Programmed Quarterly Labour Market Insights

OCT 2021 REPORT

KEY TAKEAWAYS

- Nationally, job ads at highest level in 12 years
- NSW — worst affected state, 12% of all hours worked were lost between May-August
- Huge exodus from the labour market
- People normally interested and active in looking for work, gave up
- For employers looking for staff, it's a challenging time
- Initial recovery in jobs and hiring may be slower than in 2020, but the pattern suggests recovery will occur throughout 2022

"It can be difficult to make sense of what is happening across Australia's labour market. We have analysed the data available and compiled this report to provide greater clarity on the status of Australian jobs, working hours, mobility and trends. While the impacts of Covid and related lockdowns have again challenged Australian industry in 2021, importantly there is cause for some optimism in 2022."

Nic Fairbank, CEO
Programmed Skilled Workforce, Training Services and PERSOLKELLY ANZ

Programmed Quarterly Jobs Report

Australia's labour market has been hit by an extraordinary double punch in recent months, leaving many employers frustrated and puzzled at the volatility.

Immediately before the latest COVID Delta outbreak that emerged in Sydney and spread to Victoria and some regional areas, the labour market was bouncing back – business activity was resuming, jobs growth was returning and there were even difficulties meeting skills needs in some industries.

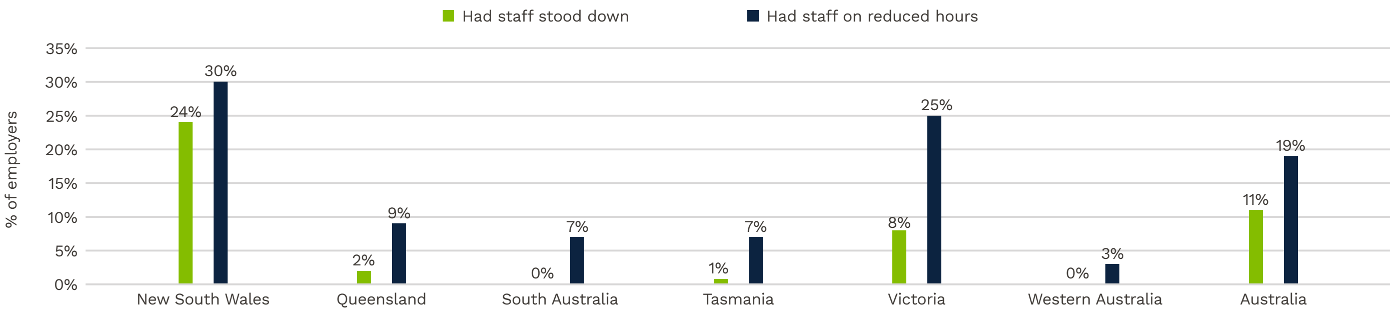
The National Skills Commission's Internet Vacancy Index in May recorded its 13th consecutive month-on-month increase in job advertisements. Nationally, job advertisements were at their highest level in 12 years, as businesses went on a desperate hunt for talent.

Latest lockdowns deliver harsh blow

Everything changed when the Delta strain plunged Sydney, Melbourne and Canberra into lockdown in August, as businesses slammed shut and employees were laid off. Nationally, the number of hours worked dropped 102 million hours or 5.6% between May and August, as many workers had their hours reduced or were stood down.

