



March 2024

BCEC

Bankwest Curtin Economics Centre

LABOUR MARKET UPDATE

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

- Labour market remains strong, with few signs yet of the softening in labour demand anticipated as a result of higher interest rates.
- Resilience underscored as headline unemployment rate remains below 4 per cent, along with growth in full-time work and marginal increases in average hours worked and job vacancies in March.
- Growth in the working-age population, running at about 60,000 persons per month, exceeding projections as labour market absorbs influx of migrants.

Labour market holds on to last month's gains

In light of the surprise jump in employment recorded in February, the minimal change seen in the March figures for the Australian labour market should be seen as a very strong outcome. A small fall in job numbers of 6,600 was the result of a solid increase in the number of full-time positions (+27,900 workers) offset by a decline in part-time positions (-34,500 workers).

To round out the signals of underlying resilience in the labour market in March, the underemployment ratio fell, average monthly hours worked per worker rose, and 2024's run of falling vacancies came to an end.

While all those changes were marginal, coming on top of the strong February figures they go against expectations of a softening labour market. Recall those expectations relate to the anticipated effect of higher interest rates: a higher unemployment rate reducing wage and demand pressures, in turn bringing inflation back below 3 per cent.

Instead, March figures add to signs that monetary policy is not impacting on the labour market as quickly as anticipated. The headline unemployment rate ticked up by 0.1ppt to 3.8 per cent. The number of unemployed jumped by 3.6 per cent, but remains around 30,000 below the recent peak in January 2024, when it edged over 600,000.

Quarterly data on the number of unemployed persons to vacancies does point to a gradual increase in the available workers relative to firm demands for new hires (See Figure 9). In historical terms, however, vacancy levels remain high and the ratio of unemployed persons to vacancies low. Underlining the labour market resilience, the working age population is estimated to be expanding by almost 60,000 persons per month.

The Reserve Bank's latest Statement on Monetary policy forecast an unemployment rate of 4.2 per cent over the June quarter, 2024. For that to eventuate with the current rates of population growth and participation, we estimate employment growth would need to fall to 15,000 persons per month through the June quarter, which is around half the current trend rate.

Hence, the March figures suggest labour market demand remains stronger than in the RBA's working scenario that would see interest rates begin to come down in calendar 2024. The March quarter inflation figure, to be released next Wednesday, is next critical indicator for the prospects of interest rate cuts. Two days before next month's labour force figures are released, we'll get a comprehensive update of Treasury expectations in the form of the 2024-25 Federal Budget, to be handed down on 14 May.

2023-24 Budget in Review

With the 2024-25 Federal Budget around the corner, it's timely to look back at how the in 2023-24 Budget forecasts for the labour market are panning out. Those forecasts, made back in May 2023, put the participation rate and unemployment rate for the June quarter 2024 at 66.25 per cent and 4.25 per cent respectively. The projected participation rate is close to the current trend rate of 66.6 per cent for March. As noted, the unemployment rate is likely to come in below 4.25 per cent unless there is a substantial slow down in jobs growth in the coming months.

Where last year's budget forecasts were well off the mark was with respect to employment growth, projected to be 1 per cent over the year to the June quarter 2024. Even if not a single additional job is created for the rest of 2023-24, employment growth will come in at double that. If the current trend increase in employment continues, growth through the year will be 2.5 per cent. The fact that the employment growth projection appears far too low, with the participation and unemployment rate projections not so far off the mark, indicates the level of migration and the ability of the labour market to absorb those extra workers, was substantially underestimated in the outlook.

Currently only December Quarter 2023 data are available for annual growth in inflation (4.1%) and the Wage Price Index (4.2%). These compare to projections to the June Quarter 2024 of 3.25 per cent and 4 per cent, respectively. Those projections are consistent with real wages growing by around 0.75 per cent for the year. That looks to be on the high side of what is likely, given real wage growth currently at 0.1 per cent per annum and the current inflationary outlook.

