

December 2023

BCEC

Bankwest Curtin Economics Centre

LABOUR MARKET UPDATE

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

- Volatile employment figures show 65,100 jobs shed in December.
- Other indicators suggest this overstates the rate at which the labour market is weakening.
- Expect interest rates to stay on hold when the Reserve Bank Board meets in early February.

December employment estimates deliver anticipated 'correction'

This month's labour force survey shows full-time employment plummeting by 106,600 jobs, partially offset by an increase of 41,400 part-time jobs. Despite the job losses, falling participation kept the unemployment rate constant at 3.9 per cent and the number of unemployed people actually fell. The fall in employment was anticipated in [last month's MLMU](#) following unrealistically strong November employment figures, and we remain of the view that it is primarily a statistical correction rather than evidence of any longer term labour market downturn.

Estimates of the participation rate seem to be driving employment figures lately, with NSW playing a major role. The surprise 61,500 jump in jobs in November's figures was largely due to an estimated increase of 52,800 jobs in NSW along with a 0.6ppt increase in the state's participation rate. In December, the NSW participation rate dropped by 0.6ppt, and employment fell by 35,400 – again accounting for most of the job losses nationally. The two other states recording significant job losses in December – SA down 12,400 jobs and VIC down 9,600 jobs - also registered falling participation rates, by 0.9ppt and 0.3ppt, respectively.

The same pattern is apparent at the national level. December's fall in employment came alongside a 0.4ppt fall in the national participation rate. Interestingly, the December labour force figures contained revisions that suggested an even bigger jump in November in the number of jobs (+72,600) and the participation rate (67.3%) than the original figures.

This all reinforces our warning not to read too much into December's fall in job numbers and emphasises the need to look more broadly at other indicators that suggest resilience in the labour market. The Internet Vacancy Index (IVI) rose marginally in December, ending a run of four monthly falls. The ABS also recently released its Job Vacancy series, which, conceptually, provides an estimate of the full count of vacancies available to be filled in the economy, whereas the IVI only counts vacancies advertised on the main online platforms. This allows us to calculate the ratio of the number of unemployed people to vacancies

in the economy as a measure of labour market tightness (see Figure 6). At just 1.4 unemployed persons per vacancy nationally, and a similar ratio for each state, demand in the labour market remains strong relative to supply. While those figures are for November, the IVI series increased in December while the number of unemployed persons fell.

The working-age population continues to grow by almost 50,000 persons per month, equal to an annualised rate of 4.9 per cent, around 50 per cent above the long-run rate of growth. Despite this, the unemployment rate remains stubbornly below 4 per cent. Vacancies are trending down, but both the IVI and ABS series remain very high by historical standards. These are not signs of a weak labour market.

Employment figures unlikely to affect interest rate decision

The Reserve Bank of Australia Board will meet for the first time for 2024 on 5 February, with a monetary policy announcement scheduled a day later. The RBA is unlikely to cut interest rates without clear signs of moderating inflation and a weakening labour market: Treasury's Mid-Year Economic and Fiscal Outlook projects inflation to return to the upper end of the RBA's 2-3 per cent target range in 2024-25, with the unemployment rate rising to 4.25 per cent in the middle of 2024 and to 4.5 per cent for 2024-25. Monthly CPI estimates did show annual inflation moderating from 4.9 per cent in November to 4.3 per cent in December 2023. However, the critical piece of information will be the quarterly CPI figure for December 2023, due for release on 31 January.

Even with a larger than expected decline in the December quarter CPI, the RBA is unlikely to move following the February meeting. A depreciation in the Australian dollar since the end of last year, waterfront industrial unrest and unwinding of the effect of rebates for electricity bill relief all add to inflationary pressures in the coming months. While most analysts are debating the timing of the first rate cut, it may be too early yet to rule out a further increase if inflation does not moderate quickly enough.

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Special thanks to Alex Buckland and Valentina Sanchez Arenas for their assistance in creating this publication.

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Labour market fundamentals

Key takeaways

- Nationally, the number of employed persons decreased by 65,100 persons.
- This resulted from 106,600 fewer full-time workers and 41,400 more part-time workers.
- At 66.8 per cent, the national participation rate decreased 0.4ppt.

