

July 2023

**BCEC**

Bankwest Curtin Economics Centre

# LABOUR MARKET UPDATE

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

- Employment stagnates, unemployment rate rises from 3.5 per cent to 3.7 per cent.
- Real wages remain low, little prospect for growth in coming quarters.
- Data only weaker for women, and may not reflect a general labour market trend.

## Key economic data finally following the script

You have to have some sympathy for outgoing Reserve Bank Governor Philip Lowe. Just as he departs, there are signs the RBA's plan to slow the economy may finally be coming together. Inflation moderated in the June quarter 2023 and now figures from the July labour force survey suggest the labour market is cooling, with the unemployment rate creeping up toward a more sustainable level consistent with full employment.

Total employment fell marginally in July and the unemployment rate rose from 3.5 per cent to 3.7 per cent. It's generally accepted that an unemployment rate below 4 per cent is incompatible with maintaining inflation in the 2-3 per cent target zone, so the July figures are in line with the intended outcome of successive increases in interest rates.

However, there are plenty of challenges ahead to achieving the 'soft landing' the RBA is aiming for and relief for mortgage holders in the form of an interest rate cut remains off the table for now. Labour demand remains very strong, with average hours worked and vacancies increasing in July. Signs of cooling appeared only in the data for women, who saw a sharp drop in full-time employment and a 0.2ppt fall in the participation rate to 62.3 per cent. We suspect changes in behaviour since the pandemic may be distorting seasonal adjustment of the estimates associated with the July school holidays, which would disproportionately affect women and may not reflect a general labour market trend.

There are also inflationary pressures in the pipeline. Nominal wage growth to the June quarter is now running above the target inflation rate, and wage indexation that came into effect on 1 July will add to that in the September quarter, as will current high fuel prices. The July labour force data hasn't completely extinguished the risk of one more rate rise.

## More 'weakly' earnings growth

Estimates relating to the June quarter 2023 for both the Wage Price Index (WPI) and Average Weekly Earnings (AWE) were released in the same week as the July labour force figures. Neither shows any recovery in the real purchasing power of Australians' pay packets. The WPI series increased by 0.8 per cent in the quarter, exactly matching inflation, meaning the real hourly wage costs faced by employers remained steady. In real terms, the WPI is around 5 per cent lower than just prior to the pandemic, and remains at the lowest it has been for over a decade.

The WPI adjusts for compositional changes in the workforce, such as workers' skill levels. Released every six months, AWE provides a more direct measure of what workers are earning. The average ordinary-time earnings for a full-time adult worker in May 2023 was \$1,838. In nominal terms that was up by about \$30 since November 2002, but represents a further slight decline in real terms. As with the WPI, real average weekly earnings are lower today than they were in 2013.

The Federal government's commitment to get real wages moving again seems unlikely to be met in the near future. While the rate of erosion of real wages may be slowing, real wages are lower still than when Labor came into power. Without a significant pick-up in labour productivity, wages growing faster than the current rate of inflation won't be compatible with getting inflation back into the 2-3 per cent target range.

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## Labour market fundamentals

## Key takeaways

- The number of employed people decreased by 14,600 nationally.
- This was driven by 24,200 fewer full-time workers, offset by 9,600 additional part-time workers.
- Male employment increased marginally; women wore the brunt of the fall in full-time employment and rising unemployment.

The Australian labour market saw a decrease in the number of employed persons of 14,600 workers nationally (see Table 1). Results on a state-by-state basis were mixed, with the drop driven mainly by NSW, recording a significant decrease of 24,600 workers, followed by Queensland with 22,800 fewer workers. Meanwhile, the results were offset by increases in Victoria with 16,500 more workers, followed by WA with 15,000 additional workers. The national drop was concentrated in full-time employment, with an overall decrease of 24,200, mostly driven by 17,600 and 18,400 fewer workers in a drop in NSW and Victoria respectively.

Breaking down the numbers by gender, there were mixed results between women and men for changes in full-time employment (0.7 per cent drop for women but unchanged for men). Both women and men saw an increase in part-time work (+0.1 per cent for women and +0.6 for men). Full-time employment among women fell strongly in WA and

SA; with the former recording a 4.0 per cent decrease in the number of women working full-time, and the latter with a 1.8 per cent decrease. However, part-time employment in WA increased considerably for both women (6.7%) and men (2.8%). Queensland recorded the highest drop in part-time employment for women by 3.4 per cent. Note that estimates for part-time employment do tend to be more volatile due to smaller sample sizes, particularly in the less populous states and territories.