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Labour market fundamentals

Key takeaways

- Nationally, the number of employed persons dropped by 6,600 persons, a strong result given last month's surge of over 115,000 jobs.
- Full-time employment rose strongly for the third month in a row by 27,900 workers.
- At 66.6 per cent, the national participation rate decreased 0.1ppt.

The Australian labour market saw a decrease in employment of 6,600 workers in March 2024 (Table 1). A solid expansion in full-time jobs of 27,900 positions was more than offset by a 34,500 reduction in part-time employment nationally. The drop in part-time employment was led by VIC (-13,900), followed by WA (-7,000) and NSW (-3,000). Full-time employment growth was led by NSW with 19,400 more positions, followed by VIC (+18,700) and WA (+7,700).

Employment increased nationally by 0.1 per cent for men but declined by 0.2 per cent for women, due to a change in the mix of full-time and part-time work. Full-time employment increased both for men and women, by 0.3 per cent and 0.2 per cent respectively (Figure 1). But part-time work fell for women (by 0.6 per cent) and men (by 1.1 per cent).

At the state level, men saw strong increases in full-time employment in TAS by 2.4 per cent, followed by VIC with a 1.3 per cent increase. Women saw the strongest drop in full-time employment in TAS with a 2.2 per cent decrease,

followed by SA with a 1.6 per cent decrease. Part-time employment among women dropped by 6.8 per cent in NT, 1.5 per cent in SA and by 1.1 per cent in VIC. The number of part-time men dropped by 5.5 per cent in TAS, 2.4 per cent in WA and by 1.2 per cent in VIC. 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.

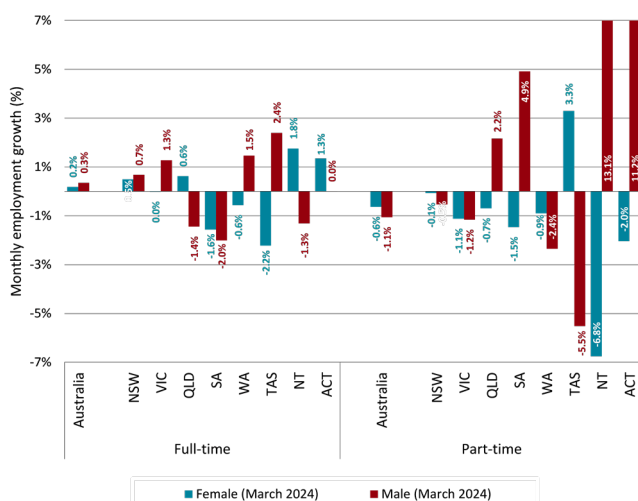
The national labour force participation rate dropped marginally to 66.6 per cent, driven by falls of 0.1ppt and 0.2ppt for men and women's participation rate to 70.6 per cent and 62.6 per cent, respectively (see Figure 2). Female participation declined in most states and territories, with NT and WA having the greatest drop in participation by 0.7ppt both (to rates of 73.3 per cent and 64.1 per cent, respectively). Meanwhile, men's participation rates decreased for QLD (down 0.6ppt to 69.7 per cent), SA and TAS (both down 0.3ppt to rates of 67.8 per cent and 63.8 per cent respectively).

Table 1: Employment changes – states and territories

	Employed Persons ('000)	Change from:				Change from February 2024 ('000)		Change (%) from March 2023	
		March 2024	February 2024 ('000)	Rank	March 2023 (%)	Rank	Full-Time	Part-time	Full-Time
Australia	14,259.9	-6.6	--	▲ +2.4%	--	+27.9	-34.5	▲ +0.9%	▲ +5.9%
NSW	4,433.3	+15.7	1	▲ +2.9%	2	+18.7	-3.0	▲ +2.1%	▲ +4.9%
VIC	3,706.6	+5.8	2	▲ +2.3%	4	+19.4	-13.6	▼ -0.2%	▲ +8.2%
QLD	2,901.2	-10.4	8	▲ +2.8%	3	-12.4	+1.9	▲ +2.5%	▲ +3.4%
SA	939.2	-9.2	7	▼ -0.7%	7	-11.4	+2.2	▼ -4.2%	▲ +6.4%
WA	1,602.6	+0.7	5	▲ +4.1%	1	+7.7	-7.0	▲ +1.3%	▲ +10.7%
TAS	282.5	+1.6	4	▼ -2.9%	8	+1.2	+0.5	▼ -2.6%	▼ -3.3%
NT	139.7	+0.2	6	▲ +2.2%	5	+0.1	+0.1	▲ +3.0%	▼ -0.5%
ACT	267.9	+3.3	3	▲ +1.5%	6	+1.3	+2.0	▲ +0.7%	▲ +3.7%

