



Australian Government



Jobs and Skills Australia

# International Labour Market Update

May 2026



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## International labour market

The Organisation for Economic Development and Cooperation (OECD) report a softening in the international labour market in the first quarter of 2026. Job vacancy growth eased in Canada, the United Kingdom (UK) and the United States of America (USA) as labour demand weakened, although unemployment rates in OECD countries generally remained near historical lows.<sup>1</sup>

### Labour market comparison

An International Monetary Fund (IMF) staff paper identifies European economies including Ireland, Finland, Denmark and Switzerland as leaders in preparing workers with emerging skills such as artificial intelligence (AI).<sup>2</sup>

The IMF reports that employment in the Euro Area was resilient in early 2026.<sup>3</sup> However, the European Central Bank suggests labour demand moderated towards the end of 2025, with the job vacancy rate at 2.2% in the December quarter 2025 and forward indicators suggesting muted employment growth at the beginning of 2026.<sup>4</sup> Unemployment in the European Union (EU) was stable at 6.0% in March 2026<sup>5</sup> and the EU's youth unemployment rate was 15.4% in March 2026, up from 15.1% in March 2025.<sup>6</sup>

The OECD found Canada's labour market eased gradually at the start of 2026.<sup>7</sup> The Bank of Canada notes the labour market was soft in April 2026, with subdued employment growth and job losses in industries impacted by trade barriers,<sup>8</sup> particularly in the steel manufacturing and soft lumber industries.<sup>9</sup> Canadian government data shows that payroll employment fell in transportation and warehousing by 0.9% over the year to February 2026, with the largest falls in the truck transportation (down 2.2%) and air transportation (down 3.0%) industries.<sup>10</sup>

The Bank of Japan reports labour markets in Japan tightened in the March quarter 2026 which can be partly attributed to slower labour force participation growth for women and older workers.<sup>11</sup> The IMF notes Japan's aging and shrinking workforce contributed to slow economic growth since the mid-2000s.<sup>12</sup> Unions secured an average 5.1% nominal wage increase for full-time employees through wage negotiations in early April 2026. This is the third consecutive year where nominal wage increases exceeded 5.0%,<sup>13</sup> supported by widespread labour market tightness and shortages, as reported in the Bank of Japan's Tankan survey of employment conditions.<sup>14</sup>

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<sup>1</sup> OECD - [Economic Outlook Volume 2025 Issue 2](#) – 2 December 2025

<sup>2</sup> IMF - [Bridging Skill Gaps for the Future: New Jobs Creation in the AI Age \(SDN/2026/001\)](#) – 9 January 2026

<sup>3</sup> IMF – [World Economic Outlook: Global Economy in the Shadow of War](#) – 1 April 2026

<sup>4</sup> European Central Bank (ECB) - [Economic Bulletin Issue 2, 2026](#) – 2 April 2026

<sup>5</sup> Eurostat – [Statistic Explained: Unemployment statistics](#) – 30 January 2026

<sup>6</sup> Eurostat – [Statistic Explained: Unemployment statistics](#) – 30 January 2026

<sup>7</sup> OECD - [Economic Outlook Interim Report March 2026](#) – 26 March 2026

<sup>8</sup> Bank of Canada - [Bank of Canada maintains policy rate at 2¼%](#) - 29 April 2026

<sup>9</sup> Bank of Canada - [One year later—Assessing the impact of US trade restrictions on Canadian industries](#) – 8 April 2026

<sup>10</sup> Government of Canada - [Payroll employment, earnings and hours, and job vacancies, February 2026](#) – 30 April 2026

<sup>11</sup> Bank of Japan - [Outlook for Economic Activity and Prices](#) – 28 April 2026

<sup>12</sup> IMF - [Japan: 2026 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Japan: IMF Country Report No. 26/75](#) – 2 April 2026

<sup>13</sup> Japan International Labour Foundation (JILAF) – [Economic and Labor Situation in Japan, April 2026](#) – 14 April 2026

<sup>14</sup> IMF - [Japan: 2026 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Japan: IMF Country Report No. 26/75](#) – 2 April 2026

The unemployment rate in New Zealand (NZ) rose over the year to the March quarter 2026 by 0.2 percentage points (pp) to 5.3%, while the employment and labour force participation rates fell.<sup>15</sup> Online job vacancies grew over the year to the March quarter 2026 by 11.8%, marking the third consecutive quarter of annual growth. Over the year to the March quarter 2026, online job vacancies grew in all 8 occupation groups and all industry groups except for education.<sup>16</sup> The OECD notes labour shortages in NZ eased in early 2026, reducing pressure on wages.<sup>17</sup>

The OECD notes unemployment in the UK was low and vacancy-to-unemployment ratios fell more sharply than in other economies in early 2026.<sup>18</sup> Total estimated vacancies fell by 65,000 (8.3%) over the year to the March quarter 2026, decreasing in 14 of 18 industries. The industries with the largest declines were construction (down by 38.7%) and arts entertainment and recreation (down by 25.7%).<sup>19</sup> The UK unemployment rate was estimated at 4.9% in the February quarter 2026. Among the devolved nations,<sup>20</sup> England had the highest unemployment rate at 5.1% and it was lowest in Northern Ireland at 2.2%, where the inactivity rate<sup>21</sup> for the working age population was highest at 27.2%.<sup>22</sup>

In the USA, the IMF notes employment growth in 2025 was the slowest since 2003 outside of a recession. The IMF attributes this to a softening labour market alongside stronger productivity growth, driven by recent investments in labour saving technologies, including AI.<sup>23</sup> In March 2026, employment rose in the healthcare, construction, and transportation and warehousing industries. The unemployment rate in the USA was 4.3% in March 2026, with 25.4% of unemployed people being unemployed for more than 6 months.<sup>24,25</sup>

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<sup>15</sup> Stats NZ - [Labour market statistics: March 2026 quarter](#) – 6 May 2026

