

Programmed Quarterly Labour Market Insights

AUSTRALIA FEB 2022



KEY TAKEAWAYS



Unemployment rate
hits a 13-year low
of 4.2%



Strong economic
bounce in December
quarter



Omicron disruption
hitting distribution,
supply chains



Skills and labour
shortages increasing



Employers report
increasing hiring
difficulty

When two worlds collide

Australia's labour market has continued to recover, with strong employment growth, but the spread of Omicron caused significant disruption across much of the country.

The promising start to 2022 that everyone had hoped for quickly evaporated as the latest COVID outbreak on the eastern seaboard unleashed havoc across supply chains, distribution networks and construction projects.

Widespread absenteeism by COVID-affected employees has compounded the situation and made an already tight labour market even more challenging. There is likely to be more disruption before this wave passes.

Omicron has punctured (perhaps temporarily) the improving economic trend which saw most businesses quickly bounce back in the aftermath of the Delta wave.

Economic activity appears to have recovered in the December quarter, hiring was strong and many industries have been grappling with labour shortages.

The bounce back demonstrated how rapidly most businesses have been able to recover, and the pent-up consumer demand that is waiting to be unleashed.

Jobs growth gathers pace

Australia's economic and jobs recovery appeared to gather pace in the final months of 2021.

Almost 65,000 additional people were employed in December, taking the unemployment rate to a 13-year low of 4.2%, according to the Australian Bureau of Statistics.

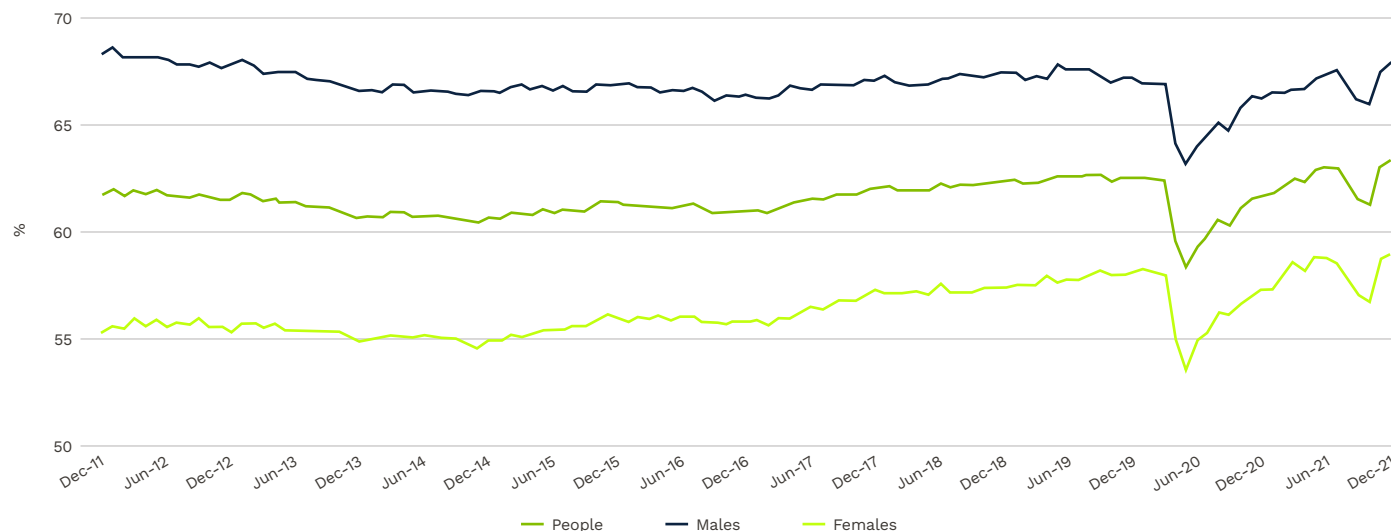
Monthly hours worked in all jobs increased by 18.2 million hours (1.0%) to 1,819 million hours – 53.9 million hours or 3.1% higher than in March 2020.

Unemployment rate, Seasonally adjusted



The seasonally adjusted employment-to-population ratio in December increased by 0.3 pts to 63.3%, a full percentage point higher than before the start of the pandemic in March 2020.

Employment-to-population ratio, Seasonally adjusted



How will jobs fare against Omicron?

