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Analysis in Brief

Analysis of labour challenges in Canada, fourth quarter of 2024

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Analysis of labour challenges in Canada, fourth quarter of 2024

by Elisha Convery, Shivani Sood, and Chris Johnston

Canada's labour market has undergone considerable changes in recent years. First, there was the loss of roughly 3.4 million jobs at the outset of the pandemic.¹ The gradual reopening of the economy led to an overheating of the labour market by early 2022, with a total of 337,000 jobs added in February 2022 alone,² over one million (1,003,395) vacant positions in May 2022,³ inflation peaking at 8.1% in June 2022,⁴ and a historic low unemployment rate of 4.8% in July 2022.⁵ Job vacancies rates continued their downward trend since their peak and have returned approximately to pre-pandemic levels in September 2024.⁶

By October 2024, employment growth had stabilized at 303,000 on a year-over-year basis, and the employment rate has declined by 1.3 percentage points on a year-over-year basis to 60.6%.⁷ The unemployment rate rose by 0.8% on a year-over-year basis in October 2024, reaching 6.5%.⁸ Additionally, job vacancies were down by 116,425 on a year-over-year basis to 528,190 in September, down by nearly half (-47.4%) from the record high in May 2022.⁹ The job vacancy rate fell 0.6 percentage points year-over-year to 3.0% in September, though still below pre-COVID levels (3.1%).¹⁰

Within this context and based on results from the Canadian Survey of Business Conditions, this article provides insights on labour related challenges currently faced by businesses across Canada.

From the beginning of October to early November 2024, Statistics Canada conducted the Canadian Survey on Business Conditions to better understand the current environment that businesses in Canada are operating in and their expectations moving forward.

Labour-related obstacles are amongst the leading obstacles expected by businesses in Canada, with nearly two-fifths expecting to face at least one labour-related obstacle over the next three months. Labour-related obstacles consist of challenges related to retaining and recruiting skilled employees, as well as a shortage of labour force. Notably, 1 in 10 businesses expect recruiting skilled employees to be the most challenging obstacle they will face over the next three months.

Labour challenges stabilize in recent quarters

In the fourth quarter of 2024, over one-third (37.3%) of all businesses in Canada expect to face labour-related obstacles over the next three months, down from nearly two-fifths (39.5%) of businesses in the third quarter of 2024 and 43.2% of businesses in the second quarter of 2024.

Recruiting skilled employees, reported by over one-quarter (28.3%) of businesses, was the top labour-related obstacle businesses expect to face over the next three months, a slight decrease from the third quarter of 2024 (29.5%). Businesses most likely to expect recruiting skilled employees to be an obstacle were those in health care and social assistance (35.9%); administrative and support, waste management and remediation services (34.1%); and manufacturing (33.3%).

When asked which expected obstacle would be the most challenging, recruiting skilled employees was the second most commonly cited obstacle, reported by 1 in 10 (9.8%) businesses. Businesses that expect recruiting skilled employees to be the most challenging obstacle were led by those in health care and social assistance (17.7%), wholesale trade (12.5%) and finance and insurance (12.0%).

