions, available tax credits and so forth. Income tax is also "progressive". Workers at higher income levels who fall into higher income tax brackets pay more income tax on their earnings than workers at lower income levels who fall into lower income tax brackets.

Workers do not, however, pay income tax on workers' compensation benefits. In a "75% gross" system, workers with the same gross average earnings and the same disability receive the same amount of compensation. This results in workers receiving differing proportions of their normal "net income" or take-home pay.<sup>50</sup>

For example, married workers with non-working spouses or single workers with one child receive less of their normal take-home pay as compensation than do single workers at the same gross income level. Workers at lower income levels<sup>51</sup> generally receive a lesser proportion of their normal take-home pay as compensation than do workers at higher income levels.<sup>52</sup> This situation of workers receiving different proportions of their normal take-home pay when off work as a result of compensable injuries or diseases has been perceived as being inequitable.

This situation results as well in some workers receiving compensation benefits that exceed their normal take-home pay. Employer groups argue that this creates a disincentive to return to work.

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<sup>49</sup> A fuller explanation of the history and current income tax status of workers' compensation payments is found in the Association of Workers' Compensation Boards of Canada, Workers' Compensation and Taxation (Edmonton, Alberta: AWCBC, 1994). The information provided in this publication with respect to the tax status of workers' compensation benefits has been reviewed and is still current as of January 1, 1997. Workers' compensation benefits are to be included in a worker's "income" under Section 56(1)(v) of the *Income Tax Act*. They are then deducted in computing "taxable income" under Section 110(1)(f)(ii) of the *Income Tax Act*. The effect is that the worker does not pay income tax on the benefits. However, the benefits are relevant as to whether the worker can claim certain tax credits and whether the worker can be claimed as a dependant by another taxpayer.

<sup>50</sup> See Appendix "C", Tables 5A and 5B.

<sup>51</sup> Once the statutory minimum compensation provision no longer applies.

<sup>52</sup> The percentage of "net income" received as compensation under the "75% gross" approach rises from approximately the \$19,000 range until the statutory maximum of \$54,200 is reached. It then falls.

It has also been suggested that moving from a “75% gross” to a “90% net” approach will result in decreases to the compensation being paid to many workers and overall “cost savings” to employers. Jurisdictions which have moved from “90% net” to lesser percentages of “net” appear to have done so for financial reasons.

A review of the 1980 Weiler report in Ontario, the 1987 Manitoba report and recent developments in the 1990s will assist in understanding the evolution of these factors.

### **(c) The 1980 Weiler Report in Ontario**

The initial Ontario legislation provided for a 55% compensation rate, as recommended by Sir William Meredith in 1913. This rate was increased to 66 2/3% in 1920 and to 75% effective January 1, 1950.

Proposals were made to the Ontario Roach Royal Commission in 1950 to increase the percentage further and base the compensation on “net”, rather than “gross”, income.<sup>53</sup> However, the Roach Report rejected both proposals. With respect to the “net” concept, it said:

It was suggested that the percentage, whatever it might be, should be applied to the “net” earnings of the worker rather than the “gross”. I do not agree. The worker’s obligations to the State, as represented by income tax and unemployment insurance, varies according to their stations in life and their total earnings. Those obligations have no relation to the debt which Industry owes them in the event of their injury. That debt is related only to their loss of gross earnings, and the fact that the State may relieve them from those obligations when they are receiving compensation instead of wages has no relation to the respective right and liabilities of the employee and the employer.

The next Ontario royal commission in 1967 also declined to increase the percentage.<sup>54</sup> The “net” income issue does not appear to have been raised before it.

In January, 1980, the Ontario Ministry of Labour retained Professor Paul Weiler of Harvard University to undertake a comprehensive review of the Ontario workers’ compensation legislation. In November, 1980, Professor Weiler delivered his report which recommended major changes to the benefit system.

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<sup>53</sup> See Wilfred Daniel Roach, Report on the Workmen’s Compensation Act (Toronto, Ontario: Baptist Johnson, King’s Printer, 1950) pp. 27-32.

<sup>54</sup> See George A. McGillivray, Report of the Royal Commission in the Matter of The Workmen’s Compensation Act (Toronto, Ontario: sn, 1967) pp. 2-4.

The basic principle of the report is expressed in the following passage:

There is a theme which runs through my analysis and proposals concerning each of these questions. Historically, workers' compensation has been designed to mete out *average* justice: to pay benefits according to simple, easily-administered formulas. These might reflect the losses suffered by the population of injured workers as a whole, but do so at the price of ignoring the special situation and needs of individual claimants. Although this approach may have been acceptable at the outset of workers' compensation and even for the first 50 years of its existence, it is no longer tolerable in the Ontario of the Eighties.

Included among the report's recommendations was that the compensation rate be changed from "75% gross" to "90% net". Coupled with this change was an increase of the maximum wage rate of \$18,500 per year to a maximum sufficient to cover 250% of the average industrial wage. (In 1980, 250% would have been \$40,000 per year.)

The proposal for the "90% net" approach was based upon the following analysis:

- The compensation system required redesigning around the progressive personal income tax system. This system did not exist at the time workers' compensation was first established. It resulted in higher paid single workers receiving more in workers' compensation benefits than their normal take-home pay with lower paid workers with families receiving less.
- Income tax was a federal, not a provincial, responsibility. Taxing benefits would assist neither workers nor employers. It would simply produce more money for the Federal Government. Benefits levels would have to be increased to ensure a decent level of reimbursement of lost income. Employers would want a rebate on their corporate taxes from Ottawa to allow for the higher assessment rates resulting from higher benefits. Corporate tax rebates would not be a totally adequate solution as assessment rate increases would vary substantially between different industries.
- Making the "net" concept operational on a completely individual basis would require establishment of each worker's pre-injury "net" disposable income. This would require an investigation not only into the worker's income, but the worker's dependants, whether those dependants were working, and so forth. It would reduce the administration of the system to shambles. Ideal fair and precise

compensation would have to be pursued less ambitiously and some artificial assumptions made.

- Quebec had already changed from a “gross” to “net” calculation, using some artificial assumptions, including that none of the worker’s dependants earned taxable income. These artificial assumptions leaned towards increasing the “net” figure for purposes of computing the compensation benefits (most of all for the higher paid worker who has a working wife and is injured for a relatively short period). This fortuitous increase justified some margin between pre-injury “net” earnings and post-injury compensation.
- There are arguments for and against having a gap between pre-injury earnings and post-injury compensation. However, the cumulative force of the two sets of arguments - compensating the real, long-term loss of earnings and providing an incentive for a return to work - justifies some modest margin.
- Quebec decided to use “90% net” and Ontario employers appeared willing to accept this as a reasonable margin.

The Ontario Government subsequently circulated a White Paper with proposed legislative changes based upon the Weiler report. Among the proposals was that the compensation rate be based upon 90% of “net” average earnings. “Net earnings” for this purpose were to be defined as gross earnings less deductions for federal and provincial income taxes, Canada Pension Plan contributions and unemployment insurance premiums. In calculating income taxes, it was assumed that the worker’s dependants were not working and therefore qualified for the exemption available for dependants whose “net” income was zero. The White Paper also proposed that maximum average earnings be 250% of the average industrial wage in Ontario or approximately \$40,000.

The Weiler recommendations and the proposals set out in the White Paper with respect to compensation rate and maximum average earnings were enacted in Bill 101. This Bill, proclaimed in 1985, provided for a “90% net” compensation rate and a maximum average earnings ceiling equal to 250% of the average industrial wage in Ontario.

Although the Ontario legislation also currently reflects this approach,<sup>55</sup> Bill 99 introduced in the Ontario Legislature on November 26, 1996 proposes to reduce the compensation rate to 85% of “net” earnings.<sup>56</sup>

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<sup>55</sup> See Sections 37, and 41 of the *Workers’ Compensation Act*, RSO, 1990, C. W.11.

<sup>56</sup> See Sections 43(2) and 55 of Bill 99, An Act to secure the financial stability of the compensation system for injured workers, to promote the prevention of injury and disease in Ontario workplaces and to revise the *Workers’ Compensation Act* and make related amendments to other Acts.

### **(d) The 1987 Manitoba Report**

In the 1987 Manitoba Report, the committee recommended a “net income” approach. However, there was disagreement as to the percentage of “net”. The majority (the chair and the industry representative) recommended “90% net”. The minority (the labour representative) recommended “100% net” plus ensuring that all pension and benefit contributions continued during the period of total disability.

The majority and minority findings are repeated in their entirety in Appendix “B” because they set out some of the arguments for and against “90% net” from their different perspectives. However, they can be summarized as follows:

#### **Majority Findings**

- It is questionable whether workers’ compensation was intended to, or should, provide full income replacement. In view of the guarantee of “no fault” coverage, “90% net” would be fair.
- Adoption of “90% net” would balance other of the recommendations in the package. It would result in a 10% cost saving which would be offset by implementing those recommendations.
- Workers do not incur normal work expenses when on compensation.
- Other jurisdictions have adopted “90% net”.

#### **Minority Findings**

- Injured workers should be neither better nor worse off than their co-workers.
- Injured workers should not be required to subsidize lower assessment rates through decreases in benefits.
- Most workers do want to return to work and sufficient authority exists to terminate benefits of those who feign disability.
- Although workers do not incur work-related expenses while on compensation, they incur some expenses relating to the disability for which they are not compensated.

The majority also recommended that the average earnings ceiling be set at twice the average provincial wage. The minority member recommended a ceiling of two-and-one-half times the average provincial wage.

### **(e) Recent Developments in the 1990s**

In the compensation rate developments that have occurred during the 1990s, there has been some movement away from discussions of equity to discussions of incentives/disincentives and costs. Accompanying these discussions have been moves from "90% net" to lesser percentages of "net" and moves directly from "75% gross" to less than "90% net".

New Brunswick, which had adopted "90% net" on January 1, 1982, reduced the percentage effective January 1, 1993 to "80% net" for the first 39 weeks and "85% net" thereafter.<sup>57</sup>

On January 1, 1993, Newfoundland moved directly from "75% gross" to "75% net" for the first 39 weeks and "80% net" thereafter. This was described as part of a "four-pronged approach to return the Workers' Compensation Commission to financial stability."<sup>58</sup>

On January 1, 1995, Prince Edward Island moved directly from "75% gross" to "80% net" for the first 39 weeks and "85% net" thereafter. On June 1, 1995, Nova Scotia moved directly from "75% gross" to "75% net" for the first 26 weeks and "85% net" thereafter.

The most recent developments with respect to compensation rate have taken place in Ontario. On November 26, 1996, the Ontario government introduced legislation to reduce its "90% net" compensation rate to "85% net". Bill 99 resulted from a review of the Ontario workers' compensation system conducted by Cam Jackson, the Minister Without Portfolio Responsible for WCB Reform.<sup>59</sup>

In introducing Bill 99, the Minister of Labour for Ontario stated that:

The legislation adopts difficult but necessary measures to rein in the unfunded liability accumulated over the past fifteen years. The measures include reducing the level at which benefits are payable from 90 per cent to 85 per cent of take home pay.....

## DISCUSSION

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<sup>57</sup> A discussion paper circulated by New Brunswick in October 1996 proposed that the "80% net" currently in effect for the first 39 weeks be increased to "85% net". However, this is only one component of a much broader proposal that includes an employer direct pay model for the first weeks of a claim.

<sup>58</sup> See Canadian Occupational Safety and Health Law Monthly Report, Volume 9, Number 12 - December 1992 for a description of the various measures undertaken.

<sup>59</sup> See Cam Jackson, Minister Without Portfolio Responsible for Workers' Compensation Reform, "New Directions for Workers' Compensation Reform", January, 1996 and June 1996.

### **(a) Introduction**

A number of issues have been raised by previous Royal Commission Reports in BC and studies and legislative changes in other jurisdictions. Some of these issues are factual in nature, while others are judgment matters. The issues include:

- What is an “adequate” compensation rate?
- Is “equity” a relevant consideration in setting the compensation rate? Does “equity” exist in the current “75% gross” approach in BC?
- What are the financial impacts? - How would adoption of a “90% net” approach in BC impact financially upon injured workers? How would adoption of a “90% net” approach in BC impact financially upon employers?
- Is there a general relationship between the compensation rate or benefit level selected and incentives/disincentives to return to work?
- What are the administrative implications of moving to a “net” compensation rate approach?

Attached as Appendix “C” is a series of tables setting out various “net income” calculations which may assist in considering these issues. The tables show the following calculations as of January 1, 1996 for workers with gross incomes from \$9,999 to \$75,000, in approximately \$2,000 increments:

- Canada Pension Plan contributions payable,
- unemployment insurance premiums payable,
- income tax payable,
- “net income” (“gross” income less CPP, UIC and income tax),
- “75% gross” as a % of “net income”, and
- “gross”/“net” comparison of compensation.

They also show the average wage distribution for short-term disability claimants 1994/1995.

Three types of individuals have been used as examples:

- the single worker with no dependants who is entitled only to the basic personal exemption,
- the married worker with a non-working spouse who is entitled to the basic personal exemption and the full spousal exemption, and
- the single worker (single parent) with one child who is entitled to the basic personal exemption and the full “equivalent to spouse” exemption.

The calculations for the second and third types of individuals are the same.

Some information from Appendix "C" has been incorporated in the text below.

**(b) What is an "adequate" compensation rate?**

It is difficult to determine an adequate compensation rate in isolation from other structural factors such as maximum average earnings,<sup>60</sup> minimum compensation,<sup>61</sup> how average earnings are calculated,<sup>62</sup> how fringe benefits are

<sup>60</sup> In dollar terms, BC has the second highest average earnings maximum among the provinces. Compared to average provincial weekly wages (prorated to one year), it is the fourth highest. The following information is for 1995 and is taken from Statistics Canada - Catalogue 72-002-XPB - Employment, Earnings and Hours and from information provided by the AWCBC:

	<b>1995 Provincial Average Earnings from Statistics Canada</b>	<b>1995 WCB Average Earnings Maximum from AWCBC</b>	<b>1995 WCB Maximum as % of 1995 Provincial Average Earnings</b>
B.C.	\$30,924	\$52,400	169%
Alberta	\$28,808	\$43,000	149%
Saskatchewan	\$25,601	\$48,000	187%
Manitoba	\$26,287	\$48,160	183%
Ontario	\$31,735	\$55,400	175%
Quebec	\$28,581	\$48,000	168%
New Brunswick	\$26,529	\$42,100	159%
Nova Scotia	\$25,436	\$38,000	149%
PEI	\$24,279	\$35,000	144%
Newfoundland	\$27,843	\$45,500	163%

<sup>61</sup> BC's set amount for minimum compensation for temporary total disability is third highest among the provinces:

	<b>1995 Provincial Average Earnings from Statistics Canada on weekly basis</b>	<b>1995 WCB Minimum Weekly Compensation for STD from AWCBC</b>	<b>1995 WCB Minimum Compensation as % of Provincial Average Earnings on weekly basis</b>
B.C.	\$594.69	\$265.92 or 100% of actual gross earnings	44.7%
Alberta	\$554.00	\$223.00 or 100% of actual net earnings	40.3%
Saskatchewan	\$492.33	\$245.27 or 100% of actual net earnings	49.8%
Manitoba	\$505.52	\$170.94 or 90% of actual net earnings	33.8%

dealt with,<sup>63</sup> whether there is stacking or integration of benefits from other sources, including Canada Pension Plan and employer top-ups,<sup>64</sup> whether there is a waiting period for payment of compensation<sup>65</sup> and so forth. All these factors determine how much compensation a worker actually receives.