The Australian labour market saw a decrease in the number of employed persons by 65,100 workers in December (see Table 1). This outcome was the effect of a substantial decrease in full-time employment by 106,600 positions, countered by an increase of 41,400 workers in part-time positions. The downtrend in full-time positions was evidenced in most states, with NSW leading the way with a drop of 29,500 full-time workers, followed by SA (-19,800) and QLD (-18,000). Only NT recorded an increase in full-time positions (+1,300 persons). The increase in part-time workers was led by QLD with 13,900 more workers, followed by WA (+9,900) and SA (+7,400), while NSW saw a decrease of 5,900 part-time workers.

National employment decreased by 0.4 per cent for men and 0.5 per cent for women. Both genders evidenced a drop in full-time work (0.4 per cent for men and 2.0 per cent for women), and mixed results in part-time work (-0.05 per cent for men and +1.4 per cent for women). As shown in Figure 1, men and women saw decreases in full-time workers in most

states and territories: as of men, WA evidenced the highest drop by 1.9 per cent, followed by SA (-1.3%) and TAS (-0.8%). A very large drop in female full-time employment of 6.2 per cent was recorded for SA, followed by NSW (-2.3%) and QLD (-1.3%). All states saw an increase in female part-time positions, with SA leading the way with a 5.4 per cent increase, followed by NT (+5.2%) and QLD (+3.2%). It should be noted that estimates for part-time employment tend to be more volatile due to smaller sample sizes, particularly in the less populous states and territories.

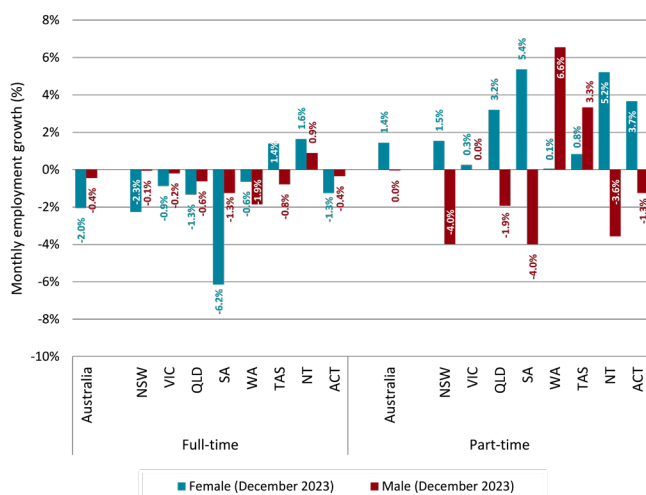
At 66.8 per cent, the national participation rate decreased 0.4ppt. This was driven by drops in participation rates for both men (-0.5ppt to 71.2 per cent) and women (-0.4ppt to 62.6 per cent). SA and NSW led the decline in male participation, with decreases of 0.9ppt and 0.6ppt, respectively. SA saw the highest participation decrease for women, with a 1.2ppt drop (to 59.4 per cent), followed by NSW with a 0.9 drop (to 61.4 per cent).

Table 1: Employment changes – states and territories

	Employed Persons ('000)	Change from:		Change from November 2023 ('000)		Change (%) from December 2022			
		November 2023 ('000)	Rank	December 2022 (%)	Rank	Full-Time	Part-time	Full-Time	Part-time
Australia	14,201.1	-65.1	--	▲ +2.8%	--	-106.6	+41.4	▲ +1.1%	▲ +6.7%
NSW	4,423.6	-35.4	8	▲ +2.0%	4	-29.5	-5.9	▲ +1.2%	▲ +4.1%
VIC	3,682.1	-9.6	6	▲ +3.5%	1	-11.6	+2.0	▲ +1.9%	▲ +7.2%
QLD	2,883.6	-4.1	4	▲ +3.4%	3	-18.0	+13.9	▲ +1.2%	▲ +8.6%
SA	945.8	-12.4	7	▲ +1.7%	5	-19.8	+7.4	▲ +0.8%	▲ +3.5%
WA	1,587.6	-5.7	5	▲ +3.5%	1	-15.6	+9.9	▼ -0.2%	▲ +12.3%
TAS	288.5	+1.7	2	▲ +0.3%	8	+0.0	+1.6	▲ +0.4%	▲ +0.0%
NT	140.4	+1.9	1	▲ +1.1%	7	+1.3	+0.6	▲ +2.1%	▼ -2.4%
ACT	267.8	-0.4	3	▲ +1.6%	6	-1.5	+1.1	▼ -2.4%	▲ +15.1%

