

# CHAPTER NINE: EMPLOYMENT LAW

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# CHAPTER NINE: EMPLOYMENT LAW

## I. INTRODUCTION

This chapter is intended as a basic guide to outline some of the most common issues faced by employees. Each jurisdiction has its own legislation governing employment standards and human rights, and this chapter focuses on the laws of British Columbia. Nothing in this chapter is legal advice; only a lawyer can advise an employee on their specific situation.

The majority of employment related legal claims fall into one of the three categories discussed in this chapter:

- Human Rights claims;
- Violations of the Employment Standards Act; and
- Common law breaches of employment contracts.

In many cases, there are potential claims in two or even three categories. Consider and explore the potential for claims under each category.

Begin by going through **Section III: Checklist**.

## II. GOVERNING LEGISLATION AND RESOURCES

### A. *Employment and Wrongful Dismissal Legislation*

#### 1. *Federal Legislation*

*Canada Labour Code*, RSC 1985, c L-2, sets out minimum employment standards for federal employees including standards governing collective bargaining and occupational health and safety. There are three general parts to the Act: Part I: Industrial Relations, Part II: Occupational Health and Safety, and Part III: Standard Hours, Wages, Vacations and Holidays.

Website: [www.laws.justice.gc.ca/eng/acts/L-2/index.html](http://www.laws.justice.gc.ca/eng/acts/L-2/index.html)

*Canadian Human Rights Act*, RSC 1985, c H-6, covers discrimination in the workplace and the procedure for adjudication before the Canadian Human Rights Commission.

Website: [www.laws.justice.gc.ca/eng/acts/h-6](http://www.laws.justice.gc.ca/eng/acts/h-6)

*Employment Equity Act*, RSC 1995, c 44, helps achieve equality in the workplace with particular attention to inequalities that exist for women, Aboriginal peoples, persons with disabilities, and visible minorities.

Website: [www.laws.justice.gc.ca/eng/acts/e-5.401/](http://www.laws.justice.gc.ca/eng/acts/e-5.401/)

*Employment Insurance Act*, RSC 1996, c 23, outlines the requirements and qualifications for Employment Insurance.

Website: [www.laws.justice.gc.ca/eng/acts/E-5.6](http://www.laws.justice.gc.ca/eng/acts/E-5.6)

*Personal Information Protection and Electronic Documents Act*, RSC 2000, c 5, protects personal information collected and distributed electronically for employees in federal jurisdiction.

Website: [www.laws.justice.gc.ca/eng/p-8.6](http://www.laws.justice.gc.ca/eng/p-8.6)

#### 2. *Provincial Legislation – Employees*

*Employment Standards Act*, RSBC 1996, c 113, (ESA) sets out minimum employment standards for provincial employees.

Website: [www.bclaws.ca/civix/document/id/consol22/00\\_96113\\_01](http://www.bclaws.ca/civix/document/id/consol22/00_96113_01)

*Employment Standards Regulation*, BC Reg 396/95, includes provisions on scope of coverage and the penalty regime.

Website: [www.bclaws.ca/civix/document/id/loo97/loo97/396\\_9511\\_396\\_95](http://www.bclaws.ca/civix/document/id/loo97/loo97/396_9511_396_95)

*Wills, Estates, and Succession Act*, ss 175-180 deal with deceased workers' wages.

Website: [www.bclaws.ca/civix/document/id/complete/statreg/09013\\_01#division\\_d2e13620](http://www.bclaws.ca/civix/document/id/complete/statreg/09013_01#division_d2e13620)

*Human Rights Code*, RSBC 1996, c 210, deals with discrimination in employment, among other things.

Website: [www.bclaws.ca/Recon/document/ID/freeside/00\\_96210\\_01](http://www.bclaws.ca/Recon/document/ID/freeside/00_96210_01)

*Labour Relations Code*, RSBC 1996, c 244, deals with union membership, collective bargaining, and the role of the Labour Relations Board.

Website: [www.bclaws.ca/civix/document/id/complete/statreg/96244\\_01](http://www.bclaws.ca/civix/document/id/complete/statreg/96244_01)

*Workers' Compensation Act*, RSBC 1996, c 492, governing Act of the Workers' Compensation Board.

Website: [www.bclaws.ca/civix/document/id/lc/statreg/96492\\_00](http://www.bclaws.ca/civix/document/id/lc/statreg/96492_00)

*Personal Information Protection Act*, SBC 2003, c 63, sets out ground rules for how private sector and not-for-profit organizations may collect, use, or disclose information about an individual.

Website: [www.bclaws.ca/Recon/document/ID/freeside/00\\_03063\\_01](http://www.bclaws.ca/Recon/document/ID/freeside/00_03063_01)

*Apology Act*, SBC 2006, c 19, addresses some circumstances where a claimant is seeking an apology from his former employer. Employers can be cautious about making an apology in case the apology attracts liability. This concern can be addressed by providing an apology in accordance with the Apology Act, which specifically separates an apology from an acknowledgement of liability.

Website: [http://www.bclaws.ca/civix/document/id/consol18/consol18/00\\_06019\\_01](http://www.bclaws.ca/civix/document/id/consol18/consol18/00_06019_01)

### **3. Provincial Legislation – Contractors**

*Builder's Lien Act*, SBC 1997, c 45, provides that a builder may file a lien against property for work and materials put into that property and sets out the procedure for filing a lien.

Website: [www.bclaws.ca/civix/document/id/complete/statreg/97045\\_01](http://www.bclaws.ca/civix/document/id/complete/statreg/97045_01)

*Repairers Lien Act*, RSBC 1996, c 404, states that a repairer may put a lien on chattel for work and materials put into that chattel.

Website: [www.bclaws.ca/civix/document/id/complete/statreg/96404\\_01](http://www.bclaws.ca/civix/document/id/complete/statreg/96404_01)

*Woodworker Lien Act*, RSBC 1996, c 491, states that a woodworker may put a lien on logs or timber for work done or services performed.

Website: [www.bclaws.ca/civix/document/id/consol26/consol26/00\\_96491\\_01](http://www.bclaws.ca/civix/document/id/consol26/consol26/00_96491_01)

## **B. Resources**

### **1. Books**

Howard A Levitt. *The Law of Dismissal in Canada*, (Aurora, Ont: Canada Law Book, 2003). This textbook is used by Employment Standards Branch staff.

Malcolm Mackillop. *Damage Control: An Employer's Guide to Just Cause Termination*, (Aurora, Ont: Canada Law Book, 1997).

Ellen E Mole. *The Wrongful Dismissal Handbook*, Second Edition (Scarborough: Butterworths, 2005).

## 2. ***Other Resources***

The Continuing Legal Education Society of BC holds an Employment Law conference each year. Papers are published on topics of current interest, and can be found at most law libraries, or online for those with a subscription at:

Website: [www.cle.bc.ca](http://www.cle.bc.ca)

The Employment Standards Branch publishes the Employment Standards Act Interpretation Guidelines Manual. The Manual sets out the ESB's interpretation of the Act and Regulations. The manual is published online at:

Website: [www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/igm](http://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/igm)

LexisNexis Quicklaw publishes Canada Wrongful Dismissal Quantums. Canada Wrongful Dismissal Quantums summarizes wrongful dismissal awards organized according to occupation and duration of employment. The Quantums are available online to those with a subscription at:

Website: [www.lexisnexis.com/ca/legal](http://www.lexisnexis.com/ca/legal)

Carswell hosts an online Wrongful Dismissal Database. The database calculates average notice period awards from precedential cases. Reports can be purchased individually or by subscription. The database is accessible online at:

Website: [www.wrongfuldismissaldatabase.com](http://www.wrongfuldismissaldatabase.com)

Lawyer Greg Gowe publishes the Canadian Workplace Law WebSource which tracks developments and cases in Canadian labour and employment law. Mr. Gowe updates the blog regularly. The WebSource is published online at:

Website: [www.greggowe.com](http://www.greggowe.com)

## C. ***Referrals***

### **Employment Standards Branch** (Employees in Provincial Jurisdiction)

Lower Mainland Regional Office  
250 – 4600 Jacombs Road  
Richmond, B.C. V6V 3B1

Telephone: (604) 660-4946

Fax: (604) 713-0450

- The other Branch in the Lower Mainland is located in Langley

### **Employment Standards General Inquiry Line**

Website: [www.labour.gov.bc.ca/esb](http://www.labour.gov.bc.ca/esb)

Telephone (Prince George): (250) 612-4100

Telephone (Rest of B.C.): 1-800-663-3316

Fax: (250) 612-4121

### **Labour Relations Board** (Union Enquiries: Provincial Jurisdiction)

Suite 600 Oceanic Plaza  
1066 West Hastings Street  
Vancouver, B.C. V6E 3X1  
Website: [www.lrb.bc.ca](http://www.lrb.bc.ca)

Telephone: (604) 660-1300

Fax: (604) 660-1892

### **Employment and Social Development Canada, Labour Program**

11 – 300 West Georgia Street  
Vancouver, B.C. V6B 6G3

Telephone: 1-800-641-4049

Website: <https://www.canada.ca/en/employment-social-development/corporate/portfolio/labour.html>

**Canada Industrial Relations Board** (Union Enquiries: Federal Jurisdiction)

Western Region Office  
501 – 300 West Georgia Street  
Vancouver, B.C. V6B 6B4  
Website: www.cirb-ccri.gc.ca

Telephone: (604) 666-6002  
Toll-Free: 1-800-575-9696  
Fax: (604) 666-6071

**Employment Standards Tribunal of British Columbia**

Suite 650 Oceanic Plaza  
1066 West Hastings Street  
Vancouver, B.C. V6E 3X1  
E-mail: registrar.est@bcest.bc.ca  
Website: www.bcest.bc.ca

Telephone: (604) 775-3512  
Information Line: (250) 612-4100  
Toll-Free: 1-800-663-3316  
Fax: (604) 775-3372

**B.C. Human Rights Tribunal**

1170 – 605 Robson Street  
Vancouver, B.C. V6B 5J3  
E-mail: BCHumanRightsTribunal@gov.bc.ca  
Website: www.bchrt.bc.ca

Telephone: (604) 775-2000  
TTY: (604) 775-2021  
Toll-Free (in B.C.): 1-888-440-8844  
Fax: (604) 775-2020

**Workers' Compensation Board of B.C.** (WorkSafeBC – Head Office)

Main Building  
6951 Westminister Highway  
Richmond, B.C. V7C 1C6  
Website: www.worksafebc.com

Telephone: (604) 276-3143

**Canadian Human Rights Commission – British Columbia and Yukon**

Website: www.chrc-ccdp.ca

Toll-Free: 1-888-214-1090

**West Coast Domestic Workers' Association**

302 – 119 West Pender Street  
Vancouver, B.C. V6B 1S5  
E-mail: info@wcdwa.ca  
Website: www.wcdwa.ca

Telephone: (604) 669-4482  
Toll-Free: 1-888-669-4482  
Fax: (604) 669-6456

### III. CHECKLIST

#### A. *Preliminary Matters*

- Jurisdiction:** Determine whether the employee falls within provincial or federal jurisdiction, and make a list of which statutes apply to the employee.
  - See **Section IV.A: Determine Federal or Provincial Jurisdiction**
  
- Unionized or Non-Unionized:** Determine whether the employee is working in a union environment, and if so, whether the employment relationship is governed by a collective agreement, and whether the employee is in the bargaining unit covered by the collective agreement.
  - See **Section IV.C: Determine if the Employee is Unionized or Non-Unionized**
  
- Employee or Contractor:** Determine whether the worker is an actual “employee” or an “independent contractor”.
  - See **Section IV.D: Determine if the Worker is an Employee or Independent Contractor**

**B. Determine the Issue**

- Read through the common employment law issues and determine which issue(s) the employee is experiencing.
  - See **Section V: Employment Issues.**
  - If the issue respects termination of employment, complete the checklist located at **Section V.C.1: Termination of Employment Checklist** before returning to this list.

**C. Determine the Remedy**

- Determine the employee’s legal remedy based on the legal basis for the employee’s complaint: A breach of the *Employment Standards Act* will lead to a claim at the Employment Standards Branch; a breach of the *Human Rights Code* will lead to a complaint at the Human Rights Tribunal; and a breach of the employment contract, or one of its implied terms, will lead to a claim in Small Claims Court (for claims under \$35,000 as of June 1, 2017) BC Supreme Court (for claims over \$35,000 as of June 1, 2017), or the Civil Resolution Tribunal (for claims \$5,000 or under). As of June 1, 2017, with a number of exceptions, civil claims of up to \$5000 will no longer be dealt with in Small Claims Court – instead, they will be resolved in B.C.’s new online Civil Resolution Tribunal.
  - See **Section VI: Remedies.**
  - See **Chapter 20: Small Claims.**
- Determine the claim’s limitation date. Ensure that you file the appropriate application on time. If you have missed the limitation date, look at what options you may have for late filing.
  - See **Section VI.D: Limitation Periods.**
- Determine whether there are any written contracts, employment policies, or other written terms of employment that apply to the worker.
- Consider the strategies and tips offered.
  - See **Section VII: Strategies and Tips.**

<i>Forums for Employment Law Disputes</i>					
	<i>Employment Standards Branch</i>	<i>Human Rights Tribunal</i>	<i>Civil Resolution Tribunal</i>	<i>Small Claims Court</i>	<i>Supreme Court</i>
<i>Filing Costs</i>	None	None	\$100 for claims up to \$3,000; \$150 for claims over \$3,000 (waivers may be available)	\$100 for claims up to \$3,000 \$156 for claims over \$3,000	\$200 to file, plus additional costs for applications and trials exceeding 3 days
<i>Maximum Awards</i>	No maximum dollar amount, but generally award limited to amounts owed for past 6 months only	No maximum	\$5,000	\$35,000 (as of June 1, 2017)	No maximum
<i>Type of Claim</i>	Statutory entitlements in the <i>ESA</i> (i.e. minimum wage, overtime, vacation pay, etc.)	Discrimination in employment or hiring	Any term express or implied in the contract; wrongful dismissal	Any term express or implied in the contract; wrongful dismissal	Any term express or implied in the contract; wrongful dismissal

## IV. PRELIMINARY MATTERS

### A. *Determine Federal or Provincial Jurisdiction*

Employees are subject to either federal or provincial employment legislation. This section will help you determine whether the employee is covered by federal or provincial jurisdiction, and which statutes apply.

#### **Federal Jurisdiction**

Employees will fall under federal jurisdiction if they are employed in connection with any federal work, undertaking, or business that is within the legislative authority of Parliament, or if they work for certain federal crown corporations. This can be a complicated constitutional question, but generally, areas of business that are federally regulated include:

- Shipping and navigation, including the operation of ships and transportation by ship anywhere in Canada
- Interprovincial or international transportation (for example, truck, rail, ferry, or shipping routes that cross a provincial or international border)
- Telecommunications companies, such as cell phone, cable, or internet providers
- Airports and air transportation, including any airline companies
- Radio broadcasting stations
- Banks (but not credit unions)
- Businesses located on First Nations reserves
- Other areas listed in section 91 of the *Constitution Act*, 1867 (UK), 30 & 31 Vict, c 3, reprinted in RSC 1985, App II, No 5.

In order to determine jurisdiction, look to the type of work done, as well as the employer's area of business. It is important to note that a single employer could have both federally and provincially regulated employees. Although an employer may be subject to federal jurisdiction, it does not mean all of that employer's employees will be governed by federal law. In some cases, additional research must be done to determine the employee's jurisdiction. For additional details to assist in determining jurisdiction if a difficult case arises, see *Acton Transport Ltd v British Columbia (Director of Employment Standards)*, 2008 BCSC 1495.

Performing a BC Online company search may help determine jurisdiction. While not always determinative, a company search will provide information regarding whether the company is provincially registered, which may help determine jurisdiction. In addition, a company search will usually provide the company's director and registered office information:  
[www2.gov.bc.ca/gov/content/governments/organizational-structure/ministries-organizations/ministries/technology-innovation-and-citizens-services/bc-registries-online-services](http://www2.gov.bc.ca/gov/content/governments/organizational-structure/ministries-organizations/ministries/technology-innovation-and-citizens-services/bc-registries-online-services)

#### **Provincial Jurisdiction**

Employees who are not within the scope of federal legislation generally fall under provincial jurisdiction and accordingly their employment is governed by provincial legislation.

### B. *Determine Applicable Legislation*

The following section contains statutes that may apply to an employee with an employment related legal issue. Once you have determined the jurisdiction, make note of which statutes apply to the employee, and then continue on to the next step in the checklist: **Section IV.C: Unionized vs. Non-Unionized Employees.**

Note that this chapter focuses on provincial legislation. In cases where the employee is federally-regulated, this chapter can still be of assistance as the provincial and federal statutes have many similarities, but it will be necessary to read the federal statutes to determine whether a particular provision is similar.

### **1. *The Employment Standards Act***

Provincially regulated employees are generally covered by the *Employment Standards Act* [ESA].

Be aware that certain professions and employees are exempt from the ESA, or parts of the ESA. Review the *Employment Standards Regulations* to determine if the employee is covered by the ESA.

See **V.A.10: Professions with Special Provisions and Limited Exemptions under the Employment Standards Act** to determine whether the ESA applies to the employee in question. See **V.A.6: Hours of Work and Overtime Pay** to determine if the employee is exempt from overtime.

### **2. *The Labour Relations Code and Canada Labour Code***

Provincially regulated employees who belong to a union are covered by the *Labour Relations Code* in addition to the ESA. However, some parts of the ESA do not apply to unionized employees.

Federally regulated employees are covered by the *Canada Labour Code* [CLC]. A significant difference between the CLC and the ESA is that the CLC confers a special right: If the employee is non-managerial, worked for at least one year, and was unjustly dismissed, his or her job can be reinstated (CLC, ss 240-246). This right exists alongside a number of other discretionary remedies for unjust dismissal under the CLC. A complaint must be filed within 90 days (CLC, s 240(2)).

For a discussion on the significance of the discretionary remedies for unjust dismissal available under the CLC, see the Supreme Court of Canada's recent decision in *Wilson v. Atomic Energy of Canada Ltd.*, 2016 SCC 29.

### **3. *The Human Rights Code***

Provincially regulated employees are covered by the British Columbia *Human Rights Code* (HRC).

Federally regulated employees are covered by the *Canada Human Rights Act*. For more information on Human Rights claims, see **Chapter 6: Human Rights**.

### **4. *Common Law and Contract Law***

In addition to statutory entitlements, provincially and federally regulated employees have common law employment entitlements. Causes of action, such as breach of contract due to wrongful dismissal, remain the same whether the employee is provincially or federally regulated.

Employees will also often have written contractual entitlements. Any applicable written employment contract or applicable workplace policy should be reviewed carefully to both clarify the terms of employment and whether the contract is enforceable. See **Section V.C(d) and (c): Invalid Contracts**.

Unionized employees may have common law or contractual entitlements, but generally these entitlements have to be acted upon by the union that is party to the collective agreement. See **Section IV.C: Unionized vs. Non-Unionized Employees.**

### ***C. Determine if the Employee is Unionized or Non-Unionized***

Determine whether the employee belongs to a union. If the employee does not belong to a union, continue on to the next step in the checklist: **Section IV.D: Determine if the Work is an Employee or Independent Contractors.**

Issues regarding unionized employees can be complex, and unionized employees should therefore generally be referred to their union representative or a lawyer. However, the following paragraph provides basic information for unionized employees.

