

May 2023

BCEC

Bankwest Curtin Economics Centre

LABOUR MARKET UPDATE

Providing monthly updates and expert insights and analysis around key labour market indicators.

- Eastern seaboard jobs surge defies monetary policy tightening.
- Unemployment rate drops 0.1ppt to 3.6 per cent.
- Labour force participation rate and rate of growth of working-age population hit new highs.
- Odds have shortened on a further interest rate rise in coming months.

Records tumble in May

A number of economic indicators suggest the economy has started cooling, including falling business and consumer confidence and weak March quarter GDP growth. But there's no sign yet of the labour market following suit. Nationally the number of people in work increased by 75,900 in May to break through the 14 million mark. Strong jobs growth was sufficient to absorb a further large increase in the working-age population and rising participation rates, pushing the unemployment rate down 0.1 of a percentage point to 3.6 per cent.

Female participation continues to increase. After hitting a record 62.6 per cent in March 2023, May set a new high of 62.7 per cent for the female participation rate. The influx of women also pushed the overall labour market participation rate to a new record high of 66.9 per cent.

The working-age population has been growing by around 50,000 persons each month, due primarily to immigration, and this continued into May. In fact, the working-age population grew by 5.5 percent in the 12 months to May 2023. This is the highest annual growth rate recorded since the current labour force survey commenced in 1978, and compares to a long-run average growth rate of 3.3 per cent per annum.

Employment increased by just over 25,000 people in New South Wales, Victoria and Queensland. The ACT and South Australia also saw very strong monthly increases in percentage terms, while Western Australia, Tasmania and the Northern Territory shed jobs. The number of job vacancies advertised on the internet did fall during the month of May, but the general trend is upwards and the count of job vacancies remains very high in historical terms.

High labour demand is of concern to the Reserve Bank only to the extent that it puts upward pressure on inflation. With the unemployment rate near its 50-year low, and the employment to working-age population

ratio at an equal-high of 64.5 per cent, the Australian labour market overall remains extremely tight. This adds to inflationary pressure through two channels. Where employers can't find enough workers to meet demand for their products and services, one alternative is to simply increase prices. Second, the competition for workers feeds into wage pressures and flows on to price rises.

From this perspective, we've seen a remarkable supply-side response from the labour market. Along with the influx of overseas workers, rising interest rates and economic uncertainty appear to be pulling more people into the labour market. The underemployment rate increased in May, suggesting many people are still seeking additional hours.

Time to revise expectations?

While this supply-side response will have contributed to the ongoing moderation of real wages, the tightness in the labour market evident in May's figures is not conducive to price inflation falling to within the Reserve Bank's 2 to 3 per cent target range. Recent CPI data revealed goods inflation moderating while services inflation picked up – the latter being the more sensitive to labour costs.

Then there's the 5.75 per cent increase in minimum award rates due to take effect on 1 July which will apply to an estimated 20 per cent of workers, along with further increases in electricity prices already in the pipeline.

Something has to give.

At least one more interest rate rise now seems almost assured. Given the economy's slow response to rate rises so far, and the negative impact these have on particular groups of households, we feel it may also be time to revise expectations of how quickly inflation can be brought back into the target range.

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Labour market fundamentals

Key takeaways

- The number of people in employment increased by 75,900 nationally, driven by 61,700 additional full-time workers.
- The national unemployment rate fell by 0.1ppt to 3.6 per cent.
- Unemployment rates decreased for men in May, but increased for women due to rising female participation rates.

The Australian labour market picked up in May 2023, with employment rising by 75,900 (Table 1). This brings the total national employment count to over 14 million for the first time in history. This increase was driven by jobs growth in the eastern states with employment in NSW rising by 28,600 workers, Queensland by 27,000 and Victoria by 26,600. Employment in Western Australia dropped by a relatively marginal 2,700 over the past month. Most of the national jobs growth came in the form of full-time employment with an extra 61,700 full-time jobs, of which 27,500 were in Queensland alone.