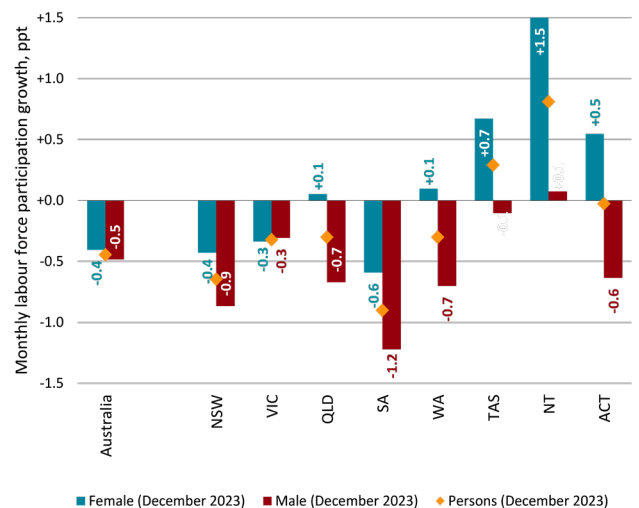
Notes: Seasonally adjusted values are used. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0

Figure 1: Employment growth by state and gender



Notes: Seasonally adjusted values are used. Figures show change from November 2023 to December 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. The BCEC Monthly Labour Market Update is based on estimates from the ABS monthly labour force survey. These estimates are subject to sampling variability.

Figure 2: Monthly change in labour force participation



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

Underemployment and unemployment

Key takeaways

- The national unemployment rate remained steady at 3.9 per cent.
- Unemployment increased 0.1ppt for women (to 3.8 per cent) and decreased 0.1ppt for men (to 3.9 per cent).
- National underemployment remained at 6.8 per cent.

The national unemployment rate for December 2023 remained unchanged at 3.9 per cent. Most states remained steady, with slight decreases in QLD (-0.1ppt to 4.3 per cent) and NT (-0.2ppt to 3.9 per cent). Meanwhile, WA counterbalanced these decreases with a 0.2ppt increase in unemployment to 3.9 per cent. NSW continues to have the lowest level of unemployment in the country with a rate of 3.4 per cent, with no notable change in the rate for December 2023.

Nationally, the male unemployment rate decreased by 0.1ppt to a 3.9 per cent rate, while the female rate increased by 0.1ppt to 3.8 per cent. Shifts in women’s unemployment were more dramatic than men’s at the state level; with the former seeing a 0.7ppt increase in WA (up to 4.0 per cent) countered by a 0.3ppt unemployment rate decrease in QLD and NT (down to 4.3 per cent and 4.5 per cent, respectively). Men, meanwhile, saw a 0.2ppt

decrease in the unemployment rate in WA (to 3.9 per cent), counterbalanced by a 0.2ppt increase in SA (up to 3.9 per cent).

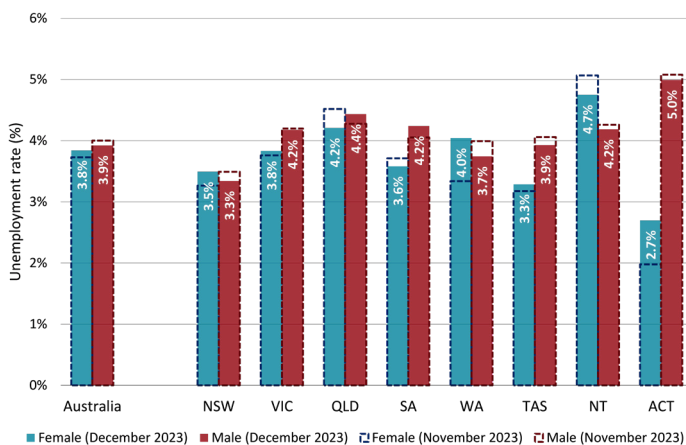
The overall national underemployment rate remained at 6.8 per cent from November to December 2023; increasing 0.3ppt for women (up to 8.1 per cent) and decreasing 0.4ppt for men (down to 5.4 per cent). Women’s underemployment growth was primarily driven by SA, which saw a 1.0ppt increase to a rate of 9.0 per cent over the month, followed by QLD (+0.6ppt up to 9.0 per cent) and NSW (0.4ppt up to 8.1 per cent). VIC led men’s downtrend in underemployment rates, evidencing a 0.9ppt decrease to 5.1 per cent, counterbalanced by WA (+0.8 per cent up to 4.8 per cent) and TAS (+0.4 per cent up to 4.7 per cent).