If an employee is a union member and has a complaint regarding the employer, he or she must first advise the union's representative. The employee can contact either the shop steward at the workplace, or an external union representative, to see what the union can and will do. The ESA provides minimum standards that generally must be met, but collective agreements will contain other critical guidelines that the employer must follow. Usually, union contracts contain different or more onerous terms than the ESA provisions, and union members in their collective agreements can contract out of ESA limitations (ESA, s 3) regarding such matters as hours of work, overtime, statutory holidays, vacations, vacation pay, seniority retention, recall, and termination of employment or layoff. Whole sections of the ESA might not apply under a collective bargaining agreement as long as they have been addressed by the agreement. The collective agreement does not necessarily have to meet minimum guidelines for certain sections of the ESA. For more information, consult the Employment Standards Branch fact sheet on collective bargaining agreements on their website at: [www.labour.gov.bc.ca/esb/facshts/collagr.htm](http://www.labour.gov.bc.ca/esb/facshts/collagr.htm).

Unions have a duty to represent their workers fairly. An employee who feels his union has not fairly represented his interests or advanced a grievance can bring a complaint under section 12 of the *Labour Relations Code*. These complaints are seldom successful, and so it is very important to have the employee document all requests for help to the union and document the union's response.

### ***D. Determine if the Worker is an Employee or Independent Contractor***

Most workers are considered "employees", but some are considered "independent contractors", and some fall under an intermediate category sometimes referred to as "dependent contractors".

The distinction is important because independent contractors are generally not protected by the *Employment Standards Act*, the *Human Rights Code*, the *Canada Labour Code* or the *Canada Human Rights Act*. Additionally, independent contractors may not be entitled to reasonable notice if they are dismissed, as many employees are, although the law on this can be complex (see below).

Note that different statutes have different objectives and definitions, and as a result, "employee" and "independent contractor" may be interpreted differently under each statute. These interpretations are generally similar and sometimes follow the same tests; however, the ESA and particularly the HRC may define "employee" more broadly than the common law tests would – see **Sections IV.D.2 and IV.D.3**, below. As a result, those who would be categorized as dependent or independent contractors under the common law may sometimes be categorized as employees under the HRC.

#### ***1. Employees vs. Contractors - Common Law***

When considering an employment related claim, it will be important to determine if the claimant was an employee, dependent contractor, or an independent contractor.

This classification will determine which statute laws apply. It will also change what entitlements are available for breach of contract (including wrongful dismissal) at common law. For example, employees can make claims for severance pay in lieu of notice, a common law entitlement that is not available to contractors.

In *McCormick v. Fasken Martineau DuMoulin LLP* (2014 SCC 39), the Supreme Court of Canada affirmed that the key to a determination of employment with regards to whether an individual is an employee or an independent contractor is the degree of control and dependency. The Court in *TCF Ventures Corp v The Cambie Malone's Corporation*, 2016 BCSC 1521, noted that the 'dichotomy' between independent contractors and true employees is best practically assessed on a spectrum that exists between the two extremes; persons (both natural and unnatural) can find themselves on that spectrum and can bring an action for breach of an entitlement to notice of termination of their contracts, and the true nature of the relationship should be assessed on a case-by-case basis.

An employee is typically highly controlled by the employer: the employer might set the employee's hours, provide training, decide how work should be performed, require adherence to policies such as dress codes, and discipline the employee for misconduct. The employer would also typically make Canada Pension Plan (CPP) and Employment Insurance (EI) deductions, provide Worker's Compensation coverage, and pay for any business expenses and equipment. Employees tend to rely on their employment with a single employer or business as their primary or sole source of income.

An independent contractor is generally not significantly controlled by the employer: the independent contractor might set their own hours, determine how to perform the work, make their own payments for CPP, EI, and Worker's Compensation coverage, pay for their own business expenses and equipment, and determine whether to hire their own employees or subcontractors to assist in performing the work. Independent contractors often contract with more than one business, and as a result are less dependent on a single business to earn their living.

A dependent contractor is an intermediate category, falling somewhere in the middle of the scale. A dependent contractor might set their own hours and hire their own employees, but derive most of their income from a contract with one business, and thus be fairly dependent on that business to earn their living.

None of the factors listed above can alone determine the categorization of the worker. One of the leading tests to apply to determine how to categorize the worker is set out in *671122 Ontario Ltd. v. Sagaz Industries Canada Inc.*, 2001 SCC 59, [2001] 2 SCR 983:

[...]The central question is whether the person who has been engaged to perform the services is performing them as a person in business on his own account. In making this determination, the level of control the employer has over the worker's activities will always be a factor. However, other factors to consider include whether the worker provides his or her own equipment, whether the worker hires his or her own helpers, the degree of financial risk taken by the worker, the degree of responsibility for investment and management held by the worker, and the worker's opportunity for profit in the performance of his or her tasks.

It bears repeating that the above factors constitute a non-exhaustive list, and there is no set formula as to their application. The relative weight of each will depend on the particular facts and circumstances of the case. Although this is one of the leading tests, it should be noted that there are other tests that courts would consider as well.

Some additional examples of conditions that are not, by themselves, enough to ensure someone is considered a contractor are:

- The worker signs an agreement that identifies him as a contractor. (Section 4 of the ESA states that you cannot contract out of the Act. If you sign an independent contractor agreement, you still must meet that definition);
- The worker charges sales tax (the worker may or may not be in a lawful position to charge sales tax);
- The worker is incorporated (per *Marbry Distributors Limited v. Avreca International Inc.*, 1999 BCCA 172). However, the worker may wish to see an accountant or tax lawyer if they are an incorporated employee as they may not be entitled to all of the same tax benefits of other corporations;
- No deductions are taken from the worker's paycheque (this may simply mean that the employer is in violation of both the ESA and the *Income Tax Act*);
- The worker submits a "bill" for labour (it may be nothing more than a time card); and
- The worker uses their own vehicle or provides their own tools (it may simply be considered a condition of employment. Note that employment related expenses are recoverable and cannot be charged to the employee).

All of these factors will be considered, but do not determine the issue.

In some cases, a worker may fall into the category of dependent contractor. Those who fall under the intermediate category are entitled to reasonable notice. Some of the factors that are considered in determining whether a worker falls under this category are (*Marbry Distributors Limited v. Avreca International Inc.*, 1999 BCCA 172):

- Duration or permanency of the relationship
- Degree of reliance and closeness of the relationship
- Degree of exclusivity

In the case of *Marbry*, the incorporated company, Marbry Ltd., distributed Avreca's products almost exclusively for 11 years. Marbry Ltd. employed Mr. Marbry as well as one salesperson. Considering the above factors, the court found that the contractual relationship between Marbry Ltd. and Avreca required reasonable notice to terminate. See also *Zupan v Vancouver (City)*, 2005 BCCA 9; *1193430 Ontario Inc v Boa-Franc Inc*, 78 OR (3d) 81, 260 DLR (4th) 659; *Hillis Oil & Sales v Wynn's Canada*, [1986] 1 SCR 57.

For additional discussion of intermediate contracts, see "Intermediate Contracts of Employment", Stephen Schwartz, Employment Law Conference 2010, Paper 4.1, CLE BC.

For additional discussion of the tests used to determine whether a worker is an employee or an independent contractor, see the Canada Revenue Agency publication: *Employee or Self-Employed* (RC4110). This useful publication lists a number of indicators to help determine whether a worker is an employee or an independent contractor, but note that it does not consider the category of dependent contractor. It can be found at: [www.cra-arc.gc.ca/E/pub/tg/rc4110/rc4110-16e.pdf](http://www.cra-arc.gc.ca/E/pub/tg/rc4110/rc4110-16e.pdf)

Cases where the worker may be considered a dependent or independent contractor, rather than an employee, can be quite complex. Although this chapter includes some information regarding dependent and independent contractors, its focus is towards the rights and responsibilities of employees. Ensure that you thoroughly research case law if you have a case involving dependent or independent contractors.

If the worker appears to be a dependent or independent contractor, and the worker has a legal issue that may be covered by the ESA or the HRC, see **Sections IV.D.2** and **IV.D.3** below to determine whether these statutes' broader definitions of "employee" include the worker in question. If the worker appears to be an employee, continue to the next step of the checklist.

## 2. *Employees v. Contractors - Employment Standards Act*

The distinction between employees and independent contractors under the Employment Standards Act is quite similar to that under the common law. It should be used when pursuing a claim at the Employment Standards Branch.

“Employee” is defined in the ESA, s 1. The Employment Standards Branch has published an Interpretation Guidelines Manual to assist in determining the difference between employees and independent contractors. It can be found at:

<http://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/igm>

Additionally, Employment Standards Branch staff sometimes use Levitt’s discussion of the control test, four-fold test, and integration or organization test in his book *The Law of Dismissal in Canada* (Aurora, Ont: Canada Law Book, 2003).

As previously mentioned, an independent contractor is not protected by the ESA. However, just because an employer calls someone an independent contractor does not make him or her one. Generally, at the Employment Standards Branch, the onus is on the company to show that someone is an independent contractor. If there is a disagreement, the Employment Standards Branch will use the common law tests. Generally, the longer and more continuous the relationship, and the less control the contractor has over his or her employment, the more likely it is to be considered an employment relationship.

Generally speaking, the ESA is to be given a wide and liberal interpretation (per *Interpretation Act*, RSBC 1996, c 238, s 8; see also *Machtinger v HOJ Industries Ltd*, [1992] 1 SCR 986 and *Rizzo & Rizzo Shoes Ltd (Re)*, [1998] 1 SCR 27). The legislation is always construed broadly when determining whether someone is or is not an employee.

## 3. *Employees v. Contractors - Human Rights Code*

The distinction between employees and independent contractors under the *Human Rights Code* should be used when pursuing a claim at the Human Rights Tribunal.

Employment is more broadly defined under the *HRC* compared to the common law and the ESA. It includes the relationships of master and servant, master and apprentice, and some principals and agents. In some cases it may extend to include workers who would, under the common law, be defined as dependent or independent contractors. Additionally, some volunteering relationships could potentially be considered employment relationships, or alternately could be covered under s 8 of the *HRC* (provision of services).

The four factors that most strongly determine whether a worker is an “employee” for the purpose of the *HRC* are (*Ismail v British Columbia (Human Rights Tribunal)*, 2013 BCSC 1079 at para 265):

- Whether the employer utilized, or gained some benefit, from the worker
- The amount of control exerted by the employer over the worker
- Whether the employer bore the burden of financial remuneration of the worker
- Whether the employer has the ability to remedy any discrimination

The Canadian Human Rights Tribunal also uses a broader definition of employment compared to the common law; see *Canadian Pacific Ltd v Canada (Human Rights Commission)*, [1991] 1 FC 571 (CA) at paras 9-15.

## V. EMPLOYMENT ISSUES

Use this section to identify the employee's legal issues. This section is geared towards identifying the most common employment law issues for provincially regulated non-unionized employees (see **Section IV: Preliminary Matters** to determine whether the worker in question is a provincially regulated non-unionized employee). However, many issues will apply in a similar fashion to federally regulated employees, and some issues will also apply to unionized employees.

Generally, employment issues arise as a breach of the *Human Rights Code*, the *Employment Standards Act*, or an employment contract. Take note of which of these legal protections applies for the issue that you identify, and then see **Section VI: Remedies** to find out how to proceed.

### A. *Employment Standards Act Claims*

The ESA sets the minimum standards for various conditions of employment. The ESA applies to provincially regulated employees. The ESA addresses some of the most basic employee entitlements, such as wages, vacation pay, holiday pay, overtime, pregnancy and other leaves, and termination standards.

The *Canada Labour Code* sets these minimum standards for federally regulated employees. This section primarily discusses the ESA, but the *Canada Labour Code* has many similar provisions.

Make sure the individual considering starting a claim is not exempt from the ESA. Be aware that certain professions and employees are exempt from the ESA, or parts of the ESA. Review the *Employment Standards Regulations* to determine if the employee is covered by the ESA. See *ES Regulation*, Part 7.

See **IV.C.5: Exceptions to the General Rule (Specialty Professions)** to determine whether the ESA applies to the employee in question. See **V.A.6.: Hours of Work and Overtime Pay** to determine if the employee is exempt from overtime.

#### 1. *Hiring Practices*

An employer may not induce a person to become an employee or to make him or herself available for work by deceptive or false representations or advertising respecting the availability of a position, the nature of the work to be done, the wages to be paid for the work, or the conditions of employment. If this occurs, the employee could file a complaint at the Employment Standards Branch per section 8 of the ESA.

Apart from ESA entitlements, an employee who was hired as a result of false representations could potentially sue for the tort of misrepresentation. For more information about this tort, see *Queen v Cognos Inc*, [1993] 1 SCR 87.

#### 2. *Employment Agencies*

An employment agency is any person or company that recruits employees for employers for a fee. All employment agencies must be licensed and they must keep records. An employment agency may not receive any payment from a person seeking employment either for obtaining employment or for providing information respecting prospective employers. Any payment wrongfully received can be recovered under the ESA, s 11.

#### 3. *Talent Agencies*

A number of the more recent amendments to the ESA deal with talent agencies and impose minimum standards on what was previously an unregulated industry. A talent agency must be licensed annually under the Act. Once an agency is licensed, it may receive wages on behalf

of clients who have done work in the film or television industry. Section 38.1 of the *ES Regulation* provides that wages received by a talent agency from an employer must be paid to the employee within a prescribed period: five business days from receipt of payment if payment is made within B.C. and twelve business days from receipt of payment if payment is made from outside B.C.

Talent agencies can charge a maximum 15 percent commission, and must ensure that the employee receives at least minimum wage after this deduction. The only other fee a talent agency may charge is for photography, and this charge must not exceed \$25.00 per year. This fee may only be deducted from wages owed to the employee. When a talent agency is named in a determination or order, unpaid wages constitute a lien against the real and personal property of the agency. A 1999 amendment to section 127 of the Act gives the Lieutenant Governor in Council the power to regulate these agencies and, accordingly, the *ES Regulation* should be consulted for further information. A list of talent agencies currently licensed in B.C. is available on the Employment Standards Branch website at:

<http://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/specific-industries/talent-agencies>

#### **4. *Child Employment***

Employing a child is an offence for which both the employee and the employer are liable. The ESA does not apply to certain types of employment such as babysitters and some students (*ES Regulation*, s 32).

Section 9 of the ESA states that children under the age of 15 cannot be employed unless the employer has obtained written permission from a parent or guardian. The employer must have this written consent on file indicating that the parent or guardian knows where the child is working, the hours of the work, and the type of work. No person shall employ a child under the age of 12 years unless the employer has obtained permission from the Director of Employment Standards. In cases where permission from the Director is required, the Director also has the ability to set conditions of employment for the child. See *ES Regulation*, Part 7.1. For complete details of conditions, see [www.labour.gov.bc.ca/esb](http://www.labour.gov.bc.ca/esb) or call 1-800-663-7867.

Common forms of allowable employment for those under 12 are found in the film and television industries. For more information on the employment of young people in the B.C. entertainment industry, consult the Employment Standards Branch fact sheet on this matter at:

<http://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/specific-industries/employment-of-young-people-in-entertainment>

For more information regarding the employment of young people, see the fact sheet on this matter at:

<http://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/factsheets/general-employment-of-young-people>

If an employer is accused of illegally using child employment they will carry the onus in proving that it was either justified, or that the child was of legal age.

#### **5. *Wages***

##### **a) *Minimum Wage and the Entry Level Wage***

As of September 15, 2016, the general minimum wage is \$10.85 per hour for all persons in BC as indicated in Part 4 of the *ES Regulation*. One exception to this is liquor servers, who are entitled to a minimum wage of \$9.60. Since tips and gratuities are not wages, employees must be paid at least minimum wage in addition to any tips or gratuities they

receive. Please note that there are other exceptions under Part 4 of the *ES Regulation*, which include live-in home support workers, resident caretakers, and farm workers. See ss 16–18 of the *ES Regulation*.

The BC government has announced its commitment to yearly minimum wage increases linked to the BC Consumer Price Index. For more information regarding up to date information on minimum wage in BC, see the Minimum Wage Factsheet at: [www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/factsheets/minimum-wage](http://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/factsheets/minimum-wage).

Federally regulated employees are entitled to the minimum wage of the province that they work in (*Canada Labour Code*, s 178). Thus, federal employees working in B.C. are entitled to \$10.85 per hour.

### **b) Wage Clawbacks**

Section 16 of the ESA deals with the issue of “claw-backs”. This term refers to an employer who gives an employee an advance on future wages or commissions. Section 16 states that when the employer re-claims such advances, they must not take back an amount that would leave the employee under the minimum wage rate for the hours worked. Employers who claw-back wages from commission workers must ensure that the amount of wages clawed back does not cause the worker to ultimately receive less than minimum wage.

### **c) Payment of Wages**

#### **Timing**

Employers have to pay wages at least semi-monthly and no later than eight days after the end of the pay period (ESA, s 17). This section does not apply to public school teachers and professors (*ES Regulation*, s 40). Wages, as defined in Part 1, include salaries, commissions, work incentives, compensation for length of service (ESA, s 63), money by order of the tribunal, and money payable for employees’ benefit to a fund or insurer (in Parts 10 and 11 only). The definition does not include, for instance, expenses, penalties, gratuities, or travel allowance (however, travel time is considered time worked for which wages are payable, whereas commuting time is generally not).

#### **No Deductions for Business Costs**

An employer cannot require an employee to pay any of the employer’s business costs.

#### **Wage Statements**

Every payday, employees must be given a statement showing hours worked, wage rate/overtime wage rate, deductions, method of wage calculation, gross/net wages, and time bank amounts (ESA, s 27). Electronic statements can be provided instead under certain conditions (s 27(2)).

#### **Wage Payments on End of Employment**

If an employee quits, all wages and vacation pay owed must be paid within six days of the last day worked. When the employer terminates the employment, all wages (and vacation pay) must be paid within 48 hours of termination (ESA, s 18). Certain notice requirements dictated by the ESA are set out later in this chapter.

#### **Enforcement**

To enforce the payment of wages, the ESA provides that the Director can arrange payment of wages to the employee, or to the Director, if he or she is satisfied that wages are owed to the employee. Under the ESA, only the Canada Customs and Revenue Agency has priority over the Employment Standards Branch. Finally, the Section 87 of the ESA provides that unpaid wages in a determination, settlement agreement or an order

constitute a lien on real property owned by the employer. The enforcement mechanisms available to the Employment Standards Branch are such that the lien often gets priority over other claims against the property (see also *Helping Hands Agency Ltd v British Columbia (Director of Employment Standards)*, [1995] BCJ No 2524 (BCCA)).

If an employee has not been paid wages, and the limitation date under the ESA has passed, the employee may still be able to file a claim in Small Claims Court or the Civil Resolution Tribunal, as it is a term of any employment contract that the employee be paid for their labour. See **Chapter 20: Small Claims** and **Section VI.D: Limitation Periods**.

#### ***d) Allowable Deductions***

Only certain deductions can be made from an employee's wages (ESA, ss 21 and 22). There must be a written assignment of wages.

Allowable deductions include EI, CPP, income tax, charitable donations, maintenance order payments (such as spousal or child support), union dues, pensions, insurance (medical and dental), and payments to meet credit obligations. Benefit packages often allow a whole range of deductions from employee wages. In the case of an employer who fails to remit these deductions, the Employment Standards Branch will collect from the employer the premiums the employee paid. However, the Branch is not able to collect costs incurred by an employee who believed he or she was insured, i.e. actual cost of dental work done. If an employee has suffered a loss such as this, they should consider whether they have a contractual agreement with the employer, and whether it has been breached; if so, they may be able to recover the loss in Small Claims Court or the Civil Resolution Tribunal.