There is no simple and absolute standard by which the “adequacy” of a compensation rate, separately or in conjunction with other structural factors, can be measured. Ultimately, “adequacy” is a judgment decision, based on a number of competing objectives. Different decisions have been made in this respect at different times both in BC and other jurisdictions in Canada.

Ontario	\$610.29	\$291.26 or 100% of actual net earnings	47.7%
Quebec	\$549.64	--	--
New Brunswick	\$510.18	--	--
Nova Scotia	\$489.15	\$147.11	30.1%
PEI	\$466.91	--	--
Newfoundland	\$535.45	\$200.00 or 100% of actual net earnings	37.4%

<sup>62</sup> The Policy and Regulation Development Bureau is preparing a separate paper on Average Earnings. This paper will include a discussion of fringe benefits.

<sup>63</sup> See previous footnote.

<sup>64</sup> The Policy and Regulation Development Bureau is preparing a separate paper on Stacking and Integration of Benefits.

<sup>65</sup> The first BC *Act* in 1917 provided that no compensation was payable for the first three working days of disability. In 1925, the *Act* was amended so that, if a worker was disabled for more than 14 days, compensation was paid from the date of disability, i.e., for the waiting period as well. The 14 day period was reduced to 6 days in 1946. In 1959, the *Act* was amended to provide that, if a worker was disabled for the entire first three working days, the worker would be paid compensation from the date of disability. The current provision under which workers are paid from the first working day following the date of injury came into effect in 1968. Only New Brunswick and Nova Scotia currently have waiting periods that extend beyond the date of injury. In New Brunswick (see Section 38.2(2.5) of the *Workers' Compensation Act*, RSNB 1973, c. W-13), there is a waiting period of three working days. A proposal circulated by the New Brunswick Commission in late 1996 proposed, among other things, that the waiting period not apply to situations involving admittance to hospitals or recurrence of occupational disease claims. As well, under the “direct pay” model which was also part of the proposal, employers could, at their discretion, pay for the waiting period, but could be subject to an additional assessment if their claims costs exceeded the average for similar employers. In Nova Scotia, (see Section 37(4) of *An Act to Reform the Law Respecting Compensation for Workers*, SNS 1996-96, c. 26), an injured worker must undergo a period following an injury without receiving any income replacement or supplement benefit from the employer or from an employment-related source, before being eligible for a Temporary Earnings-Replacement Benefit (TERB). The “waiting period” is, however, based on remuneration rather than on a time factor. The WCB deducts from the first TERB payment an amount equal to two-fifths of the weekly TERB that would have otherwise been payable.

**(c) Is “equity” a relevant consideration in setting the compensation rate? Does “equity” exist in the current “75% gross” approach in BC?**

It has been suggested<sup>66</sup> that there are two types of “equity” for disability benefits:

- “horizontal equity” which requires that workers with equal losses of earnings (or losses of earning capacity) should receive equal benefits, and
- “vertical equity” which requires that workers with different losses should receive benefits proportional to their losses.

However, whether there is “horizontal” and “vertical” equity in a particular case depends upon how the loss is measured.

Previous BC Royal Commissions accepted that loss of earning capacity based upon “gross” average earnings, before deductions for CPP contributions, unemployment insurance premiums and income tax, was the appropriate measure of workers’ losses. In the words of the 1950 Roach Report in Ontario, “The worker’s obligations to the State ... have no relation to the debt which industry owes them in the event of their injury”.

Using this measure of loss, the current compensation rate of “75% gross” is both horizontally and vertically equitable.<sup>67</sup> Workers at the same gross income level receive the same compensation. Workers at different gross income levels receive proportionately different compensation (subject, of course, to the statutory average earnings maximum).

In the 1980s and early 1990s, however, a number of jurisdictions concluded that the appropriate measure of loss was “net income” or “take-home pay”. Using that measure, the current BC compensation rate produces neither horizontal nor vertical equity.

The following information, excerpted from Tables 4A and 4B in Appendix “C”, compares the amount of compensation a worker currently receives in BC under the “75% gross” approach with the worker’s “net” income at various income levels.

**75% Gross Compensation as % of Net Income, 1996**

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<sup>66</sup> See Monroe Berkowitz and John F. Burton, Permanent Disability Benefits in Workers’ Compensation (Kalamazoo, Michigan: W.E. Upjohn Institute for Employment Research, 1987).

<sup>67</sup> Equity exists at least as far as the amount of compensation paid is concerned. See below on pp. 23 - 25, however, for a discussion of the impact of income tax on a worker’s remaining employment income.

<b>Yearly Gross Income</b>	<b>Single Worker with No Dependants</b>	<b>Married Worker with a Non-Working Spouse, or Single Worker with One Child</b>
\$9,999	115%	105%
\$11,000	117%	105%
\$13,000	121%	106%
\$15,000	117%	104%
\$17,000	105%	95%
\$19,000	95%	87%
\$21,000	96%	89%
\$23,000	97%	90%
\$25,000	98%	91%
\$27,000	99%	92%
\$29,000	99%	93%
\$31,000	101%	95%
\$33,000	102%	96%
\$35,000	104%	98%
\$37,000	105%	99.6%
\$39,000	106%	101%
\$41,000	107%	102%
\$43,000	108%	103%
\$45,000	108%	103%
\$47,000	109%	104%
\$49,000	110%	105%
\$51,000	110%	106%
\$53,000	110%	106%
\$55,000	110%	106%
\$57,000	107%	102%
\$59,000	103%	99%
\$61,000	101%	97%
\$63,000	98%	94%
\$65,000	96%	93%
\$67,000	94%	90%
\$69,000	92%	88%
\$75,000	86%	83%

Using “net income” to measure loss, horizontal equity would be achieved by workers with the same “net income” receiving the same proportion of their “net income” as compensation benefits. That does not, however, take place.

Single workers receive a greater proportion of their “net income” as compensation than do married workers at the same income level. This situation occurs at all income levels. The difference ranges from 3% to 15%.

Using “net income” to measure loss, vertical equity would be achieved by workers at different “net” income levels receiving proportionately different amounts of compensation. This also does not occur.

Ignoring the effect of the statutory minimum for lower income earners, the proportion of “net income” rises as the income level of the worker increases. For a single worker whose income exceeds \$19,000, the proportion of “net income” ranges from 95% at \$19,000 to 110% at \$54,200. For a married worker or single parent whose income exceeds \$19,000, the proportion ranges from 87% at \$19,000 to 106% at \$54,200.

The variations between the compensation received by a worker using the “75% gross” approach and the worker’s “net income” result from the following factors.

- (a) The “75% gross” approach results in a standard 25% being deducted from all workers’ “gross” earnings to determine the compensation payable.<sup>68</sup> However, the total deduction for Canada Pension Plan contributions, unemployment insurance premiums and federal and provincial income tax used to calculate “net income” varies according to “gross income” level. For a single worker, the total deduction ranges from 13% at the \$9,999 level,<sup>69</sup> to 24.4% at the \$29,000 level,<sup>70</sup> to 32.1% at the \$53,000 level.<sup>71</sup> For a married worker with a non-working spouse or a single worker with one child, the total deduction ranges from 4.8% at the \$9,999 level,<sup>72</sup> to 19.4% at the \$29,000 level,<sup>73</sup> to 29.3% at the \$53,000 level.<sup>74</sup>
- (b) The application of the statutory minimum provision to lower income workers (below approximately \$19,000) results in compensation

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<sup>68</sup> Subject to application of the minimum compensation and maximum average earnings provisions.

<sup>69</sup> See Appendix “C”, Table 4A - At \$9,999, CPP, UIC and Income Tax = \$1,299 or 13% of gross income.

<sup>70</sup> See Appendix “C”, Table 4A - At \$29,000, CPP, UIC and Income Tax = \$7,088 or 24.4% of gross income.

<sup>71</sup> See Appendix “C”, Table 4A - At \$53,000, CPP, UIC and Income Tax = \$16,998 or 32.1% of gross income.

<sup>72</sup> See Appendix “C”, Table 4B - At \$9,999, CPP, UIC and Income Tax = \$477 or 4.8% of gross income.

<sup>73</sup> See Appendix “C”, Table 4B - At \$29,000, CPP, UIC and Income Tax = \$5624 or 19.4% of gross income.

<sup>74</sup> See Appendix “C”, Table 4B - At \$53,000, CPP, UIC and Income Tax = \$15,534 or 29.3% of gross income.

equal to the lesser of the set minimum amount or actual gross average earnings.<sup>75</sup> Workers at the lowest income levels receive a greater percentage of their “net income” as compensation than workers at most other income levels as a result.

- (c) The application of the statutory maximum average earnings provision “caps” the compensable earnings of higher income earners.<sup>76</sup> Workers whose average earnings exceed the statutory maximum receive a lesser and lesser proportion of their “net income” as the income level rises.

Although using “net income” or take-home pay may appear more equitable, a note of caution is sounded in the Tysoe Report.<sup>77</sup> This Report rejected the “net income” concept, pointing out that, when compensation is based on “net” earnings or take-home pay at the time of the disability, “after events have no consequence.” Unless future contingencies are taken into account, the equity of “net 90%” could unravel over time.

In addition to looking at the relationship between compensation and take-home pay as a measure of equity, some jurisdictions have also considered how the taxation system impacts on regular employment income when a worker is off on workers’ compensation for a portion of a year.<sup>78</sup>

Attached as Appendix “D” is a series of “Total Yearly Income” calculations that illustrate this impact. The calculations show for workers at various gross income levels who have been disabled 3 months, 6 months, 9 months and 12 months during the year:

- Short Term Disability (STD) benefits paid under the current “75% gross”,
- Net Income received from remaining employment income for the year, and
- Total Income (STD Benefits plus Net Employment Income).

The following is a summary of the calculations:

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<sup>75</sup> Tables 5A, 5B, 6A and 6B in Appendix “C” incorporate an average 1996 minimum of \$273.75 weekly and \$14,235 annually for temporary total disability under Section 29(2) of the *Act*.

<sup>76</sup> Tables 5A, 5B, 6A and 6B in Appendix “C” incorporate the 1996 statutory maximum average earnings of \$54,200. Maximum compensation for temporary total disability was therefore \$40,650 (75% of \$54,200)

<sup>77</sup> See pp. 6, 7 of this paper.

<sup>78</sup> See, for example, Section 39(5)(d) of Manitoba’s *Workers Compensation Act*, RSM 1987, c. W200, 1996 comments by Cam Jackson, Ontario Minister Without Portfolio Responsible for Workers’ Compensation Reform, in “New Directions for Workers’ Compensation Reform” (“... a worker on WCB [“90% net”] benefits for up to 39 weeks can, at the end of the year, receive net income that exceeds the worker’s net pre-injury income”), and a report submitted to the Quebec Minister of Labour in August 1996 - Thomas J. Boudreau, Paul Lanoie, and Richard Larouche, “Report of the Committee in Charge of Reviewing the Various Aspects of Certain Provisions of the Act Respecting Industrial Accidents and Occupational Diseases”.

**TOTAL YEARLY INCOME  
 (STD BENEFITS PLUS NET EMPLOYMENT INCOME)  
 RECEIVED BY WORKERS WITH VARIOUS PERIODS OF SHORT TERM  
 DISABILITY**

**Single Worker With No Dependants, 1996**

<b>GROSS YEARLY INCOME</b>	<b>Net Yearly Income With No STD</b>	<b>With 3 mos STD</b>	<b>With 6 mos STD</b>	<b>With 9 mos STD</b>	<b>With 12 mos STD</b>
\$9,999	\$8,700	\$9,491	\$9,810	\$9,926	\$9,999
\$15,000	\$12,167	\$13,127	\$14,109	\$14,308	\$14,235
\$23,000	\$17,716	\$18,063	\$18,382	\$18,455	\$17,250
\$31,000	\$23,100	\$23,710	\$24,156	\$24,592	\$23,250
\$39,000	\$27,537	\$29,359	\$29,903	\$30,475	\$29,250
\$47,000	\$32,272	\$34,172	\$35,704	\$36,358	\$35,250
\$55,000	\$36,966	\$39,126	\$41,128	\$41,800	\$40,650

**Married Worker with a Non-Working Spouse, or Single Worker with One Child, 1996**

<b>GROSS YEARLY INCOME</b>	<b>Net Yearly Income With No STD</b>	<b>With 3 mos STD</b>	<b>With 6 mos STD</b>	<b>With 9 mos STD</b>	<b>With 12 mos STD</b>
\$9,999	\$9,522	\$9,667	\$9,810	\$9,926	\$9,999
\$15,000	\$13,630	\$14,260	\$14,285	\$14,308	\$14,235
\$23,000	\$19,180	\$19,526	\$19,562	\$18,455	\$17,250
\$31,000	\$24,563	\$25,174	\$25,619	\$24,840	\$23,250
\$39,000	\$29,001	\$30,822	\$31,367	\$31,226	\$29,250
\$47,000	\$33,736	\$35,635	\$37,168	\$37,610	\$35,250
\$55,000	\$38,456	\$40,589	\$42,592	\$43,263	\$40,650

According to the calculations, as a worker's period of disability increases from 3 months to 6 months to 9 months, the worker's total income (STD Benefits and remaining Net Employment Income) also increases. This occurs at all income levels.

This situation results not only from the fact that the non-taxable STD benefit portion of Total Income has increased. It is also due to the effect of the progressive nature of the taxation system and, to a much lesser extent, of CPP contributions. As the remaining employment income decreases, a worker pays a lower average rate of income tax and CPP contribution on that income and receives a greater proportion of it as "Net Employment Income."<sup>79</sup>

Thus, a further equity consideration may be that workers at the same gross income level who are disabled less than one year receive different total net income (STD benefits and regular net employment income) at the end of the year depending upon the length of their disability.

**(d) What are the financial impacts?**

**(i) How would adoption of a "90% net" approach in BC impact financially upon injured workers?**

The following information, excerpted from Tables 6A and 6B in Appendix "C", illustrates the impact of changing to a "90% net" approach on workers at various income levels.<sup>80</sup> It assumes temporary total disability lasting a year in duration. Compensation under "90% net" is based on 90% of "net income" ("gross income" less deductions for CPP, UIC and income tax).

**Gross/Net Comparison, 1996**

<b>Yearly Gross Income</b>	<b>% Difference - Single Worker with</b>	<b>% Difference - Married Worker with</b>
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<sup>79</sup> See Thomas J. Boudreau, Paul Lanoie, and Richard Larouche, "Report of the Committee in Charge of Reviewing the Various Aspects of Certain Provisions of the Act Respecting Industrial Accidents and Occupational Diseases" in this respect. The Report noted that "since the IRI [Quebec STD benefits] is not taxable, the taxable income of the worker is only made up of his employment income. As this income has only been earned for part of the year, it is inferior to that he would have normally have received for twelve months. The average tax rate applied to this income will then be lower than that of a worker having worked all year, given the progressive nature of tax rates." The Report also noted an apparent "double counting" of a worker's personal exemption. It recommended that "the level of IRI paid by the CSST in the first six months of compensation be set so as to mitigate as much as possible the double accounting (by the CSST in its "90% net" calculations and the revenue department) of personal exemptions". The committee based its recommendation on the finding that the revenue department deducted the worker's personal exemption in determining the worker's regular employment income and that the CSST deducted it again in determining the income tax deduction used to calculated net income.

