

January 2025

# BCEC

Bankwest Curtin Economics Centre

# LABOUR MARKET UPDATE

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

- Participation records keep tumbling as female participation rate jumps 0.5 percentage points to 63.5 per cent.
- Jobs growth solid, unemployment rate up from 4.0 per cent to 4.1 per cent.
- A further interest rate cut unlikely before voters head to the Federal polls.

## RBA decision heralds a new view on link between unemployment and inflation

Two days on after the Reserve Bank of Australia (RBA) announced a 25 basis point cut in interest rates, the January labour force figures felt like a bit of an anticlimax. The run of solid employment growth continued, with women capturing all of the net monthly increase in jobs. Looking past some mixed signals, including an uptick in job vacancies and falling aggregate hours worked, the data for January point to the labour market remaining tight.

Most significantly, the January estimates show the female participation rate jumping 0.5ppt to 63.5 per cent, a full 0.4ppt above the previous record high. This pushed the overall participation rate (67.3%) and employment-to-population ratio (64.6%) to new record highs (both by 0.1ppt). The unemployment rate edging up only to 4.1 per cent despite record participation is testament to the ongoing strength of labour demand.

Understandably the interest rate cut captured the week's headlines, but the other telling cut was to the RBA's projections for the unemployment rate. The Statement on Monetary Policy now projects an unemployment rate of 4.2 per cent from the June Quarter 2025 to the December Quarter 2026, revised down from 4.5 per cent in November's statement of last year.

We're seeing some challenge to the orthodox notion of a NAIRU – a non-accelerating inflation rate of unemployment – and particularly its implication that the current unemployment rate will have to rise before inflation is brought under control. The fact that the RBA cut interest rates suggests they believe inflation can fall sustainably into the 2-3 per cent target range with an unemployment rate of 4.2 per cent. To the extent the RBA does buy into a NAIRU, they now believe it to be in the vicinity of 4.2 per cent, instead of 4.5 per cent.

The Federal election must be held by 17 May, and the RBA board meet only once more before then, at the end of March. Unless the election is called earlier, a lot will hinge on the RBA's next decision, with the government hoping for a second rate cut. With the next quarterly inflation figure not due out until the end of April and taking account of the cautionary notes struck in comments by RBA Governor

Michelle Bullock, we think a further pre-election rate cut is unlikely unless other economic data soften appreciably.

Monetary policy was regularly slated as a 'blunt instrument' when interest rates were being increased to slow the economy. It's equally blunt on the downside. Those with variable-rate mortgages will get relief, but others who derive income from interest-bearing accounts will lose disposable income and house prices may increase. It will take some time for the monetary policy easing to take effect, and the tone of the RBA Governor's statement suggests they are prepared to wait to see how the dust settles.

The ABS estimates show the working-age population increased by 44,400 in January. Driven by immigration, those estimates stay the same for each month of the quarter, so we can anticipate the same expansion for February and March, which is up from 42,500 per month in the December quarter. If the employment-to-population ratio holds at its current level, that suggests around 30,000 additional jobs per month are baked into the estimates.

## A forward indicator of wage movements

In this issue of the MLMU we introduce a new indicator of wage developments, the 'average annualised wage increase' (AAWI) series produced by the Fair Work Commission. Derived from wage clauses contained in enterprise agreements lodged with the Commission, it is based on wage increases that will be realised over the coming year and is therefore inherently forward looking. It is also produced and published on a much timelier basis, in contrast to the wage price index (WPI) and average weekly earnings (AWE) that report past changes with around a one-quarter lag.

Available from the middle of 2022, the other two series have so far tracked the AAWI reasonably closely. All three series show real wage growth for the December quarter, and agreements lodged in the first half of that period have the AAWI pointing to nominal wage increases jumping to 5.2 per cent per annum. This marks a divergence from the 3.2 per cent increase in the WPI, so it will be interesting to see if the March quarter WPI follows suit. While welcomed by workers, that pace of wage growth would not make the RBA's job of keeping inflation below 3 per cent any easier. The NAIRU may yet come back to haunt them.

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**Labour market fundamentals****Key takeaways**

- The number of employed persons grew by 44,000 in January 2025.
- Women captured all of January's net employment growth, with 44,100 women finding work.
- The female participation rate soared to 63.5 per cent, smashing the previous record of 63.1 per cent, and pushing the overall participation rate to a new record 67.3 per cent.

National employment has risen for now the tenth month in a row with a net increase of 44,000 employed persons as of January 2025. SA (+19,900 persons), NSW (+11,000 persons) and TAS (+7,000 persons) were the primary drivers of this round of employment growth; meanwhile, VIC (-1,800 persons), QLD (-4,000 persons), and WA (-800 persons) experienced modest job losses. The overall increase was driven by growth in the number of full-time workers (+54,100 persons nationwide), whilst part-time workers saw a decline (-10,100 persons).

Women captured all of January's net employment growth, with an additional 44,100 women finding work (+0.6%), whilst men saw no significant shift in aggregate employment. Women's employment growth was mainly in full-time work (+0.8%, +31,500 persons), though they also saw growth

in part-time employment (+0.4%, +12,600 workers). A mild increase in full-time work for men (+0.4%, +22,600 persons), was offset by a near-equal decline in part-time work (-1.5%, -22,700 workers).

