



Australian Government
Jobs and Skills Australia

Labour Market Update

*The data in this document reflect the 2022-23 financial year,
and were current as at 31 July 2023.*

September 2023

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Executive summary

Labour market conditions have been strong over 2022-23, with continuing strong demand from employers and growth in total labour supply, although some softening in labour market activity was evident in the most recent data for July 2023.

Total employment continued to expand over the year to June 2023, with the vast majority of growth being in full-time jobs. Women recorded particularly strong growth in full-time employment (up by 6.0%) over the year to June 2023, more than double the growth rate (of 2.7%) for men.

Compositionally, employment continues to shift towards jobs that are commensurate with some level of post-secondary school qualification (skill level 1 to 4 jobs) and away from jobs that do not typically require such a qualification (skill level 5 jobs). Over the year to May 2023, around 91% of total employment growth was in occupations that typically require post-school qualifications, reflecting the importance of both the higher education and Vocational Education and Training (VET) systems to growing a high-skilled Australian workforce. Just over half of total employment growth over this period was in Skill Level 2 to Skill Level 4 occupations (where VET qualifications are the primary pathway).

In addition, the three occupations with the largest growth in employment over the year to May 2023 were all caring occupations (Aged and Disabled Carers; Registered Nurses; and Child Carers), underscoring the continued need for the range of skills required to provide affordable, efficient and equitable access to care.

While labour market conditions in Australia over the last year have been reasonably strong, weaker economic growth, together with movements in a number of partial forward indicators, suggests that the labour market is likely to soften over the period ahead. Data from Jobs and Skills Australia's (JSA's) Internet Vacancy Index (IVI) and Recruitment Experiences and Outlook Survey (REOS) both indicate some recent softening in labour demand, albeit demand remains high by historical standards.

As employment has continued to grow while recruitment activity has stabilised, levels of recruitment difficulty experienced by employers have declined, while the likelihood of filling an advertised role has increased slightly - albeit still below the levels recorded in previous years. The likelihood of filling an advertised role is a key element of Jobs and Skills Australia's assessment of skills shortages. Improved fill rates suggest that, on average at least, skills shortages may have eased slightly in recent months, after an extended period of significant challenges on this front.

Measures of wages growth are also showing promising recent signs. The most recent wage price index result (for June 2023) recorded its strongest quarterly growth rate since 2012, while alternate measures of wages that reflect job mobility or newly advertised jobs are currently recording annual wage growth rates of well above 4%. The higher recorded levels of wage growth for measures that include the effects of job mobility are consistent with the workforce continuing to shift towards higher-skilled jobs.

While many of the macro indicators are positive, some more specific issues of concern remain - particularly with respect to key skills needs in regional areas, where shortages have

been pronounced. Employers in regional areas have consistently reported a lower likelihood of filling vacancies and fewer applicants per vacancy than those in capital cities.

Some regional areas also continue to face skills pressures for critical roles. For example, JSA analysis shows that current labour demand pressure for Electricians is particularly acute in regional Western Australia and regional Queensland, with such demand likely to be increased in the future by Australia's clean energy transformation.

Recent labour market outcomes

Labour market conditions remain strong in Australia, despite some softening evident in the most recent data for July 2023, with employment falling and the unemployment rate rising over the month. The analysis presented in Table 1 below, however, refers to labour market developments that have occurred over the year to June 2023.

Table 1: Key labour market indicators, June 2023 and change since June 2022

| Employment | Full-time employment | Part-time employment | Unemployment rate | Participation rate |
|------------|----------------------|----------------------|-------------------|--------------------|
| ↑ 3.0% | ↑4.0% | ↑ 0.7% | ↓ 0.1% pts | ↑ 0.1% pts |
| 14,046,100 | 9,868,900 | 4,177,100 | 3.5% | 66.8% |

Source: Australian Bureau of Statistics (ABS), *Labour Force, Australia*, June 2023, *seasonally adjusted data*.

The national backdrop

The level of seasonally adjusted **employment** increased strongly over the year, by 409,900 (or 3.0%), to stand at a record high of 14,046,100 in June 2023, well above the decade annual average growth rate (of 2.0%).

Encouragingly, full-time employment accounted for the vast majority (92.6%) of the rise in employment over the year and is now 379,700 (or 4.0%) above the level recorded in June 2022. By contrast, part-time employment increased by 30,200 (or 0.7%) over the period.

Against the backdrop of strong labour market activity, the **unemployment rate** fell slightly, from 3.6% in June 2022, to 3.5% in June 2023. Over the same period, the **participation rate** rose by 0.1 percentage points, to 66.8% in June 2023, and is close to its record high of 66.9% in May 2023.

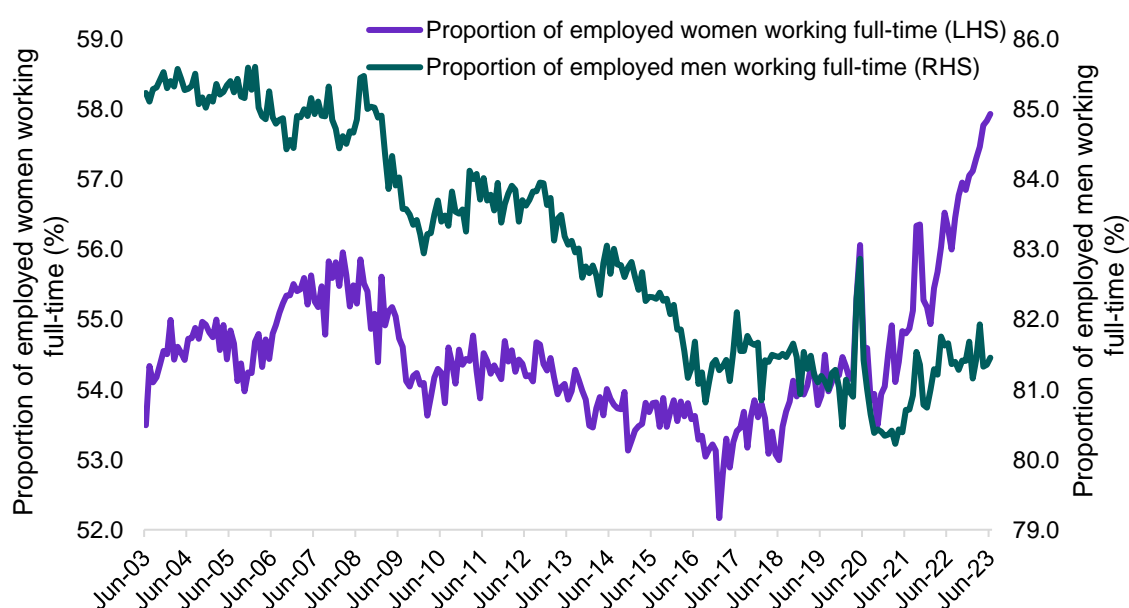
While the **underemployment rate** rose by 0.3 percentage points over the year, to 6.4% in June 2023, it remains well below the 8.7% recorded at the onset of the pandemic in March 2020. The rise in the underemployment rate over the year means that there are now 69,900 more people (or 8.1%) who report being underemployed than in June 2022. That said, there are 262,500 (or 21.9%) fewer underemployed people than there were in March 2020.

Labour market conditions by sex

Employment for males and females rose strongly over the year (both up by 3.0%), to stand at record highs of 7,359,200 and 6,686,800, respectively in June 2023. Significantly, *full-time* employment for women increased by a robust 219,500 (or 6.0%) over the year to June 2023, compared with a rise of 160,100 (or 2.7%) for men.

The surge in full-time employment for women has been particularly pronounced since the onset of the pandemic, with 57.9% of employed women working full-time in June 2023, the highest share recorded since September 1996 and well above the 54.2% recorded in March 2020. The share of employed men working full-time increased from 80.9% in March 2020, to 81.5% in June 2023 (Figure 1).

Figure 1: Proportion of employed women and men working full-time, June 2003 to June 2023



Source: ABS, Labour Force, Australia, June 2023, seasonally adjusted data.

Reflecting the underlying strength of labour market activity, the female unemployment rate declined over the year, from 3.5% in June 2022, to 3.4% in June 2023, close to the recent low of 3.3% recorded in April 2023 and below the 3.6% for males in June 2023.

The participation rate for women was steady over the year, at 62.5% in June 2023, and remains close to the record high of 62.7% in May 2023 but well below the 71.1% recorded for men.

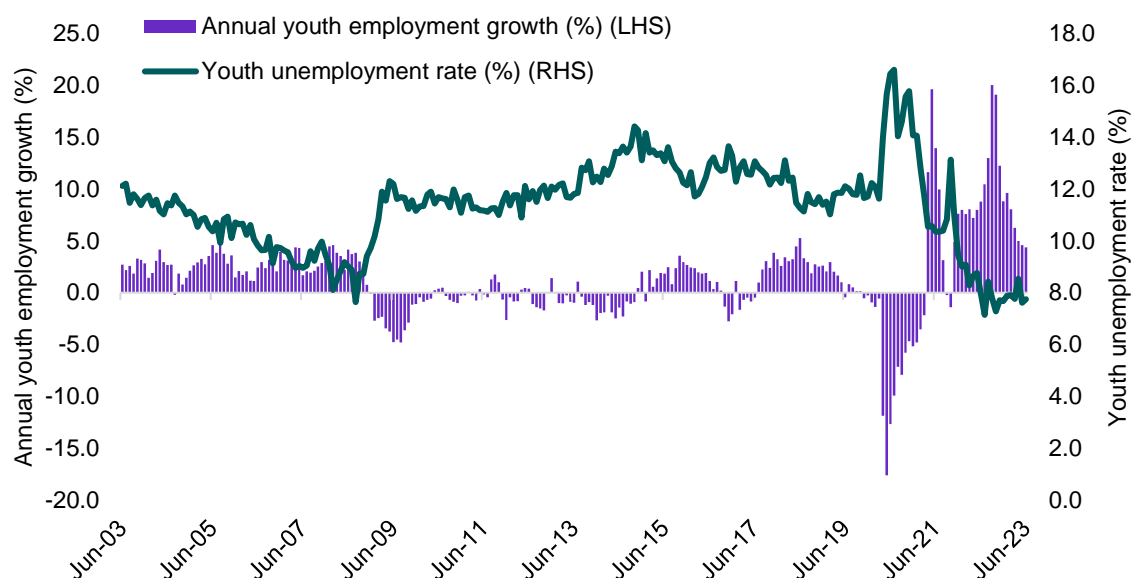
The youth (15-24 years) labour market

Youth employment increased by 91,800 (or 4.4%) over the year, to stand at a record high of 2,182,900 in June 2023, well above its decade annual average growth rate of 1.8% (Figure 2). The rise in youth employment over the period was due, in large part, to a strong increase in full-time employment, up by 80,100 (or 8.4%), to 1,033,200 in June 2023.

The youth unemployment rate fell by 0.2 percentage points over the year, to 7.8% in June 2023, although it remains more than double the rate recorded for all persons (of 3.5%).

The fall in the youth unemployment rate, however, occurred in conjunction with a 0.8 percentage point decrease in the youth participation rate, which fell to 71.1% in June 2023, although it remains well above the 68.1% recorded in March 2020.

Figure 2: Annual youth employment growth and youth unemployment rate, June 2003 to June 2023



Source: ABS, *Labour Force, Australia*, June 2023, seasonally adjusted data.

