



February 12, 2026

From: Don Drummond
To: Ontario Economy Observers
Re: THE ONTARIO LABOUR MARKET IS FARING POORLY UNDER TRUMP TARIFFS

Donald Trump’s tariff onslaught against Canada began with an executive order signed February 1, 2025.

While there have been many twists and turns since, the tariffs are largely against manufacturing exports with steel, aluminum and automobiles hit particularly hard.

As steel, automobiles and manufacturing more broadly are all concentrated in Ontario it would be expected that its economy would underperform national totals.

And in fact, with the release last week of the January Labour Force Survey from Statistics Canada, we can now see how it’s going.

Canadian Labour Market			
	January 2025	January 2026	Percent Change
Labour Force	22482.2	22578.7	0.4
Employment	20986.9	21121.2	0.6
Unemployment rate	6.7	6.5	
Participation rate	65.5	65.0	
Employment rate	61.1	60.8	

Ontario Labour Market			
	January 2025	January 2026	Percent Change
Labour Force	8908.2	8852.6	-0.6
Employment	8234.2	8208.0	-0.3
Unemployment rate	7.6	7.3	
Participation rate	65.4	64.4	
Employment rate	60.4	59.7	

Over the past 12 months the Canadian labour market recorded a modest 0.6 percent employment increase. An even smaller percentage gain in the labour force edged the unemployment rate down from 6.7 to 6.5 percent.

The Ontario labour market fared much worse: A 0.3 percent decline in employment, a loss of 26,200 jobs. An even larger drop in the labour force at 0.6 percent brought the unemployment rate down slightly from 7.6 to 7.3 percent. (The unemployment rate is a misleading indicator since it falls as people stop looking for work, which masks actual job losses.)

Labour force results are also weak due to slower growth in the population, mostly due to lower immigration, and declines in the labour force participation rate, particularly in Ontario where it declined one percentage point, double the drop across Canada. This is likely due to workers dropping out over discouragement about job prospects.

Ontario’s underperformance relative to the Canadian labour market from January 2025 to January 2026 perpetuates a pattern building since 2023.

As shown in the table below, in 2023 Ontario’s employment rate was slightly lower than the national number and the unemployment rate was higher. Since then, Ontario has significantly underperformed the rest of the country in both measures.



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Unemployment Rate				
	Canada	Ontario	Canada	Ontario
January 2023	62.4	62.3	5.1	5.3
January 2024	61.8	61.0	5.7	6.1
January 2025	61.1	60.4	6.7	7.6
January 2026	60.8	59.7	6.5	7.3

The result leaves the province with the second highest unemployment rate in the country, behind only Newfoundland & Labrador.

In conclusion, Ontario's labour market has been hit particularly hard by Mr. Trump's tariffs, but its relative underperformance since then only perpetuates a four-year trend.

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