

ECONOMIC VIEWPOINT

Why Has the Youth Unemployment Rate Increased By So Much, So Fast?

By Kari Norman, Economist, LJ Valencia, Economist, and Randall Bartlett, Deputy Chief Economist

HIGHLIGHTS

- ▶ Despite the relative resilience of the Canadian labour market in the face of trade war uncertainty, the youth unemployment rate has spiked. The increase has been particularly pronounced among Canada's youngest workers.
- ▶ Current economic weakness helps to explain part of the recent rise in the youth unemployment rate. But it doesn't explain all of it. The sharp rise in Canada's population of young, temporary residents since the pandemic has also played a role. The changing nature of work in sectors where youth comprise a large share of the labour force, including in the growing gig economy, likely has as well. Rising labour costs in these sectors resulting from increased minimum wages may have also caused some companies to invest in labour-saving technology, which paradoxically has raised the median real earnings of Canada's youngest workers.
- ▶ Federal and provincial employment programs may help improve labour market outcomes for youth. Stronger integration between various levels of government, as well as between governments, post-secondary institutions and employers, could give Canadian youth more of the training and early experience they need to succeed in today's labour market.

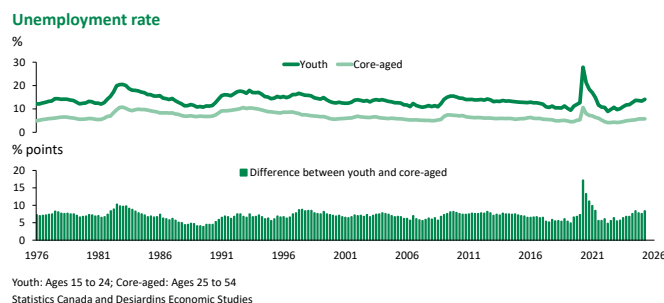
While national headline figures suggest Canada has a relatively resilient labour market overall considering current economic conditions, young people are facing particularly acute challenges. The youth unemployment rate has risen much faster than the unemployment rate for older age cohorts and is now at a level more commonly seen during a recession. Other indicators point to a similarly lacklustre outcome for the youth labour market. This is particularly important as [unemployment early in a career can have lasting impacts](#), including reduced earnings not only in the present but over one's lifetime. Understanding the current state of youth employment is essential to designing policies that support young people's full economic participation.

Business as Usual or Something Else?

Youth unemployment consistently exceeds the national average, underscoring the persistent challenges young people face in gaining stable employment. Even in periods of strong labour market conditions, the unemployment rate for Canadians ages 15 to 24 tends to be more than twice as high

as that of core-aged workers (those ages 25 to 54) (graph 1). (See [part one](#), [part two](#) and [part three](#) of our series on the economics of youth for more information on the structural drivers of sustained weakness in the youth labour market.)

Graph 1
Unemployment Is Higher Among Youth than Other Cohorts



Youth Unemployment Is Particularly Sensitive to Economic Downturns

Looking back over the past half century, we see that each of the previous upticks in Canada's youth unemployment rate corresponded with a recession. The gap between youth and core-aged unemployment rates also widened during economic downturns (graph 2).

Graph 2

The Youth Unemployment Rate Is More Sensitive to Changes in the Economy

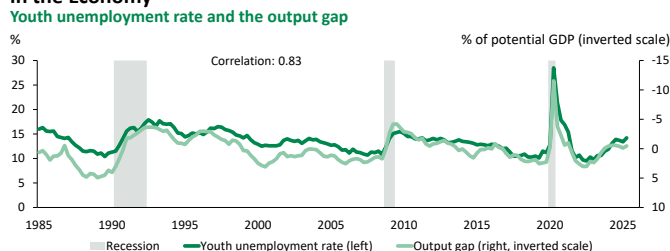


Statistics Canada and Desjardins Economic Studies

The current three-year period of rising youth unemployment is unusual in that Canada has not been in a recession since 2020. After hitting an unprecedented high in May 2020 because of pandemic lockdowns, the youth unemployment rate hit a record low in July 2022 as the economy reopened. The broader Canadian unemployment rate also hit a historic peak and trough around the same time. However, the youth unemployment rate has risen steadily and disproportionately since then (graph 3). But while our estimate of the output gap suggests the Canadian economy is currently underperforming its potential, the youth unemployment rate has risen beyond what we would expect given the state of the economy.