While it is encouraging that labour market conditions for the youth cohort, while softening, have remained reasonably strong over the last year, it is important to bear in mind that young people are particularly vulnerable during economic downturns, as they tend to have fewer skills and less experience than their older counterparts and are often the first to be retrenched by employers in times of economic difficulty.

Long-term unemployment

As could be expected during a sustained period of strong employment growth, **the level of long-term unemployment has declined considerably over the year**, by 29,500 (or 22.7%), to stand at 100,400 in June 2023 (Figure 3).

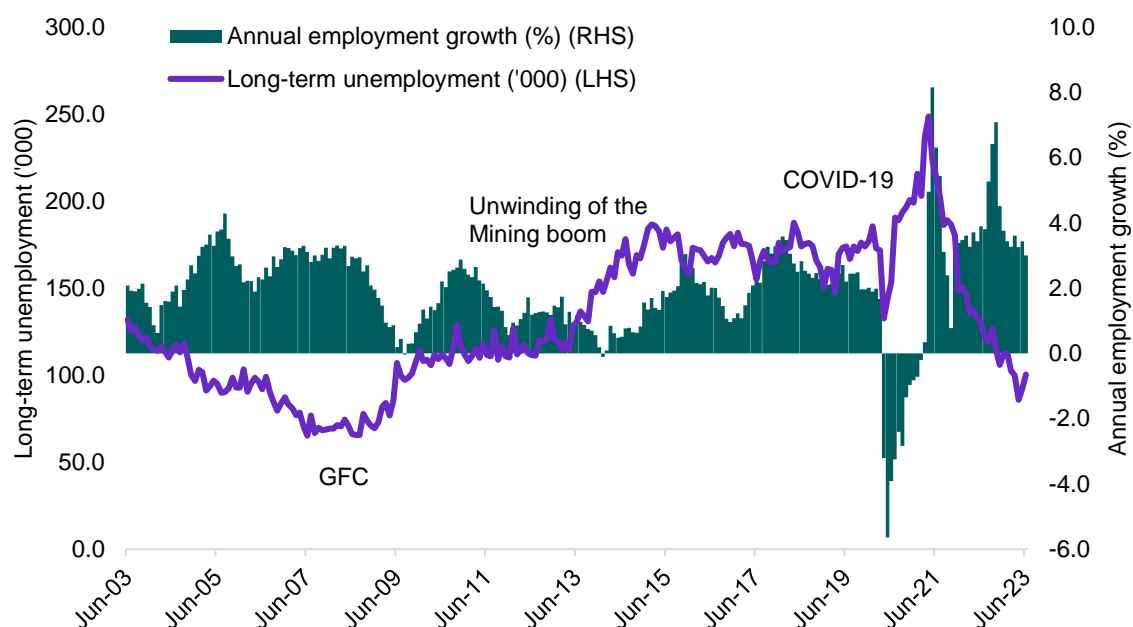
In terms of a cohort breakdown, the level of youth long-term unemployment fell significantly over the year, by 16,400 (or 40.7%), to stand at 23,900 in June 2023, and is now at its lowest level since January 2010. Youth comprised 22.2% of the total long-term unemployment pool in June 2023, compared with their 16.3% share of the labour force aged 15 years and over. This proportion is below 25.3% recorded a year ago and the 22.6% recorded in September 2008 (at the onset of the Global Financial Crisis).

The level of mature age long-term unemployment also decreased over the year, by 6,800 (or 20.5%), to 26,400 in June 2023, the lowest level recorded since January 2015. That said, the mature age share of long-term unemployment has risen markedly over the last year, from 20.8% in June 2022, to 24.4% in June 2023 – the highest proportion recorded since the

beginning of the series in December 1991¹ and well above the 16.5% recorded in September 2008.

It is worth noting that the pace of employment growth is forecast to slow in 2023-24 which, after a lag, is likely to place upward pressure on long-term unemployment going forward.

Figure 3: Long-term unemployment and annual employment growth, June 2003 to June 2023



Source: ABS, *Labour Force, Australia, Detailed*, June 2023, seasonally adjusted data for long-term unemployment and ABS, *Labour Force, Australia*, June 2023, seasonally adjusted data for annual employment growth.

States and territories

Labour market activity in Australia has been strong over the last year and conditions remain tight across all jurisdictions. For instance, employment rose in all the states and territories over the year to June 2023. The most populous states of New South Wales (up by 140,700 or 3.3%) and Victoria (up by 123,600 or 3.5%) recorded the largest increases in the level of employment over the period (Table 2).

All jurisdictions, except for South Australia, recorded an unemployment rate below 4.0% in June 2023. South Australia recorded the highest unemployment rate (of 4.2%), while New South Wales recorded the lowest rate, of 2.9% in June 2023, the lowest rate recorded in the state since the inception of the monthly series in February 1978.

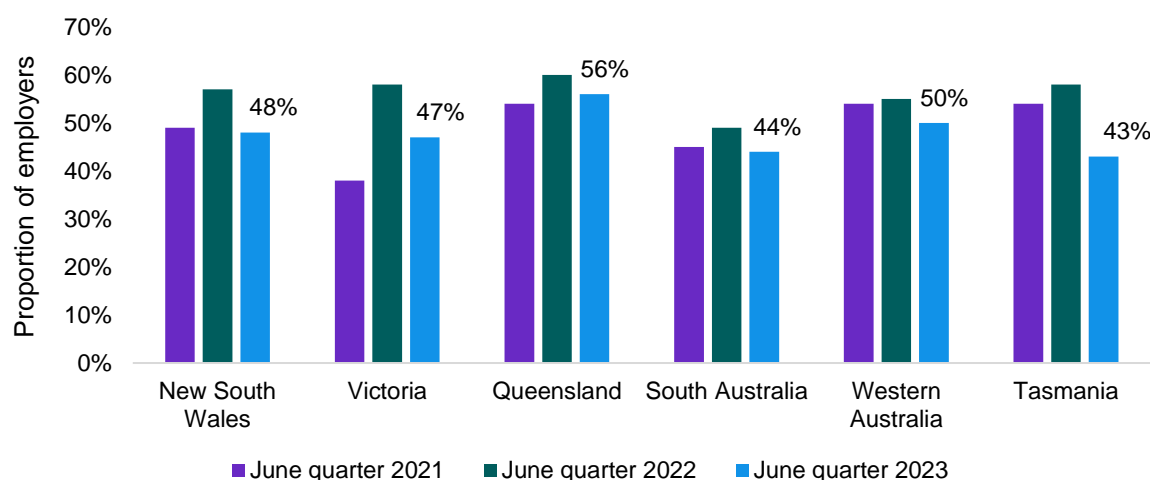
¹ Earliest available data in 12-month average *original* terms are for December 1991.

Table 2: Key labour market indicators by state and territory, June 2023

| | Employment ('000) | | | Unemployment rate (%) | | Participation rate (%) | |
|------------------------------|-------------------|----------------------|-------------------|-----------------------|-----------------------|------------------------|-----------------------|
| | Jun-23 | Annual change ('000) | Annual change (%) | Jun-23 | Annual change (% pts) | Jun-23 | Annual change (% pts) |
| New South Wales | 4,373.8 | 140.7 | 3.3 | 2.9 | -0.5 | 66.1 | 0.2 |
| Victoria | 3,636.1 | 123.6 | 3.5 | 3.7 | 0.4 | 67.6 | 0.6 |
| Queensland | 2,855.6 | 72.4 | 2.6 | 3.6 | -0.4 | 66.5 | -0.7 |
| South Australia | 948.9 | 38.0 | 4.2 | 4.2 | -0.2 | 64.3 | 1.0 |
| Western Australia | 1,527.1 | 11.6 | 0.8 | 3.6 | 0.2 | 68.2 | -1.4 |
| Tasmania | 290.4 | 8.0 | 2.8 | 3.5 | -0.7 | 62.4 | 0.5 |
| Northern Territory | 137.8 | 4.2 | 3.1 | 3.3 | -0.5 | 72.6 | 1.0 |
| Australian Capital Territory | 264.2 | 9.0 | 3.5 | 3.9 | 0.8 | 73.1 | 1.5 |
| Australia | 14,046.1 | 409.9 | 3.0 | 3.5 | -0.1 | 66.8 | 0.1 |

That said, there is some variation in recruitment activity across the states. Results from JSA's Recruitment Experiences and Outlook Survey show that, nationally, the proportion of employers recruiting fell by 9 percentage points over the year and is now 10 percentage points lower than the peak of 59% that was recorded in May and July 2022. Similarly, quarterly recruitment activity has decreased across all states between the June quarter 2022 and the June quarter 2023 (Figure 4), albeit different levels of activity continue to be observed across the jurisdictions. In the June quarter 2023, Queensland (56%) had the highest quarterly recruitment rate. Tasmania (43%) had the lowest quarterly recruitment rate in the June quarter 2023, and the largest decline (5 percentage points) relative to a year ago (June quarter 2022).

Figure 4: Recruitment rate (proportion of employers currently recruiting or who recruited in the past month), by State, June quarters 2021, 2022 and 2023



Source: JSA, Recruitment Experiences and Outlook Survey, June 2023. Note: Data for Australian Capital Territory and Northern Territory are unavailable due to small sample sizes.

The regions

Reflecting the strong conditions at the national level, labour market activity was robust in both the capital cities and rest of state areas, with employment increasing by 263,500 (or 2.8%) and 186,800 (or 4.4%), respectively, over the year to June 2023.

Against the backdrop of buoyant activity, the unemployment rate in the capital cities fell by 0.2 percentage points, to 3.8% in June 2023, while it also declined in the rest of state areas, by 0.6 percentage points, to 3.4%. The participation rate rose by 0.3 percentage points in the capital cities, to 68.6% in June 2023, while it also increased in the rest of state areas, by 0.2 percentage points, to 63.3% (Table 3).

Table 3: Key labour market indicators by capital cities and rest of state areas, June 2023

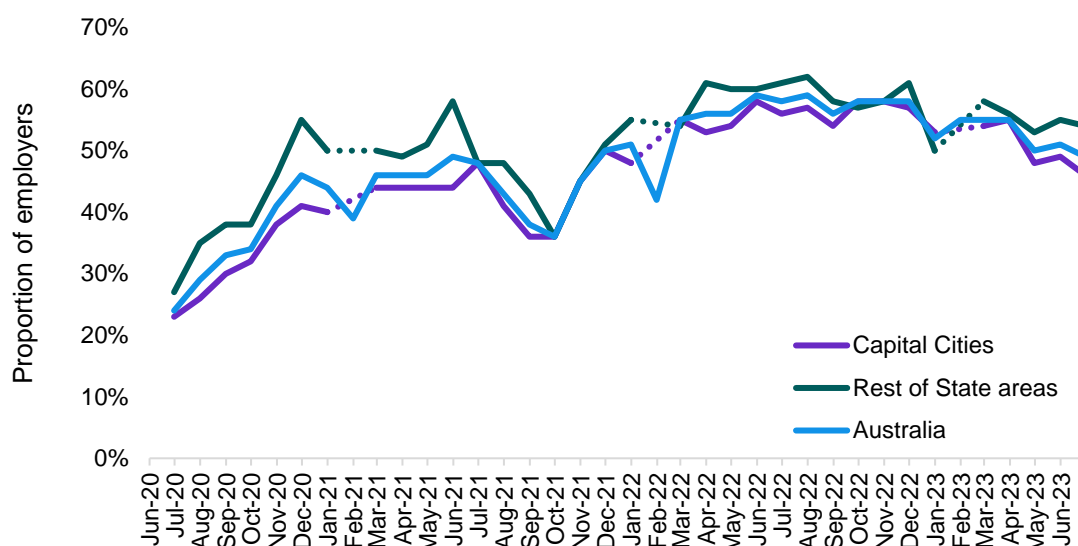
| | Capital cities | | | Rest of states | | |
|------------------------|----------------|-------------------------|----------|----------------|-------------------------|----------|
| | Jun-23 | Annual change (‘000) | (%) | Jun-23 | Annual change (‘000) | (%) |
| Employment (‘000) | 9,513.1 | 263.5 | 2.8 | 4,424.8 | 186.8 | 4.4 |
| Unemployment rate (%) | 3.8 | - | -0.2 pts | 3.4 | - | -0.6 pts |
| Participation rate (%) | 68.6 | - | 0.3 pts | 63.3 | - | 0.2 pts |

Source: ABS, Labour Force, Australia, Detailed, June 2023, 6-month averages of original estimates.