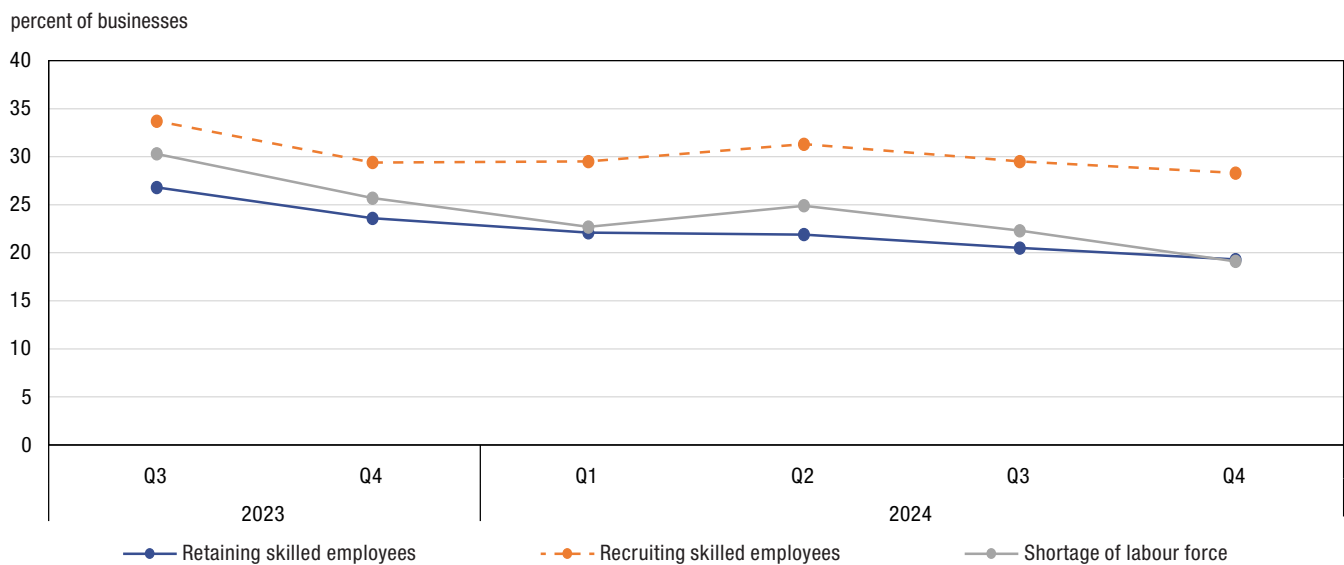
1. Statistics Canada. 2022. [Employment growth in Canada and the United States during the recovery from COVID-19](#).
2. Employment and Social Development Canada. 2022. [Government of Canada announces Workforce Solutions Road Map – further changes to the Temporary Foreign Worker Program to address labour shortages across Canada](#).
3. Statistics Canada. 2024. [Table 14-10-0406-01 Job vacancies, payroll employees, and job vacancy rate by industry sector, monthly, adjusted for seasonality](#).
4. Statistics Canada. 2023. [A snapshot of how inflation is affecting Canadians](#).
5. Statistics Canada. 2024. [Table 14-10-0287-01 Labour force characteristics, monthly, seasonally adjusted and trend-cycle, last 5 months](#).
6. Statistics Canada. 2024. [Table 14-10-0406-01 Job vacancies, payroll employees, and job vacancy rate by industry sector, monthly, adjusted for seasonality](#).
7. Statistics Canada. 2024. [Table 14-10-0287-01 Labour force characteristics, monthly, seasonally adjusted and trend-cycle, last 5 months](#).
8. Statistics Canada. 2024. [Table 14-10-0287-01 Labour force characteristics, monthly, seasonally adjusted and trend-cycle, last 5 months](#).
9. Statistics Canada. 2024. [Table 14-10-0406-01 Job vacancies, payroll employees, and job vacancy rate by industry sector, monthly, adjusted for seasonality](#).
10. Statistics Canada. 2024. [Table 14-10-0406-01 Job vacancies, payroll employees, and job vacancy rate by industry sector, monthly, adjusted for seasonality](#).

Retaining skilled employees was expected to be an obstacle by 19.3% of businesses across Canada over the next three months, a slight decrease compared with 20.5% of businesses who reported the same in the third quarter of 2024. Retaining skilled employees is most likely expected to be a challenge by businesses in retail trade (27.8%); arts, entertainment and recreation (25.1%); and administrative and support, waste management and remediation services (24.5%).

Furthermore, nearly one-fifth (19.1%) of businesses expect shortage of labour force to be an obstacle over the next three months, down from 22.3% of businesses that expected the same in the third quarter of 2024. Businesses most likely to expect a shortage of labour force were in accommodation and food services (27.6%); manufacturing (27.5%); and administrative and support, waste management and remediation services (27.5%).

The proportion of businesses expecting to face at least one labour-related obstacle over the next three months varies considerably by employment size, with larger businesses more likely to expect to face a labour-related obstacle than smaller-sized businesses. Nearly two-fifths of businesses with 20 to 99 employees (57.2%) and 100 or more employees (56.3%) and just over half of businesses with 5 to 19 employees (50.9%) expect at least one labour-related obstacle. By contrast, nearly one-quarter (24.6%) of businesses with 1 to 4 employees expect the same.