Graph 3

The Youth Unemployment Rate Has Recently Outpaced the Slowdown in the Economy



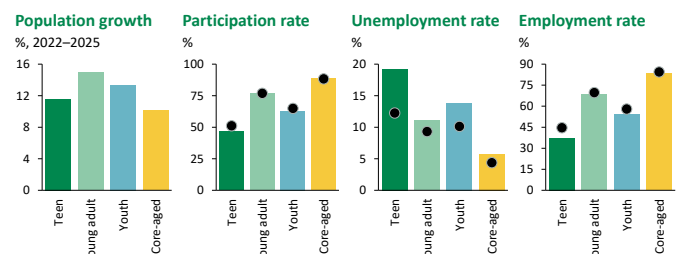
Youth: Ages 15 to 24
Statistics Canada and Desjardins Economic Studies

Teens Are Seeing Their Unemployment Rate Rise the Fastest

Youth unemployment has worsened since 2022, but teens and young adults haven't been affected equally. The unemployment rate for youth as a whole has risen from 10% three years ago to 14% in mid-2025—the highest non-pandemic level in well over a decade. However, the burden has been much heavier on teens (15- to 19-year-olds), nearly 1 in 5 of whom would like to work but can't find a job (graph 4). Young adults (20- to 24-year-olds) have experienced a milder rise in their unemployment rate over the past three years, from 9% to 11%. Teens have also seen steeper declines in their participation and employment rates than older youth.

Graph 4

Teens Face More Challenges Finding Work



Teen: Ages 15 to 19; Young adult: Ages 20 to 24; Youth: Ages 15 to 24; Core-aged: Ages 25 to 54
NOTE: Comparisons are the average of January to July 2022 (dots) to the same period in 2025 (bars).

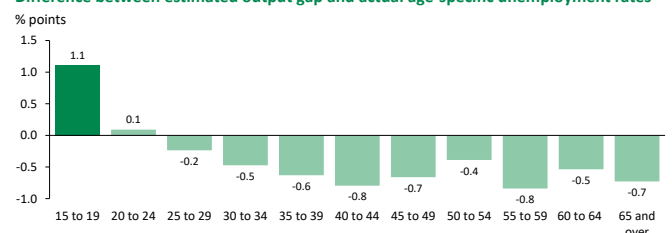
Statistics Canada and Desjardins Economic Studies

During periods of economic weakness, the unemployment rate rises faster and higher for teenagers than for young adults and older workers. But this time teens have been slammed even harder than usual. Based on the state of the economy, our analysis suggests that the teen unemployment rate should have been about 1.1 percentage points below the seasonally adjusted level reported in Q2 2025 (graph 5). In contrast, the unemployment rate for young adults ages 20 to 24 was only slightly higher than the level one would expect given our estimated output gap. On the other hand, the unemployment rates for all cohorts ages 25 and up were notably

Graph 5

Canada's Youngest Workers Are Bearing the Brunt of the Economic Slowdown

Difference between estimated output gap and actual age-specific unemployment rates*



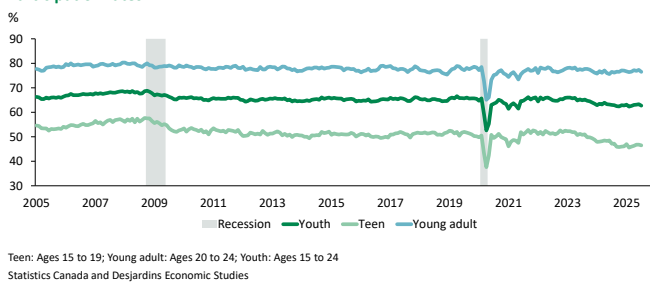
* This analysis uses the output gap estimated by Desjardins Economic Studies; unemployment rates are seasonally adjusted using the Census X-12 method; the difference is calculated for Q2 2025.