Employment grew for both women and men (Figure 1) in both full-time work (+0.5 per cent for women, +0.5 per cent for men) and part-time work (+0.2 per cent for women, +0.5 per cent for men). Full-time employment in WA fell by 2.0 per cent for women (to a total of 392,000 women working full-time), and by 1.5 per cent for men (to a total of 671,000 men working full-time).

However, part-time employment rose in WA both for women (+1.9 per cent to a total 328,000 women employed part-time) and men (+7.0 per cent to a total 148,000 part-time male workers).

The rate of labour force participation rose by 0.2ppt to 62.7 per cent for women in May 2023 (Figure 2), with male participation unchanged at 71.2 per cent. Most of the national growth in participation was driven by the eastern states. Labour force participation rates for women rose by 0.3ppt in both NSW and Victoria (to 62.0 per cent and 62.9 per cent respectively), and by 0.7 per cent to a rate of 63.4 per cent in Queensland.

Meanwhile, Western Australia was the only state to record a net decline in the labour force participation rate, both for women (down 0.3ppt to 63.8 per cent in May 2023) and men (down 0.2ppt to 74.1 per cent).

Table 1: Employment changes: states and territories

	Employed Persons ('000)	Change from:				Change from April 2023 ('000)		Change (%) from May 2022				
		May 2023	April 2023 ('000)	Rank	May 2022(%)	Rank	Full-Time	Part-time	Full-Time	Part-time		
Australia	14,011.8	+75.9	---	▲	+3.4%	---	+61.7	+14.3	▲	+4.1%	▲	+2.0%
NSW	4,356.8	+28.6	1	▲	+3.5%	4	+20.9	+7.7	▲	+4.2%	▲	+1.7%
VIC	3,627.8	+26.6	3	▲	+4.2%	3	+13.2	+13.4	▲	+5.3%	▲	+1.8%
QLD	2,851.2	+27.0	2	▲	+2.8%	5	+27.5	-0.5	▲	+2.9%	▲	+2.6%
SA	956.5	+12.3	4	▲	+5.3%	2	+18.3	-6.0	▲	+5.6%	▲	+4.9%
WA	1,539.3	-2.7	8	▲	+1.2%	8	-18.5	+15.8	▲	+1.3%	▲	+1.0%
TAS	290.9	-0.2	6	▲	+2.7%	6	+3.5	-3.7	▲	+5.0%	▼	-1.3%
NT	142.0	-1.8	7	▲	+2.6%	7	-3.8	+2.0	▲	+1.8%	▲	+5.5%
ACT	267.8	+7.5	5	▲	+6.1%	1	+0.9	+6.5	▲	+7.5%	▲	+1.8%

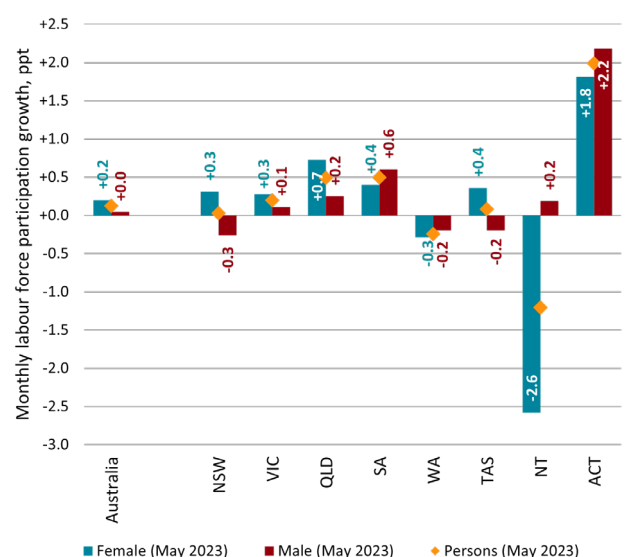
Notes: Seasonally adjusted values are used.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Figure 1: Employment growth by state and gender

Seasonally adjusted values are used. Figures show change from April 2023 to May 2023. ACT and NT values are generally more volatile than other states.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Figure 2: Monthly change in labour force participation

Notes: Seasonally adjusted values are used. Figures show change from April 2023 to May 2023.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Underemployment and unemployment

Key takeaways

- The national unemployment rate decreased marginally by 0.1ppt to 3.6 per cent, with mixed results among states.
- Unemployment rates converged by gender, falling 0.4ppt to 3.6 per cent for men and up 0.1ppt to 3.5 per cent for women.
- The underemployment ratio increased by 0.3ppt to 6.7 per cent in May 2023.