The latest data supports the view that, while the Omicron wave has been massively disruptive, it has not caused the same hardship for many businesses as the Delta wave and the government-mandated lockdowns that accompanied it. Of course, it is quite different for those businesses – bricks-and-mortar retailers, hospitality and tourism – that continue to suffer from lack of foot traffic and customers.

What has really hit this time is the actual loss of people – management and staff forced into COVID isolation – resulting in a scramble to plug the gaps, re-schedule work and maintain operations. It has devastated transport and logistics, resulting in shipping delays and cost increases.

About two-thirds of all retailers have staff in isolation. Absenteeism in some sectors is as high as 30%. Many hospitality venues have temporarily shut their doors. The building and construction sector faces daunting challenges in keeping projects on track. Thousands of apprentices have been forced into isolation across trades and non-trades. But unlike in the previous wave, stand-downs have been rare.

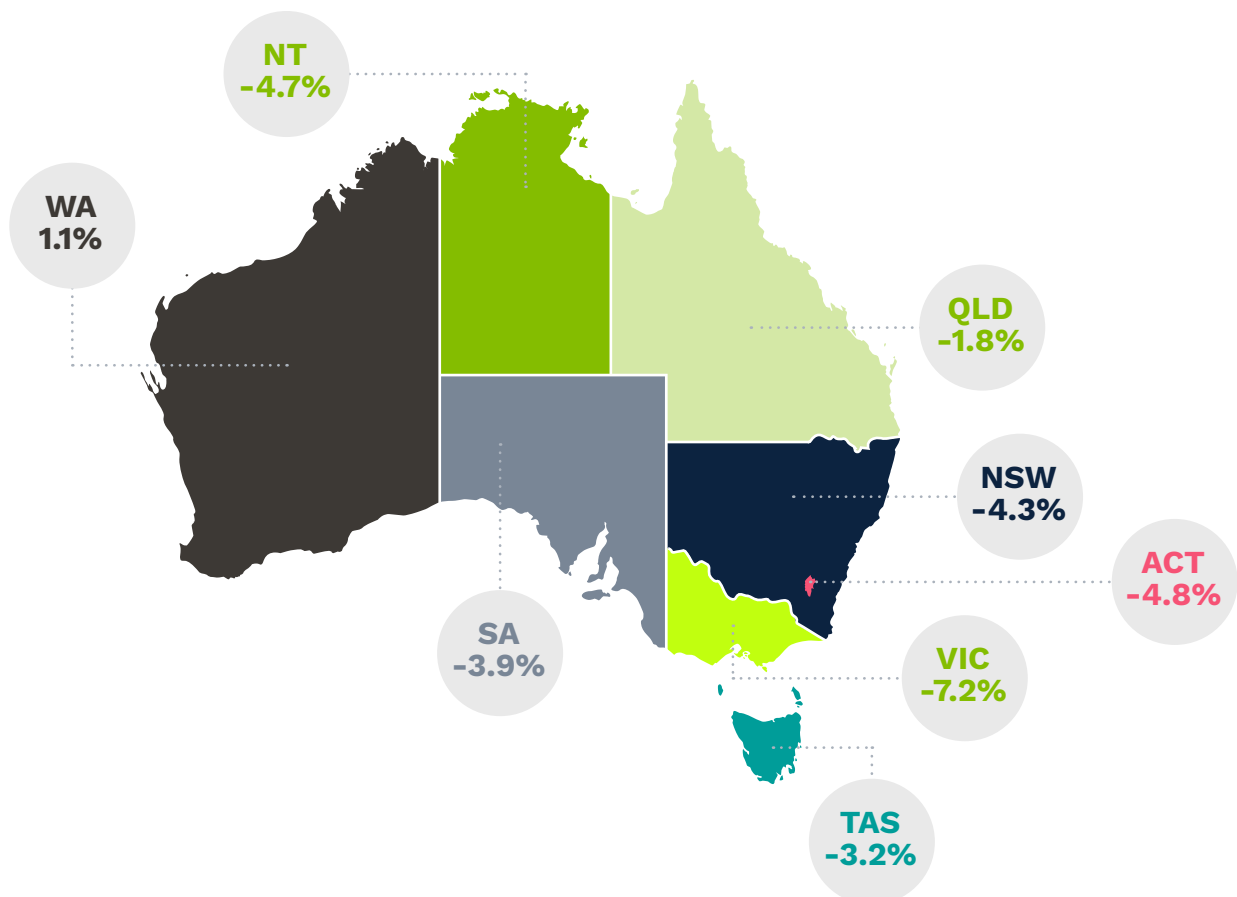
The latest SEEK Employment Report shows that the Omicron wave began to show up starkly in December, particularly in the two biggest states of New South Wales and Victoria.