Once again, there has been some variation in monthly recruitment activity between capital cities and rest of state areas. Figure 5 shows that the monthly recruitment rate for Australia peaked at 59% in mid-2022. Around this time, recruitment activity in rest of state areas also peaked, albeit at a higher rate of 62% (July 2022), compared with the peak of 58% in capital

cities (which most recently occurred in October 2022). Since then, the monthly recruitment rate eased across Australia while remaining higher relative to 2020 and 2021 figures. In June 2023, 49% of employers were recruiting across Australia, with 46% recruiting in capital cities and 54% recruiting in rest of state areas.

Figure 5: Monthly recruitment rate (proportion of employers currently recruiting or who recruited in the past month), June 2020 to June 2023



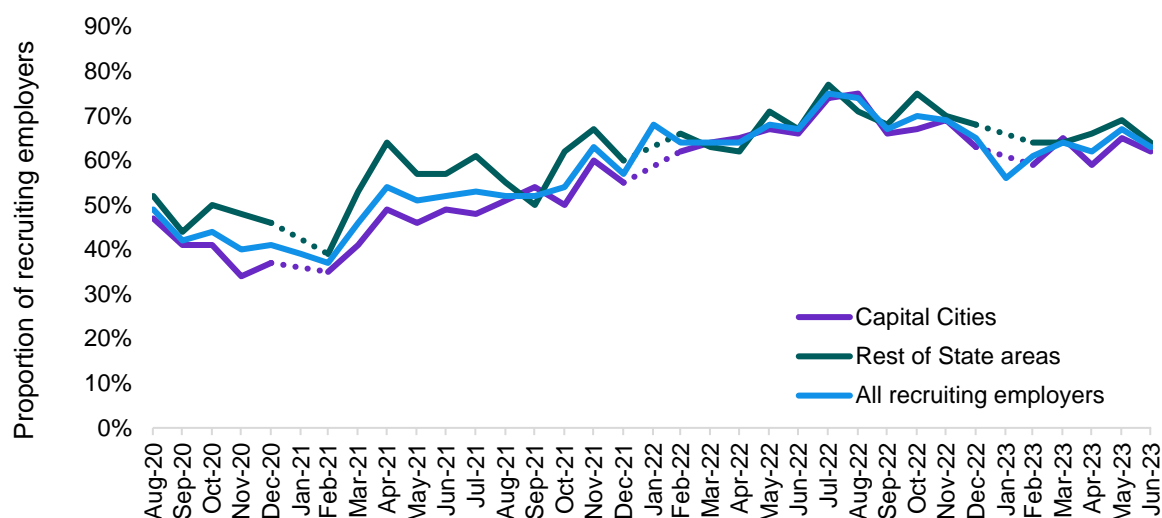
Source: JSA, Recruitment Experiences and Outlook Survey, June 2023. Note: Disaggregated data was not publishable in January of each year; hence relevant data points have been joined by a dotted line.

Comparing recruitment difficulty in capital cities and regional areas

Figure 6 shows record high levels of recruitment difficulty occurring over mid-2022. The highest monthly rate of recruitment difficulty across Australia occurred in July 2022, when 75% of recruiting employers had recruitment difficulty. Monthly recruitment difficulty in rest of state areas peaked at 77% of recruiting employers in July 2022. In capital cities, the monthly recruitment difficulty rate peaked at 75% of recruiting employers in August 2022.

The monthly recruitment difficulty rate for Australia (63% in June 2023) currently remains well below the peak levels recorded in mid-2022. Employers in rest of state areas have a slightly higher recruitment difficulty rate (64%) than those in capital cities (62%).

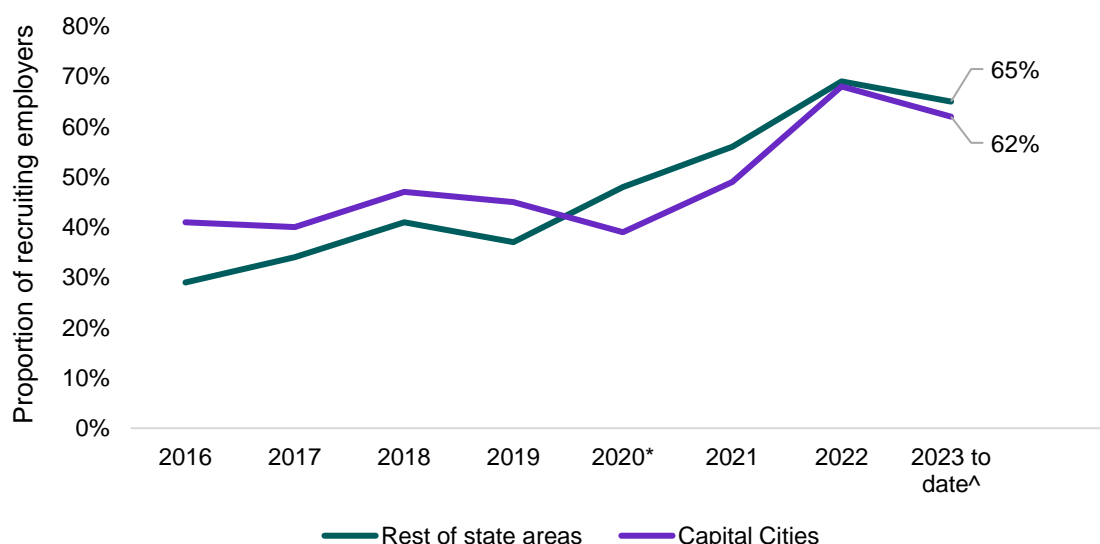
Figure 6: Monthly recruitment difficulty rate by region (proportion of recruiting employers), August 2020 to June 2023



Source: JSA, Recruitment Experiences and Outlook Survey, June 2023. Note: Recruitment difficulty rate is the proportion of recruiting employers who report having difficulty filling advertised roles. Disaggregated data was not publishable in January of each year; hence relevant data points have been joined by a dotted line.

Figure 7 shows that 2020 marked the first time that the annual recruitment difficulty rate in rest of state areas exceeded the rate in capital cities since records began in 2016. In both of these regions, the rate of recruitment difficulty over the first half of 2023 has declined from 2022 levels. The annual recruitment difficulty rate in rest of state areas (65%) is currently slightly higher than in capital cities (62%).

Figure 7: Annual recruitment difficulty rate by region (proportion of recruiting employers), 2016 to 2023

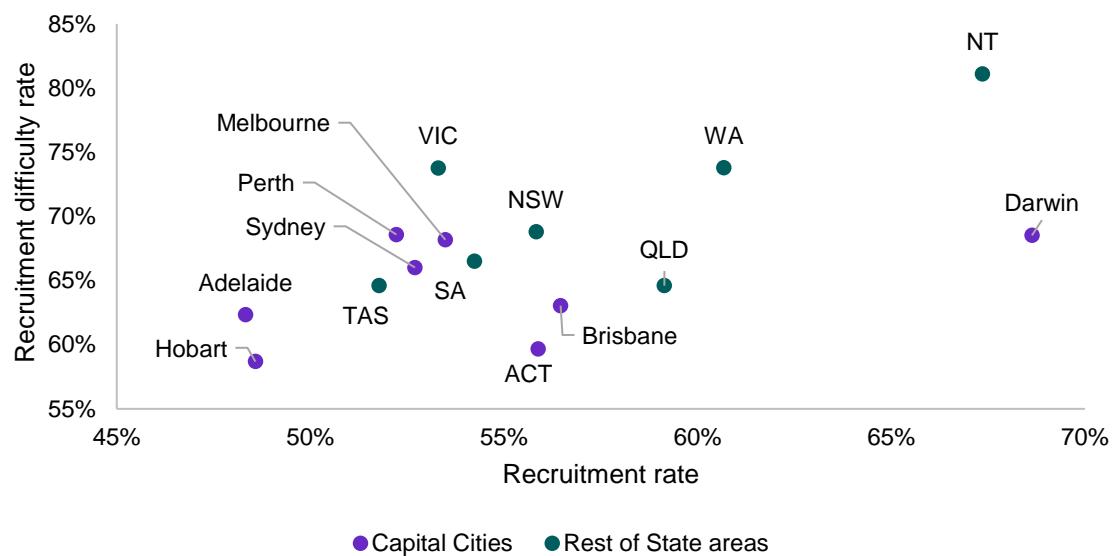


Source: JSA, Survey of Employers' Recruitment Experiences (2016-2019), Recruitment Experiences and Outlook Survey (2020-2023).

*2020 data covers the period from August 2020 to December 2020. As a result, it does not reflect recruitment conditions at the height of the restrictions that were put in place in response to the pandemic. ^2023 to date covers the period from January 2023 to June 2023.

The recruitment difficulty rate varies by rest of state and capital city areas. For each region, Figure 8 shows not only the regional variation that we have seen on average over the past 12 months, but also there tends to be a general positive correlation between the share of employers that are recruiting and recruitment difficulty.