Table 2: Unemployment rates and changes: states and territories

	Unemployment Rate		Change (ppt) from:		Unemployed ('000)	Change ('000) from:	
	December 2023	Rank	November 2023	December 2022		November 2023	December 2022
Australia	3.9%	--	0.0	+0.4	573.6	▼ -0.8	+76.0
NSW	3.4%	1	0.0	+0.3	156.3	▲ +0.1	+16.3
VIC	4.0%	6	0.0	+0.5	153.9	▲ +0.5	+26.3
QLD	4.3%	7	▼ -0.1	+0.5	130.3	▼ -2.3	+19.5
SA	3.9%	5	0.0	0.0	38.6	▼ -0.1	+0.8
WA	3.9%	4	▲ +0.2	+0.4	64.1	▲ +3.1	+8.6
TAS	3.6%	2	0.0	-0.1	10.8	0.0	-0.3
NT	4.5%	8	▼ -0.2	+0.6	6.6	▼ -0.2	+0.9
ACT	3.9%	3	▲ +0.3	+1.1	10.8	▲ +0.8	+3.2

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. 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. Figures show change from November 2023 to December 2023. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0

Strength of the labour market

Key takeaways

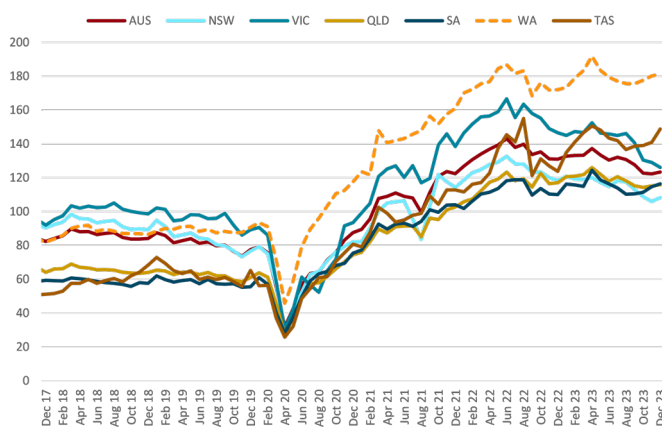
- Internet vacancies increased by 0.8 per cent in December 2023, bucking the trend after an ongoing decline in job openings across Australia.
- The increase was driven by an increase of 2.2 per cent in internet vacancies in NSW.
- Nationally, the ratio of unemployed persons to vacancies sat at just 1.4 in November 2023.

The internet vacancy index rose by 0.8 per cent over December 2023, shifting the trend after an ongoing decline in job openings across Australia since July 2023. The index is down by 5.6 per cent over the 12 months to December. A 2.2 per cent increase in internet vacancies in NSW, the state with the largest labour market, accounted for much of the national increase and offset a fall in VIC (2.2%). Other states to see increases were TAS (+5.6%), SA (+1.5%), QLD and WA (both +0.6%)

The quarterly ABS Vacancy series provides a more comprehensive estimate of positions waiting to be filled in the economy. Recently released figures for November show a 0.7 per cent drop from August, and 14.4 per cent fall over the year, but remain high in historical terms.

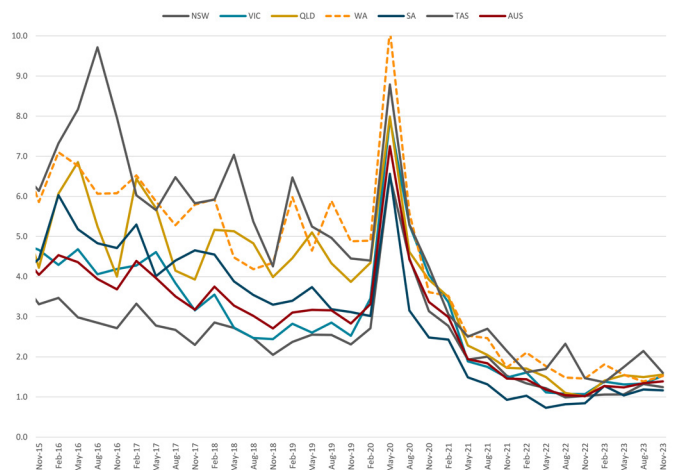
The number of unemployed people per job vacancy provides a useful indication of labour market tightness. As shown in Figure 6, the ratio of unemployed persons to vacancies sat at 1.4 in November 2023, with a small drop in unemployment, alongside a small drop in the number of vacancies for that month. The lowest ratio out of the states was observed in the NSW and SA, with just 1.2 unemployed persons per job vacancy. However, the number of unemployed persons per vacancy remained well below pre-COVID levels in all states, indicative of very tight labour market conditions persisting at the end of 2023.