At 66.7 per cent, the national participation rate decreased 0.1 ppt from the record high set in June 2023. Women recorded a 0.2ppt decrease in participation (to a rate of 62.3 per cent; see Figure 2) whilst men recorded a slight 0.1ppt increase (to 71.4%). Female participation growth was only visible in NT, with a 1.3ppt increase (to 70.7%). Queensland showed the greatest drop in women's participation by 0.3ppt (to 62.4%), followed by Tasmania (-0.2ppt to 59.0%) and Victoria (-0.1ppt to 61.4%).

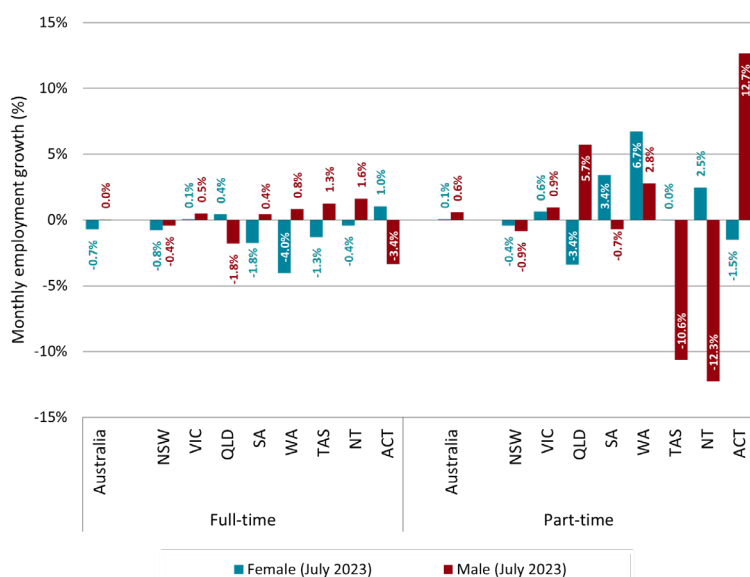
Table 1: Employment changes: states and territories

	Employed Persons ('000)	Change from:				Change from June 2023 ('000)		Change (%) from July 2022		
		July 2023	June 2023 ('000)	Rank	July 2022 (%)	Rank	Full-Time	Part-time	Full-Time	Part-time
Australia	14,026.7	-14.6	---	▲	+2.8%	---	-24.2	+9.6	▲ +4.1%	▲ +0.0%
NSW	4,348.5	-24.6	8	▲	+2.6%	4	-17.6	-7.1	▲ +4.7%	▼ -2.4%
VIC	3,654.3	+16.5	1	▲	+4.3%	2	+8.3	+8.3	▲ +4.5%	▲ +3.8%
QLD	2,831.6	-22.8	7	▲	+1.7%	5	-18.4	-4.5	▲ +4.1%	▼ -3.6%
SA	953.0	+3.8	3	▲	+4.8%	1	-2.6	+6.4	▲ +5.7%	▲ +2.9%
WA	1,541.3	+15.0	2	▲	+1.5%	6	-10.2	+25.2	▲ +1.0%	▲ +2.5%
TAS	287.1	-2.9	6	▲	+1.4%	7	+0.6	-3.5	▲ +1.0%	▲ +2.2%
NT	138.0	-0.2	4	▲	+0.9%	8	+0.8	-1.0	▲ +2.4%	▼ -4.3%
ACT	263.5	-0.5	5	▲	+3.5%	3	-2.8	+2.3	▲ +4.8%	▼ -0.6%

Notes: Seasonally adjusted values are used.

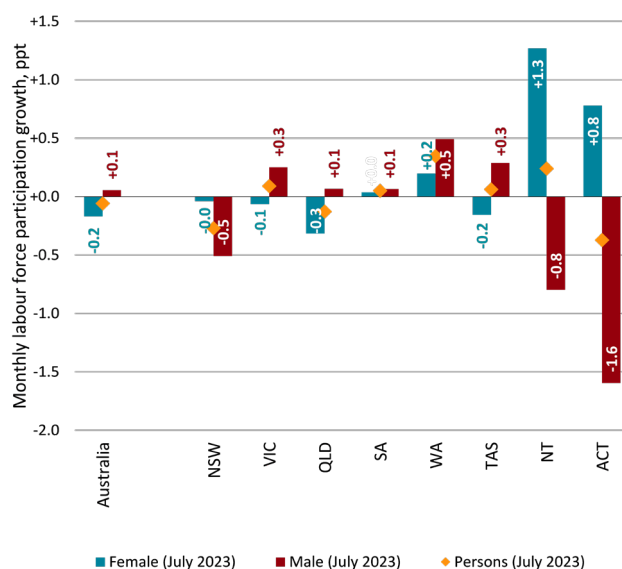
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Figure 1: Employment growth by state and gender



