

New Canada Emergency Wage Subsidy

March 30, 2020

In a much anticipated press conference this morning, Prime Minister Trudeau released further details of the wage subsidy the government had indicated on March 27, 2020 would be forthcoming for small- to medium-sized businesses.

In an unexpected development, however, Prime Minister Trudeau revealed that the current plan is now to make the subsidy available to all employers "big and small" (including non-profits and charities), regardless of the number of employees they may employ. To be eligible for the program, however, employers must have seen their revenue decrease by at least 30% because of COVID-19.

Pursuant to the Canada Emergency Wage Subsidy program, eligible businesses will be granted a temporary wage subsidy equal to 75% on the first \$58,700 each worker earns in one year, which equals \$847 per worker per week. This subsidy will be backdated to March 15, 2020. While this subsidy will be capped at 75%, the Prime Minister urged participating companies to pay the balance of employee wages. He further warned that there would be serious consequences for any business that might abuse this benefit or "game the system."

The Prime Minister also indicated that both the Minister of Finance and the Minister of Small Business, Export Promotion and International Trade would be providing additional information tomorrow (March 31, 2020).

What This Means for Employers

The new Canada Emergency Wage Subsidy will surely come as a huge relief for many of those employers who have been hit hardest by the impact of COVID-19, particularly those who, to this point, have held off on making the difficult decision to reduce their workforces, either through temporary layoffs or terminations.

While there is still much that is unknown about how this new subsidy will be rolled out and how precisely the 30% revenue decline threshold will be measured or verified, it will, if nothing else, cause many employers to re-examine their approach to managing their staffing needs and the associated labour costs.

Rather than temporarily laying off under-utilized employees, and, in so doing, potentially triggering constructive dismissal claims (see: *COVID-19 Impact: Avoiding Constructive Dismissal Claims*), we expect many employers who qualify for the new wage subsidy will retain such employees and focus instead on exploring ways in which they may be able to continue to meaningfully contribute to business success.

Cassels

And, for those employers who might have been considering laying employees off in conjunction with the registration of a Supplemental Unemployment Benefit (SUB) plan so as to allow employee wages to be partially "topped-up" without clawback of Employment Insurance (EI) benefits, this new wage subsidy may offer a far more attractive (and economical) alternative.

For information on other government programs that may be available to you during the COVID-19 pandemic, we encourage you to read *COVID-19 Impact: Government Funds for Businesses*, which is regularly updated as new programs emerge and others are refined or developed.

This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.