

Labour Market Update

March 2022 quarter

Data current as of 6 May 2022

Ongoing growth in labour market activity

Despite the outbreak of Omicron in December 2021 and into early 2022, the labour market has remained resilient, reflecting strong growth in both labour demand and supply. Over the 3 months to March 2022:

- total employment rose to a record high
- the participation rate and the employment-to-population ratio also rose to equal record highs
- the unemployment rate fell to its equal lowest rate since 1974
- the underemployment rate fell to its lowest rate since 2008 and
- internet job advertisements have reached their highest level since 2008.

Table 1:
Key labour market
indicators, March 2022, and
change since March 2020

Employment

▲ **3.0%**

13,389,900

Monthly hours worked in all jobs

▲ **2.2%**

1,803.2 million hours

Labour force

▲ **1.6%**

13,941,200

Unemployment rate

▼ **1.3% pts**

4.0%

Participation rate

▲ **0.6% pts**

66.4%

Source: ABS, *Labour Force, Australia*, March 2022, seasonally adjusted data.

Recent growth in both employment and participation

The latest available ABS Labour Force Survey figures show that the level of employment increased by 123,600 (or 0.9%) over the 3 months to March 2022.

The national unemployment rate also continued to decline, from 4.2% in December 2021, to 4.0% in March 2022, the equal lowest rate recorded since 1974 – noting that the unemployment rate fell to 4.0% twice during 2008. The decline in the unemployment rate occurred in conjunction with a 0.3 percentage point increase in the participation rate, to 66.4% in March 2022, an equal record high.

In addition, the employment-to-population (aged 15 and above) ratio rose to an equal record high of 63.8% in March 2022 (see Figure 1, below).

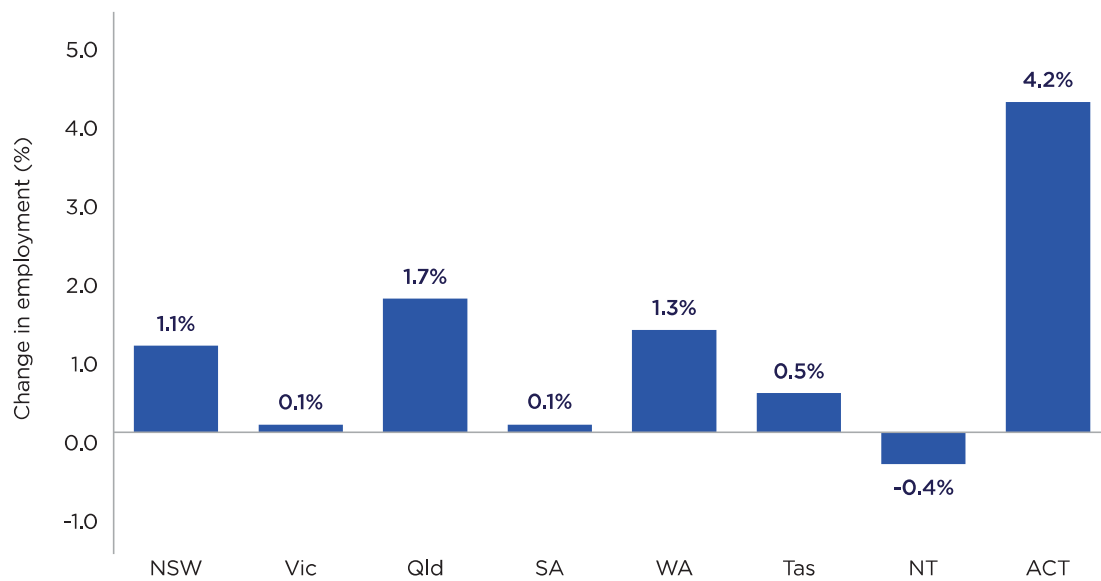
Figure 1: Employment to population (aged 15 years and above) ratio, March 2002 to March 2022



Source: ABS, *Labour Force, Australia*, March 2022, seasonally adjusted data.

As illustrated in Figure 2, employment increased in all jurisdictions, except the Northern Territory, over the 3 months to March 2022. While the Australian Capital Territory recorded the largest gain in percentage terms (of 4.2%), New South Wales (up by 45,600 or 1.1%) and Queensland (up by 45,100 or 1.7%) recorded the largest increases in the number of employed people.

Figure 2: Change in employment by state and territory, December 2021 to March 2022