While seasonally adjusted job ads across Australia were up 39% in the year to December, in the month of December alone, job ads fell 3.2%. This was led by big falls in Victoria (7.2%) and NSW (4.3%).

SEEK also points out that since March 2020 at the outset of the pandemic, the number of applications per job ad has fallen almost 54%, reflecting the tightening job market.

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Month-on-month job ad change by state (Dec 2021 v Nov 2021)





Labour scarcity widespread

For most businesses, the challenge of finding appropriately skilled staff remains a critical priority, and this will be a key feature of the labour market for months to come.

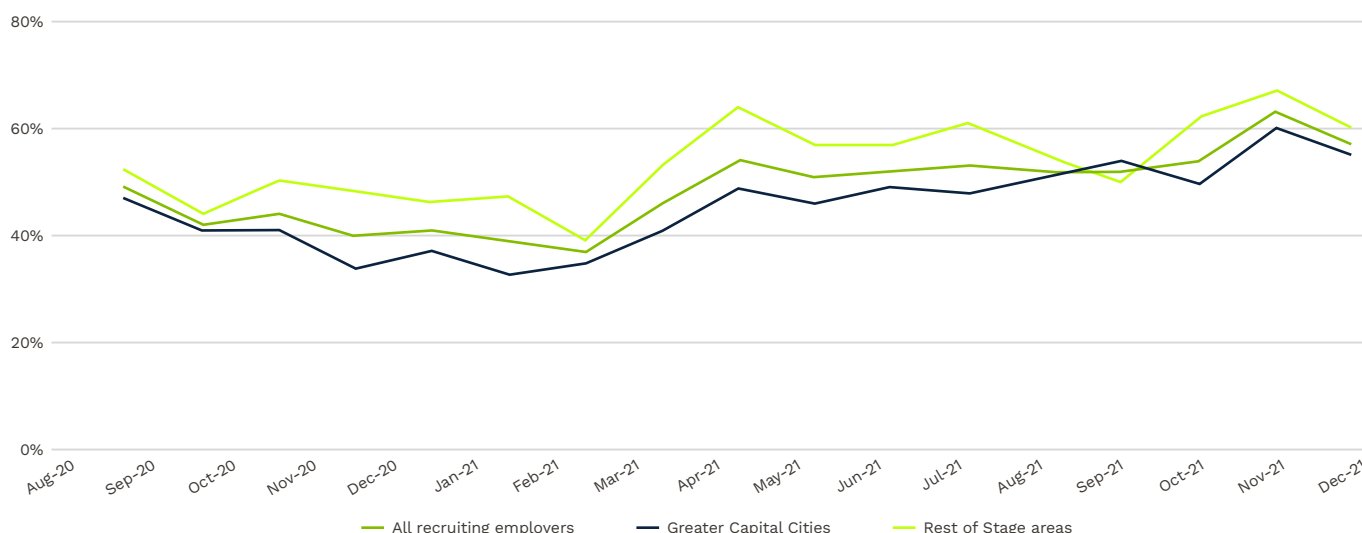
Skills shortages are now evident across many regions and sectors.

The National Skills Commission's Recruitment Insights Report for December shows a steady increase in recruitment difficulty since early in 2021.

There was a fall in hiring difficulty in December (57% of recruiting employers facing difficulty) as hiring challenges eased due to Omicron. However, the overall trend has been one of steadily more difficult hiring conditions over the past year.

Hiring is significantly harder in regional areas than in capital cities. There was also a significant increase in hiring difficulty for firms with more than 20 employees. Higher level skills are in greater demand.

Difficulty by region type
as a proportion of recruiting employers



Across the states and territories

NSW – saw a sharp 4.3% fall in job ads in December, according to SEEK, as the state experienced a big rise in COVID cases once restrictions were eased. NSW also has the highest proportion of employers expecting to increase staff numbers over the next three months.

Victoria – job ads dived 7.2% in December but the state recorded strong jobs growth in the final months of last year. Almost a quarter of employers are expecting to increase staff numbers over the current quarter.