<sup>80</sup> The application of the minimum compensation and maximum earnings provisions requires explanation. The calculations follow the example of jurisdictions such as Alberta, Saskatchewan and Ontario which base their minimum compensation on the lesser of a certain amount or actual "net" average earnings (as opposed to actual "gross" earnings).<sup>80</sup> The maximum earnings rate in these cases, however, continues to apply to "gross" earnings.

	<b>No Dependants</b>	<b>a Non-Working Spouse, or Single Worker with One Child</b>
\$9,999	-13.0%	-4.8%
\$11,000	-14.5%	-4.9%
\$13,000	-17.2%	-5.9%
\$15,000	-14.5%	-4.3%
\$17,000	-4.7%	0
\$19,000	-0.1%	+3.9%
\$21,000	-6.8%	+1.6%
\$23,000	-7.6%	+0.1%
\$25,000	-8.0%	-1.1%
\$27,000	-8.7%	-2.2%
\$29,000	-9.3%	-3.3%
\$31,000	-10.6%	-5.3%
\$33,000	-12.0%	-6.7%
\$35,000	-13.4%	-8.3%
\$37,000	-14.4%	-9.6%
\$39,000	-15.3%	-10.8%
\$41,000	-16.0%	-11.7%
\$43,000	-16.6%	-12.5%
\$45,000	-16.7%	-12.8%
\$47,000	-17.6%	-13.9%
\$49,000	-17.9%	-14.3%
\$51,000	-18.2%	-14.8%
\$53,000	-18.5%	-15.2%
\$55,000	-18.8%	-15.5%
\$57,000	-18.8%	-15.5%
\$59,000	-18.8%	-15.5%
\$61,000	-18.8%	-15.5%
\$63,000	-18.8%	-15.5%
\$65,000	-18.8%	-15.5%
\$67,000	-18.8%	-15.5%
\$69,000	-18.8%	-15.5%
\$75,000	-18.8%	-15.5%

This information suggests the following:

- Single workers with no dependants would experience a decrease in compensation ranging from 0.1% to 18.8%. Workers at the lowest income levels and workers at the highest income levels would experience the largest decreases.

- Married workers with a non-working spouse and single workers with one child having gross incomes of \$17,000 would receive approximately the same amount of compensation as they currently receive.
- Married workers with a non-working spouse and single workers with one child having gross incomes between \$19,000 and \$23,000 would experience increases in compensation ranging from 0.1% to 3.9%.
- Married workers with a non-working spouse and single workers with one child at all other income levels would experience decreases in compensation ranging from 1.1% to 15.5%. Workers at the highest income levels would experience the largest decreases.

Ideally, this information would be read in conjunction with tables showing the numbers of WCB claimants at each gross annual income level according to marital status. However, this information is not available.

The WCB does maintain statistics on gross weekly wage rates for short term (temporary) disability claims. Numerically, these claims constitute the largest number of claims on which disability benefits are paid to workers.<sup>81</sup>

It is possible to estimate numbers of WCB short term disability claimants at different gross annual income levels using these statistics. The estimates shown below are excerpted from Table 7 in Appendix "C". They are based on an average for 1994 and 1995 claims, the most recent years for which gross weekly wage rate information is available.

**Average Wage Distribution  
 for Short Term Disability Claimants - 1994/1995<sup>1</sup>**

WAGE RANGE <sup>2</sup>	%	CUMULATIVE %	CHANGE IN COMPENSATION	
			Single Worker	Married Worker or Single With Child
Less than \$10,000	0.3	0.3	-13.0%	-4.8%
\$10,000 - \$11,999	0.7	1.0	-14.5%	-4.9%
\$12,000 - \$13,999	2.6	3.6	-17.2%	-5.9%
\$14,000 - \$15,999	4.1	7.7	-14.5%	-4.3%
\$16,000 - \$17,999	4.7	12.4	-4.7%	0
\$18,000 - \$19,999	4.1	16.5	-0.1%	+3.9%
\$20,000 - \$21,999	4.9	21.4	-6.8%	+1.6%

<sup>81</sup> The WCB Annual Report 1995 states that, during 1995, 147,223 claims were paid for the first time. Of these, 68,823 were health care only claims, 73,762 were short-term disability claims, 4,504 were long-term disability claims and 134 were fatal claims. Therefore, of the 78,266 claims on which disability benefits were paid, 94% were short term disability claims. Internal WCB statistics show that, between 1986 and 1994, 72% of short term disability claims were less than four weeks in duration.

\$22,000 - \$23,999	4.2	25.6	-7.6%	+0.1%
\$24,000 - \$25,999	4.4	30.0	-8.0%	-1.1%
\$26,000 - \$27,999	3.9	33.9	-8.7%	-2.2%
\$28,000 - \$29,999	5.5	39.4	-9.3%	-3.3%
\$30,000 - \$31,999	6.1	45.5	-10.6%	-5.3%
\$32,000 - \$33,999	11.4	56.9	-12.0%	-6.7%
\$34,000 - \$35,999	5.2	62.1	-13.4%	-8.3%
\$36,000 - \$37,999	5.0	67.1	-14.4%	-9.6%
\$38,000 - \$39,999	5.0	72.1	-15.3%	-10.8%
\$40,000 - \$41,999	5.8	77.9	-16.0%	-11.7%
\$42,000 - \$43,999	4.0	81.9	-16.6%	-12.5%
\$44,000 - \$45,999	3.8	85.7	-16.7%	-12.8%
\$46,000 - \$47,999	3.5	89.2	-17.6%	-13.9%
\$48,000 - \$49,999	3.0	92.2	-17.9%	-14.3%
\$50,000 - \$51,999	2.3	94.5	-18.2%	-14.8%
\$52,000 - \$53,999	1.6	96.1	-18.5%	-15.2%
\$54,000 - \$55,999	0.9	97.0	-18.8%	-15.5%
\$56,000 - \$57,999	0.6	97.6	-18.8%	-15.5%
\$58,000 - \$59,999	0.4	98.0	-18.8%	-15.5%
\$60,000 - \$61,999	0.4	98.4	-18.8%	-15.5%
\$62,000 - \$63,999	0.4	98.8	-18.8%	-15.5%
\$64,000 - \$65,999	0.3	99.1	-18.8%	-15.5%
\$66,000 - \$67,999	0.2	99.3	-18.8%	-15.5%
\$68,000 - \$69,999	0.2	99.5	-18.8%	-15.5%
\$70,000 +	1.0	100.5 <sup>3</sup>	-18.8%	-15.5%
	100.5 <sup>3</sup>			

1. Claims accepted and coded by March 31st of year after injury year.
2. Wage Range = 52.14 x gross weekly wage.
3. Apparent Anomaly of 100.5% (Rather than 100%) due to rounding off.

One major caveat is necessary in reviewing this information. Table 7 overestimates gross income levels because it assumes that all claimants work year round. This does not, however, occur in all cases. It is therefore likely that there are more workers at lower income levels than this excerpt from Table 7 indicates.<sup>82</sup> A second caveat is that the information does not reflect marital status.

<sup>82</sup> Statistics Canada information on "Percentage Distribution of Earners by Earnings Groups, Provinces, Sex and Work Activity, 1995 (see Statistics Canada - Catalogue 13-217, pp. 38, 39) shows the following distribution of earners in BC:

<u>Earnings Range</u>	<u>Percentage</u>
Under \$5,000	14.2
\$5,000 - \$9,999	10.7
10,000 - 14,999	9.9
15,000 - 19,999	8.7
20,000 - 24,999	9.2
25,000 - 29,999	7.9
30,000 - 34,999	7.9
35,000 - 39,999	5.8

Assuming, however, for sake of convenience, that there is an equal distribution of single workers with no dependants, married workers with non-working spouses and single workers with one child,<sup>83</sup> the foregoing information suggests the following:

- At least 16.5% of total WCB claimants have incomes under \$20,000 per year. At this level, a worker either qualifies for minimum compensation or just exceeds it. All single workers with no dependants in this group would experience decreases in compensation, in some cases quite significantly (13.0% - 17.2%). Married workers with non-working spouses or single workers with one child having incomes at or just below \$20,000 would experience slight increases. The balance would experience decreases, although not as significantly as single workers with no dependants.
- Approximately 46% of total WCB claimants have “lower middle” incomes between \$20,000 and \$36,000. Of this group, all single workers with no dependants would experience decreases in compensation, ranging from 6.8% to 13.4%. Married workers with non-working spouses or single workers with one child having incomes at or just above \$20,000 would experience increases of up to 1.6%. The balance would experience decreases, although not as significantly as single workers with no dependants.
- Approximately 34% of total WCB claimants have “higher middle” incomes between \$36,000 and \$54,000 (just below the 1996 statutory maximum). All workers in this group would experience decreases in compensation.
- Something less than 4% of total WCB claimants have incomes exceeding the statutory maximum. All worker in this group would experience decreases in compensation.

**(ii) How would adoption of a “90% net” approach in BC impact financially upon employers?**

Changing the compensation rate from “75% gross” to “90% net” would reduce the amount of compensation paid from the accident fund. Employer assessments would decrease as a result.

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40,000 - 44,999`	6.3
45,000 - 49,999	4.2
50,000 - 59,999	7.1
60,000 and over <u>8.1</u>	100.0

<sup>83</sup> This assumption is probably in error at least with respect to marital status. Lower income workers are generally younger and therefore less likely to be married, while higher income workers are generally older and therefore more likely to be married.

No precise figures are available in this respect. The 1987 report of the majority review committee in Manitoba suggested a reduction in compensation costs in the nature of 10%. An internal study done by the WCB Actuarial Department in 1989 suggested a reduction in wage-loss benefits of approximately 6% and average assessment rate decreases of approximately 4%.

There would likely be some increase in administrative costs. The administrative impact is dealt with further below.

**(e) Is there a relationship between the compensation rate or benefit level selected and incentives/disincentives to return to work?<sup>84</sup>**

The situation with respect to the incentive/disincentive to return to work created by benefits levels has been described by Terence D. Ison<sup>85</sup> as follows:

The influence of benefit levels on incentives to return to work is controversial. It is commonly thought that a sufficient incentive for a return to work will be there among the vast majority of claimants if the compensation rate is 10% less than normal earnings. There is a conviction among employers' organizations that rates of compensation equivalent to 100% of lost earnings would create a disincentive to return to work. While the evidence in support of this view is equivocal and controversial, it is certainly more valid in relation to minor transitory disabilities than it is in relation to more severe and prolonged disabilities.

Severe and prolonged disabilities are, in Ison's opinion, different because compensation systems rarely compensate for loss of fringe benefits, and such losses are more likely in these cases.

There is a body of economic research, more developed in the United States than in Canada, which assesses the incentive/disincentive effect of workers' compensation benefits by focussing on the interrelationship between benefits and "system utilization", including duration.

The Canadian economic literature in this respect was reviewed in John Burton's *Workers' Compensation Monitor* in mid-1996.<sup>86</sup> The authors stated:

Considerable research using U.S. data has generally found a positive relationship between the level of workers' compensation benefits and both the frequency and severity of compensation claims. This research supports the notion that higher compensation benefits induce workers to file compensation claims and extend the period of disability.

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<sup>84</sup> The following discussion deals only with the possible relationship between benefit levels and incentives/disincentives to return to work. There are broader issues relating to incentives/disincentives, such as whether there is a job to return to in an individual worker's case, the changing economy and its effect on "traditional" industries such as fishing, logging, seasonal construction and so forth. These issues are beyond the scope of this paper.

<sup>85</sup> See Terence G. Ison, LLD, *Compensation Systems for Injury and Disease: The Policy Choices* (Toronto and Vancouver: Butterworths, 1994) p. 29.

<sup>86</sup> See Terry Thomason and Douglas Hyatt, "The Evolution of Workers' Compensation Costs in Canada", *John Burton's Workers' Compensation Monitor*, May/June 1996, pp. 4 - 13.

A smaller number of studies has analyzed the impact of benefit levels on Canadian compensation experience. Lanoie (1992a)<sup>87</sup> and Fortin and Lanoie (1992),<sup>88</sup> using Quebec data for the years 1974-97 aggregated by industry, found a negative relationship between the replacement rate and the number of compensation claims involving at least one lost workday, contrary to the findings of most American research. On the other hand, Thomason and Pozzebon (1995)<sup>89</sup> found that the probability that a Canadian worker will collect workers' compensation benefits is positively related to the compensation benefits that worker can expect to receive. Similarly, Lanoie (1992b)<sup>90</sup> found that a positive relationship between Quebec injury rates and the wage replacement rate, using different regression specifications and data from a shorter period than the Lanoie (1992a) and Fortin and Lanoie (1992) studies.

Studies examining injury severity using Canadian data have generally found, consistent with American research, that injury severity is positively related to compensation benefits. Hyatt (1996)<sup>91</sup> found that a permanently disabled claimant's labor force participation was negatively related to benefit generosity. Lanoie (1992b) and Fortin and Lanoie (1992) found a positive relationship between the average number of lost workdays per claim and benefit generosity, using the Quebec industry data described in the previous paragraph, although this relationship was not statistically significant in the Lanoie (1992b) study. Similarly Dionne and his colleagues (Dionne and St.-Michel, 1992<sup>92</sup> and Dionne, St-Michel and Vanasse, 1995<sup>93</sup>) found that the duration of temporary disability increased as the proportion of wages replaced by compensation insurance increased, using a sample of Quebec

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<sup>87</sup> Paul Lanoie, "Safety Regulation and the Risk of Workplace Accidents in Quebec," Southern Economic Journal, Vol. 58 (1992), pp. 950-965.

<sup>88</sup> Bernard Fortin and Paul Lanoie, "Substitution between Unemployment Insurance and Workers' Compensation," Journal of Public Economics, Vol. 49 (1992), pp. 287 - 312.

<sup>89</sup> Terry Thomason and Silvana Pozzebon, "The Effect of Workers' Compensation Benefits on Claim Incidence in Canada: An Analysis of Micro-Level Data," in Research in Canadian Workers' Compensation, (Kingston, Ontario: IRC Press, 1995).

<sup>90</sup> Paul Lanoie, "The Impact of Occupational Safety and Health Regulation on the Risk of Workplace Accidents: Quebec 1983-87," Journal of Human Resources, Vol. 27 (1992), pp. 643-660.

<sup>91</sup> Douglas Hyatt, "Work Disincentives of Workers' Compensation Disability Benefits: Evidence for Canada," Canadian Journal of Economics, Vol. 29 (1996), No. 2, pp. 289 - 308.

<sup>92</sup> Georges Dionne and Pierre St.-Michel, "Workers' Compensation and Moral Hazard," Review of Economics and Statistics, Vol. 73 (1991), pp. 236-44.

<sup>93</sup> Georges Dionne, Pierre St.-Michel, and Charles Vanasse, 1995, "Moral Hazard, Optimal Auditing, and Workers' Compensation," in Research in Canadian Workers' Compensation (Kingston, Ontario: IRC Press, 1995).

claims. Both Kralj (1995)<sup>94</sup> and Johnson, Butler, and Baldwin (1995)<sup>95</sup> found a similar relationship between disability duration and the wage replacement rate using samples of Ontario claims.

The Workers' Compensation Research Institute<sup>96</sup> has also provided both reviews of economic research and social policy analysis in this area.

In a June, 1989 literature review of more than 150 studies from workers' compensation and analogous situations,<sup>97</sup> the author found that:

A significant body of evidence supports the notion that workers appear to evaluate alternatives when they are making decisions about work and income benefits. On average, they tend to choose the more attractive alternative. So the higher the benefits relative to what the worker could earn in the labor market, the stronger the economic incentive to select the income benefit instead of work.