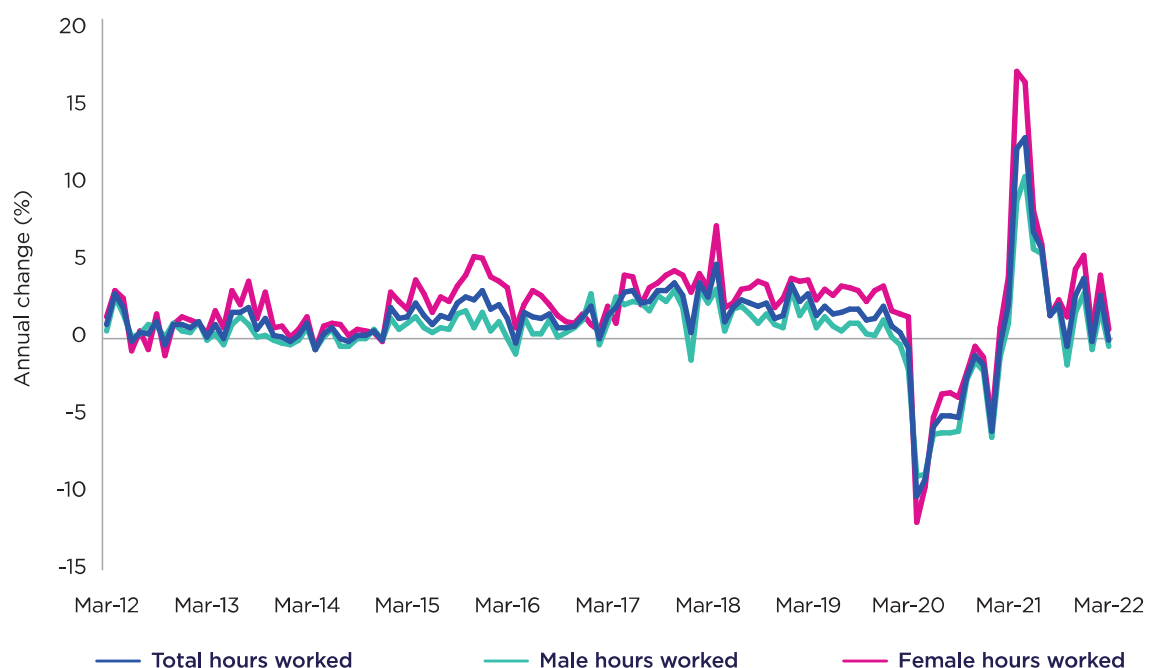
Source: ABS, *Labour Force, Australia*, March 2022, seasonally adjusted data.

Total hours worked were affected by both the pandemic and recent floods in New South Wales and Queensland

While employment has grown steadily in recent months, trends in hours worked have been more volatile. Nationally, the number of monthly hours worked fell by 19.1 million hours (or 1.0%) over the 3 months to March 2022 but remains 38.2 million hours (or 2.2%) above the level recorded in March 2020. Over this period, three distinct impacts were observed. Hours worked:

- fell sharply in January 2022, due largely, to a significant increase in the number of people who worked reduced hours due to 'own illness, injury or sick leave', as a result of the high number of COVID cases associated with the Omicron variant
- recovered strongly in February (almost fully negating the January fall), albeit there was still a higher than usual number of people working reduced or zero hours due to 'own illness, injury or sick leave'
- fell again in March 2022, driven, in part, by a significant increase in number of people working zero or reduced hours over the month (of 454,900 or 924.6%) due to 'bad weather or plant breakdown' arising from the flooding in New South Wales and Queensland.

Figure 3: Annual change in hours worked by gender (%), March 2012 to March 2022



Source: ABS, *Labour Force, Australia*, March 2022, seasonally adjusted data.

Employment growth has varied considerably across Skill Levels, occupations and industries during the pandemic

Detailed ABS Labour Force Survey data for February 2022 (the most recent available data) shows that employment increased for all Skill Level Occupations (1,2,4,5), except for Skill Level 3 Occupations, over the February quarter 2022.

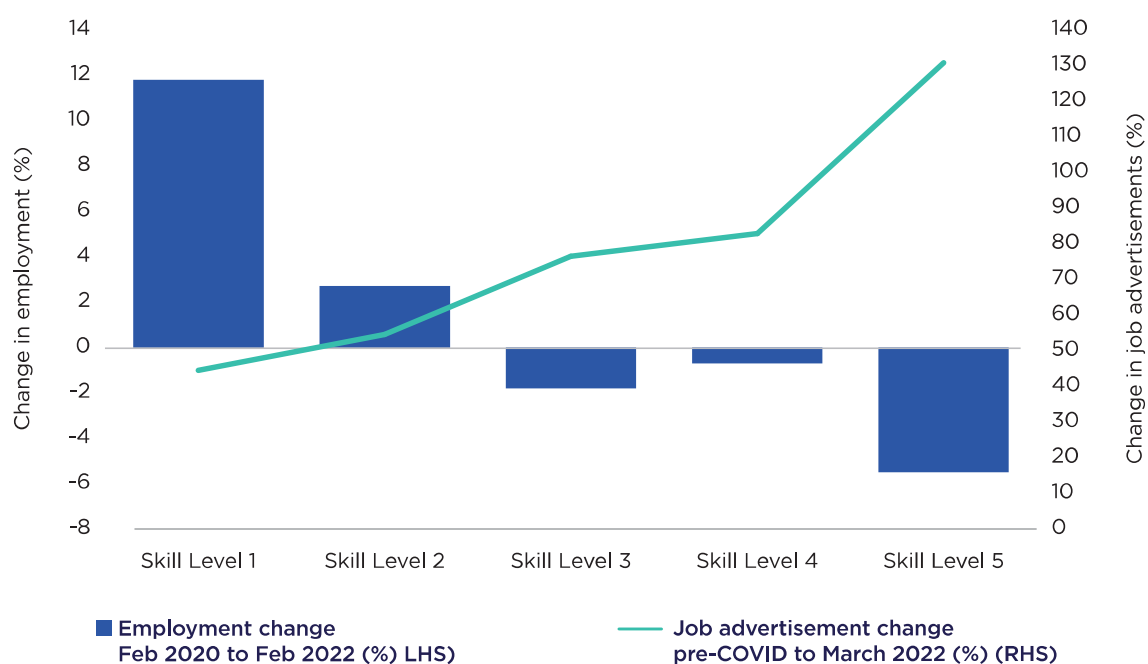
Skill Level 1 Occupations recorded the largest increase in employment over the quarter (up by 162,000 or 3.6%). This accounted for 90.0% of overall employment growth over the period. Skill Level 2 Occupations recorded the second largest increase, (up by 17,200 or 1.0%), followed by Skill Level 5 (16,100 or 0.8%) and Skill Level 4 (10,700 or 0.3%).