Statistics Canada and Desjardins Economic Studies

better than what one would expect. As such, the burden of the current spike in youth unemployment is clearly concentrated among Canada's very youngest workers.

Given these poor labour market outcomes, it's little surprise that Canada's youngest workers are staying on the sidelines of the labour market. Typically, prolonged unemployment leads people to leave the labour force, pushing down the participation rate. This tends to have the perverse effect of reducing the unemployment rate. However, despite the teen participation rate falling markedly between 2023 and 2024, this hasn't stemmed the rise in the unemployment rate, as fewer youth entering the labour market are finding jobs (graph 6). Indeed, most of the increase in the teenage labour force since July 2022 has come from unemployed workers.

Graph 6
The Teen Participation Rate Fell Substantially Following the Early Post-COVID Recovery
Participation rates

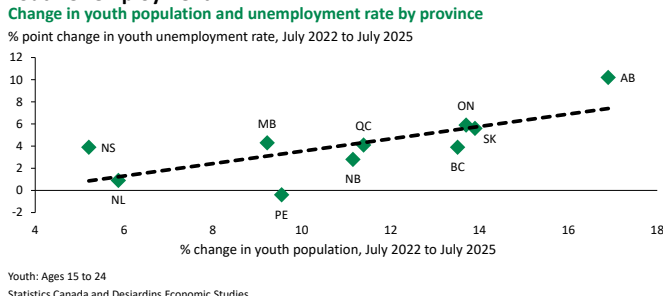


Possible Reasons for Rising Youth Unemployment

Youth Population Growth Surged in Canada

To satisfy surging demand for labour in the early post-pandemic period, work restrictions for non-permanent residents, notably international students, were relaxed. This led to a sharp increase in the population growth of young workers, particularly those ages 20 to 24 (graph 7). Many of these newcomers to Canada went directly into the labour force,

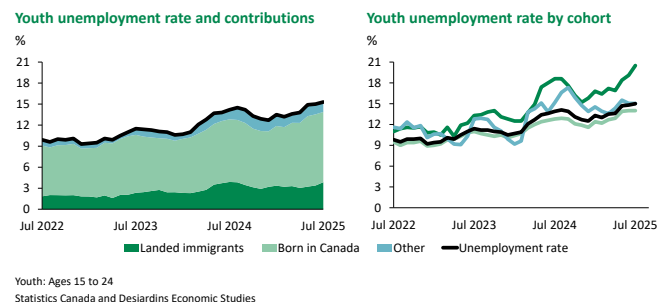
Graph 7
Surging Youth Population Growth Looks to Have Contributed to Higher Youth Unemployment
Change in youth population and unemployment rate by province



helping to meet the acute demand for workers in sectors like retail trade; accommodation and food services; and arts and recreation. However, as the pandemic moved into the rearview mirror and economic activity normalized, this deluge of available labour well outpaced demand, putting upward pressure on the youth unemployment rate (Devakos and Bounajm, 2025).