Figure 8: Rates of recruitment and recruitment difficulty by region (12 months to June 2023)



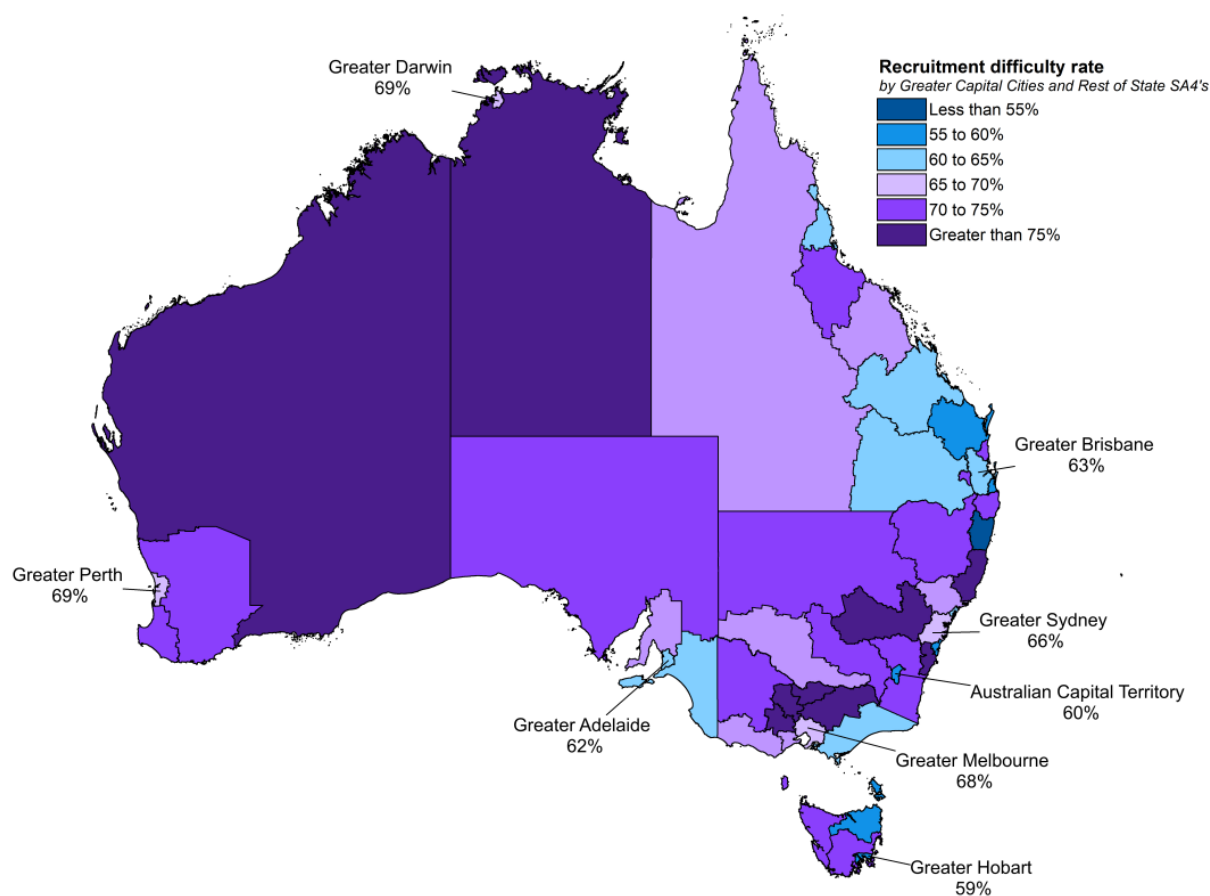
Source: JSA, Recruitment Experiences and Outlook Survey, June 2023.

Recruitment difficulty rates tend to increase with distance from population hubs.

Figure 9 shows recruitment difficulty as recorded in the 12 months to June 2023, for each Statistical Area Level 4 region and Greater Capital City area². The higher recruitment difficulty rates in more remote areas may be explained by tighter labour market conditions, along with added pressure points faced by these employers when it comes to recruitment.

² SA4 regions and GCC areas as attributed by ABS, Australian Statistical Geography Standard (ASGS) Edition 3.

Figure 9: Recruitment difficulty rates, 12 months to June 2023 – heatmap of SA4 regions, and Greater Capital City areas



Source: JSA, Recruitment Experiences and Outlook Survey, June 2023. Data for rest of state SA4's are indicative only due to small sample sizes for some regions.

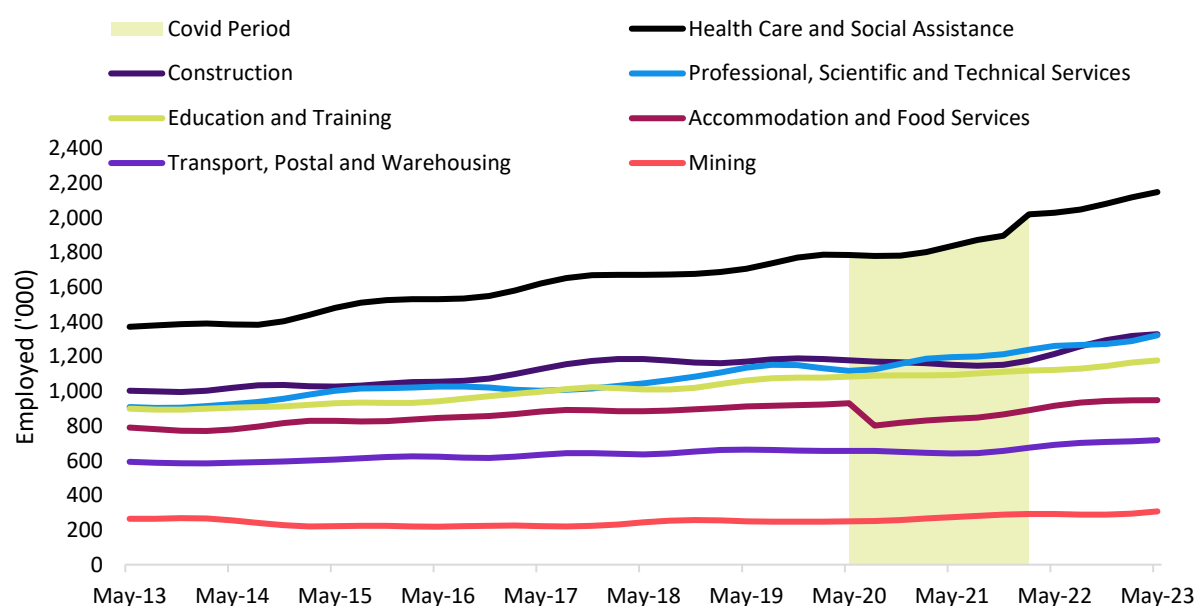
Employment growth across skill levels, occupations and industries

Reflecting continued economic growth and a tight labour market, employment in Australia reached a record high in the May 2023 quarter, and employment in 7 of the 19 broad industry groups reached record highs over the same period (Figure 10):

- Health Care and Social Assistance (2,148,800, up by 119,100 or 5.9% over the year)
- Construction (1,329,100, up by 113,500 or 9.3% over the year)

- Professional, Scientific and Technical Services (1,323,000, up by 61,800 or 4.9% over the year)
- Education and Training (1,177,900, up by 55,300 or 4.9% over the year)
- Accommodation and Food Services (948,600, up by 32,900 or 3.6% over the year)
- Transport, Postal and Warehousing (718,100, up by 26,300 or 3.8% over the year)
- Mining (307,200, up by 15,300 or 5.2% over the year)

Figure 10: Employment growth for selected industries – May 2013 to May 2023



Source: ABS, *Labour Force, Australia, Detailed, May 2023*, data trended by the ABS

Note. Given large month-to-month changes during the COVID-19 pandemic, resulting in multiple trend breaks, the ABS recommends caution when using trend estimates during the period from May 2020 to February 2022 inclusive.

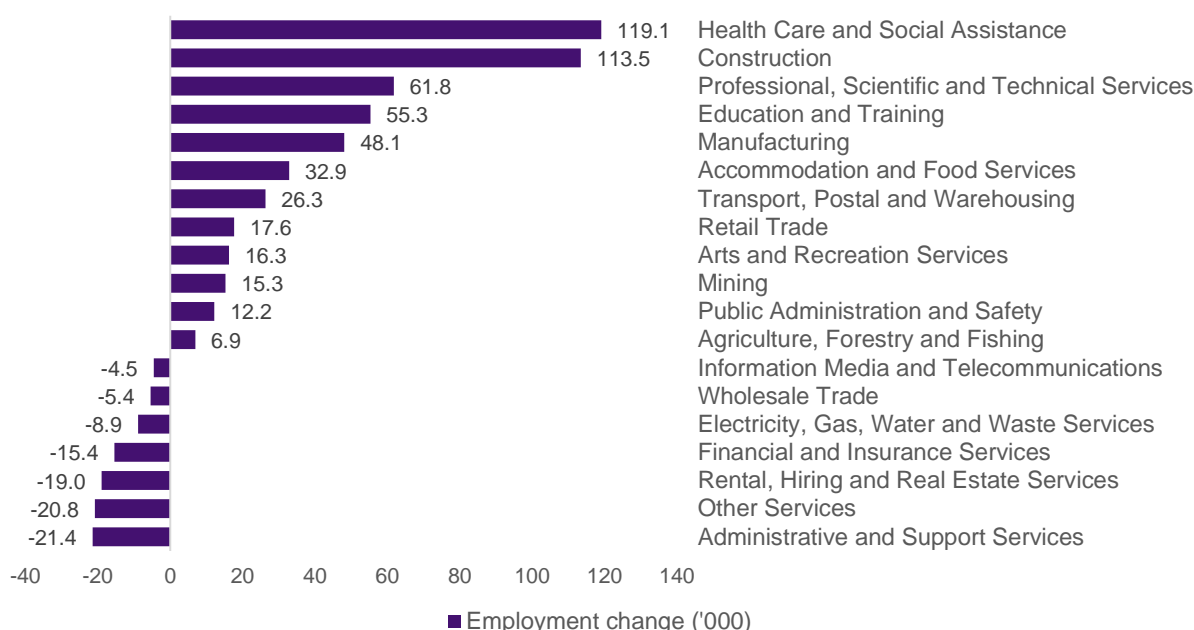
ABS Labour Force Survey data released on 22 June 2023 show that employment increased in 12 industries and declined in seven over the year to May 2023. The largest gains in employment were for Health Care and Social Assistance (up by 119,100, or 5.9%), Construction (up by 113,500, or 9.3%), Professional, Scientific and Technical Services (up by 61,800, or 4.9%), and Education and Training (up by 55,300, or 4.9%). The largest falls were for Administrative and Support Services (down by 21,400, or 5.0%), Other Services (down by 20,800, or 3.8%), Rental, Hiring and Real Estate Services (down by 19,000, or 8.2%), and Financial and Insurance Services (down by 15,400, or 2.8%). (Table 4 and Figure 11).

Table 4: Employment by Industry, May 2023 and annual change ('000)

| Industry | May 2023 ('000) | Annual change ('000) | Annual change (%) |
|---|-----------------|----------------------|-------------------|
| Agriculture, Forestry and Fishing | 303.1 | 6.9 | 2.3 |
| Mining | 307.2 | 15.3 | 5.2 |
| Manufacturing | 904.2 | 48.1 | 5.6 |
| Electricity, Gas, Water and Waste Services | 157.1 | -8.9 | -5.4 |
| Construction | 1,329.1 | 113.5 | 9.3 |
| Wholesale Trade | 362.2 | -5.4 | -1.5 |
| Retail Trade | 1,321.9 | 17.6 | 1.4 |
| Accommodation and Food Services | 948.6 | 32.9 | 3.6 |
| Transport, Postal and Warehousing | 718.1 | 26.3 | 3.8 |
| Information Media and Telecommunications | 192.3 | -4.5 | -2.3 |
| Financial and Insurance Services | 537.3 | -15.4 | -2.8 |
| Rental, Hiring and Real Estate Services | 211.8 | -19.0 | -8.2 |
| Professional, Scientific and Technical Services | 1,323.0 | 61.8 | 4.9 |
| Administrative and Support Services | 405.2 | -21.4 | -5.0 |
| Public Administration and Safety | 910.1 | 12.2 | 1.4 |
| Education and Training | 1,177.9 | 55.3 | 4.9 |
| Health Care and Social Assistance | 2,148.8 | 119.1 | 5.9 |
| Arts and Recreation Services | 248.6 | 16.3 | 7.0 |
| Other Services | 526.4 | -20.8 | -3.8 |
| TOTAL EMPLOYMENT | 14,029.8 | 482.4 | 3.6 |

Source: ABS, *Labour Force, Australia, Detailed, May 2023*, data trended by the ABS.

