



Recruitment Spotlight: Recent trends in recruitment difficulty

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The difficulty of employers in recruiting staff has been a common theme in Australia following the COVID-19 pandemic. The Reserve Bank of Australia in their May 2023 Statement on Monetary Policy notes that “difficulties in securing appropriately skilled labour are delaying the progress of (business) investment”¹.

Jobs and Skills Australia’s *Recruitment Experiences and Outlook Survey* (REOS) measures the proportion of recruiting employers who report having difficulty recruiting. This is referred to as the ‘recruitment difficulty rate’ and has been an output of the survey since August 2020. This spotlight will seek to unpack recent trends in recruitment difficulty, in the context of broader labour market conditions.

This Spotlight will be the first of a monthly series, released on the first Monday of each month. These spotlights will each cover differing topics on recruitment and the labour market. The regular monthly release from the REOS, the Recruitment Insights Reports, can be found at:

jobsandskills.gov.au/work/recruitment-experiences-and-outlook-survey

Key findings:

- Recruitment difficulty remains at a high level and has been increasing in early 2023.
 - Demand for jobs also remains elevated as seen through vacancy numbers.
- While a lack of applicants and suitable applicants remain a cause of concern for employers, undesirable working conditions has been an ever-increasing reason for employers’ recruitment difficulties.
- Recruitment difficulty for higher skilled occupations remains at a higher level compared with lower skilled occupations – though there is variation within this.
- Employers continue to have vacancies remain unfilled for long periods of time.

Note: REOS data in this report is presented as both original and smoothed data². Smoothed data removes the irregular month-to-month variability of original data and highlights underlying trends.

Headline recruitment difficulty

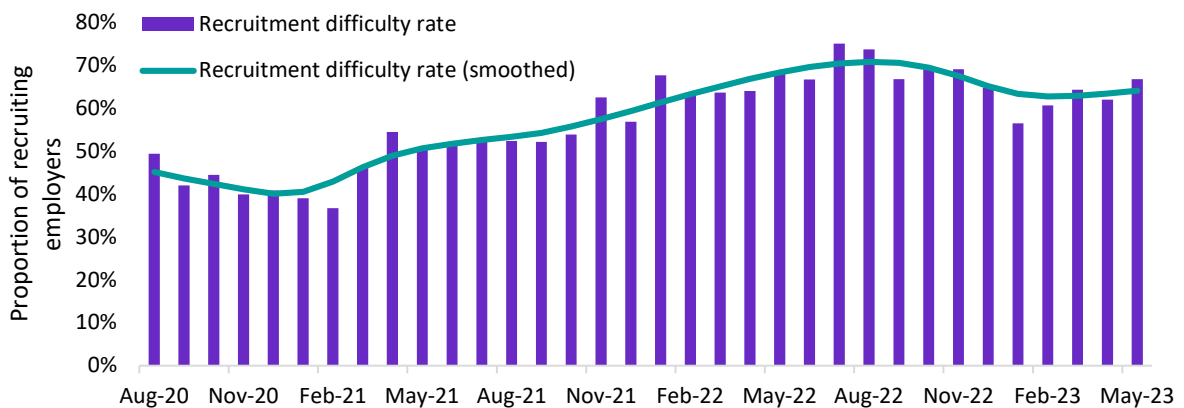
The recruitment difficulty rate for Australia increased from the beginning of 2021 through to mid-2022 before tapering off in the second half of 2022 and into 2023, as shown below in Figure 1. In 2023, the rate remains historically high for the series, with levels comparable to the early months of 2022.

In May 2023, 67% of recruiting employers reported difficulty in recruiting, an increase over the last few months and higher than the 62% reported in April 2023. The May 2023 result is close to that of a year prior in May 2022 (68%).

¹ Statement on Monetary Policy – May 2023 | RBA

² REOS monthly data is smoothed by applying a Henderson 13 term moving average.

Figure 1: Recruitment difficulty rate, Australia



Source: Recruitment Experiences and Outlook Survey, May 2023.

Recent trends in recruitment difficulty

Recent recruitment difficulty observed in the REOS data can be attributed to both broader labour market conditions, and the demand from employers.

