

### Canada: Bureaucrats “R” Us?

By Warren Lovely

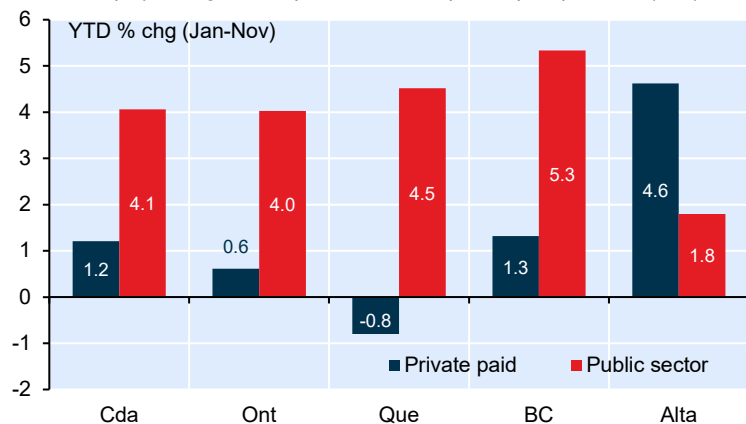
In what might be described as a sort of ‘economic vertigo’, Canada’s labour market looks to be losing its balance. Consider today’s Labour Force Survey, which our colleagues thoroughly analyzed [here](#).

Given an underperforming domestic economy and highly uncertain geopolitical outlook, businesses simply aren’t hiring aggressively. Who can blame them. But in the government sector? Well, that’s another story. Of the ~50,000 jobs Canada created in November, almost 90% were in the public sector. There’s plenty of noise in these monthly LFS guesstimates, with the trend likely to be more trustworthy. But even on a year-to-date basis things look unbalanced. In the first eleven months of 2024, public sector employment advanced more than three-times faster than private-paid positions. So has Canada’s labour market been re-branded ‘Bureaucrats “R” Us’? In a sense, yes.

The current public sector share of total Canadian employment isn’t far removed from the pandemic-related peak when businesses were forced to close. On this metric, we’ve (unfortunately?) turned the clock all the way back to mid-1990s. Recall, that was era of bloated government and structural imbalance that required years of remedial action to clean up.

#### Chart 1: Heavy reliance on public sector hiring...

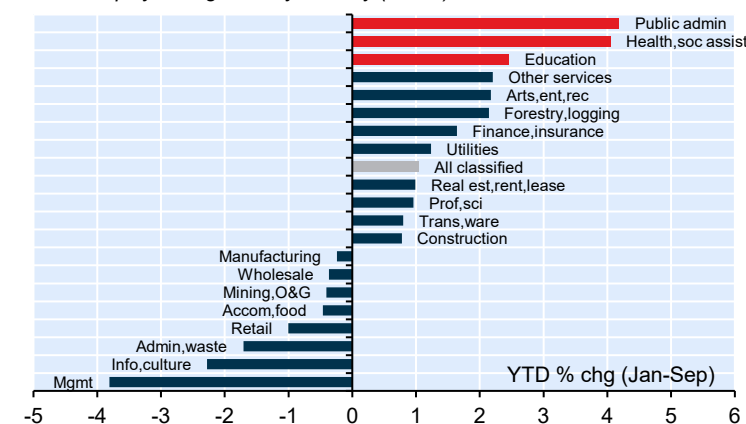
Canada employment growth in public sector vs. private paid positions (LFS)



Source: NBC, StatCan | Note: Data to Nov-24

#### Chart 3: A larger government architecture...

Canada employment growth by industry (SEPH)



Source: NBC, StatCan | Note: Data to Sep-24

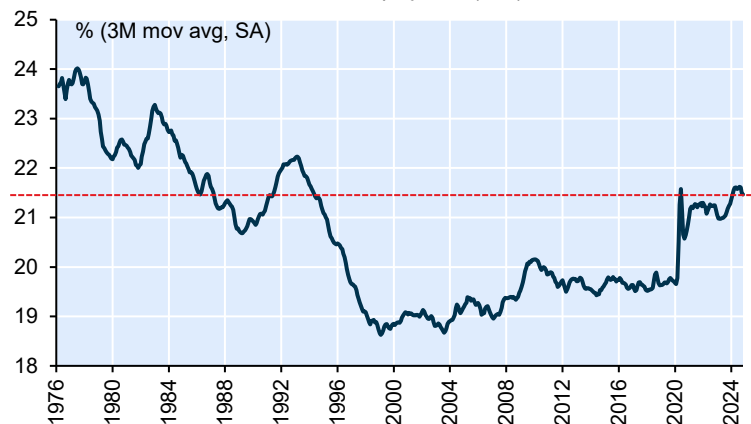
Ok, let’s clearly acknowledge that the ‘public sector’ includes more than government administrators. Health care/social assistance and education are predominantly ‘public’ sectors. And we’re not aware of many Canadians clamouring for fewer nurses and doctors. Nor do most seem desirous of the larger public school classroom sizes that would result from axing teachers. Rather, many Canadians may be genuinely pleased more workers are providing these vital public services.

But there’s a more extensive (and more costly) government architecture in Canada these days. Payroll employment (aka SEPH) data—which isn’t quite as timely as the LFS but may be more reliable—shows a faster rate of hiring in public administration than any other industry on a year-to-date basis (through September). There are more public servants at the provincial and local levels of government, but at the federal level the public admin headcount has expanded materially.

This all seems consistent with an increasingly imbalanced economic model in Canada, one characterized by a growing (perhaps unhealthy) reliance on government. We’re keen to see what it all means for the nation’s finances when Ottawa’s fall economic statement is presented.

#### Chart 2: ... with public share of all jobs structurally higher

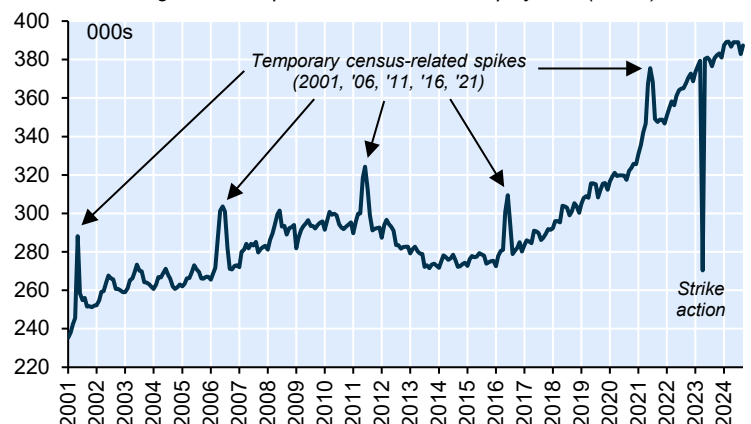
Public sector share of total Canadian employment (LFS)



Source: NBC, StatCan | Note: Data to Nov-24

#### Chart 4: ... including more bureaucrats in Ottawa these days

Canada federal government public administration employment (SEPH)



Source: NBC, StatCan | Note: Data to Sep-24



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