<sup>16</sup> NZ Ministry of Business, Innovation and Employment - [Jobs Online quarterly report – March 2026](#) – 30 April 2026

<sup>17</sup> OECD - [Economic Outlook Interim Report March 2026](#) – 26 March 2026

<sup>18</sup> OECD - [Economic Outlook Interim Report March 2026](#) – 26 March 2026

<sup>19</sup> UK Office of National Statistic (ONS) - [Vacancies and jobs in the UK: April 2026](#) – 21 April 2026

<sup>20</sup> Devolved Nations or devolution is the process of transferral of power from the centre (Westminster) to the nations and regions of the United Kingdom (Northern Ireland, Wales and Scotland) – [House of Commons Library](#)

<sup>21</sup> The economic inactivity rate is the number of economically inactive people aged 16 to 64 years, divided by the population aged 16 to 64 years; population is the sum of employed, plus unemployed, plus inactive people (UK ONS)

<sup>22</sup> UK ONS - [Labour market in the regions of the UK - Office for National Statistics](#) - 21 April 2026

<sup>23</sup> IMF – [United States Article IV Consultation](#) – 1 April 2026

<sup>24</sup> US Bureau of Labor Statistics (BLS) - [The Employment Situation - March 2026](#) - 3 April 2026

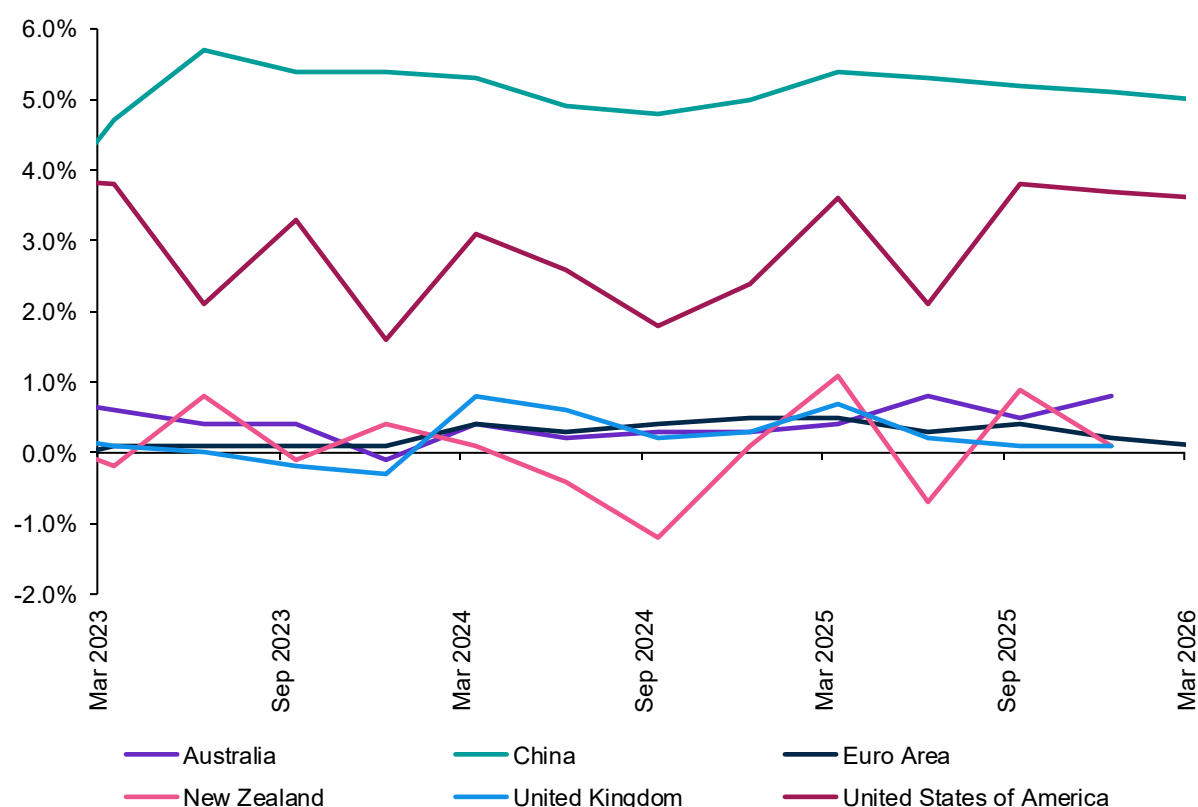
<sup>25</sup> US BLS - [State Employment and Unemployment - February 2026](#) - 22 April 2026

## Economic Outlook<sup>26</sup>

The IMF, OECD and other international agencies are closely monitoring the impacts of global events including fuel supply chain issues on the international economy. While growth is forecast to soften, the outlook is uncertain. This publication considers the information available on the international economy and labour market in May 2026.

Figure 1 shows quarterly GDP growth declined to 0.1% for the Euro Area in the March quarter 2026 and for NZ in December quarter 2025. Growth remained strong in the USA at 3.6%, supported by expansion in AI-intensive sectors.<sup>27</sup> In China, growth remained at 5.0% in the March quarter 2026.

