



Australian Government



Jobs and Skills Australia

Shifting Employer Sentiment

Using data from Jobs and Skills Australia's Recruitment Experiences and Outlook Survey (REOS), this report examines employers' single greatest concern¹ and how this has evolved over time. It highlights the growing influence of cost pressures, labour constraints and demand uncertainty on business sentiment, as well as the impact of recent global disruptions on employer outlook. These insights provide a clearer understanding of the challenges facing Australian businesses and how they vary across industries, regions and employer types.

Key findings

- Employers' greatest concerns have shifted since early 2025, with cost pressures, labour constraints and weak demand replacing the previously high share of employers reporting no major concerns.
- Cost pressures rose rapidly to become the leading concern in early 2026, coinciding with global fuel market disruption and supply chain pressures, with particularly strong impacts on transport-reliant and regional businesses.
- Recruitment and retention difficulties remain a key structural challenge, especially for employers actively hiring or experiencing difficulty filling roles.
- Impacts from rising fuel costs and disruptions are widespread but typically moderate, affecting around two-thirds of employers, though only a small proportion report severe impacts.
- Higher fuel prices and supply disruptions appear to be contributing to increased operating costs, with flow-on effects in higher transport and input costs, as well as reduced customer demand.

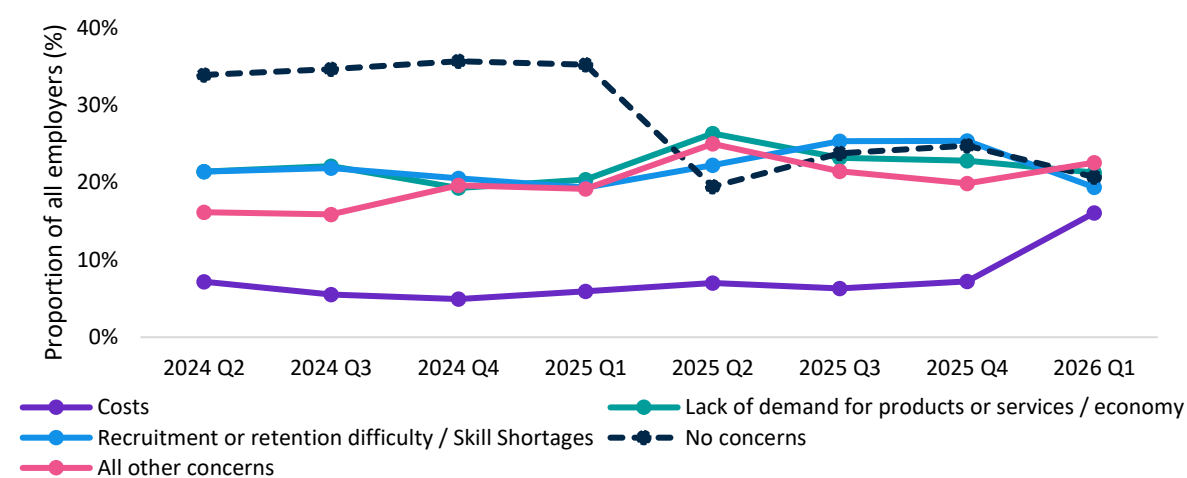
¹ Results are derived from the following question in the REOS: *Thinking about all aspects of your business, what (if anything) is your single greatest concern over the next 3 months.* Given the timeframe provided in the question, results should be viewed as forward-looking.

Trends over the last two years

Throughout 2024, a relatively large share of employers reported having no major concerns for their business over the next 3 months. However, in early 2025, as other issues became more prominent, the share of employers reporting no concerns declined sharply, falling to around half its previous level (Figure 1). Recruitment and retention difficulties and a lack of demand both rose to become the leading concerns around mid-2025, each affecting roughly a quarter of employers before easing slightly through to 2026.

Costs had historically been one of the least frequently cited concerns by employers, but this has increased steadily over time and jumped sharply in early 2026, reaching 16% of employers (up from 7% in the previous quarter). This increase aligns with heightened global fuel pressures linked to conflict in the Middle East, especially following the closure of the Strait of Hormuz on 28 February 2026, and subsequent disruption to global fuel supply.