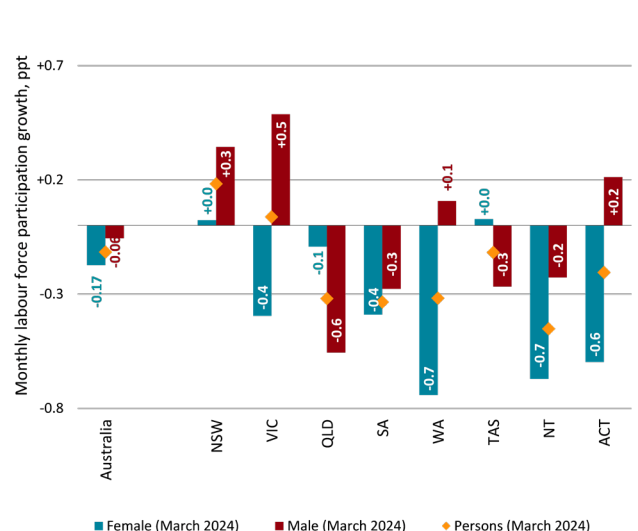
Notes: Seasonally adjusted values are used.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0

Figure 1: Employment growth by state and gender



Notes: Seasonally adjusted values are used. Figures show change from February 2024 to March 2024. 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 February 2024 to March 2024.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0

Underemployment and unemployment

Key takeaways

- The national unemployment rate increased by 0.1ppt to 3.8 per cent in March 2024.
- Both men and women evidenced a 0.1 per cent increase in unemployment rates to 3.9 per cent and 3.8 per cent, respectively.
- The national underemployment ratio decreased by 0.1ppt to 6.7 per cent; with a decrease of 0.3ppt for women and an increase of 0.1ppt for men.

The national unemployment rate increased by 0.1ppt to 3.8 per cent in March 2024 (Table 2) with the number of unemployed persons increasing by 20,600 persons. The most sizeable increase in the unemployment rate was observed for SA (+0.6ppt to 3.9 per cent).

Unemployment rates rose by 0.1ppt for both women and men, to 3.8 per cent and 3.9 per cent respectively (Figure 3), with roughly 10,300 more women being unemployed. Much of the difference nationally was driven by an increased of 4,600 in the number of unemployed women in the state compared to February 2024. Male unemployment rose by 7,700 in NSW and by 4,900 in VIC.

The underemployment ratio (the share of working people who would ideally like to increase their hours) is one indicator of additional labour supply that businesses can potentially call, and serves as a useful guide to spare worker capacity.

Underemployment fell nationally by 0.3ppt over the month for women with a slight 0.1ppt increase for men (Figure 4).

QLD and NT experienced the largest decrease in the female underemployment ratio by 1.0ppt and 0.9ppt to rates of 7.5 per cent and 4.2 per cent, respectively. Meanwhile, WA's underemployment ratio for men fell 1.0ppt to 4.2 per cent, likely reflecting the strength of labour demand in the state's resources sector.