With respect to the differences between "gross" and "net" income, the author noted:

Virtually all researchers agree that a net replacement rate more accurately reflects what claimants actually receive than does a gross replacement rate. Thus, it measures adequacy and equity of income replacement and the strength of incentives to return to work better than does a gross replacement rate, the rate that is usually specified in legislation.

The comparison of a claimant's paycheck (after deductions) with the workers' compensation benefit check probably is a good indicator of return to work incentives as the claimant sees them. This point takes the distinction between net and gross replacement rates the additional step needed to apply it to incentives to return to work.

The literature review showed that duration and frequency of workers' compensation claims will be affected when benefit levels are changed:

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<sup>94</sup> Boris Kralj, "Experience Rating of Workers' Compensation Insurance Premiums and the Duration of Workplace Injuries", in Research in Canadian Workers' Compensation (Kingston, Ontario: IRC Press, 1995).

<sup>95</sup> William G. Johnson, Richard J. Butler, and Marjorie Baldwin, "First Spells of Work Absence Among Ontario Workers," in Research in Canadian Workers' Compensation, (Kingston, Ontario: IRC Press, 1995).

<sup>96</sup> The Workers' Compensation Research Institute describes itself as "a nonpartisan, not-for-profit research organization providing objective information about public policy issues involving workers' compensation systems."

<sup>97</sup> John A. Gardner, Return to Work Incentives: Lessons for Policymakers from Economic Studies (Cambridge, Massachusetts: Workers' Compensation Research Institute, June 1989). This review was also summarized in the WCRI Research Brief, Volume 5, Number 6 (June 1989).

An across-the-board increase in temporary total disability benefits would raise aggregate temporary total payments in two ways. First, it would increase directly the amounts received by workers; second, it would stimulate indirectly additional utilization of the system.... The literature suggests that a 20 percent increase in temporary total benefits (replacement rates) to all benefit recipients would increase aggregate payments by *at least* 30 percent. This reflects the direct effect of 20 percent and an average of at least 10 percent in additional utilization. Duration would increase by at least 4 percent, while claim-filing rates would rise by about 6 percent.

However, the author was also of the opinion that:

The most outstanding need is for information about return to work decisions at alternative replacement rates. The existing literature tells about the average income impact as replacement rates vary across a wide range - typically 40 to 100 percent of gross pay. To understand better the trade-offs among adequacy, equity, return to work incentives, and affordability, we also need to know how many workers would delay returning to work and for how long at realistic alternative benefit levels.<sup>98</sup>

He also cautioned that:

Suppose that, when benefits increase the average duration of TT [Temporary Total] disability rises by, say, one week. This could cause workers to stay out of work for another week, even though they do not need the extra time. Alternatively, it would be that, before the change, injured workers were returning earlier than was medically prudent because benefits were inadequate for them to remain away from work. None of the studies reviewed here differentiates between these motivations.<sup>99</sup>

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<sup>98</sup> In 1993, the WCB's Statistician did an informal study of the relationship for the period 1983 - 1992 between claims duration and claimants' gross wages expressed as a percentage of the maximum weekly wage in effect at the time the benefits were paid. Although the data necessary to do an exact analysis was not available, the pattern of results showed slightly increased duration beyond that which would be expected (on the basis of other factors such as age, injury type and so on) for claimants in the middle of the scale and slightly decreased duration for those at the top and bottom of the scale. The results did not seem to correspond strongly to a "disincentive" hypothesis.

<sup>99</sup> There are other motivations as to why a worker returns or does not return to work. A full discussion of incentives/disincentives is beyond the scope of this paper.

In December, 1989, the WCRI published a study about the design of benefit structures for temporary total disability.<sup>100</sup> For purposes of the study, the Institute developed a computer model to calculate the income replacement rates and estimate the fraction of workers who receive different levels of income replacement.<sup>101</sup>

Using the model, the authors examined outcomes in 16 large states to illustrate how policymakers need to analyze trade-offs among the competing system goals of adequacy and equity of benefit payments, return-to-work incentives and system costs. The WCRI has since examined outcomes in a number of other states as well with the same computer model.<sup>102</sup>

The authors of the various studies refrain from making express value judgments as to how the competing goals should be defined. However, in relation to return to work, it is apparent that they regard workers' compensation benefits that replace over 100 percent of lost after-tax earnings as constituting a disincentive.<sup>103</sup>

**(f) What are the administrative implications of moving to a “net” compensation rate approach?**

Adopting a “net” compensation rate approach would involve greater administrative effort and therefore cost.

Any changes made by the Federal Government to the Canada Pension Plan or Unemployment Insurance and any changes made by the Federal or Provincial Governments to income tax would require immediate incorporation into the “net” income calculations.<sup>104</sup>

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<sup>100</sup> See Richard B. Victor and Charles A. Fleischman, Designing Benefit Structures for Temporary Disability - A Guide for Policymakers, (Cambridge, Massachusetts: Workers' Compensation Research Institute, December, 1989). This publication was also summarized in the WCRI Research Brief, Volume 5, Number 11 (November 1989).

<sup>101</sup> By “income replacement rate”, the authors meant the “percentage of a worker’s after-tax income that is replaced by workers’ compensation benefits.”

<sup>102</sup> See, for example, the most recent studies of “Income Replacement in Maine”, WCRI Research Brief, Volume 12, Number 2S (December 1996) and “Income Replacement in Arkansas”, WCRI Research Brief, Volume 12, Number 3S (December 1996).

<sup>103</sup> In “Income Replacement in Maine,” the authors noted that a change in benefit structure had resulted in about 6 percent of injured workers receiving more than 100% of their lost after-tax earnings, as opposed to 8 percent under the previous structure. They concluded that “in reducing the number of injured workers who receive benefits higher than their after-tax earnings, the current system reduces the number of injured workers with a disincentive to return to work.”

<sup>104</sup> Changes affecting calculations could be accommodated administratively. However, if the Federal Government decided to tax workers' compensation payments, immediate legislative changes would be required to change the “net” income concept.

The inquiry necessary to establish a worker's "net earnings" would be in addition to the normal inquiry to determine gross earnings. The amount of extra administrative work would depend upon the extent of the additional inquiry the WCB would be required to make.

In the jurisdictions that have adopted a "net" approach, "net earnings" are generally calculated by subtracting probable income tax, probable unemployment insurance premiums and probable Canada Pension Plan contributions from gross earnings.

Calculating probable income tax is the most problematic component of this inquiry. The actual deductions for income tax, and CPP for different wage levels and different numbers of dependants can be computerized in the form of schedules each year. However, determining the number of each worker's dependants for purposes of calculating income tax has been potentially very time-consuming.

WCBs inquiring into the worker's actual situation are faced with a number of issues:

- how to determine the status of dependants at the time of injury, i.e., whether to rely on the employer's information (as submitted by the worker on the worker's TD1) the worker's information (since some workers with dependants claim single status on their TD1 as a form of enforced savings), how to resolve differences and so on,
- how to identify and what to do about changes in dependants' status during the course of the claims,
- what calculations should be done at the recurrence of disability.

It should be noted, however, that the situation has become somewhat less complicated since the Federal Government replaced the deduction for children with a tax credit for lower income taxpayers.

Some jurisdictions have developed administrative short cuts to this process. Alberta's short cut is statutory. In Alberta, all workers are entitled to 1.5 times the Basic Personal Exemption and no inquiry is made into the worker's actual dependants.

At the time the legislation was adopted in the early 1980s, the Alberta Board explained the logic of the 1.5 Basic Personal Exemption as follows:

- 1.5 times Basic Personal Exemption was slightly in excess of the average for Alberta taxpayers with earnings greater than \$10,000,
- for long-term claims, the changing status of workers' dependants tended to average out at about 1.5,<sup>105</sup>

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<sup>105</sup> This ground may no longer apply due to the replacement of the deductions for children with the Child Tax Credit.

- the use of 1.5 was inherently simple for 85% of time loss claims which were under 30 days of time loss,
- the actual variance from “net” income using 1.5 was minimal, and
- 1.5 favoured low wage earners, but married, higher wage earners also benefited in the long run by having a reduction of taxable income.

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## Appendix "A" - Statutory References

1979

WORKERS COMPENSATION

RS CHAP. 437

### WORKERS COMPENSATION ACT

#### CHAPTER 437

##### Permanent total disability

22. (1) Where permanent total disability results from the injury, the compensation shall be a periodic payment to the injured worker equal in amount to 75% of his average earnings, and shall be payable during the lifetime of the worker.

(2) The compensation awarded under this section shall not be less than \$325 per month.

[Note: \$325 amount changed periodically by regulation pursuant to section 25(4).]  
1968-59-23; 1972-64-13; 1974-101-1, 18.

##### Permanent partial disability or disfigurement

23. (1) Where permanent partial disability results from the injury, the impairment of earning capacity shall be estimated from the nature and degree of the injury, and the compensation shall be a periodic payment to the injured worker of a sum equal to 75% of the estimated loss of average earnings resulting from the impairment, and shall be payable during the lifetime of the worker or in another manner the board determines.

(2) The board may compile a rating schedule of percentages of impairment of earning capacity for specified injuries or mutilations which may be used as a guide in determining the compensation payable in permanent disability cases.

(3) Where the board considers it more equitable, it may award compensation for permanent disability having regard to the difference between the average weekly earnings of the worker before the injury and the average amount which he is earning or is able to earn in some suitable occupation after the injury, and the compensation shall be a periodic payment of 75% of the difference, and regard shall be had to the worker's fitness to continue in the occupation in which he was injured or to adapt himself to some other suitable employment or business.

(4) Where permanent partial disability results from the injury, the minimum compensation awarded shall be calculated in the same manner as provided by section 29(2) for temporary total disability but to the extent only of the partial disability.

(5) Where the worker has suffered a serious and permanent disfigurement which the board considers is capable of impairing his earning capacity, a lump sum in compensation may be paid, although the amount the worker was earning before the injury has not been diminished.

1968-59-24; 1972-64-14; 1974-101-1.

##### Temporary total disability

29. (1) Where temporary total disability results from the injury, the compensation shall be the same as that prescribed by section 22, but is payable only so long as the disability lasts.

(2) The compensation awarded under this section shall not be less than an amount equal to \$75 per week, unless the worker's average earnings are less than that sum per week, in which case he shall receive compensation in an amount equal to his average earnings. [Note: \$75 amount changed periodically by regulation pursuant to section 25 (4).]  
1968-59-27; 1974-101-1, 20A.

##### Temporary partial disability

**30.** (1) Where temporary partial disability results from the injury, the compensation shall be a periodic payment to the injured worker equal in amount to 75% of the difference between the average earnings of the worker before the injury and the average amount which he is earning or is able to earn in some suitable employment or business after the injury, and shall be payable only so long as the disability lasts.

(2) Where temporary partial disability results from the injury, the minimum compensation awarded shall be calculated in the same manner as prescribed by section 29(2) for temporary total disability but to the extent only of the partial disability.

1968-59-28; 1974-101-1.

### **Average earnings**

**33. ....**

(6) Until changed under subsection (7), the maximum wage rate under subsection (1) is \$11,200 per year. [*Note: see subsection (10).*]

(7) Prior to the end of each calendar year, the board shall determine the maximum wage rate to be applicable for the following calendar year.

(8) The maximum wage rate to be determined under subsection (7) shall be an amount that the board thinks represents the same relationship to the sum of \$11,200 as the annual average of wages and salaries in the Province for the year preceding that in which the determination is made bears to the annual average of wages and salaries for the year 1972; and the resulting figure may be rounded to the nearest \$100. [*Note: see subsection (10).*]

(9) For the purpose of determining annual average of wages and salaries under subsection (8), the board may use data published or supplied by Statistics Canada.

(10) Where a worker is injured after December 31, 1985, the references in subsections (6) and (8) to 1972 shall be read as a reference to 1984. [*Note: The maximum wage rate applicable for the year 1994 is \$51,300, as determined by the board and set out in the Workers' Compensation Reporter of May 25, 1993.*]

1968-59-31; 1972-64-16; 1974-101-1, 22; 1985-87-1.

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## APPENDIX "B"- Excerpts from 1987 Manitoba Report

### Majority Findings

It is the view of the majority that a 90 per cent replacement of net income is preferable for several basic reasons. Firstly, there is the question of whether workers' compensation was ever intended to provide full compensation for all losses, i.e., to a no-fault plan which theoretically pays every claim irrespective of whether an injury meets the common-law rules of proof of negligence. Additional to the question of whether compensation was ever intended to provide full income replacement, is the question of whether the program **should** provide full replacement. We will not make the argument that too high a replacement level leads to an unwillingness of workers to return to work. The statistics prove that the vast majority of workers who are injured are off work only so long as instructed by their doctors, returning voluntarily when advised to do so by their doctors. The compensation plan could not work if experience was otherwise. We do express the view, however, that a compensation system is being fair, given the guarantee of no-fault coverage to workers, by replacing income at the rate of 90 per cent of net income.

A second major consideration in choosing the figure of 90 per cent of net income has to do with the totality of recommendations made in the body of this Report. Although we have not costed all of our recommendations (for a combination of reasons, the Board's inability to provide certain raw data, the cost the Board placed on our receiving data, time constraints, etc.), we are aware that many of the recommendations will have costs involved. We do not apologize for this; indeed, we are convinced that the recommendations are needed to improve the system, especially as it relates to the treatment of long-term claimants. On the other hand, we believe that other of our recommendations will improve the efficiency of the compensation system, resulting in a savings over what is being presently expended. When taken in aggregate, we believe that the recommendation to provide replacement at 90 per cent of net income balances with the other recommendations in the total package.

On this point, we wish it made clear that the recommendation for replacement at the level of 90 per cent of net income will result in an overall **saving** of approximately 10 per cent when compared with the present formula of 75 percent of gross. We base this statement on actuarial projections made in other jurisdictions which faced the same question of whether to move to 90 per cent of net. We mention this savings for two reasons. Firstly, the savings from moving to a 90 per cent of net formula would be offset by other of the recommendations which we

have made. Secondly, if the government adopts the 90 per cent of net formula without adopting our other recommendations, or if the Board fails to institute our recommendations, there will be an approximate 10 per cent savings in compensation costs, without the counterbalancing improvements in program. We would be displeased to see that occur.

A third though less important factor in the decision to recommend 90 per cent of net is the argument that being off work is less expensive for the worker than being at work. The normal employment expenses (so goes this argument) of travel, meals, wear and tear on clothing, etc. are not paid out by a worker who is off work and on compensation. Thus, a replacement at less than 100 per cent of net is appropriate.

Finally, there is the consideration that all other provinces which have adopted a net income approach have chosen the 90 per cent formula. We realize that if the initial decision to choose 90 per cent of net was a bad decision, we will be following along with a bad decision. However, we do not believe that but rather are of the opinion that Manitoba should not be too far out of step with what is occurring in other provinces.

Mr. King and Mr. Farrell wish it known that they fully understand that replacement at 90 per cent of net income would mean that most workers would see a drop in their compensation payments on future claims. However, for the reasons previously outlined, they do not believe such a situation to be unfair.

### **Minority Findings**

My colleagues are not unique in believing the 90 per cent of net funds to be a fair proportion. As well as having the almost universal support of employers (the only exceptions being those who favour an even lower benefit level), this position is supported by most compensation boards and by The Association of Workers' Compensation Boards of Canada.