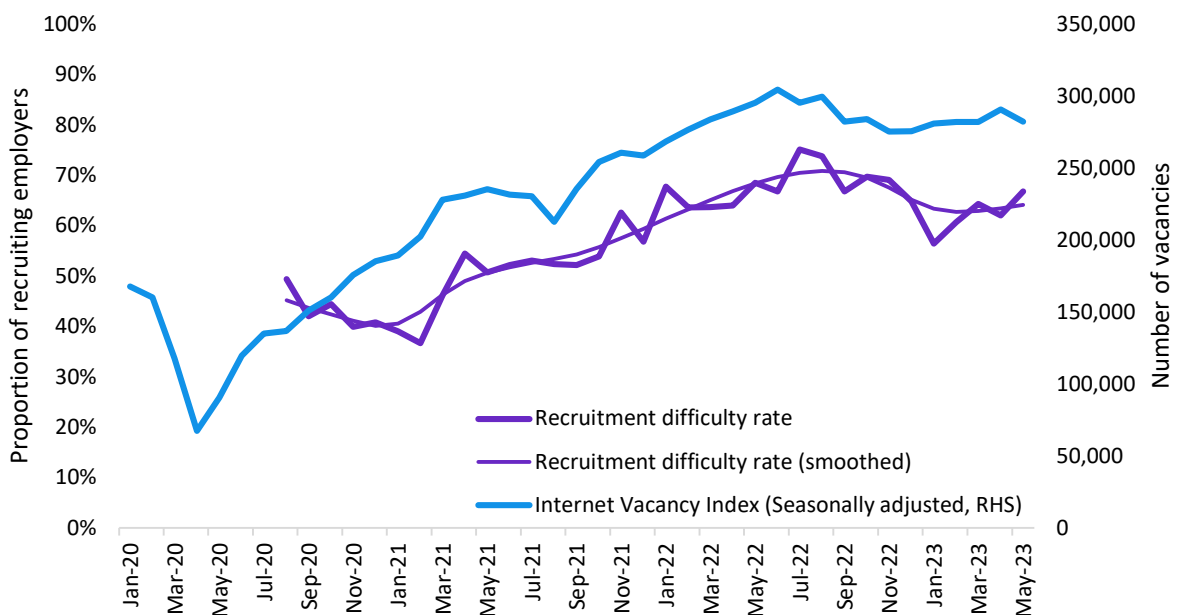
Broader labour market conditions

After signs of a slight easing in the level of demand during the latter part of 2022, JSA's *Internet Vacancy Index (IVI)*³ combined with the REOS have both indicated that labour demand has stabilised in early 2023 and remains strong, albeit below the mid-2022 peak.

Nevertheless, total employment has continued to expand over early 2023. Ongoing strength in full-time employment growth, together with an underemployment rate well below its decade average prior to the COVID-19 pandemic, suggests a more efficient utilisation of the workforce and less spare capacity.

As employment has continued to grow while recruitment activity has stabilised, levels of recruitment difficulty experienced by employers have declined when compared to mid-2022, albeit with a slight increase in early 2023.

Figure 2: Recruitment difficulty rate and Internet Vacancy Index (IVI), Australia



Source: Recruitment Experiences and Outlook Survey, May 2023; Jobs and Skills Australia's, Internet Vacancy Index, May 2023.

³ Jobs and Skills Australia's Internet Vacancy Index (IVI) is a monthly count of online jobs advertisements and is an indicator of the demand for labour.

Additionally, 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, and improved fill rates suggest that, on average at least, skills shortages may have eased slightly in recent months.

Shifting reasons for recruitment difficulty

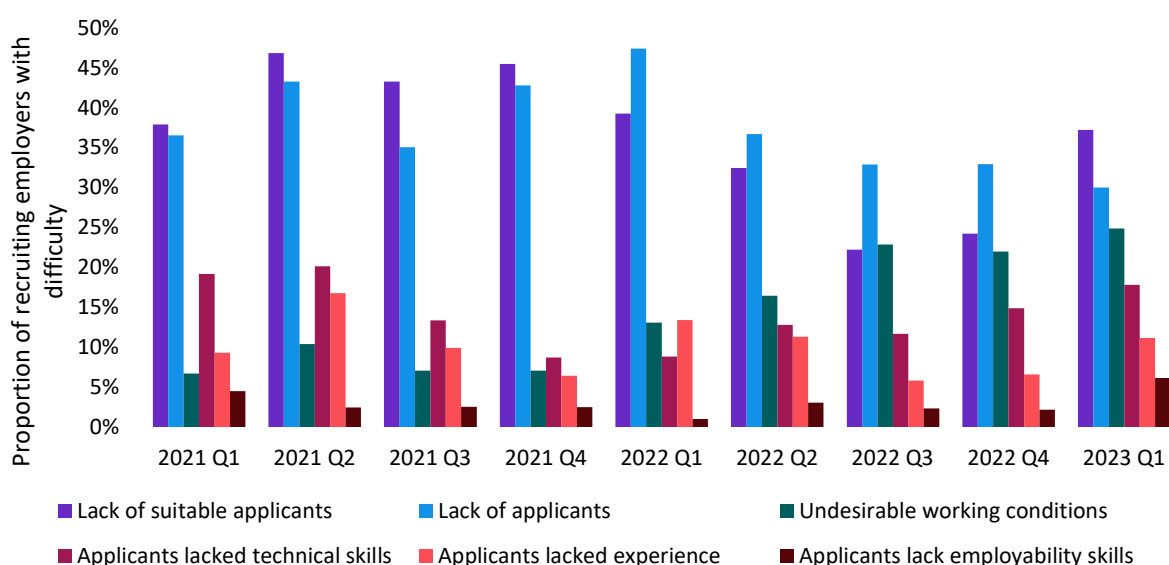
The REOS adds context by asking employers why they think they are experiencing recruitment difficulty.

The two most common reasons mentioned by employers were a general lack of applicants and a lack of suitable applicants (Figure 3). While the proportion of employers reporting a lack of suitable applicants has decreased since the high levels observed across 2021, it remains high with over one third (37% of employers with difficulty) reporting it as a reason in the March quarter 2023.

An extension of lack of suitable applicants is employers reporting that a reason for difficulty in recruiting is that applicants lacked technical skills, experience, or employability skills. Figure 3 shows that these three reasons have increased in recent quarters.

Since the March quarter 2022, undesirable working conditions (which includes factors such as hours and salary) has increased markedly as a reason employers cite having difficulty recruiting (a quarter of employers with difficulty in the March quarter 2023). The increase in undesirable working conditions may also be a reflection that jobseekers are becoming more selective given the tight labour market conditions, and as such, reinforces the importance of secure jobs with good working conditions in helping to address potential skill shortages.