Employment in Skill Level 1 and 2 Occupations increased through the pandemic, with employment for Skill Level 1 Occupations increasing by 497,900 (or 11.8%) and Skill Level 2 Occupations increasing by 43,000 (or 2.7%) since February 2020. By comparison, employment for Skill Levels 3, 4 and 5 Occupations has fallen by 167,500 (or 2.3%) over the COVID-19 period.

The shift towards higher skill levels through the COVID period has been an acceleration of a long-term trend, as the workforce has become more highly educated and employment has transitioned towards services-based industries.

As Figure 4 shows, these employment growth trends are in contrast with the percentage growth in job advertisements during the pandemic (where the lower Skill Levels have grown the most). In this regard, it is important to separate short-term job demand post lockdowns from more enduring skills shortages.

Figure 4: Growth in employment and job advertisements (compared to pre-COVID) by Skill Level



Source: ABS, *Labour Force, Australia, Detailed*, February 2022 and NSC, *Internet Vacancy Index*, March 2022, both seasonally adjusted data

The strong increase in employment over the February 2022 quarter was not evenly distributed across detailed occupations. Indeed, while employment for all occupations increased by 180,000 (or 1.4%) in the February 2022 quarter, employment increased in just 168 of the 358 (or 46.9%) of the detailed occupations.

Similarly, whilst total employment has increased by 377,700 (or 2.9%) for all occupations over the two years to February 2022, just 174 (or 48.6%) of the 358 detailed occupation groups have recorded an increase in employment over the period.

- Six of the ten occupations with the largest increases in employment since February 2020 were in Skill Level 1. These include Human Resource Managers (up by 78,400 or 111.9%), General Managers (56,500 or 119.1%), Accountants (43,600 or 24.9%), Database and Systems Administrators, and ICT Security Specialists (30,300 or 75.3%) and Chief Executives and Managing Directors (27,400 or 80.5%).
 - The four occupations which were in other Skill Levels were Aged and Disabled Carers (up by 59,400, Skill Level 4), Other Hospitality, Retail and Service Managers (45,200, Skill Level 2), Storepersons (37,200, Skill Level 4) and Sales Assistants (General) (28,400, Skill Level 5).
- The largest decrease in employment since February 2020 was recorded for Checkout Operators and Office Cashiers (down by 46,300 or 27.1%), followed by Retail Managers (down by 27,700 or 12.0%), Café and Restaurant Managers (26,200 or 32.2%), Livestock Farmers (25,400 or 26.2%), Bank Workers (23,800 or 42.4%) and Commercial Cleaners (20,000 or 11.4%).

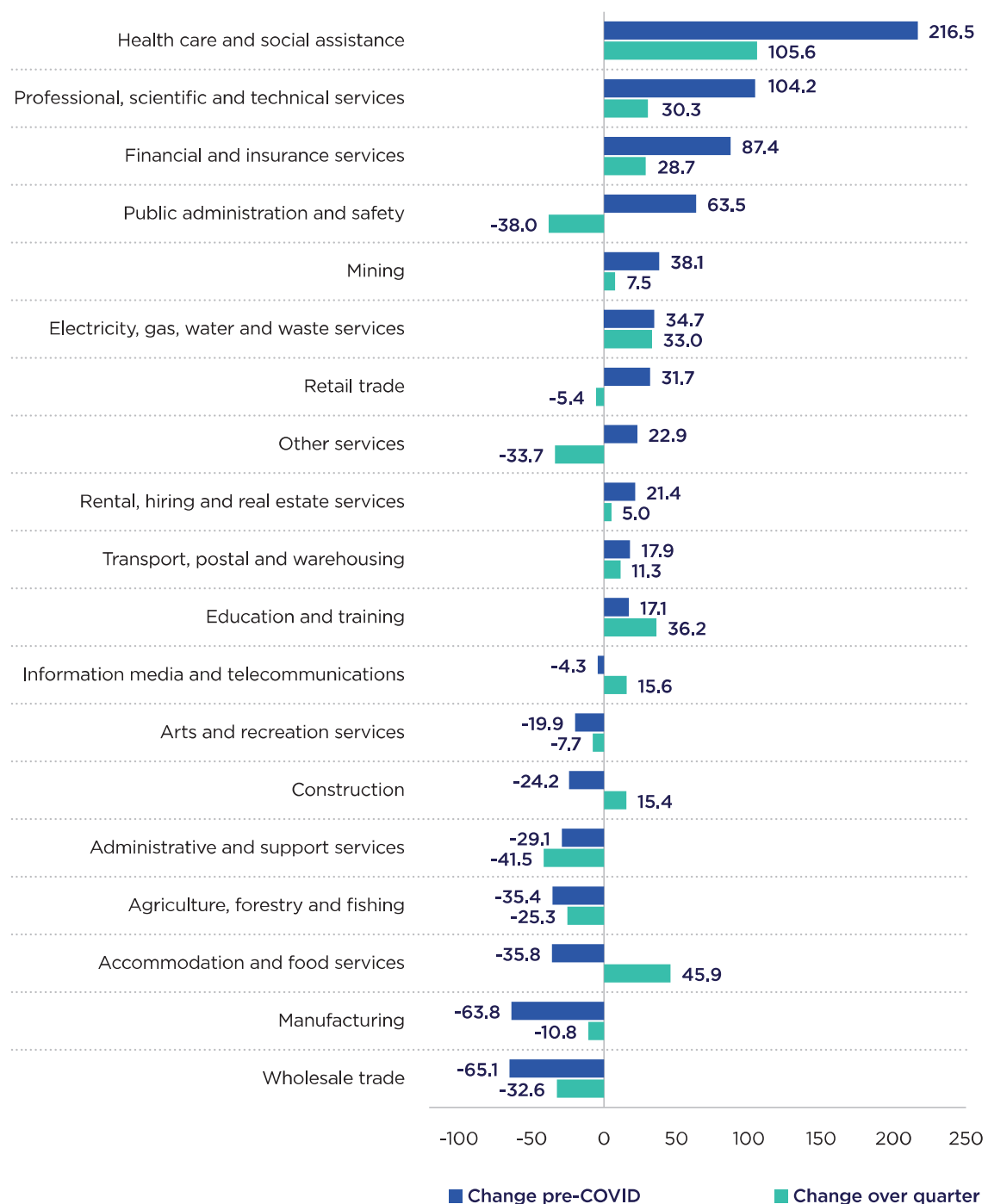
These occupational based outcomes will likely reflect a range of factors, including ongoing changes in the structure of the economy and jobs, as well as impacts associated with COVID 19.