Chart 1
Businesses expecting labour-related obstacles over the next three months, third quarter of 2023 to fourth quarter of 2024



Note: Respondents were asked each quarter to report their expected business obstacles over the next three months. The three-month period could vary depending on when the business responded to the survey.

Source: Statistics Canada. Canadian Survey on Business Conditions, fourth quarter of 2023 (Table 33-10-0726-01), first quarter of 2024 (Table 33-10-0772-01), second quarter of 2024 (Table 33-10-0809-01), third quarter of 2024 (Table 33-10-0860-01), and fourth quarter of 2024 (Table 33-10-0892-01).

Vacant positions expected by businesses to remain approximately the same over the next three-month period

Over half (53.5%) of businesses expect the number of vacancies at their business to remain the same over the next three months, led by businesses in information and cultural industries (61.1%). At the same time, a majority (83.4%) of businesses expect their number of employees to stay the same. Businesses that expect their number of vacancies to increase represent 4.6% of all businesses and are led by businesses in health care and social assistance (8.3%). On the other hand, 8.0% of businesses expect a decrease in their number of employees, led by those in administrative and support, waste management and remediation services (17.7%). As well, 6.6% of businesses expect their vacancies to decrease, also led by businesses in administrative and support, waste management and remediation services (13.4%). Meanwhile, 8.6% of businesses expect their number of employees to increase over the next three months, led by those in mining, quarrying, and oil and gas extraction (15.1%).

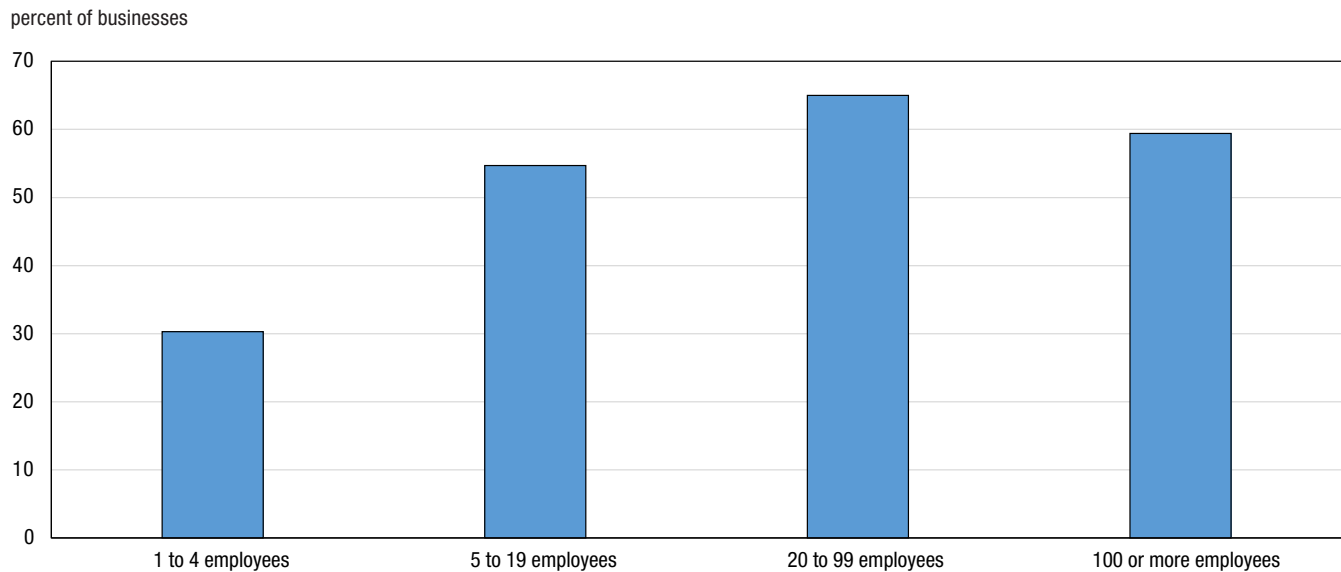
A larger proportion of businesses expect their average wages to increase at a faster rate

The Labour Force Survey reported that the average hourly wages for employees increased 4.9% on a year-over-year basis in October, following a growth of 4.6% in September.¹¹ Additionally, of the 37.6% of businesses that identified the rising cost of inputs as an expected obstacle over the next three months, 63.9% expected to face the rising cost of labour as an obstacle.