**Figure 1: GDP growth (%) in selected countries, March quarter 2023 to March quarter 2026**



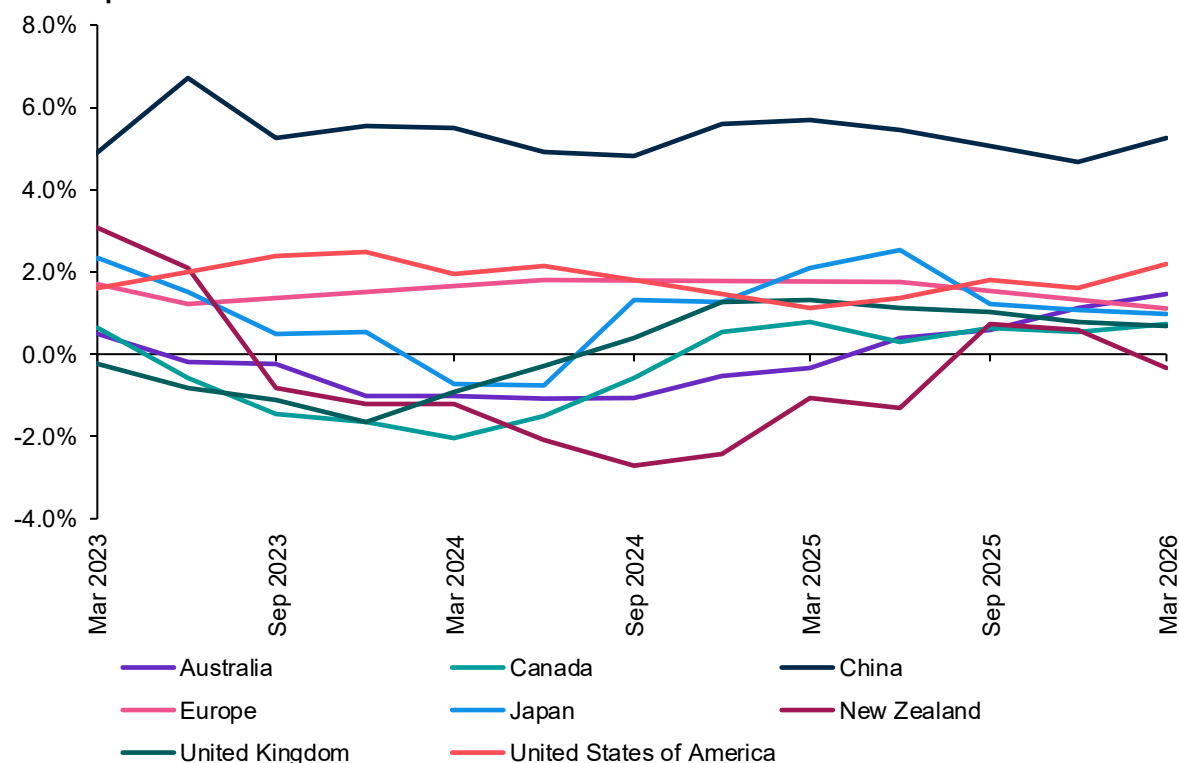
Source: LSEG Datastream

Figure 2 shows GDP per capita growth in the March quarter 2026 was positive for most selected countries. Australia and the USA experienced continued strong growth. Over the year to March quarter 2026, Australia's GDP per capita growth increased from minus 0.3% to 1.1% and growth in the USA rose from 1.5% to 2.2%. The UK, Europe and Japan saw declines in growth throughout 2025 and into 2026. China and Canada remained consistent over the same period.

<sup>26</sup> Projections vary across research organisations as the different weights and perspectives that are given to the inputs used in forecasting, result in varied GDP estimates.

<sup>27</sup> IMF – F&D Magazine - [AI Can Lift Global Growth](#) – 1 March 2026

**Figure 2: Annual growth in GDP per capita (%) in selected countries, March quarter 2023 to March quarter 2026**



Source: LSEG Datastream

## Unemployment

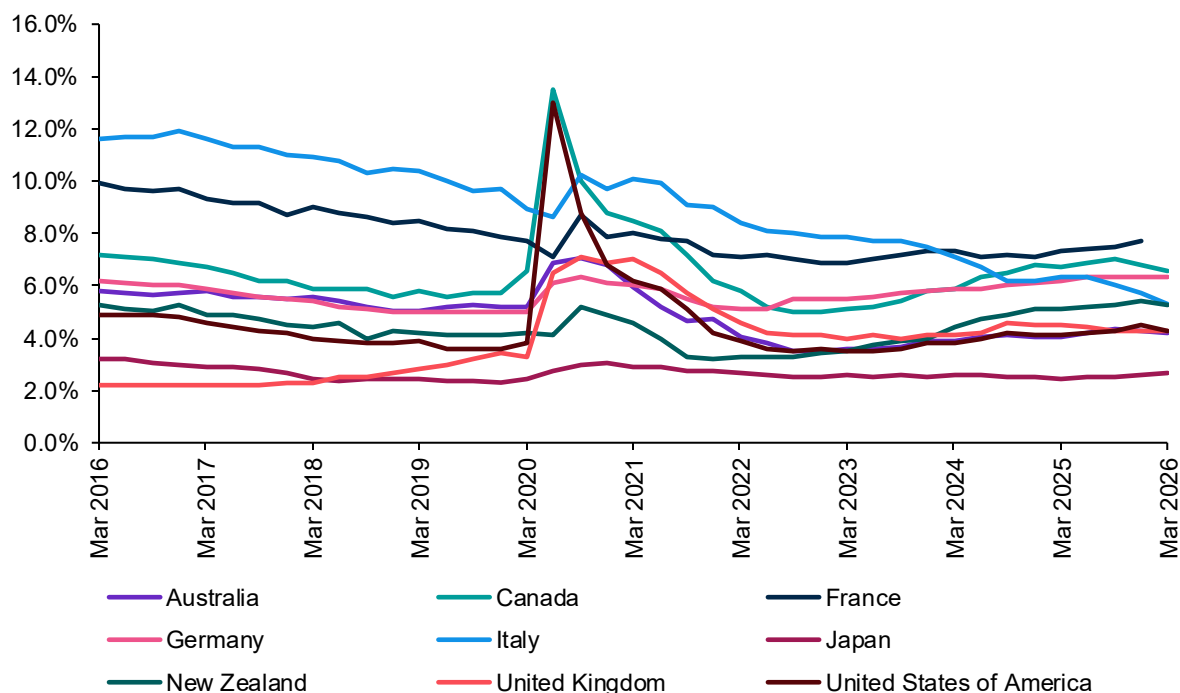
In February 2026, the OECD unemployment rate was stable at 5.0%, 0.2pp above its record low in June 2023. Unemployment rates remained unchanged in 19 OECD economies, rose in 11 and fell in 3 compared to January 2026.<sup>28</sup> In the EU, the unemployment rate in March 2026 was 6.2%, down 0.1pp from March 2025.<sup>29</sup>

Figure 3 shows unemployment rates were unchanged in the March quarter 2026 for Germany and the UK. Unemployment rates rose in Japan by 0.1pp to 2.7% in the March quarter 2026 and by 0.2pp in France in the December quarter 2025. Italy experienced the largest estimated decrease of 0.4pp, followed by Canada and the USA by 0.2pp each and Australia and NZ by 0.1pp each in the March quarter 2026.