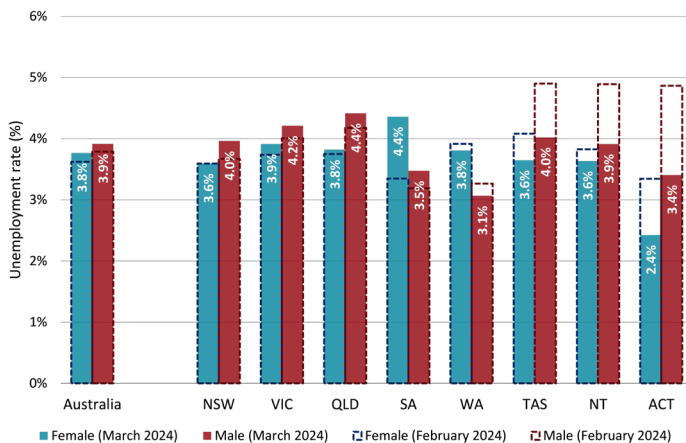
Average hours worked increased by 0.9 per cent over March 2024, up to 137.2 hours per worker per month. Average hours increased the most in WA by 2.0 per cent (to 141.7 hours average), followed by QLD with a 1.4 per cent increase (to 138.2 hours average). The NT continued to work the most hours out of the states and territories, with 145.5 average hours per worker over the month. All states and territories saw an increase in hours worked, except for the ACT with a 0.3 per cent decrease to an average of 136.2 hours.

Table 2: Unemployment rates and changes: states and territories

	Unemployment Rate		Change (ppt) from:		Unemployed ('000)	Change ('000) from:	
	March 2024	Rank	February 2024	March 2023		February 2024	March 2023
Australia	3.8%	--	▲ +0.1	+0.2	569.9	▲ +20.6	+57.3
NSW	3.8%	4	▲ +0.2	+0.5	174.4	▲ +7.9	+27.2
VIC	4.1%	7	▲ +0.2	+0.4	157.1	▲ +7.9	+19.1
QLD	4.1%	8	▲ +0.1	+0.3	124.8	▲ +4.5	+12.3
SA	3.9%	6	▲ +0.6	+0.2	38.0	▲ +6.0	+1.2
WA	3.4%	2	▼ -0.2	-0.1	56.6	▼ -2.7	+1.6
TAS	3.8%	5	▼ -0.7	-0.5	11.3	▼ -2.0	-1.7
NT	3.8%	3	▼ -0.6	-0.6	5.5	▼ -0.9	-0.9
ACT	2.9%	1	▼ -1.2	0.0	8.1	▼ -3.3	+0.2

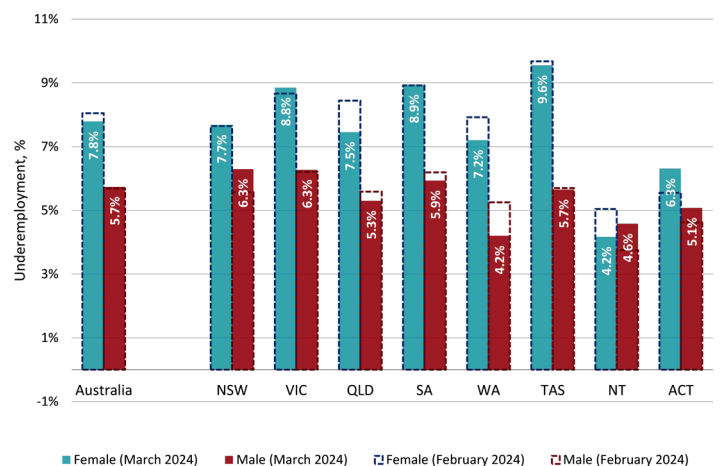
Notes: Seasonally adjusted values are used. State and territory numbers of unemployed people do not sum to the figures for Australia due to ABS seasonal adjustment methods. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0

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 February 2024 to March 2024. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0