Figure 3: Reasons for recruitment difficulty, Australia



Source: Recruitment Experiences and Outlook Survey, May 2023.

Note: Employers may report more than one reason.

Characteristics of recruitment difficulty

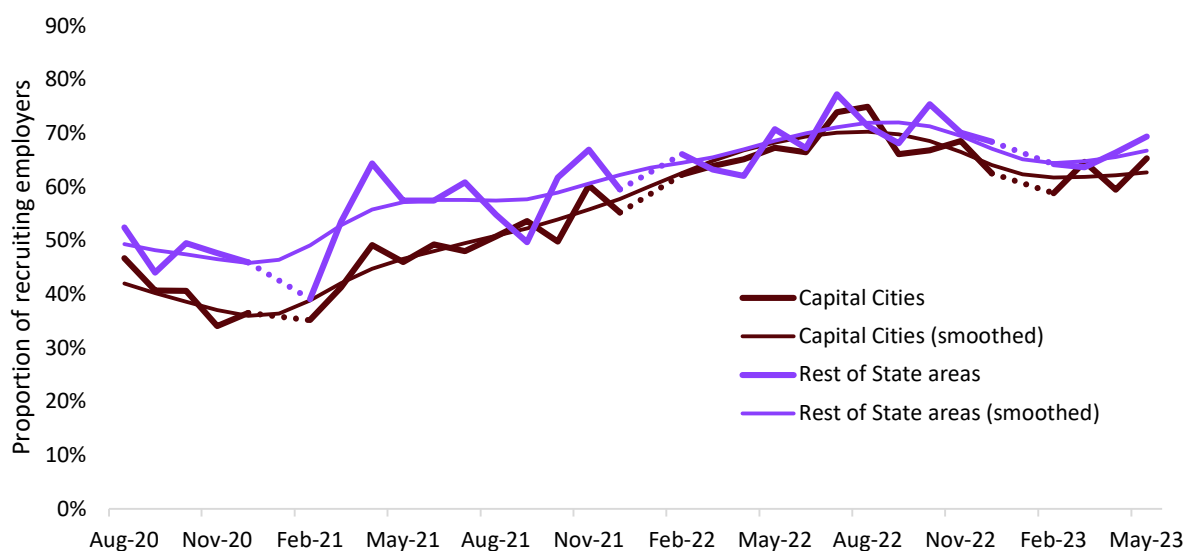
Recruitment difficulty differs across geography, industry, occupation, and by the time it takes to fill vacancies. Understanding recruitment difficulty through these different lenses – outside of headline figures – can allow for a more nuanced approach when trying to interpret recent trends.

Recruitment difficulty by Capital Cities and Rest of State areas

Recruitment difficulty in Capital Cities and Rest of State areas follows a similar trend to that of the national level, with the rates increasing from late 2020, through to mid-2022, before tapering off in late 2022, and increasing slightly in early 2023 (as shown below in Figure 4).

While there is variability in month-to-month figures, Figure 4 also shows that the smoothed recruitment difficulty rate of businesses in Rest of State areas has consistently been above that of businesses in Capital Cities since the beginning of the series, although the series converged in early-mid 2022 before again separating slightly. In May 2023, the recruitment difficulty for businesses in Rest of State areas stood at 69% compared to 65% for businesses in capital city regions.

Figure 4: Recruitment difficulty – by region type



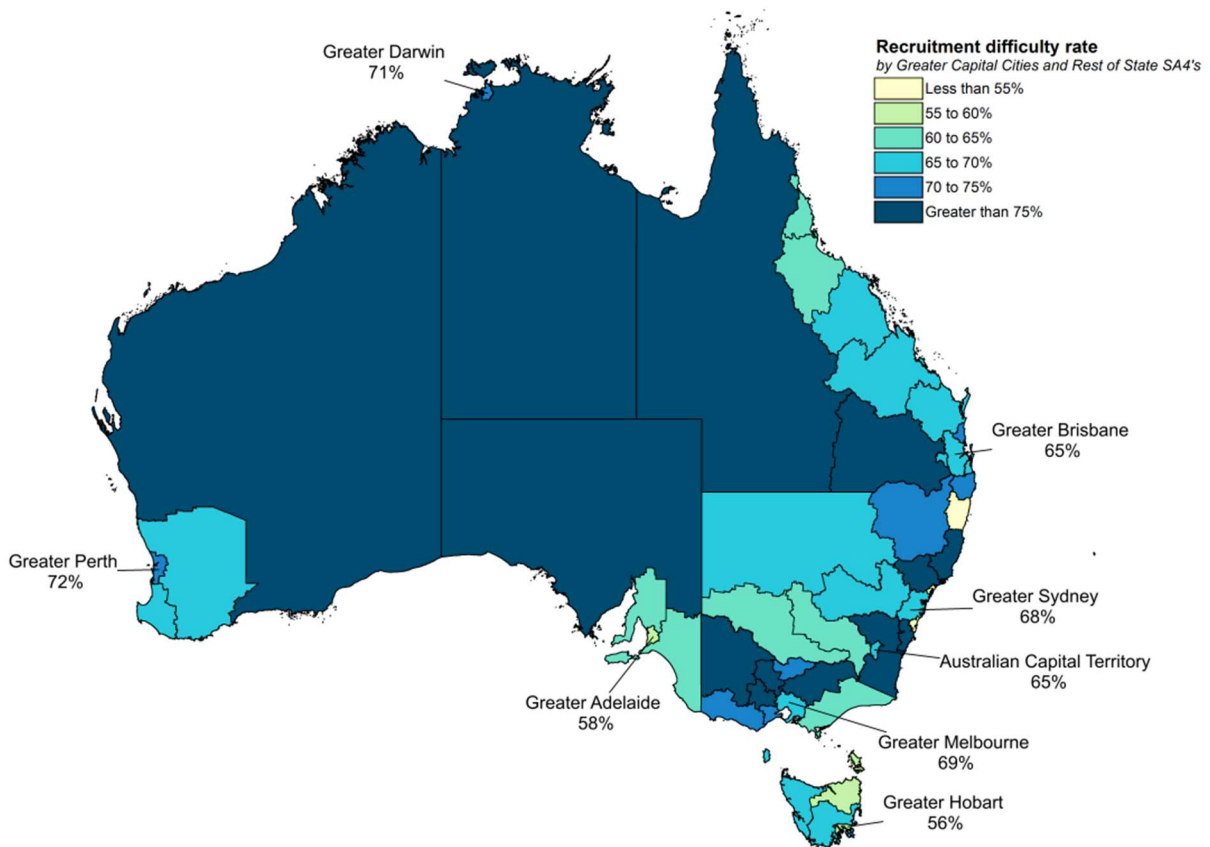
Source: Recruitment Experiences and Outlook Survey, May 2023.