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

Wages and earnings

Key takeaways

- Wage decline continuing to slow, thanks to easing inflation.
- Real wage decline was slowest in WA, where inflation is at its lowest and wage growth its highest.
- However, measures do not capture recent cost of living relief measures nor award increases.

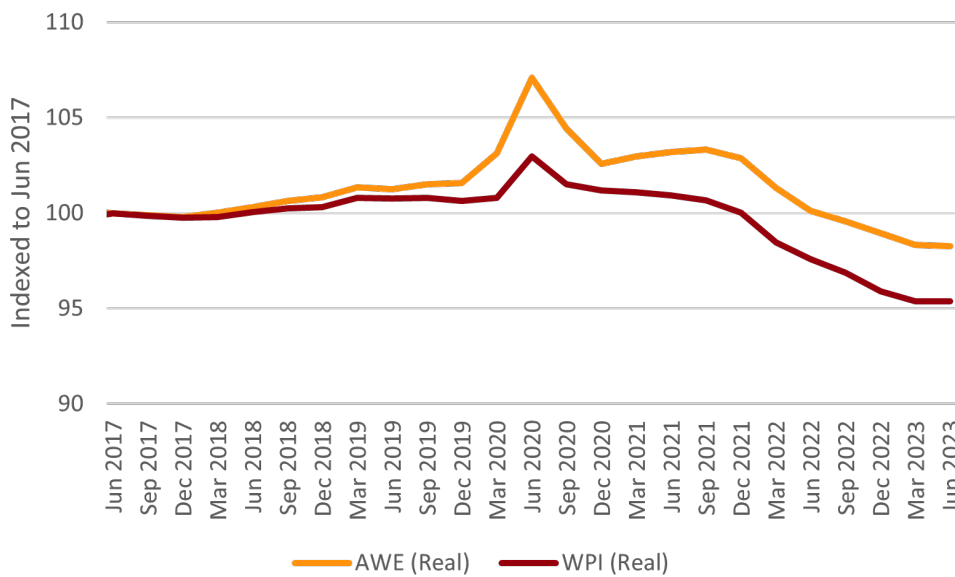
The national wage price index (WPI) increased by 3.6 per cent over the year to June 2023; a slight slowdown compared to the previous quarter's 3.7 per cent year-on-year increase. Inflation still outpaced wage growth over the year, with a real wage decline of 2.3 per cent over the year (Figure 7), but the difference between the two continues to contract as inflation eases over time.

It's worth noting the differences in growth over time for the average weekly earnings (AWE) and WPI measures. AWE captures the average earnings of workers, whilst the WPI captures how much wages cost firms. In June 2020, earnings growth greatly outpaced the WPI (Figure 3); no doubt thanks to changes in workforce composition, with a significant erosion of low-income jobs such as hospitality work due to COVID-19 lockdown measures.

In terms of the states, WA saw the smallest decline in the WPI over the year to June 2023, with just a 0.7 per cent decrease, owing to it having the lowest year-on-year inflation out of all the states and the highest year-on-year WPI growth (Figure 4). Meanwhile, real wage decline was at its fastest in NSW and SA (-3.2%), and somewhat higher in Queensland (2.6%) and Victoria as well (2.0%).

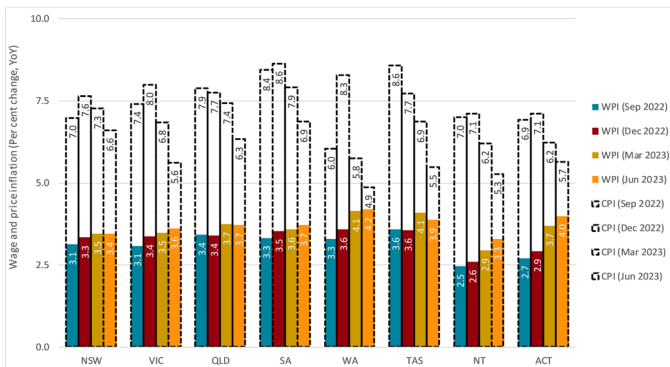
Finally, it should be noted that June's CPI and wage measures will not capture a number of important changes that were put in place starting in July 2023; such as increases in award payments for many workers, and additional cost-of-living relief measures such as energy price credits.