Queensland – the state's unemployment rate is above the national average at 4.7%. Job ads fell 1.8% in December, but 23% of employers intend hiring more staff over the next three months.

South Australia – job ads dropped 3.9% in December as activity slowed. The unemployment rate is now below the national average at 3.9%, despite weak employment in December.

Western Australia – the state defied the national trend and saw a 1.1% increase in job ads in December as it maintained its tough border restrictions. It also boasts the country's lowest unemployment rate of 3.4%.

Tasmania – job ads fell 3.2% in December. Employment also declined slightly but the jobless rate remains relatively low at 3.9%.

ACT – job ads declined a fairly steep 4.8% as the spillover from NSW's COVID re-opening hit the territory. The unemployment rate hit 4.5%.

Northern Territory – there was a surge in employment in December – the strongest in the country – even though job ads were down 4.7%. The jobless rate sits at the national average of 4.2%.



The outlook

There are quite strong expectations of continued jobs recovery over the next three months.

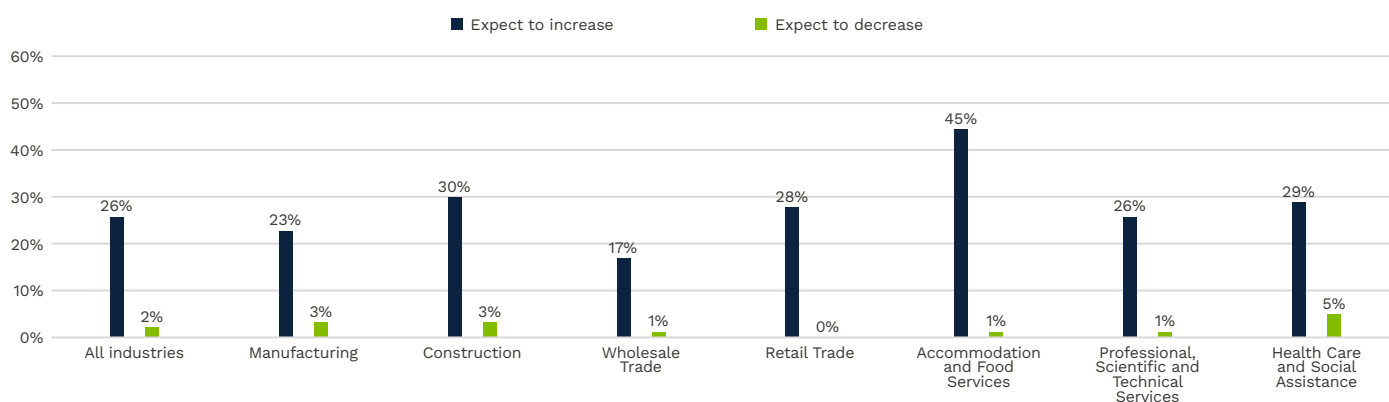
Even though Omicron has stalled the economic momentum and added complications for business, the view from many employers is that hiring activity will remain firm.

The strongest outlook is in Accommodation and Food Services, where 45% of employers expect to increase staff numbers, according to the National Skills Commission.

Other sectors with a strong hiring outlook are Construction (30% expect to increase staff numbers), followed by Health Care and Social Assistance (29%), Retail Trade (28%), Professional, Scientific and Technical Services (26%), and Manufacturing (23%).

Staffing expectations over the next 3 months by selected industries

as a proportion of all employers



There is also the first flicker of wages growth after a period of flat real wages – something that will be fuelled by the 3.5% annual CPI result for the December quarter.

Encouragingly, consumers don't appear to have gone into their shells in the same way as occurred in the Delta wave.

The Westpac-Melbourne Institute Consumer Confidence Index fell only slightly in January, in what Chief Economist Bill Evans said was a surprisingly solid result given the rapid spread of Omicron.

The 2% decline in January compares to the 5.2% drop in the first month of the Delta outbreak, a 6.1% drop heading into the 'second wave' in 2020 and the epic 17.7% collapse when the pandemic first hit.

Analysis completed on behalf of programmed from sources including the Australian Bureau of Statistics, Labour Force Statistics, SEEK Australia Employment Reports, National Skills Commission, Recruitment Insights Reports and the Westpac-Melbourne Institute Consumer Confidence Index.