<sup>28</sup> OECD - [Employment and labour force participation remained stable in most OECD countries in Q4 2025](#) – 16 April 2026

<sup>29</sup> Eurostat – [Euro area unemployment at 6.2%](#) – 30 April 2026

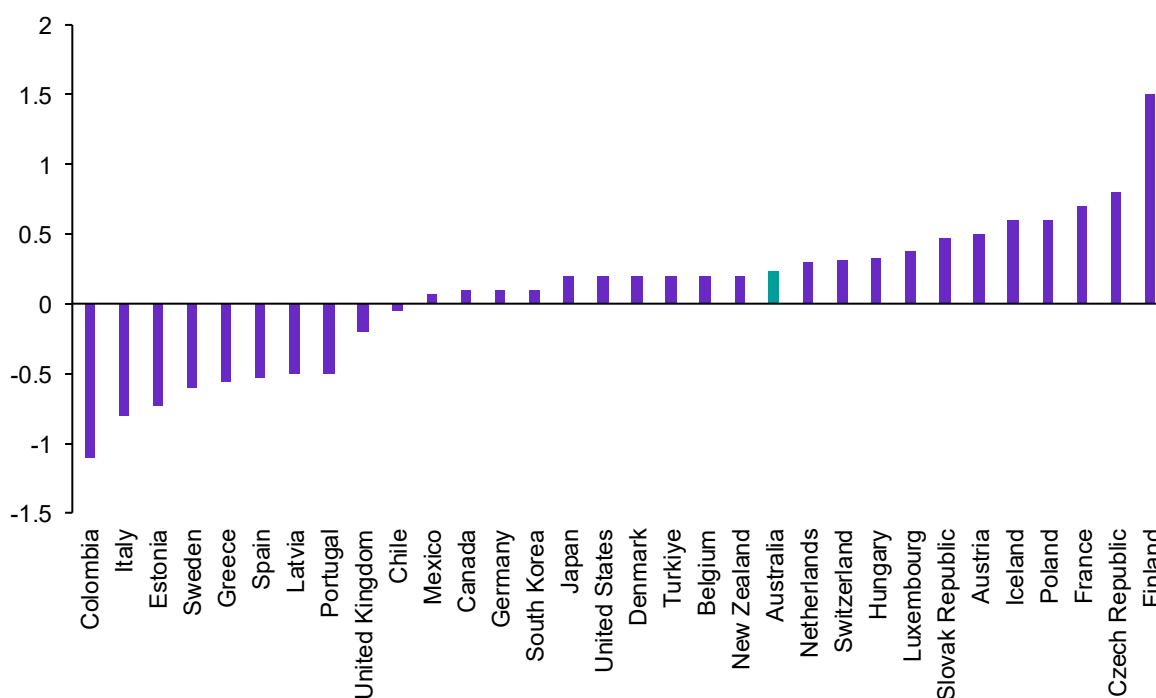
**Figure 3: Unemployment rates (%) for selected countries, March quarter 2016 to March quarter 2026**



Source: LSEG Datastream

Figure 4 shows that over the year to March 2026 the largest increases in the unemployment rates were in Finland, Czech Republic and France. Australia, Japan and the USA experienced small increases. Colombia, Italy and Estonia continued to record declines in the unemployment rate.