The national unemployment rate fell slightly over the month to May 2023, by 0.1ppt to 3.6 per cent (Table 2). Unemployment rates decreased in four out of seven states, with NSW leading the way with a 0.4ppt decrease to 3 per cent (17,500 fewer unemployed people) followed by South Australia (falling a 0.3ppt to 4 per cent during May 2023, translating to 2,800 fewer unemployed).

The current unemployment rate and expectations for future employment are among the factors that the RBA takes into account when setting the cash rate. The low unemployment rate has been taken by the RBA as a signal of continued labour market strength, adding to inflationary pressures and contributing to the maintained upward pressure on interest rates. This may well continue until the national unemployment rate has a 4 in front of it.

The latest ABS labour market data release shows an overall convergence in unemployment rates between

women and men. The unemployment rate for men fell 0.4ppt to 3.6 per cent in May 2023 but rose 0.2ppt to 3.5 per cent among women (Figure 3).

Rising female unemployment rates have been driven by growth in labour force participation for women in most states over the past month. The male unemployment rate fell 0.7ppt to 4.4 per cent in South Australia during May, but remains the highest of all states.

Underemployment rose over the month to May 2023, more so among women than men (Figure 4). The female underemployment ratio rose 0.5 ppt to 8.2 per cent over the month, but by a marginal 0.1ppt to 5.3 per cent for men. WA experienced the largest increase in underemployment among women, with a 1.7ppt rise over the month to May 2023. Meanwhile, NT led the way for men with a 2.2ppt increase in the underemployment ratio.

Table 2: Unemployment rates and changes: states and territories, to May 2023

	Unemployment Rate		Change (ppt) from:		Unemployed ('000)	Change ('000) from:	
	May 2023	Rank	April 2023	May 2022		April 2023	May 2022
Australia	3.6%	--	▼ -0.1	-0.3	515.9	▼ -16.5	-35.5
NSW	3.0%	1	▼ -0.4	-1.0	135.0	▼ -17.5	-40.8
VIC	3.7%	4	▼ -0.2	-0.1	138.8	▼ -7.2	+2.3
QLD	3.9%	6	0.0	-0.1	116.7	▲ +3.1	+1.3
SA	4.0%	7	▼ -0.3	-0.6	39.5	▼ -2.8	-4.6
WA	3.7%	5	▲ +0.1	+0.6	59.0	▲ +1.3	+9.8
TAS	4.2%	8	▲ +0.3	-0.2	12.9	▲ +0.9	-0.3
NT	3.1%	3	▼ -0.2	-1.1	4.6	▼ -0.4	-1.4
ACT	3.1%	2	▲ +0.1	-0.3	8.5	▲ +0.4	-0.5

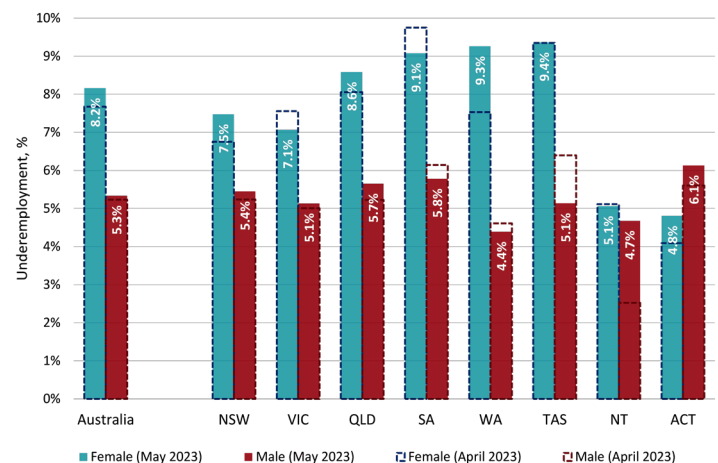
Notes: Seasonally adjusted values are used. State and territory numbers of unemployed people do not sum to the figures for Australia due to ABS seasonal adjustment methods.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Figure 3: Unemployment rate by state and gender