Figure 1. Employers' single greatest concern, by quarter



Source: JSA, Recruitment Experiences and Outlook Survey, 2026

A detailed look at shifting concerns in 2026

In early 2026, employers' concerns shifted significantly, coinciding with heightened global uncertainty following the closure of the Strait of Hormuz in late February. Reports of cost pressures rose sharply over this period, increasing from under 10% of employers in early March to almost 30% by mid-April, becoming the most reported concern (Figure 2). This increase is consistent with the timing of global fuel market disruptions and aligns with REOS evidence on rising fuel costs and supply constraints. It likely reflects a combination of elevated input costs and ongoing supply chain pressures. From late April, cost concerns began to ease from their peak, correlating with the introduction of measures by the Government on 1 April, including the halving of the fuel excise (and associated change to the Fuel Tax Credit) and reduction of the heavy vehicle road user charge.²

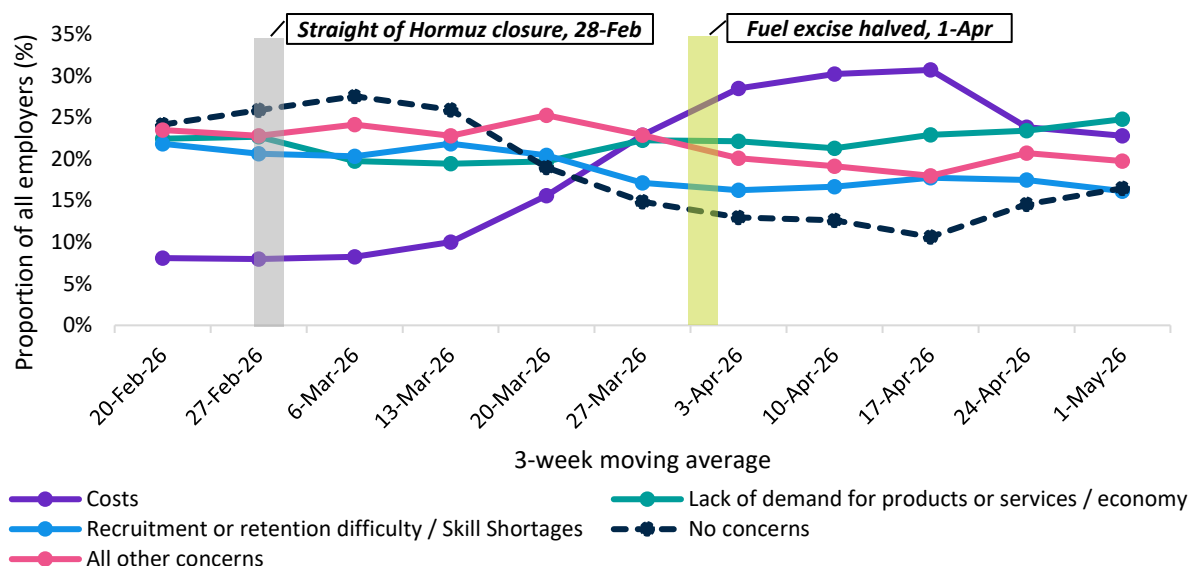
During this time concerns about lack of demand for products or services became slightly more prominent, suggesting softening consumer demand. The Reserve Bank of Australia's monetary policy settings,³ through the implementation of two consecutive rate rises (on 3 February and 17 March), may have also contributed to this easing in demand.

² Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts, [National Fuel Security Plan](#); Department of the Prime Minister and Cabinet, [National Fuel Security Plan](#).

³ Reserve Bank of Australia (RBA), [Statement on Monetary Policy - May 2026](#).

At the same time, the share of employers reporting no concerns began to decline, indicating a softening in overall business sentiment. Recruitment and retention difficulties eased gradually, while demand-related concerns remained relatively stable at around one fifth of employers.