These organizations argue that the 90 per cent of net proposal is fair in that it prevents overcompensation. What they do not often mention, is that it also represents an approximate saving to compensation boards of an estimated 10 per cent over the 75 per cent of gross earnings formula. The precise amount of the saving will depend on where the level of maximum insurable earnings (the "ceiling") is set. When the Saskatchewan Workers' Compensation Board changed from a 75 per cent gross to a 90 per cent of net formula for the calculation of benefits, they concurrently increased the ceiling from \$32,000 to \$48,000 per year. They still realized a saving of ten per cent. In this way, injured workers in

Saskatchewan have subsidized employers, since lower benefits levels mean less rapid increases in employer assessments. ....

Whatever the stated goals of those who support the 90 per cent of net proposal, the result will be reduced benefits for most injured workers in Manitoba. The problem of "over-compensation" is best addressed, I believe, by paying injured workers in receipt of temporary total disability benefits 100 per cent of their net earnings, and ensuring that all pension and benefit contributions continue during the period of total disability. This would ensure that injured workers are neither better nor worse off than their non-injured co-workers.

There are three major arguments which have been raised against setting temporary total disability benefits at 100 per cent of net earnings. They are as follows:

- 1) the presumed need for an economic disincentive to stop "malingering",
- 2) the argument that injured workers do not bear the normal expense of employment, and
- 3) affordability for employers.

The economic disincentive argument hypothesizes that unless injured workers receive less in benefits than they would at work, they will have no incentive to return to work. I do not accept this hypothesis. I do not believe, from my reading of the relevant literature in rehabilitation, that this hypothesis has been empirically demonstrated. I believe that it is based on a rather simplistic, carrot-and-stick approach to human behaviour. For a multitude of reasons, including the need for social companionship, personal satisfaction and self-identity, most of us want to work. The compensation system has sufficient authority to terminate the benefits of those who feign total disability, without imposing a blanket financial penalty on all injured workers.

It is true that injured workers do not bear some employment expenses. Auto expenses and lunch expense, for example, may be reduced or eliminated. However, this should not be a consideration in the calculation of compensation benefits, except in those cases where the employer pays an allowance for expenses (for instance, a car allowance or per diem payment). Whether a worker drives to work, takes the bus or participates in a car pool, and whether s/he buys lunch or packs a lunch, is certainly a private matter. To some extent, therefore, expenses related to employment can be controlled by the individual. The worker who drives 50 kilometers a day to work, and the worker who takes a five-minute bus ride to the same plant to do the same job, will earn identical wages but will have very different employment expenses. Unless these expenses are

acknowledged by the employer, in the form of a special payment, they should not be considered in the settling of compensation benefits.

Secondly, there are expenses associated with disability, for which compensation benefits are not paid. Injured workers often require assistance in activities such as snow-shovelling, home repairs and maintenance, etc. We have proposed, elsewhere in this Report, that permanently disabled workers receive an "independence allowance" to assist with those additional costs. However, temporarily disabled workers, and those not yet determined permanently disabled, would not receive this allowance. Under my colleagues' proposal, these injured workers would be forced to bear those additional costs, while, at the same time, receiving 10 per cent less in benefits than they would in normal take-home pay.

Finally employers argue that to pay more than 90 per cent of net earnings would make the system unaffordable. Yet, the 90 per cent of net proposal will not result in **reduced** social costs, but rather in a reallocation of costs, from employers to injured workers. It is they and their families who will bear the financial burden of any reduction in benefit levels.

### **APPENDIX “C” - “Net Income” Calculations**

<b>Table 1</b>	Canada Pension Plan Contributions Payable, 1996
<b>Table 2</b>	Unemployment Insurance Premiums Payable, 1996
<b>Table 3A</b>	Income Tax Payable by a Single Worker with No Dependents, 1996
<b>Table 3B</b>	Income Tax Payable by a Married Worker with a Non-Working Spouse or a Single Worker with One Child, 1996
<b>Table 4A</b>	Net Income - Single Worker with No Dependents, 1996
<b>Table 4B</b>	Net Income - Married Worker with a Non-Working Spouse or a Single Worker with One Child, 1996
<b>Table 4C</b>	Net Incomes at Statutory Maximum Earnings, 1996
<b>Table 5A</b>	75% Gross Compensation as a % of Net Income - Single Worker with No Dependents, 1996
<b>Table 5B</b>	75% Gross Compensation as a % of Net Income - Married Worker with a Non-Working Spouse or a Single Worker with One Child, 1996
<b>Table 6A</b>	Gross/Net Comparison - Single Worker with No Dependents
<b>Table 6B</b>	Gross/Net Comparison - Married Worker with a Non-Working Spouse or a Single Worker with One Child, 1996
<b>Table 7</b>	Average Wage Distribution for Short Term Disability Claimants 1994/1995

Explanatory Notes: Tables 1, 2, 3A and 3B set out the deductions used in calculating “Net Income” in Tables 4A and 4B. Tables 5A and 5B show how the compensation received under the current “75% gross” approach compares with that “Net Income”. Tables 6A and 6B show how compensation under the “90% net” approach (using the “Net Income” calculated in Tables 4A and 4B) would differ from the compensation currently received under the “75% gross” approach. Table 7 sets out the average wage distribution of WCB short term disability claimants 1994/95.

**Table 1**  
**Canada Pension Plan Contributions Payable, 1996**

<b>YEARLY GROSS INCOME</b>	<b>MONTHLY GROSS INCOME</b>	<b>CPP MONTHLY</b>	<b>CPP ANNUALLY</b>
\$9,999.00	\$833.25	\$15.16	\$181.92
\$11,000.00	\$916.67	\$17.50	\$210.00
\$13,000.00	\$1,083.33	\$22.17	\$266.04
\$15,000.00	\$1,250.00	\$26.83	\$321.96
\$17,000.00	\$1,416.67	\$31.50	\$378.00
\$19,000.00	\$1,583.33	\$36.17	\$434.04
\$21,000.00	\$1,750.00	\$40.83	\$489.96
\$23,000.00	\$1,916.67	\$45.50	\$546.00
\$25,000.00	\$2,083.33	\$50.17	\$602.04
\$27,000.00	\$2,250.00	\$54.83	\$657.96
\$29,000.00	\$2,416.67	\$59.50	\$714.00
\$31,000.00	\$2,583.33	\$64.17	\$770.04
\$33,000.00	\$2,750.00	\$68.83	\$825.96
\$35,000.00	\$2,916.67	\$73.50	\$882.00
\$37,000.00	\$3,083.33		\$893.20
\$39,000.00	\$3,250.00		\$893.20
\$41,000.00	\$3,416.67		\$893.20
\$43,000.00	\$3,583.33		\$893.20
\$45,000.00	\$3,750.00		\$893.20
\$47,000.00	\$3,916.67		\$893.20
\$49,000.00	\$4,083.33		\$893.20
\$51,000.00	\$4,250.00		\$893.20
\$53,000.00	\$4,416.67		\$893.20
\$55,000.00	\$4,583.33		\$893.20
\$57,000.00	\$4,750.00		\$893.20
\$59,000.00	\$4,916.67		\$893.20
\$61,000.00	\$5,083.33		\$893.20
\$63,000.00	\$5,250.00		\$893.20
\$65,000.00	\$5,416.67		\$893.20
\$67,000.00	\$5,583.33		\$893.20
\$69,000.00	\$5,750.00		\$893.20
\$75,000.00	\$6,250.00		\$893.20

## Notes:

1. The above calculations are based upon the Payroll Deduction Tables Effective January 1, 1996, published by Revenue Canada.
2. "Yearly" salaries have been converted to "Monthly" salaries and the deductions found at pp. B-35 to B-61 of the Tables applied.
3. As of January 1, 1996, CPP deductions were based upon 2.8% of income, with the maximum pensionable earnings for the year of \$35,400.00 and a basic exemption of \$3,500.00.
4. The maximum yearly employee contribution effective January, 1996 was \$893.20. Monthly CPP deductions have not been shown for incomes in respect of which the maximum is payable.

**Table 2**  
**Unemployment Insurance Premiums Payable, 1996**

<b>YEARLY GROSS INCOME</b>	<b>MONTHLY GROSS INCOME</b>	<b>UIC MONTHLY</b>	<b>UIC ANNUALLY</b>
\$9,999.00	\$833.25	\$24.58	\$294.96
\$11,000.00	\$916.67	\$27.04	\$324.48
\$13,000.00	\$1,083.33	\$31.96	\$383.52
\$15,000.00	\$1,250.00	\$36.88	\$442.56
\$17,000.00	\$1,416.67	\$41.79	\$501.48
\$19,000.00	\$1,583.33	\$46.71	\$560.52
\$21,000.00	\$1,750.00	\$51.63	\$619.56
\$23,000.00	\$1,916.67	\$56.54	\$678.48
\$25,000.00	\$2,083.33	\$61.46	\$737.52
\$27,000.00	\$2,250.00	\$66.38	\$796.56
\$29,000.00	\$2,416.67	\$71.29	\$855.48
\$31,000.00	\$2,583.33	\$76.21	\$914.52
\$33,000.00	\$2,750.00	\$81.13	\$973.56
\$35,000.00	\$2,916.67	\$86.04	\$1,032.48
\$37,000.00	\$3,083.33	\$90.96	\$1,091.52
\$39,000.00	\$3,250.00	\$95.88	\$1,150.50
\$41,000.00	\$3,416.67		\$1,150.50
\$43,000.00	\$3,583.33		\$1,150.50
\$45,000.00	\$3,750.00		\$1,150.50
\$47,000.00	\$3,916.67		\$1,150.50
\$49,000.00	\$4,083.33		\$1,150.50
\$51,000.00	\$4,250.00		\$1,150.50
\$53,000.00	\$4,416.67		\$1,150.50
\$55,000.00	\$4,583.33		\$1,150.50
\$57,000.00	\$4,750.00		\$1,150.50
\$59,000.00	\$4,916.67		\$1,150.50
\$61,000.00	\$5,083.33		\$1,150.50
\$63,000.00	\$5,250.00		\$1,150.50
\$65,000.00	\$5,416.67		\$1,150.50
\$67,000.00	\$5,583.33		\$1,150.50
\$69,000.00	\$5,750.00		\$1,150.50
\$75,000.00	\$6,250.00		\$1,150.50

## Notes:

1. The above calculations are based upon the Payroll Deduction Tables Effective January 1, 1996, published by Revenue Canada.
2. "Yearly" salaries have been converted to "Monthly" salaries and the deductions at pp. C-1 to C-40 of the Tables applied.
3. As of January 1, 1996, UIC deductions were based upon 2.95% of income, with maximum insurable earnings for the year of \$39,000.
4. The maximum yearly employee contribution effective January 1, 1996 was \$1150.50. Monthly UIC deductions have not been shown for incomes in respect of which the maximum is payable.

**Table 3A**  
**Income Tax Payable by a Single Worker With No Dependants, 1996**

YEARLY GROSS INCOME	MONTHLY GROSS INCOME	INCOME TAX	
		MONTHLY	ANNUALLY
\$9,999.00	\$833.25	\$68.50	\$822.00
\$11,000.00	\$916.67	\$88.40	\$1,060.80
\$13,000.00	\$1,083.33	\$132.00	\$1,584.00
\$15,000.00	\$1,250.00	\$172.35	\$2,068.20
\$17,000.00	\$1,416.67	\$212.75	\$2,553.00
\$19,000.00	\$1,583.33	\$253.10	\$3,037.20
\$21,000.00	\$1,750.00	\$297.95	\$3,575.40
\$23,000.00	\$1,916.67	\$338.30	\$4,059.60
\$25,000.00	\$2,083.33	\$375.20	\$4,502.40
\$27,000.00	\$2,250.00	\$417.55	\$5,010.60
\$29,000.00	\$2,416.67	\$459.90	\$5,518.80
\$31,000.00	\$2,583.33	\$517.95	\$6,215.40
\$33,000.00	\$2,750.00	\$584.10	\$7,009.20
\$35,000.00	\$2,916.67	\$650.25	\$7,803.00
\$37,000.00	\$3,083.33	\$717.40	\$8,608.80
\$39,000.00	\$3,250.00	\$784.90	\$9,418.80
\$41,000.00	\$3,416.67	\$853.60	\$10,243.20
\$43,000.00	\$3,583.33	\$922.35	\$11,068.20
\$45,000.00	\$3,750.00	\$977.35	\$11,728.20
\$47,000.00	\$3,916.67	\$1,057.00	\$12,684.00
\$49,000.00	\$4,083.33	\$1,120.05	\$13,440.60
\$51,000.00	\$4,250.00	\$1,183.10	\$14,197.20
\$53,000.00	\$4,416.67	\$1,246.20	\$14,954.40
\$55,000.00	\$4,583.33	\$1,332.50	\$15,990.00
\$57,000.00	\$4,750.00	\$1,402.00	\$16,824.00
\$59,000.00	\$4,916.67	\$1,471.45	\$17,657.40
\$61,000.00	\$5,083.33	\$1,548.30	\$18,579.60
\$63,000.00	\$5,250.00	\$1,625.80	\$19,509.60
\$65,000.00	\$5,416.67	\$1,731.35	\$20,776.20
\$67,000.00	\$5,583.33	\$1,811.10	\$21,733.20
\$69,000.00	\$5,750.00	\$1,890.85	\$22,690.20
\$75,000.00	\$6,250.00	\$2,156.60	\$25,879.20

## Notes:

1. The above calculations are based upon the Payroll Deduction Tables Effective January 1, 1996, published by Revenue Canada.
2. "Yearly" salaries have been converted to "Monthly" salaries and the tax deductions at pp. D-19 to D-24 of the Tables applied.
3. The tax deductions reflect federal tax credits for Canada Pension Plan contributions and Unemployment Insurance premiums, as well as federal and provincial taxes and surtaxes.
4. The above calculations assume:
  - (a) \$6456 personal exemption.
  - (b) Claim Code 1 on TD1E.