Recruitment difficulty can vary by region type, but within this, there exists even greater variation. Figure 5 shows recruitment difficulty as recorded in 2022, for each Statistical Area Level 4 region and Greater Capital City area⁴. In displaying recruitment difficulty for each area, a better sense can be had as to the variation in recruitment difficulty – particularly in regional areas.

Some regional areas experience acute recruitment difficulties, especially when compared to Greater Capital City areas, which in 2022 experienced slightly lower levels of recruitment difficulty. The higher difficulty rates in Rest of State areas may be explained by tighter labour market conditions in many regional areas along with added pressure points employers in these areas face when it comes to recruitment.

⁴ SA4 regions and GCC areas as attributed by ABS, Australian Statistical Geography Standard (ASGS) Edition 3.

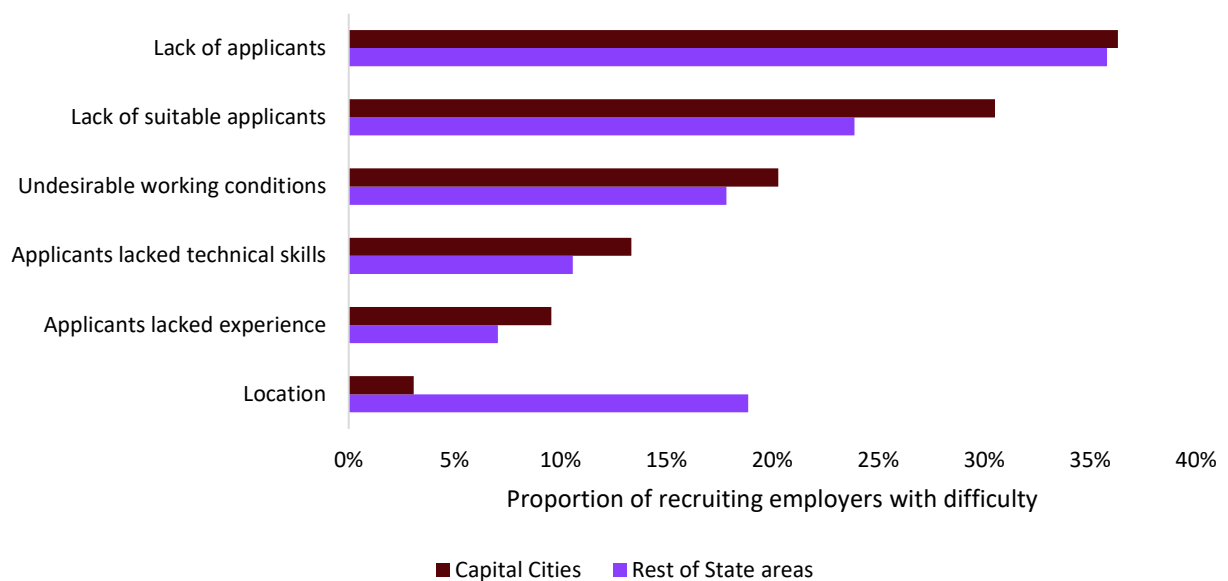
Figure 5: Recruitment difficulty, in 2022 – map of SA4 regions, and Greater Capital City areas



Source: Recruitment Experiences and Outlook Survey, May 2023.

As shown in Figure 6 below, the reasons employers experience recruitment difficulty does not differ too greatly when looking through the lens of region type. Most notable however is the difference in employers citing location as the reason for their difficulties, with close to one in five (19%) employers in Rest of State areas reporting location as a reason for their recruitment difficulty (compared to only 3% of employers in Capital Cities).

Figure 6: Reasons for recruitment difficulty, in 2022 – by region type



Source: Recruitment Experiences and Outlook Survey, May 2023.

