

# N.L. has highest premiums in country

*Toronto economist suggests lowering workers' compensation rates to stimulate business*

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TC MEDIA

**ST. JOHN'S** — If workers' compensation insurance premiums were lowered in Newfoundland and Labrador, more than just employers would benefit, concludes a Toronto-based economist.

"Newfoundland has the dubious distinction of having had the highest workers' compensation payroll tax rate compared to all other jurisdictions since 1993, with the exception of the years 2007-2010 when it was slightly eclipsed by the Yukon and Northwest Territories," Morley Gunderson wrote in a report commissioned by the Newfoundland and Labrador Employers' Council (NLEC).

The council's executive director, Richard Alexander, presented the report to employers and the media Thursday.

He said the report, entitled "The Impact of High Workers' Compensation Premiums on Newfoundland and Labrador," confirms what the NLEC has been saying for some time — this has an impact on employment levels, communities and the economy as a whole.

"This is not a lobby about trying to put more money into the pockets of employers. This is a lobby about making it easier for employers to increase wages for workers so we can compete with jurisdictions like Alberta," said Alexander.

Gunderson writes in his report that Alberta is the most comparable jurisdiction with this province, given the emphasis on resources and the competition for labour.

Based on figures up to 2011, Newfoundland's premiums were 2.75 while Alberta's were 1.22.



**Richard Alexander, executive director of the Newfoundland and Labrador Employers' Council, speaks at a press conference announcing the release of a study on the impact of high workers' compensation.** — Photo by Keith Gosse/The Telegram

The CEO of the Workplace Health Safety and Compensation Commission (WHSCC) says there's no doubt this province has had the highest premiums in the country for several years.

"We're still the highest across the country, but we were considerably behind the pack when we started (to address unfunded liability)," said Leslie Galway.

She said 20 years ago, there was a considerable increase in expenditures which led to the commission being 65 per cent funded.

"We only had 65 per cent of the assets to pay liabilities we owed to injured workers. That was the sign

the commission at that point was not financially sustainable," Galway said, adding at that point labour, employers and the commission got together and came up with a plan.

The plan resulted in high premiums over the next decade, which resulted in the unfunded liability going from 65 to 92 per cent today.

"A fabulous achievement, and in addition, our injury fund that holds the assets that will pay injured workers into the future has risen from \$300 million to over \$800 million today," Galway said.

Where the premiums go from here, Galway said, is in the hands of the statutory review committee

which will hold public meetings over the next few months.

Alexander has an idea where he'd like the committee to go. He said he believes there can be funded liability and a cut in premiums without causing chaos to the system.

Gunderson stated in his report the economic impacts of high workers' compensation premiums are far reaching and can make or break an economy.

This is something Dallas Mercer, of DMC Consulting, which represents more than 200 employers, faces everyday.

"Our system is the most expen-

sive in the country. That is one of the costs businesses look at. Employers have to pay it there's no choice and that has a huge impact on whether or not businesses choose to expand here," she said.

"I had an employer say to me it's just as well I move the head office for this business to New Brunswick, 'look how much it will cut my workers' comp costs.' That's pretty sad for me to have those conversations with companies asking me to help them set up in other provinces just because they can't afford the workers' comp," Mercer said.

For consumers, Gunderson says excessive costs can lead to price increases forcing consumers to shop elsewhere; for employees it can jeopardize their employment if firms lose sales because the costs compel them to raise prices and to retain their jobs they may have to accept lower wages.

He writes communities will also feel the effects in the form of lost investment opportunities and the jobs associated with those investments as businesses relocate to jurisdictions that do not have excessive regulatory costs.

"Newfoundland and Labrador is perched on the opportunity for a permanent transition from a have-not economy to a have economy given the new developments that are occurring in that province. Reforming the workers' compensation system will be important in that transition not only in its own right, but also because of the signal it will send to perspective employers. There seems no better time for action in this important area," Gunderson concludes.

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