**Table 3B**  
**Income Tax Payable by a Married Worker with a Non-Working Spouse,**  
**or a Single Worker with One Child, 1996**

YEARLY GROSS INCOME	MONTHLY GROSS INCOME	INCOME TAX	
		MONTHLY	ANNUALLY
\$9,999.00	\$833.25		
\$11,000.00	\$916.67		
\$13,000.00	\$1,083.33	\$10.05	\$120.60
\$15,000.00	\$1,250.00	\$50.40	\$604.80
\$17,000.00	\$1,416.67	\$90.75	\$1,089.00
\$19,000.00	\$1,583.33	\$131.15	\$1,573.80
\$21,000.00	\$1,750.00	\$176.00	\$2,112.00
\$23,000.00	\$1,916.67	\$216.35	\$2,596.20
\$25,000.00	\$2,083.33	\$253.20	\$3,038.40
\$27,000.00	\$2,250.00	\$295.55	\$3,546.60
\$29,000.00	\$2,416.67	\$337.95	\$4,055.40
\$31,000.00	\$2,583.33	\$396.00	\$4,752.00
\$33,000.00	\$2,750.00	\$462.15	\$5,545.80
\$35,000.00	\$2,916.67	\$528.30	\$6,339.60
\$37,000.00	\$3,083.33	\$595.45	\$7,145.40
\$39,000.00	\$3,250.00	\$662.90	\$7,954.80
\$41,000.00	\$3,416.67	\$731.65	\$8,779.80
\$43,000.00	\$3,583.33	\$800.40	\$9,604.80
\$45,000.00	\$3,750.00	\$855.35	\$10,264.20
\$47,000.00	\$3,916.67	\$935.00	\$11,220.00
\$49,000.00	\$4,083.33	\$998.10	\$11,977.20
\$51,000.00	\$4,250.00	\$1,061.15	\$12,733.80
\$53,000.00	\$4,416.67	\$1,124.20	\$13,490.40
\$55,000.00	\$4,583.33	\$1,208.30	\$14,499.60
\$57,000.00	\$4,750.00	\$1,271.40	\$15,256.80
\$59,000.00	\$4,916.67	\$1,334.45	\$16,013.40
\$61,000.00	\$5,083.33	\$1,409.85	\$16,918.20
\$63,000.00	\$5,250.00	\$1,487.30	\$17,847.60
\$65,000.00	\$5,416.67	\$1,590.60	\$19,087.20
\$67,000.00	\$5,583.33	\$1,668.70	\$20,024.40
\$69,000.00	\$5,750.00	\$1,748.40	\$20,980.80
\$75,000.00	\$6,250.00	\$2,014.20	\$24,170.40

## Notes:

1. The above calculations are based upon the Payroll Deduction Tables Effective January 1, 1996, published by Revenue Canada.
2. "Yearly" salaries have been converted to "Monthly" salaries and the tax deductions at pp. D-19 to D-24 of the Tables applied.
3. The tax deductions reflect federal tax credits for Canada Pension Plan contributions and Unemployment Insurance premiums, as well as federal and provincial taxes and surtaxes.
4. No Income Tax is payable at the \$9999.00 or \$11,000.00 levels.
5. The above calculations assume:
  - (a) \$6456 personal exemption, \$5380 spouse/equivalent to spouse exemption.
  - (b) Code 5 on TD1E.

**Table 4A**  
**Net Income - Single Worker With No Dependants, 1996**

<b>YEARLY GROSS INCOME</b>	<b>CPP</b>	<b>UIC</b>	<b>INCOME TAX</b>	<b>YEARLY NET INCOME</b>
\$9,999	\$182	\$295	\$822	\$8,700
\$11,000	\$210	\$324	\$1,061	\$9,405
\$13,000	\$266	\$384	\$1,584	\$10,766
\$15,000	\$322	\$443	\$2,068	\$12,167
\$17,000	\$378	\$501	\$2,553	\$13,568
\$19,000	\$434	\$561	\$3,037	\$14,968
\$21,000	\$490	\$620	\$3,575	\$16,315
\$23,000	\$546	\$678	\$4,060	\$17,716
\$25,000	\$602	\$738	\$4,502	\$19,158
\$27,000	\$658	\$797	\$5,011	\$20,534
\$29,000	\$714	\$855	\$5,519	\$21,912
\$31,000	\$770	\$915	\$6,215	\$23,100
\$33,000	\$826	\$974	\$7,009	\$24,191
\$35,000	\$882	\$1,032	\$7,803	\$25,283
\$37,000	\$893	\$1,092	\$8,609	\$26,406
\$39,000	\$893	\$1,151	\$9,419	\$27,537
\$41,000	\$893	\$1,151	\$10,243	\$28,713
\$43,000	\$893	\$1,151	\$11,068	\$29,888
\$45,000	\$893	\$1,151	\$11,728	\$31,228
\$47,000	\$893	\$1,151	\$12,684	\$32,272
\$49,000	\$893	\$1,151	\$13,441	\$33,515
\$51,000	\$893	\$1,151	\$14,197	\$34,759
\$53,000	\$893	\$1,151	\$14,954	\$36,002
\$55,000	\$893	\$1,151	\$15,990	\$36,966
\$57,000	\$893	\$1,151	\$16,824	\$38,132
\$59,000	\$893	\$1,151	\$17,657	\$39,299
\$61,000	\$893	\$1,151	\$18,580	\$40,376
\$63,000	\$893	\$1,151	\$19,510	\$41,446
\$65,000	\$893	\$1,151	\$20,776	\$42,180
\$67,000	\$893	\$1,151	\$21,733	\$43,223
\$69,000	\$893	\$1,151	\$22,690	\$44,266
\$75,000	\$893	\$1,151	\$25,879	\$47,077

Notes:

1. Net Income = Annual Salary less (CPP + UIC + Income Tax)

**Table 4B**  
**Net Income - Married Worker With a Non-Working Spouse,**  
**or Single Worker With One Child, 1996**

<b>YEARLY GROSS INCOME</b>	<b>CPP</b>	<b>UIC</b>	<b>INCOME TAX</b>	<b>YEARLY NET INCOME</b>
\$9,999	\$182	\$295		\$9,522
\$11,000	\$210	\$324		\$10,466
\$13,000	\$266	\$384	\$121	\$12,229
\$15,000	\$322	\$443	\$605	\$13,630
\$17,000	\$378	\$501	\$1,089	\$15,032
\$19,000	\$434	\$561	\$1,574	\$16,431
\$21,000	\$490	\$620	\$2,112	\$17,778
\$23,000	\$546	\$678	\$2,596	\$19,180
\$25,000	\$602	\$738	\$3,038	\$20,622
\$27,000	\$658	\$797	\$3,547	\$21,998
\$29,000	\$714	\$855	\$4,055	\$23,376
\$31,000	\$770	\$915	\$4,752	\$24,563
\$33,000	\$826	\$974	\$5,546	\$25,654
\$35,000	\$882	\$1,032	\$6,340	\$26,746
\$37,000	\$893	\$1,092	\$7,145	\$27,870
\$39,000	\$893	\$1,151	\$7,955	\$29,001
\$41,000	\$893	\$1,151	\$8,780	\$30,176
\$43,000	\$893	\$1,151	\$9,605	\$31,351
\$45,000	\$893	\$1,151	\$10,264	\$32,692
\$47,000	\$893	\$1,151	\$11,220	\$33,736
\$49,000	\$893	\$1,151	\$11,977	\$34,979
\$51,000	\$893	\$1,151	\$12,734	\$36,222
\$53,000	\$893	\$1,151	\$13,490	\$37,466
\$55,000	\$893	\$1,151	\$14,500	\$38,456
\$57,000	\$893	\$1,151	\$15,257	\$39,699
\$59,000	\$893	\$1,151	\$16,013	\$40,943
\$61,000	\$893	\$1,151	\$16,918	\$42,038
\$63,000	\$893	\$1,151	\$17,848	\$43,108
\$65,000	\$893	\$1,151	\$19,087	\$43,869
\$67,000	\$893	\$1,151	\$20,024	\$44,932
\$69,000	\$893	\$1,151	\$20,981	\$45,975
\$75,000	\$893	\$1,151	\$24,170	\$48,786

Notes:

1. Net Income = Annual Salary less (CPP + UIC + Income Tax)

**Table 4C**  
**- Net Incomes at Statutory Maximum Earnings, 1996**

**Yearly Net Income at Maximum for a Single Worker**

1996 Statutory Maximum = \$54,200

CPP = \$ 893

UIC = \$1151

Income Tax = \$1288.25/month  
= \$15,459/year

Net Income for \$54,200 = \$36,697

**Yearly Net Income at Maximum for a Married Worker**

1996 Statutory Maximum = \$54,200

CPP = \$ 893

UIC = \$1151

Income Tax = \$1166.25/month  
= \$13,995/year

Net Income for \$54,200 = \$38,161

**Table 5A**  
**75% Gross Compensation as % of Net Income**  
**- Single Worker With No Dependents, 1996**

<b>YEARLY GROSS INCOME</b>	<b>75% GROSS (OR MINIMUM) COMPENSATION</b>	<b>YEARLY NET INCOME</b>	<b>75% GROSS COMPENSATION AS % OF NET INCOME</b>
\$9,999	\$9,999	\$8,700	115%
\$11,000	\$11,000	\$9,405	117%
\$13,000	\$13,000	\$10,766	121%
\$15,000	\$14,235	\$12,167	117%
\$17,000	\$14,235	\$13,568	105%
\$19,000	\$14,250	\$14,968	95%
\$21,000	\$15,750	\$16,315	96%
\$23,000	\$17,250	\$17,716	97%
\$25,000	\$18,750	\$19,158	98%
\$27,000	\$20,250	\$20,534	99%
\$29,000	\$21,750	\$21,912	99%
\$31,000	\$23,250	\$23,100	101%
\$33,000	\$24,750	\$24,191	102%
\$35,000	\$26,250	\$25,253	104%
\$37,000	\$27,750	\$26,406	105%
\$39,000	\$29,250	\$27,537	106%
\$41,000	\$30,750	\$28,713	107%
\$43,000	\$32,250	\$29,888	108%
\$45,000	\$33,750	\$31,228	108%
\$47,000	\$35,250	\$32,272	109%
\$49,000	\$36,750	\$33,515	110%
\$51,000	\$38,250	\$34,759	110%
\$53,000	\$39,750	\$36,002	110%
\$55,000	\$40,650	\$36,966	110%
\$57,000	\$40,650	\$38,132	107%
\$59,000	\$40,650	\$39,299	103%
\$61,000	\$40,650	\$40,376	101%
\$63,000	\$40,650	\$41,446	98%
\$65,000	\$40,650	\$42,180	96%
\$67,000	\$40,650	\$43,223	94%
\$69,000	\$40,650	\$44,266	92%
\$75,000	\$40,650	\$47,077	86%

**Table 5B**  
**- 75% Gross Compensation as % of Net Income**  
**- Married Worker With a Non-Working Spouse,**  
**or Single Worker With One Child, 1996**

<b>YEARLY GROSS INCOME</b>	<b>75% GROSS (OR MINIMUM) COMPENSATIO</b>	<b>YEARLY NET INCOME</b>	<b>75% GROSS COMPENSATION AS % OF NET INCOME</b>
\$9,999	\$9,999	\$9,522	105%
\$11,000	\$11,000	\$10,466	105%
\$13,000	\$13,000	\$12,229	106%
\$15,000	\$14,235	\$13,630	104%
\$17,000	\$14,235	\$15,032	95%
\$19,000	\$14,250	\$16,431	87%
\$21,000	\$15,750	\$17,778	89%
\$23,000	\$17,250	\$19,180	90%
\$25,000	\$18,750	\$20,622	91%
\$27,000	\$20,250	\$21,998	92%
\$29,000	\$21,750	\$23,376	93%
\$31,000	\$23,250	\$24,563	95%
\$33,000	\$24,750	\$25,654	96%
\$35,000	\$26,250	\$26,746	98%
\$37,000	\$27,750	\$27,870	99.6%
\$39,000	\$29,250	\$29,001	101%
\$41,000	\$30,750	\$30,176	102%
\$43,000	\$32,250	\$31,351	103%
\$45,000	\$33,750	\$32,692	103%
\$47,000	\$35,250	\$33,736	104%
\$49,000	\$36,750	\$34,979	105%
\$51,000	\$38,250	\$36,222	106%
\$53,000	\$39,750	\$37,466	106%
\$55,000	\$40,650	\$38,456	106%
\$57,000	\$40,650	\$39,699	102%
\$59,000	\$40,650	\$40,943	99%
\$61,000	\$40,650	\$42,038	97%
\$63,000	\$40,650	\$43,108	94%
\$65,000	\$40,650	\$43,869	93%
\$67,000	\$40,650	\$44,932	90%
\$69,000	\$40,650	\$45,975	88%
\$75,000	\$40,650	\$48,786	83%

**Table 6A**  
**Gross/Net Comparison - Single Worker With No Dependents, 1996**

YEARLY GROSS INCOME	75% GROSS (OR MINIMUM)	YEARLY NET INCOME	90% NET (OR MINIMUM)	DIFFERENCE	
				Amount	%
\$9,999	\$9,999	\$8,700	\$8,700	-\$1299	-13.0%
\$11,000	\$11,000	\$9,405	\$9,405	-\$1595	-14.5%
\$13,000	\$13,000	\$10,766	\$10,766	-\$2234	-17.2%
\$15,000	\$14,235	\$12,167	\$12,167	-\$2068	-14.5%
\$17,000	\$14,235	\$13,568	\$13,568	-\$667	-4.7%
\$19,000	\$14,250	\$14,968	\$14,235	-\$15	-0.1%
\$21,000	\$15,750	\$16,315	\$14,684	-\$1066	-6.8%
\$23,000	\$17,250	\$17,716	\$15,944	-\$1306	-7.6%
\$25,000	\$18,750	\$19,158	\$17,242	-\$1508	-8.0%
\$27,000	\$20,250	\$20,534	\$18,481	-\$1769	-8.7%
\$29,000	\$21,750	\$21,912	\$19,721	-\$2029	-9.3%
\$31,000	\$23,250	\$23,100	\$20,790	-\$2460	-10.6%
\$33,000	\$24,750	\$24,191	\$21,772	-\$2978	-12.0%
\$35,000	\$26,250	\$25,253	\$22,728	-\$3522	-13.4%
\$37,000	\$27,750	\$26,406	\$23,765	-\$3985	-14.4%
\$39,000	\$29,250	\$27,537	\$24,783	-\$4467	-15.3%
\$41,000	\$30,750	\$28,713	\$25,842	-\$4908	-16.0%
\$43,000	\$32,250	\$29,888	\$26,899	-\$5351	-16.6%
\$45,000	\$33,750	\$31,228	\$28,105	-\$5645	-16.7%
\$47,000	\$35,250	\$32,272	\$29,045	-\$6205	-17.6%
\$49,000	\$36,750	\$33,515	\$30,164	-\$6586	-17.9%
\$51,000	\$38,250	\$34,759	\$31,283	-\$6967	-18.2%
\$53,000	\$39,750	\$36,002	\$32,402	-\$7348	-18.5%
\$55,000	\$40,650	\$36,697	\$33,027	-\$7623	-18.8%
\$57,000	\$40,650	\$36,697	\$33,027	-\$7623	-18.8%
\$59,000	\$40,650	\$36,697	\$33,027	-\$7623	-18.8%
\$61,000	\$40,650	\$36,697	\$33,027	-\$7623	-18.8%
\$63,000	\$40,650	\$36,697	\$33,027	-\$7623	-18.8%
\$65,000	\$40,650	\$36,697	\$33,027	-\$7623	-18.8%
\$67,000	\$40,650	\$36,697	\$33,027	-\$7623	-18.8%
\$69,000	\$40,650	\$36,697	\$33,027	-\$7623	-18.8%
\$75,000	\$40,650	\$36,697	\$33,027	-\$7623	-18.8%

## Notes:

- Minimum compensation during 1996 was:  
January 1 - June 30                   \$272.22  
July 1 - December 31               \$275.27
- This has been converted to an "average" 1996 minimum compensation of \$273.75 weekly and \$14,235 annually.

