

Can Backfire If Not Carefully Managed – Especially In The Public Sector



Rate hikes have affected affordability, the job market is more competitive, and [remote work](#) is the norm for many organizations and industries. Since employment prospects no longer depend on where you live, the market is flooded with young, highly educated, tech-forward millennial and [generation-Z](#) prospects eager to start their professional lives after being starved of that opportunity for some time. They may live anywhere in the world, and they may find Canadian salaries, or even half of what employers used to pay, very appealing.

While this may sound favourable for employers seeking to fill positions, the new generation of workers has proven itself more agile than in the past and is not afraid to “cross the street” if opportunity strikes and offers something a current role does not.

Employers have no choice but to prioritize employee satisfaction, retention and recruitment; otherwise, they will find themselves stripped of their best and struggling to fill the gaps left behind. Savvy employers know that the best way to attract and retain talent is to offer better-than-average compensation, including incentive pay.

Performance-based pay is one of the best ways for employers to attract talent and a powerful tool for aligning employee goals with company ones. Bonuses, whether short- or long-term incentive plans, are designed to boost employee satisfaction, retention, and overall business success by tying rewards to specific, target-based goals supporting growth.

But bonuses can backfire if not carefully managed. This is especially true in the public sector, where compensation is closely scrutinized both by employees and outsiders. Missteps can lead to public outrage and internal discontent, as seen in the recent controversy involving the [Canadian Broadcasting Corporation](#) (CBC).

CBC’s decision to award \$18.4 million in bonuses during a wave of [layoffs](#) sparked a public relations debacle. The broadcaster distributed bonuses to 1,194 employees, including over \$3.3 million to 45 executives – averaging more than \$73,000 per executive – surpassing the median family income in 2022.

The decision was not well received by the public and led to significant backlash from taxpayers and members of Parliament. CBC’s board of directors has publicly

acknowledged the poor optics of awarding bonuses during substantial layoffs.

At first glance, it is easy to question why the bonuses were given out the same year CBC announced the elimination of hundreds of positions. But the story is not that simple. Had the CBC failed to pay those bonuses, each employee entitled to the payout might have had grounds to bring a claim for damages on the basis of constructive dismissal – which they likely would have done if the bonus entitlements were baked into their employment contracts or were provided as a matter of practice such that they had a reasonable expectation of receiving them.

Constructive dismissal occurs when an employer unilaterally alters the terms of employment. While changes to [compensation](#) are by no means the only way in which a constructive dismissal might be established, it is the one we see most frequently. It should be no surprise that employees are quick to seek legal advice when their earnings are affected, so employers must navigate this terrain carefully by asking employees before changing bonus or commissions plans without their consent.

A failure to pay significant bonuses can open the door to legal action. Had CBC not fulfilled the terms of those contracts for fear of unfavourable public reaction, they would have potentially faced hundreds of dismissal claims. It seems the broadcaster weighed its options and found the cost of public outcry less troublesome than possible legal actions. This assumes the employees had a right to these bonuses by contract, representations made to them, or practice. Any of those could form the basis of a lawsuit.

The CBC debacle underscores a lesson for employers: clarity and transparency in compensation are essential. Bonuses are effective motivators but can easily become liabilities. Employers must ensure that the terms for incentive pay are clear, detailed, and communicated effectively to avoid disputes and negative public perception.

But if dealt with correctly and the contracts in place protect the employer, bonuses are an effective retention and recruitment tool.

Money talks, and when it does, you can be sure someone is listening.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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