Section 22(4) of the ESA allows the employer to deduct money from the employee's paycheque to satisfy the employee's credit obligation (for example, if the employer has loaned the employee money, or if the employee has agreed to pay the employer a monthly sum for personal use of the employer's car). To do this, the employee must make a written assignment of wages to the employer.

#### ***e) Business expenses charged to an employee***

An employer cannot require employees to pay any business costs – as either a deduction from their paycheque or out of their pockets or gratuities. Examples of business costs include loss due to theft, damage, breakage, or poor quality of work, damage to employer's property, or failure to pay by a customer (e.g. dine-and-dash). If an employer deducts business costs from an employee's wages they can be required to reimburse the employee for the amount, and can be fined by the Employment Standards Branch for failing to follow the ESA.

### **6. *Hours of Work and Overtime Pay***

Under the ESA, employees are generally entitled to be paid at overtime rates if they work over 8 hours in a day, or over 40 hours in one week. See the ESA, Part 4 which sets out overtime rates and entitlements.

#### ***a) Regular Hours and Rest Periods***

An employer must not require or permit an employee to work more than eight hours per day or 40 hours per week as a rule, unless the employer pays overtime wages (ESA, s 35). An exception to this overtime rule is made for workers who have written averaging agreements under s 37 (see the next section for more information on averaging agreements). An employer must ensure that no employee works more than five

consecutive hours without a half-hour meal break (s 32). Such eating periods are not included in hours of work. There is no entitlement to coffee breaks.

Employees are also entitled to at least 32 consecutive hours free from work each week or 1.5 pay for the time worked during that period, and eight hours free from work between shifts, except in the case of an emergency (s 36).

Federally regulated employees cannot work more than eight hours per day or 40 hours per week as a rule, but unlike provincially regulated employees there is a 48 hours a week maximum, even with overtime rates being paid (*Canada Labour Code*, s 171). Averaging agreements are allowed under the federal legislation. There are no specifications for meal breaks. Employees are entitled to one day off from work each week (Sunday if possible). There is no requirement for time off between shifts.

### ***b) Overtime***

**Daily Overtime:** Unless he or she has an averaging agreement, an employee must be paid overtime wages if he or she works more than eight hours in any one day. Employees are to be paid one and a half times their regular wage rate for time worked beyond eight but less than 12 hours in one day, and two times their regular wage rate for any time worked beyond those 12 hours in one day (ESA, s 40(1)).

**Weekly Overtime:** Unless part of an averaging agreement, overtime must also be calculated on a weekly basis. For any time over 40 hours per week, an employee will receive one and a half times his or her regular wage (s 40(2)). When determining the weekly overtime, employers must use only the first eight hours of each day worked (s 40(3)). Essentially, this means that if an employee works six days out of the week, eight hours each day, eight of those hours have to be paid at one and one half times the regular rate. However, if an employee works 10 hours a day for four days a week, it would be calculated under daily overtime as the weekly hours still add up to 40.

### ***c) Overtime Banks***

Section 42 of the ESA allows for the “banking” of overtime hours on a written request from the employee, if the employer agrees to such a system. Hours are banked at overtime rates. The employee may ask at any time to be paid the overtime hours as wages, or to take these hours as paid time off of work at on dates agreed to by the employer and employee (s 42(3)). The employer may close the employee’s time bank with one month’s notice to the employee at any time (s 42(3.1)), and within six months of doing so, must either pay the employee for the hours in the time bank, allow the employee to take time off with pay equivalent to the amount in the time bank, or some combination of the two (s 42(3.2)). If the employee requests the time bank be closed, or if the employment relationship is terminated, the employer must pay the employee for the hours in the time bank on the next payday.

Many of the problems encountered by the Employment Standards Branch involve conflicts between the records of employers and the claims of employees regarding regular and overtime hours worked. **Employees should always keep consistent records of the hours they work.**

Federally regulated employees cannot opt for time off in lieu of overtime pay. All overtime hours must be paid at one and a half times the regular rate of pay (*Canada Labour Code*, s 174).

**d) *Employees and Occupations Exempt from Overtime***

Part 7 of the *ES Regulation* excludes certain groups of employees from the following rules under Part 4 of the ESA. They may be excluded from Part 4 of the Act as a whole, or excluded from certain sections only. Please check the Regulation for more details.

A common situation is where the employer attempts to exclude the employee from overtime eligibility by calling the employee a manager. The Employment Standards Branch uses the definition of manager as set forth in section (1) of the Regulation. It is the nature of the job, and not an employee's title, that makes that person a manager.

Be aware that even though an employee is considered a manager (or falls within another overtime exemption), the employee is still entitled to be paid for all hours worked.

Entitlement to overtime pay may be affected by an employment contract. Review the manager's contract, and see if there is a clause that deals with hours of work. If a manager or other exempt employee works more hours than set out in their employment contract, they may be entitled to additional pay for those hours at a standard wage rate. If the employment contract specifies that an annual salary is in exchange for a set amount of hours over 40, this may impact the employee's entitlement to be paid at an overtime rate.

If the manager does not have a contract, collect any evidence you can regarding an agreement on the manager's hours of work, and evidence on historical hours worked.

The ESA Interpretation Guidelines provides some helpful discussion on overtime, and can be found at:

<http://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/igm/esa-part-4-section-35>.

**e) *Minimum Daily Hours***

When workers report for work as required by an employer, whether or not they start work, they are entitled to two hours of pay unless they are unfit for work or do not meet Occupational Health and Safety Regulations. Whether or not an employee starts work, if an employer had previously scheduled an employee to work for more than eight hours that day, he or she is entitled to a minimum of four hours pay, unless inclement weather or other factors beyond the employer's control caused the employee to be unable to work, in which case the worker is entitled to just two hours' pay (ESA, s 34).

**f) *Shift Work***

An employee is entitled to at least eight hours free between shifts, unless there is an emergency. Split shifts must be completed within a 12-hour period (ESA, s 33).

**g) *Variance***

It is possible for an employer to apply for a variance to exclude employees from certain provisions of the ESA. To apply for a variance, the employer must write a letter to the Director of Employment Standards, and must have the signatures of at least 50 percent of the employees who are to be affected. When reviewing the application, the Director must consider whether the variance is inconsistent with the purpose of the ESA and the Regulation, and whether any losses incurred by the employees are balanced by any gains. For more information see:

<http://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/factsheets/variances>.

### ***h) Averaging Agreements***

Under s 37 of the ESA, an employee and employer can agree to average an employee's hours of work over a period of up to four weeks for the purposes of determining overtime. These agreements must be in writing and be signed by both parties before the start date of the agreement and must specify the number of weeks over which the agreement applies. It must also specify the work schedule of each day covered by the agreement and specify the number of times if any that the agreement can be repeated. The employee must receive a copy of this agreement before the agreement begins. The work schedule in such an agreement must still follow conditions outlined from ss 37(3)–(9). The employer and employee may agree at the employee's written request to adjust the work schedule (s 37(10)). The Employment Standards Branch will not get involved unless a complaint is made.

## **7. *Vacation and Vacation Pay***

Employees are entitled to both a minimum amount of annual vacation and to vacation pay under Part 7 of the ESA. Note that vacation time and vacation pay are separate entitlements under the ESA. Employees are entitled to both vacation pay and actual time away from work.

Employment contracts must provide at least the minimums vacation and vacation pay entitlements as set out in the ESA (ss 57-60). Employees can be entitled to vacation and vacation pay entitlements above the ESA minimums if agreed to in an employment contract.

### ***a) Annual Vacation***

After each year worked, employees are entitled to an annual vacation of at least two weeks. After five years of employment, this entitlement increases to three weeks. Employees must take at least their minimum vacation time off of work each year.

Annual vacation is without pay, but the employee should receive vacation pay either in advance of his vacation, or on each paycheck. See Vacation Pay explanation below.

### ***b) Vacation Pay***

After 5 days of work, the employer is required to pay the employee 4% of his wages as vacation pay. After 5 years of employment, this increases to 6%.

Employers are required to bank vacation pay for an employee, and then pay the employee their banked vacation pay 7 days before the employee's annual vacation. Alternatively, with written consent the employer can pay the employee his or her vacation pay on each paycheck.

If the employee is terminated, the employer is required to pay out any vacation pay owing to the employee. Be aware that in some circumstances employees will have claims for years of vacation pay owing. These monies may still be owing and collectable, and may not be limited by the standard six month limit for how far back an employee can claim wages.

For a detailed explanation of vacation and vacation pay entitlement, see Part 7 of the ESA, and the ESA Interpretation Guidelines found at:  
<http://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/igm/esa-part-7-section-58..>

## 8. *Statutory Holidays and Statutory Holiday Pay*

Employees are entitled to ten paid holidays a year: New Year's Day, Family Day, Good Friday, Victoria Day, Canada Day, B.C. Day, Labour Day, Thanksgiving Day, Remembrance Day, and Christmas Day (ESA, Part 5). Boxing Day, Easter Sunday, and Easter Monday are not statutory holidays in B.C. Federal employees are entitled to Boxing Day but not to B.C. Day.

To be entitled to a statutory holiday, an employee must have been employed by the employer for at least 30 calendar days before the statutory holiday and either have worked under an averaging agreement within this period or have worked or earned wages for 15 of these 30 calendar days.

Employees who work on a statutory holiday receive one and one-half times their regular rate of pay for the first 12 hours worked. Any further time worked should be paid at twice the regular amount of pay. Where a statutory holiday falls on a non-working day, the employer must give the employee a regular working day off with pay. An employee who is given a day off on a statutory holiday or a day off instead of one must be paid statutory holiday pay equal to at least an average day's pay.

An average day's pay is the employee's gross earnings in the past 30 days, divided by days worked, where:

**Amount paid** is the total amount paid or payable to the employee for the work done and wages earned during the 30 calendar day period preceding the statutory holiday including vacation pay for any days of vacation within that period, less any amounts paid or payable for overtime; and

**Days worked** are the number of days the employee worked or earned wages within the 30 calendar day period.

## 9. *Leaves of Absence*

Part 6 of the ESA regulates leaves of absence. Again, Part 7 of the *ES Regulation* should be consulted to determine if an employee is covered by this part of the Act. Those employees who are not protected by the ESA may have protection under the governing statutes of their specific profession.

An employee who is on leave under any of the following categories maintains several of the same protections he or she received while working. The employment is deemed to be continuous for the purposes of calculating annual vacation entitlement and any pension, medical, or other plan beneficial to the employee (ESA, s 56). At the time of reinstatement, employees on leave are entitled to return to their previous position or to a comparable one, and are also entitled to any wage and benefit increases that they would have received had they remained at work (s 54).

An employer may not terminate an employee for taking a leave he or she is entitled to take under the ESA. In the case of an alleged contravention of Part 6 by the employer, the burden is on the employer to prove that the reason for a termination was not a pregnancy, jury duty or other leave allowed by the Act (s 126(4)(c)). When there is an infraction of this section of the Act, the Director of Employment Standards can order that the employee be reinstated (s 79). However, this almost never occurs (see **Section VI: Remedies** for more details). Section 79(2) is a very powerful "make whole remedy" which allows the Director to reinstate the employee and pay them any wages lost due to the contravention of the Act. Termination during a leave may also give rise to a cause of action before the Human Rights Tribunal.

If an employee was dismissed due to a leave of absence but the limitation date to file a claim with the Employment Standards Branch has passed, consider whether the employee may have a wrongful dismissal claim; see **section V.C: Termination of Employment**.

**NOTE:**

The protections offered under ss 54 and 56 of the ESA do not apply if the leave taken by the employee is greater than that allowed by the Act (s 54).

**a) *Pregnancy and Parental Leave***

Pregnancy leave is protected under the ESA and the *HRC*. An employee dismissed while on pregnancy leave may also be entitled to a larger common law severance.

Under ss 50 and 51 of the ESA, a birth mother is entitled to take up to 17 consecutive weeks of unpaid pregnancy leave if the leave starts before birth or termination of the pregnancy. In addition, the birth mother can take a further 35 weeks of parental leave where pregnancy leave was taken, or 37 consecutive weeks of parental leave where pregnancy leave was not taken. Although the employer does not have to pay wages during a pregnancy or parental leave, Employment Insurance may cover a portion of the wages during this period if the person qualifies. Please refer to **Chapter 8: Employment Insurance** for more information. The parental leave periods to which birth fathers and adoptive parents are entitled were also extended by the ESA from 12 to 37 consecutive weeks. Employees must give their employer four weeks written notice of pregnancy or parental leave, but even if they do not, they are still protected by the ESA.

The employer may request a medical certificate to verify an anticipated birth date or the date of pregnancy termination. Pregnancy leave may commence up to 11 weeks prior to the estimated date of birth, and no later than the actual birth date of the child; it ends between 6 and 17 weeks after the actual birth date. To request pregnancy leave for a period shorter than six weeks following the birth of the child or termination of the pregnancy, an employee must provide one week written notice to the employer and may have to supply a medical certificate confirming the employee's ability to return to work. Parental leave can begin at any time within one year of the birth or adoption of the child and need not conclude within that year; however, it must all be taken in one block.

Pregnancy leave can be extended by six weeks with a doctor's certificate outlining reasons related to the birth or termination. Parental leave can be extended by five weeks where the child has a psychological, physical, or emotional condition that requires such an extension.

An employer has a duty to allow the employee the leave he or she requests under the provisions of the ESA. Furthermore, upon the employee's return from leave, the employer has a duty to place the employee in the same or comparable position to the position he or she held before the leave. The employer must not terminate employment because of leave taken, or change a condition of employment without the employee's written consent.

Maternity rights are being quickly developed by the courts. Supreme Court decisions such as *Brooks v. Canada Safeway Ltd.*, [1989] 1 SCR 1219, should be reviewed before giving advice to individuals with this type of grievance. This case says that pregnancy, while not considered a sickness or accident, is a valid health-related reason for absence from work.

If an employee has a dispute with their employer regarding pregnancy or parental leave, they may also be able to file a complaint for discrimination based on sex or family status with the Human Rights Tribunal. Additionally, where an employer offers compensation benefits for health conditions and then excludes pregnancy as a ground for claiming compensation, the employer may have acted in a discriminatory fashion.

If an employee has been terminated while on leave, in some cases they may be able to make a claim for wrongful dismissal in Small Claims Court or the Civil Resolution Tribunal. See Section **VI: Remedies** for further details. Consider whether the circumstances of dismissal in breach of protected leave provisions might be grounds for aggravated or punitive damages in civil court.

An employer can terminate the employment of a pregnant person if the termination is part of legitimate downsizing (s 54).

**b) *Family Responsibility Leave***

An employee is entitled to up to five days of unpaid leave each year to meet responsibilities related to the health of an immediate family member or the educational needs of a child in the employee's care (ESA, s 52). These days need not be consecutive, and their use is not restricted to emergencies. They may be used for meetings about a child's schooling, meetings with a social worker, or other similar commitments.

**c) *Bereavement Leave***

An employee is entitled to up to three days of unpaid leave on the death of a member of the employee's immediate family (ESA, s 53). "Immediate family" is defined in the ESA as "the spouse, child, parent, guardian, sibling, grandchild or grandparent of an employee, and any person who lives with an employee as a member of the employee's family."

**d) *Compassionate Leave***

As of April 27, 2006 the ESA was amended to allow an employee to take up to eight weeks of unpaid leave to care for a family member who is gravely ill and faces a significant risk of death within 26 weeks (s 52.1). The employee must provide a certificate from a medical practitioner stating that the family member faces significant risk of death. The eight weeks do not have to be taken consecutively, but they must be used within the 26-week period. If the family member is still alive after 26 weeks but still gravely ill, a further eight weeks can be taken; however, a new medical certificate must be provided by a medical practitioner. While on compassionate leave the employment is considered to be continuous. An employer must not terminate the employee, or change the conditions of employment while an employee is on compassionate leave, unless they obtain their written consent to do so. An employee may also qualify for a maximum of six weeks of pay through Employment Insurance for compassionate leave. For more information please refer to **Chapter 8: Employment Insurance**.

**e) *Jury Duty***

An employee is entitled to unpaid leave to meet the requirements of being selected for jury duty (ESA, s 55).

**f) *Reservists' Leave***

Under certain circumstances the ESA now allows unpaid leave for reservists in the Canadian Armed Forces (ESA, s 52.2).

**g) *Proposed Leave for Victims of Domestic Violence***

Bill M 235, the proposed Employment Standards (Domestic Violence Leave) Amendment Act, 2017, is currently in first reading as of March of 2017. Although not in force, the Act in its current formulation proposes up to 10 days of paid leave and up to 17 weeks of unpaid leave for specific purposes if an employee or the employee's child has experienced domestic or sexual violence.

This amendment is not currently law at the time of publication of this manual. However, if a claimant is adversely impacted at work as a result of domestic violence, it is a good idea to check on the status of this law, to see if it may provide in the circumstances.

## **10. *Professions with Special Provisions and Limited Exemptions under the Employment Standards Act***

Some professions remain excluded from the requirements of the ESA. However, this does not always mean an employer is fully excluded; they may only be exempted from parts of the legislation. Also, employers not commonly covered can apply to the Employment Standards Branch for a variance, making them fully exempt from the requested parts of the ESA. Check the legislation directly, and any appropriate case law on the matter.

### **a) *Independent Contractors***

See **Section IV.D: Determine if the Worker is an Employee or Independent Contractor** to determine whether the worker in question is an employee or an independent contractor. The ESA applies only to employees.

### **b) *Commissioned Salespeople***

Commissioned salespeople are entitled to most of the protection the ESA has to offer. Look carefully at *ES Regulation* s 37.14. They are entitled to receive at least minimum wage, unless they sell heavy industrial/agricultural equipment, or sailing/motor vessels. If a salesperson is entitled to minimum wage and the total commission falls short of that, the employer must make up the difference.

The first issue to examine in the case of a commissioned salesperson is the terms of the employment contract. These will tell you when the commissions are to be paid. Employers are not bound to bi-weekly payment of commissions. However, even if the employee must wait for sales to be reconciled before being paid their commission, they must still be paid wages bi-weekly.

### **c) *Farm Labourers and Domestic Workers***

The ESA has special provisions for farm and domestic labourers. See the Act and Regulation for more details. A domestic worker must have a written employment contract and be registered with the Employment Standards Branch (ESA, ss 14 and 15). The Employment Standards Branch is working in cooperation with federal immigration officials to curb abuses of the program. The federal agency will ensure that the employer is registered with the Branch before entry of a new immigrant is authorized. In 2002, under the banner of creating a more flexible workforce, the ESA was changed to exclude domestic and farm workers from certain overtime laws. Essentially domestic and farm workers can have their hours averaged without the need for consent (see above at **Section V.A.6(h) Averaging Agreements**).

Most migrant farm labourers will be paid in accordance with the amount of work produced, e.g. payment per weight of crop picked. While this is legal, it should be noted that hours must still be recorded, and payments made for the purpose of Employment Insurance. Abuses by employers in this area have been significant, and workers should be aware that the government may try to collect EI from their paycheques if it is not reported.

