

Job market still in OK shape overall, but there are some important things to fret over

7 November 2025

A series of charts from the Labour Force Survey: They tell us that the labour market remains in fairly good shape — all things considered.

Chart 1 shows the employment rate — the ratio of employment to population — for those 15 years and over. Initially, I wish to focus on the fact that the employment rate has been in decline since the end of the first quarter of 2023. Stepping back a bit, we observe that such sharp declines in the employment rate tend to coincide with recessions.

However, Canada is not in a recession.

So, how do we explain the steady downward pressure on the employment rate? Hint, the answer will depend heavily on the denominator of the employment rate equation: population.

Let's look at some employment and population charts.

Chart 2 shows the 6-m moving average of the change in employment and the change in employment necessary to keep the employment rate unchanged.

Coming out of the pandemic, labour demand was strong and job growth outpaced the change necessary to keep the employment rate steady. Thus, the employment rate rose from its pandemic lows. Starting in 2023, however, as economic momentum slowed and labour demand cooled, the pace of job creation fell below the level needed to keep the employment rate constant. The employment rate thus declined from 62.5% in April 2023 to 60.8% in October 2025.

This time is (was) different

That said, the recent dynamics of the employment rate differ from that observed in the past cycles.

A key feature of official recessions, is that employment tends to decline. There are job losses. **Chart 3** shows that the 6-m moving average of the change in employment tends to sink well into negative territory during recessions. Population growth, meanwhile, tended to remain stable. Swings in the employment rate were driven by swings in employment. This matters because it is the cyclical evolution of the economy that would drive the employment rate. That is factors related to demand and could thus be influenced by monetary policy.

Turning to the current cycle, the change in employment only briefly dipped into negative territory. More notably, while employment did decline in March, July and August, there has not seen a run of negative employment prints. There were runs of negative employment prints during past recessions.

An important takeaway is that even though the employment rate has declined since mid-2023, employment growth has remained positive. It's just that employment growth could not keep up with population growth. **Chart 4** shows that population growth surged from essentially 0 in 2015 to 4% in 2024 and remains elevated, relative to the past 30- years, at above 1.5% YoY.

As a result, recent moves in the employment rate have been more due to shifts in population growth, a supply-side factor largely beyond the Bank of Canada's control. A point that has been made by Bank of Canada Governor Macklem.

To coin a phrase — this time was different.

A focus on the prime working age cohort

Chart 5 focuses on the prime working age cohort (25 to 54 years). Specifically, we break down the YoY rate of population growth into contributions from three components: Employment — those new entrants that enter the labour force and get a job; Unemployed — those new entrants that enter the labour force but don't find a job; and those who remain out of the labour force (NILF, not in labour force).

Some key trends that reinforce points made above:

- 1) The PWA population growth soared coming out of the pandemic before stabilizing at around 4% YoY and then starting to decline during 2025.
- 2) The contribution to population growth of the PWA cohort from employment has remained persistently positive. This reflects the fact that employment growth in the PWA cohort has remained positive. (Aside: Given that PWA employment is two-thirds of total employment, the ongoing job creation in this cohort was, and remains, a key source of support for the economy as interest rates rose, growth slowed, headwinds stiffened, and, more recently, amidst the tariff tantrum.)