ABS Labour Force Survey data for February 2022 (the most recent available data) shows that employment has rebounded strongly across a number of industries and now exceeds pre-COVID-19 levels in 11 of the 19 main industry groups.

Figure 5 shows that during the pandemic, Health Care and Social Assistance, Professional, Scientific and Technical Services, Financial and Insurance Services and Public Administration and Safety made the largest contributions to employment growth. The largest falls in employment were recorded in Wholesale Trade, Manufacturing and Accommodation and Food Services.

Importantly, employment levels for some industries are still recovering after having been impacted by the pandemic. The clearest example would be Accommodation and Food Services, where employment remains 35,800 below pre COVID levels but has recovered strongly over the two quarters to February 2022 (by 78,900 over this period, including 45,900 in the most recent quarter).

Figure 5: Employment growth by industry ('000), November 2021 to February 2022



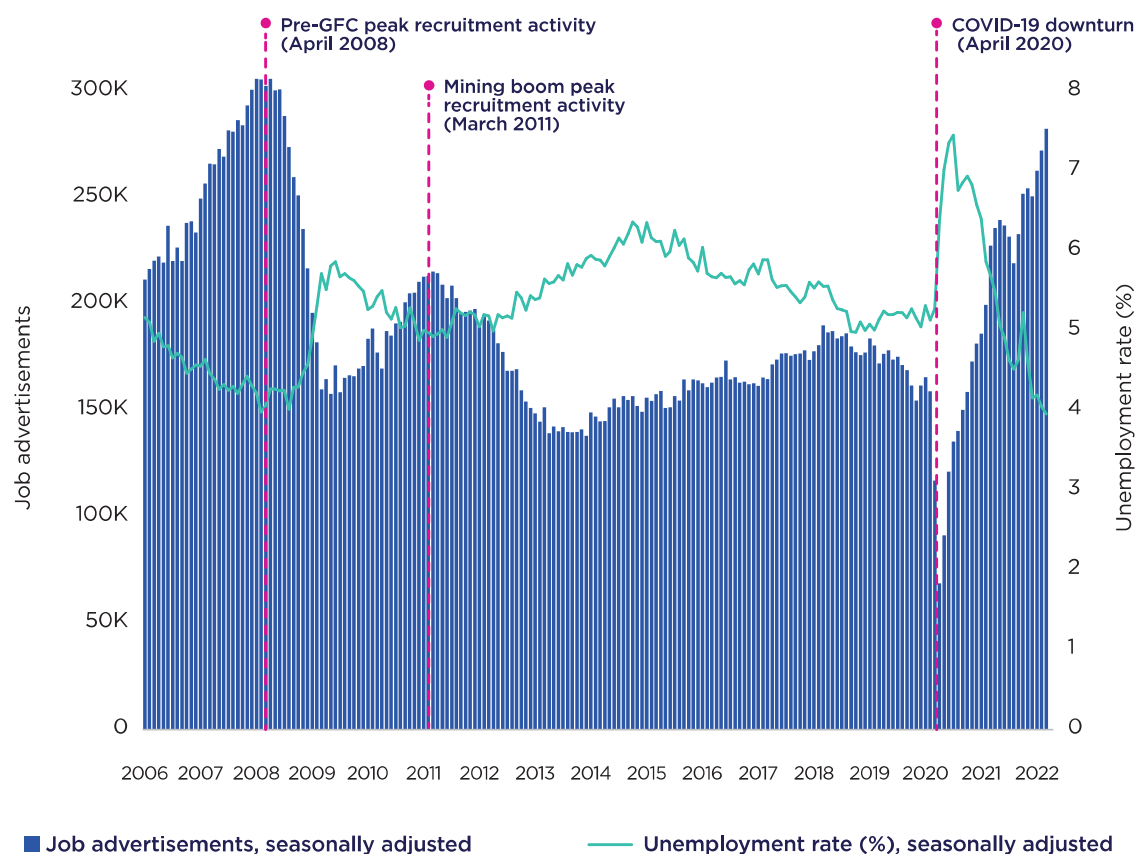
Source: ABS, *Labour Force, Australia*, detailed, February 2022

Labour demand - job advertisements grew and were spread across a larger proportion of employers looking to recruit

Job advertisements captured in the NSC's Internet Vacancy Index (IVI) data, have fully recovered after falling at the start of the pandemic. Figure 6 shows that job advertisements reached their highest levels since 2008 in March 2022, to stand at 282,400. The level of recruitment activity remains significantly elevated compared to pre-COVID levels¹, with job advertisements up by 67.8% (or 114,100 job advertisements).