Notes: Seasonally adjusted values are used. Figures show change from April 2023 to May 2023.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Figure 4: Underemployment ratio by gender: states and territories



Notes: Seasonally adjusted values are used.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Youth unemployment

Key takeaways

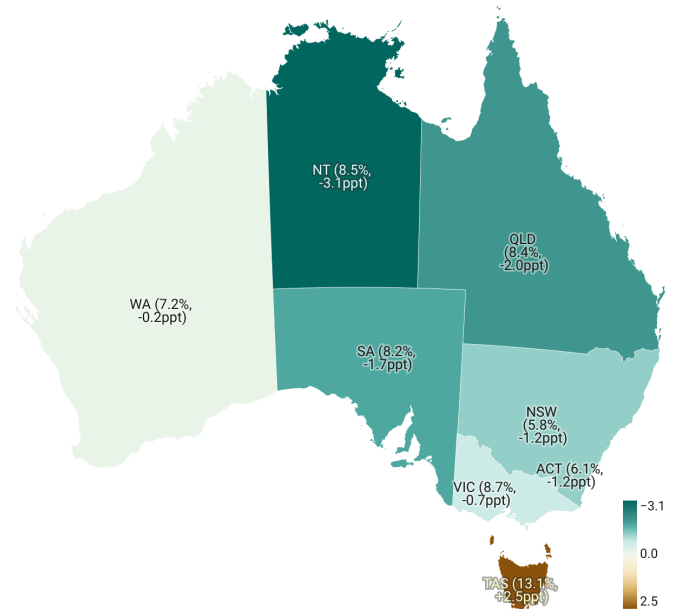
- The youth unemployment rate fell by 1.2ppt to 7.6 per cent during the month of May 2023.
- NSW has the lowest youth unemployment rate across the country, falling 1.2ppt to 5.8 per cent over the past month.
- Youth unemployment rates have fallen by more than 2ppt during May in Queensland, Northern Territory and Tasmania.

The youth unemployment rate in Australia (among workers aged 15 to 24) has typically been higher than the overall unemployment rate by a factor of over 2. And this ratio has been rising over the last three decades, most likely as a result of structural change in the labour market but also due to the greater retention of young people in post-compulsory education.

The national (seasonally adjusted) youth unemployment rate decreased by 1.2ppt during May 2023 to 7.6 per cent compared to an overall unemployment rate of 3.6 per cent (Figure 5).

Tasmania has the highest youth unemployment rate of all state jurisdictions at 13.1 per cent following a 2.5ppt increase in May. But this is very much against the grain. Unemployment rates over the past month have fallen in most states and territories, with strong falls in Queensland (down 2ppt to 8.4 per cent), the Northern Territory (down 3.1ppt to 8.5 per cent) and South Australia (down 1.7ppt to 8.2 per cent). The high demand for workers and persistent skills shortages facing businesses across the country have driven lower youth unemployment rates over the past three years.

Figure 5: Youth unemployment rate: monthly change, states and territories



Notes: Seasonally adjusted values are used. Figures show change from April 2023 to May 2023.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Population

Key takeaways

- The national population grew by 0.5 per cent (127,100 people) in the December 2022 quarter.
- WA's population grew by 0.6 per cent during the December 2022 quarter and 2.3 per cent over the course of 2022.
- International migration growth the fastest in WA, with 11,700 arrivals over the quarter.