**Table 6B**  
**Gross/Net Comparison - Married Worker With a Non-Working Spouse,**  
**or Single Worker With One Child, 1996**

YEARLY GROSS INCOME	75% GROSS (OR MINIMUM)	YEARLY NET INCOME	90% NET (OR MINIMUM)	DIFFERENCE	
				Amount	%
\$9,999	\$9,999	\$9,522	\$9,522	-\$477	-4.8%
\$11,000	\$11,000	\$10,466	\$10,466	-\$534	-4.9%
\$13,000	\$13,000	\$12,229	\$12,229	-\$771	-5.9%
\$15,000	\$14,235	\$13,630	\$13,630	-\$605	-4.3%
\$17,000	\$14,235	\$15,032	\$14,235	0	0
\$19,000	\$14,250	\$16,431	\$14,788	+\$553	+3.9%
\$21,000	\$15,750	\$17,778	\$16,000	+\$250	+1.6%
\$23,000	\$17,250	\$19,180	\$17,262	+\$12	+0.1%
\$25,000	\$18,750	\$20,622	\$18,560	-\$190	-1.1%
\$27,000	\$20,250	\$21,998	\$19,798	-\$452	-2.2%
\$29,000	\$21,750	\$23,376	\$21,038	-\$712	-3.3%
\$31,000	\$23,250	\$24,563	\$22,007	-\$1243	-5.3%
\$33,000	\$24,750	\$25,654	\$23,087	-\$1663	-6.7%
\$35,000	\$26,250	\$26,746	\$24,071	-\$2179	-8.3%
\$37,000	\$27,750	\$27,870	\$25,083	-\$2667	-9.6%
\$39,000	\$29,250	\$29,001	\$26,101	-\$3149	-10.8%
\$41,000	\$30,750	\$30,176	\$27,158	-\$3592	-11.7%
\$43,000	\$32,250	\$31,351	\$28,216	-\$4034	-12.5%
\$45,000	\$33,750	\$32,692	\$29,423	-\$4327	-12.8%
\$47,000	\$35,250	\$33,736	\$30,362	-\$4888	-13.9%
\$49,000	\$36,750	\$34,979	\$31,481	-\$5269	-14.3%
\$51,000	\$38,250	\$36,222	\$32,600	-\$5650	-14.8%
\$53,000	\$39,750	\$37,466	\$33,719	-\$6031	-15.2%
\$55,000	\$40,650	\$38,161	\$34,345	-\$6305	-15.5%
\$57,000	\$40,650	\$38,161	\$34,345	-\$6305	-15.5%
\$59,000	\$40,650	\$38,161	\$34,345	-\$6305	-15.5%
\$61,000	\$40,650	\$38,161	\$34,345	-\$6305	-15.5%
\$63,000	\$40,650	\$38,161	\$34,345	-\$6305	-15.5%
\$65,000	\$40,650	\$38,161	\$34,345	-\$6305	-15.5%
\$67,000	\$40,650	\$38,161	\$34,345	-\$6305	-15.5%
\$69,000	\$40,650	\$38,161	\$34,345	-\$6305	-15.5%
\$75,000	\$40,650	\$38,161	\$34,345	-\$6305	-15.5%

## Notes:

- Minimum compensation during 1996 was:  
January 1 - June 30               \$272.22  
July 1 - December 31           \$275.27
- This has been converted to an "average" 1996 minimum compensation of \$273.75 weekly and \$14,235 annually.

**Table 7**  
**Average Wage Distribution for Short Term**  
**Disability Claimants - 1994/1995<sup>1</sup>**

WAGE RANGE <sup>2</sup>	#	%	CUMULATIVE %	CHANGE IN COMPENSATION	
				Single Worker	Married Worker or Single With Child
Less than \$10,000	220	0.3	0.3	-13.0%	-4.8%
\$10,000 - \$11,999	549	0.7	1.0	-14.5%	-4.9%
\$12,000 - \$13,999	1915	2.6	3.6	-17.2%	-5.9%
\$14,000 - \$15,999	3008	4.1	7.7	-14.5%	-4.3%
\$16,000 - \$17,999	3484	4.7	12.4	-4.7%	0
\$18,000 - \$19,999	3027	4.1	16.5	-0.1%	+3.9%
\$20,000 - \$21,999	3613	4.9	21.4	-6.8%	+1.6%
\$22,000 - \$23,999	3123	4.2	25.6	-7.6%	+0.1%
\$24,000 - \$25,999	3235	4.4	30.0	-8.0%	-1.1%
\$26,000 - \$27,999	2850	3.9	33.9	-8.7%	-2.2%
\$28,000 - \$29,999	4066	5.5	39.4	-9.3%	-3.3%
\$30,000 - \$31,999	4525	6.1	45.5	-10.6%	-5.3%
\$32,000 - \$33,999	8442	11.4	56.9	-12.0%	-6.7%
\$34,000 - \$35,999	3813	5.2	62.1	-13.4%	-8.3%
\$36,000 - \$37,999	3670	5.0	67.1	-14.4%	-9.6%
\$38,000 - \$39,999	3663	5.0	72.1	-15.3%	-10.8%
\$40,000 - \$41,999	4288	5.8	77.9	-16.0%	-11.7%
\$42,000 - \$43,999	2942	4.0	81.9	-16.6%	-12.5%
\$44,000 - \$45,999	2789	3.8	85.7	-16.7%	-12.8%
\$46,000 - \$47,999	2577	3.5	89.2	-17.6%	-13.9%
\$48,000 - \$49,999	2189	3.0	92.2	-17.9%	-14.3%
\$50,000 - \$51,999	1680	2.3	94.5	-18.2%	-14.8%
\$52,000 - \$53,999	1172	1.6	96.1	-18.5%	-15.2%
\$54,000 - \$55,999	642	0.9	97.0	-18.8%	-15.5%
\$56,000 - \$57,999	436	0.6	97.6	-18.8%	-15.5%
\$58,000 - \$59,999	305	0.4	98.0	-18.8%	-15.5%
\$60,000 - \$61,999	279	0.4	98.4	-18.8%	-15.5%
\$62,000 - \$63,999	277	0.4	98.8	-18.8%	-15.5%
\$64,000 - \$65,999	188	0.3	99.1	-18.8%	-15.5%
\$66,000 - \$67,999	129	0.2	99.3	-18.8%	-15.5%
\$68,000 - \$69,999	126	0.2	99.5	-18.8%	-15.5%
\$70,000 +	713	1.0	100.5 <sup>3</sup>	-18.8%	-15.5%
	73,935	100.5 <sup>3</sup>			

1. Claims accepted and coded by March 31st of year after injury year.
2. Wage Range = 52.14 x gross weekly wage.
3. Apparent Anomaly of 100.5% (Rather than 100%) due to rounding off.

### **APPENDIX "D" - Total Yearly Income**

This Appendix contains the following "Total Yearly Income" calculations for workers at various gross income levels who have been disabled 3 months, 6 months, 9 months and 12 months during the year:

- Short Term Disability (STD) benefits,
- Net Income received from remaining employment income for the year, and
- Total Income (STD Benefits and Net Employment Income).

The gross income levels are:

\$9,999  
\$15,000  
\$23,000  
\$31,000  
\$39,000  
\$47,000  
\$55,000

Calculations are set out for single workers with no dependants, married workers with non-working spouses and single workers with one child. (The same calculation applies to the latter two types of workers.)

The next page contains a summary of the calculations. The balance of the Appendix consists of working papers.

**SUMMARY -**

**TOTAL YEARLY INCOME  
 (STD BENEFITS PLUS NET EMPLOYMENT INCOME)  
 RECEIVED BY WORKERS WITH VARIOUS PERIODS OF SHORT TERM  
 DISABILITY**

**Single Worker With No Dependants, 1996**

<b>GROSS YEARLY INCOME</b>	<b>Net Yearly Income With No STD</b>	<b>With 3 mos STD</b>	<b>With 6 mos STD</b>	<b>With 9 mos STD</b>	<b>With 12 mos STD</b>
\$9,999	\$8,700	\$9,491	\$9,810	\$9,926	\$9,999
\$15,000	\$12,167	\$13,127	\$14,109	\$14,308	\$14,235
\$23,000	\$17,716	\$18,063	\$18,382	\$18,455	\$17,250
\$31,000	\$23,100	\$23,710	\$24,156	\$24,592	\$23,250
\$39,000	\$27,537	\$29,359	\$29,903	\$30,475	\$29,250
\$47,000	\$32,272	\$34,172	\$35,704	\$36,358	\$35,250
\$55,000	\$36,966	\$39,126	\$41,128	\$41,800	\$40,650

**Married Worker with a Non-Working Spouse, or Single Worker with One Child, 1996**

<b>GROSS YEARLY INCOME</b>	<b>Net Yearly Income With No STD</b>	<b>With 3 mos STD</b>	<b>With 6 mos STD</b>	<b>With 9 mos STD</b>	<b>With 12 mos STD</b>
\$9,999	\$9,522	\$9,667	\$9,810	\$9,926	\$9,999
\$15,000	\$13,630	\$14,260	\$14,285	\$14,308	\$14,235
\$23,000	\$19,180	\$19,526	\$19,562	\$18,455	\$17,250
\$31,000	\$24,563	\$25,174	\$25,619	\$24,840	\$23,250
\$39,000	\$29,001	\$30,822	\$31,367	\$31,226	\$29,250
\$47,000	\$33,736	\$35,635	\$37,168	\$37,610	\$35,250
\$55,000	\$38,456	\$40,589	\$42,592	\$43,263	\$40,650

**TOTAL YEARLY INCOME RECEIVED BY WORKERS WITH VARIOUS  
 PERIODS OF SHORT TERM DISABILITY -  
 Single Worker With No Dependants, 1996**

**Yearly Gross Income - \$9,999**

1. Calculation of STD Benefits

	<b>GROSS INCOME</b>	<b>STD*</b>
No STD	\$9,999	--
3 months STD	\$7,500	\$2,500
6 months STD	\$5,000	\$5,000
9 months STD	\$2,500	\$7,500
12 months STD	--	\$9,999

\* Minimum compensation provision applied -  
 lesser of actual earnings or minimum compensation (\$14,235 annually)  
 = \$9,999 for 1 year STD.

2. Calculation of Net Income Received from Remaining Gross Employment Income

<b>GROSS INCOME</b>	<b>CPP</b>	<b>UIC</b>	<b>INCOME TAX</b>	<b>NET INCOME</b>	<b>NET INCOME AS % OF GROSS INCOME</b>
\$9,999	\$182	\$295	\$822	\$8,700	87%
\$7,500	\$112	\$221	\$176	\$6,991	93.2%
\$5,000	\$42	\$148	--	\$4,810	96.2%
\$2,500	--	\$74	--	\$2,426	97%

3. Calculation of Total Income (STD Benefits + Net Employment Income)

	<b>STD</b>	<b>NET INCOME</b>	<b>TOTAL</b>
No STD	--	\$8,700	\$8,700
3 months STD	\$2,500	\$6,991	\$9,491
6 months STD	\$5,000	\$4,810	\$9,810
9 months STD	\$7,500	\$2,426	\$9,926
12 months STD	\$9,999	--	\$9,999

**TOTAL YEARLY INCOME RECEIVED BY WORKERS WITH VARIOUS PERIODS OF SHORT TERM DISABILITY - Married Worker with a Non-Working Spouse, or Single Worker with One Child, 1996**

**Yearly Gross Income - \$9,999**

1. Calculation of STD Benefits

	<b>GROSS INCOME</b>	<b>STD</b>
No STD	\$9,999	--
3 months STD	\$7,500	\$2,500
6 months STD	\$5,000	\$5,000
9 months STD	\$2,500	\$7,500
12 months STD	--	\$9,999*

\* Minimum compensation provision applied - lesser of actual earnings or minimum compensation (\$14,235 annually) = \$9,999 for 1 year STD.

2. Calculation of Net Income Received from Remaining Gross Employment Income

<b>GROSS INCOME</b>	<b>CPP</b>	<b>UIC</b>	<b>INCOME TAX</b>	<b>NET INCOME</b>	<b>NET INCOME AS % OF GROSS INCOME</b>
\$9,999	\$182	\$295	--	\$9,522	95.2%
\$7,500	\$112	\$221	--	\$7,167	95.6%
\$5,000	\$42	\$148	--	\$4,810	96.2%
\$2,500	--	\$74	--	\$2,426	97%

3. Calculation of Total Income (STD Benefits + Net Employment Income)

	<b>STD</b>	<b>NET INCOME</b>	<b>TOTAL</b>
No STD	--	\$9,522	\$9,522
3 months STD	\$2,500	\$7,167	\$9,667
6 months STD	\$5,000	\$4,810	\$9,810
9 months STD	\$7,500	\$2,426	\$9,926
12 months STD	\$9,999	--	\$9,999

**TOTAL YEARLY INCOME RECEIVED BY WORKERS WITH VARIOUS PERIODS OF SHORT TERM DISABILITY - Single Worker With No Dependants, 1996**

**Yearly Gross Income - \$15,000**

1. Calculation of STD Benefits

	<b>GROSS INCOME</b>	<b>STD*</b>
No STD	\$15,000	--
3 months STD	\$11,250	\$3,559
6 months STD	\$7,500	\$7,118
9 months STD	\$3,750	\$10,676
12 months STD	--	\$14,235

\* Minimum compensation provision applied -  
 lesser of actual earnings or minimum compensation (\$14,235 annually)  
 =\$14,235 for 1 year STD.

2. Calculation of Net Income Received from Remaining Gross Employment Income

<b>GROSS INCOME</b>	<b>CPP</b>	<b>UIC</b>	<b>INCOME TAX</b>	<b>NET INCOME</b>	<b>NET INCOME AS % OF GROSS INCOME</b>
\$15,000	\$322	\$443	\$2,068	\$12,167	81.1%
\$11,250	\$217	\$332	\$1,133	\$9,568	85%
\$7,500	\$112	\$221	\$176	\$6,991	93.2%
\$3,750	\$7	\$111	--	\$3,632	96.9%

3. Calculation of Total Income (STD Benefits + Net Employment Income)

	<b>STD</b>	<b>NET INCOME</b>	<b>TOTAL</b>
No STD	--	\$12,167	\$12,167
3 months STD	\$3,559	\$9,568	\$13,127
6 months STD	\$7,118	\$6,991	\$14,109
9 months STD	\$10,676	\$3,632	\$14,308
12 months STD	\$14,235	--	\$14,235

**TOTAL YEARLY INCOME RECEIVED BY WORKERS WITH VARIOUS PERIODS OF SHORT TERM DISABILITY - Married Worker with a Non-Working Spouse, or Single Worker with One Child, 1996**

**Yearly Gross Income - \$15,000**

1. Calculation of STD Benefits

	<b>GROSS INCOME</b>	<b>STD*</b>
No STD	\$15,000	--
3 months STD	\$11,250	\$3,559
6 months STD	\$7,500	\$7,118
9 months STD	\$3,750	\$10,676
12 months STD	--	\$14,235*

\* Minimum compensation provision applied - lesser of actual earnings or minimum compensation (\$14,235 annually) = \$14,235 for 1 year STD.