Recent trends in ABS Job Vacancies data reflect similar movements to the IVI data. The most recent ABS data recorded 423,500 job vacancies in the February 2022 quarter², representing an increase of 27,300 job vacancies (or 6.9%) over the quarter. Over the same period (November 2021 to February 2022), the IVI recorded an increase of 7.0% in job advertisements.

Figure 6: Internet Vacancy Index job advertisements and unemployment rate, January 2006 to March 2022



Source: NSC, *Internet Vacancy Index*, March 2022 and ABS, *Labour Force, Australia*, March 2022, seasonally adjusted data;

¹ Pre-COVID-19 job advertisement levels are defined as the 12-month average in the seasonally adjusted IVI series to February 2020.

² ABS, *Job Vacancies, Australia*, February 2022, seasonally adjusted data.

Recent results from the NSC's Recruitment Experiences and Outlook Survey (REOS) reinforce the strength of labour demand suggested by growth in internet job advertisements.

Figure 7 shows that the proportion of employers recruiting (currently or in the past month) stood at 56% in March 2022, the highest level recorded since the survey commenced in June 2020 and an increase of 5 percentage points since December 2021. Over this same period the recruitment rate in capital cities (53%) and rest-of-state areas (61%) increased by 5 and 6 percentage points respectively.

Figure 7: Proportion of employers currently recruiting or who recruited in the past month



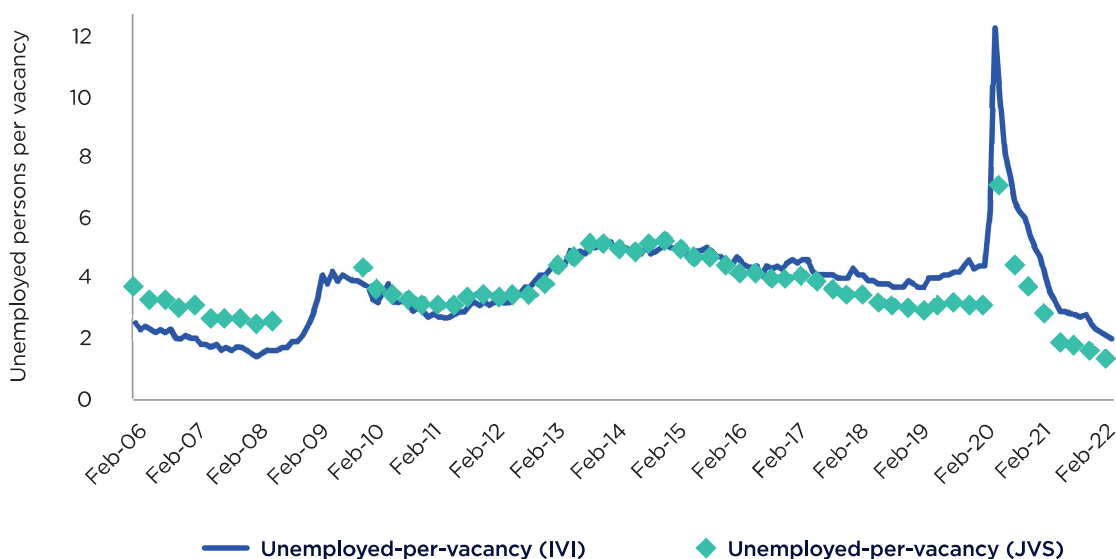
Source: NSC, *Recruitment Experiences and Outlook Survey*, March 2022

Turnover remains the primary reason for employers to recruit, with 65% of employers recruiting for turnover only (the highest level recorded since the survey commenced in June 2020) and a further 10% recruiting for a mix of both turnover and new roles.

Recent months have seen growth in both labour demand and employers' difficulty filling vacancies

Over 2021 and into 2022, the growth in labour demand as recorded by IVI and REOS has also contributed to a reduction in the number of unemployed persons per job vacancy (see Figure 8 below) and an increase in the proportion of employers who have reported difficulty filling their vacancies.

