

**Alberta WCB
Policies &
Information**

Chapter:

PRICING

Subject:

CLASSIFICATION

Authorization:

BoD Resolution 2020/05/17

Date:

November 24, 2020

APPLICATION 1: GENERAL

1. *What responsibilities do employers have to ensure their business is correctly classified?*

Employers must provide WCB with a detailed description of their business at registration. If there is a gradual or abrupt change in the nature of the business, a change in the classification may be required. An employer must notify WCB of any such changes. This will ensure employers are included in the correct classification for their business and are paying the appropriate premium rate (see Application 3, Changes to an Employer's Classification).

To ensure the correct classification has been assigned, WCB may examine a business at the employer's request, or WCB may initiate the review at its own discretion (see Application 3 and Policy 06-03, *Premiums*).

2. *What information does WCB consider when assigning an industry classification to an employer's business?*

WCB considers the following information when assigning an industry classification to an employer's business:

- products/services sold
- raw materials, equipment, and processes used
- business activities for the provision of goods and services
- occupations contributing to the overall business
- work contracted out in support of the business
- work locations
- customers and competitors
- ownership
- work performed by other related companies
- any other information WCB requires to gain a complete understanding of the employer's business

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3. *What is a related company?*

Companies are related when there is a non-arm’s length relationship between related persons. A related person includes, but is not limited to, those:

- defined in s.134 of the *WCA*, and
- legal entities under the influence or control of the same person or persons.

It is a question of fact in each case whether persons are dealing with each other at non-arm’s length at a particular time.

4. *Why does WCB classify businesses by industry rather than the workers' occupations?*

Classification by industry provides collective liability among employers with similar businesses. The rates established represent the composite experience of all occupations employed by businesses within the industry classification. This method of classification reduces administrative complexity for the employer and WCB, and promotes consistency in the classification of similar businesses.

5. *What happens when an employer's business activities do not match an existing industry classification?*

WCB prepares and regularly updates industry descriptions to provide general guidelines for classifying businesses. These descriptions include activities that are common to most businesses in the industry and are not intended to fully describe every detail or unique process in each employer’s business. An employer's business is assigned an industry classification which provides the most appropriate description, or “best fit” based on information provided by the employer.

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6. *What if the business activities are split between separate legal entities?*

When related entities contribute to the production of common goods and services, WCB considers the activities as a whole. When separate legal entities in a non-arm’s length relationship contribute to one business, WCB assigns the same industry classification to each entity. This allows for consistency in classification regardless of the business structure.

For example, ABC Sales Ltd, in a non-arm’s length relationship, was established for the sole purpose of selling the products manufactured by ABC Manufacturing Ltd. Sales is an integral activity related to the manufacturing process. ABC Sales Ltd. is therefore classified in the same industry as ABC Manufacturing Ltd.

When an employer restructures a business, either establishing or consolidating separate legal entities operating at non-arm’s length to carry on the existing business, the industry classification will be determined using the criteria set out in Application 2, Question 1.

7. *How does WCB classify an employer that provides administrative or strategic support to another business?*

An employer that provides administrative or strategic support to a related business (or group of related businesses) will be classified in the same industry as those businesses.

An employer that provides administrative or strategic support to multiple unrelated businesses will be classified based on its own business activity.

Administrative or strategic support includes, but is not limited to, activities such as coordination, marketing, management, information systems, and administration services.

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Employers that provide administrative or strategic support (continued)

This approach levels the playing field for all employers in the industry by ensuring all employers regardless of their legal structure are compared equally. This approach is also used when dealing with franchise support (see Question 8).

For example:

- An accounting and bookkeeping service works primarily for three firms. The three firms and the accounting/bookkeeping service are owned by the same parent company which operates in the construction industry. The accounting/bookkeeping service is classified in the construction industry.
- An advertising agency specializes in industrial construction advertising projects and works for three unrelated construction companies. Even though all three firms operate in the same industry, the advertising agency is classified based on its business activity (advertising).

See Question 2 for information WCB considers when assigning an industry classification to an employer's business.

8. How does WCB classify franchisors?

A franchisor is classified in the same industry as its franchisees. For example, a fast food franchisor that provides administration services only to its franchisee restaurants will be classified in the restaurant industry.

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9. *Will an employer's business activities outside of Alberta affect the industry classification?*

WCB determines the employer's industry classification based on the employer's business being conducted within Alberta. When workers are covered under s.28 of the WCA and these activities comprise an integral activity for the employer, WCB will consider business activities performed outside of Alberta when determining the industry classification to be assigned (see Policy 06-01, Part II, Application 5).

10. *When is this policy application effective?*

This policy application (Application 1 – General) is effective January 1, 2021, except when noted otherwise in a specific policy section(s).

Previous versions

- [Policy 0701 Part II - April 2018](#)
- [Policy 0701 Part II - August 2015](#)
- [Policy 0701 Part II - January 2004](#)
- [Policy 0701 Part II - January 2002](#)
- [Policy 0701 Part II \(consolidated manual 1st Issue\) - June 1998](#)