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Ensuring the sustainability of WorkSafeNB

The provincial election is now just two months away and the parties are putting the finishing touches to their campaign platforms, strategy and tactics.

The Chamber of Commerce for Greater Moncton will continue to lobby all political parties on behalf of our members. Those lobbying efforts have crystalized into our *We Choose Growth* campaign which sets out five key issues crucial to our economic future.

Last week, an issue resurfaced that requires a firm commitment from every political party – the future of workers’ compensation in New Brunswick.

Employers who fund the workers compensation system and employees who receive benefits received a very bleak and alarming forecast.

On the same day, we received news of the likelihood of a drastic rate hike in 2019 – the third substantial increase in a row – but also a roadmap to prevent the financial collapse of the system.

First, a bit of background.

The workers’ compensation system in New Brunswick has been providing benefits to injured and sick workers for decades. It has provided consistent funding, a fair approach and has been responsive to the needs of both employers and employees.

In 2015, the provincial government passed new legislation called the Workers Compensation Appeals Tribunal Act. This legislation, which was designed – among other things -- to remove the backlog of claims cases going to appeal, had unintended consequences.

Those consequences included taking authority for governance and policy away from WorkSafeNB, the Crown corporation entrusted to oversee the system. They also gave more authority, scope and power to interpret to the Workers Compensation Appeals Tribunal, which does not have the same level of accountability.

An actuarial analysis estimates \$100 million in additional annual benefit costs resulted from the unintended consequences of the new legislation between 2015 and 2017. The number of claims

overturned on appeal in favour of employees was more than 80 per cent and the role of pre-existing or intervening illnesses on claims also changed.

It didn't take long for those consequences to show on WorkSafeNB's bottom line.

The average 2016 premium paid by New Brunswick employers was \$1.11 per \$100 of assessed payroll. The 2017 rate rose to \$1.48 and the 2018 rate is \$1.70. This year's rate would have been closer to \$1.93 per \$100 of payroll but WorkSafe's board drew from investments to soften the blow.

WorkSafe has a policy of maintaining an asset-to-liabilities ratio of 110 per cent. That ratio was as high as 140 per cent in 2014 but due to the draw down on assets, it is forecast to be around 92 per cent by year end.

WorkSafeNB has to dramatically increase rates again in 2019 to get back in line with the Crown corporation's 110 per cent ratio funding policy, and to cover the unintended consequences of the legislative changes in 2015.

Employers and employees found out last week just how much pain 2019 rates will bring. At a stakeholders' meeting in Moncton, WorkSafeNB CEO Doug Jones showed a provisional assessment scenario under which employers will face a 2019 rate between \$2.69 and \$2.95 per \$100 of payroll.

That means the cost to New Brunswick business of maintaining our worker compensation system has nearly tripled in three years. In that time period, we have gone from the second lowest workers' comp rates in Canada to the highest.

This is yet another unsustainable payroll tax that makes New Brunswick an uncompetitive province in which to do business. But it is also a serious threat to workers who depend on our workers' compensation system for income security in the event of injury or sickness.

The same day business and employees received that grim diagnosis, a potential rescue plan was unveiled.

The provincial government appointed a task force in May 2017 to investigate the underlying reasons New Brunswick's worker compensation system was in crisis. The task force's mandate was clear – to ensure the system is transparent, accountable, predictable and sustainable.

The task force produced 28 recommendations and concluded if the legislative jurisdiction of the Appeals Tribunal is not changed, the sustainability of WorkSafeNB's Accident Fund will be further compromised. "Ultimately, this will be detrimental to employers, employees and injured workers," the final report stated. "WCAT's broad legislative jurisdiction is endangering the financial integrity of the Accident Fund. This cannot continue."

The governing Liberals and the Progressive Conservatives say they need more time to review the task force recommendations before making any commitments.

Over the next two months, leading up to the Sept. 24 election, we need to ask political candidates of all parties these two questions:

- Will your government implement the changes unanimously endorsed by both employer and employee representatives on the task force?
- Will you act on the recommendations in the first legislative session of the new government?

The sustainability of our workers compensation system hangs on their answers to those two questions.

For the sake of the system's sustainability and the desire to provide injured and sick workers with the benefits they deserve, both employers and employees need our political leaders to answer an unequivocal 'Yes' to both questions.

- *John Wishart is CEO of the Chamber of Commerce for Greater Moncton. Chamber Voice appears each month.*

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