Figure 3: Real wage price index and average weekly earnings, indexed, 2017 to 2023, Australia



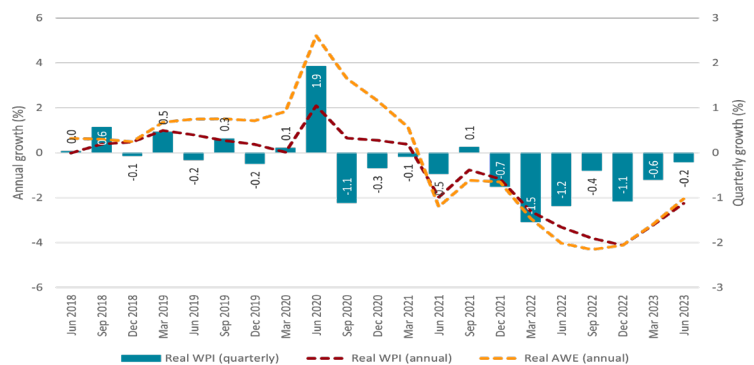
Notes: Seasonally adjusted values are used. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No. 6401 Table 1, Cat No. 6302 Table 2, Cat No. 6345 Table 1.

Figure 4: WPI and CPI growth by state: June 2022 to June 2023



Notes: Original non-seasonally adjusted values are used. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No. 6401 Table 5, Cat No. 6345 Table 26b.

Figure 5: Real growth in WPI and AWE, 2018 to 2023, Australia



Notes: Original non-seasonally adjusted values are used. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No. 6401 Table 1, Cat No. 6302 Table 2, Cat No. 6345 Table 1.

## Underemployment and unemployment

### Key takeaways

- The national unemployment rate increased to 3.7 per cent.
- The unemployment rate for women rose by 0.3ppt, to 3.7 per cent. It increased by 0.2ppts to 3.7 per cent for men.
- National underemployment remained at 6.6 per cent; falling by 0.2ppt for women down to 7.8 per cent.

The national unemployment rate increased 0.2ppts to 3.7 per cent in July 2023 (see Table 2); reflected in 35,600 more unemployed nationally. Sizeable increases in the unemployment rate were observed for Tasmania (+1.1ppt to 4.7 per cent) and Queensland (+0.9ppt to 4.5 per cent). Queensland (+25,000) and NSW (+16,000) contributed most to the national increase in the number of unemployed people. The unemployment rate for NSW rose to 3.3 per cent from a record low of 2.9 per cent in June, but remained the lowest rate among states. WA, meanwhile, the unemployment rate in WA fell by 0.2ppt to 3.4 per cent, translating to 2,600 fewer people who were unemployed in July.

Across gendered lines, women nationally saw an increase in the unemployment rate, rising by 0.3ppt from 3.4 per cent to 3.7 per cent (see Figure 6), with around 22,300 more women being unemployed. At the state level, much of this difference was driven by increasing unemployment in NSW, with 16,300 more unemployed women in the state when compared to June 2023, contributing to

a 0.8ppt increase in the female unemployment rate, up to 3.4 per cent. Men saw their biggest increase in unemployment numbers in Queensland, with roughly 12,000 more unemployed men resulting in a 0.8ppt increase to 4.1 per cent unemployment; counterbalanced by a 0.2ppt and 0.3ppt decrease in the male unemployment rate in WA and NT, which saw 1,100 and 300 fewer unemployed men.