**Figure 4: Changes in unemployment rates for OECD countries (percentage points), March 2025 to March 2026**

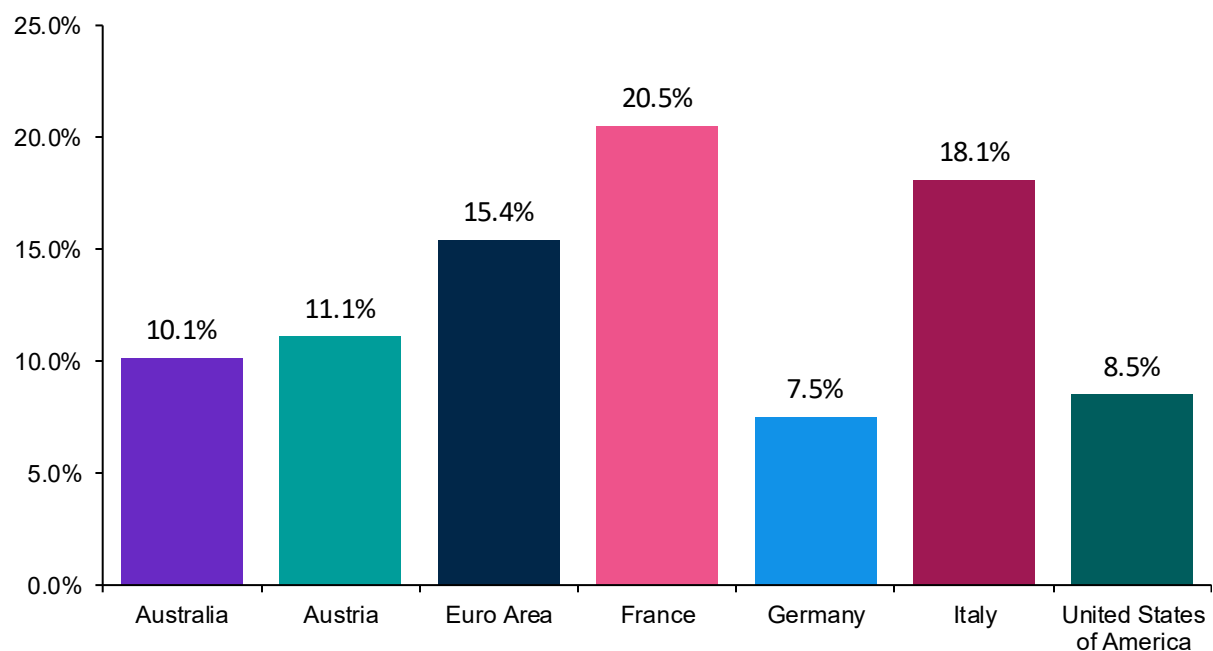


Source: LSEG Datastream

In February 2026, the OECD youth unemployment rate (aged 15–24) was 11.5%. The highest rates were in Spain (23.8%) and Finland (23.7%), while the lowest rates were in Japan (3.8%) and Mexico (6.2%).<sup>30</sup> In the EU, just under 3 million youth were unemployed in March 2026, with the youth unemployment rate at 15.4%.<sup>31</sup>

Figure 5 shows the youth unemployment rate in March 2026 was lowest in Germany and highest in France and Italy. Compared to March 2025, the youth unemployment rate fell in Italy (down 2.9%), Austria (down 1.1%) and the USA (down 0.9%). It rose in France (1.5%), Australia (1.1%), Germany (0.7%) and the Euro Area (0.3%).

**Figure 5: Youth unemployment rates for selected countries (%), March 2026**



Source: LSEG Datastream

## Labour force participation

Labour force participation rates for individuals aged 15 to 64 remained stable in half of OECD economies in the December quarter 2025. Türkiye, Mexico, Costa Rica and Italy recorded the lowest participation rates, all below 70.0%.<sup>32</sup>

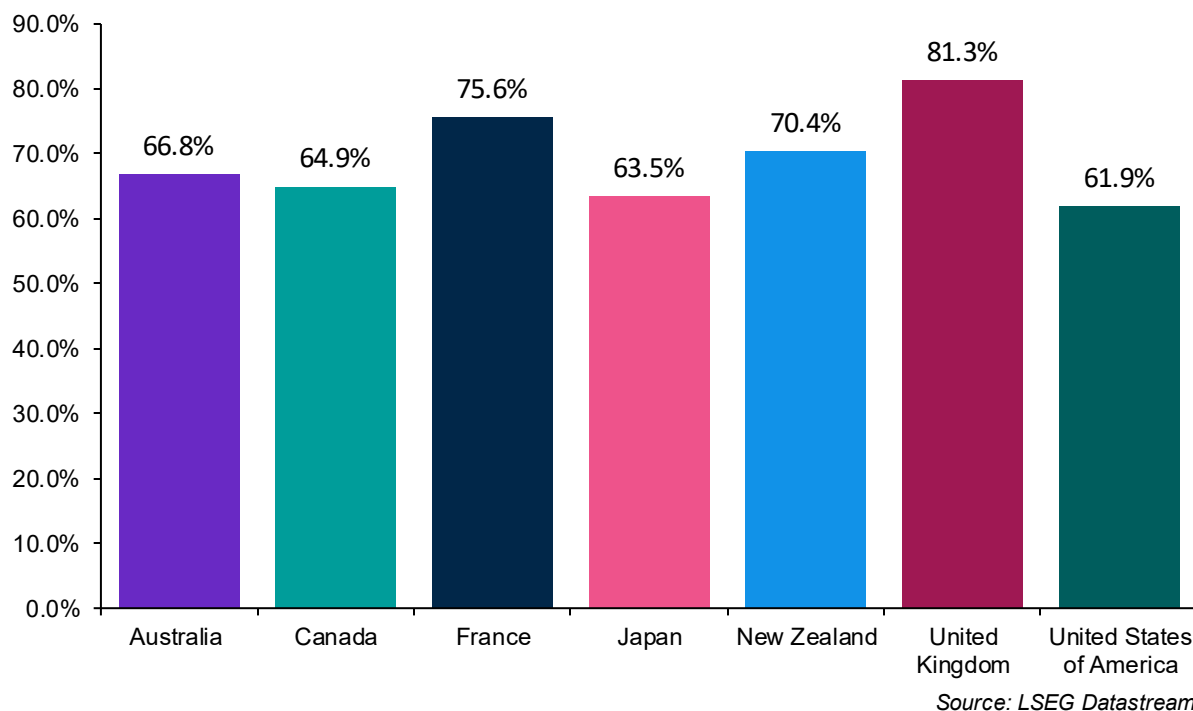
Figure 6 shows the labour force participation rate for selected countries at February 2026. The related dataset shows that between November 2025 and February 2026, the participation rate increased by 0.2pp in NZ and by 0.1pp in Japan and Canada. It was stable in the UK, France and USA and decreased by 0.1pp in Australia.

<sup>30</sup> OECD – [Labour Market Situation](#) – 16 April 2026

<sup>31</sup> Eurostat – [Euro indicators: Euro area unemployment at 6.2%](#) - 30 April 2026

<sup>32</sup> OECD – [Labour Market Situation](#) – 16 April 2026

**Figure 6: Labour force participation rates (%) for selected countries, February 2026<sup>33</sup>**



## Job vacancies

The job vacancy rate in the Euro Area was 2.2% in the December quarter 2025, down 0.3pp from the December quarter 2024. In the EU, the job vacancy rate was 2.0% in the December quarter 2025, down 0.3pp from the December quarter 2024.<sup>34</sup>

In the USA, the number of job openings were unchanged from February 2026 to March 2026 at 6.9 million. The number of job openings decreased in professional and business services (down 318,000) but increased in finance and insurance (up 98,000).<sup>35</sup> In the UK, vacancies from businesses with 1 to 9 employees and 10 to 49 employees fell most over the year to the March quarter 2026 by 24.0% and 17.1%, respectively.<sup>36</sup>

Figure 7 shows indexed job vacancies declined in most economies throughout 2025 into 2026 except for Australia. Germany's and France's vacancies recovered in March quarter 2026 after continued declines and the USA continues to experience volatility in 2026.