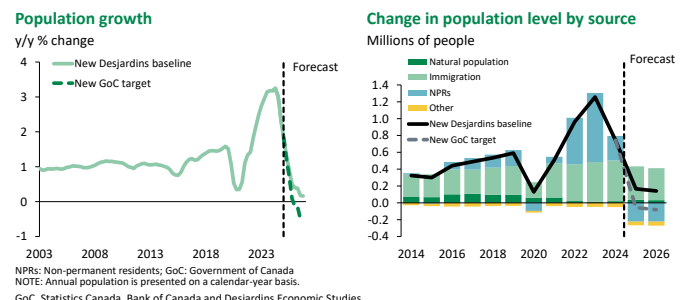
Another significant contributor to the higher youth unemployment rate is the rising number of young and unemployed landed immigrants. Joblessness has been advancing more quickly for this group than for those who were born in Canada or are here on a temporary basis (graph 8). Indeed, Layton et al. (2025) found that during recent labour market slowdowns, the rise in the rate of youth not in employment, education or training (NEET) disproportionately affected racialized youth and highly educated immigrants.

Graph 8
The Share of Unemployed Immigrant Youth Is Growing



Looking forward, if population growth continues to slow or even declines due to the federal government's new population targets (graph 9), the youth population is likely to be especially impacted. A reduced supply of labour among Canada's youngest workers should help to better balance supply and demand. This should ultimately bring the youth unemployment rate closer to what we would expect given the state of the economy.

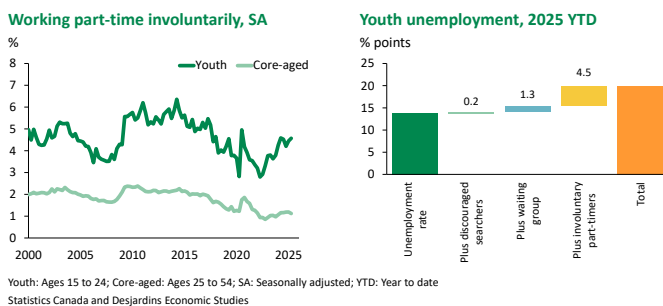
Graph 9
Population Growth Is Slowing, Even If Less than the GoC Would Like



Youth Struggle with Part-Time, Seasonal and Precarious Employment

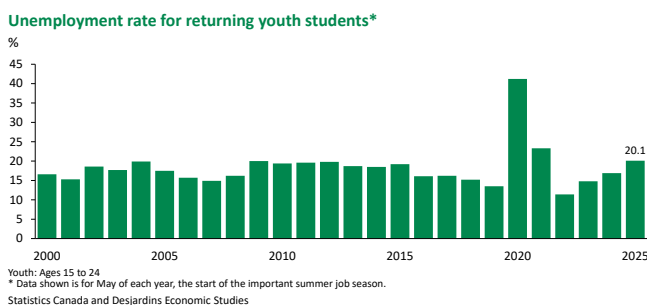
Youth are more likely to face limited access to stable, full-time work. They are overrepresented in part-time, seasonal and precarious work. While some of this is likely by choice, particularly for students balancing work and school, others report that they would like full-time hours if available. Indeed, 4.5% of workers 15 to 24 reported working part-time involuntarily in July 2025, as compared to just over 1% for core-aged workers (graph 10). Add in youth who are discouraged in their job search and those who are waiting for recall or replies, and their effective underemployment rate jumps to about 6 percentage points above the official unemployment rate for this group.

Graph 10
Youth Are More Likely to Be Underemployed



Seasonal employment remains a significant component of the youth job market. But in May 2025, returning students experienced an unemployment rate of over 20%—the highest level outside of the pandemic in the past quarter century (graph 11).

Graph 11
Summer Jobs Are Harder to Find



Precarious employment, including contract and gig work, has taken on an increasing role in the youth labour market. [Statistics Canada](#) found that in 2023, more than 40% of self-employed youth were gig workers, as compared to 26% of self-employed core-aged workers. But when we look at several major gig platforms in Canada, we see that minimum age requirements prevent most teens from qualifying for this type of work.

Traditional Sectors for Youth Employment Are Changing

Retail trade remains the largest employer of youth, but its dominance has declined. At the end of 2022, over 30% of employed youth worked in the retail sector. But by July 2025, retail's share of youth employment fell to less than 1 in 4. In contrast, other major employers of youth accounted for a growing share of youth employment, such as accommodation and food services; health care; construction; and information, culture and recreation.