#### **NOTE:**

The federal government via Citizenship and Immigration Canada administers the Live-in Caregiver Program. The Program came into effect on April 27, 1992. The purpose of the program is to prevent abuse and exploitation of domestic workers. The program was to clarify the employer-employee relationship by providing information on the

terms and conditions of employment and on the rights of workers under Canadian law. The program also sets out educational requirements for live-in caregivers which are designed to aid a worker's ability to get a job after gaining permanent residency status and leaving domestic employment. While the first-year assessment interview and in-Canada skills upgrading have been eliminated, the remaining requirements are very high, thereby forming a serious barrier for these women to enter Canada. The program requires the equivalent of a Grade 12 education (equivalent to second-year university in many countries) and six months of formal training in the caregiving field or one year of full-time paid work experience, and good knowledge of English or French. Further information is available from the West Coast Domestic Workers' Association (see **Section II.C: Referrals**).

**d) *High Technology Professionals***

The *ES Regulation* makes special provision for workers in the high technology sector. Most importantly, these professionals are exempt from the ESA provisions relating to hours of work, overtime, and Statutory Holidays (Parts 4 and 5). It is not easy, however, for an employee to qualify as a high technology professional – the criteria are very specific. See s 37.8 of the *ES Regulation* for a more detailed description, and especially if the employee deals with computers, information service, and scientific or technological endeavours.

**e) *Silviculture (Reforestation) Workers***

Special rules apply to workers in the reforestation and related industries (as defined in *ES Regulation* s 1(1)). A silviculture worker is paid on a piece rate basis. This is defined as a rate of pay based on a measurable amount of work completed (e.g., payment by the tree). Whatever the rate, it must exceed the minimum wage rate. The *ES Regulation* lays out specific requirements that employers in these industries must meet relating to shift scheduling, holiday pay, and overtime. The special regulations are intended to address the remote job sites and special piece rate payment schemes that are popular in this industry. See *ES Regulation* s 37.9.

**f) *Professionals***

The ESA does not apply to architects, accountants, lawyers, chiropractors, dentists, engineers, insurance agents and adjusters, land surveyors, doctors, optometrists, real estate agents, securities advisers, veterinarians, or professional foresters (*ES Regulation*, s 31).

**g) *Other exceptions to the ESA***

There are additional exceptions and variances to the ESA set out in the *ES Regulation*, Part 7. Some of the professions for which there are exceptions or variances to the ESA include:

- Election workers
- Fishers
- Taxi drivers
- Logging truck drivers
- Newspaper carriers
- Oil and gas field workers
- Loggers working in the Interior
- Municipal police recruits
- Aquaculture – fin fish workers
- Miners
- Foster care providers

## ***B. Breach of Employment Contract Claims***

### ***1. Severance Claims***

The most common breach of an employee's contract (whether the terms of that contract are oral or in writing or a combination of the two) is a breach of a term that the employer will provide notice of dismissal.

When an employee is fired without being provided with reasonable notice of dismissal or being paid money in lieu of reasonable notice (i.e. severance), the employee may have a breach of contract claim. The failure to provide reasonable notice is also referred to as a wrongful dismissal. See **Section V.C. Termination of Employment**.

### ***2. Constructive Dismissal Claims***

If an employer has significantly changed the type of work done by an employee, the employee's rate of pay, or other working conditions, the employee may have been "constructively dismissed" and may be entitled to damages. See **Section V.C. Termination of Employment**.

### ***3. Other Contractual Claims***

There are also situations during the employment relationship where an employer can breach other terms of an employment contract (other than the notice requirement). For example, an employer might fail to pay a previously agreed upon bonus to an employee. See *Gadbois v Newcom Business Media Inc.*, 2016 ONCA 898; *Paquette v TeraGo Networks Inc.*, 2016 ONCA 618.

### ***4. Remedy: Court Claim***

Claims for breach of contract are addressed through civil court claims, either at Provincial Court or Supreme Court depending on the potential value of the case.

Suing an employer while still on working notice is a risky move, as a court can find that the act of suing an employer can amount to just cause for dismissal. Just cause means that the employer had justification to dismiss the employee without notice or severance. See **Section V.C.5 Just Cause Dismissal—General** for more information.

There is conflicting case law on whether an employer would have just cause to dismiss an employee who sues the employer while still employed. As a result, prior to suing an employer while the claimant employee is still working or on a period of notice, claimants should carefully research the law and compare the current law to the employee's particular circumstances.

Sometimes a written contract, or certain provisions within it, will be invalid. See **Section V.2 Employment Contract Considerations** to determine whether the contract or any of its provisions are invalid.

## ***C. Termination of Employment***

At common law, employers can generally dismiss an employee at any time without cause and on provision of reasonable notice. In rare circumstances, employers can dismiss an employee for just cause, if the employee is guilty of serious misconduct.

Generally, dismissals are without cause. In without cause dismissal scenarios, employees are entitled to notice of dismissal, or pay in lieu of such notice, under both the ESA and common law.

Non-unionized, federally regulated employees, as covered by the CLC, are subject to different laws concerning dismissal without cause. See sections 240-246 of the CLC. Also see *Wilson v Atomic Energy of Canada*, 2016 SCC 29.

The ESA (or the CLC for federally regulated employees) provides statutory minimums for notice, or pay in lieu, if an employee is dismissed from their employment. The maximum an employee can receive under the ESA is 8 weeks of notice or pay.

In addition, employees are entitled to a reasonable notice of dismissal at common law, or pay in lieu of such reasonable notice. The amount of reasonable notice, or pay in lieu, should be sufficient to allow the employee to find comparable employment, based on the employee's age, length of service, and the nature of the employee's position.

The entitlement to notice at common law is a contractual entitlement. All employees have a contract. It may contain written, oral, or implied terms, or some combination of those.

By default, there is an implied term in indefinite hire employment contracts that employers will provide employees with a reasonable notice of termination if they dismiss the employee without cause.

Employment contracts may contain a termination provision that sets out how much notice the employee will receive if the employer terminates him without cause.

If the employer fails to give the employee reasonable notice or pay in lieu, this would constitute a breach of the employment contract by the employer, and the employee could sue the employer in Small Claims Court, the Civil Resolution Tribunal, or BC Supreme Court. This is commonly called a wrongful dismissal claim.

Generally, the notice periods recognized at common law tend to be larger awards than the statutory minimum.

There are many potential issues involved if an employee is terminated. The below checklist and the information in this section of the chapter merely provide a starting point for further legal research.

## ***1. Termination of Employment Checklist***

- This section applies to both provincially and federally regulated non-unionized employees, dependent contractors, and independent contractors. It is necessary to determine which category the worker falls under. See **Section IV: Preliminary Matters** to determine this.
- Determine whether the worker has an indefinite or fixed term contract of employment. See **Section V.C.2(a) Successive or Expired Fixed Term Contracts** for details, as some contracts that appear to be for a fixed term may be deemed to be of indefinite duration by the courts, particularly when the fixed term contract is renewed year after year.
  - If the contract is for an indefinite term, or if the worker was dismissed part way through a fixed-term contract, go to the next step of the checklist.
  - If the worker was dismissed at the end of a fixed-term contract of employment, then their contract has simply been completed and there is generally no further entitlement to severance pay (unless their contract specifies otherwise).
- Determine whether the worker was dismissed or if they resigned. Sometimes a worker may have been forced to resign or may have had their pay or working conditions changed significantly, a practice known as constructive dismissal. See **Section V.C. Termination of Employment** to determine whether your situation would be considered a dismissal, constructive dismissal or a resignation.

- If the worker was dismissed or constructively dismissed, continue to the next step of the checklist.
- If the worker voluntarily resigned, they are generally not entitled to severance pay (unless their contract specifies otherwise).

If it appears that the contract may have become impossible to perform, determine whether there has been “frustration” of the contract; see **Section V.C.16: Frustration of Contract**. Note that this is rare, and layoffs usually do not fall into this category.

- If the contract has been frustrated then generally there is no entitlement to severance pay. Otherwise, continue to the next step of the checklist.

Determine whether the terms of the contract specify the amount or length of notice or severance pay the worker will receive if dismissed.

- If this amount is specified, determine whether that provision of the contract is valid; see **Section V.C(d) and (c): Invalid Contracts**. If the employment contract is valid, it will determine the amount of severance they are entitled to.
- If this amount is not specified, or if the contract or that provision of the contract is invalid, then:
  - Employees, dependent contractors, and independent contractors who are dismissed part way through a fixed term contract may be entitled to damages for breach of the contract; see **Section V.C.4: Damages at Common Law—Fixed Term Contracts**. Use these damages in place of those damages regarding “reasonable notice” for the rest of the checklist.
  - Employees and dependent contractors who are employed for an indefinite term will generally be entitled to “reasonable notice”; go to the next step of the checklist.
  - For independent contractors with an indefinite contract, the rules are more complex; see the cases listed in **Section III.C.1** as a starting point for research as to whether the contractor may be entitled to reasonable notice. If the contractor is entitled to reasonable notice, continue to the next step of the checklist.

Determine whether there may be just cause for dismissal; see **Section V.C.5: Just Cause Dismissal—General**. Note that it is often very difficult for an employer to prove that there is just cause. If there may be just cause, consider whether the employee has a potential defence; see **Section V.C.6: Defences to Just Cause Arguments**.

- If you think that the employer can prove in court that they truly had just cause for dismissing the worker, and the worker does not have a defence, the worker will generally not be entitled to severance pay.
- If there is a reasonable chance that the employer did not have just cause for dismissal, or if the employer may not be able to prove that there was just cause, continue to the next step of the checklist.

For those workers entitled to reasonable notice, determine an approximate length for the worker’s reasonable notice period; see **Section V.C.4(d) Calculating Reasonable Notice**. Note that it is difficult to predict how much a particular worker will receive if the case goes to trial, but case law can give an approximate range. Once this is done, calculate the damages the employee would be entitled to for the reasonable notice period. This generally includes the salary and benefits that the employee would have received if they had continued to be employed during the reasonable notice period.

- If the worker was given severance pay to cover their lost wages and benefits for the length of the reasonable notice period, or was allowed to continue working for the employer for that period, they will generally not be entitled to anything further.

- If the worker was given less working notice or severance pay than they are entitled to through their reasonable notice period, they may be able to claim the remainder in court; continue to the next step of the checklist.
- Determine whether the worker has mitigated their damages. Note that if the worker has mitigated their damages during the notice period, for example by finding a new job, they will have their severance award reduced by the amount of money they earn during the notice period. If the worker does not make reasonable attempts to find a new job, they may have their severance award reduced. See **Section V.C.14: Duty to Mitigate**.
  - Determine whether the worker may be entitled to aggravated and/or punitive damages. If so, estimate how much they may be entitled to, and determine whether the worker has a strong case for these types of damages. See **Section V.C.13: Aggravated and Punitive Damages**.
  - If the worker was an employee, determine what length of notice the employee is entitled to under the *Employment Standards Act* (or the *Canada Labour Code* for federally regulated employees). Note that if at least 50 employees were terminated at once, the employee is entitled to additional notice under the ESA; see **Section V.C.4(b): Group Terminations**. In the rare case that the employee is entitled to more money under the ESA than through reasonable notice, and the employee was dismissed in the past 6 months, consider filing a claim with the Employment Standards Branch. Otherwise, continue to the next step of the checklist.
  - If the worker was an employee and was dismissed for a discriminatory reason, determine whether they have a claim with the Human Rights Tribunal (or the Canada Human Rights Tribunal for federally regulated employees); see **Chapter 6: Human Rights**. If they do have a potential claim, estimate how much the employee would be able to claim for (i) lost wages (minus any amount from the duty to mitigate), and (ii) injury to dignity, feelings, and self-respect. Compare this to the amount the employee could claim for (i) reasonable notice (minus any amount from the duty to mitigate), and (ii) aggravated and punitive damages. If the employee is likely to obtain more money at the Human Rights Tribunal, and has been dismissed within the past 6 months, consider filing a human rights claim; see **Chapter 6: Human Rights**. Otherwise, continue to the next step of the checklist.
  - If the potential award for (i) reasonable notice and (ii) aggravated and punitive damages is under \$35,000, as of June 1, 2017, consider filing a claim in Small Claims Court; see **Chapter 20: Small Claims Court**. If the worker has a strong case for an award significantly greater than \$35,000, the worker should strongly consider contacting an employment lawyer to discuss proceeding with a claim in BC Supreme Court. If the potential award is only slightly over \$35,000, the employee may wish to file in Small Claims Court, and waive their entitlement to any amount over \$35,000, as proceeding in Small Claims Court can be less costly than proceeding in BC Supreme Court.

## 2. ***Employment Contract Considerations***

As discussed earlier, the employer-employee relationship is contractual. Every employee has an employment contract, even if a written document does not exist.

Most employment contracts are contracts of indefinite hiring. This means that no definite term of employment was set out at the time of the contract, and there is an implied term that either party may terminate the contract upon giving “reasonable notice”. The implied term to give reasonable notice can be overridden by an express notice provision limiting the amount of notice the employer is obligated to give the employee. Accordingly the courts will assume

that an employee should receive “reasonable notice” prior to termination unless the contract explicitly says something different. If there is an express notice provision in the employment contract, then that clause is binding, unless there is a reason for it to be invalid (see **Section V.C.2(c) and (d) Invalid Contracts**, below).

If reasonable notice is not given, then the contract is breached, and courts can award damages in the form of compensation that would have been paid during that reasonable notice period. However, if there is just cause for dismissing an employee, no notice need be given and so there is no breach of the contract from which damages can arise.

Note that any wage claims that crystallized before the termination of the contract are not eliminated by just cause for dismissal. Just cause only relieves the employer from notice and severance pay requirements, but not liability for past wages, etc.

**a) *Successive or Expired Fixed Term Contracts***

If an employee had successive fixed term contracts, the courts may find there is in fact an indefinite term of employment; see *Ceccol v Ontario Gymnastic Federation* (2001), 55 OR (3d) 614.

If there was a fixed term contract and the employee continued to work after the term’s expiration, the contract then becomes an indefinite contract. If the employee had an indefinite contract, but then signed a fixed-term contract, the new contract may not be valid; see **Section V.C.2(c) and (d) Invalid Contracts**, below.

**b) *Consideration***

Once a job offer is made and accepted, a contract is in place (though as discussed above, it may be unwritten). In order to change the terms of the contract after it is in place, there must be fresh consideration flowing from each party to the other. Consideration in contract law is the benefit one party receives from another as a result of entering into a contract with another party. This means that to change an existing contract, the new contract must contain a new benefit for both the employer and the employee. Because of this, an entire written contract might be invalid if the contract was imposed on the employee after they had already accepted the job offer: the employee would already have a contract, and the written contract would need to have some new benefit, or “fresh consideration”, for the employee. Compare the signature dates on the written contract to the actual start dates.

**c) *Invalid Contracts – Vagueness or Ambiguity***

Vague or ambiguous contract terms may be unenforceable. Courts will examine the wording of the contract terms to determine whether a clause is enforceable for vagueness or ambiguity. If a clause is not enforceable, courts may rule on the term of agreement based on the conduct of the employer and employee and pre-contractual communication between the parties. See *Alsip v Top Rollshutters Inc. dba Talius*, 2016 BCCA 252.

**d) *Invalid Contracts – Contrary to ESA***

Any term of the written contract that does not meet the minimum standards set out by the *Employment Standards Act* (for provincially regulated employees) or the *Canada Labour Code* (for federally regulated employees) is invalid. A contractual termination clause is not enforceable if, at any time, the clause would provide the employee with less than his entitlement under the ESA. See *Shore v Ladner Downs*, [1998] 160 DLR (4th) 76.

If a term of the contract is invalid, then the employee will likely receive whatever the common law provides instead of what the contract said.

For example, a termination clause might say the employee will receive 30 days notice if they are being terminated without cause. Under the ESA, the employee could receive up to 8 weeks notice. The contractual termination clause would be invalid because it purports to provide the employee with less than the minimum statutory entitlement.

In this example, the employee would be entitled to reasonable notice under common law. This can be very beneficial for the employee in cases where the common law provisions, such as the reasonable notice period, are better than the contractual provisions.

Note that in assessing whether a term of a contract breaches the ESA, one must consider the maximum entitlement that an employee could ever receive under the ESA, rather than their current entitlement.

In the previous example, it is irrelevant whether the employee has worked for the employer long enough to be entitled to more than 30 days of notice under the ESA.

However, this principle may have been qualified with respect to severance clauses and fixed term contracts (see *Miller v Convergys CMG Canada Limited Partnership*, 2013 BCSC 1589 (upheld on appeal); *Rogers v Tourism British Columbia*, 2010 BCSC 1562).

#### ***e) General Contract Construction Rules Apply***

Other general rules regarding contracts may also invalidate the contract, such as duress, undue influence, and unconscionability, but these occur less frequently.

Under certain circumstances, employers and employees cannot use the above rules to invalidate a contract for their own benefit. If a new contract is imposed in which all the benefit is to the employee, the employee cannot have the contract invalidated for lack of fresh consideration to the employer in order to avoid a severance provision or other provision of the contract. Additionally, the employer cannot back out of a contract that only gave benefits to the employee, due to lack of fresh consideration to the employer.

### **3. *Without Cause vs. Just Cause Dismissal***

Employers can dismiss an employee in one of two ways:

- A. Without cause, and on provision of reasonable notice or pay in lieu; or
- B. For Just Cause.

Without cause dismissals and just cause dismissal are both express dismissal. An employer tells the employee they are being dismissed, generally by having a meeting and providing the employee with a letter of dismissal.

### **4. *Without Cause Dismissal and Reasonable Notice***

If an employee is dismissed without cause, he is entitled to a reasonable notice of dismissal, or pay in lieu, under both statute and common law.

If a non-unionized, federally regulated employee has been dismissed without cause, refer to sections 240-246 of the CLC; see *Wilson v Atomic Energy of Canada*, 2016 SCC 29.

#### ***a) Notice under the ESA***

Employees are entitled to notice, or pay in lieu of, under the ESA. These are the minimum statutory requirements for compensation for individual terminations. For periods of employment greater than three months, the employer must pay severance to the employee, or satisfy that obligation by giving a written notice of termination.

For service between three months and one year, one week of wages (or notice) is required. For one to three years, two weeks' wages or notice are required. For three years, three weeks' wages or notice are required. After three consecutive years of employment, one additional week of wages or notice is required for each additional year of employment, to a maximum of eight weeks (s 63(3)(iii)). Additional compensation is required for group terminations (see below).

### ***b) Group Terminations under the ESA***

Group terminations (those of 50 or more at a single location) have additional requirements under the ESA. First, the employer must give written notice to the Minister, to each employee being terminated, and to the union. This notice must specify the number of employees being terminated, the date(s) of termination, and the reason for termination. According to s 64, the number of weeks notice for group terminations varies with the number of employees being terminated:

- At least eight weeks if between 50 and 100 employees;
- 12 weeks if between 101 and 300; and
- 16 weeks if 301 or more.

If an employee is not covered by a collective agreement, these notice requirements apply in addition to the statutory minimum for individuals.

Exceptions to these guidelines (ss 63 and 64), to which minimum notice requirements do not apply, are laid out in section 65 of the Act. No minimum notice or compensation is required of the employer by the ESA when the employee:

- has not worked for a consecutive period of three months;
- quits or retires;
- is fired for just cause (see discussion of just cause below);
- worked on an on-call basis doing temporary assignments he or she was free to accept or reject;
- was employed for a definite term and the employment ends in accordance with the end of the term of employment;
- was hired for specific work to be completed in 12 months or less;
- cannot perform the work because its performance has become impossible due to an unforeseeable event or circumstance (i.e. frustration of contract);
- was employed at one or more construction sites by an employer whose principal business is construction;
- refused reasonable alternative employment from the employer; or
- was a teacher employed by a board of school trustees.