Figure 2. Employers' single greatest concern, 3-week moving averages, 2026

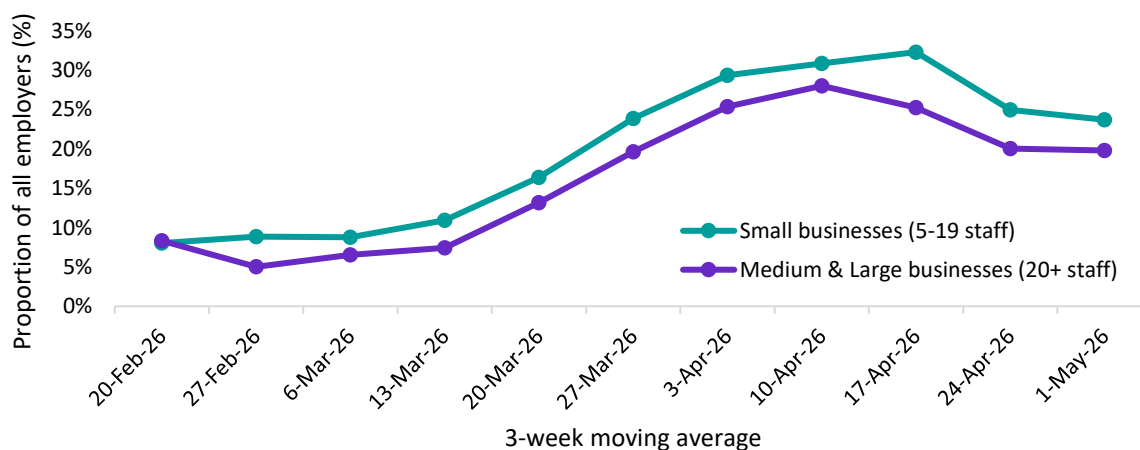


Source: JSA, Recruitment Experiences and Outlook Survey, 2026

Costs as a concern - small and large businesses

Across both business size groups over the period from late February to mid-April 2026, a similar trend to that shown in Figure 2 above was observed, with costs emerging as a central concern. Throughout the period, a consistently higher proportion of small businesses (5-19 staff) reported cost pressures compared with medium and large businesses (20+ staff), with the gap widening slightly toward the end of the observed period. For small businesses, the proportion rose steadily from around 8–9% in late February to just under 32% by mid-April. Medium and large businesses followed a similar pattern, increasing from about 6% to approximately 25%. Overall, Figure 3 indicates growing cost pressures for all businesses, with smaller firms feeling the impact slightly more often on average than their larger counterparts.

Figure 3. Costs as the greatest concern, by size of business, 3-week moving averages, 2026



Source: JSA, Recruitment Experiences and Outlook Survey, 2026

National Fuel Security Plan – The Government Response

Amid the global disruptions to oil and gas supplies, the Australian Government – in partnership with state and territory governments – released the National Fuel Security Plan on 30 March 2026, endorsed by the National Cabinet. The National Fuel Security Plan is designed to keep the community and business updated and provide an early understanding of further fuel security measures that may be required. At the current stage (Level 2: Keeping Australia moving), supply continues but is under pressure.

Graphic 1. The four levels of the National Fuel Security Plan



There have been a number of emergency measures and ongoing initiatives as part of the plan, not limited to the below:

- Covering the period 1 April to 30 June 2026:
 - **Temporary fuel excise halved** for petrol and diesel, cutting pump prices.
 - **Heavy Vehicle Road User Charge reduced to zero**, lowering operating costs for freight and supply chains.
 - **Fuel Tax Credit adjustments**, in line with lower fuel excise.
- **Release and management of fuel supply:** The government released a portion of national fuel reserves, adjusted fuel standards, and secured intonal supply agreements.
- **Increased market oversight and consumer protection:** Increased ACCC monitoring of fuel prices and stronger penalties for price gouging.
- **Freight and industry measures:** Actions taken to supporting trucking and underwriting of private-sector fuel purchases to maintain supply chains.

The decline in cost concerns observed in Figure 2 from mid-April correlate with the introduction of the above measures and initiatives – factoring in a proportionate amount of lag for effects to flow through to businesses.