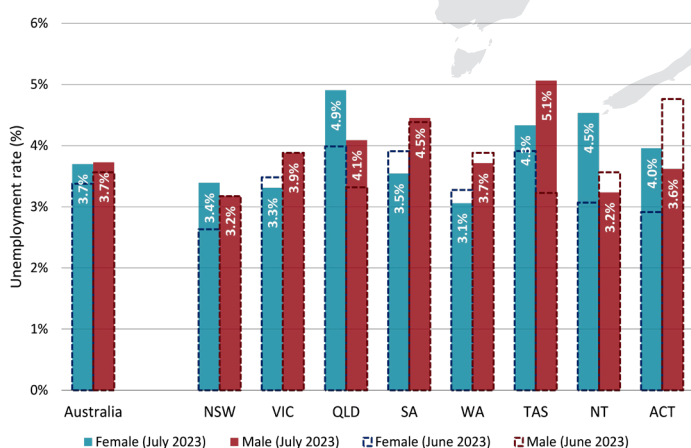
The national underemployment ratio remained virtually unchanged at 6.6 per cent this month, with a 0.2ppt decrease for women (to 7.8 per cent of women workers reporting underemployment; see Figure 7) offset by a 0.1ppt increase for men (to 5.5%). At the state level, Victoria saw the highest decrease in the female underemployment ratio by 0.9ppt to 7.3 per cent, followed by WA with a notable 0.8ppt decrease in underemployment to a ratio of 7.9 per cent for the month of July 2023. Meanwhile, Tasmania saw some of the largest overall increases in underemployment, with a 0.8ppt increase for women (up to 10.1%).

Table 2: Unemployment rates and changes: states and territories

	Unemployment Rate		Change (ppt) from:		Unemployed ('000)	Change ('000) from:	
	July 2023	Rank	June 2023	July 2022		July 2023	June 2023
Australia	3.7%	--	▲ +0.2	+0.3	541.0	▲ +35.6	+55.5
NSW	3.3%	1	▲ +0.4	0.0	147.4	▲ +16.0	+2.1
VIC	3.6%	3	▼ -0.1	+0.4	136.9	▼ -2.5	+19.4
QLD	4.5%	7	▲ +0.9	+0.8	132.8	▲ +25.0	+24.3
SA	4.0%	6	▼ -0.2	-0.1	39.9	▼ -1.3	+1.4
WA	3.4%	2	▼ -0.2	+0.1	54.4	▼ -2.6	+1.9
TAS	4.7%	8	▲ +1.1	+1.2	14.2	▲ +3.5	+3.8
NT	3.9%	5	▲ +0.6	+0.3	5.6	▲ +0.8	+0.4
ACT	3.8%	4	▼ -0.1	+0.6	10.4	▼ -0.3	+1.9

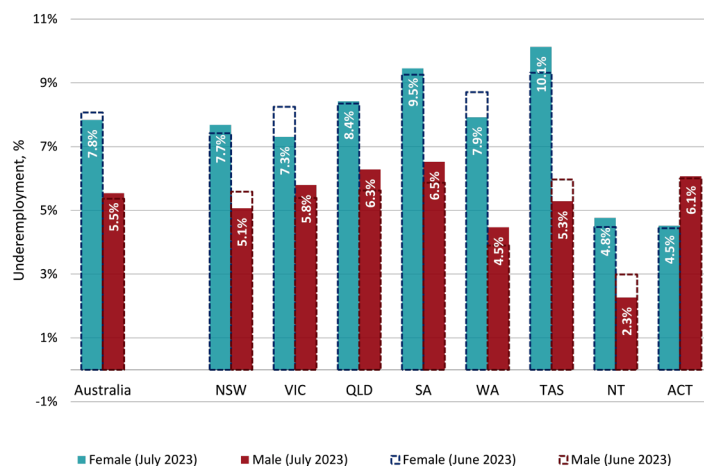
Notes: Seasonally adjusted values are used. State and territory numbers of unemployed people do not sum to the figures for Australia due to ABS seasonal adjustment methods. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Figure 6: Unemployment rate by state and gender



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

Figure 7: Underemployment ratio by gender: states and territories



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



**Strength of the labour market**

**Key takeaways**

- The national Internet Vacancy Index increased by 2.1 per cent over July 2023.
- Labourers were the only occupation nationally to see a decrease in online vacancies.
- Average hours saw marginal gains of 0.3 per cent nationally, with mixed state-level performance.

Internet job vacancies picked up slightly for the month of July after several months of decreases, increasing by 2.1 per cent nationally (Figure 8). This was driven by vacancies growth primarily in NSW (+3.8%) and Queensland (+2.9%); whilst NSW experienced more constrained growth over the month (+0.3%). SA (-2.0%), WA (-1.1%), and Tasmania (-1.2%) each recorded decreases.

Growth in vacancies over the month was relatively stable across the major occupation categories (Table 3), though labourers saw a decrease in vacancies of 1 per cent nationally, driven by a 4 per cent decrease in vacancies for them in Queensland and an 8 per cent decrease in vacancies for them in WA. Community and personal service workers saw the highest level of vacancies

growth over the month (+6%), driven by growing vacancies in NSW (+6%) and Victoria (+5%). Vacancies for Sales workers rose 2 per cent nationally, with a 5 per cent decrease in WA counterbalanced with a 7 per cent increase in vacancies for sales workers in NSW.