### ***c) Reasonable Notice at Common Law – Indefinite Term Contracts***

In addition to ESA notice requirements, employees are entitled to reasonable notice of dismissal at common law, or pay in lieu of such reasonable notice.

The entitlement to notice at common law is a contractual entitlement. As such, there may be a valid termination clause in an employment contract which sets out the employee's entitlement to common law notice.

In the absence of a valid termination clause in an employment contract, the employee is entitled to reasonable notice of dismissal at common law. The amount of reasonable notice, or pay in lieu, should be sufficient to allow the employee to find comparable

employment, based on the employee's age, length of service, and the nature of the employee's position.

The case of *Bardal v Globe and Mail Ltd* (1960), 24 DLR (2d) 140 (Ont HCJ) includes a list of the four primary factors to be considered in determining the appropriate length of a notice period:

1. character of the employment;
2. the length of service;
3. the age of the employee; and
4. the availability of similar employment, having regard to the experience, training and qualifications of the employee.

These are known as the Bardal factors. The current upper limit of "reasonable notice" is 24 months, generally for the most long tenured, older, and senior level employees. The Supreme Court of Canada has endorsed this list of factors in a number of cases; see e.g. *Honda Canada Inc v Keays*, 2008 SCC 39, 2 SCR 362. However, these factors are not exhaustive, and additional factors may be considered on a case-by-case basis.

Reasonable notice is an entitlement to assist the employee. In *Michela v. St. Thomas of Villanova Catholic School*, 2015 ONCA 801, the Ontario Court of Appeal held that the financial health of a company does not reduce its notice obligations to employees.

Termination clauses in contracts are not always valid and enforceable.

In addition, be aware that employers may try to rely on termination provisions in an employee handbook or other such workplace policy documents. For example, in *Cheong v Grand Pacific Travel & Trade (Canada) Corp.*, 2016 BCSC 1321, the court found that an employee handbook termination clause did not act to limit the employee's reasonable common law severance. It is important to review and question all documentation relied on to limit an employee's severance.

#### **d) *Calculating Reasonable Notice***

To determine how much notice an employee might get, compare their case to previously decided cases. Carswell hosts an online Wrongful Dismissal Database. The database calculates average notice period awards from precedential cases. Reports can be purchased individually or by subscription. This is a helpful tool for searching for cases where an employee had a similar range of age, length of service, and job type as compared to the employee in question. The database is accessible online at: [www.wrongfuldismissaldatabase.com](http://www.wrongfuldismissaldatabase.com)

Additionally, the UBC Law Library and many other law libraries hold publications with tables of cases sorted by job type, such as the Wrongful Dismissal Practice Manual by Ellen E. Mole (which is also found on Quicklaw). WestlawNext Canada also offers Quantum Services Database for wrongful dismissal. Comparing the Bardal factors of the employee in question with those of previous cases using either of these methods can assist in finding an appropriate range for the reasonable notice period. As a starting point, you can ask the particular employee how much time it would take or has taken to find similar work for similar pay.

#### **e) *Extensions to Notice Period***

There is case law that supports the principle that more vulnerable employees, for example due to injury or illness, are entitled to more notice. For example, the employee's notice period was increased from 5 to 8 months in *Pakozdi v. B & B Heavy Civil Construction Ltd.*, 2016 BCSC 992 (this case is currently being appealed), as a result of the "vulnerability" of an employee at the time of dismissal due to a medical condition.

There is also case law to support the principle that an employee's unique background and the nature of their responsibilities can outweigh an employee's short length of employment in assessing a reasonable notice period upon termination. For example, the employee's notice period was increased from 5 to 10 months in *Waterman v Mining Association of British Columbia*, 2016 BCSC 921, based on the employee's position in the company, her unique background and the nature of her responsibilities. Also see *Munoz v Sierra Systems Group Inc.*, 2016 BCCA 140.

Generally, the maximum reasonable notice period is 24 months. In exceptional circumstances, such as very long services cases, courts can award notice periods beyond 24 months; see *Markoulakis v Snc-lavalin Inc.*, 2015 ONSC 1081.

#### **f) Damages at Common Law—Fixed Term Contracts**

Fixed term contracts have a defined end date. In the normal course, fixed term contracts simply end when the term expires, or they are terminated in accordance with termination provisions in the fixed term contract itself. Reasonable notice is not normally required to end a fixed term contract.

If an employee, dependent contractor, or independent contractor has a fixed-term contract, and is dismissed before the end date of the contract, they may be able to claim damages for a breach of the contract.

Determine whether the contract itself specifies the conditions under which the employer can dismiss the worker, and what amount of notice or severance is required. If this is specified, and the contract and termination clause are valid (see **Section V.C.2(c) and (d) Invalid Contracts**); this will generally be determinative.

If the contract does not specify the conditions of dismissal, or if the contract or is the termination clause is invalid, the worker may be able to claim all the wages that they would have earned for the remainder of the contract; see *Canadian Ice Machine v. Sinclair*, [1955] SCR 777.

After determining the damages the worker may be entitled to, return to **Section IV.D.1: Termination of Employment Checklist**.

#### **g) Calculating Damages for Wages, Benefits, Pension Plans, and Bonuses**

Employers are required to provide employees with a reasonable notice of dismissal. This could be provided by advance notice, in which case the employee would work for the prescribed amount of time, and continue to receive all elements of his compensation, such as wages, benefits, pension, car allowance, etc.

If an employer provides an employee with pay in lieu of notice, that pay in lieu of notice should account for all the elements of compensation the employee would have earned had he worked for the reasonable notice period.

For example, if an employee receives a company car for personal use, and that personal use is recognized by both the employer and employee as a benefit of employment, the employee is entitled to compensation for the loss of that car during the notice period.

Other lost benefits, such as extended health and dental coverage are also recoverable during the notice period. Usually a judge will calculate this loss by adding up all of the medical expenses incurred by the dismissed employee during the notice period that would

have been recoverable under the employer's benefits plan had the employee been working.

If the employee had a pension plan, the loss is generally calculated as:

[the projected commuted value that the pension would have had if the employee remained employed during the notice period] minus [the commuted value the pension actually had at the time the employee was dismissed].

The commuted value is the net present value of the invested money, and its calculation is complicated; the pension plan administrator can provide the employee with the current and projected commuted values.

An employee may be entitled to compensation for loss of bonus during the notice period. This assessment will require a consideration of whether the bonus was discretionary or based on quantifiable metrics, and whether the employee would have likely received a bonus had he worked during the notice period. Research should be done on this topic to determine potential entitlement.

At common law, the employee is only entitled to be compensated for wages and benefits to which he or she would have been contractually entitled during the notice period, and not for any *ex gratia* expectancies; see *Swann v MacDonald Dettwiler and Associates Ltd*, [1995] BCJ No 1596 (QL) (SC).

Courts have a wide discretion to determine the appropriate damages based on the evidence of the plaintiff's pre-dismissal earnings; see *Davidson v Tahtsa Timber Ltd*, 2010 BCCA 528. If an employee's earnings have varied in the years prior to dismissal, some courts in BC have calculated damages by averaging the employee's annual wages; see *Krenenbuck v Lewis Construction Ltd*, [1985] BCJ No 1553 (SC). Where remuneration is based on an annual salary and not an hourly rate, a court may still assess damages on the basis of the average salary paid in the years prior to dismissal; see *Goodkey v Dynamic Concrete Pumping Inc*, 2004 BCSC 894.

Where an employee earns a variable income, courts may average the rate of pay within the relevant notice period for calculating damages; see *O'Dea v Ricoh Canada Inc.*, 2016 BCSC 235.

After determining the damages the employee may be entitled to, return to **Section IV.D.1: Termination of Employment Checklist**.

## **5. *Just Cause Dismissal-General***

If an employee is guilty of serious misconduct which goes to the heart of the employment relationship, the employer may dismiss the employee for just cause.

If an employer has just cause to dismiss an employee, it is not required to provide any notice or pay in lieu of notice.

Just cause is a question of fact, and must be determined by a judge on a case by case basis.

Note that in the case of independent contractors, courts may instead consider whether there was a fundamental breach of the contract, or one that goes to the root of the contract, depriving one party of the whole or substantially the whole benefit of the contract; see *Hunter Engineering Co v Syncrude Canada Ltd*, [1989] 1 SCR 426; *1193430 Ontario Inc v Boa-Franc Inc*, 78 OR (3d) 81; *Fernandes v Peel Educational & Tutorial Services Limited (Mississauga Private School)*, 2016 ONCA 468. The law on this topic can be complex and may require additional research.

Common law has defined just cause as conduct that is inconsistent with the fulfilment of the express or implied condition of service; see *Denham v Patrick* (1910), 20 OLR 347 (Div Ct). It is conduct inconsistent with the continuation of the employment relationship, which constitutes a fundamental breach going to the root of the contract; see *Stein v BC Housing Management Commission* (1989), 65 BCLR (2d) 168 (SC), (1992), 65 BCLR (2d) 181 (CA)). This includes serious misconduct, habitual neglect of duty, incompetence, conduct incompatible with the employee's duties or prejudicial to the employer's business, or wilful disobedience to the employer's orders in a matter of substance; see *Port Arthur Shipbuilding Co v Arthurs et al*, [1968] S.C.J. No. 82, [1969] S.C.R. 85.

An objective test is used to determine whether there has been a serious misconduct or a fundamental breach. For a long term or senior employee, the employer may need more than mere misconduct; see *Mallais v Lounsbury Co* (1984), 58 NBR (2d) 345 (QB). What constitutes just cause will vary from case to case and must be something that a reasonable person would be unable to overlook; see *McIntyre v Hockin*, [1889] OJ No 36, 16 OAR 498 (Ont CA).

A single incident is usually insufficient to justify dismissal (see *Buchanan v Continental Bank of Canada* (1984), 58 NBR (2d) 333 (QB)), unless that act is extremely prejudicial to the employer such as dishonesty or immoral character that causes a failure of trust; see *Stilwell v Audio Pictures Ltd*, [1955] OWN 793 (CA).

The cumulative effect of minor instances may justify dismissal if they make the employee unable to perform his or her duties or result in a serious deterioration of the employment relationship; see *Ross v Willards Chocolates Ltd*, [1927] 2 DLR 461 (Man KB).

Where an employer accepts a certain standard of performance over a period of time, the employer cannot without warning treat such conduct as cause for dismissal; see *Dewitt v A&B Sound Ltd* (1978), 85 DLR (3d) 604 (BCSC).

Courts are required to take a contextual approach to determining whether just cause for dismissal existed, taking into account numerous factors. See *McKinley v BC Tel*, [2001] 2 SCR 161.

Although there is no comprehensive list of what constitutes just cause, the list below discusses some of the more common grounds for a dismissal.

#### **a) *Insubordination/Disobedience***

Insubordination or insolence that is incompatible with the continuation of the employment relationship is just cause for dismissal; see *Latta v Acme Cheese Co* (1923), 25 OWN 195 (Ont Div Ct). A single incident that is very severe and interferes with and prejudices the safe and proper conduct of the business will be just cause for dismissal; see *Stilwell v Audio Pictures Ltd*, [1955] OWN 793 (CA). Poor judgment, insensitivity, or resentment, is generally not sufficient; see *Leblanc v United Maritime Fisherman Co-op* (1984), 60 NBR (2d) 341 (QB).

An intentional and deliberate refusal of an employee to carry out lawful and reasonable orders will generally suffice as cause for dismissal. However, should an order be outside the employee's job description, then such an order will not be considered "lawful and reasonable". Frequent less serious instances of disobedience can justify dismissal where they are combined with other misconduct; see *Markey v Port Weller Dry Docks Ltd* (1974), 4 OR (2d) 12 (Co Ct); *Stein v BC Housing* (1989), 65 BCLR (2d) 168 (SC), (1992), 65 BCLR (2d) 181 (CA); *Cotter v Point Grey Golf and Country Club*, 2016 BCSC 10. Generally, one isolated act of disobedience will not, in itself, be cause for dismissal.

For a breach of company policy or company rules to constitute just cause for dismissal, the rule or policy must have been made clear to the employees and must have been regularly enforced by the employer.

**NOTE:** A refusal to co-operate, a neglect of duties, or a refusal to perform the job may be just cause for dismissal; see *Lucas v Premier Motors Ltd*, [1928] 4 DLR 526 (Alta CA). However, if an employer proposes a unilateral change in position, job function, pay, hours, etc., it is not just cause if the employee refuses the change. Rather, it may be considered a constructive dismissal. Failure to accept a reasonable transfer not involving demotion or undue burden or hardship may be cause for dismissal, if such a transfer is determined to be an express or implied term of the contract.

### **b) Poor Employee Performance**

Where there is actual incompetence, not just dissatisfaction with an employee's work, the employee may be dismissed with cause if such incompetence is the fault of the employee; see *Waite v La Ronge Childcare Co-operative* (1985), 40 Sask R 260 (QB). If an employee presents an exaggerated assessment of his or her own skills, a company is justified in dismissing that employee after finding out his or her true abilities; see *Manners v Fraser Surrey Docks Ltd* (1981), 9 ACWS (2d) 155. Incompetence is assessed using an objective standard of performance, and it is for the employer to prove that the employee fell below that standard. Usually, one isolated example of failure to meet such a test does not warrant discharge; see *Clark v Capp* (1905), 9 OLR 192. The employer must prove that:

- a) reasonable standards of behaviour and performance were set and clearly communicated to the employee;
- b) the employee was notified when he or she did not meet those standards;
- c) the employee received training and was allowed adequate time to meet those standards; and
- d) the possible repercussions of failing to meet those standards were clearly communicated.

Just cause for termination exists when an employee fails to respond to these measures. However, the ESB and courts require that the employer prove that all these steps were taken. There is also a requirement that the employee appreciate the significance of the warning; see *Korber v Can West Imports Limited and Satten*, [1984] BCWLD 737.

See *Hennesy v Excell Railing Systems Ltd.*, 2005 BCSC 734, for a comprehensive list of what an employer must show to establish poor performance.

Incompetence as grounds for dismissal needs to be considered in light of the *Human Rights Code* and the *bona fide* occupational requirement ("BFOR") test (see *British Columbia (Public Service Employee Relations Commission) v British Columbia Government and Service Employees' Union (BCGSEU)*, [1999] 3 SCR 3). In a case of poor employee performance, the ESB will not find just cause for dismissal unless the employer can demonstrate a "neglect of duties".

### **c) Dishonesty**

Dishonesty must be proven on a balance of probabilities and the burden rests with the employer; see *Hanes v Wawanesa Insurance Company*, [1963] SCR 154. The employer must show that the employee intentionally and deceitfully engaged in the misconduct. Failure by the employer to prove dishonesty may lead to punitive damages.

Dishonesty may be a cause for dismissal, especially if it indicates an untrustworthy character or is seriously prejudicial to the employer's interests or reputation; see *Jewitt v Prism Resources* (1981), 127 DLR (3d) 190 (BCCA). In *McKinley v BC Tel*, [2001] 2 SCR 161, the Supreme Court of Canada used a contextual approach to make this assessment. The test is whether the dishonesty violates an essential condition of the employment contract, breaches the faith inherent to the work relationship or is fundamentally or directly inconsistent with the employee's obligations to his or her employer. An effective balance must be struck between the severity of the misconduct and the sanction imposed.

**d) Intoxication**

Depending on the extent of intoxication and degree of prejudice to the employer, intoxication may be a cause for dismissal; see *Armstrong v Tyndall Quarry Co* (1910), 16 WLR 111 (Man KB). But, intoxication in itself is not grounds for dismissal. The courts should undertake a contextual approach, per *McKinley*, look at all relevant factors (i.e., work history, discipline history, and whether the position is safety sensitive. Courts may be sympathetic to alcohol abusers especially if they are long-term employees; see *Robinson v Canadian Acceptance Corp Ltd* (1974), 47 DLR (3d) 417 (NSCA).

Consider whether the intoxication is part of a larger substance abuse issue. If so, the employee may have a Human Rights claim; see **Chapter 6: Human Rights** and the duty to accommodate.

**e) Absences and Lateness**

When an employee is frequently absent from work, the absence occurs at a critical time, or the employee lies about the absence, it may be a cause for dismissal. Chronic lateness may also be cause for dismissal, particularly if it is coupled with clear written warnings from the employer.

Consider whether the lateness or absenteeism are caused by a physical or mental disability. If so, the employee may have a Human Rights claim; see **Chapter 6: Human Rights**.

**f) Illness**

Temporary illness does not constitute just cause; see *McDougal v Van Allen Co Ltd* (1909), 19 OLR 351 (HC). For a lengthy illness, one must consider the nature of the services to be performed, the intended length of service of the employee, and other factors; see *Yeager v RJ Hastings Agencies Ltd* (1985), 5 CCEL 266 (BCSC). In some cases, a period of one year may not be too long for an employer to await the return of a valuable employee; see *Wilmot v Ulnooeweg Development Group Inc*, 2007 NSCA 49. If the employee is permanently incapable of performing work duties, he or she may properly be dismissed; see *Ontario Nurse's Federation v Mount Sinai Hospital*, [2005] OJ No 1739. Illness is usually considered frustration of contract, and is not grounds for dismissal for just cause; however, if the contract is frustrated, the employee is not entitled to severance pay.

Consider whether the illness is actually a physical or mental disability. If so, the employee may have a Human Rights claim; see **Chapter 6: Human Rights**.

**g) Conflict of Interest**

An employee has a duty to be faithful and honest. Information obtained in the course of employment may not be used for their own purposes or purposes that are contrary to the interests of the employer; see *Bee Chemical Co v Plastic Paint and Finish Specialists Ltd et al* (1979), 47 CPR (2d) 133 (Ont CA). An employee may be liable for damages for breach of contract where he or she is running a business contemporaneous with being an employee; see *Edwards v Lamson Paper* (1984), 5 CCEL 99 (Ont HC). An employee's

conduct that is seriously incompatible with their duties and creates a conflict of interest can be grounds for summary dismissal; see *Durand v Quaker Oats Co of Canada* (1990), 45 BCLR (2d) 354 (CA). Following the end of employment, an employee is not permitted to compete unfairly against the employer, for example by using confidential information.

#### ***h) Off-Duty Conduct***

Private conduct will be considered just cause for dismissal if it is incompatible with the proper discharge of the employee's duties, or is prejudicial to the employer. This depends on the conduct and the nature of the job. Alleged criminal conduct or conduct that interferes with the internal harmony of the workplace, if it is prejudicial to the employer, may also be just cause.

#### ***i) Personality Conflict***

A personality conflict, i.e. inability of an employee to function smoothly in the work environment on a personal level, is not grounds for dismissal unless it is inconsistent with the proper discharge of the employee's duties or is prejudicial to the employer's interests; see *Abbott v GM Gest Ltd*, [1944] OWN 729 (Ont CA). If the inability to get along with others results in business interference, the employee may be dismissed; see *Fonceca v McDonnell Douglas Ltd* (1983), 1 CCEL 51 (Ont HC).

### **6. Defences to Just Cause Arguments**

If an employer alleges just cause for dismissal, the employee will often present one of the following defences to the just cause allegations.

#### ***a) No Warning***

It can be argued that an employer must warn an employee before firing that employee for a series of trivial incidents that are not serious enough alone to justify dismissal; see *Fonceca v McDonnell Douglas* (1983), 1 CCEL 51 (Ont HC).