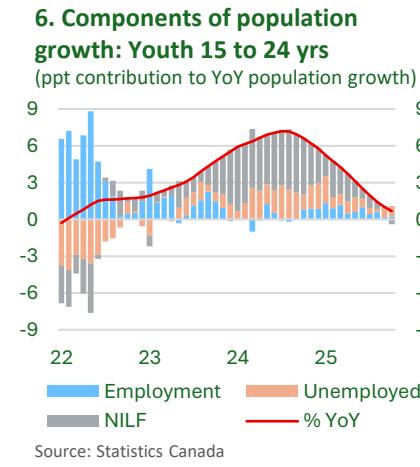
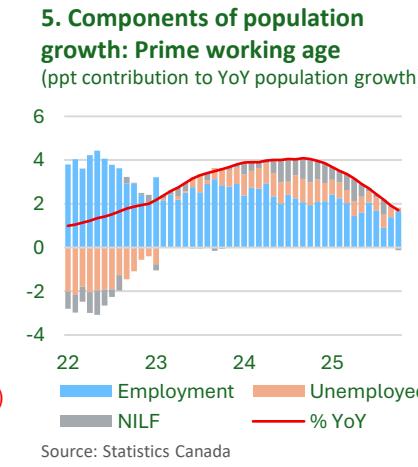
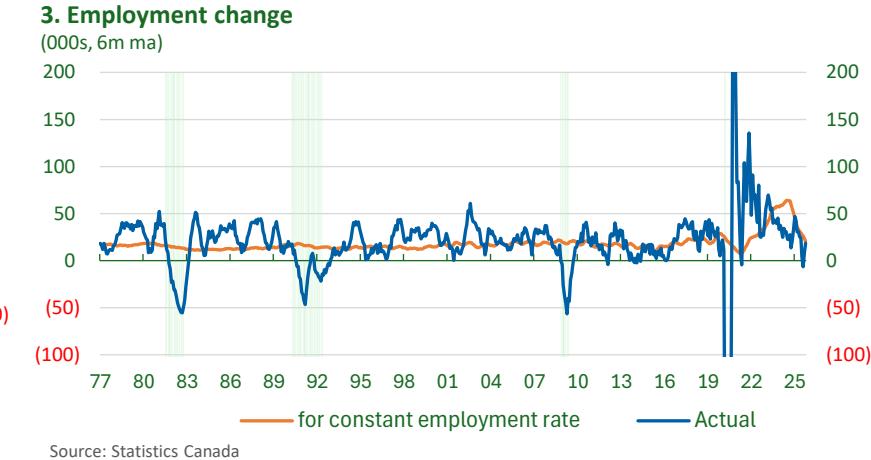
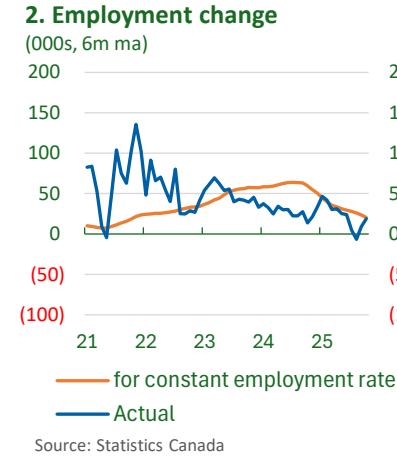
3. From spring 2023 onward a rising number of new entrants remained unemployed or were not in the labour force. This is reflected in higher contributions to population growth by these two components reflecting that labour demand was not keeping up with the rising supply of potential new workers.

Bottom line: The labour market is doing OK. It is not going great guns anymore, but it is not shifting into reverse.

That does not mean all is good

Similar to Chart 5, we present a population growth breakdown for youth in **Chart 6**. There are some crucial differences with the PWA cohort. Among youth, job growth stalled during 2023, even as population growth was screaming toward an 8% YoY growth rate. As a result, there was a notable increase in youth unemployment, but even more discouragingly, there was a large increase in youth who were not in the labour force. So, a large increase in potential supply of new youth workers, at a time when labour demand stalled. So yes, the youth labour market was terrible. Even now, though growth in the youth cohort has slowed, employment prospects don't seem much better.

Another sign that all is not well even though the job market, overall, is in OK shape, the LFS report for October 2025 reported that an increasing number of households are running into financial difficulty (clipping attached). This highlights a fragile economy in that if layoffs do worsen, particularly in the PWA cohort, things could worsen quickly.



In the spotlight: Over one in four Canadians live in a household experiencing financial difficulties

In October 2025, 27.7% of Canadians aged 15 and older were living in a household that found it difficult to meet its financial needs in terms of transportation, housing, food, clothing and other necessary expenses. This proportion has been on a downward trend since the high recorded in October 2022 (35.5%).

In October 2025, people living in rented dwellings remained more likely to experience household financial difficulties (37.0%) than those living in a dwelling owned by a household member (23.6%). The proportion experiencing difficulties was down among both renters (-2.2 percentage points) and owners (-0.7 percentage points) from a year earlier.

Youth aged 15 to 24 (31.0%) were about as likely as core-aged (25 to 54 years old) people (30.7%) to belong to a household that found it difficult or very difficult to meet its financial needs. On the other hand, the proportion was lower among people aged 55 and older (22.5%).

The proportion of core-aged Canadians living in a household experiencing difficulties meeting its financial needs differed notably depending on household composition. For example, the proportion among couples with children (32.4%) in October was higher than among couples without children (25.3%). Among core-aged single parents, the figure rose to 46.8%.

Unemployment can be associated with a greater risk of financial hardship. In October 2025, people aged 15 and older living in households with at least one unemployed



Source: Statistics Canada

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