Labour market dynamics

Key takeaways

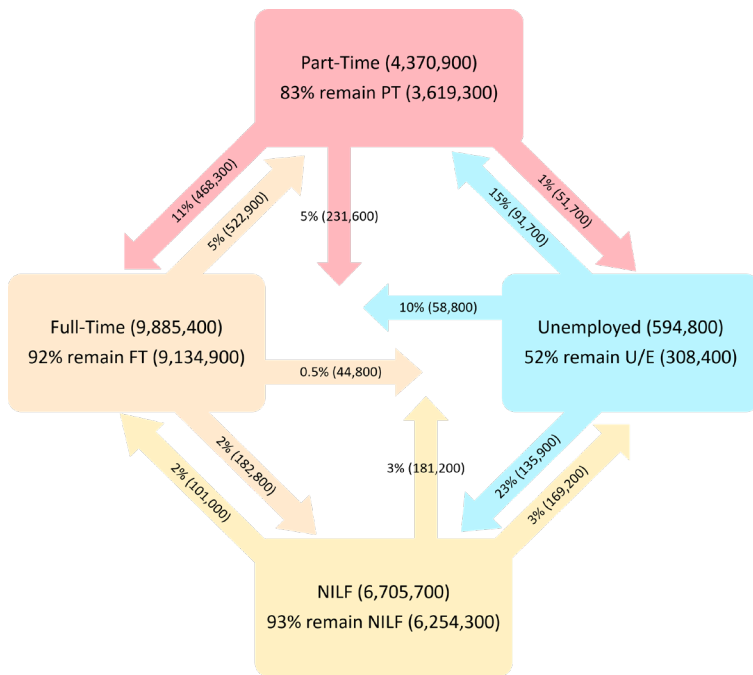
- The February-March matched sample saw a net flow of 98,900 persons out of the labour force.
- There were net labour force outflows of 50,400 from part-time work and 81,800 persons from full-time work.
- Youth unemployment saw a 0.9ppt increase to a rate of 9.9 per cent.

The matched Labour Force Survey sample showed a net 98,900 persons left the labour force from February to March 2024 (Figure 7), consistent with the decline in the labour force participation rate for the month. There was a net flow of 81,800 persons from full-time work out of the labour force, as well as an outflow of 50,400 persons from part-time work.

That being said, there was a net inflow of 33,300 from outside the labour force into unemployment, indicating some level of increased participation amongst those not previously participating in the labour force. Finally, there was a net flow of 54,600 full-time workers into part-time work over the month.

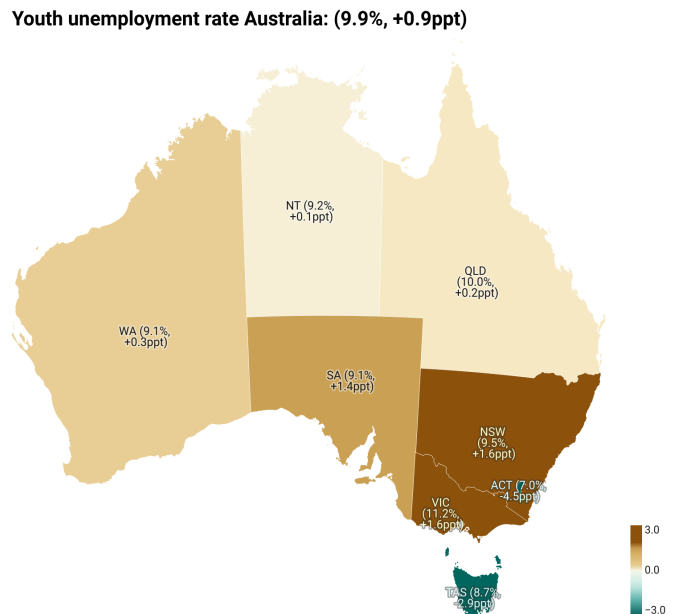
The youth unemployment rate increased by 0.9ppt nationally, now up to 9.9 per cent across Australia. Every state save TAS saw an increase in youth unemployment over March 2024, with NSW and VIC in particular both recording 1.6ppt rises in their youth unemployment rates (the former now sitting at 9.5 per cent, the latter 11.2 per cent, the now highest rate in the country). TAS, meanwhile, saw a 2.9ppt decline in youth unemployment, down to a rate of 8.7 per cent, though again a small population makes numbers from the state more volatile compared to others. WA sat in the middle of the pack, with a smaller 0.3ppt increase in youth unemployment to a rate of 9.1 per cent.

Figure 5: AUS labour force flows: January 2024 to February 2024



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 February 2024 were also present in the March 2024 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 GM.