Figure 11: Employment growth by Industry ('000) – May 2022 to May 2023



Source: ABS, *Labour Force, Australia, Detailed, May 2023*, data trended by the ABS.

The **Health Care and Social Assistance** industry has experienced 11 consecutive quarters of employment growth, with employment increasing by 119,100 workers (or 5.9%) over the year to May 2023. At a sub-industry level, *Social Assistance Services* was a key driver of growth, with employment increasing by 96,700 (or 16.4%) over the year, the largest annual rate of growth recorded in the trend series. Strong annual growth for social assistance services may be attributed to increased demand for various social services linked to the negative mental health effects of the COVID-19 pandemic and ensuing lockdowns,³ and ongoing demand for and increased attendance hours at childcare centres.⁴

Over the year to May 2023, strong employment growth was also recorded for the *Medical and Other Health Care Services* and *Hospitals* sub-industries, increasing by (54,200 or 8.7%, and 13,600 or 2.5% respectively). Growth in these sub-industries may be attributed to increased demand for a range of health care, medical and hospital services due to the postponement of medical care and elective surgeries during the COVID-19 pandemic. The Australian Medical Association (AMA) estimates a backlog of around 507,800 patients seeking elective surgeries by the end of the 2022-23 financial year (a backlog of eight months) if hospitals do not expand their capacity. This backlog is well above the AMAs 2021-22 estimate of around 306,300 patients (a backlog of almost five months).⁵ Other factors that may be driving employment growth in the industry include continued healthcare spending by federal and state governments during and after the COVID-19 pandemic, with 2022-23 healthcare expenditure constituting 16.8% of the Australian Government's total expenditure over the period.⁶

³ The University of Sydney, *Moving on from COVID means facing its impact on mental health*, March 2023

⁴ The Property Tribune, *Childcare centre market poised for growth in 2023*, 2023.

⁵ Australian Medical Association, *Addressing the elective surgery backlog*, January 2023

⁶ Australian Government, *Budget strategy and outlook paper no. 1: 2022-23*, (Canberra: Australian Government, 2022), 151.

Employment in the **Construction** industry has grown by 113,500 people (or 9.3%) over the year to May 2023. The industry has experienced seven consecutive quarters of employment growth as the economy continues to recover from COVID-19 lockdowns in 2020 and the first half of 2021 (particularly in NSW, Victoria and WA), while material shortages and supply chain issues ease. The *Construction Services* sub-industry grew by 58,300 people (or 7.5%) over the year, and the *Building Construction* sub-industry grew by 11,600 people (or 3.5%) over the same period, largely driven by an increase in employment in *Residential Building Construction*. The **Construction** industry is expected to see continued growth over at least the next year due to a large pipeline of residential and non-residential projects.⁷ There are good prospects for higher density and detached residential projects, particularly in Sydney and Melbourne due to declining vacancy rates.⁸

The **Professional, Scientific and Technical Services** industry has recorded 12 consecutive quarters of employment growth, reaching a record high of 1,323,000 people employed in May 2023. Over the year, employment increased by 61,800 people (or 4.9%). Annual growth in the industry's workforce was largely due to an increase in employment across three sectors: *Computer System Design and Related Services* (up by 19,300 or 6.1%), *Legal and Accounting Services* (up by 11,900 or 3.8%) and *Management and Related Consulting Services* (up by 7,500 or 5.7%).

The **Education and Training** industry reached a record high of 1,177,900 people employed in May 2023, an increase of 55,300 people (or 4.9%) over the year. This growth was largely driven by an increase in the *Preschool and School Education* sub-industry, which grew by 20,500 people (or 3.0%) over the year to May 2023, with strong demand for and increased attendance hours at preschools likely a contributing factor.⁹

Conversely, employment in the **Administrative and Support Services** industry fell by 21,400 (or 5.0%) over the year to May 2023. Employment currently stands at 405,200 which is 52,200 (or 11.4%) lower than the peak recorded in August 2019. The **Rental, Hiring and Real Estate Services industry** also experienced a decline over the year to May 2023 (down by 19,000 people or 8.2%). Employment in the industry has declined for five consecutive quarters. This may be driven by reduced residential real estate sales volumes.¹⁰

Employment has increased across skill levels and occupations

Employment increased in all five skill level occupational groups over the year to May 2023 (Table 5). Employment in Skill Level 1 occupations was up by 184,400 (or 4.0%), followed by Skill Level 3 occupations (up by 95,800 or 4.8%), Skill Level 4 occupations (up by 92,000 or 2.8%), Skill Level 2 occupations (up by 59,300 or 3.6%), and Skill Level 5 occupations (up by 44,500 or 2.3%).

⁷ RBA, *Statement on Monetary Policy*, May 2023.

⁸ RBA, *Statement on Monetary Policy*, May 2023.

⁹ The Property Tribune, *Childcare centre market poised for growth in 2023*, 2023.

¹⁰ ABS, *Australian National Accounts: National Income, Expenditure and Product*, March 2023.

Table 5: Employment by Skill Level, May 2023 and annual change ('000)

| Skill Levels | May 2023 ('000) | Annual change ('000) | Annual change (%) |
|---------------------------|-----------------|----------------------|-------------------|
| Skill Level 1 Occupations | 4,843.3 | 184.4 | 4.0 |
| Skill Level 2 Occupations | 1,720.0 | 59.3 | 3.6 |
| Skill Level 3 Occupations | 2,100.2 | 95.8 | 4.8 |
| Skill Level 4 Occupations | 3,331.6 | 92.0 | 2.8 |
| Skill Level 5 Occupations | 2,019.7 | 44.5 | 2.3 |

Source: ABS, Labour Force, Australia, Detailed, May 2023, data trended by Jobs and Skills Australia

Over the year to May 2023, around 90.6% of total employment growth was in occupations that typically require post-school qualifications. 51.9% of total employment growth over this period was in Skill Level 2 to Skill Level 4 occupations (where VET qualifications are the primary pathway).

Over the year to May 2023, employment increased in all eight major occupational groups (Table 6). The largest increases in employment were recorded for Professionals (up by 145,300 or 4.2%), Community and Personal Service Workers (up by 88,100 or 6.0%) and Technicians and Trades Workers (up by 65,100 or 3.5%).

Table 6: Employment by major Occupational Group, May 2023 and annual change ('000)

| Occupation | May 2023 ('000) | Annual change ('000) | Annual change (%) |
|--|-----------------|----------------------|-------------------|
| Managers | 1,847.4 | 62.1 | 3.5 |
| Professionals | 3,633.6 | 145.3 | 4.2 |
| Technicians and Trades Workers | 1,927.8 | 65.1 | 3.5 |
| Community and Personal Service Workers | 1,559.1 | 88.1 | 6.0 |
| Clerical and Administrative Workers | 1,801.6 | 33.5 | 1.9 |
| Sales Workers | 1,119.9 | 13.8 | 1.2 |
| Machinery Operators and Drivers | 887.5 | 12.0 | 1.4 |
| Labourers | 1,227.5 | 50.1 | 4.3 |

Source: ABS, Labour Force, Australia, Detailed, May 2023, data trended by Jobs and Skills Australia.

Five of the 10 detailed occupations with the largest increases in employment over the year to May 2023 are Skill Level 1 occupations requiring a Bachelor Degree or higher (Table 7). Further, **the top three growing occupations are caring occupations**, underscoring the

continued need for diverse skills required to provide affordable, efficient and equitable access to care across the lifespan.

Table 7: Highest and lowest 10 occupations by change in employment from May 2022 to May 2023

| Highest occupations by change in employment | | | Lowest occupations by change in employment | | |
|--|-------------|--|---|-------------|--|
| Occupation | Skill Level | Change in employment since May 2022 ('000) | Occupation | Skill Level | Change in employment since May 2022 ('000) |
| Aged and Disabled Carers | 4 | 23.3 | Checkout Operators and Office Cashiers | 5 | -6.1 |
| Registered Nurses | 1 | 12.9 | Office Managers | 2 | -3.6 |
| Child Carers | 3 | 11.7 | Livestock Farmers | 1 | -3.2 |
| Sales Assistants (General) | 5 | 11.7 | Commercial Cleaners | 5 | -3.1 |
| Contract, Program and Project Administrators | 2 | 10.7 | Keyboard Operators | 4 | -3.1 |
| Human Resource Managers | 1 | 10.3 | Sales Representatives | 4 | -2.8 |
| Management and Organisation Analysts | 1 | 10.2 | Bus and Coach Drivers | 4 | -2.8 |
| ICT Managers | 1 | 8.4 | Bookkeepers | 3 | -2.5 |
| Software and Applications Programmers | 1 | 8.4 | Crop Farmers | 1 | -2.1 |
| Electricians | 3 | 7.5 | Graphic and Web Designers, and Illustrators | 1 | -2.0 |

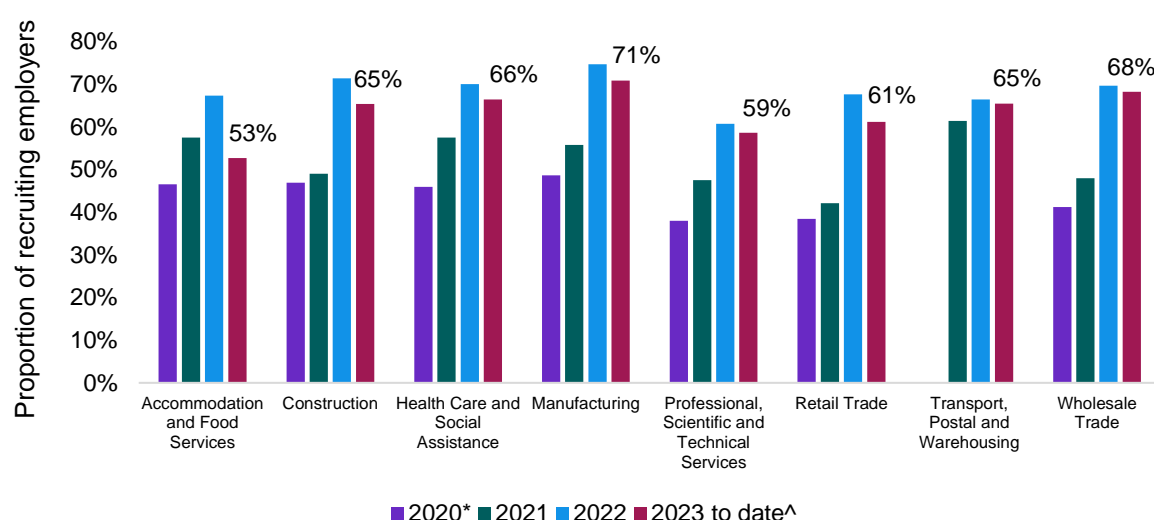
Source: ABS, Labour Force, Australia, Detailed, May 2023, data trended by Jobs and Skills Australia.

Recruitment difficulty by selected industries and occupations

The selected industries in Figure 12 show that broadly all major divisions experienced increased recruitment difficulty from 2020 through to 2022. These industries have since recorded declining difficulty rates from 2022 to 2023.

Recruitment difficulty trends are not uniform and are not felt equally by employers across varying industries – with acute pressure points having differing effects on employers. The Accommodation and Food Services industry in 2023 has the smallest proportion of employers experiencing recruitment difficulty (53%). Conversely, Manufacturing (71%) and Wholesale Trade (68%) had some of the largest proportions of employers experiencing recruitment difficulty.