Employers with staff stood down or on reduced hours — by state

Proportion of all employers, 9 August to 27 August 2021



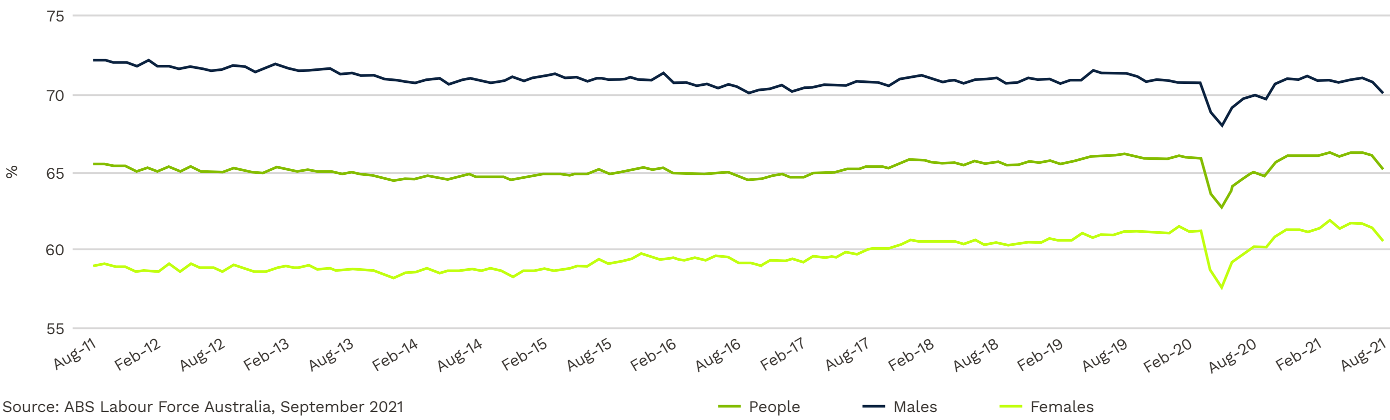
Source: National Skills Commission, Recruitment Insights Report – August 2021

In NSW, the worst affected state, 12% of all hours worked were lost between May and August – a bigger loss than at the start of the pandemic last year, and the biggest three-month fall since modern records began 40 years ago.

Compounding the situation, there was also a huge exodus from the labour market. People who had been laid off and who would normally remain interested and active in looking for work, gave up.

This was reflected in a drop in the participation rate from 66.0% to 65.2% in August, as almost 170,000 disaffected people exited the labour market. (It's the reason why the official unemployment rate dropped 0.1% to 4.5% in August, as thousands gave up looking for work).

Participation rate, Seasonally adjusted



Source: ABS Labour Force Australia, September 2021

One explanation for the surge in those not actively looking for work was the change in Commonwealth payments. Unlike the former JobKeeper payment, which maintained a link between the employer and employee, the new COVID disaster payment is not dependent on maintaining an employment relationship.

Many of those who lost their jobs and have given up looking for work are likely to be getting by on the Commonwealth disaster payment.

For employers looking for staff, it's a challenging time. Even though there are thousands who have lost jobs and would normally be available for re-engagement, the mass dropout from the labour market means that hiring conditions remain tight.

A sharp reversal in job vacancies

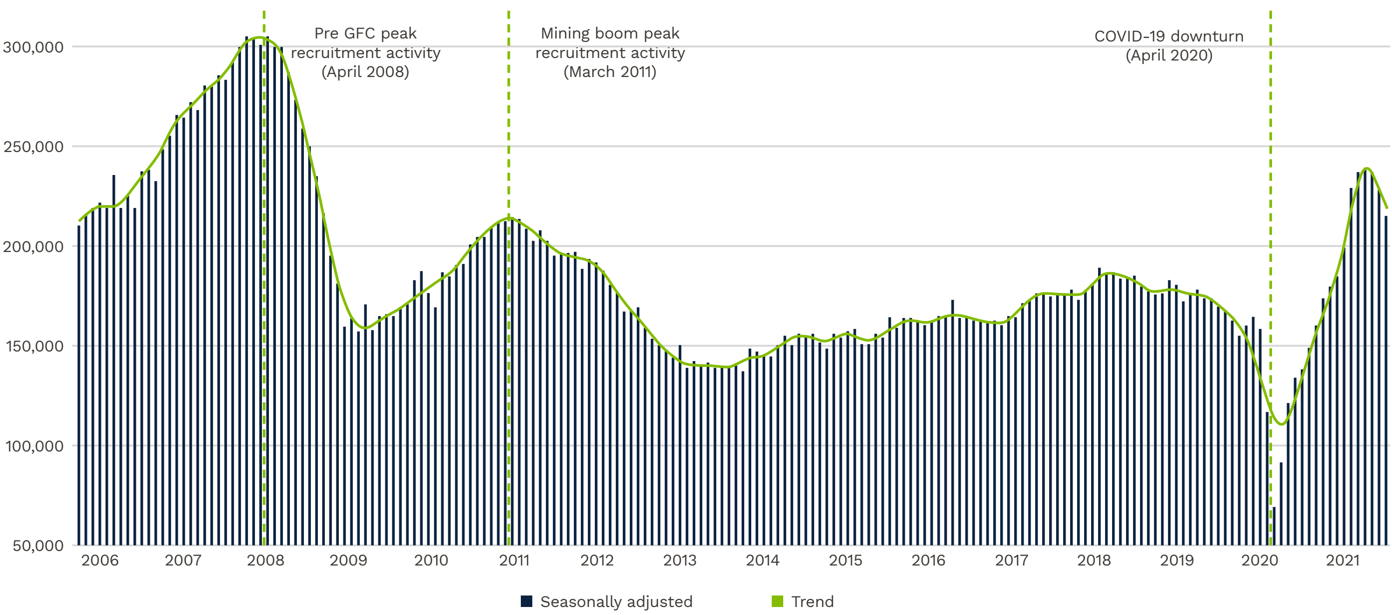
The National Skills Commission's (NSC) latest Internet Vacancy Index shows the extent to which the latest lockdowns have rapidly impacted recruitment activity, and reversed the recent improving trend.