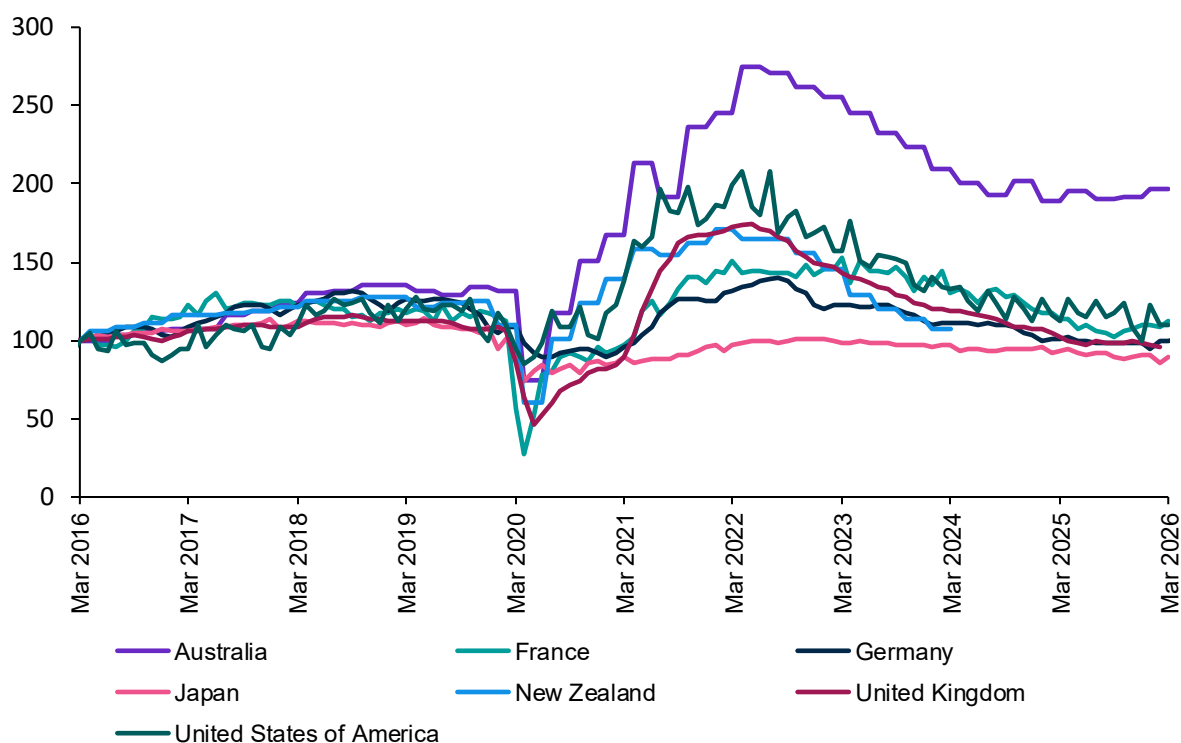
<sup>33</sup> Data for Australia, Japan, NZ and Canada is for those aged 15 years and over. Data for the USA is for those aged 16 years and over.

<sup>34</sup> Eurostat – [Statistics Explained: Job Vacancy Statistics](#) – 18 March 2026

<sup>35</sup> USA BLS – [Job Openings and Labor Turnover, March 2026](#) – 5 May 2026

<sup>36</sup> UK ONS – [Vacancies and jobs in the UK: April 2026](#) – 21 April 2026

**Figure 7: Indexed job vacancies for selected countries, March quarter 2016 to March quarter 2026, indexed to March quarter 2016**



Source: LSEG Datastream

## Earnings and labour costs

The OECD states annual real wage growth was positive in nearly all OECD economies in the September quarter 2025 but slowed down in line with rising inflation. In the September quarter 2025, real wage growth was on average 1.8% across OECD economies, which was half of the September quarter 2024 growth rate. Despite persistent annual growth, real wages remained below their March quarter 2021 levels in half of OECD economies. Australia and NZ had the weakest recovery in real wages compared to other OECD economies.<sup>37</sup>

The European Central Bank states nominal wage growth in the Euro Area was 4.0% in 2025 and expects it to slow down to 3.2% in 2026 and 2.9% in 2027. Real wage growth in the Euro Area is projected to decline further and gradually converge towards productivity growth levels by 2028.<sup>38</sup>

In the UK, the nominal rate of growth in median pay fell below 6.0% since September 2025 and was 4.5% in the March quarter 2026. This comes after a period of relative stability from 2023 to 2025.<sup>39</sup> In Korea, average monthly household income increased by 4.0% over the year to the December quarter 2025. Disposable income also increased by 3.4% over the same period.<sup>40</sup>

<sup>37</sup> OECD - [The real wage recovery is slowing down: The OECD wage bulletin](#) – 17 March 2026

