Managing Workforces Amid Tariff Wars: Considerations And Strategies For Canadian Employers



While the threat of tariffs on Canadian goods and products has been temporarily paused, the potential for a tariff war in the near future has caused considerable uncertainty for many Canadian workplaces. This article explores how employers can best weather this storm and prepare for uncertain times ahead.

The Tariff Dispute: A Backgrounder

On February 1, 2025, U.S. President Donald Trump invoked his authority under the *International Emergency Economic Powers Act* and the *National Emergencies Act* and issued three Executive Orders directing the United States to impose new tariffs on imports from Canada, Mexico and China. The Executive Orders imposed the following:

- 25% tariffs on "all articles that are products of Canada," with a partial carve-out for Canadian energy and oil exports, which would face 10% tariffs instead
- 25% tariffs on imports from Mexico
- 10% tariffs on imports from China

These proposed tariffs were to take effect at 12:01 a.m. Eastern Time on February 4, 2025, and would remain in effect until satisfactory border protection measures were agreed upon

by the U.S. and each respective country.

In response, Canada announced plans to retaliate with its own tariffs (referred to as surtax in Canada) on U.S. goods being imported into Canada. Canada's retaliatory surtax was set to take effect at the same time as the U.S. tariffs, with an initial phase imposing a 25% surtax on approximately $30 billion of U.S. goods and a second phase imposing a surtax on $125 billion of U.S. goods after 21 days. A number of provinces and territories also announced retaliatory measures such as cancelling U.S. business contracts and pulling American products from liquor store shelves.

On February 3, 2024, all threats of tariffs between the U.S. and Canada came to a temporary halt as President Trump agreed to a 30-day pause to allow the parties to work towards structuring a deal. A similar 30-day agreement was reached with Mexico, but not China. China has since retaliated.

Considerations for Employers Managing Workforces

Despite the 30-day pause, the threat of American tariffs on Canadian goods remains a distinct possibility. If implemented, these tariffs have the potential to cause significant disruptions to the Canadian job market and economy. The stress caused for Canadian employers and employees is palpable.

During this pause, many employers harbour looming concerns about the impact of a trade war on business. Decreased demand and increased costs may result in decreased production and profitability as well as job loss. In the wake of the pandemic, employers are once again contemplating cost-cutting measures including hiring freezes, limiting wage increases, reassessing benefits or restructuring operations. Employers may also be faced with the reality of layoffs, mass terminations or even bankruptcy.

Employers are also now faced with managing an understandably anxious workforce. Effectively managing employees and their fears can be easily lost in the legitimate focus on business concerns, but it should be a priority for employers in these times of uncertainty.

How to Navigate During Times of Uncertainty

Given the uncertainties associated with the ongoing trade disputes, maintaining productivity while developing actionable response plans to mitigate disruptions created by an uncertain trade war is key.

Here are immediate strategies employers can implement to best position themselves to manage their workforces and respond to uncertain business pressures:

- **Engage in Transparent Communication with Employees**: Maintain open communication about the company's situation and how tariffs may impact operations. Transparency, even if the concerns shared are troubling, can help alleviate anxiety and build trust and loyalty within the workforce, which can be key to maintaining productivity and mitigating negative effects of the proposed tariffs. Keeping employees informed can also foster a culture of collaboration and serve positively towards enhancing morale.
- **Collaborate and Communicate with Trade Unions**: Maintain ongoing communication with trade unions to ensure union leaders understand the business realities of tariffs while promoting dialogue about employee concerns. This can help resolve issues before they escalate, fostering a more harmonious work environment and reducing the likelihood of labour disruption. Collaborating with trade unions can promote union-management cooperation (rather than confrontation) in the face of potential

workforce disruption. Trade unions can be effective allies in communicating difficult news created by uncontrollable externalities.

- **Review Employment Agreements**: Consider potential scenarios where the employment relationship might be disrupted or terminated and identify whether the company's employment agreements contain key provisions that address these scenarios (i.e., restructuring, layoffs, terminations). This will allow employers to better understand the options available for, and costs associated with, their contingency plans.
- **Find Solutions to Be More Efficient in the Face of Reduced Demand**: Identify and implement workforce solutions that enhance operational efficiency, improve productivity and reduce operational costs. Finding ways to implement technological solutions can help businesses remain competitive and alleviate external economic pressures that may arise from ongoing tariff disputes.
- **Engage with Industry Groups**: Participate in trade associations and industry groups as they can provide valuable insights and resources. These organizations are likely to be actively engaged with the Canadian government to push for relief measures and to advocate for the interests of their members.
- **Watch for Government Programs**: Monitor government support programs and engage resources and assign responsibility for determining whether the programs apply to your business and how best to take advantage of them.
- **Provide Training and Development**: Where changes to jobs and roles are anticipated, consider training employees in advance to decrease response time. Investment in training and development can strengthen a workforce's ability to adapt during uncertain times while also increasing employee morale.
- **Stay Informed**: Regularly monitor news and updates regarding the dispute, trade agreements and changes in

tariffs. Understanding the landscape can provide employers with the ability to adapt quickly and to take active steps if and when the time comes.

The ongoing tariff dispute between the U.S. and Canada continues to evolve. We will continue to provide updates and insights as we follow ongoing discussions between the U.S. and Canada during and after the current 30-day pause period.

Key Takeaways

While the U.S. trade war against Canada is temporarily on pause, it may not be over. By understanding and planning for the potential consequences of this dispute and taking proactive steps to support their workforces, employers can foster resilience and preserve productivity while decreasing anxiety and maintaining a positive work environment.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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