

Employment Law Update 2026: Key Developments for Employers

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Ontario employers continue to face a rapidly evolving employment law landscape. Recent appellate decisions have provided much needed guidance on termination clauses and equity compensation, while proposed federal legislation signals a significant shift in the treatment of non-compete agreements. Below is a summary of several notable developments from 2026 so far.

Ontario Court of Appeal Confirms Validity of “At Any Time” Termination Language

In *Baker v. Van Dolder's Home Team Inc.* and *Li v. Wayfair Canada ULC*, 2026 ONCA 568, the Ontario Court of Appeal addressed conflicting lower court decisions regarding whether a termination clause permitting termination “at any time” or “for any reason” violates the *Employment Standards Act, 2000* (“ESA”).

The Court confirmed that these phrases do not, on their own, render a termination clause unenforceable. Rather, employment agreements must be interpreted as a whole. The phrase “at any time” does not authorize an employer to terminate an employee in circumstances prohibited by legislation, such as during a protected leave or as retaliation for exercising statutory rights. Similarly, “for any reason” simply acknowledges that a without-cause termination may occur without an employer providing a reason, provided statutory and contractual entitlements are respected.

The decision provides welcome clarity for employers and confirms that courts will generally interpret termination provisions in a manner consistent with employment standards legislation where the agreement expressly contemplates statutory compliance.

Equity Compensation Provisions Face Increased Scrutiny

The Ontario Court of Appeal also released an important decision concerning employee stock-based compensation in *Wigdor v. Facebook Canada Ltd.*, 2026 ONCA 572. Dr. Wigdor received restricted share units (“RSUs”) as part of his compensation package, with vesting scheduled over a multi-year period. Following his termination without cause, the employer relied on language in the applicable equity incentive plan, which stated that unvested RSUs would cease vesting upon termination.

The Court held that the relevant provisions violated section 60(1)(a) of the ESA because they effectively deprived the employee of compensation during the statutory notice period. Importantly, “saving language” providing that forfeiture would not apply where “explicitly required by applicable legislation” was found insufficient to preserve ESA compliance.

As a result, the employee recovered approximately US\$4.7 million in RSUs that would have vested during the reasonable notice period.

The decision serves as a reminder that incentive compensation plans, stock options, RSUs, and similar equity arrangements must be carefully drafted with employment standards obligations in mind. Generic saving language may not be enough to protect employers from substantial liability.

Waksdale Principles Extend to Federally Regulated Employers

Another significant development is the Ontario Superior Court's decision in *Ghazvini v. Canadian Imperial Bank of Commerce*, 2025 ONSC 5218. The case addressed whether the principles established in *Waksdale v. Swegon North America Inc.*, 2020 ONCA 391, apply to employment agreements governed by the *Canada Labour Code* (“CLC”).

The Court concluded that they do.

In *Waksdale*, the Court of Appeal held that employment agreements must be interpreted as a whole, not a piecemeal basis and any unenforceable termination provision in an employment agreement would render the entire termination clause as unenforceable.

In *Ghazvini*, the employer's "for cause" provision was drafted broadly and did not clearly limit termination without notice to circumstances meeting the CLC's statutory standard. Because that provision potentially permitted termination in circumstances falling below the statutory threshold, the Court found the entire termination regime unenforceable.

The decision reinforces that courts will continue to scrutinize termination provisions closely and that any ambiguity may invalidate an otherwise carefully drafted agreement. Federally regulated employers should review existing employment contracts to ensure all termination language complies with the CLC.

Non-Compete Agreements: Further Restrictions on the Horizon

Ontario employers have been operating under a statutory prohibition on non-compete agreements since October 25, 2021, subject to limited exceptions for certain executives and specific business sale transactions. Non-solicitation and confidentiality clauses remain permissible, although they continue to be assessed under common law principles.

A similar approach may soon apply to federally regulated workplaces.

In May 2026, the federal government introduced Bill C-31, which proposes amendments to the CLC that would prohibit most non-compete clauses for federally regulated employees. If enacted, the legislation would prevent employers from entering into, enforcing, or requiring compliance with non-compete agreements and certain other employment-related restrictions. Limited exceptions would remain for senior executive roles and certain business sale transactions.

Key Takeaways

The message from Ontario courts remains clear: employment agreements will be carefully scrutinized for compliance with minimum employment standards, and technical drafting errors can have significant financial consequences. Employers should consider reviewing termination provisions, equity compensation plans, and restrictive covenant language to ensure they remain enforceable and compliant with current legal requirements.

As the law continues to evolve, proactive review and updating of employment agreements remains one of the most effective tools for mitigating risk and avoiding costly litigation.

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