New ABS data show that the national population grew by 0.5 per cent over the quarter to December 2022, with Australia's estimated resident population growing by around 127,100 people (Table 3). WA recorded the largest population growth in percentage terms, rising 0.6 per cent over the quarter to December 2022 and by 2.3 per cent over 2022 as a whole. This compares to a national population increase of 1.9 per cent.

Overseas migration added 97,900 to Australia's population during the December 2022 quarter. International arrivals to NSW, Queensland and Western Australia each added at least 0.4 per cent to the state's respective resident populations. Queensland and Western Australia attracted a total of 13,400 interstate migrants

from other jurisdictions during the quarter, and 45,100 over the course of 2022 as a whole. There has also been a natural increase to Australia's population of 29,200 in the December quarter.

These data provide added insights to the sources of each state's working age population increases. Overall population growth in 2022 has been strongest in Western Australia (2.3 per cent) followed closely by Queensland (2.2 per cent) and Victoria (2.1 per cent). As has historically been the case, the quarterly data confirm that NSW and Victoria attract the highest shares of overseas migrants. Queensland has been able to attract both interstate and overseas migrants to bolster its labour force, whereas WA disproportionately relies on overseas migration.

Table 3: Components of population change: states and territories

	Population ('000s)	Change from:		Change from September 2022 ('000)		
		September 2022 ('000)	December 2021 (%)	Natural Increase	Interstate Migration	Overseas Migration
Australia	26,268.4	+127.1	+1.9%	+29.2	-	+97.9
NSW	8,238.8	+33.6	+1.7%	+8.6	-10.3	+35.3
VIC	6,704.3	+39.7	+2.1%	+10.1	-0.9	+30.4
QLD	5,378.3	+29.3	+2.2%	+5.6	+10.3	+13.4
SA	1,834.3	+5.6	+1.6%	+0.9	-0.2	+4.8
WA	2,825.2	+17.9	+2.3%	+3.1	+3.1	+11.7
TAS	571.6	+0.1	+0.5%	-0.1	-0.7	+0.9
NT	250.1	-0.4	+0.8%	+0.5	-0.8	+0.0
ACT	460.9	+1.3	+1.8%	+0.5	-0.5	+1.2

Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 3101.0, Table 2.

The BCEC Monthly Labour Market Update is based on estimates from the ABS monthly labour force survey. These estimates are subject to sampling variability.

Vacancies and hours

Key takeaways

- The national Internet Vacancy Index fell by 2.9 per cent in May 2023.
- Vacancies fell for all occupations in all states bar South Australia and Tasmania, with rising demand in the two territories.
- Average monthly hours worked fell by 2.4 per cent to 138.7 hours.

Internet job vacancies dropped by 2.9 per cent nationally over the month of May 2023 (Figure 6), roughly equivalent to a decrease of 8,000 vacancies across the country.

The trend was broadly replicated for each state and territory, with advertised job vacancies falling by 4.2 per cent over the month in South Australia and by 4.1 per cent in Western Australia.

The decline in job vacancies wasn't quite as large for the eastern states. The Internet Vacancies Index dropped by 3.8 per cent in Victoria, by 3.1 per cent in Queensland and by 2.6 per cent in NSW. Tasmania recorded the lowest decrease in job vacancies out of all the states, with a 1.4 per cent decline over the month.

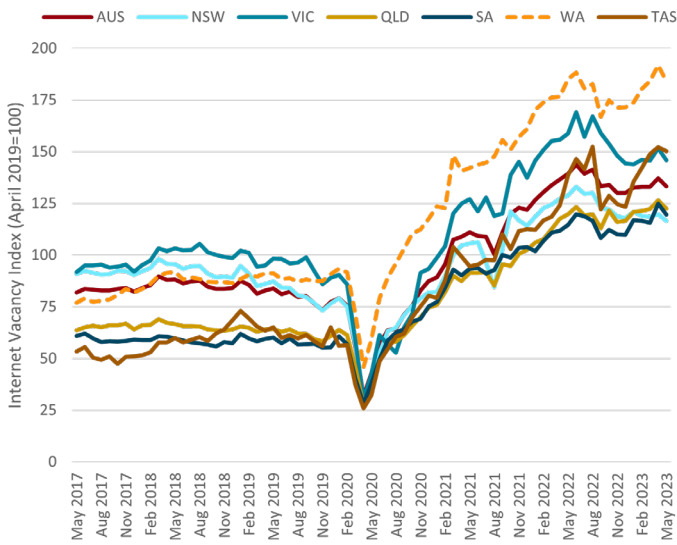
Job vacancies nationally fell in each of the broad occupation categories. Advertised vacancies rose for some occupations in South Australia, Tasmania and the