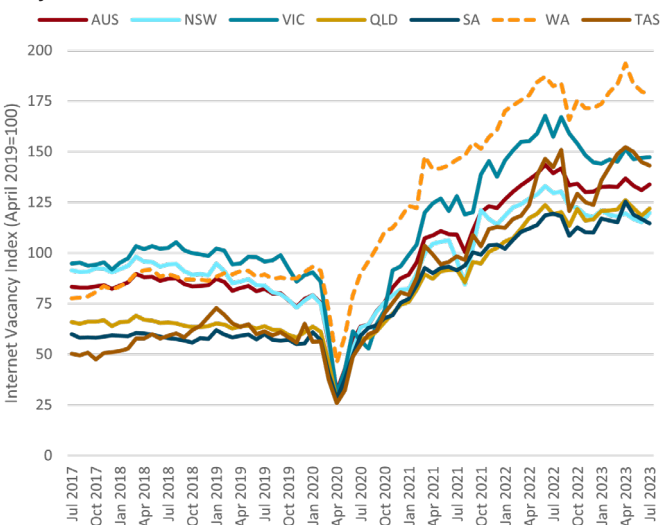
Average monthly hours worked per worker saw a marginal 0.3 per cent increase nationally to an average of 139.2 hours (Figure 9), driven by mixed performance across the states. Gains in average hours worked in NSW (+1.8%) and Queensland (+0.6%) were counterbalanced by declining hours in Victoria (-0.8%), SA (-1.0%) and WA (-1.2%). WA workers, on average, worked the most hours out of all the states, with 141.9 monthly hours for July 2023.

Table 3: Change in Internet Vacancy Index, by Occupation: June 2023 to July 2023

Major Occupation Group	Australia	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Managers	-0%	+0%	-2%	-1%	+0%	-1%	+2%	+1%	+2%
Professionals	+1%	+1%	+0%	+4%	-8%	-1%	-2%	+3%	+0%
Technicians And Trade Workers	+5%	+3%	+4%	+7%	-1%	-1%	+3%	+2%	+2%
Community And Personal Service Workers	+6%	+6%	+5%	+6%	-2%	+1%	+2%	+14%	+1%
Clerical And Administrative Workers	+2%	+4%	-1%	+3%	-1%	+1%	-3%	+3%	-2%
Sales Workers	+2%	+7%	-2%	-0%	-5%	-5%	+1%	+23%	+5%
Machinery Operators And Drivers	+1%	-1%	-0%	-1%	-2%	+1%	-7%	+4%	+1%
Labourers	-1%	+0%	-3%	-4%	+0%	-8%	-9%	+6%	-0%
Total	+2%	+4%	+0%	+3%	-2%	-1%	-1%	+4%	+1%

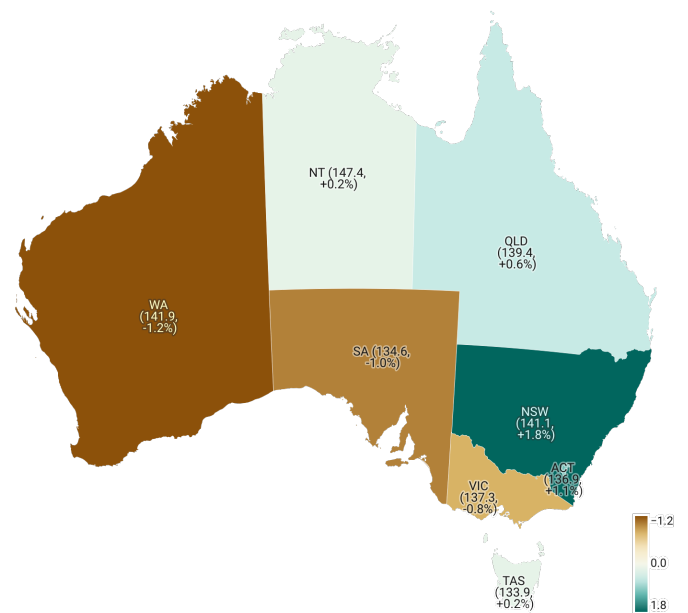
Notes: Seasonally adjusted values are used.  
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Government, Jobs and Skills Australia.