The NSC says that the IVI fell by 5.6%, or 12,800 job advertisements, in August, recording its third straight month of declining recruitment activity following job advertisements reaching a 12-year high in May.

The downturn in job advertisements was broadly based, with decreases in 44 of the 48 occupational groups during August.

The overall national trend of declining recruitment activity is also borne out in the latest SEEK Employment Report which shows national job ad volumes down by 5.3% between July and August.

Figure 3: IVI time series — January 2006 to August 2021



Source: National Skills Commission, Internet Vacancy Index (IVI), September 2021

Across the states and territories

NSW – suffered worst from the COVID-19 Delta strain outbreak as jobs collapsed. The volume of job ads slumped 10.7% in August, according to SEEK. The industries worst hit were Administration & Office Support (-15.9%), Community Services & Development (-15.6%) and Trades & Services (-8.1%). The jobless rate stood at 4.9% and the participation rate fell an unusually large 2.5 pts to 62.4%.

Victoria – job ads slumped 6.3%, with the biggest declines in Hospitality & Tourism (-33.1%), Trades & Services (-6.5%) and Manufacturing, Transport & Logistics (-6.6%). The 4.1% unemployment rate belies a 9.1% rate of underemployment.

Queensland – there was a 5.0% drop in advertised vacancies with SEEK. The unemployment rate stands above the national average at 5.3% and the participation rate declined by 0.7 pts to 65.9% in August.

South Australia – the state defied the trend, with job ads increasing by 2.4% in August as it remained insulated from the worst of the COVID outbreak on the eastern seaboard. The unemployment rate stood at 5.0% in August.