two territories, but decreased across the board in NSW, Victoria, Western Australia and Queensland (Table 4).

Vacancies for machinery operators and drivers rose by 19 per cent in Tasmania, NT and the ACT, with an increase in demand for managers and professionals in the territories.

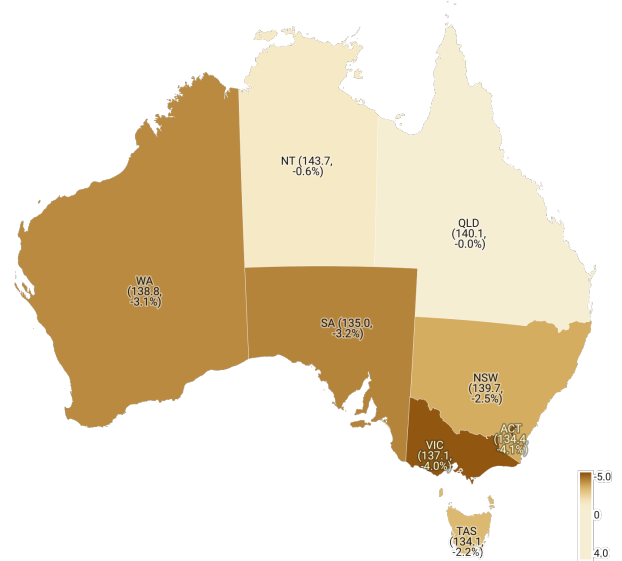
Average monthly hours worked fell across the country over the month of May 2023, with a 2.4 per cent decrease at the national level bringing average hours per worker down to 138.7 (Figure 7). Queensland was the only state not to see a fall in average monthly hours, remaining at 140.1 hours worked per worker (the highest out of all the states). Monthly hours in Victoria dropped by 4 per cent to an average of 137.1 hours per month. South Australia and WA followed close behind, the former recording a 3.2 per cent drop to 135.0 hours and the latter a 3.1 per cent drop to 138.8 hours.

Figure 6: Internet Vacancy Index, by state: 2016 to 2023



Notes: Seasonally adjusted values are used. ACT and NT figures are not shown. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Government, Jobs and Skills Australia.

Figure 7: Average hours worked per month: year to May 2023



Notes: Seasonally adjusted values are used. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Table 4: Change in Internet Vacancy Index, by Occupation: April to May 2023

Major Occupation Group	Australia	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Managers	-2%	-2%	-3%	-2%	-3%	-4%	-3%	+10%	-1%
Professionals	-2%	-2%	-3%	-2%	-3%	-5%	-3%	+14%	+4%
Technicians And Trade Workers	-2%	-2%	-2%	-2%	+2%	-3%	-6%	+2%	-8%
Community And Personal Service Workers	-5%	-6%	-3%	-6%	-9%	-5%	+1%	+5%	+4%
Clerical And Administrative Workers	-4%	-3%	-5%	-4%	-10%	-5%	+2%	+9%	+5%
Sales Workers	-4%	-2%	-5%	-3%	-9%	-10%	-2%	-3%	+2%
Machinery Operators And Drivers	-1%	-0%	-3%	-1%	+3%	-5%	+19%	+19%	+15%
Labourers	-5%	-4%	-7%	-4%	-2%	-2%	+3%	-15%	-17%
Total	-3%	-3%	-4%	-3%	-4%	-4%	-1%	+8%	+2%

Notes: Seasonally adjusted values are used. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Government, Jobs and Skills Australia.