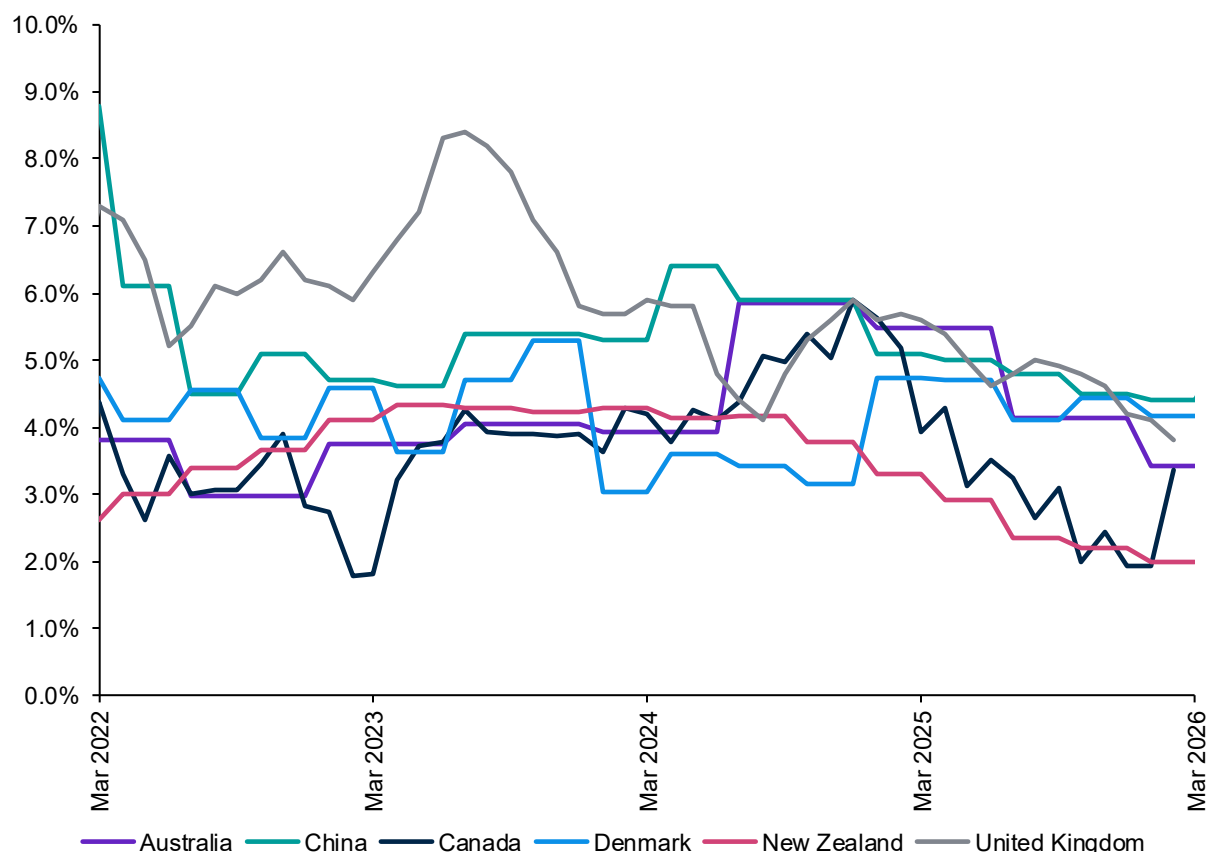
<sup>38</sup> ECB - [Eurosystem staff macroeconomic projections for the euro area, December 2025](#) – 3 December 2025

<sup>39</sup> UK ONS - [Earnings and employment from Pay As You Earn Real Time Information](#) – 21 April 2026

<sup>40</sup> Korean Ministry of Economy and Finance - [Household Income and Expenditure Trends in the Fourth Quarter of 2025](#) – 26 February 2025

Figure 8 shows that China experienced the highest annual earnings growth at 4.4% in the March quarter 2026. However, since mid-2024, nominal earnings growth in China, Australia and NZ have trended downwards. In the UK, nominal earnings growth generally trended downwards since early 2025. Earnings growth stabilised in Denmark throughout 2025 into 2026. Canada saw a significant increase in February 2026, after a period of weak growth.

**Figure 8: Nominal earnings growth for selected economies (yearly percentage change), March quarter 2022 to March quarter 2026**



Source: LSEG Datastream

Unit labour costs<sup>41</sup> rose more than unit profits over the year to the September quarter 2025 in most OECD countries, continuing a trend that began in early 2023. While unit profits remained stable in many OECD economies since 2023, unit labour costs increased by more than 5.0% in about three-quarters of OECD economies.<sup>42</sup>

In the Euro Area, growth in unit labour costs is projected to moderate from 3.1% in 2025 to 2.1% in 2027, driven by lower wage growth and lower productivity growth in the future.<sup>43</sup> During 2025 in Canada, an increase in productivity and a 2.3% increase in hourly compensation resulted in 1.2% increase of unit labour costs. This was the lowest annual growth of unit labour costs since 2017.<sup>44</sup>

Figure 9 shows unit labour costs were the highest in the UK at 6.7% in the September quarter 2025, followed by Australia at 3.2% in December quarter 2025. Australia and Canada have experienced a downward trend since mid to late 2023.

<sup>41</sup> Unit labour costs are an indicator of the average cost of labour per unit of output produced in the economy. They provide a link between productivity and the cost of labour (ABS).

<sup>42</sup> OECD - [The real wage recovery is slowing down: The OECD wage bulletin](#) – 17 March 2026

<sup>43</sup> ECB - [Eurosystem staff macroeconomic projections for the euro area, March 2026](#) – 11 March 2026

<sup>44</sup> Statistics Canada - [Labour productivity, hourly compensation and unit labour cost, fourth quarter 2025](#) – 4 March 2026