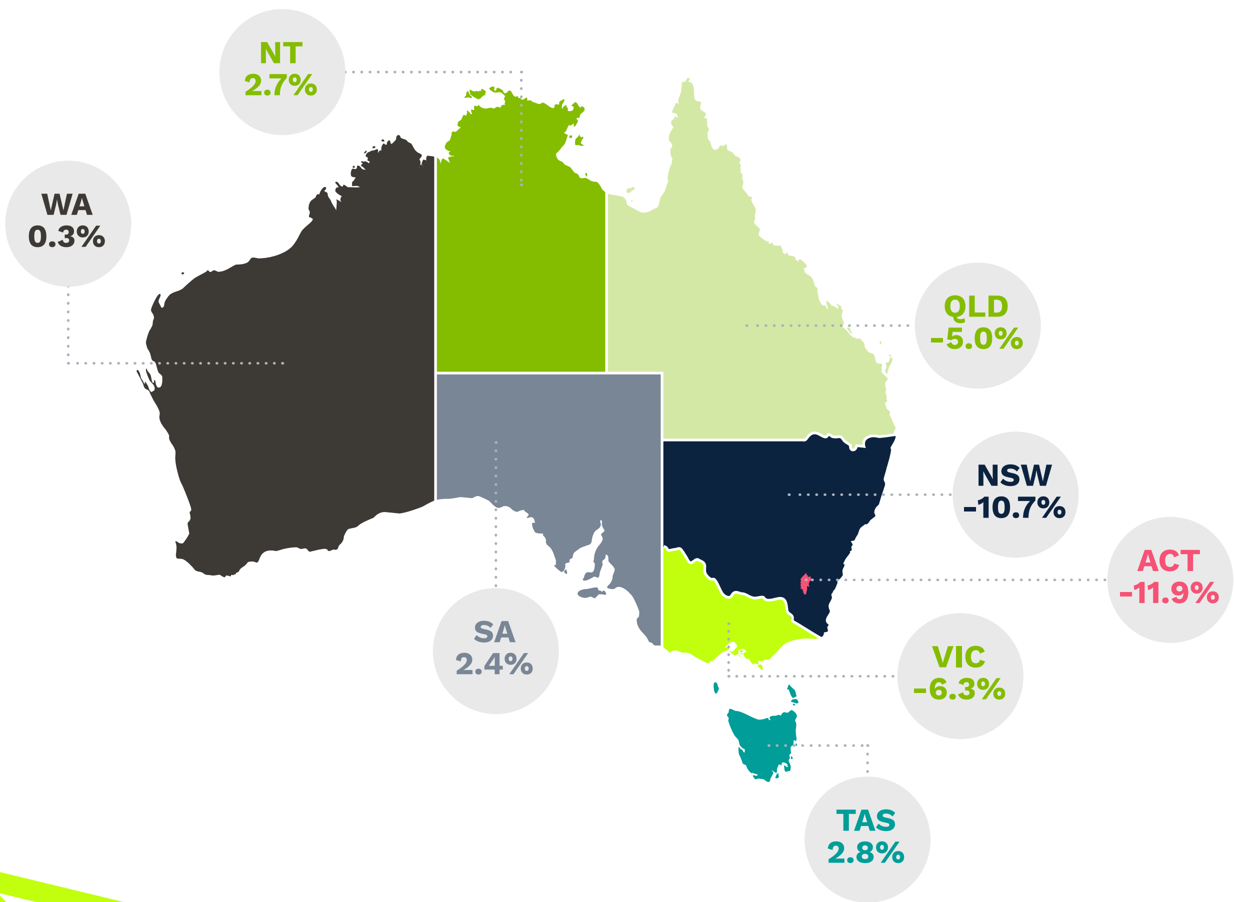
Western Australia – the state's tough border restrictions saw job ads increase a marginal 0.3% as recruitment activity was largely unaffected. The unemployment rate stands at 4.6% and the participation rate at a relatively strong 69.0%.

Tasmania – recruitment activity increased, with job ads 2.8% higher in August. The jobless rate is above the national average at 5.5% and participation is just 61.7%.

ACT – Canberra's first significant brush with COVID saw job ads plummet by almost 12% as recruitment activity came to a near halt.

Northern Territory – the volume of job ads was up by 2.7% in August, reflecting the territory's relative success in keeping business running and COVID cases to a minimum.

National SEEK Job Ad percentage change by state (August 2021 vs July 2021)



Key sector performance

Mining and Resources – while most industry sectors have been buffeted by COVID, the mining and resources sectors have powered ahead, largely untouched by closures, with exports strong and skills shortages in key areas. The sector estimates almost 17,000 job ads between June and August.

Rail and infrastructure – the civil infrastructure sector, including rail has strong underlying activity but has been disrupted, especially in NSW and Victoria. It has taken time to ramp up from closures but activity and hiring are expected to recover rapidly.

Manufacturing – the Australian Manufacturing PMI hit an 11-month low in August following extended lockdowns in key areas. Production, employment, new orders and sales were all weaker. Only the food and beverages sub-sector expanded.

Transport & Logistics – all transport modes are seeing healthy activity, with freight volumes holding up well in the face of steady wholesale and retail demand. Some sectors are struggling to keep pace as supply chains are stretched by COVID restrictions.

Warehousing – activity has remained strong, buoyed by healthy wholesale and retail activity and the structural shift to online sales. Parcel volumes remain strong and the lead up to Christmas will boost demand for products and personnel.

Trades and Construction – the mass disruption to construction in Victoria and NSW has had a dampening effect on otherwise sound underlying levels of activity. The AiG Construction PMI recorded its second straight month of contraction in August.