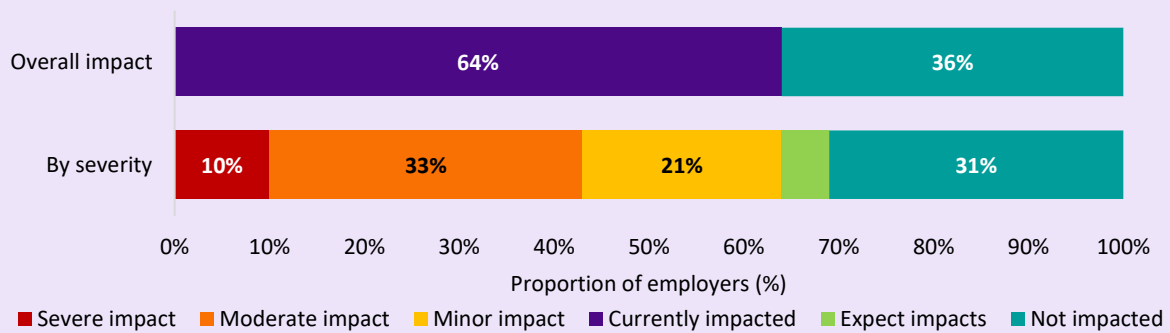
Sources: Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts, [National Fuel Security Plan](#); Department of the Prime Minister and Cabinet, [National Fuel Security Plan](#)

REOS targeted response to the fuel costs shock

In response to rising cost concerns by employers observed throughout March, from 1 April 2026, the REOS introduced new targeted questions to measure the impact of fuel costs and supply disruptions on businesses. Below are some preliminary results, covering the period 1 April to 1 May 2026.

Overall, 64% of employers surveyed reported some form of impact due to rising fuel costs and supply disruptions (Figure 4). A further 5% reported that they expected an impact in the near future. Around 1 in 10 employers noted that they were severely impacted, while the majority of impacted employers experienced moderate impacts.

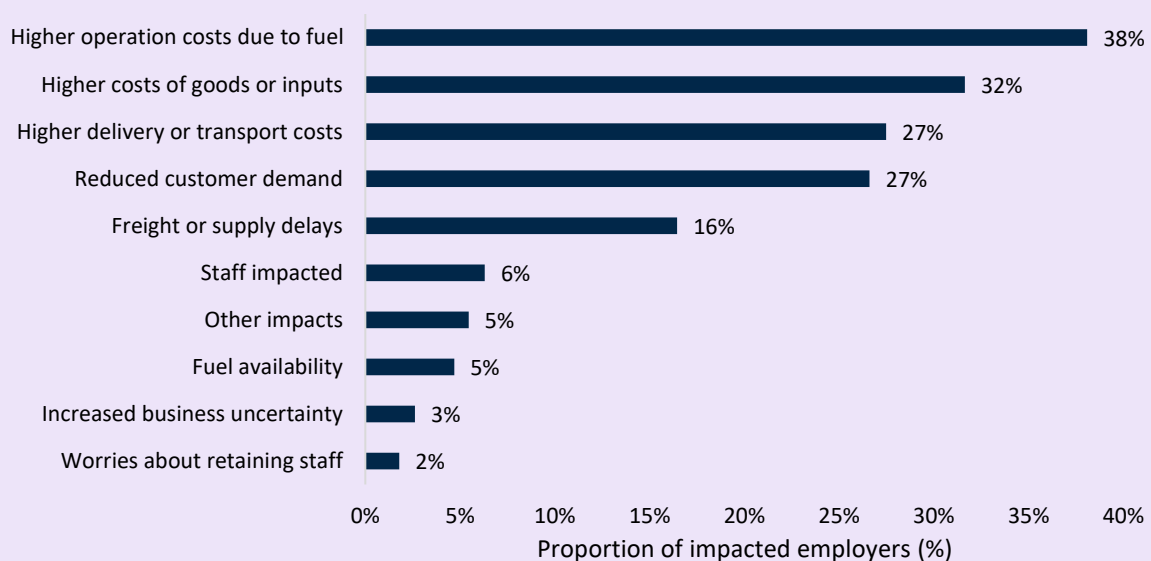
Figure 4. Employer impacts from fuel costs and supply disruptions



Source: JSA, Recruitment Experiences and Outlook Survey, 2026

Employers were affected in a variety of ways, with the predominant impact being higher operational costs due to fuel increases (38% of impacted employers) (Figure 5). Higher costs of goods or inputs (32%) and of delivery or transport (27%) were also specifically mentioned. Equally, reduced customer demand was noted often (27%), reflecting that the fuel cost shock has also been flowing through to consumers and affecting their behaviours. As previously mentioned, this signal of softening consumer demand may be correlated with the implementation of two consecutive interest rate rises (on 3 February and 17 March).