#### ***b) Condonation***

If an employer's behaviour indicates that they are overlooking conduct which gives cause, that employer cannot later dismiss the employee without new cause arising; see *McIntyre v Hockin* (1889), 16 OAR 498 (CA). This applies only where the employer knows of the conduct. The employer is entitled to reasonable time to decide whether to take action, and this reasonable time period commences at the time that the employer learns of the employee's conduct.

Behaviour by the employer constituting condonation may include actions or omissions such as failing to dismiss the employee within a reasonable time (*Benson v Lynes United Services Ltd*, [1979] 18 A.R. 328), tolerating an employee's behaviour without reprimand (*Johnston v General Tire Canada Ltd*, [1985] OJ No 98), giving the employee a raise (*Sjerven v Port Alberni Friendship Center*, [2000] BCJ No 608), or giving the employee a promotion (*Miller v Wackebut of Canada Ltd*, [1989] OJ No 1993).

If an employer learns of an employee's misconduct after dismissing the employee, the employer may use that misconduct to justify the dismissal for cause. This can be referred to as after-acquired cause.

However, if the employer already knew of the employee's misconduct, but terminated the employee without alleging cause or gave the employee a letter of reference, in some cases the employer has been held to be estopped from alleging cause or has been taken to have condoned the employee's misconduct. However, there is conflicting case law on

this subject and many cases have held that the employer may still allege cause. See *Smith v Pacific Coast Terminals*, 2016 BCSC 1876; *Technicon Industries Ltd v Woon*, 2016 BCSC 1543.

According to some case law, past misconduct that has been condoned may be revived by new instances of misconduct, and the employer may then use the cumulative effect of the past and the new misconduct to justify dismissal. However, this is an area with conflicting case law. If the employer has warned the employee about the past misconduct, there would not be an issue regarding the revival of the past misconduct, as it would not have been condoned in the first place; the cumulative effect of the misconduct could then be used to justify dismissal.

The employee carries the burden of proving the condonation; see *Perry v Papillon Restaurant* (1981), 8 ACWS (2d) 216.

## **7. Redundancy and Layoff**

Where the company no longer requires the employee, or the employer encounters economic difficulties or undergoes reorganization, the employee is still entitled to reasonable notice; see *Paterson v Robin Hood Flour Mills Ltd* (1969), 68 WWR 446 (BCSC). In times of economic uncertainty, redundancy is not cause for dismissal. The economic motive for terminating a position does not relate to an individual's conduct and hence is not adequate cause; see *Young v Okanagan College Board* (1984), 5 CCEL 60 (BCSC).

“Temporary layoff” is defined in section 1 of the ESA. A recent BC Supreme Court decision, *Besse v Dr AS Machner Inc*, 2009 BCSC 1316, established that the temporary layoff provisions of the ESA alone do not give employers the right to temporarily lay off employees: a layoff constitutes termination unless it has been provided for in the contract of employment either expressly or as an implied term based on well-known industry-wide practice, or the employee consented to the layoff. If the right to temporary layoff exists for one of these reasons, then the limits set out in section 1 apply: where an employee has been laid off for more than 13 consecutive weeks, and this has not been extended either by agreement or by the Director, the employee is considered to have been terminated permanently, and is entitled to severance pay. He or she also may be able to sue for wrongful dismissal before the 13-week period has expired. This would be the case where, although the employer has used the term “layoff”, it is nonetheless clear that the employee has been terminated.

## **8. Probationary Employees**

The Employment Standards Act does not require any payment for length of service during the first three months of employment (s 63).

However, if no probationary period is expressly specified in the employment contract, then the employee may still be entitled to reasonable notice at common law. The dismissed probationary employee could file a claim in Small Claims Court for wrongful dismissal.

In British Columbia, there is a developing judicial trend towards extending the right to be treated fairly to probationary employees. The test in British Columbia for terminating probationary employees is that of suitability, not just cause, as set forth in *Jadot v Concert Industries*, [1997] BCJ No 2403 (BCCA). In determining suitability, the case of *Geller v Sable Resources Ltd*, 2012 BCSC 1861, explained that the probationary employee must be given a chance to meet the standards that the employer set out when the employee was hired; the employer cannot begin imposing new standards afterwards.

In *Ly v. British Columbia (Interior Health Authority)* 2017 BCSC 42, the Court held that if a company wants to fire an employee on probation, it should give the employee a fair chance to prove he or she can do the job. Otherwise, it may owe severance.

In order to give an employee a fair chance to prove he or she can do the job, companies should do the four following things.

1. Make the employee aware of how he or she will be assessed during the probation period.
2. Give the employee a reasonable chance to demonstrate his suitability.
3. Think about the employee's suitability based not only on work performance but also on personal characteristics such as compatibility and reliability.
4. Act fairly and with reasonable diligence in assessing suitability.

## 9. *Near Cause*

In the past, judges have reduced the notice period where there has been near cause (i.e. where even if there were no grounds for dismissal, there was substantial misconduct).

The Supreme Court of Canada in *Dowling v Halifax (City)*, [1998] 1 SCR 22, expressly rejected near cause as grounds for reducing the notice period. This decision has been consistently followed.

## 10. *Constructive Dismissal*

In some circumstances, an employer can make fundamental changes to the terms of an employee's employment in a such a way that the employee may be forced to leave their job. This is called "constructive dismissal", and an employee who is constructively dismissed is entitled to the same benefits as if he were fired without cause.

If the employer makes a fundamental, unilateral change in the employment contract, it may amount to constructive dismissal. Changes to a "fundamental term of the contract" includes changes such as: significant reduction in salary, a significant change in benefits, a significant change in job content or status, or a job transfer to a different geographic location if such a transfer is not a normal occurrence or contemplated in the employment contract. Generally, a reduction in pay of more than 10% may result in a constructive dismissal. See *Price v 481530 BC Ltd et al*, 2016 BCSC 1940.

The imposition of a temporary layoff, where not provided for in the contract, has also been deemed to constitute constructive dismissal (see **Section V.C.7: Redundancy and Layoff** for details).

Suspensions from work may result in a constructive dismissal, particularly if the suspension is without pay. The cases of *Cabiakman v Industrial Alliance Life Insurance Co*, [2004] 3 SCR 195, and *Potter v. New Brunswick Legal Aid Services Commission*, 2015 SCC 10, reinforced an employer's right to impose a suspension for administrative reasons, with pay, provided the employer is acting to protect legitimate business interests, the employer is acting in good faith and fairly, and the suspension is for a relatively short period.

A constructive dismissal claim is a drastic step for an employee, as it involves the employee leaving work (as though they were fired) and then bringing an action for constructive dismissal. The employee will no longer be receiving compensation from employment, and will instead be seeking to recoup that compensation through a court action.

An employee bringing a claim for constructive dismissal is making a claim for the severance they would have received had they been dismissed without cause.

**a) *Mitigation Required***

An employee is still required to mitigate his damages if he is constructively dismissed. Sometimes, the employee will be required to mitigate by continuing to work for his current employer. See *Evans v Teamsters Local Union No. 31*, 2008 SCC 20, for a discussion of the relationship between constructive dismissal and the employee's duty to mitigate.

**b) *Condonation***

If an employee accepts the imposed changes without complaint, he or she is considered to have accepted the change, and will therefore be barred from action; however, employees are generally permitted a reasonable time to determine whether they will accept the changes.

**c) *Repudiation***

Employees alleging constructive dismissal bear the risk that the court finds they have repudiated their contract of employment by either leaving the workforce or commencing legal proceedings against their employer (or both). If a court finds the employee repudiated the contract (i.e. quit instead of being constructively dismissed) then the employee does not get severance.

**11. *Resignation v. Dismissal***

Not all resignations are resignations, and not all dismissals are dismissals. The legal test is what a reasonable person would have understood by the relevant statements and actions, taking into consideration the context of the particular industry, and all surrounding circumstances.

To be effective, resignation must be clear and unequivocal. There must be a clear statement of an intention to resign, or conduct from which that intention would clearly appear; see *Koos v A & A Customs Brokers Ltd.*, 2009 BCSC 563.

For example, harassment at work could cause the employee to be unable to continue working and this might cause them to resign; in cases such as these, additional research should be done to determine whether the situation should be considered a resignation or a dismissal.

**12. *Sale of a Business***

If a business is sold, unless the seller specifically dismisses the employees there may be an implied assignment to the new owner if the employee continues to provide services as before and the new owners accept those services (ESA s 97). See also *Helping Hands Agency Ltd v British Columbia (Director of Employment Standards)*, [1995] BCJ No 2524.

**13. *Aggravated and Punitive Damages***

**a) *Aggravated Damages***

Courts can award aggravated damages if the employer acted unfairly or in bad faith when dismissing the employee, and the employee can prove that they suffered harm as a result of the manner of dismissal.

The loss must arise as a result of the manner of dismissal, and not due to the dismissal itself. If the employee wishes to obtain aggravated damages because they suffered mental harm, they must obtain medical evidence such as a doctor's report (for example, the doctor's report might document the employee's depression, anxiety, or other mental harm). It may be necessary to have a doctor testify in court in order to present a solid

case for aggravated damages. If the employee did not suffer documented harm, see **section V.C.13.b: Punitive Damages** below.

The basis for these additional damages is a breach of the implied term of an employment contract that employers will act in good faith in the manner of dismissal. In *Honda Canada Inc v Keays*, 2008 SCC 39, the Supreme Court of Canada held that any such additional award must be compensatory and must be based on the actual loss or damage suffered by the employee, which can include mental distress stemming from the manner of dismissal. However, normal distress and hurt feelings arising from the dismissal itself are not grounds for additional damages.

Prior to the *Honda v Keays* decision, damages awarded where the employer had acted in bad faith were assessed by simply extending the notice period to which the employee would otherwise be entitled. This practice was based on the Supreme Court of Canada's decision in *Wallace v United Grain Growers Ltd*, [1997] 3 SCR 701, and the awards were informally known as "Wallace Damages". Following the *Honda v Keays* decision, the practice of assessing damages by extending the notice period is no longer to be used. Now, a claimant must prove what actual losses or mental harm the employee incurred, and the employee is then compensated for those actual losses or mental distress. See *Strudwick v Applied Consumer & Clinical Evaluations Inc.*, 2016 ONCA 520.

What constitutes "bad faith" is for the courts to decide, and has in the past centred on deception and dishonesty. Mere "peremptory" treatment is not sufficient: see, for example, *Bureau v KPMG Quality Registrar Inc*, [1999] NSJ No. 261 (NSCA). Sexual harassment has been held not to give rise to additional damages (*Chiang v Kejo Holdings Ltd*, 2005 BCSC 414). See, however, *Sulz v Minister of Public Safety and Solicitor General*, 2006 BCCA 582, where punitive damages were awarded for sexually harassing conduct in the employment context.

### **Bad Faith Performance of Contracts**

"Bad faith" has been found in cases the following cases:

- i) where the employer lied to the employee about the reason for dismissal (see *Duprey v Seanix Technology (Canada) Inc*, 2002 BCSC 1335, where an employer told a commissioned employee he was being released due to financial hardship, when it was found he was being released so the employer would not have to pay owed commission);
- ii) where an employer has deceived the employee about representations of job security (*Gillies v Goldman Sachs Canada*, 2001 BCCA 683);
- iii) where a senior employee was induced to leave his position under the promise of job leading to retirement;
- iv) where an employer promised an employee he would keep his job after a merger, although he knew differently (*Bryde v Liberty Mutual*, 2002 BCSC 606). In one case, a response by employer's counsel to an employee's counsel containing an allegation of just cause where none existed was held not to constitute bad faith (*Nabnychuk v Elite Retail Solutions Inc*, 2004 BCSC 746). However, in another province, a letter threatening to allege just cause where none existed, for the purpose of forcing a settlement, even though just cause was not plead in court, was held to give rise to additional damages (*Squires v Corner Brook Pulp and Paper Ltd*, [1999] NJ No 146 (Nfld CA)); and
- v) where an employer has made false accusations about the employee at the time of dismissal. See *Price v 481530 BC Ltd et al*, 2016 BCSC 1940, where an employer dismissed an employee on the basis of false allegations of dishonesty contributing to the creation of a hostile work environment and ultimately his constructive dismissal.

## Good Faith Performance of Contracts

The Supreme Court of Canada affirmed the principle of good faith performance of contracts and its creation of the new common law duty of honesty in contractual performance in *Bhasin v Hrynew*, 2014 SCC 71.

This case was referenced in *Styles v Alberta Investment Management Corporation*, 2015 ABQB 621, where the court awarded \$440,000 for the employer's refusal to pay awards under a long term incentive plan, in breach of duty of honest performance and good faith.

If one suspects the employer acted in bad faith in the manner of dismissal, one should do further research to determine whether the employee has a strong case. For a table of cases in which aggravated or punitive damages were sought, and a list of the damages awarded, see "Aggravated and Punitive Damages and Related Legal Issues", Employment Law Conference 2013, Paper 8.1, CLE BC.

### b) *Punitive Damages*

If the conduct of the employer was especially outrageous, harsh, vindictive, reprehensible, or malicious, then the court may award punitive damages (see *Honda Canada Inc v Keays*). The focus will be on the employer's misconduct, and not on the employee's loss; the damages are not designed to compensate, but rather to punish and deter. Generally, the discretion to award punitive damages has been cautiously exercised and used only in extreme cases. Courts are wary of the risk of double-compensation where punitive damages and aggravated damages are considered in the same case.

Punitive damages are, however, currently on an upward trend in BC. Since the *Honda* decision, courts have generally required medical evidence showing that an employee suffered mental harm in order to award aggravated damages, and this has left certain employees, who are less susceptible to suffering mental harm, without that recourse. The courts are tending to award punitive damages more often now than in the past in order to make up for this discrepancy. If an employee was treated particularly harshly, but did not suffer documented medical harm, consider claiming punitive damages. See the paper entitled "Aggravated and Punitive Damages and Related Legal Issues" for a table of cases in which aggravated or punitive damages were sought in order to compare your situation to others and determine an appropriate amount of damages (see **section V.C.13 Aggravated and Punitive Damages**, above).

If the employee has suffered any of the following situations through the employer's conduct, consider claiming for punitive damages:

- Defamation
- Malicious prosecution, if the employer maliciously instigates criminal proceedings against an employee (*Teskey v Toronto Transit Commission*, 2003 OJ No 4547)
- Duress
- Interference with the employee's compensation
- Flawed investigation of alleged employee misconduct
- Unproven alleged cause
- Constructive dismissal
- Demotion
- Sexual harassment
- Unsafe or unhealthy work environment
- Oppression (if the employee is also a shareholder of the corporation)

- Inducement to resign, for example by offering a letter of reference only if the employee resigns (*Vernon v British Columbia (Liquor Distribution Branch)*, 2012 BCSC 133)
- Misrepresentations by the employer
- Employer's behaviour before, during, or after the dismissal
- Breach of the employee's privacy
- Insensitivity to an employee's pregnancy
- Physical or verbal assault or abuse
- Interference with trade unions
- Any independent causes of action
- Being "mean and cheap in trying to get rid of an employee" (*Gordon v. Altus*, 2015 ONSC 5663)
- Unduly insensitive treatment during attempts to exercise rights to contract renegotiation (*Pepin v. Telecommunications Workers Union*, 2016 BCSC 790; overturned on appeal, 2017 BCCA 194, and remitted back to the BCSC for a new trial)
- The tort of intentional infliction of mental distress (*Strudwick v Applied Consumer & Clinical Evaluations Inc.*, 2016 ONCA 520; )

### **c) Workplace Investigations**

Workplace investigations into misconduct must be carried out in a good faith manner without bias. Unfair process may entitle an employee to aggravated or punitive damages.

A flawed workplace investigation followed by a dismissal can attract aggravated damages; see *Lau v. Royal Bank of Canada*, 2015 BCSC 1639; *Kong v. Vancouver Chinese Baptist Church*, 2015 BCSC 1328; and *George v. Cowichan Tribes*, 2015 BCSC 513.

## **14. Duty to Mitigate**

### **a) Common Law**

Claimants in civil court should be aware that an employee has a common law duty to mitigate his or her losses. An employee does not have to take every action possible to mitigate; instead, reasonable effort is required; see *Gust v Right-of-Way Operations Group Inc.*, 2016 BCSC 1527. Searching for similar work is sufficient. For a discussion of the relevant legal test for mitigation, see *James v The Hollypark Organization Inc.*, 2016 BCSC 495.

Because of the requirement to mitigate, the employee may have to take another job the employer offers, as long as the new job is not at a lower level than the previous one, and the change does not amount to constructive dismissal. Similarly, a dismissed employee may have to accept an employer's offer to work through the notice period; see *Evans v Teamsters Local Union No 31*, 2008 SCC 20). Retraining may be considered part of mitigation if it is to enter a job field with better prospects. This applies where an employee tries and fails to obtain alternate suitable employment; *Cimpan v Kolumbia Inn Daycare Society*, [2006] BCJ No 3191.

In many cases, the duty to mitigate may require a constructively dismissed employee to stay on the job while seeking other employment (*Cayen v Woodward's Stores Ltd* (1993), 75 BCLR (2d) 110 (CA)).

Employees are not required to return to a position where the fundamental terms of their job have changed or where they have been maligned such that the relationship cannot be restored. Accusations of dishonesty in negotiations or radically limited and uncertain terms in offers may result in reemployment being found to be unreasonable. The

employee is not expected to act in the employer's best interest to the detriment of their own interests. For example, if an employee was ill at the time of dismissal they are not required to make strenuous efforts to find new employment. Similarly, an employee in the late stages of pregnancy may not be required to seek new employment until several months after the birth of their child. The employee's perception of what is reasonable is usually given more weight than that of the employer.

An employee's failure to take accept a job in the course of looking for employment may not mean they failed meet the requirements of mitigation if they were overqualified for the job; see *Luchuk v Starbucks Coffee Canada Inc.*, 2016 BCSC 830.

In a legal dispute, the onus of proof as to whether the claimant former employee has properly taken efforts to mitigate their damages generally falls on the defendant former employer.

### ***b) Employment Standards***

There is no duty to mitigate in order to receive statutory compensation for length of service under the ESA. An employee is entitled to statutory termination pay regardless of whether the employee finds new work.

### ***c) Mitigation and Constructive Dismissal***

An employee is still required to mitigate his damages if he is constructively dismissed. Sometimes, the employee will be required to mitigate by continuing to work for his current employer. See *Evans v Teamsters Local Union No 31*, 2008 SCC 20, for a discussion of the relationship between constructive dismissal and the employee's duty to mitigate.

There are some circumstances where an employee's refusal to accept re-employment with the employer who fired him is found to be a failure to mitigate. However, this might not be the case if the trust relationship is eroded as result of the employer's actions. See *Fredrickson v. Newtech Dental Laboratory Inc.*, 2015 BCCA 357.

## ***15. Employment Insurance Payback***

If an employee receives damages for wrongful dismissal, this money is treated as earnings, and the employee will be required to pay back the appropriate amount of EI benefits received while waiting for the court case to be heard (EI benefits are not deducted from the amount of the damage award). Note that the employee may be able to receive the EI benefits back again if they are still unemployed and searching for work after the period covered by the severance award; call Service Canada at 1-800-206-7218 for further details if this situation may apply to the employee.

