

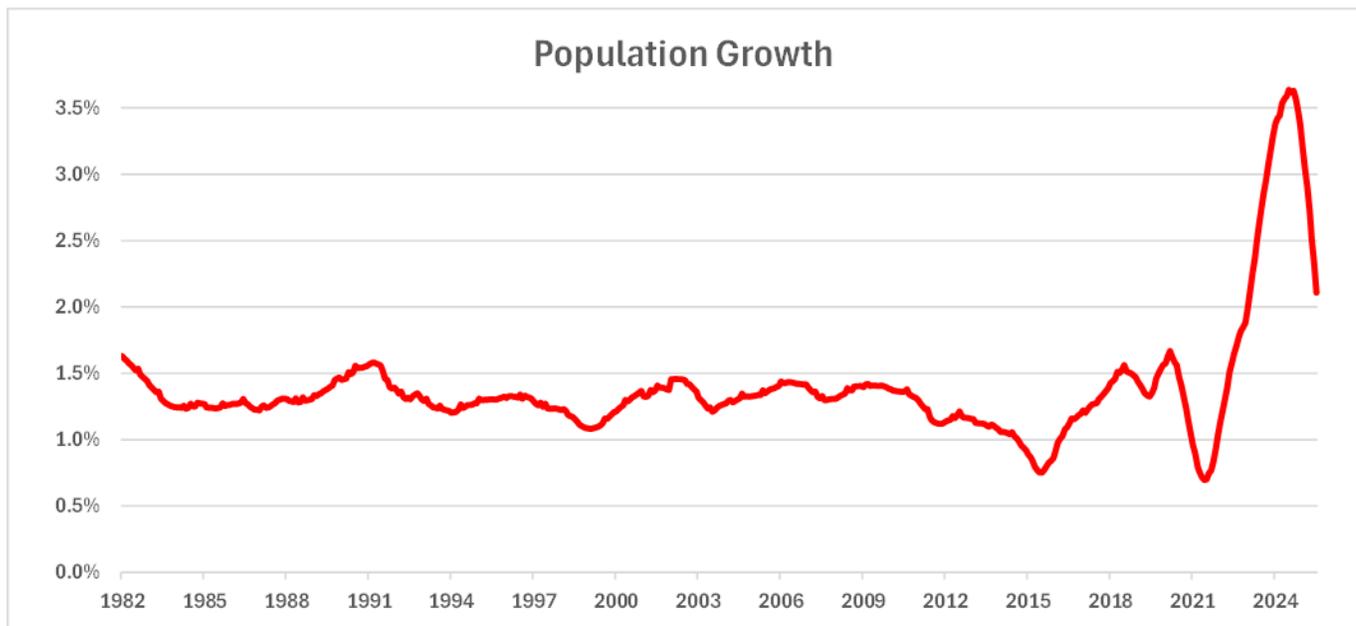
## Canada's distorted jobs data

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The latest figures from Statistics Canada revealed that overall employment plunged by 40,800 in July. However, these job losses come on the heels of an 83,100 gain reported for June. The combined results left annual job growth at 1.5%, below the 1.9% average in 2024 but above the 1.3% figure posted as recently as April 2025. At the same time, the unemployment rate held steady at 6.9% in July. On the surface, these figures appear respectable and could even be construed as reflecting a firm, or at least stable, labour market. Unfortunately, this is not the case. The headline employment figures mask several secular trends that point to material underlying weakness in the domestic job market. A number of substantial changes to population, participation, inflation, expansion of the government, and the decline in Canada's competitiveness with the U.S. have all played a role in the erosion of the labour market. This leads to worries that the broader domestic economy may be at risk of a near-term recession. For investors, seeking professional advice and ensuring that a well-balanced portfolio is in place will go a long way to ensuring that home-country bias does not raise investment risks unnecessarily.