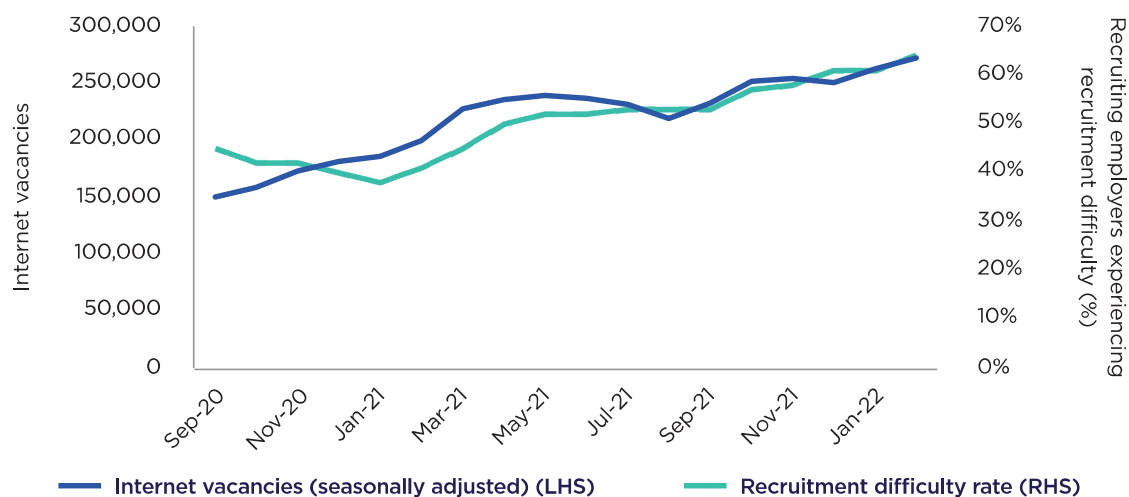
Figure 8: Unemployed persons per job vacancy, February 2006 to February 2022



Source: NSC *Internet Vacancy Index*, March 2022; ABS, *Labour Force, Australia*, February 2022, seasonally adjusted data; ABS, *Job Vacancies, Australia*, February 2022, seasonally adjusted data

Figure 9 shows that the surge in online job ads in early 2021, and again more recently since August 2021, is reflected in increases in the recruitment difficulty rate during those periods.

Figure 9: Recruitment difficulty (3-month moving average) and IVI (seasonally adjusted)



Source: NSC, *Recruitment Experiences and Outlook Survey*, March 2022; *Internet Vacancy Index*, March 2022

Recent growth in employment and labour demand is shifting back towards capital cities, after a period of stronger growth in regional areas

The majority of recruitment activity remains concentrated in capital cities despite average job advertisement growth in regional areas (of 98.6% compared to pre-COVID levels) outpacing capital cities (62.2% compared to pre-COVID levels). March 2022 IVI data show 74.8% of all job advertisements were recorded in capital cities.

As Table 2 shows, growth in both employment and job advertisements were stronger in regional areas than in capital cities during the first 18 months of the pandemic. However, over the past six months and particularly the last three months, growth rates have been strongest in capital cities.

Table 2: Growth in employment and internet job vacancies – March 2020 to March 2022

	Employment		Internet job advertisement growth	
	Capital cities	Rest-of-state areas	Capital cities	Rest-of-state areas
March 2020 to September 2021	0.3%	1.3%	94.2%	112.2%
September 2021 to March 2022	1.5%	0.8%	21.4%	22.1%
December 2021 to March 2022	1.6%	0.5%	14.4%	10.4%

Source: ABS, *Labour Force, Australia, Detailed*, March 2022, 6-month averages of original data; NSC, *Internet Vacancy Index*, March 2022.

Figure 10: Difficulty by region type (as a proportion of recruiting employers)



Source: NSC, *Recruitment Experiences and Outlook Survey*, March 2022.

Please note: Disaggregated recruitment difficulty data was not publishable in January 2022; hence data points from December 2021 to February 2022 by region type have been joined by a dotted line.

Figure 11 shows that recruitment difficulty (for employers who are recruiting) has become more common in rest-of-state areas over recent years, with notable increases occurring from 2016 to 2018, and from 2019 to early 2022. 2020 marked the first time that employers in rest-of-state areas experienced more difficulty than those in capital cities since records began. However, with lockdowns having eased and activity in the major cities picking up, recruitment difficulty in the capital cities has been just as pronounced as in regional areas over 2022 to date. And in both cases the rate of recruitment difficulty over 2022 has (to date) exceeded that seen in prior years.

Figure 11: Proportion of recruiting employers who experienced difficulty with their most recent recruitment, 2016 to 2022



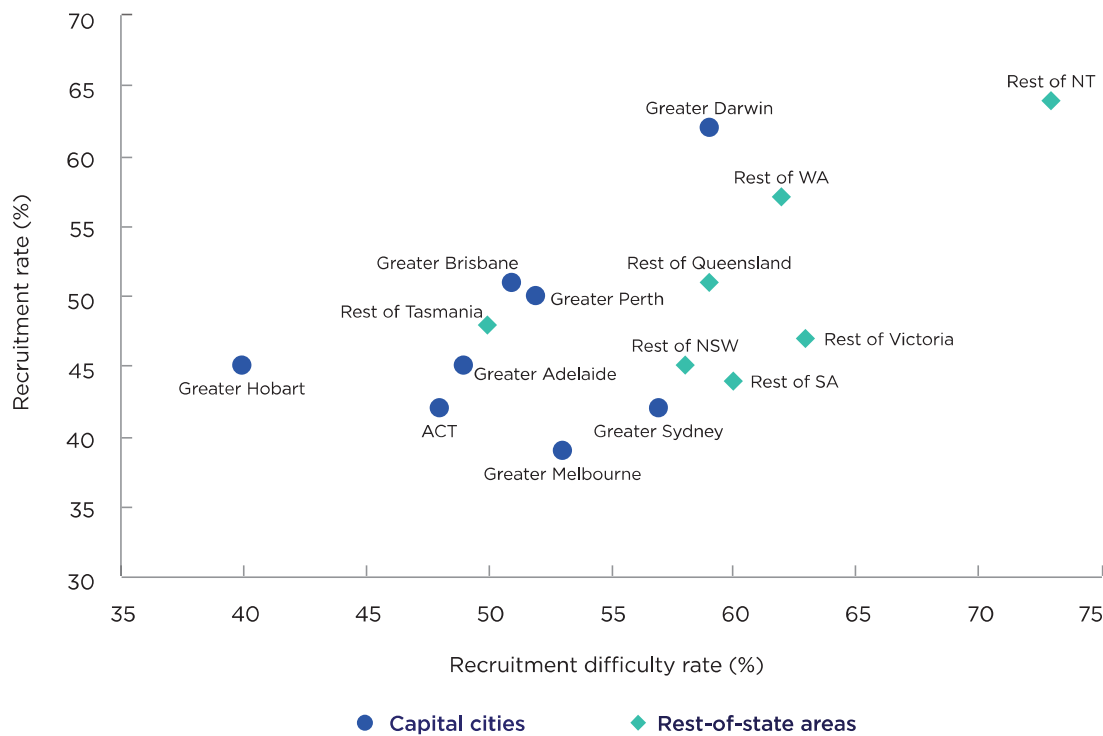
Source: NSC, *Survey of Employers' Recruitment Experiences (2016-2019)*, *Recruitment Experiences and Outlook Survey (2020-2022)*