Figure 12: Annual recruitment difficulty rate by industry (proportion of recruiting employers), 2020 to 2023



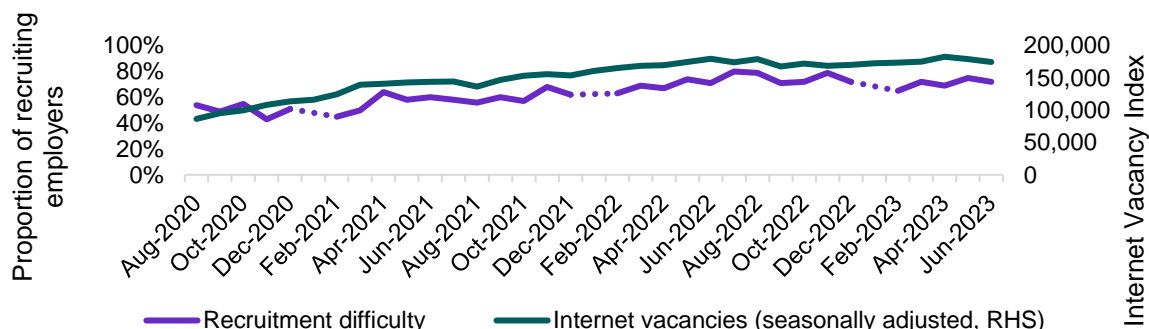
Source: JSA, *Recruitment Experiences and Outlook Survey*, June 2023

*2020 data covers the period from August 2020 to December 2020. As a result, it does not reflect recruitment conditions at the height of the restrictions that were put in place in response to the pandemic. ^2023 to date covers the period from January 2023 to June 2023. The Transport, Postal and Warehousing industry is unable to be reported on for 2020.

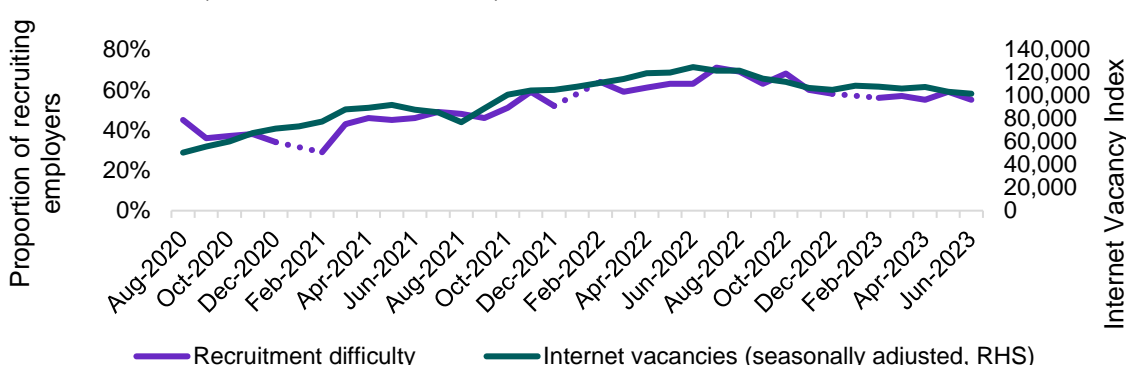
Figures 13a and 13b show that in June 2023, more employers had difficulty recruiting for higher skilled occupations (72% for Skill Level 1 to 3 occupations) than those with vacancies for lower-skilled occupations (55% for Skill Level 4 and 5 occupations). Notably, since mid-2022, there has been a decreasing trend in difficulty for lower-skilled occupations, in parallel with a decreasing level of internet vacancies as recorded by JSA's Internet Vacancy Index.

Figure 13 (a-b) Monthly recruitment difficulty rate and Internet vacancies by skill level of occupation, August 2020 to June 2023

a. Higher skilled (ANZSCO Skill Level 1-3)



b. Lower skilled (ANZSCO Skill Level 4-5)



Source: JSA, Recruitment Experiences and Outlook Survey, June 2023; JSA, Internet Vacancy Index, June 2023. Note: Disaggregated data was not publishable in January of each year; hence relevant data points have been joined by a dotted line.

Signs of labour market softening

Update from the recruitment surveys

While labour market conditions in Australia over the last year have been reasonably strong, weaker economic growth, together with movements in a number of partial forward indicators, suggests that the labour market is likely to soften over the period ahead.

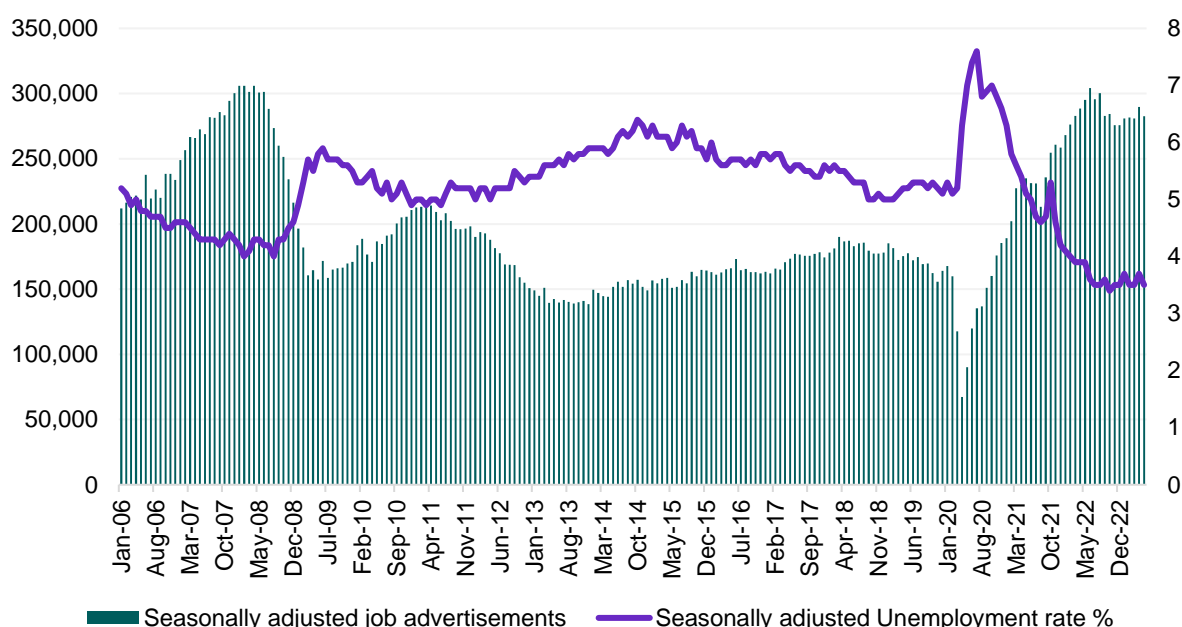
The June 2023 Recruitment Experience and Outlook Survey results show that the proportion of employers recruiting fell by 9 percentage points over the year and is now 10 percentage points lower than the peak of 59% recorded in May and July last year.

Monthly job advertisements have stabilised but remain below their mid-2022 peak.

JSA's Internet Vacancy Index (IVI) shows that there has been an overall decrease in recruitment activity over the 12 months to June 2023, with job advertisements 8.9% (or 27,000 job advertisements) lower than in June 2022 (Figure 14). That said, the level of job advertisements nationally remains significantly elevated compared to pre-COVID-19 levels.

Recent trends in ABS Job Vacancies data reflect similarly stable patterns in recruitment activity. The most recent ABS data recorded 432,000 job vacancies in the May 2023 quarter, representing a decrease of 9,000 job vacancies (or 2.0%) over the quarter, following an increase of 47,800 (or 10.0%) over the year. Vacancy numbers, though, are at high levels historically with this decline coming from a near series peak recorded in mid-2022.

Figure 14: Internet Vacancy Index job advertisements and unemployment rate, January 2006 to May 2023



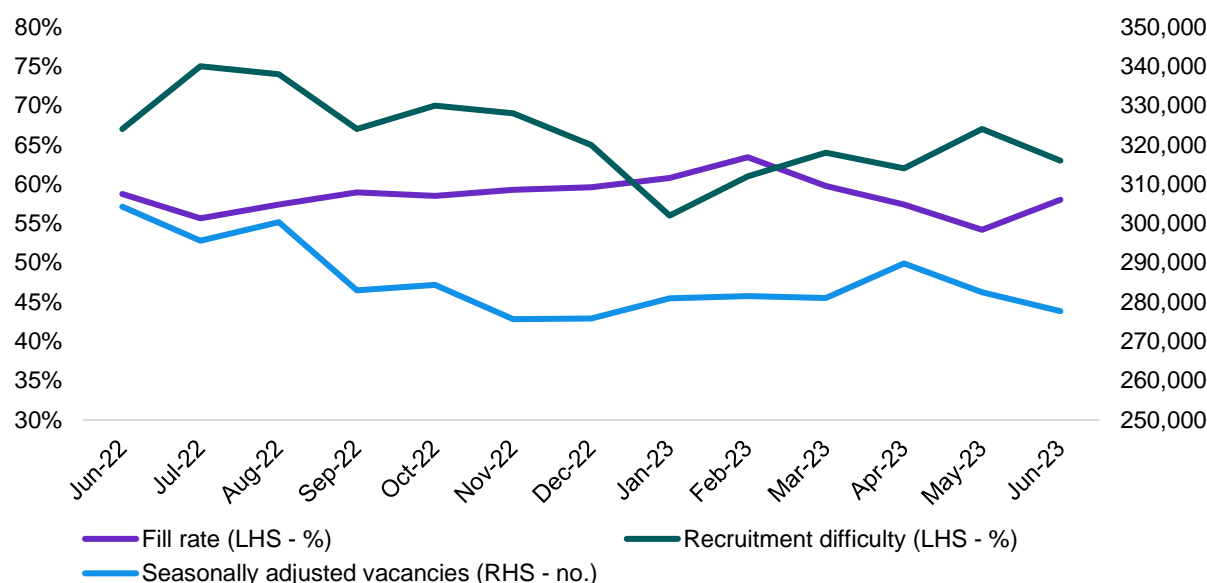
Source: ABS, *Labour Force Australia*, May 2023, seasonally adjusted data; JSA, *Internet Vacancy Index*, May 2023, seasonally adjusted data.

Recruitment difficulty and labour demand have eased slightly, but filling advertised roles remains a challenge. Data from JSA's Survey of Employers who have Recently Advertised (SERA), shows that the percentage of occupation vacancies that have been filled (or the fill rate) fell in June 2023 quarter, after consistent rises over the previous three quarters.

The fill rate fell to 56% in June 2023 quarter from 62% the previous quarter (Figure 15). The fill rate is now back to the levels last seen during the onset of the tight labour market conditions around late 2021.

The drop in the June 2023 quarter national fill rate has coincided with falls in the number of internet vacancies and the most recent month recruitment difficulty rate (as measured by JSA's Recruitment Experiences and Outlook Survey). But IVI and the difficulty rate remains elevated, and the fill rate is at the level seen back in March 2022 quarter where labour market conditions were tight. Moreover, the low unemployment rate published by Australian Bureau of Statistics data indicates persistent tightness in the labour market.