Figure 5. How impacted employers were affected by higher fuel costs and supply disruptions

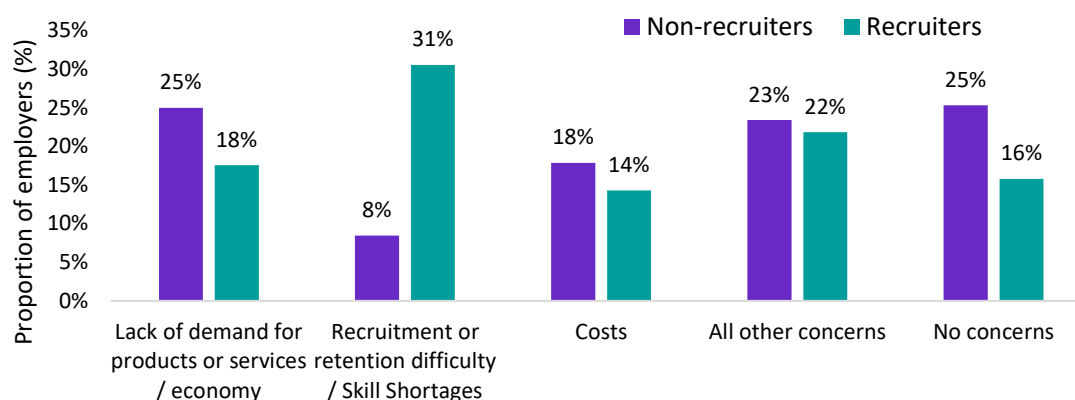


Source: JSA, Recruitment Experiences and Outlook Survey, 2026

Single greatest concern – recruiters and non-recruiters

Figure 6 below shows clear differences in concerns between employers who had recruited recently (recruiters) and those who had not (non-recruiters) across the March quarter. Recruiters were far more likely to identify recruitment or retention difficulties and skill shortages as their greatest concern (31%), compared with just 8% of non-recruiters, highlighting workforce constraints among hiring employers. In contrast, non-recruiters were more concerned about a lack of demand for their products or services (25% versus 18% of recruiters) and were more likely to report having no concerns at all (25% compared with 16% of recruiters). Costs were a moderate concern for both groups but slightly more prominent among non-recruiters (18% versus 14%).

Figure 6. Employers’ single greatest concern, by recent recruitment status, March quarter 2026