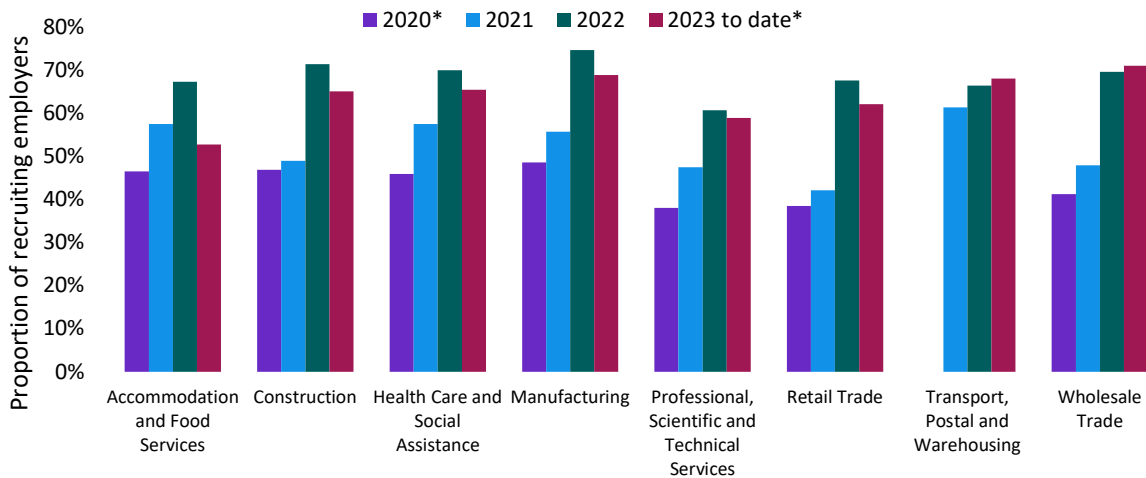
Note: Employers may report more than one reason.

Recruitment difficulty by selected industries

The selected industries in Figure 7 show that all eight major divisions experienced increased recruitment difficulty from 2020 through to 2022. All industries except for Transport, Postal and Warehousing, and Wholesale Trade have since recorded declining difficulty rates in 2023.

The Accommodation and Food Services industry in 2023 has the smallest proportion of employers experiencing recruitment difficulty (53%) – perhaps aided by re-opening of international borders and migration improving as well as many jobs being either Sales Workers or Labourers (see later chapter). Conversely, Wholesale Trade and Manufacturing have the largest proportions of employers with recruitment difficulty (71% and 69% respectively). This indicates that 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.

Figure 7: Recruitment difficulty – by selected industries



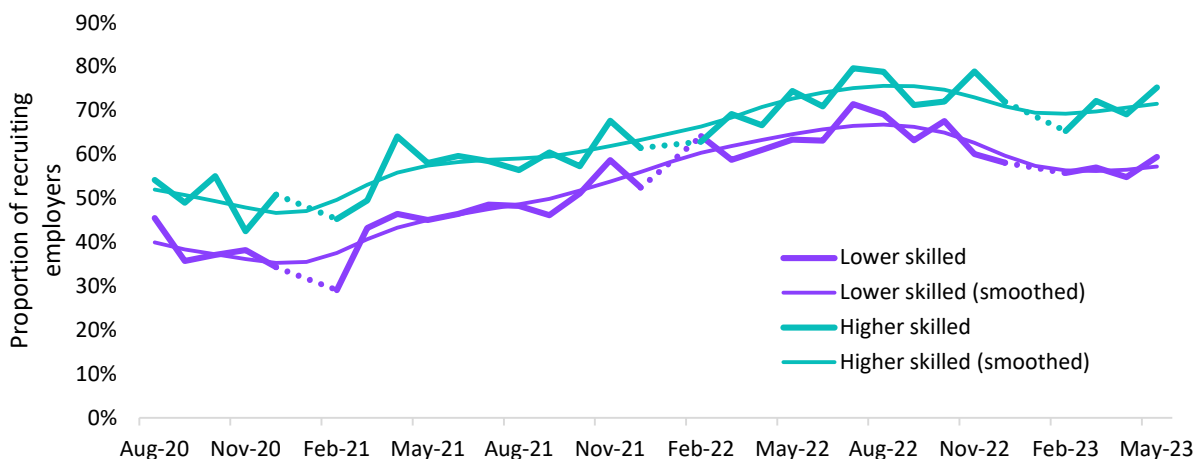
Source: Recruitment Experiences and Outlook Survey, May 2023.

*Note: 2020 comprises August to December data only, while 2023 comprises January to May data. The Transport, Postal and Warehousing industry is unable to be reported on for 2020.

Recruitment difficulty by skill level and occupation

While recruitment difficulty for both higher and lower skilled track the overall trend, a greater proportion of employers recruiting for higher skilled occupations experienced difficulty compared with those recruiting for lower skilled occupations. In May 2023, 75% of employers who recruited for higher skilled occupations reported difficulty, compared with 59% of those who recruited for lower skilled occupations.