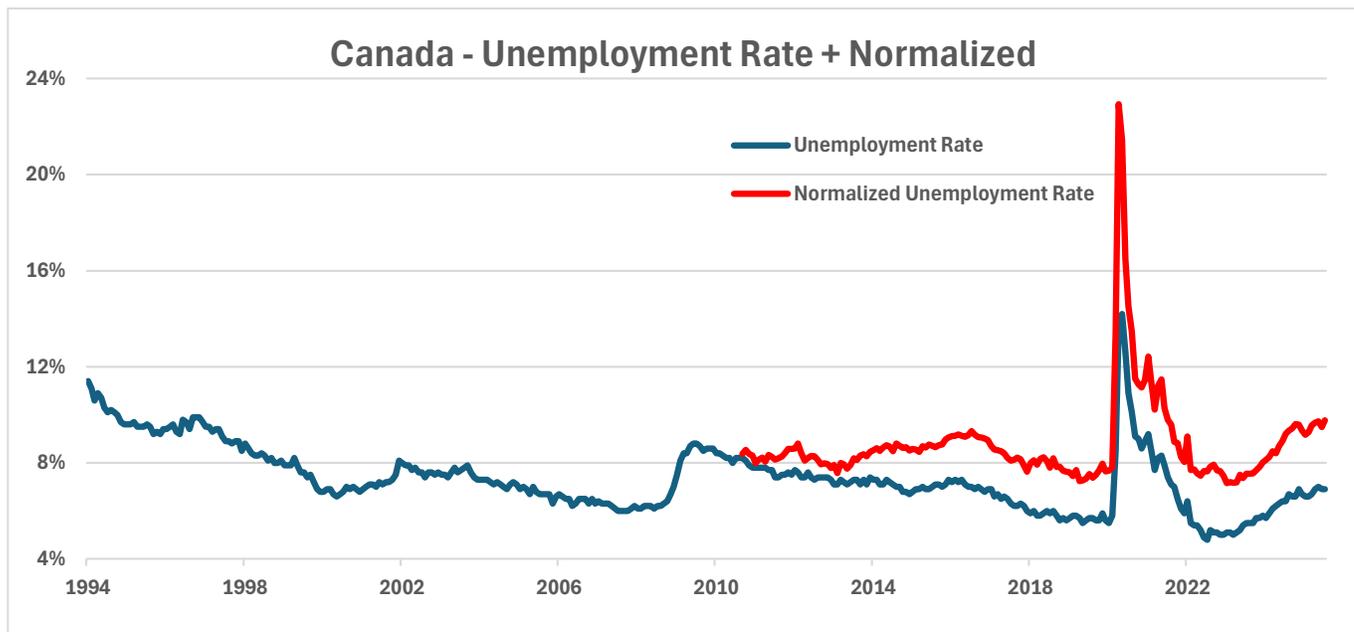
### Population surge



Source: Statistics Canada.

For decades, Canada's population had seen gradual but stable growth. This is no longer the case. As can be seen in the graph above, growth in the nation's population (working-age population shown) stood at 0.7% on a year-over-year basis in July of 2015. A dramatic shift began by the end of 2015. Despite the brief slowdown in growth during the COVID-19 pandemic, Canada's population surged from 35.8 million at the end of 2015 to 41.5 million during the first quarter of 2025. Unfortunately, jobs for