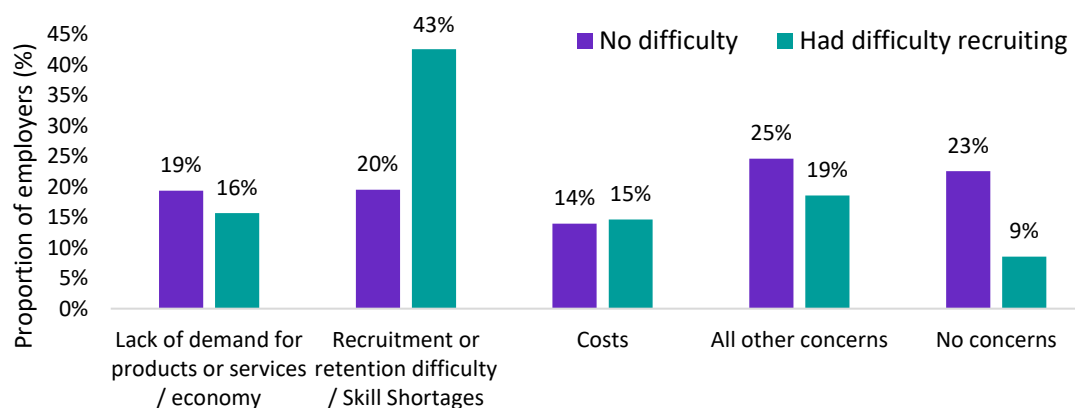


Source: JSA, Recruitment Experiences and Outlook Survey, 2026

Differences among recruiters with and without recruitment difficulty

Looking at concerns between recruiting employers who experienced recruitment difficulty and those who did not, it is clear that employers who experienced difficulty recruiting were significantly more likely to nominate recruitment or retention difficulty and skill shortages as their greatest concern (43%), more than double the share among recruiting employers with no difficulty (20%) (Figure 7). This underscores persistent labour market pressures for this group, particularly among employers still in the process of recruiting and experiencing difficulty.

Figure 7. Employers’ single greatest concern, by whether recruiting employers had difficulty or not, March quarter 2026



Source: JSA, Recruitment Experiences and Outlook Survey, 2026

In contrast, recruiting employers that did not face recruitment difficulty in their most recent recruitment rounds were more likely to report having no concerns at all (23%, compared with 9% of recruiters who experienced difficulty). Concerns about costs are similar across both groups (around 14-15%), while lack of demand for products or services is slightly more prominent among recruiting employers without recruitment difficulty (19% compared with 16%).

Trends across the states and territories

Figure 8 shows notable variation across states and territories in employers' single greatest concern in the March quarter 2026, with the dominant issue differing by jurisdiction. A lack of demand for products or services was the most commonly reported concern in several states, particularly New South Wales and Victoria, where it was cited by around a fifth and a quarter of employers, respectively, and was also prominent in the ACT. In contrast, recruitment or retention difficulty and skill shortages emerged as the leading concern in Queensland and Western Australia and was also relatively high in New South Wales and the Northern Territory, indicating tighter labour market conditions in these areas. Costs represented a moderate but secondary concern across many states and territories, peaking in Tasmania and South Australia. Overall, the results highlight substantial regional variation, with demand constraints more pronounced in some jurisdictions and workforce pressures more evident in others.

Figure 8. Employers' single greatest concern, by state and territory, March quarter 2026



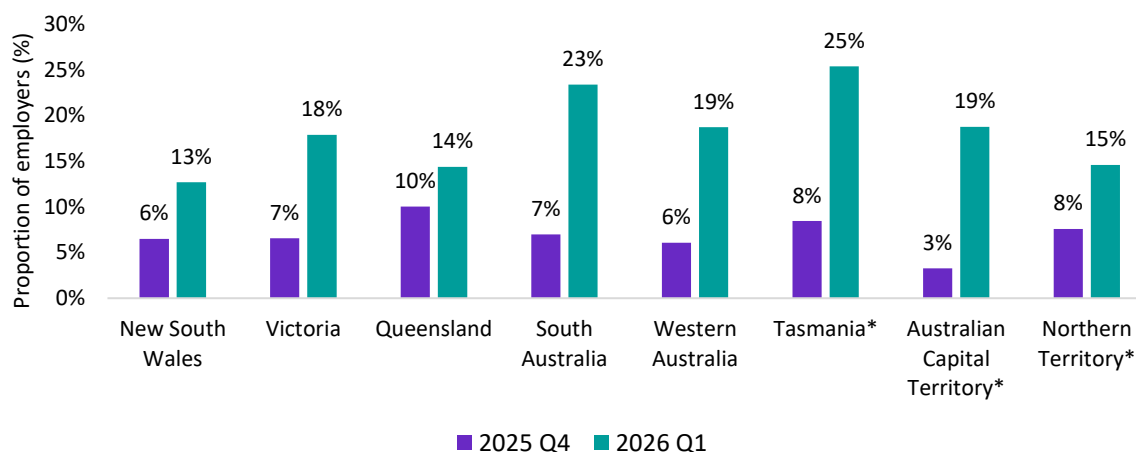
Source: JSA, Recruitment Experiences and Outlook Survey, 2026

Note: Results for states and territories marked with an asterisk (*) should be interpreted with caution due to sample size.

