

Twenty Percent Compensation Cut Is Constructive Dismissal



How big does a pay cut have to be to constitute constructive dismissal? An important new case involving a senior consultant who took a big hit in the wallet after new management took over offers some insight. In addition to a 10% salary reduction under a company-wide Cost Reduction Program, the company suspended the 6% of her salary that it contributed to her pension and her 2019 bonus. The employer cited cases holding that cuts between 14% and 17% wasn't constructive dismissal, but the Alberta court said that after factoring in the lost bonus, her total pay reduction was actually 20%. And that is enough to cross the constructive dismissal line. After adding up the losses and damages, the court ordered the company to pay the manager \$107,247, plus interest [*Kosteckyj v Paramount Resources Ltd*, 2021 ABQB 225 (CanLII), March 24, 2021].