Labour Force Survey — Employment in July

The headline is better, but the deeper story is more complicated.

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Key takeaways.

- **The labour market is improving, but not in the usual way**. Canada is adding jobs, but self-employment is pivotal to the recent gain. That makes the report more interesting than a simple good news story.
- **The distinction matters for household financial stability**. A payroll job and self-employment can both provide income, but they do not always provide the same predictability, benefits or ability to plan.
- **BC is the clearest example of the shift.** The province added jobs in July, but employee employment fell. The entire net gain came from self-employment, while private sector employee jobs remain below January levels.
- **The industry story points to business formation in service-heavy and contractor-friendly sectors.** National employment gains since January are strongest in professional services, health care, transportation, business support and accommodation and food services. Some of these sectors align with consulting, contracting, small business formation and independent work.
- **Youth unemployment is improving, but barriers remain.** A youth unemployment rate of 12.6% and a Black youth unemployment rate of 22.6% suggest that not everyone is participating equally in that improvement.
- **Affordability remains the test**. More work helps, but wage growth slowed to 2.8%. If more Canadians are earning through less predictable work, the household budget may still feel fragile even when the employment headline improves.

Canada is adding jobs. The deeper question is what kind of work is growing.

July gave Canada a stronger labour market headline. Employment rose by 75,100, the unemployment rate fell to 6.4%, and the employment rate edged up to 60.9%. Those are encouraging signals after a softer start to the year.

Between June and July, nearly 60% of Canada's employment gain came from self-employment. What makes this particularly noteworthy is that it is not just a one-month phenomenon. This matters because labour market strength is not only measured by the number of jobs added but also by the stability of income, the predictability of hours, the availability of benefits and the confidence workers and businesses can build from that employment.

On that basis, July deserves a more careful read. National employment is growing, but self-employment is doing a large share of the lifting.

The headline is better, but the deeper story is more complicated.

- Self-employment carried much of July's gain. Canada added 75,100 jobs in July, but self-employment rose by 44,400. That means roughly 59 percent of the monthly employment gain came from self-employment.
- Private sector payroll hiring helped, while public sector employment declined. Employee employment rose by 30,800, but public sector employment fell by 27,000. Private sector employee jobs increased by 57,900, which means the employee job growth that did occur came from the private sector.
- The year-to-date pattern reinforces the point. Since January, total employment is up 93,600. Self-employment is up 66,700, while employee employment is up only 26,800. Public sector employment is down 59,100 over the same period.

This does not mean the labour market is weak. It means the nature of the improvement is changing. A labour market built more heavily on self-employment can reflect genuine entrepreneurship and new business formation. It can also reflect workers taking on more risk because conventional employment is not expanding fast enough.

For households, a person can be employed and still have unstable income. A person can be working and still lack benefits. A person can have a business number and still be financially exposed. That is why the composition of July's employment gain matters as much as the headline.

BC: the employment gain is real, but it rests on self-employment

BC added 17,800 jobs in July and the unemployment rate fell to 6.2%. That is a better headline than the province has had for much of the year. But the underlying details change the interpretation.

- Employee employment fell by 2,700.
- Public sector employment fell by 1,900.
- Private sector employee jobs fell by 800.
- Self-employment rose by 20,500.

That means the entire net gain in BC came from self-employment. The headline says employment increased. The composition says payroll employment did not drive the improvement.

The January to July story is even more important. Total employment in BC is up only about 7,000 since January, but self-employment is up by about 38,000 while employee employment is down by about 31,000. Put plainly, BC's labour market looks better because self-employment has offset weakness in private sector payroll jobs.

That is the insight I would not want readers to miss. BC is not simply adding jobs in the conventional sense. It is seeing more people attach to work through self-employment while private sector employee employment remains below where it was at the start of the year.

Is this entrepreneurship or labour market adaptation?

The honest answer is that the data does not let us fully separate opportunity from necessity. A rise in self-employment can be a positive signal. It can mean people are starting businesses, moving into consulting, taking on contract work, building trades capacity or creating income on their own terms.

But self-employment can also rise when the labour market is not producing enough stable employee jobs. Workers may turn to independent work because they cannot find payroll employment, because employers are using contractors instead of employees, or because one income stream is no longer enough to manage household costs.

That ambiguity is exactly why this report is thought provoking. The economy may be creating work, but it may also be transferring more employment risk to individuals. For a household, that can show up as less predictable income. For lenders, it can show up as more variable cash flow. For policy makers, it raises questions about whether the labour market is becoming more resilient or more precarious.

Where might these businesses be forming?

The industry table does not directly cross classify self-employment by industry, so we should not claim that the self-employed workers are definitely entering a specific sector. But the national industry pattern gives clues about where employment is growing in sectors that often include contractors, consultants, independent operators and small businesses.

Month over month, July gains were strongest in wholesale and retail trade, finance, insurance, real estate, rental and leasing, professional, scientific and technical services, construction, and manufacturing. Since January, the strongest gains are in professional, scientific and technical services, health care and social assistance, transportation and warehousing, business, building and other support services, and accommodation and food services.

The sectors that best align with a self-employment narrative are professional services, construction, transportation and warehousing, business support, real estate related activity and parts of accommodation, food and personal services. These are areas where consulting, subcontracting, owner operator models, small firms and flexible work arrangements are common.