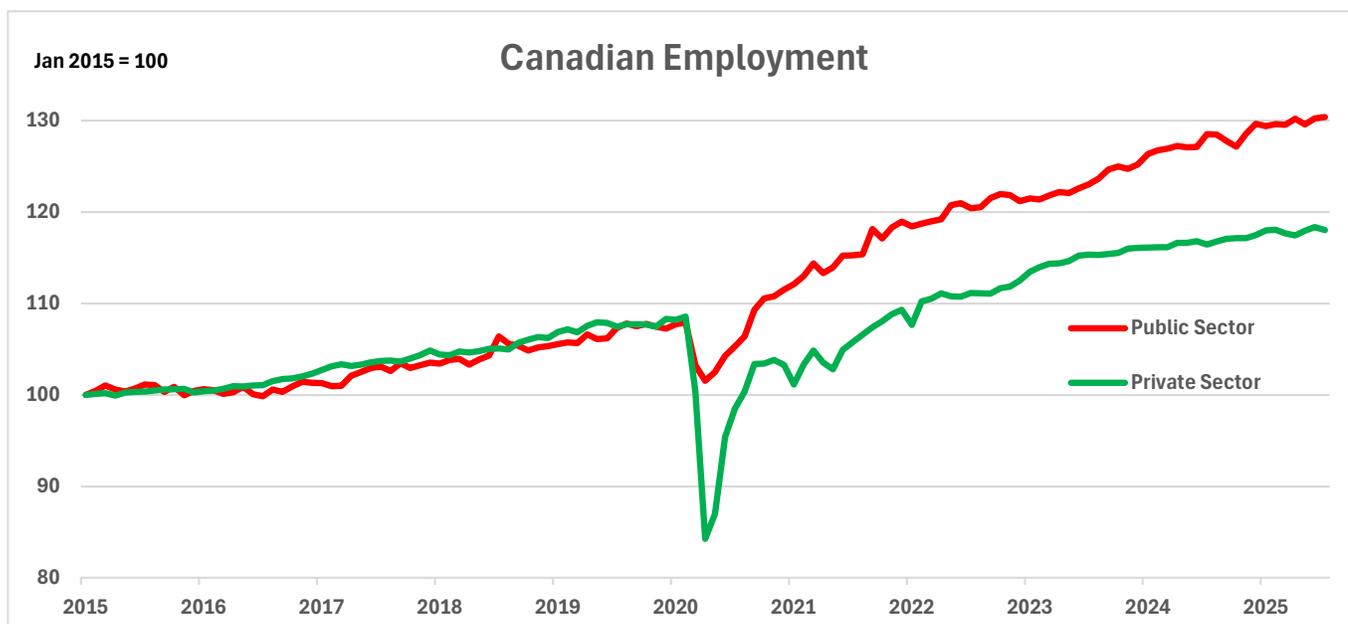
all of these new Canadians have not yet been created. The release of the July employment data showed that the employment decline was accompanied by a commensurate contraction in the labour force, but also by another expansion in the population. As a result, the participation rate (the percentage of working-age individuals who were either working or looking for work) fell to 65.2%, far below the pre-pandemic peak of 67.3% observed in August 2010. The surge in the number of new Canadians that has accompanied this decline in participation has had a knock-on effect. The number of potential workers who are sitting on the sidelines has grown from 95,000 at the end of 2010 to 707,000 in the latest figures. Not surprisingly, as can be seen in the accompanying graph below, the reported unemployment rate has been distorted as a result. A return to 67.3% participation would produce a more realistic unemployment rate of 9.8%, a level not seen – excepting the COVID-19 lockdown – since November 1996 (9.9%). This rate is, historically, consistent with a recession.



Source: Statistics Canada.

## Government–private sector disparity

The broader, albeit slower, job growth since 2015 also masks a significant divide that has been witnessed since the economy was shuttered in 2020. Continuing the secular trend, public sector employment rose 4,000 (+0.1%) during the month of July, while private sector employment fell 39,000 (-0.3%). Self-employment also fell 5,800. This clear divergence now appears to be firmly in place. Private sector employment had declined by 22.4% at the COVID-19 peak. Conversely, the public sector decline was a comparatively small 5.9%. This minor dip in public employment was quickly recovered over a two-month span. The recovery in private employment took a full 19 months.



Source: Statistics Canada.

As can be seen in the accompanying graph, from the pre-pandemic peak in February 2020, private sector employment has now grown 8.7% (most recent data from July 2025). Conversely, public sector employment has surged by 20.8% over the same period. As the private sector is required to support the public sector, the imbalance has been problematic. Looking more narrowly at the federal civil service, the bureaucratic burden has become increasingly expensive. Canada's population rose 12.5% in the decade spanning 2014 to 2024. The non-military federal civil service ballooned 39.9% over that same period (most recent data). The costs associated with this unbalanced expansion are estimated at \$10 billion per year.<sup>1</sup>

