

Important Update on U.S. Tariffs Impacting Ontario Businesses

March 5, 2025

The United States has announced the imposition of new tariffs on Canadian goods, effective immediately as of March 4, 2025. These tariffs include a 25% surcharge on a wide range of products imported from Canada. The products include but are not limited to: steel and aluminum products; automotive parts and vehicles; agricultural products such as dairy, beef, and pork; consumer goods like appliances, electronics, and apparel; raw materials and chemicals.

In response to the announcement, Ontario Premier Doug Ford stated on March 4, 2025, that Ontario would implement a reciprocal 25% surcharge on all energy exported by Ontario to the United States. He stated further that it was expected by the Ontario government that the tariffs would have a significant impact on multiple industries including, in particular, manufacturing.

The Purpose and Potential Impact of the Tariffs

The U.S. government has stated that tariffs are intended to protect American industries and jobs over the long term. However, the immediate impact on businesses and customers will be significant. For Canadians, the tariffs are likely to increase the cost of exporting goods to the U.S., potentially leading to reduced demand for Canadian products, and increasing the overall price of goods for citizens. This could result in financial strain on businesses and may necessitate adjustments to the workforce.

Legal Considerations for Workforce Reduction

The imposition of tariffs will pose challenges for many businesses and the workforce. But as we saw with COVID-19, the fact that there are significant and sometimes societal level impacts on the economy, or a particular industry, will not automatically remove or lessen an employer's obligations to their employees in Ontario. In this regard, some of the major legal considerations to keep in mind as you contemplate how to weather this storm and manage your workforce are as follows:

1. **Compliance with Employment Standards:** Ensure that any workforce reductions comply with Ontario's *Employment Standards Act, 2000* (ESA), including proper notice periods and severance pay requirements. There are options short of termination for temporary reductions in work, including layoffs, which may be available.
2. **Human Rights Legislation:** Be mindful of the Ontario *Human Rights Code*, ensuring that layoffs or terminations are not targeted towards any particular group of employees.
3. **Collective Agreements:** If your workforce is unionized, review your collective bargaining agreements to understand the rules and procedures for layoffs or terminations. Many collective agreements contain provisions which deal with temporary interruptions of work, voluntary leaves/layoffs, and notice and severance obligations.
4. **Constructive Dismissal:** Although there may be an avenue to lay off employees under the ESA, the common law in Ontario does not automatically allow an employer to layoff an employee. It is important to consider, and avoid, how your actions could be construed as a constructive dismissal which could lead to legal claims from employees.
5. **Record Keeping:** It is important that you maintain thorough documentation of the reasons for workforce reductions and the steps taken to comply with your legal obligations. This can be crucial in defending against

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potential legal claims.

It is recommended that you review your employment agreements, collective agreements, and policies, and formulate a plan now that will allow you to respond quickly to changing economic conditions over the coming weeks. As always, and prior to implementing major changes in your workplace, it is important that you obtain advice and comply with your legal obligations.

Please note that this bulletin is intended for informational purposes only and does not constitute legal advice or an opinion on any issue. We strongly recommend that you contact your Miller Canfield attorney or one of the authors of this alert if you have specific questions.