## ***16. Frustration of Contract***

If the contract becomes impossible to perform through no fault of the employee or the employer, then the contract is frustrated, and may be terminated without liability. The contract must be impossible to perform, not merely less profitable. The impossibility of performance must be unforeseen, there must be no alternative to termination, and termination must not be self-induced. Frustration of contract is a separate ground for termination of contract, separate from just cause, which is a breach of the employment contract by the employee.

Frustration normally arises in cases of long term disability where the employee has been off work for 1 or 2 years. Courts will consider whether the worker is likely to be able to return to work in the reasonably foreseeable future; see *Hydro-Quebec v Syndicat des employe-e-s de techniques professionnelles et de bureau d'Hydro-Quebec*, 2008 SCC 43, and *Naccarato v Costco*, 2010 ONSC 2651.

If the employee suffers a serious, permanent, debilitating illness or injury, this could frustrate the contract; see *Wightman Estate v 2774046 Canada Inc*, 2006 BCCA 424.

However, note that in any case where an employee is dismissed due to a disability, there may be a case at the Human Rights Tribunal; the employer must have a bona fide occupational requirement that cannot be met by the employee due to their disability, and the employer must follow a proper process to attempt to accommodate the employee, in order to avoid liability. See **Chapter 6: Human Rights** for additional details.

If an employer validly terminates a contract on the basis of frustration, they are not required to provide severance.

Prior to terminating an employment contract on the basis of frustration, employers should provide the employee with an opportunity to provide any additional medical information which might change their decision. Failure to do so might result in a finding of without cause dismissal, as opposed to frustration of contract.

## ***D. Post-Employment Issues***

### ***1. Restrictive Covenants***

It is becoming increasingly common for employment contracts to include restrictive covenants that prevent former employees from doing certain things, including but not limited to: divulging company secrets, working for competitors, or setting up their own competing business. While restrictive covenants have historically applied to upper level employees, they are more and more common for all types of employees as specialization increases and more companies sell information as opposed to goods.

Whether a particular provision is a restraint of trade is determined not only by the form of the clause, but by the effect of the clause in practice; see *Levinsky v The Toronto-Dominion Bank*, 2013 ONSC 5657. Restrictive covenants may also influence the assessment of reasonable notice (see “Two Topics Relating to Restraint of Trade in Employment: Practical Alternatives to Restrictive Covenants and the Impact of Restrictive Covenants on Reasonable Notice”, Richard Truman and Valerie S. Dixon, Employment Law Conference 2014, Paper 3.2, CLE BC). As a general common law rule, restrictive covenants are presumed to be invalid. It is up to the party trying to enforce the covenant (usually the employer) to prove that it should be enforced, and it can be quite difficult to write a covenant narrow enough to be upheld in court. In deciding whether or not to enforce a restrictive covenant, the court must balance the interests of society in maintaining free and open competition with the interests of individuals to contract freely. The “public policy test” that emerges from the common law consists of the following considerations (per *Shafroon v KRG Insurance Brokers (Western) Inc*, 2009 SCC 6):

- i) the employer must show a legitimate business interest for imposing the covenant on the employee - there must be a connection between the covenant and the business interest that is sought to be protected;
- ii) the covenant must minimally impair the employee’s ability to freely contract in the future;
- iii) the restraint must be fair and reasonable between the parties, and must be in the public interest, having regard to the nature of the prohibited activities and the length of time and geographic area in which it will operate; and
- iv) the terms of the covenant must be clear and unambiguous – it will not be possible to demonstrate the reasonableness of an ambiguous covenant.

The courts are unwilling to re-write restrictive covenants if they contain uncertain and ambiguous terms; these covenants are deemed *prima facie* unreasonable and unenforceable (*Shafiq v KRG Insurance Brokers (Western) Inc.*). It can often be a simple matter to find an ambiguity: the length of time or geographic area might not be specified, or there may be a prohibition against soliciting clients that the employee did not work with, or the employer may have used a non-compete clause when a non-solicitation clause would have adequately protected their legitimate business interests. See *Powell River Industrial Sheet Metal Contracting Inc. (P.R.I.S.M.) v Kramchynski*, 2016 BCSC 883.

## **2. Record of Employment and Reference Letters**

There is no statutory requirement under the ESA for an employer to provide a reference. Employers are required to provide former employees with a record of employment, which includes information such as the length of service, wage rate, but does not include anything about the employee's performance.

Since the decision of *Wallace v United Grain Growers*, the view has been that an employer should provide a reference unless they have good reason not to. Failing to provide a reference could be construed by the courts as evidence of bad faith. In practical terms however, there is no way for a former employee to force their employer to provide a suitable reference letter without making some other sort of claim covered by the ESA or the common law.

If an employer tells an employee that they will only receive a reference letter if they resign, in order for the employer to avoid liability for severance payments, the employee may be able to make a claim for both wrongful dismissal and punitive damages; see *Vernon v British Columbia (Liquor Distribution Branch)*, 2012 BCSC 133.

### **E. When an employer can sue an employee**

Generally, it is rare for an employer to sue an employee. This might occur if an employee breaches a term of a contract (including an implied term), or if an employee breaches a fiduciary duty. Sometimes, after an employee brings an action against an employer, the employer will make a counterclaim against the employee as a strategic move to encourage the employee to settle for a lower amount; the strength of the employer's case should be carefully considered if this occurs.

The duties listed below are generally implied in employment contracts. This list of duties is not exhaustive.

#### **1. Duty to perform employment functions in good faith**

Employees owe a duty of good faith to the employer; this is an implied term of employment contracts. An employee might breach this by actively working against one of their employment duties; for example, a supervisor who is supposed to retain employees could breach this duty by inducing the employees they supervise to resign in order to complete against the employer. See *RBC Dominion Securities Inc v Merrill Lynch Canada Inc*, 2008 SCC 54, and *Consbec Inc. v Walker*, 2016 BCCA 114, for further details.

#### **2. Duty to give reasonable notice of resignation (wrongful resignation)**

An employee must give their employer reasonable notice if they are resigning. "Reasonable notice", in the case of resignations, is much shorter than the notice that employers must give to employees who are being dismissed. Although giving two weeks' notice is the usual practice, the courts may require more or less than that amount, depending on the employee's responsibilities. In rare cases, employers can be awarded damages against employees who do not provide sufficient notice of resignation; see *Gagnon & Associates Inc. et. al. v Jesso et. al.*, 2016 ONSC 209.

In theory, an employee could be held liable for the profits that their continued employment would have generated for the employer during the reasonable notice period. However, this is generally only of concern if the employee generates significant profits for the employer. For further details, see *RBC Dominion Securities Inc v Merrill Lynch Canada Inc*, 2008 SCC 54.

### **3. *Competition against the employer***

Employees without a valid non-competition clause (and who are not in a fiduciary position – see **Section V.E.3: Fiduciary duties**, below) may compete against an employer as soon as they are no longer employed by the employer; see *Valley First Financial Services Ltd v Trach*, 2004 BCCA 312. However, employees should be careful not to compete unfairly, or compete using confidential information obtained from their former employer.

If an employment contract contains a restrictive covenant (such as a non-competition clause or a non-solicitation clause), see **Section V.D.1: Restrictive Covenants**, above.

### **4. *Duty not to misuse confidential information***

It is an implied term of an unwritten employment contract that the employee will not misuse the employer's confidential information. A common example of confidential information is the employer's list of customers. Employees who take a customer list by printing it out or putting it on a USB key and taking it with them, or by emailing it to themselves, would be in breach of this duty. One notable exception is that an employee may use any part of the customer list that they have simply memorized; see *Valley First Financial Services Ltd v Trach*, 2004 BCCA 312. Additionally, employees such as financial advisors, who have developed ongoing relationships with clients, may be entitled to take a list of their own clients to inform them that they are departing, and where they will be working in the future (*RBC Dominion Securities Inc v Merrill Lynch Canada Inc et al*, 2007 BCCA 22 at para 81, reversed in part at 2008 SCC 54; *Edwards Jones v Voldeng*, 2012 BCCA 295). Note however that this may be prevented if the employee is in a fiduciary position, and there may be limits on the permitted contact or other complications if the employee signed a non-solicitation agreement.

### **5. *Fiduciary duties***

Only a small fraction of employees are in a fiduciary position. They may have fiduciary duties if they are directors of the company, or if they are senior officers in a top management position; see *Canadian Aero Service Ltd v O'Malley*, [1974] SCR 592. A fiduciary position is generally one where the fiduciary (the employee) has some discretion or power that affects the beneficiary (the employer), and the beneficiary is peculiarly vulnerable to the use of that power; see *Frame v Smith*, [1987] 2 SCR 99.

Employees who are in a fiduciary relationship to their employer have duties of loyalty, good faith, and avoidance of a conflict of duty and self-interest. They cannot, for example, take advantage of business opportunities that they should have been pursuing for their employer, even if they resign from their position.

## **F. *Other Employment Law Issues***

### **1. *Discrimination in Employment***

For provincially regulated employees, the *Human Rights Code* prohibits discrimination in employment on the basis of the following prohibited grounds (*HRC* ss 13, 43):

- Race

- Colour
- Ancestry
- Place of Origin
- Political Belief
- Marital Status
- Family Status
- Physical or Mental Disability
- Sex (this includes sexual harassment, and discrimination based on pregnancy or transgendered status)
- Sexual Orientation
- Age (only those over 19 years of age are protected by this provision)
- The person was convicted of a criminal or summary conviction offence that is unrelated to the employment or to the intended employment of that person
- The person complains or is named in a complaint, gives evidence, or otherwise assists in a complaint or other proceeding under the *HRC*

This prohibition against discrimination in employment includes discrimination in the hiring process, in the terms and conditions of employment, and in decisions to terminate employment. Employment agencies also must not refuse to refer a person for employment based on one of the prohibited grounds for discrimination. Trade unions, employer's organizations, and occupational associations cannot discriminate against people by excluding, expelling or suspending them from membership (*HRC* s 14).

There must be no discrimination in wages paid (*HRC* s 12). Men and women must receive equal pay for similar or substantially similar work. Similarity is to be determined having regard to the skill, effort, and responsibility required by a job.

Family status protection includes childcare and family obligations. See *Johnstone v Canada Border Services*, 2010 CHRT 20.

For more information about each of the prohibited grounds; see **Chapter 6: Human Rights, Section III.B: Prohibited Grounds of Discrimination**. See also "Recent Human Rights Cases of Interest for Employment Lawyers", Michael A. Watt, Employment Law Conference 2014, Paper 4.1, CLE BC.

Though generally employers are prohibited from discriminating against employees, it is permitted if the discrimination is required due to a bona fide occupational requirement (*HRC* ss 11, 13).

If the employee appears to have been discriminated against based on a prohibited ground, see **section V.F.1: Discrimination in Employment** of this chapter for basic information on remedies for discrimination, or see **Chapter 6: Human Rights, Section III.C: The Complaint Process** for more detailed information.

Federally regulated employees are covered by the *Canadian Human Rights Act*. Similar protections are provided to that of the *Human Rights Code*, though they are not identical. Federal legislation allows employers to impose mandatory retirement, however, the BC provincial statute was amended in 2008 to prohibit this practice.

Federal equal pay provisions in the *Canadian Human Rights Act* are somewhat broader than those found in B.C.'s *Human Rights Code*. It is discriminatory under the *Canadian Human Rights Act* to pay male and female employees different wages where the work that they are doing is of comparatively equal value. This means that even if the work itself is not demonstrably similar, the pay equity provisions may still be enforced if the value of the work is similar. Factors that are considered in determining whether work is of equal value include: skill, efforts

and responsibility required, and conditions under which the work is performed (*Canadian Human Rights Act*, s 11(2)).

## 2. ***Harassment in the Workplace***

Bullying and harassment in the workplace are developing areas of the law. There are several possible avenues for addressing a complaint in this area if the issue cannot be resolved within the workplace.

Recently, the Workers Compensation Act was amended to cover mental disorders caused by workplace bullying and harassment (*Workers Compensation Act*, RSBC 1996 c 492, s 5.1); **Chapter 7: Workers' Compensation** provides additional information on how to make a claim.

If the bullying or harassment is related to discrimination based on one of prohibited grounds listed in the *Human Rights Code*, the employee may be able to file a complaint with the Human Rights Tribunal; see **Chapter 6: Human Rights** for additional information.

Finally, the bullying or harassment could potentially constitute a constructive dismissal for which the employee could claim damages in court; see **V.C.10: Constructive Dismissal**.

## 3. ***Retaliation for Filing a Complaint***

Generally, employers are not permitted to retaliate against an employee who files a statutory complaint.

A provincially regulated employee might file a complaint against an employer at the Employment Standards Branch, the Human Rights Tribunal, or with WorkSafe. The *Employment Standards Act*, the *Human Rights Code*, and the *Workers Compensation Act* each contain provisions which prohibit retaliation for filing complaints.

## 4. ***Employment Standards Act Claim Retaliation***

An employer may not threaten, terminate, suspend, discipline, penalize, intimidate, or coerce an employee because the employee filed a complaint under the ESA (s 83). If this does happen, the Employment Standards Branch may order that the employer comply with the section, cease doing the act, pay reasonable expenses, hire or reinstate the employee and pay lost wages, or pay compensation (s 79). A complaint may be filed with the Employment Standards Branch.

## 5. ***Human Rights Code Claim Retaliation***

A person must not evict, discharge, suspend, expel, intimidate, coerce, impose any pecuniary or other penalty on, deny a right or benefit to or otherwise discriminate against a person because that person complains or is named in a complaint, gives evidence or otherwise assists in a complaint or other proceeding under this Code (s 43). If a person is discriminated against in such a manner, they may file a complaint at the Human Rights Tribunal in the same way that they would complain about any other discriminatory practice; see **Chapter 6: Human Rights, Section III.C: The Complaint Process**.

### a) ***Workers Compensation Act***

Employers and unions must not take or threaten discriminatory action against a worker for taking various actions in regards to the Act, such as reporting unsafe working conditions to a WorkSafe officer (s 151). Remedies include the ability to reinstate the worker to their job (s 153). Additional details are set out in the *Workers Compensation Act*,

Division 6 – Prohibition Against Discriminatory Action. For more information on the *Workers Compensation Act* and WorkSafeBC, see **Chapter 7** of this manual.

### **b) Common Law Issues/Internal Complaints**

An employee may face retaliation for bringing an internal complaint, possible through a formal complaint process outlined in an employment policy. If the employer retaliates against the employee in a significant manner, this could constitute a constructive dismissal. In addition, if the employer dismisses the employee following a legitimate complaint, this may form grounds for an aggravated damages claim.

## **6. Employees' Privacy**

### **a) Legislation**

There are three statutes in BC that concern privacy.

The *Privacy Act*, RSBC 1996 c 373, creates a statutory tort for breach of privacy. Whether a person's actions or conduct constitutes tortious conduct depends on what is reasonable in the circumstances. An action for breach of privacy can only be brought in BC Supreme Court.

The *Freedom of Information and Protection of Privacy Act*, RSBC 1996, c 165, [FOIPPA] applies to public bodies such as governmental ministries, universities, health authorities, etc. It gives individuals a right to access information held about themselves and access to many documents held by the public bodies. It also governs the collection, use, and disclosure of personal information, including public bodies' employees' personal information.

The *Personal Information Protection Act*, SBC 2003, c 63, [PIPA] applies to almost all organizations that are not public bodies covered by FOIPPA. It governs the collection, use, and disclosure of personal information, including employees' personal information.

### **b) Balancing Employer and Employee Interests**

Generally, employers can collect information that is reasonably necessary in the circumstances. Some of the factors to be considered are whether the collection of the personal information is required to meet a specific need, whether the collection of information is likely to meet that need, whether the loss of privacy is proportional to the benefit gained, and whether there are less privacy-invasive methods of achieving the same end; see *Eastmond v Canadian Pacific Railway*, 2004 FC 852. In that case, surveillance of a rail yard was permitted after there were a number of incidents of theft, trespassing, and vandalism. GPS tracking of employees' work vehicles has also been permitted (*Schindler Elevator Corporation*, Order P12-01, 2012 BCIPC 25), though it generally necessary for the employer to inform the employee of the GPS tracking.

Random drug and alcohol testing can run afoul of privacy legislation. If the workplace is hazardous, this is not sufficient to justify random testing. There must be an additional factor, such as a general substance abuse problem at the workplace. If this additional factor is not present, then the employer cannot randomly test everyone in the workplace, but can test individual employees if there is reasonable cause to believe the employee was impaired while at work, was involved in a workplace accident, or was returning to work following treatment for substance abuse (*Communications, Energy and Paperworkers Union of Canada, Local 30 v Irving Pulp & Paper, Ltd*, 2013 SCC 34). For more information about alcohol and drug testing, consult "Alcohol and Drug Tests in the Workplace", Kenneth R. Curry and

Kim G. Thorne, Employment Law Conference 2014, Paper 1.1, CLE BC.

Other issues involving employee privacy may arise if an employer requests an employee's medical information, monitors computer usage, or wishes to conduct personal searches of employees. Privacy laws are constantly evolving, and research should be done to determine whether the employer may be breaching privacy legislation.

Complaints regarding a breach of *FOIPPA* or *PIPA* can be filed with the Office of the Information and Privacy Commissioner for British Columbia.

The Ontario Superior Court of Justice recognized the tort of public disclosure of private facts in *Doe v. D*, 2016 ONSC 541, so there may be a new common law remedy in the appropriate circumstances.

## VI. REMEDIES

### A. *The Employment Standards Branch*

The Employment Standards Branch is the only forum an employee can go to if they have a complaint arising from a breach of the ESA. If the complaint is instead regarding a contractual issue; see **section V.B: Small Claims Court** and **Chapter 20: Small Claims**.

The ESA established the Employment Standards Branch to deal with complaints and to disseminate information about the Act to both employees and employers. The Employment Standards Branch is responsible for informing employers and employees of their rights under the ESA, and for administering all disputes arising under the Act. The Employment Standards Branch's Industrial Relations Officers and Employment Standards Officers are trained to interpret the ESA and to assist both employers and employees with problems arising under the Act. Employees should be referred to the Employment Standards Branch if they have a complaint arising under the ESA.

In *WG McMahon Canada Ltd v Mendonca* (16 September 1999), BCEST Decision No 386/99, the Employment Standards Tribunal set forth the "make whole remedy", which permits the employee to receive compensation instead of reinstatement. The employee is essentially "made whole" financially by way of a compensation order, such that the employee would be in the same economic position he or she would have been in had the infraction not occurred. This is an extraordinary remedy but one which allows for significant compensation. The above case can be located on the Employment Standards Tribunal website at [www.bcest.bc.ca](http://www.bcest.bc.ca).

Although the ESA also allows for reinstatement as a possible remedy, there are no published decisions in which it has actually been ordered.

Provincially regulated employees may still be able to seek reinstatement under other statutes such as the *Worker's Compensation Act* or the *Human Rights Code* if their situation qualifies.

#### 1. *Application and Limitation Periods*

The ESA gives the Director of Employment Standards power to investigate complaints made under the Act. The complaint must be made in writing and within certain time limits. The Branch will deal only with complaints that have arisen within six months from the date of the complaint, if the complainant is still employed by the company. If the complainant is no longer employed with the defendant company, the complaint must be filed within six months of the termination date (s 74). When an employee is terminated after a temporary layoff, the last day of the temporary layoff is deemed to be their last day of employment for the purpose of calculating the six-month limitation period. If this six-month time period has elapsed, there may still be an action in Small Claims Court.

**NOTE:** Time during which an employee was not working because he or she was on sick leave, pregnancy leave, Workers' Compensation benefits, etc. is nonetheless considered part of the term of employment.