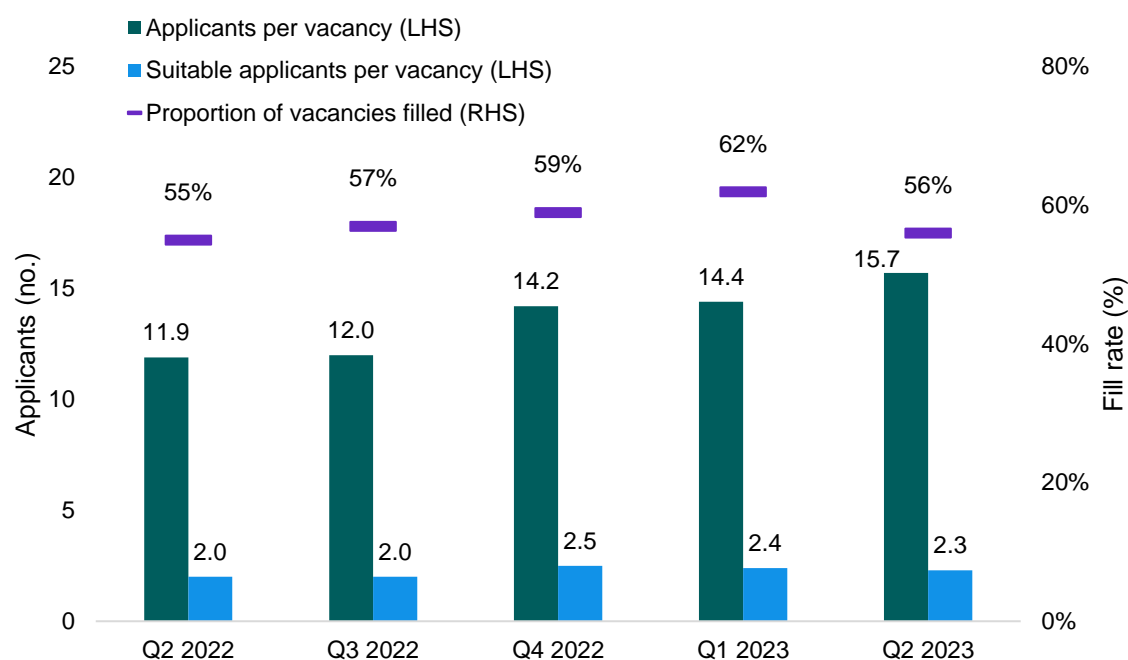
Figure 15: Monthly fill rate (SERA), recruitment difficulty (REOS) and internet vacancies (IVI), June 2021 to June 2023



Source: JSA, Survey of Employers who have Recently Advertised, 2023; JSA, Recruitment Experiences and Outlook Survey, June 2023; JSA, Internet Vacancy Index, June 2023.

Higher average applicant numbers per vacancy have not translated into better fill rates. The lower fill rates have coincided with higher average applicant numbers per vacancy in June 2023 quarter compared to past quarters (up 1.3 to 15.7 compared to 14.4 in March 2023 quarter). However, the average number of suitable applicants per vacancy has dropped to 2.3 compared to 2.5 in December 2022 (Figure 16). This may suggest that, along with the fall in the fill rate, employers are still struggling to fill vacant positions: an implication being that skill shortage pressures persist.

Figure 16: Quarterly fill rate (%), applicants and suitable applicants per vacancy (no.), 2022 to 2023



Source: JSA, Survey of Employers who have Recently Advertised, 2022 – 2023.

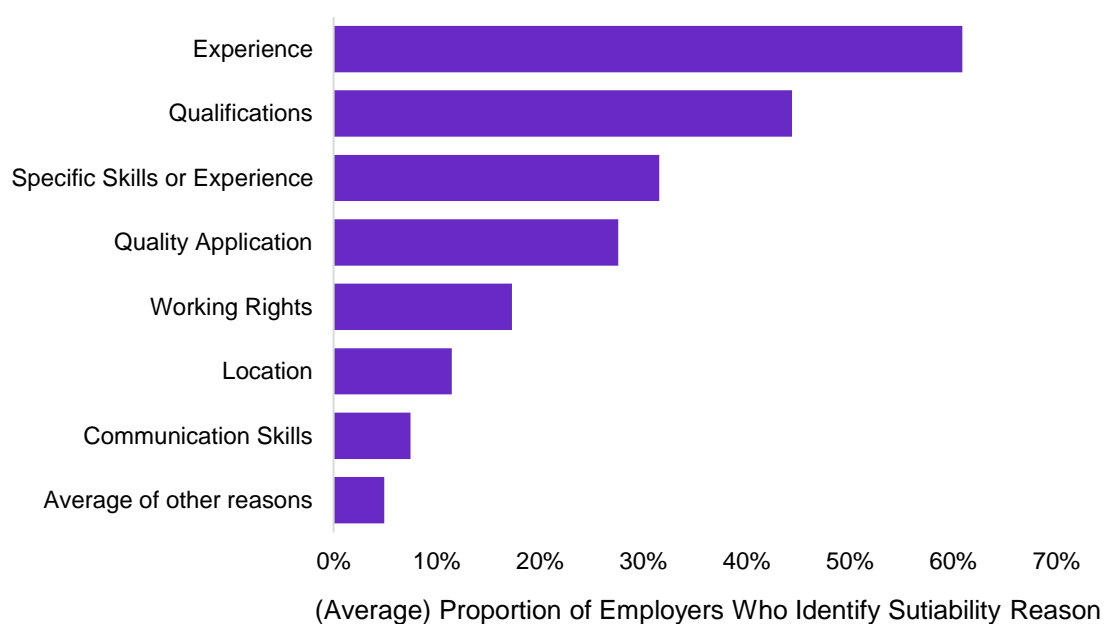
From a major occupational group perspective, employers had the most difficulty filling vacancies for Technicians and Trades Workers, with just 47% of vacancies filled in the June 2023 quarter. Shortages within this broad group of occupations appear to be persistent over time.

- JSA analysis suggests that employers seek skills beyond those provided by qualifications. At the national level and across all occupations, among the most common reason employers stated for applicants not being suitable was a lack of experience and specific skills. On average, employers received 5.7 qualified applicants per vacancy, more than twice the number of applicants than were deemed suitable (2.3 applicants per vacancy).
- This implies that the issues with low fill rates are not simply a matter of not enough people being formally educated in the field – but a mismatch between employer requirements for experienced staff with the required skills and the availability of such staff.

Further analysis using SERA data shows the attributes that employers place emphasis on when filling vacancies. For the 2022-23 year, the data reveals that more than 60% of employers identified work experience as paramount for employment, followed by less than 50% of employers that place weight on qualifications (Figure 17).

When considering communication skills along with experience, about seven out of ten employers seek these attributes in applicants when seeking to fill advertised vacancies. Communication and experience, taken together, can be used as a proxy for ‘employability skills’. This means that on average, employers place greater weight on ‘employability skills’ over and above technical skills attained through qualifications.

Figure 17: Drivers of applicant suitability, 2022 to 2023

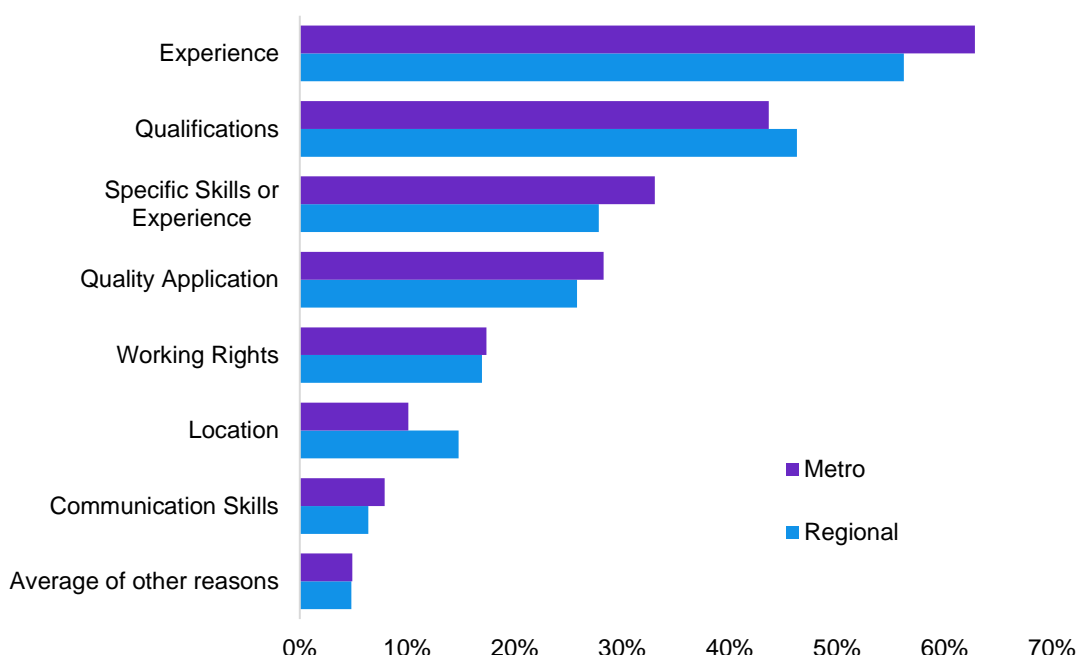


Source: JSA, Survey of Employers who have Recently Advertised

Employer priorities on worker attributes are generally consistent in metro and regional areas (Figure 18). However, in metro regions there is higher demand among employers for general experience, and specific skills/experience. Among regional employers, qualifications and location in particular matter more than employers in metro areas.

The results suggest that location of employer or the location of an applicant is more of a barrier to regional employers finding skilled workers. For metro area employers, the attribute of specific skills or experience being a more likely factor for suitability may be due to metro employers having access to a larger pool of skilled workers to choose from and therefore can be more selective with respect to suitable skills.

Figure 18: Drivers of applicant suitability, metro and regional, 2022 to 2023



Source: JSA, Survey of Employers who have Recently Advertised

Wages: variability in annual growth between different indicators

The most recent wage price index for the June 2023 quarter showed wages growth of 3.7% through the year, the highest rate of annual growth since 2012. The Federal Budget released by the Treasurer on 12 May 2023 showed Treasury's forecast for nominal growth in the wage price index is 4% through the year to June 2024.

It is important to note that the wage price index does not reflect the impact on overall wages of job mobility – such as movements towards more highly-skilled jobs, or movement of workers from lower-productivity firms to higher-productivity firms. Alternative measures of wage growth seek to reflect job mobility in different ways, leading to different measures of wages growth.

For example, ABS National Accounts data can be used to calculate Average Earnings on National Accounts (AENA). AENA is designed to measure the average level of labour cost per employee and is measured as total compensation of employees divided by the total number of employees – irrespective of whether employees have changed jobs or stayed in

the same job. The most recent National Accounts data showed annual growth in AENA of 6.9% for the year to March 2023.

Over the year to May 2023, an increase in Average Weekly Ordinary Time Earnings (AWOTE) of 3.9% was also recorded. The increase in AWOTE over the year to May 2023 was the second largest increase since the 5.3% recorded over the year to May 2013 (only behind the 4.8% recorded over the year to May 2020, when low paid jobs were particularly impacted during the lockdowns early in the COVID-19 pandemic). The strength of this increase was reflected across a variety of cohorts, such as gender, public and private sector, industry and states and territories.