Labour market dynamics

Key takeaways

- There has been a net inflow of roughly 138,400 people moving into employment between April and May 2023.
- Over a quarter of a million (251,400) people moved from non-employment into part-time work.
- Around 23.6 per cent of previously unemployed people secured employment in May 2023.

The stronger labour market activity during May 2023 has led to an increase in the flows of people into and out of the labour force over the past month, with a net increase of 138,400 workers over the month (Figure 8).

Over a quarter of a million (251,400) people moved from outside the labour force into part-time work over the month of May 2023, with 146,600 non-participants moving straight into full-time work. This is around 100,000 more than the number of people who withdrew from the labour force or became unemployed over the same period.

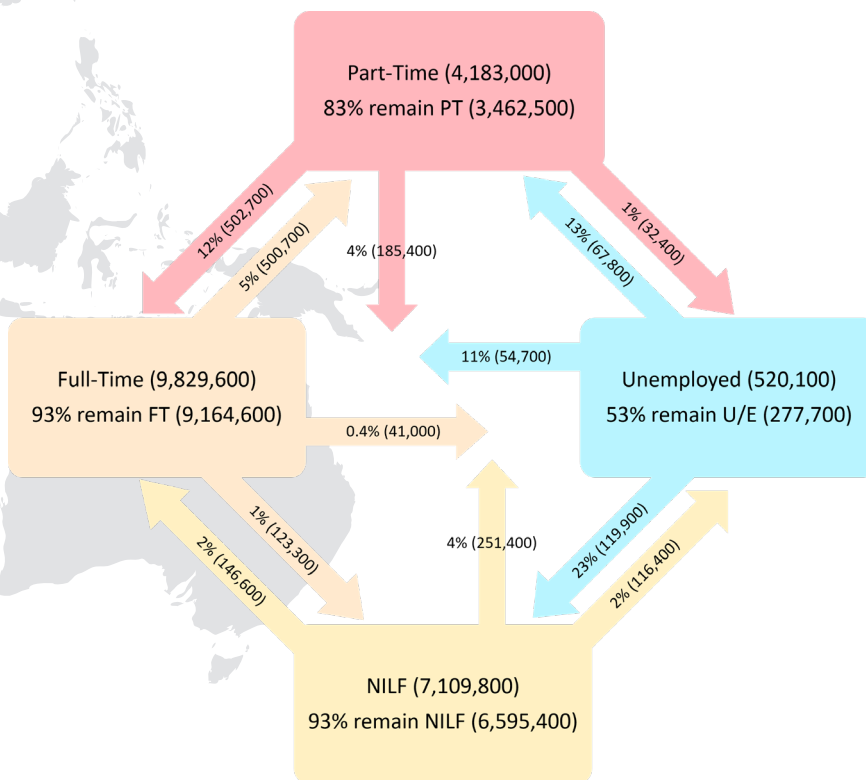
The flows of people moving between unemployment and labour force non-participation were more or less equal over the month, with 116,400 people from outside the labour force beginning to look for work during May 2023, and 119,900 unemployed jobseekers exiting the labour force.

The flows of workers moving between full-time work and part-time work were also more or less even, at around half a million each way.

