Centre for the Study of Living Standards

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Weak Hiring, Not Layoffs, Behind Canada's Youth Unemployment Surge, New CSLS Report Finds

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OTTAWA — A new report from the Centre for the Study of Living Standards (CSLS) finds that Canada's youth labour market has deteriorated sharply since early 2023, with the weakness concentrated among teenagers. By mid-2026, the unemployment rate for Canadians aged 15 to 19 had climbed above 20%.

The report, *The Weakest Link: Diagnosing the Deterioration of the Youth Labour Market in Canada*, finds that the increase in unemployment has been driven overwhelmingly by weaker hiring and greater difficulty finding jobs, rather than by an increase in layoffs.

A CSLS decomposition finds that weaker job finding accounts for 89.3% of the increase in unemployment in Canada since early 2023. Layoff rates, by contrast, have remained relatively low. The findings point to a "low-hire, low-fire" labour market in which employers are retaining workers but creating fewer opportunities for new entrants.

The deterioration is abnormal by historical standards, extending well beyond the unemployment rate. Teenage employment and labour force participation rates have fallen to their lowest levels in 50 years outside the pandemic, while youth job-finding rates are hovering near generational lows. Long-term unemployment spells have also become much longer.

"Canada's youth labour market is facing a hiring problem, not a firing problem," said Stephen Tapp, CEO and Chief Economist at CSLS and co-author of the report. "Young people trying to enter the labour market are finding it exceptionally difficult to get crucial work experience."

"Teenagers are the weakest link in a much softer Canadian labour market," said Remi Royer, co-author of the report. "The entry-level jobs young people traditionally rely on have become harder to find, as they are increasingly competing with older, more highly educated workers."

Key Findings

- **Teenage unemployment has surged:** The unemployment rate for 15–19-year-olds reached 20.3% in 2026 Q2, compared with 12.6% in early 2023.
- **Weak hiring, rather than layoffs, is driving unemployment:** Lower job-finding rates account for 91.2% of the increase in teenage unemployment since 2023 and 100% of the increase among 20–24-year-olds.
- **Finding work has become historically difficult for Canada's youth:** Youth job-finding rates fell to levels below those reached during the Great Recession. Although they have improved somewhat recently, they remain unusually low, particularly for teenagers.

- **Youth unemployment is lasting longer:** Among longer-term unemployed youth, the 90th percentile of unemployment duration has more than doubled from 22 weeks in early 2023 to 49 weeks in 2026.
- **Historically-low participation and employment rates:** The teenage labour force participation rate fell from 52.3% in early 2023 to 45.9% in 2026 Q2, while the employment rate fell from 45.5% to 36.6% — both the lowest readings on record outside the pandemic.
- **The business cycle does not tell the whole story:** CSLS regression analysis confirms that youth unemployment is substantially more sensitive to economic weakness than unemployment among older workers. However, teenage unemployment since mid-2024 has risen more than expected based on historical relationships, suggesting other factors are at play.
- **Entry-level job opportunities have weakened:** Job vacancies have fallen particularly sharply in occupations and industries where youth employment is concentrated, including customer service occupations, retail trade, and accommodation and food services. Employment in these positions has shifted away from teenagers toward older and more highly educated workers. The rapid post-pandemic increase in non-permanent residents likely also increased competition for many jobs traditionally held by young Canadians.
- **Canada stands out internationally:** Canada's recent increase in youth unemployment has been unusually severe compared with other advanced-economy benchmarks.

The report warns that prolonged difficulty entering the labour market can have consequences well beyond the current slowdown. Previous research finds that weak employment opportunities early in a career can reduce future earnings and are associated with broader social and health consequences later in life.

"The immediate challenge is to improve pathways from school to work and ensure young Canadians can get that crucial first foothold in the labour market," Tapp said. "Early work experience helps young people build skills, networks and careers. A prolonged period in which those opportunities are unavailable risks creating economic and social costs that persist long after the labour market recovers."

Read the full report here.

About the CSLS

The Centre for the Study of Living Standards (CSLS) is Canada's leading think tank focused on productivity, living standards, and economic well-being. Founded in 1995, CSLS provides rigorous, evidence-based research to inform policy and support a more prosperous and equitable society.

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