**Figure 9: Unit Labour costs for selected countries (yearly change), December quarter 2021 to December quarter 2025**



Source: LSEG Datastream

## Productivity

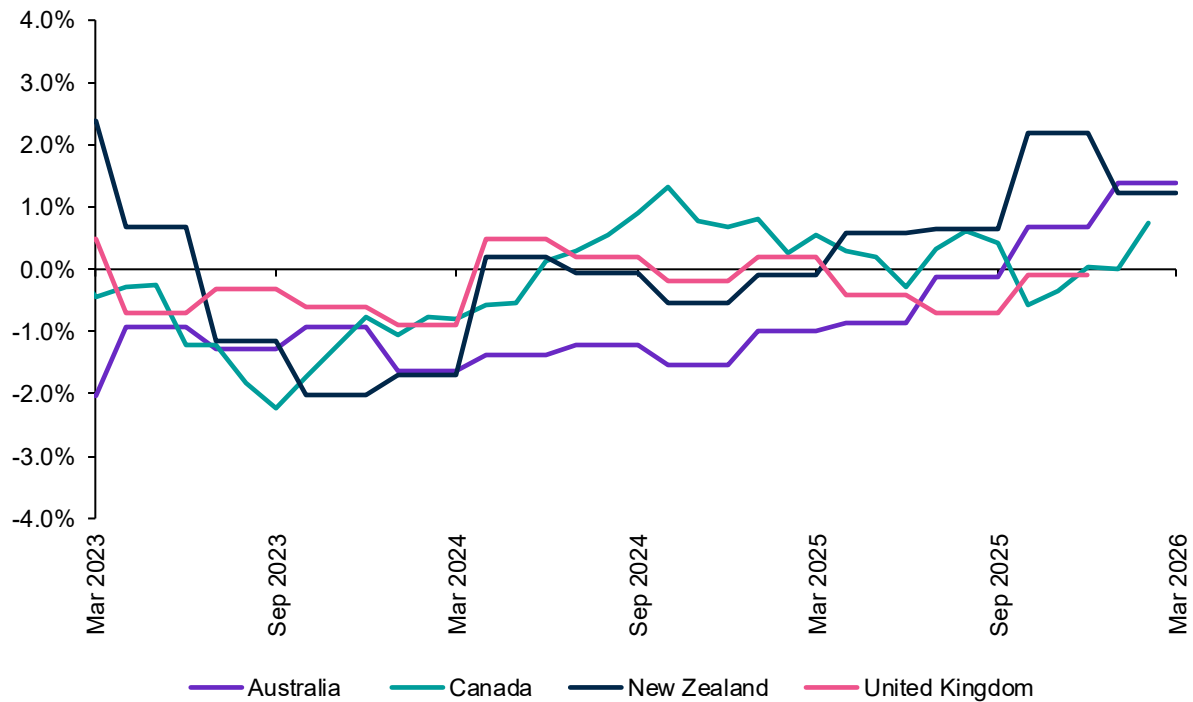
Over the year to the December quarter 2025, labour productivity increased by 0.5% in the Euro Area and 0.8% in the EU. Based on hours worked, productivity rose by 0.4% in the Euro Area and 0.7% in the EU over the same period.<sup>45</sup> Labour productivity in Canada increased by 1.1% in 2025 due to strong growth in the September quarter 2025.<sup>46</sup>

Figure 10 shows productivity growth was highest for Australia at 1.4% in the March quarter 2026. The UK continued to experience negative productivity growth throughout 2025. Productivity growth in Canada began to stabilise and growth in NZ remained positive over the year to March quarter 2026.

<sup>45</sup> Eurostat - [Quarterly national accounts - GDP and employment](#) – 20 April 2026

<sup>46</sup> Statistics Canada - [Labour productivity, hourly compensation and unit labour cost, fourth quarter 2025](#) – 4 March 2026

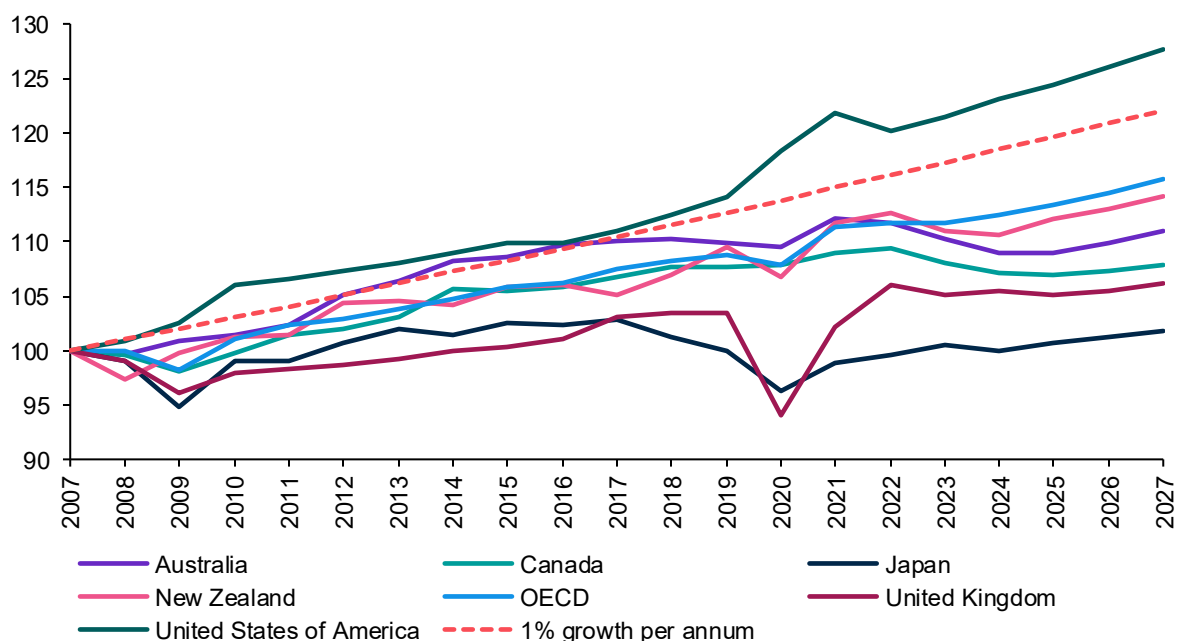
**Figure 10: Productivity growth for selected countries (yearly change in output per worker), March quarter 2023 to March quarter 2026**



Source: LSEG Datastream

Figure 11 shows the OECD forecasts indexed labour productivity to increase throughout 2026 and 2027 for the select economies. The USA is forecast to increase to most by 1.6pp from 2026 to 2027. In 2027, Australia, NZ and the OECD are forecasted to have indexed labour productivity growth 1.0pp above 2026 forecasts.

**Figure 11: Indexed labour productivity growth for selected countries, 2007 to 2027<sup>47</sup>**



Source: LSEG Datastream

<sup>47</sup> 2026 and 2027 data used an OECD forecast.