Figure 8: Recruitment difficulty – by skill level of occupation⁵



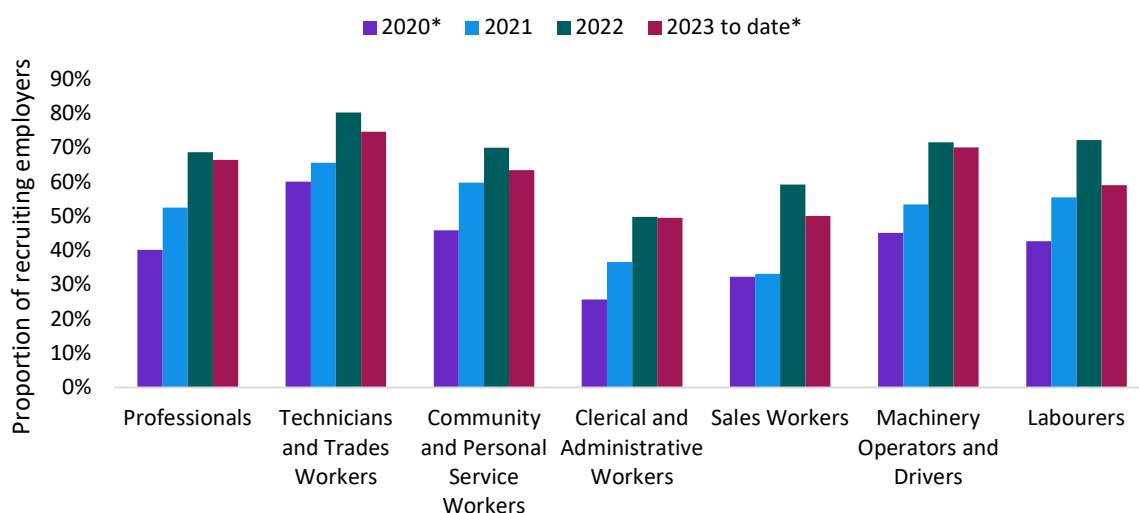
Source: Recruitment Experiences and Outlook Survey, May 2023.

⁵ Higher skilled refers to Skill levels 1, 2 and 3, while Lower skilled refers to Skill levels 4 and 5.

Since their respective mid-2022 peaks, the difficulty rate for lower skilled occupations has decreased more compared with higher skilled occupations. In smoothed terms, the difficulty rate for higher skilled occupations has decreased by 4 percentage points since the peak in mid-2022, with recent increases in difficulty in the last couple of months. By contrast, the difficulty rate for lower skilled occupations decreased by 12 percentage points since the mid-2022 peak.

There has been strong demand for skills across the broad occupational groups reflected in increases in recruitment difficulty from 2020 to 2022, although with a slight easing in 2023 to date (Figure 9). Recruitment for Technicians and Trades Workers occupations remain the most difficult, with three quarters of recruiting employers experiencing difficulty so far in 2023, while Clerical and Administrative Workers remained the least difficult to recruit for, with 49% of recruiting employers reporting difficulty.

Figure 9: Recruitment difficulty – by major occupation group

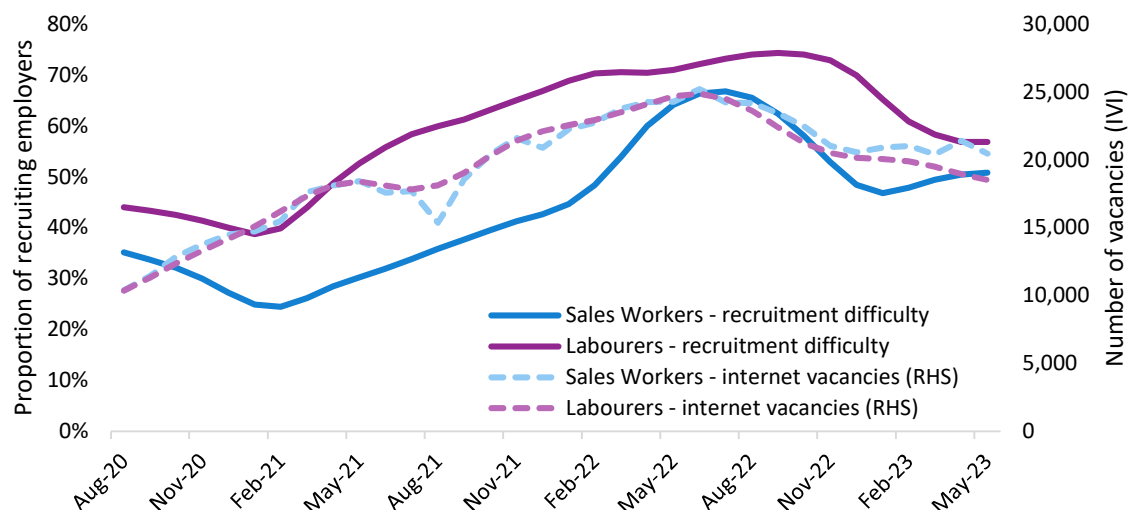


Source: Recruitment Experiences and Outlook Survey, May 2023.

*Note: 2020 comprises August to December data only, while 2023 comprises January to May data.

The recent decline in the overall recruitment difficulty rate has been more pronounced for Sales Workers and Labourers occupations, with Figure 10 below displaying recruitment difficulty along with their respective levels of internet vacancies. These occupations, which generally did not require post-school qualifications or extensive experience, experienced very strong growth in recruitment difficulty over 2021 and the first half of 2022, as overall labour shortages really began to bite. Since then, however, these lower skilled occupations have shown the largest decrease in difficulty rates as the labour market has loosened slightly over that period.