*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.

^2022 to date covers the period January 2022 to March 2022.

Rates of recruitment and recruitment difficulty vary by individual rest-of-state and capital city areas. For each region, Figure 12 shows not only the regional variation that we have seen on average over the past 12-months but also that there tends to be a correlation between the share of employers that are looking to recruit and recruitment difficulty.

Figure 12: Rates of recruitment and recruitment difficulty by region (12 months to March 2022)



Source: NSC, *Recruitment Experiences and Outlook Survey*, 2021 and 2022

It is important to note that recruitment difficulty doesn't necessarily mean that positions go unfilled. Of those employers that cited recruitment difficulty³

- 18% of employers filled vacancies within a month
- 23% filled vacancies but it took longer than a month
- 18% had not yet filled vacancies but had been looking for less than a month
- 40% had unfilled vacancies for more than a month.

That said, recent results from the NSC's Survey of Employers who have Recently Advertised (SERA) highlight that increased recruitment difficulty is having some impact on the filling of job vacancies. Figure 13 shows that over the year to March 2022, employers:

- filled a smaller proportion of advertised vacancies (59%, compared with 62% over the year to March 2021)
- attracted fewer applicants (11.8 per vacancy, compared with 12.9 over the year to March 2021)
- considered fewer applicants to be suitable (2.1 applicants per vacancy, compared with 2.9 over the year to March 2021) with respect to the qualifications, skills and experience they had to do the job.

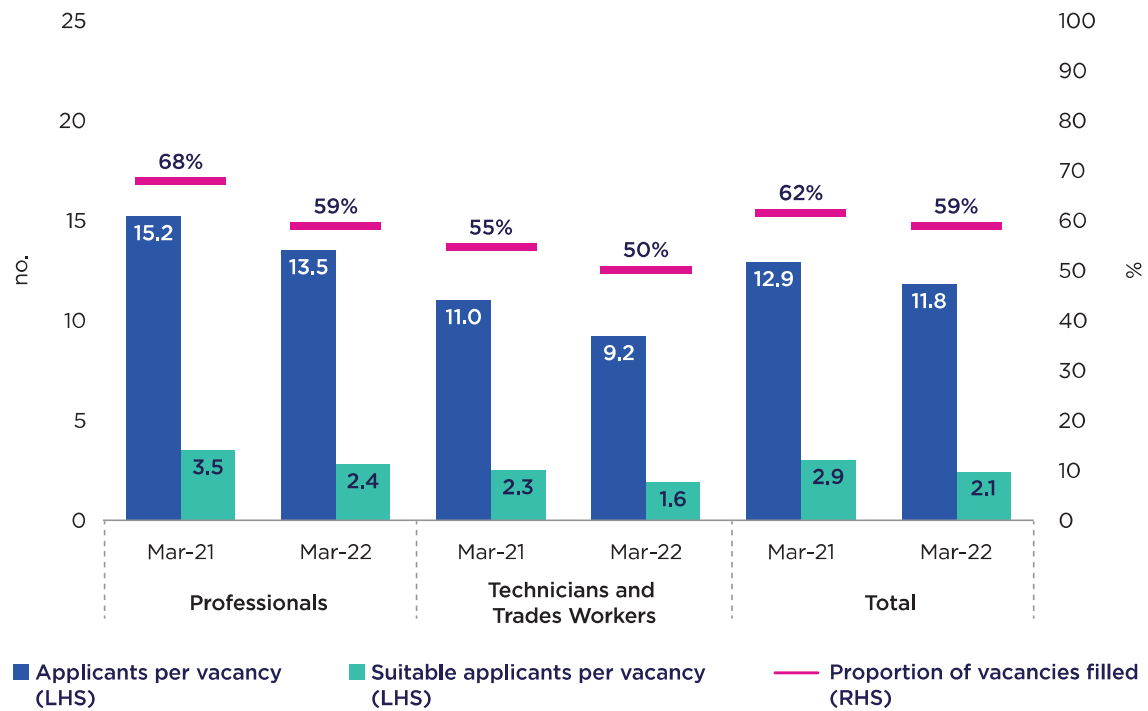
These results are consistent with a recent SEEK employment report⁴ that highlighted declines in candidate applications per job advertisement - both recently and compared to 2019.