Figure 5: Internet Vacancy Index by state: November 2017 to November 2023

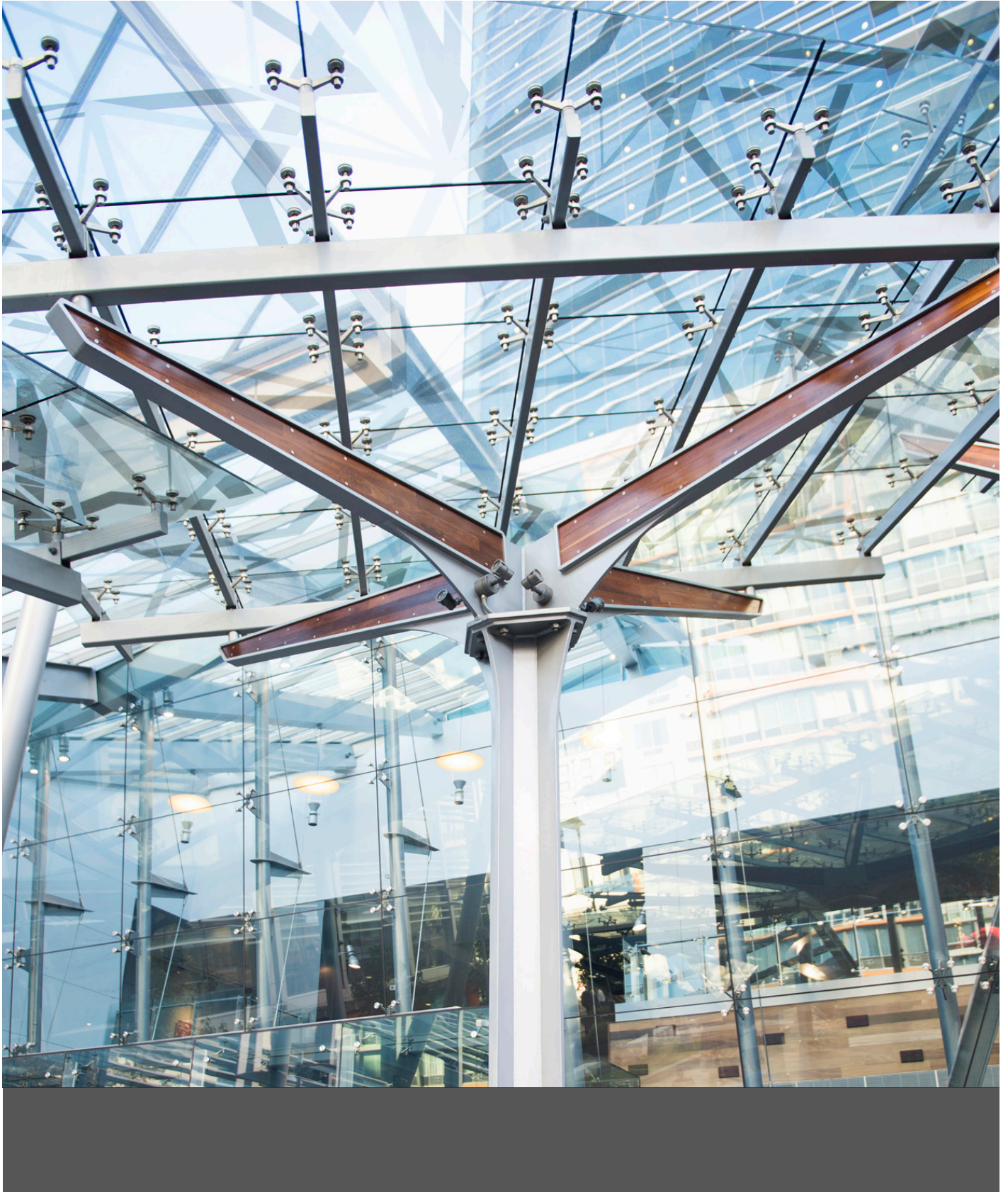


Notes: Seasonally adjusted values are used. ACT and NT figures are not shown.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Government, Jobs and Skills Australia.

Figure 6: Ratio of unemployed persons per job vacancy, by state: November 2015 to November 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.



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