## Comparison to the U.S.

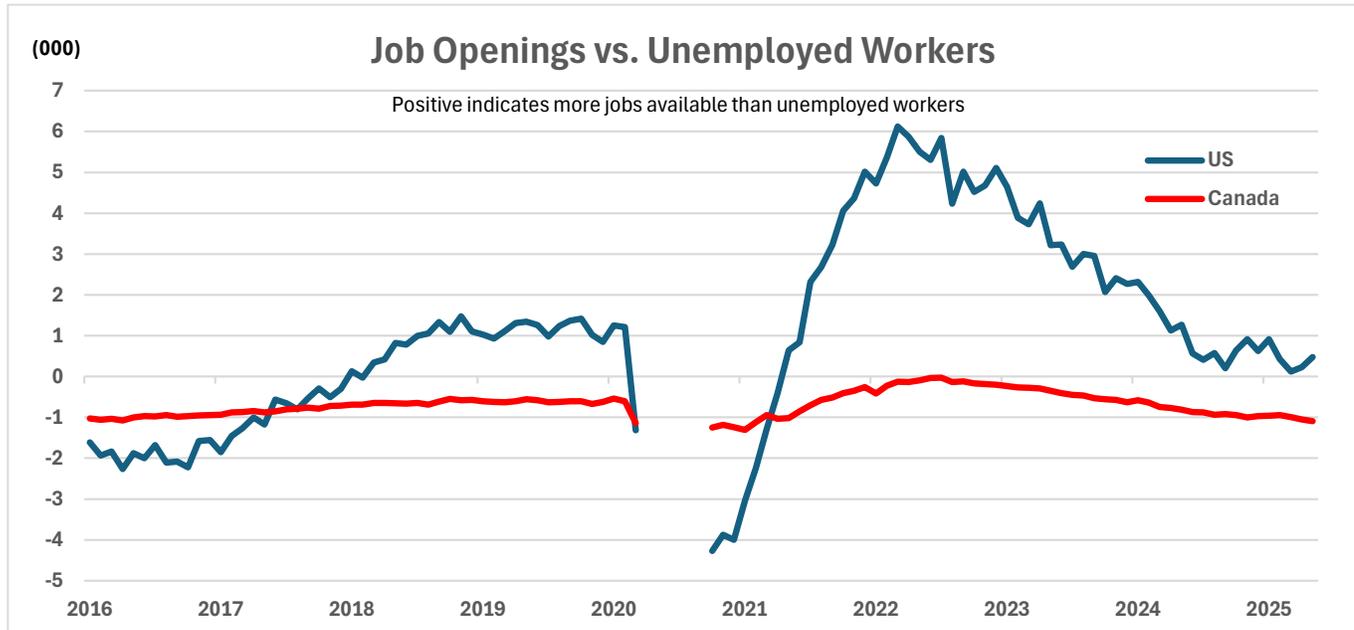
A number of factors have led to Canada's poor economic performance during the past decade, and the combination may eventually precipitate a recession. For an extended period, the Bank of Canada has been vocal about the very poor productivity growth, particularly when compared to the U.S.<sup>2</sup> This means that workers here struggle to match their U.S. counterparts in terms of output over time. The primary cause of this growing disparity has been stagnant business investment. Without investment in plants, machinery and technology, Canadian workers are simply not given the same tools and have no chance to match their U.S. rivals. This investment gap became most pronounced starting ten years ago. Over that decade, there has been broad intent to leave resources in the ground. Further, frequent and unpredictable changes in legislation and regulations have emerged.

<sup>1</sup> *Federal employment bloat costing taxpayers at least \$10 billion annually.* Financial Post. July 12, 2024. Retrieved August 13, 2025, from <https://financialpost.com/opinion/civil-servant-cost-taxpayers-billions-annually>

<sup>2</sup> *The Distributional Origins of the Canada-US GDP and Labour Productivity Gaps.* Bank of Canada. December 19, 2024. Retrieved August 13, 2025, from <https://www.bankofcanada.ca/wp-content/uploads/2024/12/swp2024-49.pdf>

# THE BIG PICTURE

The volatile and often hostile government regulatory environment in Canada<sup>3</sup> has left little appetite for domestic business investment. Not surprisingly, as can be seen in the graph below, while the U.S. has consistently seen job openings at levels higher than the actual number of unemployed, the reverse is true in Canada.