SERA data also suggests that the labour market continued to tighten for both Professionals and Technicians and Trades Workers, with employers filling a smaller proportion of advertised vacancies across both occupation groups compared with the previous year.

³ Based on REOS data collected from May 2021 to March 2022.

⁴ SEEK employment report, March 2022

Figure 13: Proportion of vacancies filled (%), average number of applicants and suitable applicants per vacancy (no.), year to March 2021 and year to March 2022



Source: NSC, *Survey of Employers who have Recently Advertised*, March 2022

Over the year to March 2022, around three quarters of employers surveyed required a qualification for applicants to be considered for their advertised role – most commonly a Bachelor degree or a Certificate III/IV. Despite this, more than 60% of all qualified applicants were considered unsuitable. Employer feedback indicates that these applicants commonly lacked experience, did not possess the specific technical skills required, present poorly at the job interview or lacked the communication skills needed.

Overall labour demand and recruitment difficulty remain highest for the higher Skill Levels

Some of the recent trends in the percentage growth (or in some cases, decline) of IVI job advertisements should be viewed in the context of overall job advertisement volumes and employment growth.

For example, the percentage level of job advertisement growth compared to pre-COVID is lowest for Skill Level 1 (up by 44.5%) and highest for Skill Level 5 (up by 130.8%). However, as Table 3 highlights, Skill Level 1 remains by far the most frequently advertised (making up just over one-third of all advertisements) and has seen employment growth of 11.8% during the pandemic (see Figure 4 above).

Table 3: Internet Vacancy Index job vacancies by Skill Level – March 2022

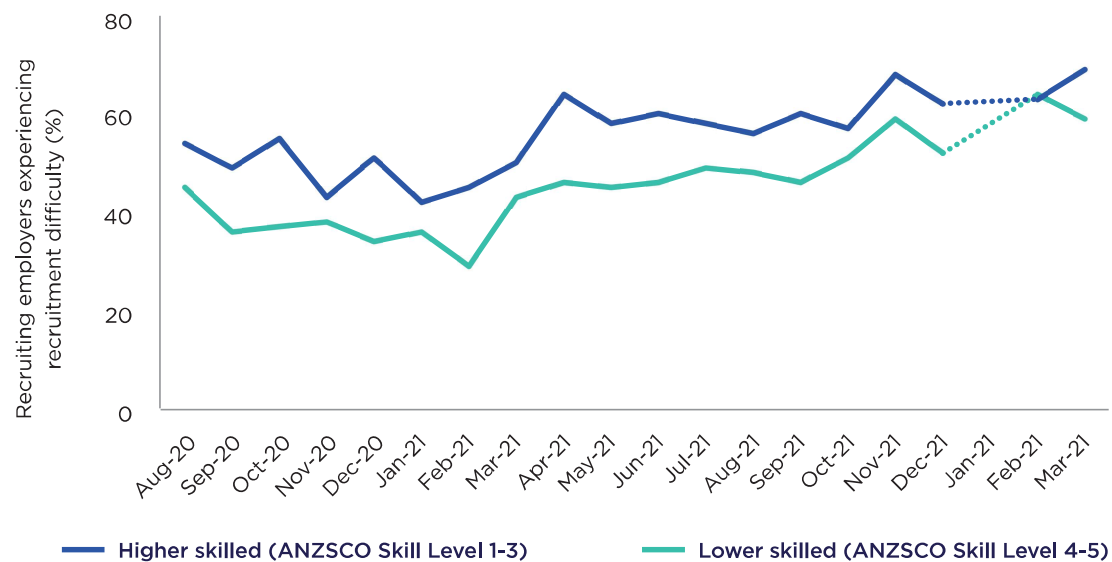
	Monthly change (%)	Monthly change (no.)	Pre-COVID change (%)	Pre-COVID change (no.)	Number of job adverts
Skill Level 1 - Bachelor degree or higher	2.5%	2,300	44.5%	30,000	97,200
Skill Level 2 - Advanced Diploma or Diploma	5.4%	1,500	54.6%	10,400	29,500
Skill Level 3 - Certificate IV or III* (Skilled VET)	4.0%	1,600	76.5%	18,200	42,000
Skill Level 4 - Certificate II or III	4.5%	3,300	82.9%	34,400	75,900
Skill Level 5 - Certificate I or secondary education	3.8%	1,400	130.8%	21,700	38,200
Australia	3.7%	10,200	67.8%	114,100	282,400

The skill level of an occupation is based on the level of educational attainment/experience normally required to work in the occupation according to the Australian and New Zealand Standard Classification of Occupations (ANZSCO). *Includes at least two years of on-the-job training.

Source: NSC, *Internet Vacancy Index*, March 2022

Figure 14 shows that higher-skilled occupations also remain more difficult to recruit for compared with lower-skilled occupations, with difficulty rates for recruiting employers of 69% (for Skill Level 1 to 3 occupations) and 59% (for Skill Level 4 and 5 occupations) respectively.

Figure 14: Difficulty by skill level of occupation (as a proportion of recruiting employers)



Source: NSC, *Recruitment Experiences and Outlook Survey*, March 2022

Please note: Disaggregated recruitment difficulty data was not publishable in January 2022; hence data points from December 2021 to February 2022 have been joined by a dotted line.

The Quarterly Labour Market Update is prepared by the National Skills Commission's Labour Market Research and Analysis Branch.

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