Figure 10: Recruitment difficulty (smoothed monthly series) and the Internet Vacancy Index (seasonally adjusted)

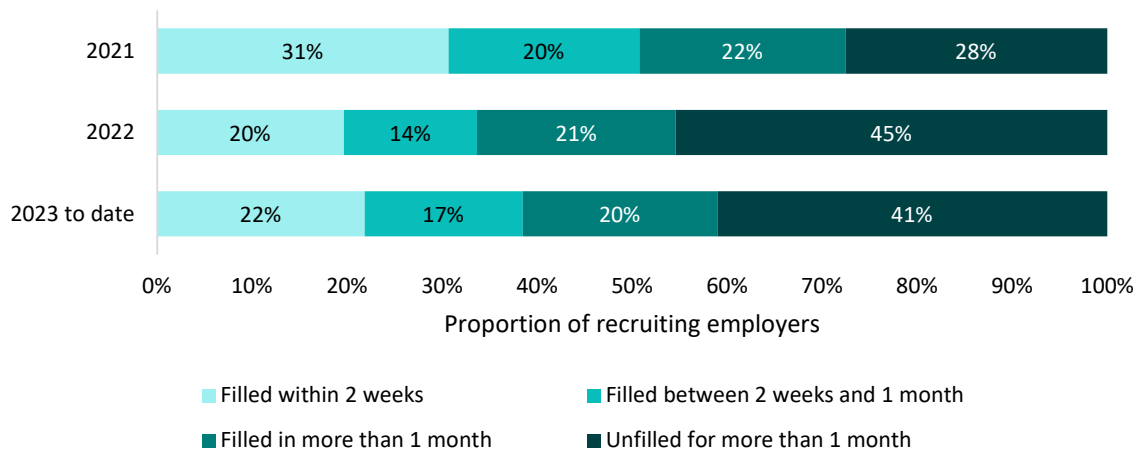


Source: Recruitment Experiences and Outlook Survey, May 2023; Jobs and Skills Australia's, Internet Vacancy Index, May 2023.

Time taken to fill vacancies

Tighter labour market conditions have also resulted in employers taking longer to fill vacancies. In 2022, a greater proportion of employers were having vacancies remain unfilled for longer than one month when compared with 2021 (as seen below in Figure 11). This has largely remained in 2023 to date, albeit with a slight decrease in the proportion of employers who had vacancies remain unfilled for longer than one month.

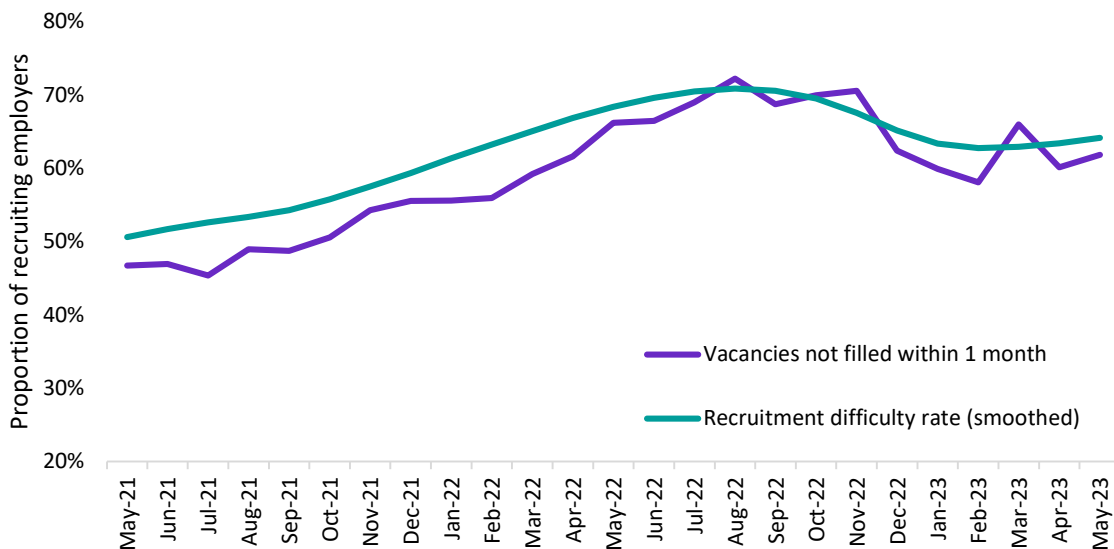
Figure 11: Time taken to fill vacancies, excluding employers who had unfilled vacancies for less than 1 month



Source: Recruitment Experiences and Outlook Survey, May 2023.

Looking at a more detailed view of the time taken to fill vacancies, Figure 12 below shows that there is a strong correlation between employers not being able to fill their vacancies quickly and the difficulty rate – and as such, it can be seen as another indicator of difficulties experienced by employers in their recruitment.

Figure 12: Employers unable to fill vacancies within a month, and recruitment difficulty



Source: Recruitment Experiences and Outlook Survey, May 2023.

At the peak of recruitment difficulty in mid-2022, 72% of recruiting employers were unable to fill their vacancies within a month – which has since moderated to 62% as of May 2023, in line with a moderation in recruitment difficulty. If this series were to continue to trend down, there is an expectation that the rate of difficulty would also be on the decline.