Figure 6: Youth unemployment rate: monthly change, states and territories



Notes: Seasonally adjusted values are used. Figures show change from February 2024 to March 2024. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Job vacancies

Key takeaways

- Vacancies advertised on the Internet over March bucked the recent downward trend, rising by 0.2 per cent nationally.
- Nationally, there was a ratio of 1.7 unemployed people per vacant position in February 2024.
- Average monthly hours worked up 0.9 per cent to 137.2 hours per worker.

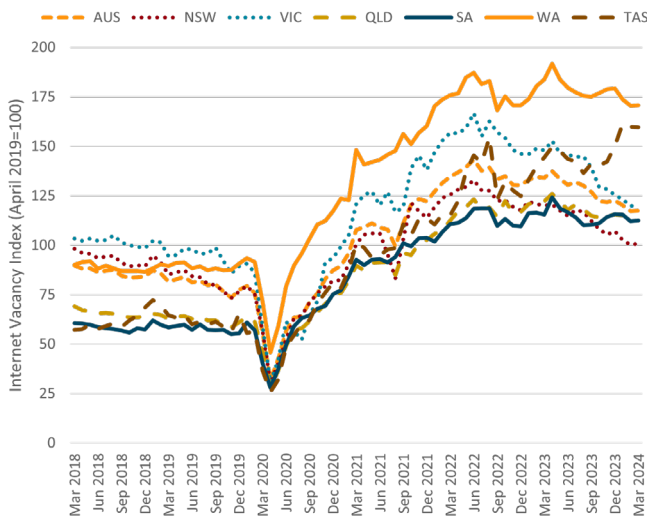
The Internet Vacancy Index saw a marginal 0.2 per cent increase nationally over March 2024, arresting the recent downtrend and with extremely minor shifts at the state level. NSW recorded the largest shift in vacancies over the month out of the states, with a 0.6 per cent increase, whilst TAS recorded the largest decrease with a 0.1 per cent drop. The NT recorded a 0.9 per cent decline in vacancies as well, though it's worth noting that the territories can be more volatile in terms of month-on-month changes. WA meanwhile recorded a 0.1 per cent increase in online vacancies.

The ratio of unemployed persons to vacant positions provides a useful indicator of labour market “tightness” and the recent release of the ABS quarterly vacancy series provides an opportunity to update the series to February 2024.

The ratio of unemployed people to job vacancies has increased over the most recent quarter to February 2024, rising by 0.3 to 1.7 unemployed persons per vacancy. This is consistent with a degree of relaxation in relative labour demand.

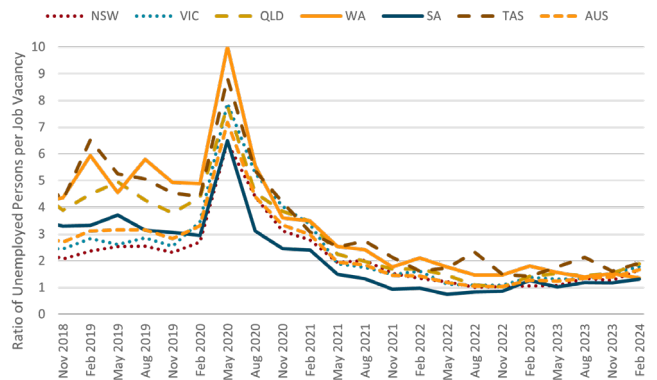
The ratio was at its highest in QLD and TAS, sitting at 1.9 unemployed persons per vacancy (up 0.4 for the former, 0.3 for the latter). For WA, the ratio is much lower, at 1.4 unemployed persons per vacancy (down 0.2 points over the month) as a further indication of the relative strength of the state’s labour market and the greater demand for workers. The lowest ratio of all states and territories is in SA, at 1.3 unemployed people per vacancy (up 0.1 points).