Figure 8: Internet Vacancy Index, by State: July 2017 to July 2023



Notes: Seasonally adjusted values are used. ACT and NT figures are not shown.  
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Figure 9: Average monthly hours worked: states and territories



Source: Bankwest Curtin Economics Centre | Authors' calculations from ABS labour force data • Created with Datawrapper

Notes: Seasonally adjusted values are used. ACT and NT figures are not shown.  
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Labour market dynamics

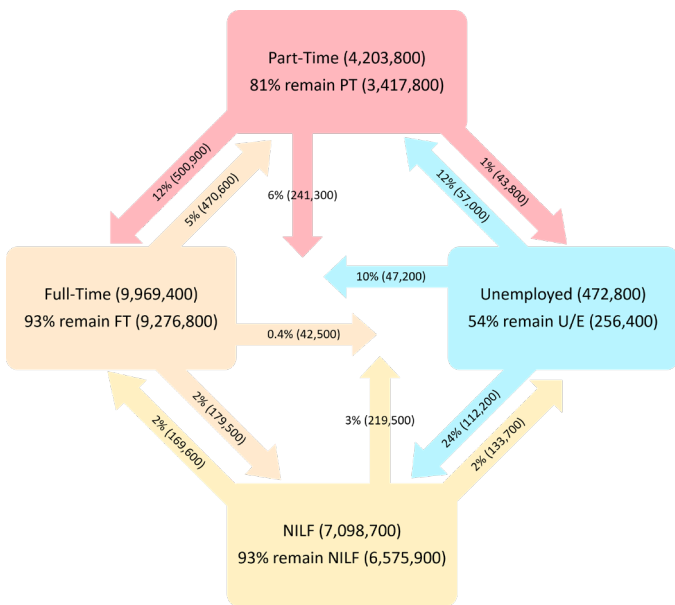
Key takeaways

- Small net outflow of 10,200 persons from the labour force.
- Net outflow driven by workers working in both full- and part-time positions.
- +1.1ppt increase in youth unemployment, rising in all states save SA.

Net flows followed a similar trend to the stock labour force data over the period from June 2023 to July 2023; with a net labour force outflow of 10,200 persons nationally. A net 9,900 full-time workers left the labour force over the month, and net 21,800 part-time workers left as well. Meanwhile a net 21,500 persons entered the labour force into unemployed status. Beyond flows out of the labour force, there was also a net outflow of persons from part-time employment into unemployment (13,200 persons), though this was somewhat made up for with a net inflow of unemployed persons into full-time work (4,700 persons). National youth unemployment saw an increase greater than

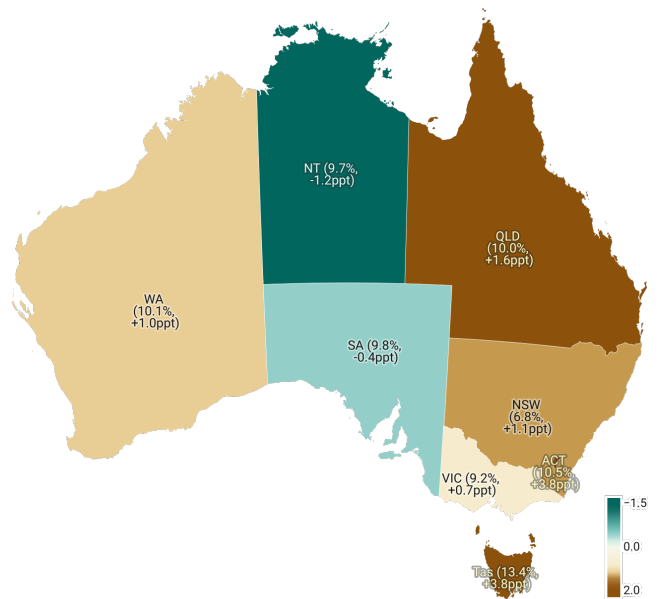
that of total unemployment for July 2023, rising 1.1ppt to 8.9 per cent across Australia (see Figure 11). This increase was observed in every state save for SA; which saw a 0.4ppt decrease in youth unemployment rates. Nationally, roughly 22,700 more youths became unemployed; with Queensland in particular driving the increase at the national level, and Tasmania seeing the largest state-level increase in unemployment rates. NSW had the lowest level of youth unemployment for the month; whilst WA remained above the national average, with a 1ppt increase to a youth unemployment rate of 10.1 per cent for July 2023.