Artificial Intelligence Is Hurting Job Prospects for Youth

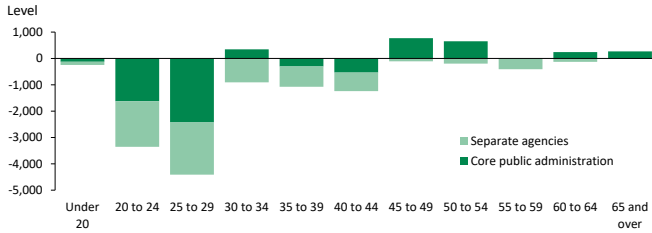
Artificial intelligence (AI) is rapidly transforming the labour market and may help explain declining job opportunities for youth. This trend has been reflected in recent findings across other jurisdictions. A study in the United States by [Brynjolfsson et al. \(2025\)](#) found that while experienced workers in AI-exposed occupations generally maintained or increased their employment levels, early career workers (ages 22 to 25) have experienced notable job losses. Given the growing adoption of AI across industries, similar patterns may be emerging in Canada's labour market, particularly for young workers entering the workforce.

Youth May Be Hit Harder by Public Sector Cuts

Cuts to public sector employment could have an outsized impact on youth. Positions in the public sector have historically given many high school students their first work experience. These seasonal, part-time and entry level positions typically offer good skills development. Additionally, they often provide opportunities for recent post-secondary graduates seeking relevant experience and longer-term career pathways. When government budgets are scaled back, youth positions are frequently among the first to go, potentially removing the rung on the ladder between education and long-term career paths. Recent data on public service employment show that job losses have been disproportionately concentrated among youth and younger core-aged workers (those ages 25 to 29) (graph 12 on page 5). Expected cuts to federal public sector employment are likely to further exacerbate this trend.

Graph 12
Youth Are Disproportionately Impacted by Public Sector Job Cuts

Change in annual employment, 2024–2025, by age group



Youth: Ages 15 to 24
Treasury Board of Canada Secretariat and Desjardins Economic Studies

The Trade War Is Impacting Young Workers

Uncertainty around recent trade tensions with the United States has stalled business investment and hiring intentions, limiting job opportunities for all workers.

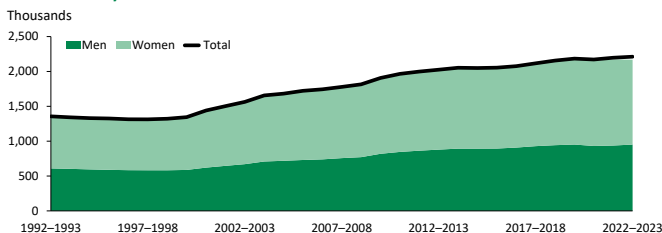
[Our recent research](#) shows that the labour market is expected to weaken moderately, while structural changes to the economy could be more prolonged due to the ongoing trade war. [Real GDP declined significantly in the second quarter of 2025](#) due to a large drag by net exports.

Youth May Be Persuaded to Stay in School

More teens are staying in school longer, either to pursue further education or as a second-best option when job opportunities are limited. This isn't a new phenomenon. [Picot and Heisz \(2000\)](#) found that a similar trend in the 1990s was driven by the belief that higher education was increasingly necessary for good jobs in a changing economy (graph 13). While this can be a positive choice, many could miss out on early work experience from part-time or summer jobs, which have traditionally helped build soft skills and ease the transition into full-time work. Without this experience, young people may face more difficult job prospects and reduced earnings as they enter adulthood.

