

January 205 Canadian Employment Update

Acara's monthly overview of the employment landscape, staffing updates, and industry trends



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Overview

61.1% 

Employment rose

Employment increased by 76,000 (+0.4%) in January and the employment rate rose 0.1 percentage points to 61.1%.

6.6% 

Unemployment declined

The unemployment rate declined 0.1 percentage points to 6.6%.

1.1% 

Employment increases in were led by manufacturing, professional, scientific and technical services

Employment gains in January were led by manufacturing (+33,000; +1.8%) and professional, scientific and technical services (+22,000; +1.1%).

3.5% 

Average hourly wages decreased

Average hourly wages were up 3.5% (+\$1.23 to \$35.99) on a year-over-year basis (not seasonally adjusted).

0.5% 

Employment increased in Ontario

Employment rose in Ontario (+39,000; +0.5%).



Overview

Workers less likely to report planning to leave their job compared with 12 months earlier

- Fewer workers are planning to leave their jobs compared to 12 months ago, possibly due to cooling labor market conditions.
- The job changing rate in January 2025 (0.4%) was lower than in January 2024 (0.5%) and pre-pandemic averages (0.7%).
- 6.1% of permanent employees planned to leave their job in the next 12 months, down from 6.9% in January 2024.
- Health care workers showed a 1.7 percentage point decrease in intention to leave their jobs compared to the previous year.
- Sales and service occupation employees (9.0%) were most likely to plan leaving their jobs, correlating with the lowest average hourly wages (\$23.21).

The manufacturing sector, which has dependencies on US demand for Canadian exports, accounts for 8.9% of total employment in Canada

- Manufacturing accounts for 8.9% of total employment in Canada, making it the fourth largest sector.
- 39.4% of manufacturing jobs (641,000) depend on US demand for Canadian exports.
- In January 2025:
 - 95.3% of manufacturing jobs were full-time and permanent
 - Union coverage rate was 21.8%, higher than the private sector average but down from 33.8% in 2002
 - Average hourly wage was \$34.80, slightly above the private sector average
- Automotive manufacturing is highly integrated with US supply chains, with 68.3% of jobs dependent on US demand.
- Food manufacturing is the largest manufacturing subsector, accounting for 16.4% of all manufacturing employment.

Year-over-year growth in average hourly wages decelerates for third consecutive month

- The overall unemployment rate decline in January was driven by youth aged 15-24, falling 0.6 percentage points to 13.6%.
- Non-racialized, non-Indigenous youth unemployment rate: 10.8% (up from 9.4% in January 2024).
- Core-aged (25-54) unemployment rates remained steady at 5.6% for both men and women.
- For those 55 and older:
 - Women: unemployment rate fell 0.3 percentage points to 4.5%
 - Men: unemployment rate unchanged at 5.5%



Industry Trends – Decline in Job-Seeking Activity Among Canadian Workers

The Canadian labor market is experiencing a trend where fewer professionals are actively seeking new opportunities, despite maintaining confidence in their employability. This shift could present challenges for employers aiming to attract and recruit talent in 2025.

Top reasons for seeking new jobs

- Higher salary (41%)
- Better perks and benefits (31%)
- More remote flexibility (27%)

Factors deterring job applications

- Lack of salary range in job descriptions (42%)
- Vague job responsibilities (35%)
- Poor communication with hiring managers (33%)

Worker confidence

- 94% are confident in their skills
- 73% have learned new skills in the past year



Despite the challenges, 71% of Canadian employers maintain a positive hiring outlook for 2025, indicating potential opportunities for job seekers in the coming months.

What can employers do?

- Offer competitive benefits packages
- Enhance work flexibility
- Consider unique benefits like gym memberships
- Create opportunities for professional growth
- Invest in upskilling/reskilling programs
- Implement policies that support healthy work/life balance
- Recognize and reward employees
- Foster a positive work culture



Industry Trends – **Slowdown in Wage Growth**

Wage growth in Canada is expected to cool in 2025 after a strong performance in 2024. Despite initial expectations of slowing wage growth due to rising unemployment, falling job vacancies, and easing inflation, wages continued to rise at a brisk pace throughout 2024.

Key points:

- Hourly earnings grew around 4% year-over-year in the Labour Force Survey (LFS) and over 5% in the Survey of Employment Payrolls and Hours (SEPH) during Q3 2024.
- Real wages increased despite declining productivity, as the labour share of national income rebounded.
- By Q3 2024, the labour share reached levels rarely seen outside of recessionary periods, suggesting a potential slowdown in wage growth.

Signs of easing wage growth are emerging:

- November 2024 LFS showed the slowest year-over-year pace in headline hourly pay since 2022.
- The Indeed Wage Tracker averaged 3.0% growth over the three months through October 2024, its slowest pace since late 2021.

Factors influencing future wage trends:

- Public sector wage growth may strengthen as collective bargaining agreements reset.
- Immigration policy changes could impact wage distribution, potentially leading to higher wage pressure in lower-paying sectors if non-permanent resident numbers drop.

While overall wage growth may cool, different dynamics across occupations and sectors are possible, depending on economic conditions and labour market pressures in 2025.