Figure 10: AUS labour force flows: June 2023 to July 2023



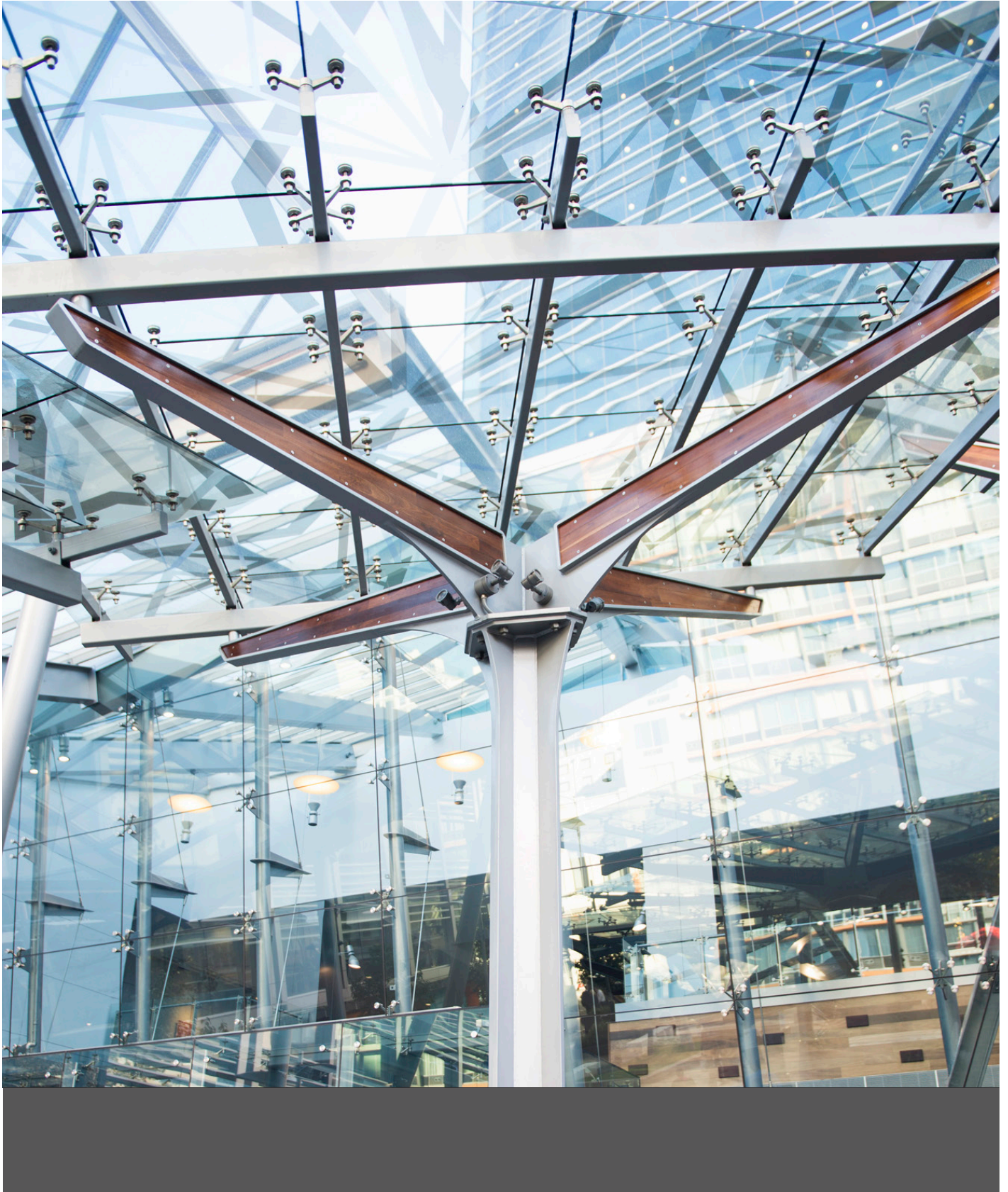
Notes: The ABS labour market flows series is based on a matched sample of respondents who are present in the labour force survey in two consecutive months. Around 79% of ABS survey respondents in June 2023 were also present in the July 2023 survey. Due to rounding and scaling, figures may not match totals from elsewhere in this MLMU. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0, Table 23 & Pivot table GM1.

Figure 11: Youth unemployment rate: monthly change, states and territories



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





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