A recent addition to published data sources with respect to measures of wages growth is the SEEK Advertised Salary Index (ASI). This measures the growth in advertised salaries for jobs posted on SEEK, an employment marketplace in Australia, after removing much of the effect of any compositional change in jobs being advertised. As this data measures growth in advertised salaries for advertised jobs, it does not reflect wages growth for workers who remain in their existing job. Nonetheless, it offers additional insight into the wages that employers are offering when trying to attract new workers. The SEEK ASI for June 2023 showed annual growth in advertised salaries of 4.5% for the year¹¹.

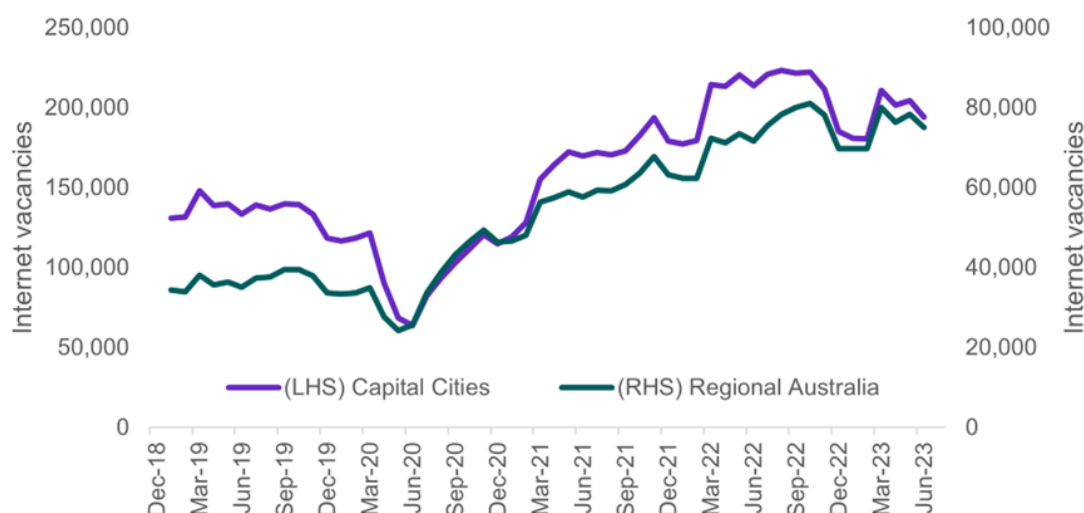
Trends in recruitment activity in capital cities and regional areas

From June 2020 to October 2022, there was significant growth in internet vacancies in both capital cities and across regional Australia. Vacancies, though, have declined from this series high over the past year, but advertisements in regional Australia have remained more buoyant than their capital city counterparts. This is due to an increase in vacancies for Professionals across regional Australia (particular in the healthcare sector), while vacancies for some large employing corporate and ICT occupations declined in the capital cities.

Recent Vacancy Reports have highlighted a contraction in recruitment activity in capital cities compared to twelve months ago. This has been paralleled by continuing growth outside capital cities, although at declining intensity. To contextualise these annual change values, Figure 19 shows the recent trend in IVI results for capital cities and regional areas. From the low in June 2020, recruitment activity in capital cities increased by 248.2% (or 158,500 job advertisements) and 215.5% (or 55,400) in regional Australia by October 2022. Since the peak in October 2022, recruitment activity in capital cities decreased by 12.7% (or 28,200 job advertisements) and 7.5% (or 6,100) in regional Australia by June 2023.

¹¹ SEEK, *Advertised Salary Index*, June 2023

Figure 19: Online job advertisements in capital cities and regional Australia, January 2019 to June 2023



Source: Jobs and Skills Australia, Internet Vacancy Index, June 2023, 3-month average data.

During the growth period, online job advertisements for each major occupation group recorded robust growth, with most doubling or trebling by the October 2022 peak (Table 8). During the recent period of contraction in online job advertisements, almost all major occupation groups recorded decreases. Labourers and Sales Workers experienced the strongest decline from October 2022 to June 2023 in both capital cities (down by 32.2% and 24.5% respectively) and regional Australia (down by 21.5% and 22.1% respectively). Internet vacancies for Managers and Machinery Operator and Drivers in regional Australia recorded the smallest declines for any occupation group across Australia (down by 3.7% and 3.8%).

Vacancies for Professionals in regional Australia increased by 5.1% (or 1,000 job advertisements) in complete contradiction to the aggregate trend in this period. Within this occupation group, recruitment activity for various healthcare occupations recorded meaningful increases during this period across capital cities and regional areas. In regional Australia, vacancies increased for General Practitioners and Resident Medical Professionals (34.2%), Audiologists and Speech Pathologists/Therapists (32.7%) and Registered Nurses (6.2%).

The key point of distinction between the two areas was the large decline in vacancy numbers for some large employing corporate and ICT occupations in capital cities, which was not evident in regional areas. This included Software and Applications Programmers, ICT Business and Systems Analysts, Advertising and Marketing Professionals and Human Resource Professionals. While declines were observed for most of these occupations in regional areas, the magnitude was far smaller by both frequency and proportion, such that the persistent demand for healthcare roles remained visible in context of the decline in aggregate recruitment activity.

Table 8: Change in internet advertisements during the growth period following the COVID-19 shock and the recent contraction period for capital cities and regional Australia

| | Growth period: June 2020 to October 2022 | | | | Contraction period: October 2022 to June 2023 | | | |
|--|--|-------------|---------------|-------------|---|---------------|---------------|--------------|
| | Capital cities | | Regional | | Capital cities | | Regional | |
| | No. | % | No. | % | No. | % | No. | % |
| Managers | 18,500 | 243% | 4,700 | 233% | -1,600 | -6.2% | -250 | -3.7% |
| Professionals | 41,300 | 188% | 12,700 | 176% | -3,500 | -5.6% | 1,000 | 5.1% |
| Technicians and Trades Workers | 19,100 | 243% | 8,900 | 205% | -2,800 | -10.5% | -800 | -6.1% |
| Community and Personal Service Workers | 19,000 | 357% | 8,800 | 295% | -5,200 | -21.3% | -1,400 | -11.8% |
| Clerical and Administrative Workers | 27,000 | 280% | 7,500 | 253% | -3,700 | -10.1% | -1,100 | -10.8% |
| Sales Workers | 14,400 | 341% | 5,500 | 319% | -4,600 | -24.5% | -1,600 | -22.1% |
| Machinery Operators and Drivers | 7,500 | 225% | 3,300 | 150% | -1,700 | -15.9% | -210 | -3.8% |
| Labourers | 11,600 | 305% | 5,900 | 207% | -5,000 | -32.2% | -1,900 | -21.5% |
| Australia | 158,500 | 248% | 55,400 | 216% | -28,200 | -12.7% | -6,100 | -7.5% |

Source: Jobs and Skills Australia, Internet Vacancy Index, June 2023, 3-month average data.

Regional skills pressure case study: Electricians

One occupation that has been the subject of regular public discussion with respect to regional skills shortages is Electricians. Previous JSA analysis has highlighted Electricians as one of the top 20 occupations in national demand, with such demand likely to be increased by Australia's clean energy transformation. The clean energy transition may have particularly important implications for a number of key regions that are actively planning the transition from fossil fuels to renewable energy, such as Central Queensland, North-west Western Australia, and the Hunter in New South Wales.

To help gain a better understanding of regional skills pressures, an indicator based on the ratio of online job advertisements to employment at the regional level, can be combined with findings from the 2022 Skills Priority List to test current labour demand pressures for occupations on a region-by-region basis¹². By examining similar figures for particular occupations that are assessed as being in shortage, the regions also experiencing high vacancy rates can also be identified. In effect, this provides an indication of the variations in regional skills pressures for any given occupation.

Table 9 presents these results for Electricians, which is an occupation that was found to be in shortage (both nationally and for each state and territory) in the 2022 Skills Priority List. However, as the table illustrates, the current degree of skills pressure is far from uniform across regions.

¹² The regional skills pressure indicator relies upon the Nowcast of Employment by Region and Occupation (NERO). NERO has been used to develop and publish monthly estimates of current employment levels for 355 occupations across 88 regions, with more than 31,000 observations for any one month. Prior to the release of NERO, detailed data of employment by occupation and region were only readily available every five years from the ABS Census of Population and Housing.

Table 9: IVI vacancy ratios (IVI online job advertisements as a proportion of employment) for Electricians, by region

| No. | Region | IVI vacancy ratio (%) | No. | Region | IVI vacancy ratio (%) |
|-----|-------------------------------------|-----------------------|-----|-----------------------------------|-----------------------|
| 1 | Western Australia – Outback (South) | 4.4 | 22 | Darling Downs - Maranoa | 1.5 |
| 2 | Western Australia – Outback (North) | 4.3 | 23 | Melbourne | 1.4 |
| 3 | Cairns | 4.0 | 24 | Hobart | 1.3 |
| 4 | Townsville | 3.5 | 25 | Southern Highlands and Shoalhaven | 1.2 |
| 5 | South Australia - Outback | 3.4 | 26 | Launceston and North East | 1.2 |
| 6 | Darwin | 3.3 | 27 | Central West | 1.2 |
| 7 | Western Australia – Wheat Belt | 2.8 | 28 | South Australia – South East | 1.2 |
| 8 | Queensland – Outback | 2.8 | 29 | West and North West | 1.2 |
| 9 | Brisbane | 2.7 | 30 | Toowoomba | 1.1 |
| 10 | Wide Bay | 2.5 | 31 | Bendigo | 1.1 |
| 11 | Perth | 2.2 | 32 | Capital Region | 1.1 |
| 12 | Newcastle and Lake Macquarie | 2.1 | 33 | Murray | 1.0 |
| 13 | Central Queensland | 2.0 | 34 | Latrobe - Gippsland | 1.0 |
| 14 | Adelaide | 1.9 | 35 | Mid North Coast | 1.0 |
| 15 | New England and North West | 1.9 | 36 | Gold Coast | 1.0 |
| 16 | Riverina | 1.8 | 37 | Sunshine Coast | 1.0 |
| 17 | Sydney | 1.7 | 38 | Hume | 0.9 |
| 18 | Mackay – Isaac - Whitsunday | 1.7 | 39 | Shepparton | 0.9 |
| 19 | Hunter Valley excl. Newcastle | 1.5 | 40 | Illawarra | 0.8 |
| 20 | Australian Capital Territory | 1.5 | 41 | Richmond - Tweed | 0.8 |

| | | | | | |
|-----------|---------------------------|------------|-----------|----------------|------------|
| 21 | Far West and Orana | 1.5 | 42 | Bunbury | 0.7 |
|-----------|---------------------------|------------|-----------|----------------|------------|

Notes: IVI data are January 2023 to June 2023 monthly average. Regions presented in this table are Statistical Area 4 (SA4) regions, with the exception of capital cities, where relevant SA4 regions are combined to present an overall result for that capital city. Results for Tasmania-South East, Coffs Harbour – Grafton, Northern Territory – Outback, Barossa – Yorke – Mid North, Ballarat, Victoria - North West, Warrnambool and South West and Geelong SA4 regions are excluded from the table, due to small sample sizes and accompanying low reliability of the result.

Source: JSA, *Internet Vacancy Index*, June 2023; *Nowcast of Employment by Region and Occupation*, June 2023

Labour demand pressure is particularly acute in regional Western Australia and regional Queensland, with six of the top eight vacancy ratios relating to those two regional areas. More broadly, labour demand for Electricians appears to be more pronounced in northern Australia than in south-eastern Australia (as represented by lower vacancy ratios across most regions within New South Wales, Victoria, Tasmania and the Australian Capital Territory).