Graph 13
Post-Secondary Enrollment Has Been Steadily Growing

Post-secondary enrollment in Canada



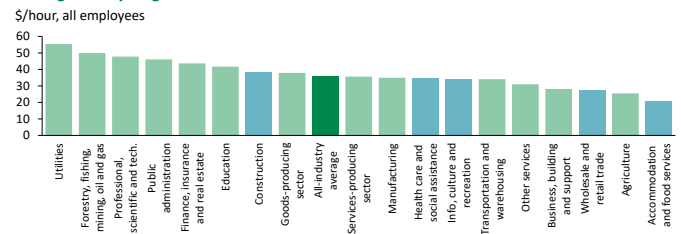
Statistics Canada and Desjardins Economic Studies

Rising Minimum Wages: A Double-Edged Sword?

Youth continue to face structural disadvantages that suppress their earnings relative to those of core-aged workers, but rising minimum wages have helped to close this gap. Youth represented over 50% of minimum wage earners in 2024, according to research by [Devakos and Bounajm \(2025\)](#). On the one hand, minimum wages in most provinces have increased significantly since before the pandemic. But on the other hand, higher minimum wages are increasing the cost of employing youth, possibly incentivizing some firms to invest in labour-saving technologies to reduce hiring. While it's unsurprising that youth would be more likely to earn minimum wage or a lower median hourly rate than core-aged workers, given the gap in experience, skills and seniority, young workers are also more likely to work in low-wage sectors (graph 14). Recent gains allowed the median weekly wage of young employees to catch up with inflation (graph 15). However, it grew at a slower pace than some key expenses such as food and rent, which eat up a disproportionate share of young people's monthly budgets.

Graph 14
Youth Are More Likely to Work in Sectors with Below-Average Wages

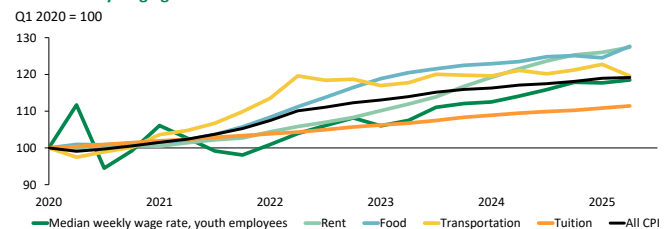
Average hourly wage rate



Youth: Ages 15 to 24
NOTE: The blue bars represent sectors accounting for the majority of youth employment.
Statistics Canada and Desjardins Economic Studies

Graph 15
Youth Wage Growth Hasn't Kept Pace with Growth in Many Expenses

Youth weekly wage growth and inflation



Youth: Ages 15 to 24; CPI: Consumer Price Index
Statistics Canada and Desjardins Economic Studies

Bridging the Gap: Youth Employment Programs

Governments across Canada have introduced a range of programs aimed at improving youth labour market outcomes. The goal of these programs is to reduce a range of barriers to the labour market that youth face, including a lack of job readiness and experience and limited access to high-quality employment opportunities. Many programs also encourage youth to enter the trades. The federal [Youth Employment and Skills Strategy](#) (YESS), including the [Canada Summer Jobs](#) program, has funding commitments totalling nearly \$400M over the 2024–2028 period.

Despite these governmental support programs, many youth still face employment challenges. Stronger integration between various levels of government, as well as between governments, post-secondary institutions and employers, could give Canadian youth more of the training and early experience they need to succeed in today's labour market.

Conclusion

Youth employment in Canada is shaped by both long-standing structural barriers and recent economic weakness. But current labour market conditions for youth are worse than one would expect given the state of the economy. This is in part because of elevated youth population growth and the changing nature of work in sectors where younger workers were historically prevalent. And while the median wage of young workers has caught up with inflation, in part because of minimum wage increases, it continues to lag growth in the price of food and rent. At the same time, the public sector could soon be supporting jobs for youth through policy programs while reducing the number of youth on its payrolls. Strengthening the bridge between school and work will be key to ensuring that the next generation can fully participate in the Canadian economy.