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Mercer's response:

federal coronavirus rescue package

On Wednesday, March 18, Prime Minister Justin Trudeau announced $27 billion of direct support to Canadian workers and businesses, as well as $55 billion to support businesses' immediate liquidity needs. The legislation passed the House of Commons on March 24, and passed the Senate and received Royal Assent on March 25.

Altogether, these measures comprise $82B in support – 3% of Canada's GDP – to keep Canada afloat while the government implements measures to deal with COVID-19, or the "Coronavirus".

Your business is likely already feeling the effects of the Coronavirus. To ensure workplace health, you might be implementing a remote work plan, or accounting for increased absenteeism and reduced productivity as employees engage in social distancing.

No matter what sector you are in, the government's plan is far-reaching – and you will likely feel the effects.

Encouraging and supporting Canadians during isolation and social distancing

The government has taken clear steps towards encouraging social distancing in the workplace. During his address, Trudeau urged Canadians to remain home, and has implemented changes to the Employment Insurance (EI) program, such as:

- Eliminating the one week waiting period for imposed quarantines and the need for medical certificates,
- Altering the EI Work Sharing Program, which provides EI benefits to workers who agree to reduce their normal working hour as a result of developments beyond the control of their employers, extending the eligibility of such agreements to 76 weeks, easing eligibility requirements and streamlining the application process, and

They have also introduced new programs, such as:

- A Canada Emergency Response Benefit, which would provide supports to Canadians who have experienced economic hardship due to the Coronavirus. The benefit – which combines two benefits announced by the Prime Minister on March 18 – covers a wide swatch of workers, allowing Canadians economic breathing room to self-isolate, to quarantine, to provide childcare or to support themselves through COVID-related income disruption. The benefit covers both wage earners and contract workers and self-employed individuals who would not otherwise be eligible for EI.

These measures are welcome. But there are points of concern. These additional government supports will take two to three weeks to be implemented, during which time Canadians may have a gap in income. The government must also provide organizations clarity about how these programs integrate with other sources – such as insured plans, regular EI sickness benefits, and payroll protection. Please note that there are interim support programs in some provinces.

If your organization has moved to or is transitioning towards remote working, there will be a need to support workers– Mercer can help. Prolonged isolation can have profound effects on workplace wellness, aggravating pre-existing mental conditions and amplifying anxiety in otherwise healthy workers.

There are digital solutions employers can pursue – among them, telemedicine, virtual gyms/fitness classes, and ramping up Employee Assistance Plans. As provincial governments look to expand access to virtual medicine – in part to ease the burden on existing healthcare infrastructure – employers have an opportunity to support and supplement those efforts with employee health benefits, traditional and digital, wherever possible.

Dealing with the consequences of mandatory closures

Public health departments across the country have ordered the closure of many non-essential businesses. These are critical public health measures needed to contain the spread of the coronavirus – but they have unavoidable consequences, including layoffs.

The announcement on March 18th contained multiple measures to limit job losses – among them a 10% wage subsidy for eligible small businesses and substantially increased access to credit. But despite the government's best efforts, some temporary staffing reductions are inevitable.

If you are in this situation, you should look to ensure benefits continuation during layoff or statutory notice periods. We are actively working on helping plan sponsors work with their insurers to become more flexible in ensuring continuity of employee health benefits coverage through isolation and back into re-integration with the workforce.

Your responsibilities as an employer vary from province to province, and provincial Employment Standards Acts are being amended rapidly to further support workers. These amendments potentially have implications for continuity of benefits coverage. We are watching these developments closely and will provide you updates as they evolve. Our priority is to make sure you have accurate and complete information as much as possible in this crisis.

Dealing with the economic fallout

Despite the significance of this bailout package, economic uncertainty continues to plague markets worldwide. These market developments have significant implications for both talent retention and employee pension benefits.

Many organizations have equity as part of their compensation packages – and while the liquidity provided by the government may help you escape a cash crunch, markets around the world continue to sink. If you provide equity as part of your compensation package, now is a good time to review where you stand, lest your senior employees become open to more competitive offers elsewhere.

In terms of employee pension benefits, to date, no level of government has adequately addressed the implications of COVID-19 on pension plans. But if they are to safeguard Canadians' retirement, governments should give consideration to:

- Allowing the postponement to 2021 of all 2020 special payments to Defined Benefit (DB) pension plans – e.g. contributions made by employers to fund deficits. Employers are likely facing a short-term cash crunch, and despite the significant amount of liquidity now available to businesses, that may not be enough. This postponement would allow employers some much needed breathing room, especially those in vulnerable industries with large DB pension obligations. In order to ensure pensioners' financial wellness, these employers must remain afloat, so they can pay out their DB obligations.

- For both DB and Defined Contribution (DC) pension plans, the federal government should consider increasing the age after which a pension must start to be paid or a person must start to draw down his or her DC accounts (that age is currently 71). Canadians' savings will take a hit in this crisis, and many may work longer than planned – this would allow these Canadians much more flexibility.

- For DC plans and RRSPs, the federal government should consider increasing the contribution limit of 18% of salary – and the related dollar ceiling - to allow plan members to increase their contributions in light of the asset losses they may have experienced over the last month.

Returning to normal

The future may be uncertain, but one thing is for sure: this pandemic will end. In the meantime, organizations must look to amplify and support the efforts of governments and public health departments as they fight this disease.

As always, we remain committed to keeping you informed and helping you however we can. If you have questions about the options available to you, please click here to contact us today.

For further information, please visit www.mercer.ca

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