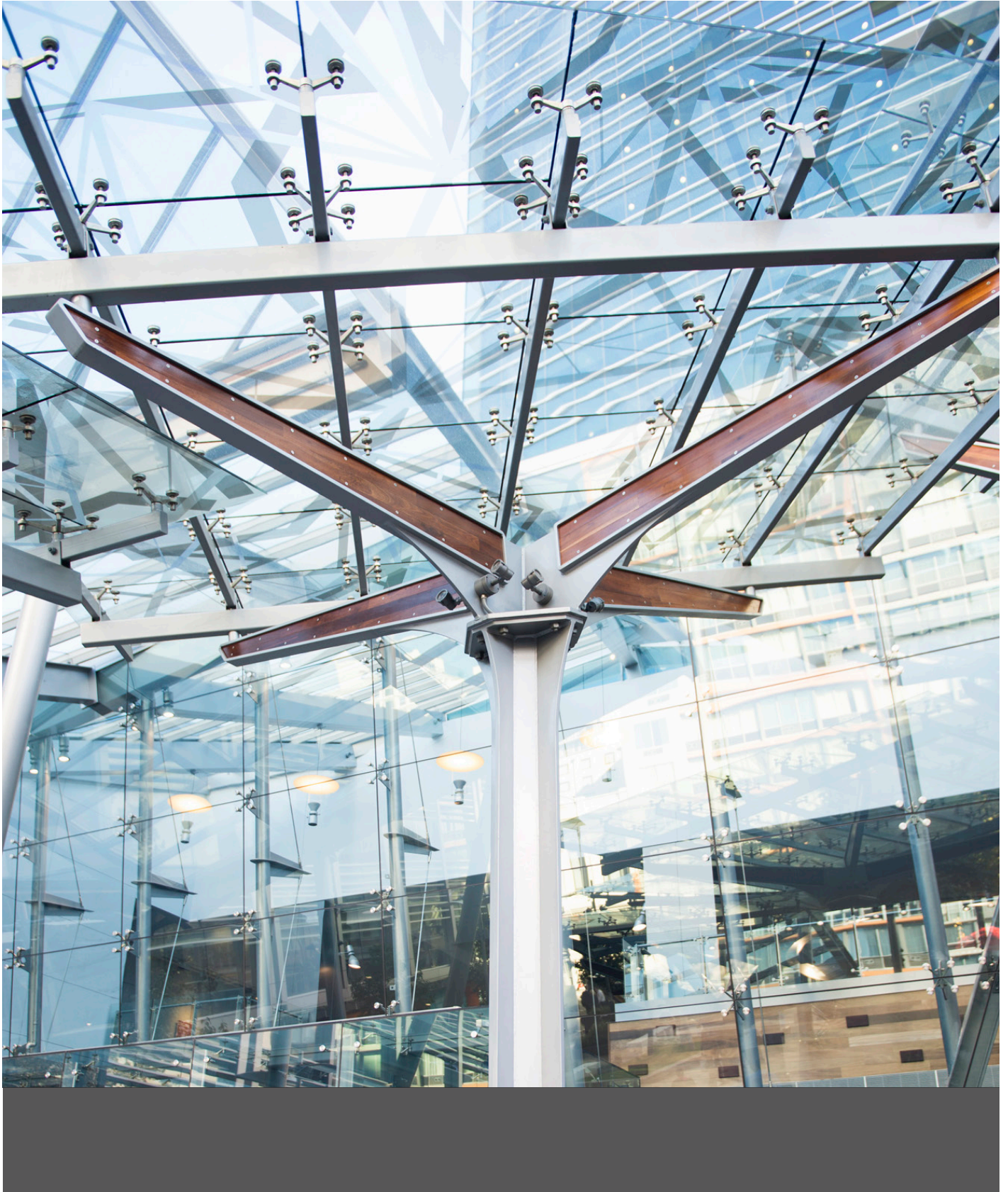
The share of previously unemployed people who secured work in May 2023, or the 'matching rate' of unemployed people to jobs, reached 23.6 per cent in May 2023. Around 53 per cent of previously unemployed people remained unemployed in May 2023, with just under a quarter withdrawing from the labour force during the month.

The main difference from the previous month was a smaller net flow from unemployment to part-time work in May 2023 compared to April. This may suggest that unemployed people are facing added competition for job openings from new entrants to the labour force.

Figure 8: Labour force flows: Australia, April 2023 to May 2023



Notes: The ABS labour market flows series is based on a matched sample of respondents who are present in the labour force survey in two consecutive months. Around 78% of ABS survey respondents in April 2023 were also present in the May 2023 survey. Due to rounding and scaling, figures may not match totals from elsewhere in this MLMU. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0, Table 23 & Pivot table GM1



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