# Group Termination Severance Quiz




**Calculating Group Termination Severance Payments**

**SITUATION**

ABC, an automotive parts manufacturer shuts down its Ontario plant and lays off all 47 employees. Under Ontario's ESA laws, employers must pay severance when they terminate 50 or more workers within a 6-month period or their monthly payroll is at least $2.5 million. The payroll of the closed plant is less than $2.5 million, but when you take into account ABC's facilities in the US, its total payroll is $8.5 million.

**QUESTION**

**Do ABC's US employees count toward its payroll calculations in determining if severance is due to the Ontario employees?**

1. Yes. The employer's payroll is the combined amount that the company must pay to all of its employees, regardless of where they are located.
2. No, but if the U.S. employees were located in Canada, their payroll would count toward severance calculations.
3. No. Only Ontario employees' payroll is covered by the Ontario group termination laws.

**ANSWER**

3. Only Ontario payroll is relevant when it comes to determining whether severance pay is required in a group termination.

**EXPLANATION**

This hypothetical is based on an actual case from Ontario. The employer refused to pay severance after it terminated all of an Ontario's employees on the grounds that the facility's payroll was less than $2.5 million. The union grieved, arguing that the employer's total payroll for all operations, which was well over $2.5 million, should be taken into account when determining whether severance payments were required under the ESA. But the arbitrator disagreed. "While an employer may have operations and payrolls outside of the province, it is only the Ontario based employment" that is relevant, she said [*Genesta Inc. v. Unite Here Ontario Council*].

**WHY WRONG ANSWERS ARE WRONG**

**1 is wrong** because the Ontario legislature, responsible for drafting the employment standards laws in the first place, has no authority to legislate payroll in other provinces or other countries. Its only authority is over businesses operating in Ontario, so only the payroll from the Ontario facility was relevant in this case.

**2 is wrong** because it doesn’t matter where the other employees work. If they don’t work in Ontario, their payroll can’t be taken into account when determining an employer’s monthly payroll payments for severance pay purposes under Ontario’s employment standards laws.