That does not make the self-employment story automatically negative. It may point to business formation and adaptation. But it does mean the labour market story is less about employers opening the payroll tap and more about individuals and small operators finding ways to generate work.

Youth unemployment is improving, but barriers remain.

A stronger labour market should make it easier for young people to find work, and July showed some encouraging progress.

Nationally, the youth unemployment rate (15 to 24 years) fell to **12.6% in July**, down from the recent peak of **14.3% in April**. Returning students also saw improvements compared with last summer. These are signs that labour market conditions for young workers have stabilized after a difficult start to the year.

However, the youth labour market remains weaker than it was before the pandemic. The youth unemployment rate is still well above the **2017 to 2019 average of 10.8%,** suggesting that young Canadians continue to face greater challenges entering the labour market than older workers. Further, the improvement is also not being experienced equally.

Black youth unemployment was 22.6%, indicating that nearly one in four young people in the labour force. While this is slightly lower than levels seen earlier in the year, it remains substantially higher than the national youth unemployment rate and highlights the persistence of labour market barriers for some groups.

Why this matters for households.

For households, more employment is good news. More work means more income, more ability to pay bills and more spending circulating through local communities.

But if a larger share of the gain is coming through self-employment, the household impact depends on the quality of that work. Self-employment can offer autonomy and upside. It can also mean uneven hours, irregular income, no paid leave, weaker benefits and more exposure to slow months. For families already dealing with high rent, mortgage renewals, food prices, transportation costs and debt servicing, income volatility matters.

That is why **wage growth slowing to 2.8%** is part of the same story. More people may be working, but if earnings are growing more slowly and work is less predictable, the affordability squeeze does not disappear. It just becomes harder to see in the headline employment number.

Why this matters for small businesses

- **There may be an entrepreneurship story here.** The rise in self-employment may point to new business formation, consulting, trades, contract services and independent operators. That can be a source of local dynamism.
- **There may also be a necessity story.** If people are turning to self-employment because employee jobs are scarce, that is a weaker signal for household stability and consumer demand.

- **The business impact is mixed.** For existing small businesses, a labour market driven by self-employment can mean more suppliers, contractors and competitors, but not necessarily stronger customer spending.
- **BC firms may still be cautious.** In BC, the decline in private sector employee jobs since January is a warning sign. It suggests employers may still be cautious about adding permanent payroll capacity.

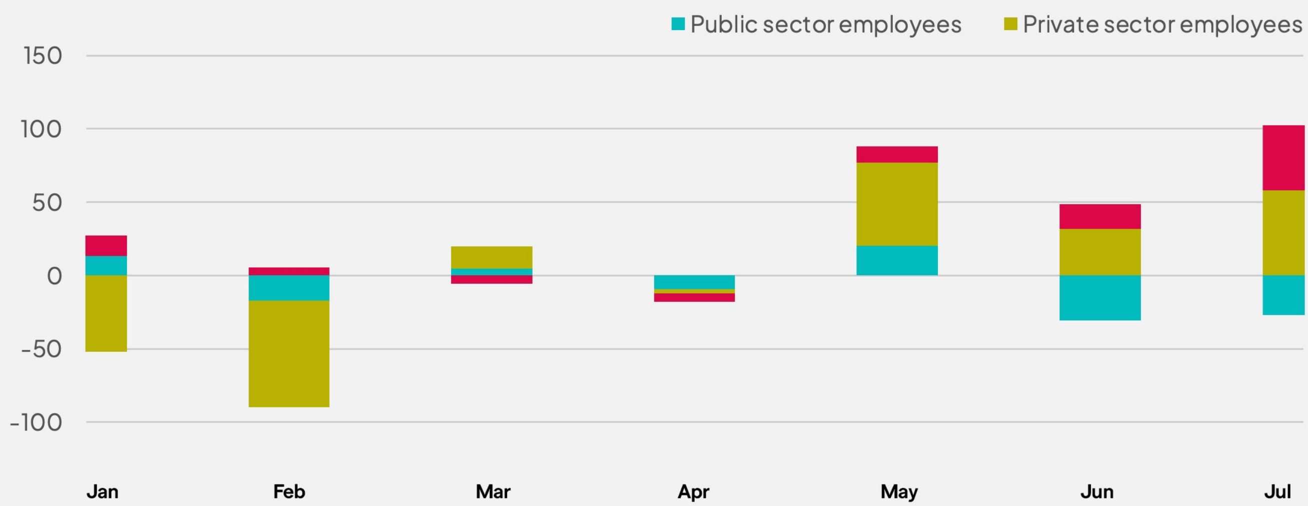
Bottom line

July confirms that Canada's labour market is improving. Employment is up, unemployment is down and the national picture looks better than it did earlier in the year.

But the deeper story is the rise of self-employment as a pivotal source of labour market momentum. This shift can be promising if it reflects entrepreneurship and small business formation. It is more concerning if it reflects workers absorbing more risk because traditional employee jobs are not expanding fast enough.

The headline says the labour market is getting better. The composition asks a harder question: better for whom, and with how much stability?

Canada Monthly Employment Growth by Class of Worker, 2026



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