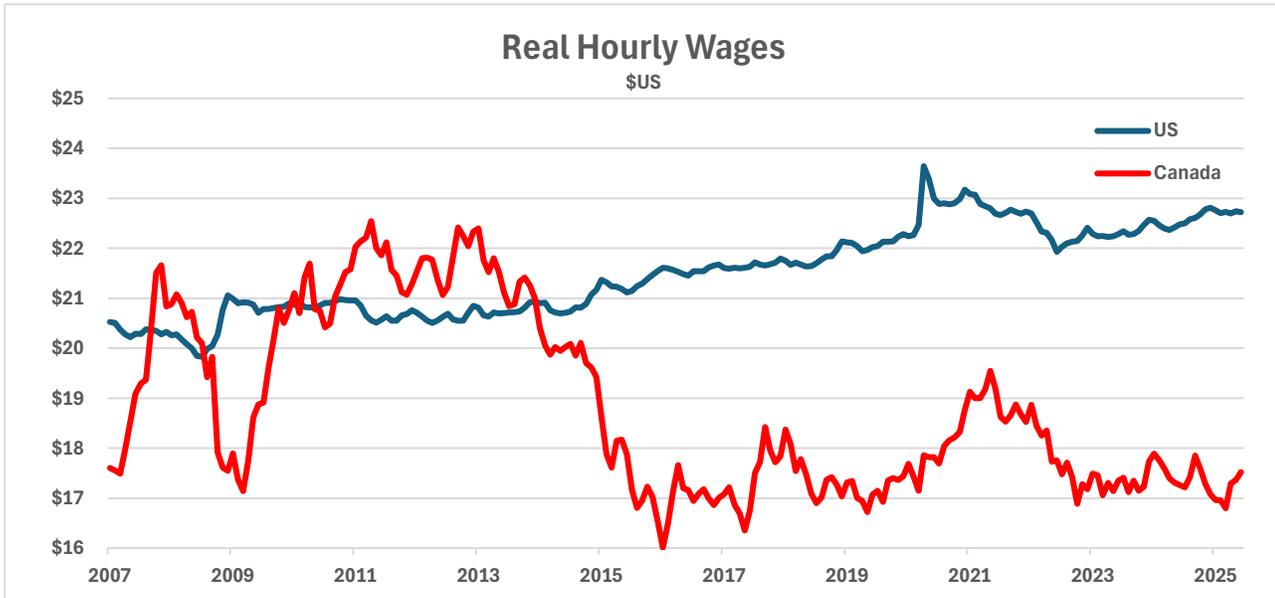
Source: Statistics Canada; U.S. Bureau of Labor Statistics

As well, the deterioration in Canada's standard of living relative to our southern neighbour is clearly reflected in wages, as can be seen in the graph below. Beginning in 2015, a sharp weakening trend emerged. Adjusted for inflation, average hourly earnings in Canada now (July 2025 data) stand 22.9% below those in the U.S. In addition to lower wages, Canadian workers pay more in taxes. The current, uncompetitive tax structure results in Canadians spending more on taxes than they do on food, shelter and clothing combined.<sup>4</sup> It is possible that efforts to launch large-scale capital projects will be successful in improving the broader employment situation. However, even if this does occur, material progress will take time.

<sup>3</sup> *Federal government seems committed to killing investment in Canada.* Fraser Institute. July 24, 2024. Retrieved August 7, 2025, from <https://www.fraserinstitute.org/commentary/federal-government-seems-committed-killing-investment-canada>

<sup>4</sup> *Taxes remain largest expense for Canadian families.* Fraser Institute. July 30, 2024. Retrieved August 6, 2025, from <https://www.fraserinstitute.org/commentary/taxes-remain-largest-expense-canadian-families-0#:~:text=For%20context%2C%20that%20same%20family,they%20spent%20on%20basic%20necessities.>

# THE BIG PICTURE



Source: Statistics Canada; U.S. Bureau of Labor Statistics

## CONCLUSIONS

- The apparently stable employment numbers from Statistics Canada appear to be distorting a much weaker reality. Given the decade-long surge in the population and the absence of commensurate job growth, the underlying job market is reflective of a recessionary period.
- The economic disparity between Canada and the U.S. is glaring and is widening. A refocus on domestic wealth creation and development will have to materialize quickly or Canada will continue to fall further behind.
- The current worries over a potential near-term recession here at home remain troubling for investors. Making use of professional planning and advice can help investors avoid home-country bias and ensure a diversified portfolio.

# THE BIG PICTURE



For more information, we encourage you to speak to your advisor or visit us at [assante.com](https://www.assante.com)

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