2. Calculation of Net Income Received from Remaining Gross Employment Income

<b>GROSS INCOME</b>	<b>CPP</b>	<b>UIC</b>	<b>INCOME TAX</b>	<b>NET INCOME</b>	<b>NET INCOME AS % OF GROSS INCOME</b>
\$15,000	\$322	\$443	\$605	\$13,630	90.9%
\$11,250	\$217	\$332	--	\$10,701	95.1%
\$7,500	\$112	\$221	--	\$7,167	95.6%
\$3,750	\$7	\$111	--	\$3,632	96.9%

3. Calculation of Total Income (STD Benefits + Net Employment Income)

	<b>STD</b>	<b>NET INCOME</b>	<b>TOTAL</b>
No STD	--	\$13,630	\$13,630
3 months STD	\$3,559	\$10,701	\$14,260
6 months STD	\$7,118	\$7,167	\$14,285
9 months STD	\$10,676	\$3,632	\$14,308
12 months STD	\$14,235	--	\$14,235

**TOTAL YEARLY INCOME RECEIVED BY WORKERS WITH VARIOUS PERIODS OF SHORT TERM DISABILITY - Single Worker With No Dependants, 1996**

**Yearly Gross Income - \$23,000**

1. Calculation of STD Benefits

	<b>GROSS INCOME</b>	<b>STD</b>
No STD	\$23,000	--
3 months STD	\$17,250	\$4,313
6 months STD	\$11,500	\$8,625
9 months STD	\$5,750	\$12,938
12 months STD	--	\$17,250

2. Calculation of Net Income Received from Remaining Gross Employment Income

<b>GROSS INCOME</b>	<b>CPP</b>	<b>UIC</b>	<b>INCOME TAX</b>	<b>NET INCOME</b>	<b>NET INCOME AS % OF GROSS INCOME</b>
\$23,000	\$546	\$678	\$4,060	\$17,716	77%
\$17,250	\$385	\$509	\$2,606	\$13,750	79.7%
\$11,500	\$224	\$339	\$1,180	\$9,757	84.8%
\$5,750	\$63	\$170	--	\$5,517	95.9%

3. Calculation of Total Income (STD Benefits + Net Employment Income)

	<b>STD</b>	<b>NET INCOME</b>	<b>TOTAL</b>
No STD	--	\$17,716	\$17,716
3 months STD	\$4,313	\$13,750	\$18,063
6 months STD	\$8,625	\$9,757	\$18,382
9 months STD	\$12,938	\$5,517	\$18,455
12 months STD	\$17,250	--	\$17,250

**TOTAL YEARLY INCOME RECEIVED BY WORKERS WITH VARIOUS PERIODS OF SHORT TERM DISABILITY - Married Worker with a Non-Working Spouse, or Single Worker with One Child, 1996**

**Yearly Gross Income - \$23,000**

1. Calculation of STD Benefits

	<b>GROSS INCOME</b>	<b>STD</b>
No STD	\$23,000	--
3 months STD	\$17,250	\$4,313
6 months STD	\$11,500	\$8,625
9 months STD	\$5,750	\$12,938
12 months STD	--	\$17,250

2. Calculation of Net Income Received from Remaining Gross Employment Income

<b>GROSS INCOME</b>	<b>CPP</b>	<b>UIC</b>	<b>INCOME TAX</b>	<b>NET INCOME</b>	<b>NET INCOME AS % OF GROSS INCOME</b>
\$23,000	\$546	\$678	\$2,596	\$19,180	83.4%
\$17,250	\$385	\$509	\$1,143	\$15,213	88.2%
\$11,500	\$224	\$339	--	\$10,937	95.1%
\$5,750	\$63	\$170	--	\$5,517	96%

3. Calculation of Total Income (STD Benefits + Net Employment Income)

	<b>STD</b>	<b>NET INCOME</b>	<b>TOTAL</b>
No STD	--	\$19,180	\$19,180
3 months STD	\$4,313	\$15,213	\$19,526
6 months STD	\$8,625	\$10,937	\$19,562
9 months STD	\$12,938	\$5,517	\$18,455
12 months STD	\$17,250	--	\$17,250

**TOTAL YEARLY INCOME RECEIVED BY WORKERS WITH VARIOUS  
 PERIODS OF SHORT TERM DISABILITY -  
 Single Worker With No Dependants, 1996**

**Yearly Gross Income - \$31,000**

1. Calculation of STD Benefits

	<b>GROSS INCOME</b>	<b>STD</b>
No STD	\$31,000	--
3 months STD	\$23,250	\$5,813
6 months STD	\$15,500	\$11,625
9 months STD	\$7,750	\$17,438
12 months STD	--	\$23,250

2. Calculation of Net Income Received from Remaining Gross Employment Income

<b>GROSS INCOME</b>	<b>CPP</b>	<b>UIC</b>	<b>INCOME TAX</b>	<b>NET INCOME</b>	<b>NET INCOME AS % OF GROSS INCOME</b>
\$31,000	\$770	\$915	\$6,215	\$23,100	74.5%
\$23,250	\$553	\$686	\$4,114	\$17,897	77%
\$15,500	\$336	\$457	\$2,176	\$12,531	80.8%
\$7,750	\$119	\$229	\$248	\$7,154	92.3%

3. Calculation of Total Income (STD Benefits + Net Employment Income)

	<b>STD</b>	<b>NET INCOME</b>	<b>TOTAL</b>
No STD	--	\$23,100	\$23,100
3 months STD	\$5,813	\$17,897	\$23,710
6 months STD	\$11,625	\$12,531	\$24,156
9 months STD	\$17,438	\$7,154	\$24,592
12 months STD	\$23,250	--	\$23,250

**TOTAL YEARLY INCOME RECEIVED BY WORKERS WITH VARIOUS PERIODS OF SHORT TERM DISABILITY - Married Worker with a Non-Working Spouse, or Single Worker with One Child, 1996**

**Yearly Gross Income - \$31,000**

1. Calculation of STD Benefits

	<b>GROSS INCOME</b>	<b>STD</b>
No STD	\$31,000	--
3 months STD	\$23,250	\$5,813
6 months STD	\$15,500	\$11,625
9 months STD	\$7,750	\$17,438
12 months STD	--	\$23,250

2. Calculation of Net Income Received from Remaining Gross Employment Income

<b>GROSS INCOME</b>	<b>CPP</b>	<b>UIC</b>	<b>INCOME TAX</b>	<b>NET INCOME</b>	<b>NET INCOME AS % OF GROSS INCOME</b>
\$31,000	\$770	\$915	\$4,752	\$24,563	79.2%
\$23,250	\$553	\$686	\$2,650	\$19,361	83.3%
\$15,500	\$336	\$457	\$713	\$13,994	90.3%
\$7,750	\$119	\$229	--	\$7,402	95.5%

3. Calculation of Total Income (STD Benefits + Net Employment Income)

	<b>STD</b>	<b>NET INCOME</b>	<b>TOTAL</b>
No STD	--	\$24,563	\$24,563
3 months STD	\$5,813	\$19,361	\$25,174
6 months STD	\$11,625	\$13,994	\$25,619
9 months STD	\$17,438	\$7,402	\$24,840
12 months STD	\$23,250	--	\$23,250

**TOTAL YEARLY INCOME RECEIVED BY WORKERS WITH VARIOUS PERIODS OF SHORT TERM DISABILITY - Single Worker With No Dependants, 1996**

**Yearly Gross Income - \$39,000**

1. Calculation of STD Benefits

	<b>GROSS INCOME</b>	<b>STD</b>
No STD	\$39,000	--
3 months STD	\$29,250	\$7,313
6 months STD	\$19,500	\$14,625
9 months STD	\$9,750	\$21,938
12 months STD	--	\$29,250

2. Calculation of Net Income Received from Remaining Gross Employment Income

<b>GROSS INCOME</b>	<b>CPP</b>	<b>UIC</b>	<b>INCOME TAX</b>	<b>NET INCOME</b>	<b>NET INCOME AS % OF GROSS INCOME</b>
\$39,000	\$893	\$1,151	\$9,419	\$27,537	70.6%
\$29,250	\$721	\$863	\$5,620	\$22,046	75.4%
\$19,500	\$448	\$575	\$3,199	\$15,278	78.3%
\$9,750	\$175	\$288	\$750	\$8,537	87.6%

3. Calculation of Total Income (STD Benefits + Net Employment Income)

	<b>STD</b>	<b>NET INCOME</b>	<b>TOTAL</b>
No STD	--	\$27,537	\$27,537
3 months STD	\$7,313	\$22,046	\$29,359
6 months STD	\$14,625	\$15,278	\$29,903
9 months STD	\$21,938	\$8,537	\$30,475
12 months STD	\$29,250	--	\$29,250

**TOTAL YEARLY INCOME RECEIVED BY WORKERS WITH VARIOUS PERIODS OF SHORT TERM DISABILITY - Married Worker with a Non-Working Spouse, or Single Worker with One Child, 1996**

**Yearly Gross Income - \$39,000**

1. Calculation of STD Benefits

	<b>GROSS INCOME</b>	<b>STD</b>
No STD	\$39,000	--
3 months STD	\$29,250	\$7,313
6 months STD	\$19,500	\$14,625
9 months STD	\$9,750	\$21,938
12 months STD	--	\$29,250

2. Calculation of Net Income Received from Remaining Gross Employment Income

<b>GROSS INCOME</b>	<b>CPP</b>	<b>UIC</b>	<b>INCOME TAX</b>	<b>NET INCOME</b>	<b>NET INCOME AS % OF GROSS INCOME</b>
\$39,000	\$893	\$1,151	\$7,955	\$29,001	74.4%
\$29,250	\$721	\$863	\$4,157	\$23,509	80.4%
\$19,500	\$448	\$575	\$1,735	\$16,742	85.9%
\$9,750	\$175	\$288	--	\$9,287	95.3%

3. Calculation of Total Income (STD Benefits + Net Employment Income)

	<b>STD</b>	<b>NET INCOME</b>	<b>TOTAL</b>
No STD	--	\$29,001	\$29,001
3 months STD	\$7,313	\$23,509	\$30,822
6 months STD	\$14,625	\$16,742	\$31,367
9 months STD	\$21,938	\$9,287	\$31,226
12 months STD	\$29,250	--	\$29,250

**TOTAL YEARLY INCOME RECEIVED BY WORKERS WITH VARIOUS PERIODS OF SHORT TERM DISABILITY - Single Worker With No Dependants, 1996**

**Yearly Gross Income - \$47,000**

1. Calculation of STD Benefits

	<b>GROSS INCOME</b>	<b>STD</b>
No STD	\$47,000	--
3 months STD	\$35,250	\$8,813
6 months STD	\$23,500	\$17,625
9 months STD	\$11,750	\$26,438
12 months STD	--	\$35,250

2. Calculation of Net Income Received from Remaining Gross Employment Income

<b>GROSS INCOME</b>	<b>CPP</b>	<b>UIC</b>	<b>INCOME TAX</b>	<b>NET INCOME</b>	<b>NET INCOME AS % OF GROSS INCOME</b>
\$47,000	\$893	\$1,151	\$12,684	\$32,272	68.7%
\$35,250	\$889	\$1,040	\$7,962	\$25,359	71.9%
\$23,500	\$560	\$693	\$4,168	\$18,079	76.9%
\$11,750	\$231	\$347	\$1,252	\$9,920	84.4%

3. Calculation of Total Income (STD Benefits + Net Employment Income)

	<b>STD</b>	<b>NET INCOME</b>	<b>TOTAL</b>
No STD	--	\$32,272	\$32,272
3 months STD	\$8,813	\$25,359	\$34,172
6 months STD	\$17,625	\$18,079	\$35,704
9 months STD	\$26,438	\$9,920	\$36,358
12 months STD	\$35,250	--	\$35,250

**TOTAL YEARLY INCOME RECEIVED BY WORKERS WITH VARIOUS PERIODS OF SHORT TERM DISABILITY - Married Worker with a Non-Working Spouse, or Single Worker with One Child, 1996**

**Yearly Gross Income - \$47,000**

1. Calculation of STD Benefits

	<b>GROSS INCOME</b>	<b>STD</b>
No STD	\$47,000	--
3 months STD	\$35,250	\$8,813
6 months STD	\$23,500	\$17,625
9 months STD	\$11,750	\$26,438
12 months STD	--	\$35,250

2. Calculation of Net Income Received from Remaining Gross Employment Income

<b>GROSS INCOME</b>	<b>CPP</b>	<b>UIC</b>	<b>INCOME TAX</b>	<b>NET INCOME</b>	<b>NET INCOME AS % OF GROSS INCOME</b>
\$47,000	\$893	\$1,151	\$11,220	\$33,736	71.8%
\$35,250	\$889	\$1,040	\$6,499	\$26,822	76.1%
\$23,500	\$560	\$693	\$2,704	\$19,543	83.2%
\$11,750	\$231	\$347	--	\$11,172	95.1%

3. Calculation of Total Income (STD Benefits + Net Employment Income)

	<b>STD</b>	<b>NET INCOME</b>	<b>TOTAL</b>
No STD	--	\$33,736	\$33,736
3 months STD	\$8,813	\$26,822	\$35,635
6 months STD	\$17,625	\$19,543	\$37,168
9 months STD	\$26,438	\$11,172	\$37,610
12 months STD	\$35,250	--	\$35,250

**TOTAL YEARLY INCOME RECEIVED BY WORKERS WITH VARIOUS  
 PERIODS OF SHORT TERM DISABILITY -  
 Single Worker With No Dependants, 1996**

**Yearly Gross Income - \$55,000**

1. Calculation of STD Benefits

	<b>GROSS INCOME</b>	<b>STD*</b>
No STD	\$55,000	--
3 months STD	\$41,250	\$10,163
6 months STD	\$27,500	\$20,325
9 months STD	\$13,750	\$30,488
12 months STD	--	\$40,650

\* Based on 1996 \$54,200 average earnings maximum, therefore, \$40,650 maximum compensation for 12 months STD.

2. Calculation of Net Income Received from Remaining Gross Employment Income

<b>GROSS INCOME</b>	<b>CPP</b>	<b>UIC</b>	<b>INCOME TAX</b>	<b>NET INCOME</b>	<b>NET INCOME AS % OF GROSS INCOME</b>
\$55,000	\$893	\$1,151	\$15,990	\$36,966	67.2%
\$41,250	\$893	\$1,151	\$10,243	\$28,963	70.2%
\$27,500	\$672	\$811	\$5,214	\$20,803	75.6%
\$13,750	\$287	\$406	\$1,745	\$11,312	82.3%

3. Calculation of Total Income (STD Benefits + Net Employment Income)

	<b>STD</b>	<b>NET INCOME</b>	<b>TOTAL</b>
No STD	--	\$36,966	\$36,966
3 months STD	\$10,163	\$28,963	\$39,126
6 months STD	\$20,325	\$20,803	\$41,128
9 months STD	\$30,488	\$11,312	\$41,800
12 months STD	\$40,650	--	\$40,650

**TOTAL YEARLY INCOME RECEIVED BY WORKERS WITH VARIOUS PERIODS OF SHORT TERM DISABILITY - Married Worker with a Non-Working Spouse, or Single Worker with One Child, 1996**

**Yearly Gross Income - \$55,000**

1. Calculation of STD Benefits

	<b>GROSS INCOME</b>	<b>STD*</b>
No STD	\$55,000	--
3 months STD	\$41,250	\$10,163
6 months STD	\$27,500	\$20,325
9 months STD	\$13,750	\$30,488
12 months STD	--	\$40,650

\* Based on 1996 \$54,200 average earnings maximum, therefore, \$40,650 maximum compensation for 12 months STD.

2. Calculation of Net Income Received from Remaining Gross Employment Income

<b>GROSS INCOME</b>	<b>CPP</b>	<b>UIC</b>	<b>INCOME TAX</b>	<b>NET INCOME</b>	<b>NET INCOME AS % OF GROSS INCOME</b>
\$55,000	\$893	\$1,151	\$14,500	\$38,456	69.9%
\$41,250	\$893	\$1,151	\$8,780	\$30,426	73.8%
\$27,500	\$672	\$811	\$3,750	\$22,267	81%
\$13,750	\$287	\$406	\$282	\$12,775	92.9%

3. Calculation of Total Income (STD Benefits + Net Employment Income)

	<b>STD</b>	<b>NET INCOME</b>	<b>TOTAL</b>
No STD	--	\$38,456	\$38,456
3 months STD	\$10,163	\$30,426	\$40,589
6 months STD	\$20,325	\$22,267	\$42,592
9 months STD	\$30,488	\$12,775	\$43,263
12 months STD	\$40,650	--	\$40,650