Figure 9 shows a clear increase in the proportion of employers nominating costs as their greatest concern between 2025 Q4 and 2026 Q1 across all states and territories. The rise was particularly pronounced in South Australia, where concerns about costs increased from 7% to 23% of employers, and in Tasmania, though Tasmanian results should be interpreted with caution due to sample size. Western Australia and the ACT also experienced substantial quarter-on-quarter increases, each rising by around 13-16 percentage points.

While a relatively lower share of employers in New South Wales and Queensland reported cost concerns in 2026 Q1 compared to other states and territories, both jurisdictions nevertheless recorded notable increases over the period. Overall, the results indicate that cost pressures became more widespread and significant for employers nationwide, with especially sharp increases in several smaller jurisdictions.

Figure 9. Costs as the greatest concern, by state and territory, previous two quarters



Source: JSA, Recruitment Experiences and Outlook Survey, 2026

Note: Results for states and territories marked with an asterisk (*) should be interpreted with caution due to sample size.

Trends across industries

There were clear differences in employers' single greatest concern across industries in the March quarter 2026, with distinct patterns emerging by sector. Costs were the dominant concern in the Transport, Postal and Warehousing industry, cited by 43% of employers, exceeding levels in other industries and indicating more acute cost pressures in this sector (Figure 10).

Figure 10. Employers' single greatest concern, by selected industries, March quarter 2026



Source: JSA, Recruitment Experiences and Outlook Survey, 2026

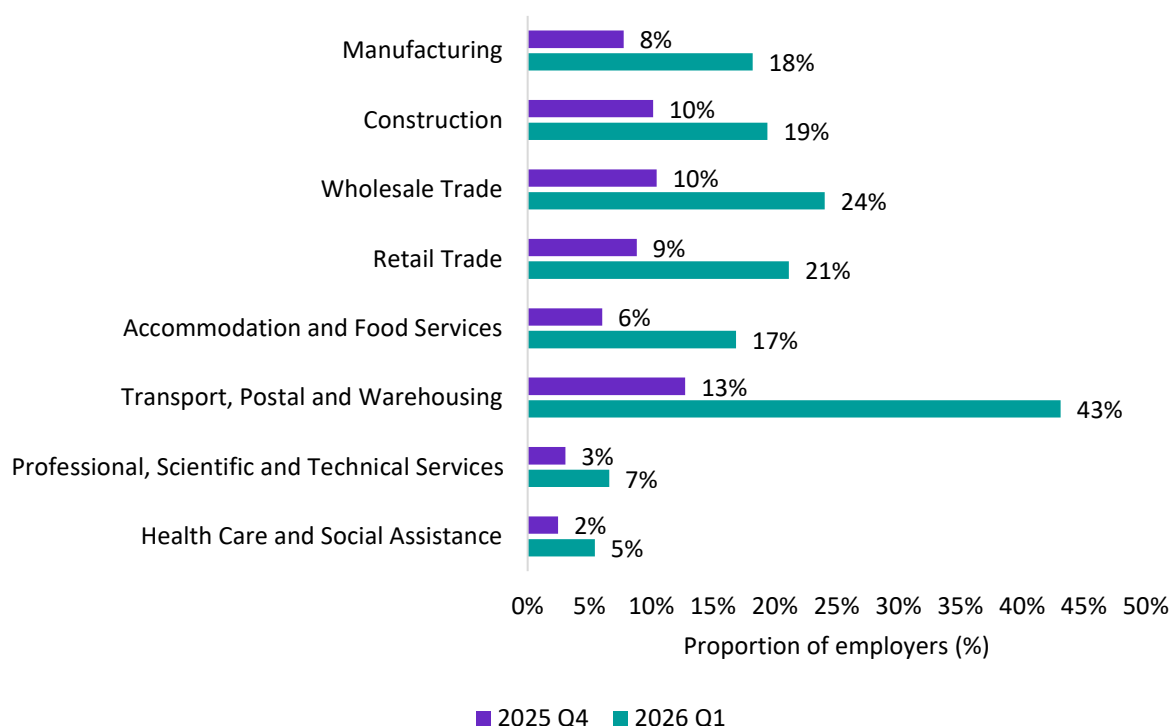
Note: Results for the Transport, Postal and Warehousing industry should be interpreted with caution due to limited sample size.