Figure 7: Internet Vacancy Index by state: January 2024 to February 2024

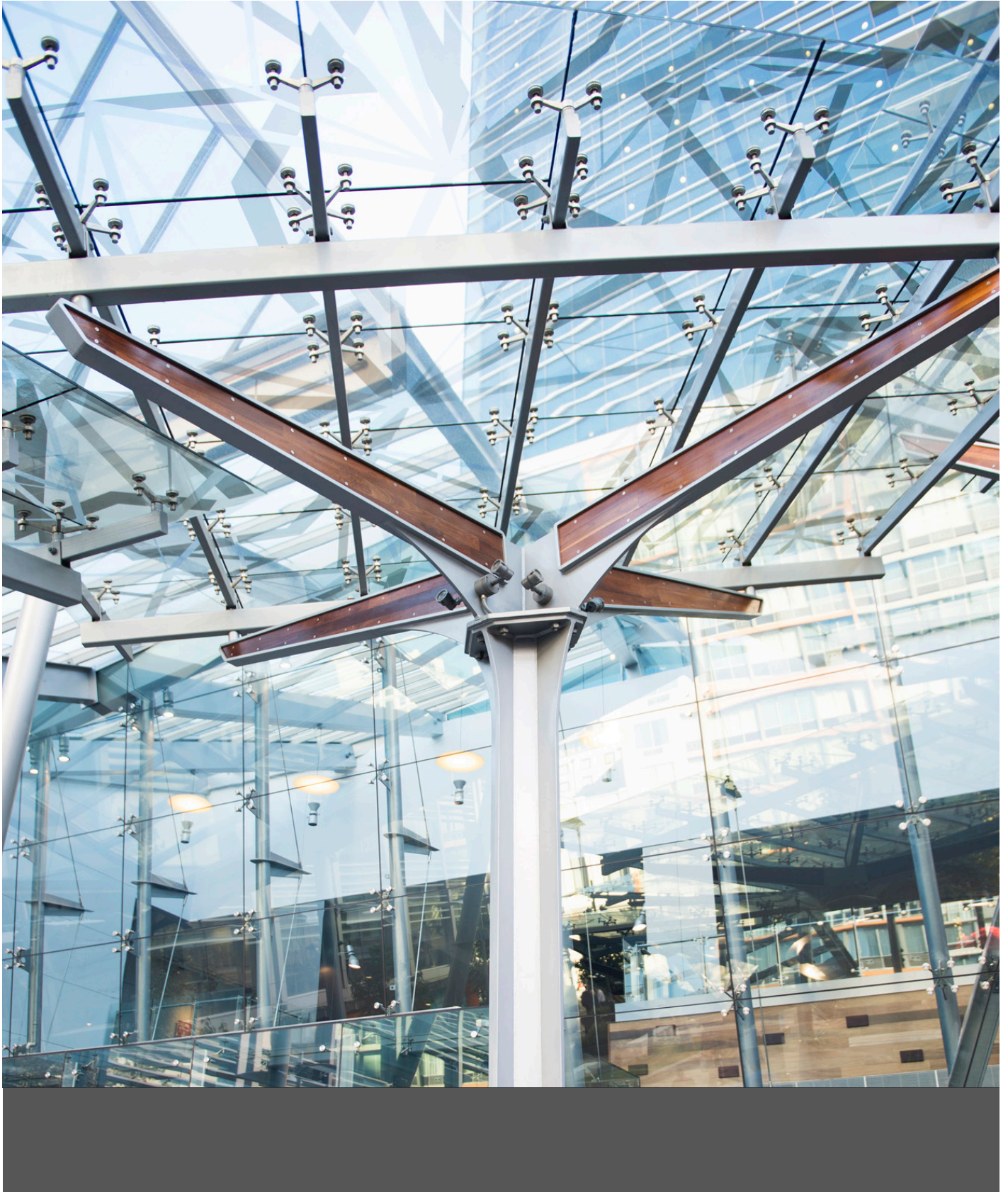


Notes: Seasonally adjusted values are used. ACT and NT figures are not shown.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Government, Jobs and Skills Australia.

Figure 8: Ratio of unemployed persons per job vacancy, by state: November 2018 to February 2024



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



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