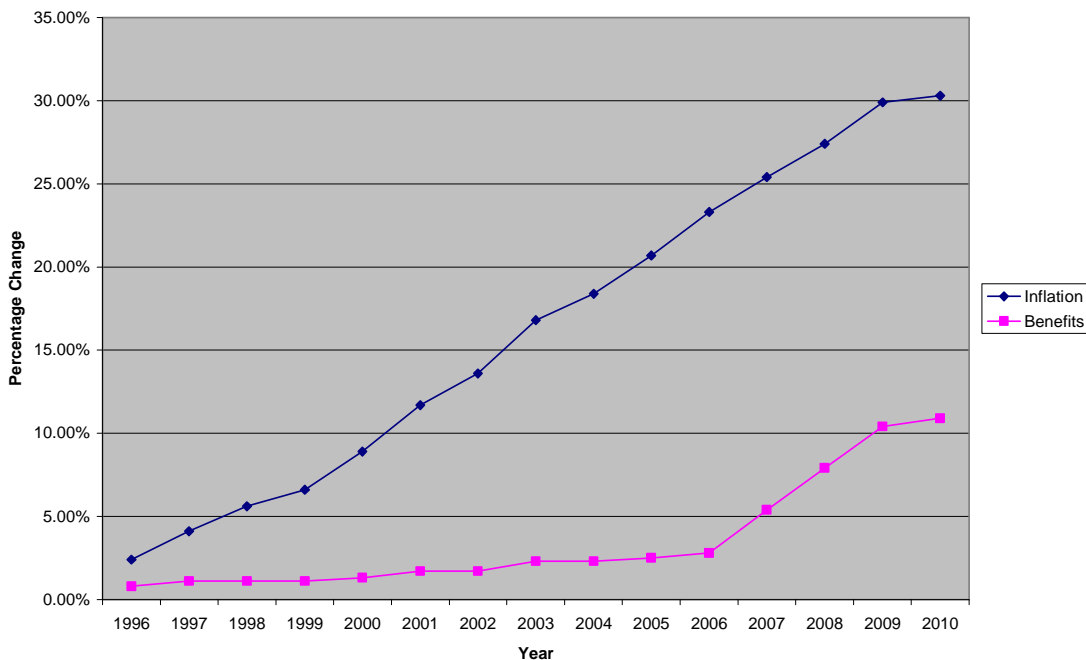


# FACT SHEET

## COST – OF -LIVING

Indexing workers’ compensation benefits to keep up with inflation is not an increase in benefits, it is an adjustment to take into account intervening inflation. There is no real improvement in benefits, we do no more than avoid an erosion of the income level awarded earlier by the workers’ compensation board to the injured worker.

WSIB Benefits vs. Inflation



Despite recent increases, injured workers are still trying to survive on nearly 20% less than they received in 1996.

### Current Government Record on Cost of Living

Injured workers have received three 2.5% increases from the 2007 legislative amendments, but these have not been enough to keep pace with inflation, let alone catch up from the hit they have taken since 1995. The cost-of-living rose by 2.9% in 2010 and the government has announced a 0.5% adjustment of injured worker benefits. Since the current government came to power, workers compensation benefits have shrunken by 6.8% due to a lack of protection against the rising cost of living.

	<b>Inflation</b>	<b>Benefits</b>
2004	1.60%	0.00%
2005	2.30%	0.20%
2006	2.60%	0.30%
2007	2.10%	2.60%
2008	2.00%	2.50%
2009	2.50%	2.50%
2010	0.40%	0.50%
2011	2.40%	0.50%
Total	15.40%	9.10%
Lost to Inflation		6.80%

Inflation adjustments are made each year using a formula based on the rate of inflation for the year before.

Injured workers have lost 6.8% of their benefits to inflation since the current government was elected in October 2003.

### **Full Cost of Living Adjustment Has No Cost to Employers**

Research done for the Ontario government in the early 1980's by Harvard Law Professor Paul Weiler noted that cost of living adjustments do not cost anything to employers. Employers pay a percentage of their payroll for workers' compensation coverage. During inflation, higher prices lead to higher wage demands. As the employer's payroll increases, so does the dollar amount collected by the WSIB - without changing the employers' assessment rates.

Prof. Weiler wrote:

*"Once we decide as a community what the appropriate level of compensation for injured workers is to be ... our refusal to keep the monetary amount of his pension in line with the changing rate of inflation must mean that someone else in the economy will receive a net increase in his share of real goods and services. In effect, someone will reap a windfall profit from inflation at the expense of the disabled worker. In the case of workers' compensation benefits, the immediate beneficiary of such inaction would be business."*

Reshaping Workers' Compensation for Ontario, Paul C. Weiler, A report submitted to Robert G. Elgie, M.D., Minister of Labour, November, 1980. p.70.

WSIB statistics show that Prof. Weiler was correct. It has been employers who gained from the cuts to inflation adjustment by way of a 25% reduction in premium rates and \$2.7 Billion in net rebates under the experience rating system.

### **History of Cost of Living Adjustments**

1915 – 1973 - no cost of living adjustment of pensions

1974 – 1984 – repeated IW protests at the legislature, ad hoc adjustments for inflation

1985 - Bill 81 - all party consent, automatic annual adjustment by Consumer Price Index

1994 – Bill 165 – Friedland formula legislated; gives reduced protection from inflation

1997 – Bill 99 – Modified Friedland formula; further reduced protection from inflation

2007 – Bill 187 – Government has the authority to set the appropriate amount of inflation protection by regulation