Greatest future concern over the next three months

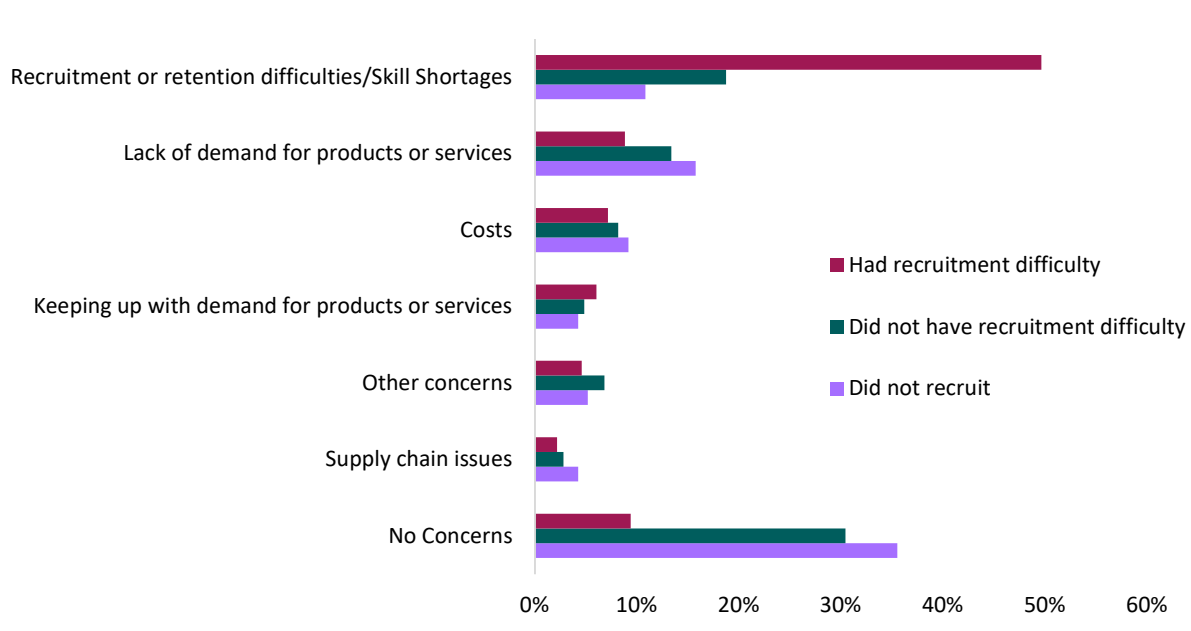
One way the REOS collects information on employers' perspectives on the future is through asking about their single greatest concern over the next three months.

The figure below highlights the differing concerns between employers who had experienced recruitment difficulty in their most recent recruitment rounds, those who did not experience difficulty, and those employers who did not recruit in the past month.

Unsurprisingly, for those employers who recently experienced recruitment difficulty, their greatest concern over the next three months was further recruitment or retention difficulties (or skill shortages). For employers who did not experience difficulty most recently, more often than not, they reported that they had no concerns at all for the next three months.

Employers were also concerned about a lack of demand for their products or services and costs - which has seen a steady increase over time, particularly in 2023 to date, perhaps because of rising interest rates, and a reflection of the issue surrounding wage increases in the broader labour market.

Figure 13: Single greatest future concern, 12 months to May 2023 – by whether employer had difficulty or not in most recent recruitment round



Source: Recruitment Experiences and Outlook Survey, May 2023.

Technical notes

The *Recruitment Experiences and Outlook Survey* (REOS) is a telephone administered survey with the business owner or other person in the business responsible for recruitment.

All figures presented in this report have been weighted by location and workplace size, according to the Australian Bureau of Statistics [Counts of Australian Businesses, including Entries and Exits](#) (June 2018 to June 2022) publication. The weighted figures are intended to create nationally representative results by correcting for the oversampling of smaller regions compared with larger regions.

Data collected in the survey have been coded and reported according to the following ABS classifications:

- Industry is defined by the [Australian and New Zealand Standard Industrial Classification \(ANZSIC\)](#), 2006, Version 2.0.
- Occupation is defined by the [Australian and New Zealand Standard Classification of Occupations \(ANZSCO\)](#), 2013, Version 1.3.
- Capital City and Rest of State areas are defined by the [Australian Statistical Geography Standard \(ASGS\): Volume 1 - Main Structure and Greater Capital City Statistical Areas](#), July 2016.

Background

Information in this report is based on the *Recruitment Experiences and Outlook Survey* (REOS), which is an ongoing survey of employers across Australia. Approximately 1,200 employers are surveyed each month, with data published on the Jobs and Skills Australia website (jobsandskills.gov.au). While the data are indicative of recruitment activity, they may be subject to seasonal factors and other volatility and should therefore be used with caution. In addition, the survey is targeted towards employers with 5 or more employees, and excludes many government organisations.

REOS results may not reflect the full impact that outbreaks of COVID-19 and associated restrictions have had on employers and their recruitment experiences since the survey is unable to gather data from employers who have closed (even temporarily), and response rates can vary significantly by industry in areas that were under lockdown restrictions at the time of survey. Furthermore, the survey was paused and adapted, particularly during 2020, to reflect changing labour market conditions due to the impacts of the COVID-19 pandemic.

Please note that data collection paused over the Christmas and New Year periods as follows:

- 21 December 2020 until 8 January 2021;
- 18 December 2021 to 7 January 2022; and
- 17 December 2022 to 9 January 2023.

Data in this release should be referenced as – *Jobs and Skills Australia, Recruitment Spotlight: Recent trends in recruitment difficulty*.

For additional information email: REOS@jobsandskills.gov.au.