## **2. *The Employment Standards Branch Self-Help Kit***

Complainants must first use a “Self-Help Kit” as a means of weeding out complaints that do not need to be filed. In the Kit, the claimant must first contact his or her employer with a written explanation for their claim and how much they want as compensation. The employer then has a chance to reply. If there is still a conflict between the two, or the employer does not reply, the claimant can then file a complaint with the Employment Standards Branch. The Employment Standards Branch will generally not accept a complaint unless it has written proof that the complainant has tried to solve the problem using the Kit. In a limited number of circumstances, complainants do not first have to use the Kit. These exceptions include where the complaint is related to a leave provision of the ESA (e.g. pregnancy leave), or the complainant is a farm worker, textile worker, garment worker, or domestic worker. Links to the list of exceptions, and the self-help kit, can be found on the Employment Standards Branch’s Filing a Complaint fact sheet: <http://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/factsheets/filing-a-complaint>

Complainants who have less than 30 days remaining until the end of the six month limitation period should first file their complaint with the Employment Standards Branch and then use the Self-Help Kit.

## **3. *Filing a Claim with the Employment Standards Branch***

After completing the Self-Help Kit, the complainant may file their complaint with the Employment Standards Branch in one of three ways:

- filling in a form and mailing or delivering it to the nearest Employment Standards Branch;
- filling in a form at the nearest Employment Standards Branch office; or
- submitting an online complaint form.

Information on filing can be found at:

<http://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/info-forms/forms-complaint-submission/complaint-submission>

The Director may refuse to investigate a complaint if it is not made in good faith or if there is insufficient evidence to support it. The complainant may request, in writing, that any identifying information gathered for the purpose of the investigation remain confidential. However, the Director may disclose information if disclosure is deemed necessary to the proceeding or in the public interest (s 75).

Most employment standards complaints are resolved through a process of education of the parties, mediation, and/or adjudication, but some are referred to investigation. The officer reviewing the case has the discretion to determine the approach taken. Breach of any section of the ESA may be a basis for an investigation. At the conclusion of an investigation, the Director will give their determination (their decision) based on the evidence given. The Director has the power to settle the claim in a variety of ways, including:

- arranging payment to the complainant;
- forcing compliance with the Act; or
- requiring a remedy or cessation of the action (ss 78-79).

The Director also has the power to help parties settle a complaint and reach a binding settlement agreement that may be filed in Supreme Court for enforcement (s 78).

Section 29 of the *ES Regulation* provides an augmented penalty provision that grants the Employment Standards Branch more power to enforce the Act. The penalty provision is also used to enforce the offences listed in section 125 of the ESA.

Penalties per offence are:

First Determination:	\$500
Second Determination:	\$2,500
Third Determination:	\$10,000

Under Part 11 of the ESA, an officer or director of a corporation is personally liable for up to two months' unpaid wages per employee if the officer or director held office when the wages were earned or were payable – however, officers or directors of a corporation are not personally liable on bankruptcy of the corporation (s 96(2)). Also, directors and officers may be considered a common employer and be held jointly and severally liable (s 95). If the business is sold, transferred, or continued after bankruptcy, the subsequent business may be considered a successor business and “the employment of an employee is deemed ... to be continuous and uninterrupted” (s 97).

Under the ESA (s 80), employers' liability for wages (including payments for length of service upon termination) will only include those wages that became payable within the six months prior to the date of the complaint, or within the six months prior to the date of the employee's termination – whichever is earlier. However, because some benefits become payable long after they were earned, an employee may be able to recover those benefits that they earned more than six months prior to the date of the complaint or date on which they were terminated. For example, in some cases vacation pay is not payable until two years after it is earned; in these cases, an employee could potentially recover vacation pay that was earned over a period of 30 months (two years, plus the six month limitation period). Similarly, employees may be able to recover wages that were entered into a time bank more than 6 months prior to the date of the complaint.

**NOTE:** Employers cannot terminate, suspend, or discipline employees because they have filed, or may file, a complaint (s 83). The Branch can order an employee's reinstatement for contravention of this section and for violations of s 8 and Part 6.

#### **4. Appeals**

Anyone who wishes to appeal a determination of the Director must make an application to the Employment Standards Tribunal, a separate body established under Part 12 of the Act, at the conclusion of an investigation (s 115). The request must be made within certain time limits, which depend on the manner in which the decision is served. If the decision is hand-served, faxed, or delivered electronically, an appeal must be filed within 21 days. If the decision is sent by registered mail, an appeal must be filed within 30 days. After reviewing the decision, the Adjudicator of the Employment Standards Tribunal may confirm it, alter it, or refer it back to an officer. The appeal is decided based on the correctness of the Director's determination (see *Alsip v Top Rollshutters Inc. dba Talius*, 2016 BCCA 252, and *Howard v Benson Group Inc. (The Benson Group Inc.)*, 2016 ONCA 256).

Sections 112 and 114 of the ESA confine the grounds of appeal to the tribunal to situations where:

- a) **The Director erred in law:** An error in law may encompass the interpretation of a particular statutory provision, or its application to the facts presented. It can also be used when the appellant feels the Director acted unreasonably, or without evidence.
- b) **The Director failed to observe the principles of natural justice in making the determination:** This ground of appeal encompasses a wide variety of circumstances

such as bias on the part of the decision maker, procedural unfairness (refusing an adjournment without good reason), or when the appellant feels generally they have not been given the right to be heard (a right codified in s 77 of the Act).

- c) **Evidence has become available that was not available at the time the Determination was made:** The new evidence must be material, in the sense that if the Director had been given the chance to review it the determination in whole or in part would have been different.

Although the Act does not specifically allow a party to appeal the Director's findings of fact, in certain cases the Director's fact finding may be so flawed that it amounts to a legal error. *Gemex Developments Corp v British Columbia (Assessor of Area #12 – Coquitlam)* (1998), 62 BCLR (3d) 354 defined an error of law as including instances where the Director was "acting on a view of the facts that could not reasonably have been entertained." This test has been adopted in a number of tribunal decisions. *Delsom Estate Ltd v British Columbia (Assessor of Area No 11 Richmond/Delta*, [2000] BCJ No 331 (BCSC) restated the test as being "...that there is no evidence before the Board which supports the finding made, in the sense that it is inconsistent with and contradictory to the evidence" and is "perverse or inexplicable". For a summary of the law relating to judicial reviews under the Employment Standards Tribunal, see *Cariboo Gur Sikh Temple Society (1979) v British Columbia (Employment Standards Tribunal)*, 2016 BCSC 1622.

The tribunal may dismiss an appeal without a hearing if the requirements are not met, or if payment of a possible appeal fee, set up by regulation, has not been made. There are provisions for an appeal fee to be charged but there is currently no fee, nor are there plans to charge one.

If the employee is not satisfied with the decision of the Employment Standards Tribunal, they can seek judicial review of the decision in BC Supreme Court. Employees should speak to a lawyer if they wish to pursue this possibility.

## **B. Small Claims Court**

For information on how to proceed with a claim in Small Claims Court or the Civil Resolution Tribunal, see **Chapter 20: Small Claims Court**.

The Small Claims approach can often yield better results than claims filed with the Employment Standards Branch, particularly for cases involving termination of employment or payment of wages. For example, the ESA only requires an employer to pay one week's wages per year of service notice to a maximum of 8 weeks for dismissal without just cause, whereas a common law award could extend to as much as 24 months' wages. The Employment Standards Branch is also only able to award back-pay of up to six months, thus the claimant may wish to pursue a remedy in Small Claims Court if he or she is owed more than six months' back pay, and you determine there is a contractual claim to these funds. It might be in the employee's best interest to pursue certain claims through the Employment Standards Branch and others in Small Claims Court. However, keep in mind that civil court will not rule on a matter that is to be decided by the Branch.

Please note that employees may **no longer** seek to directly enforce rights under the ESA in civil court, and must instead use the Employment Standards Branch to enforce these rights (*Macaraeg v E Care Contact Centres Ltd*, 2008 BCCA 182). However, many of the interests protected by the ESA have parallel common law (contractual) remedies as well. A significant exception to this is overtime pay: employees have a contractual right to receive their normal hourly pay for all hours they work, but they can only make a claim at the Employment Standards Branch if they wish to receive 1.5 or 2 times their normal hourly rate for their overtime hours (an exception to this is if their employment contract specifically sets out that they will receive a higher rate for overtime pay, in which case this contractual right can be enforced in court). Each particular case should be reviewed fully before determining in which forum to proceed.

Also note that Small Claims Court only has jurisdiction for claims above \$5,000 and up to \$35,000. Employees with claims over \$35,000 must either abandon the excess amount of the claim, or proceed to BC Supreme Court. Employees should consult a lawyer before proceeding in BC Supreme Court, as it can be quite complicated and costly. Employees with claims \$5,000 or under may be required to pursue their claim through the Civil Resolution Tribunal.

When naming the defendant in Small Claims Court, the employee should sue the body with which the contract of employment was made, unless he or she is alleging fraud or induced breach of contract – in which case, consider joining the shareholders or directors of the company. The employee may have to sue the parent company and the subsidiary if the parent company does the hiring, paying, and terminating.

### ***C. The B.C. Human Rights Tribunal***

If an employee or potential employee has been discriminated against on the basis of one or more of the prohibited grounds; see **Chapter 6: Human Rights, Section III.C: The Complaint Process** for information on how to proceed with a complaint. If the employee was terminated from their position based on one of the prohibited grounds, they may be able to recover lost wages and compensation for injury to dignity, feeling, and self-respect at the Human Rights Tribunal.

The employee also has the option to file a claim in Small Claims Court, the Civil Resolution Tribunal or BC Supreme Court for wrongful dismissal: **See Section IV.D: Termination of Employment** for information on wrongful dismissal claims.

In most cases, the employee should choose one of these two options, based on which would provide the most compensation. For low-income employees who were employed for a short period of time, the Human Rights Tribunal can often provide greater compensation. However, in some cases where the employee has worked for the employer for a particularly long time before being terminated, or where the employer has demonstrated particularly egregious conduct, the employee may have better success in Small Claims Court or BC Supreme Court where they may be able to receive a larger severance award, and possibly punitive damages.

It is possible to have the employee's job reinstated by making a claim under the *Human Rights Code*. This is a significant remedy in itself, and it can also be used to incentivize a former employer to make a fair settlement offer, as they often do not wish for the employee to return.

### ***D. Limitation Periods***

If a client wishes to file a complaint with the Employment Standards Branch, there is a six-month limitation period from the last day of employment (ESA s 74). Applications to the B.C. Human Rights Tribunal must be made within six months of the alleged contravention (HRC s 22). It is possible for this deadline to be extended if it is found that it is in the public interest to accept the complaint, and no substantial prejudice will result to any person because of the delay; however, it is rare for this to occur. In the courts, there was formerly a six-year limitation period for pure economic loss arising from breach of contract (wrongful dismissal would qualify); this limitation period continues to apply for any wrongful dismissal claims that arose before June 1, 2013. For wrongful dismissals occurring on or after June 1, 2013, the new *Limitation Act* applies, and there is instead a two-year limitation period (See *Limitation Act*, SBC 2012, c 13). Section 124 of the ESA sets a limitation period of two years for any court action arising from an offence under the act.

## **VII. STRATEGIES AND TIPS**

### ***A. Gather Evidence***

Employees who face employment issues should document everything so that they will be able to provide better evidence if the case goes to a hearing or trial. Employees who are dealing with work-related or dismissal-related stress should consider seeing a medical professional as soon as possible, as medical

evidence can be extremely helpful at the Human Rights Tribunal and in Court. Medical evidence is often necessary if an employee wishes to make a claim for aggravated damages due to the manner of their dismissal, as only actual losses are compensable under this category of damages.

***B. Make a claim for EI***

An employee who is dismissed may receive severance pay eventually; however, sometimes this can involve a long process. If the employee is receiving EI, they may have sufficient financial resources to wait a longer time to receive severance pay, and so they will be less likely to be forced to take a low settlement offer to pay their monthly bills. File for Employment Insurance immediately after being dismissed as Service Canada imposes time limits for filing. Make sure the employee understands that if they receive a severance settlement or judgement later on, they may have to pay back some of the EI benefits received during the severance period.

***C. Make Reasonable Efforts to Mitigate Damages and Track Mitigation Efforts***

Employees must make reasonable efforts to mitigate their damages. This is most relevant if the employee has been dismissed; the employee will be making a claim for damages in lieu of reasonable notice in Small Claims Court or the Civil Resolution Tribunal, or a claim for lost wages at the Human Rights Tribunal, and they must make reasonable efforts to mitigate these losses by searching for similar work. The employee should document their search for work. Note, however, that if the employee is successful in finding work, they will have successfully mitigated their damages, and will therefore be entitled to less compensation for lost wages or reasonable notice.

Employees should also be encouraged to keep accurate records of their job search efforts, for potential use as evidence at court.

***D. File a claim as soon as possible***

Once an employee finds a new job, they begin to mitigate their damages and this will reduce their severance award. File a claim as soon as possible; if the employee can reach a settlement agreement or have the case tried before the employee finds a new job, you may avoid having a severance award reduced for mitigation income.

***E. Complex vs. Simple Claims***

If a claim is filed that is relatively simple, the employee is more likely to get through the process more quickly; this is helpful if you wish to try to finish the process before the employee gets a new job and begins mitigating their damages. However, there can also be benefits to adding claims for aggravated or punitive damages or various torts, and benefits to splitting a claim into more than one forum; namely, there is the potential for a greater award and the potential for tax advantages on the damages received. Consider the strength of the claims, how important it will be for the employee to receive money quickly, and the likelihood of the employee finding a new job and mitigating their damages, before deciding whether to make a simple claim for severance pay, or to add additional claims.

***F. Consider the Tax Consequences when Negotiating a Settlement***

An employee must pay tax on the portion of an award that is given in place of the wages they would have received during their reasonable notice period. However, if part of the damages is instead awarded as aggravated or punitive damages (in Small Claims Court or BC Supreme Court), or as damages for injury to dignity, feelings, and self-respect (at the BC Human Rights Tribunal), this portion of the award may not be taxable. Consider structuring a written settlement agreement to allocate a reasonable portion of the award to these potentially non-taxable categories of damages. Note that this chapter, and LSLAP, cannot provide tax advice, and an employee may wish to consult an accountant or tax lawyer or the Canada Revenue Agency to determine exactly which amounts of a final settlement are taxable.

**G. Consider splitting the claim into different forums**

In some cases, it may be advantageous to split up the various employment issues an employee faces, and proceed in different forums based on which forum will award the greatest amount of money for each legal issue.

For example, one may wish to claim overtime pay and vacation pay at the Employment Standards Branch, and claim severance pay in Small Claims Court. This could be beneficial because overtime pay (at the 1.5 or 2 times hourly rate) is only legally required under the ESA (unless the employee's contract calls for overtime pay to be paid), so claims for it can only be brought at the Employment Standards Branch; however, severance pay tends to be significantly greater in Small Claims Court.

Often it will be best to keep the entire claim in one forum. Note that section 82 of the ESA states that once a determination has been made by the Employment Standards Branch, the employee may commence another action for the same wages only if the Director gives written permission or the Director or tribunal cancels the determination. This prevents the possibility of "double recovery"; if an employee received damages for an action in one forum, they may not receive the same damages in another. However, even if an employee has already gone through the Employment Standards Branch to obtain the minimum statutory entitlement for length of service under the ESA, they are still able to make a claim in court for contractual breaches such as wrongful dismissal, and therefore they may potentially obtain additional severance pay (*Colak v UV Systems Technology Inc*, 2007 BCCA 220). Nonetheless, proceeding at the Employment Standards Branch to claim the statutory minimum entitlements for length of service can be problematic for several reasons. Firstly, if the employee is also going to be proceeding in Small Claims Court for wrongful dismissal, a claim at the Employment Standards Branch may simply cause an extra expenditure of effort with no additional benefit. Secondly, if the Employment Standards Branch makes a determination as to whether or not there was just cause for dismissal, this determination is likely to be adopted by Small Claims Court if a claim is later filed there. It should be considered that of these two forums, only the Small Claims Court decisions are made by judges, so if it is anticipated that there may be complex legal arguments on the issue of just cause, it may be beneficial to proceed in Small Claims Court.

## **APPENDIX A: GLOSSARY OF TERMS**

### **Aggravated damages**

- In the context of wrongful dismissal: damages awarded as compensation for an employee's reasonably foreseeable loss or harm that occurred due to the manner of their dismissal; generally awarded as compensation for psychological harm caused by the manner in which the employee was terminated from their employment.

### **Bad Faith**

- If an employer dismisses a person in a harsh or vindictive manner, for example by purposely humiliating the employee or by taking some other action that might mentally harm the employee, they may have dismissed the employee in a bad faith manner, and the employee may be entitled to aggravated damages.

### **Constructive Dismissal**

- A unilateral change by an employer to a fundamental term of an employee's contract (such as pay or job duties). The change must not be condoned, and must be significant. The employee might claim this change is a constructive dismissal (or equivalent to a dismissal because of the significance of the change), even though there has been no express act of dismissal on the part of the employer.

### **Contract**

- An agreement between persons which obliges each party to do or not do certain things.

### **Dismissal**

- An employer's decision to terminate a contract of employment.

### **Employment at Will**

- An employment contract during which the employer may terminate the employment at any time. This is an American concept, as this type of employment does not legally exist in BC (or anywhere in Canada): if the employment contract purports to allow the employer to terminate the employee without notice, it is invalid and the employee may be able to obtain a severance award.

### **Just Cause**

- Misconduct by an employee, or some other event relevant to the employee, which justifies the immediate termination of the employment contract. Note that this phrase has a different meaning in the context of Employment Insurance.

### **Mitigation of Damages**

- The obligation upon a person who sues another for damages, to minimize - or mitigate - those damages, as far as reasonable.

### **Non-competition Agreement**

- A contract or a clause in a contract in which an employee agrees not to compete against their employer. These are often found to be invalid in court, particularly if a non-solicitation agreement would have sufficed to protect the employer's interests.

### **Non-solicitation Agreement**

- A contract or a clause in a contract in which an employee agrees not to solicit customers of the employer.

### **Reasonable Notice**

- Employers must give an employee reasonable notice that their employment is to be terminated without cause, or payment of their usual salary and benefits in lieu of notice. The length of time that constitutes reasonable notice varies based on the employee's age, length of service to the employer, and employment responsibilities, and the availability of alternate employment. The reasonable notice period can be up to approximately two years.

**Restrictive Covenant**

- A contract in which a party agrees to be restricted in some regards as to future conduct. There are two common types: non-competition agreements and non-solicitation agreements.

**Severance Pay**

- An amount of money an employer owes to an employee in lieu of notice of the employee's termination.

**Sick Leave**

- Time off from work, paid or unpaid, on account of an employee's temporary inability to perform duties because of sickness or disability.

**Union**

- A defined group of employees formed for the purposes of representing those employees with the employer as to the terms of a collective contract of employment.

**Workers' Compensation**

- A public benefit scheme in which qualified workers who are injured in the workplace, receive compensation, commensurate with their degree of injury, regardless of who was at fault.

**Wrongful Dismissal**

- The failure to provide reasonable notice of the termination of an employment contract. Wrongful dismissal is a term that can apply to cases when an employer doesn't provide enough notice or severance in the case of a without cause dismissal, or when an employer fires an employee without any notice or severance in the case of a just cause termination.