Concerns about lack of demand for products or services were most prominent in Manufacturing and Accommodation and Food Services (around 30% of employers) and also notable in Wholesale Trade (27%) and Retail Trade (24%), reflecting softer demand conditions in consumer and investment-facing industries.

Concerns about recruitment or retention difficulties and skill shortages were most pronounced in Health Care and Social Assistance, Accommodation and Food Services and Construction (30%, 24% and 23%, respectively), underscoring ongoing workforce constraints in care-intensive and labour-intensive sectors. Overall, Figure 10 demonstrates that employers' primary concerns vary substantially by industry, shaped by differences in cost structures, demand conditions and labour requirements.

Consistent with the states and territories analysis, the proportion of employers identifying costs as their greatest concern increased between 2025 Q4 and 2026 Q1 across all selected industries (Figure 11). The most significant increase occurred in the Transport, Postal and Warehousing industry, where concerns about costs jumped from 13% to 43% of employers, reinforcing the elevated cost pressures evident in this sector, exacerbated by the ongoing fuel disruption. Large increases were also evident in Wholesale Trade (from 10% to 24%), Retail Trade (from 9% to 21%) and Manufacturing (from 8% to 18%), suggesting that rising costs are becoming a broader challenge across goods- and services-producing industries. While increases were lower in Professional, Scientific and Technical Services and Health Care and Social Assistance, both industries still recorded modest increases over the quarter. Taken together, the results indicate that cost pressures are intensifying across the economy, with particularly sharp increases in transport-related and consumer-facing industries.

Figure 11. Costs as the greatest concern, by selected industries, previous two quarters



Source: JSA, Recruitment Experiences and Outlook Survey, 2026

Note: Results for the Transport, Postal and Warehousing industry should be interpreted with caution due to limited sample size.

Conclusion: Key insights from the survey and implications

This REOS Spotlight highlights a shift in Australian employers' reported concerns over the past two years. While there was marked variation by industry, location, business size and recruitment status; cost pressures, labour constraints and demand uncertainty featured more prominently than in 2024.

Cost pressures emerged as the most rapidly rising concern in early 2026, particularly among transport reliant, regional and smaller businesses. While these pressures eased slightly from their peak, concerns relating to weak demand became more prominent, suggesting fuel costs were increasingly being reflected in overall business conditions. At the same time, recruitment and retention difficulties remained a central concern for employers that were actively recruiting, especially those experiencing difficulty filling roles, indicating that workforce constraints persisted alongside emerging demand pressures.

Taken together, the findings suggest that employers are navigating a complex operating environment in which cost pressures, labour availability and demand conditions interact in different ways across the economy. These dynamics do not affect all employers uniformly: some face more acute cost increases, others continue to experience sustained labour shortages, while a growing share report uncertainty linked to subdued demand. The coexistence of these pressures underscores the importance of interpreting employer sentiment in context, rather than through a single, economy wide lens.

Background

The Recruitment Experiences and Outlook Survey (REOS) is an ongoing survey of employers across Australia. Approximately 1,000 employers are surveyed each month, with data published on the [Jobs and Skills Australia](#) website. 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. The survey is targeted towards employers with five or more employees and excludes many government organisations. Further information is available in the [REOS methodology paper](#).

REOS data is published monthly in the Recruitment Insights Report which is generally published on the third Tuesday of the month. Spotlights are also produced in most months.

Technical notes

The REOS is a telephone-administered survey with the business owner or other person in the business who is 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.

REOS survey data are 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 both:
 - the [Australian and New Zealand Standard Classification of Occupations \(ANZSCO\)](#), 2022, and;
 - the [Occupation Standard Classification for Australia \(OSCA\)](#), 2024.
- 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 2021.

Data in this release should be referenced as: *Jobs and Skills Australia, Shifting employer sentiment, May 2026*.

For more information, email: reos@jobsandskills.gov.au