Navigating Workforce Planning Amidst a US-Canada Trade War: What HR Managers Need to Know

With trade tensions escalating between the US and Canada, particularly under a renewed Trump administration, Canadian businesses may face increased tariffs, disrupted supply chains, and potential economic downturns. For HR managers, this means rethinking workforce capacity planning, ensuring compliance with labor laws in the event of reductions, and exploring alternative strategies to retain talent while maintaining business stability.

But before making any drastic moves, it's important to take a **measured and strategic** approach. What legal considerations should HR teams keep in mind if workforce reductions become necessary? And what other tools can businesses use to **adapt without resorting to layoffs**? Let's break it down.

Capacity Planning in Uncertain Economic Conditions

1. **Assessing Workforce Needs Proactively**

Rather than reacting **after** the damage is done, companies should proactively assess:

- How dependent their business is on US trade and tariffs.
- Whether production, sales, or supply chain issues could lead to **cost-cutting measures**.
- What roles may be at risk **if** revenue takes a hit.
- Whether hiring freezes or temporary measures could help before layoffs are considered.

2. **Considering Alternative Cost-Saving Measures**

Layoffs are not the only solution. Before initiating workforce reductions, HR should explore:

- **Reduced Work Hours**: Shifting employees to a **4-day workweek** or cutting shifts can help avoid job losses.

- **Salary Freezes or Adjustments**: A temporary salary adjustment across leadership levels can help preserve jobs.
- **Redeployment**: Moving employees into **different roles** or departments that need support.
- **Work-Sharing Programs**: Government-supported programs allow employees to work **reduced hours** while receiving **EI benefits**.
- **Temporary Leave Options**: Encouraging voluntary unpaid leave can help balance workforce costs.

Legal Considerations for Workforce Reductions in Canada

If layoffs or reductions become inevitable, companies **must** comply with Canadian labour laws, which vary by jurisdiction. **Termination laws in Canada are generally more employee-friendly than in the US**, and employers must follow strict guidelines regarding notice, severance, and just cause requirements.

Key Legal Considerations	Federal (Canada Labour Code)	Provincial (Varies by Province)
Notice Period	Typically 2 weeks, but longer for mass layoffs.	Varies (e.g., Ontario: up to 8 weeks based on tenure).
Severance Pay	2 days per year of service (minimum), max 6 months.	Varies by province (e.g., Ontario: 1 week per year of service up to 26 weeks).
Mass Termination Rules	16 weeks' notice if 50+ employees affected.	Varies (e.g., Alberta: 8–12 weeks for 50+ employees).
Just Cause for Termination	Must be proven with serious misconduct.	High legal bar, often requires progressive discipline.
Final Pay Requirements	Must be paid within 30 days of termination.	Varies (e.g., BC: within 48 hours, Québec: immediately).

Mass Layoffs: Additional Legal Complexities

If a company plans to **terminate 50+ employees within a short period**, additional obligations may apply, including:

- **Advance notice** to the government.
- **Consultation with employee representatives or unions.**
- **Enhanced severance packages** in some provinces.
- **Outplacement services or job transition support** (depending on collective agreements).

Failing to comply with these regulations can result in **hefty fines, legal disputes, and reputational damage**.

Alternatives to Layoffs: What Canadian Businesses Can Do

Before reducing headcount, businesses should explore **government programs and creative HR solutions**:

1. **Work-Sharing (Employment Insurance Program)**
    - Allows employers to **reduce hours**, with EI benefits making up a portion of lost wages.
    - Typically **lasts up to 76 weeks**.
    - Requires **government approval** but provides a structured alternative to

layoffs.

2. **Wage Subsidies (If Available)**
    - During economic downturns, the **Canadian government may introduce wage subsidy programs** to help businesses retain employees.
    - Companies should stay informed about **federal and provincial incentives**.
3. **Temporary Reassignments & Upskilling**
    - Instead of letting employees go, consider **reskilling or upskilling them for new roles**.
    - Employers can take advantage of **training grants** to fund workforce development.
4. **Contract Adjustments & Voluntary Leave Programs**
    - Offer **temporary unpaid leave** or **salary reductions** as an alternative to job cuts.
    - Seek **employee input** to explore creative solutions before enforcing terminations.

The Bottom Line: Be Strategic, Transparent, and Compliant

The reality is that economic uncertainty is **beyond the control of HR managers**, but **how** companies navigate workforce planning is a choice.

If the **worst-case scenario** requires reductions, HR must ensure:

✔ **All legal obligations are met** before making workforce changes.
✔ **Employees are treated fairly and respectfully**, reducing risk of legal disputes.
✔ **Other options are explored first**, including **redeployment, work-sharing, or reskilling initiatives**.

By taking a **strategic and human-focused** approach, Canadian businesses can weather economic turbulence while keeping their workforce engaged, resilient, and prepared for what lies ahead.