FMCG – while much of the retail sector is struggling, food, beverage and household goods are generally tracking well, recording double-digit annual growth. Activity is strongest in those states that have avoided lockdowns.

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The outlook

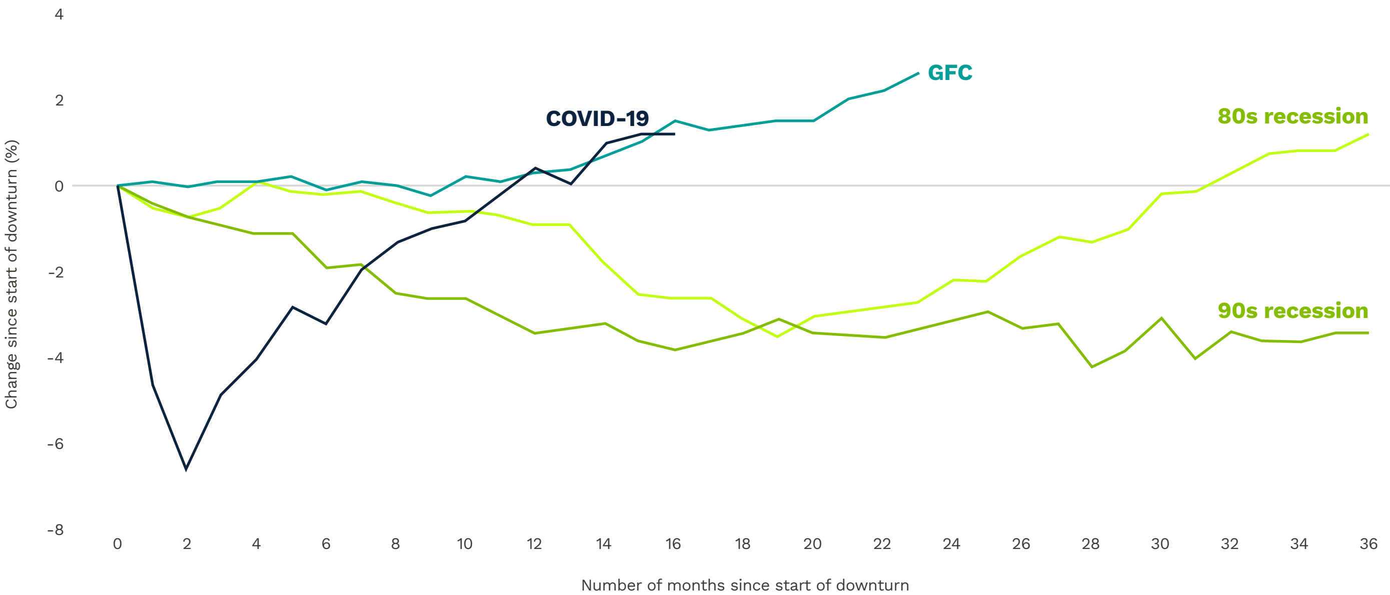
The impact of the latest COVID outbreak on the labour market is still unfolding.

With vaccination rates approaching levels where restrictions will be eased, there is optimism that the worst of the Delta phase will soon be behind us.

One characteristic of the initial COVID crisis in 2020 was the pace at which employment deteriorated immediately following the outbreak, in contrast with other recent economic setbacks.

The National Skills Commission's 'Australian Jobs 2021' report includes the graph below, which shows the trajectory of the labour market during COVID-19, contrasted with the recessions of the 1980s, 1990s and the GFC.

Change in employment since start of downturn (%)



As the graph shows, while the labour market deterioration was sharp, so was the recovery. Employment bounced back far quicker than during other major economic downturns.

As noted earlier, one of the critical differences with the first COVID downturn is the absence of JobKeeper, which maintained the link between employers and employees. That helped employment to snap back once businesses re-opened.

This time around, many employees have been stood down and the link with employers has been broken.

So, while the initial recovery in jobs and hiring activity may be slower than in the first COVID crisis, the pattern suggests that recovery will occur throughout 2022.

If you wish to find out more, please call us on 13 STAFF (13 78 23) or email programmedskilledworkforce@programmed.com.au