In this context, over two-fifths (42.6%) of businesses across Canada expect to increase their average wages over the next 12 months. This was expected most by larger-sized businesses, with nearly two-thirds (65.0%) of businesses with 20 to 99 employees and 59.4% of businesses with 100 or more employees expecting to increase average wages, compared with 54.7% of businesses with 5 to 19 employees and 30.3% of businesses with 1 to 4 employees. Meanwhile, among businesses expecting to increase average wages, small businesses are more likely to expect to increase their average wages at a faster rate over the next 12 months than in the previous 12 months. Nearly one-fifth (18.2%) of businesses with 5 to 19 employees, the highest proportion across all employment sizes, 16.6% of businesses with 20 to 99 employees, and 16.4% of businesses with 1 to 4 employees expect to increase their average wages at a faster rate than in the previous 12 months. By contrast, a faster rate of increase is expected by 9.7% of businesses with 100 or more employees.

Chart 2

Businesses that expect their average wages to increase, by employment size, fourth quarter of 2024



Note: Respondents were asked how the business or organization expected its average wages to change over the next 12 months. As a result, those 12 months could range from October 1, 2024, to November 4, 2025, depending on when the business responded.

Source: Statistics Canada. Canadian Survey on Business Conditions, fourth quarter of 2024 (Table 33-10-0906).

Businesses that expect their average wages to increase were asked about the factors expected to influence decisions on average wage increases. The current rate of inflation was the leading factor cited by over half (54.4%) of businesses. Additionally, 49.3% of businesses cited retaining talent as a factor for increased wages. On the other hand, 29.9% of businesses indicated the expected rate of inflation as a factor influencing their decision, with a further one-quarter (26.0%) of businesses indicating the capacity to attract labour as a factor influencing their decision regarding increased wages. As well, one-quarter (25.6%) of businesses expect the minimum wage legislation as a factor in their decision to increase average wages.

11. Statistics Canada. 2024. [Table 14-10-0063-01 Employee wages by industry, monthly, unadjusted for seasonality.](#)

Meanwhile, 39.8% of all businesses expect their average wages to stay the same over the next 12 months and 4.3% expect their average wages to decrease. Businesses that expect average wages to stay the same are most commonly in mining, quarrying, and oil and gas extraction (54.2%); information and cultural industries (52.3%); and agriculture, forestry, fishing and hunting (47.2%).

Most businesses that experienced internal labour disputes report strikes as the most likely type of internal disruption

While 5.9% of all businesses reported having unionized employees, this varies considerably by size of business, as larger businesses are over 6 times more likely to have unionized employees (37.5%). Among the 5.9% of businesses that have unionized employees, on average 79.8% of their workforce was unionized. Businesses most likely to have unionized employees were those in construction (14.9%), information and cultural industries (11.1%) and health care and social assistance (8.5%).

Additionally, the majority (92.9%) of businesses with unionized employees did not have their operations affected by an internal labour disruption over the last 12 months. Of the 7.1% of businesses who did have their operations impacted, they were most likely to have been disrupted by a strike (93.9%).

Methodology

From October 1 to November 4, 2024, representatives from businesses across Canada were invited to complete an online questionnaire about business conditions and business expectations moving forward. The Canadian Survey on Business Conditions uses a stratified random sample of business establishments with employees classified by geography, industry sector and size. Proportions are estimated using survey weights, ensuring that the survey results are representative of all employer businesses in Canada. The total sample size for this iteration of the survey was 20,955, and results are based on responses from a total of 9,420 businesses and organizations.

References

Statistics Canada. 2024. Canadian Survey on Business Conditions, fourth quarter of 2024.