Nationally, the female participation rate jumped by an unusually large 0.5 percentage points to 63.5 per cent, smashing the previous record of 63.1 per cent observed from July to September last year. Watch for possible revisions in next month's figures. This pushed the overall participation rate to a new high of 67.3 per cent, beating last month's short-lived record of 67.2 per cent. This was despite the male labour force participation rate declining by 0.1ppt to 71.3 per cent.

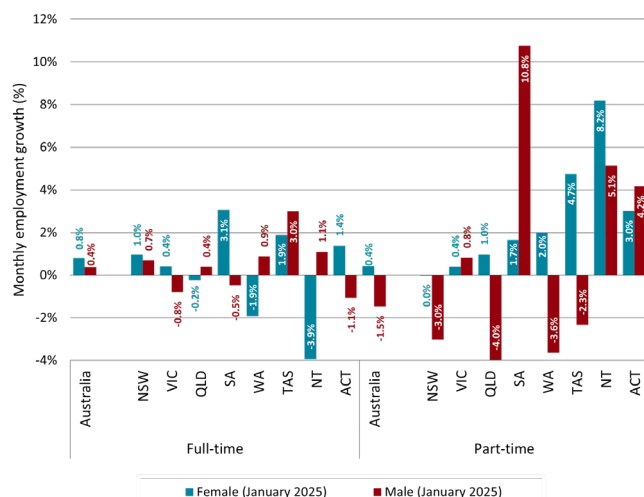
Table 1: Employment changes – states and territories

	Employed Persons ('000)	Change from:				Change from December 2024 ('000)		Change (%) from January 2024	
		January 2025	December 2024 ('000)	Rank	January 2024 (%)	Rank	Full-Time	Part-time	Full-Time
Australia	14,634.3	+44.0	---	▲ +3.5%	---	+54.1	-10.1	▲ +3.5%	▲ +3.5%
NSW	4,522.4	+11.0	2	▲ +3.3%	5	+25.5	-14.5	▲ +3.4%	▲ +3.1%
VIC	3,796.4	-1.8	7	▲ +3.3%	5	-8.4	+6.6	▲ +2.1%	▲ +6.1%
QLD	2,997.4	-4.0	8	▲ +3.9%	3	+2.8	-6.8	▲ +4.9%	▲ +1.5%
SA	971.9	+19.9	1	▲ +3.7%	4	+5.3	+14.6	▲ +3.2%	▲ +4.8%
WA	1,641.8	-0.8	6	▲ +4.2%	2	-1.7	+0.9	▲ +5.4%	▲ +1.6%
TAS	286.9	+7.0	3	▲ +1.9%	7	+4.5	+2.5	▲ +0.3%	▲ +4.7%
NT	139.6	+0.7	5	▲ +0.3%	8	-1.4	+2.1	▼ -3.0%	▲ +13.5%
ACT	274.4	+2.3	4	▲ +5.3%	1	+0.1	+2.2	▲ +7.7%	▼ -1.5%

Notes: Seasonally adjusted values are used.

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

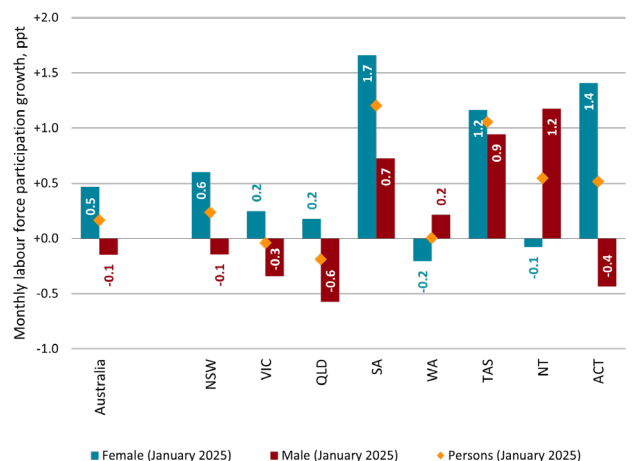
Figure 1: Employment growth by state and gender



Notes: Seasonally adjusted values are used. Figures show change from December 2024 to January 2025. Estimates for the ACT and NT, and for male part-time employment are generally more volatile due to smaller sample sizes.

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 December 2024 to January 2025.

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

**Unemployment and underemployment**

**Key takeaways**

- National unemployment rate increased to 4.1 per cent, with 23,400 more unemployed persons.
- Driven by women with a 0.3ppt increase in the unemployment rate (up to 4.1 per cent).
- No notable shift in underemployment, remaining at 6.2 per cent.

The national unemployment rate increased by 0.1 point to 4.1 per cent in January 2025, with an increase of 23,400 unemployed persons. Women accounted for all the increase in unemployed people (+24,200), as the strong growth in female employment absorbed only a portion of the 68,200 new entrants associated with the jump in female participation. The male unemployment rate remained unchanged at 4.1 per cent.

At the state level, the unemployment rate increased by 0.3 points in each of NSW (to 4.0%), WA (3.6%), and NT (4.5%). The largest fall in the unemployment rate was observed for TAS (-0.6pts to 3.6%). The increase in female unemployment was spread across all states and territories

except TAS, with the female unemployment rate rising strongly in NT (+0.7ppt to 4.3%), NSW (+0.5ppt to 4.2%), and SA (+0.5 to 3.8%). SA recorded a substantial drop in the male unemployment rate (-0.6ppt to 4.4%) (see Figure 3).

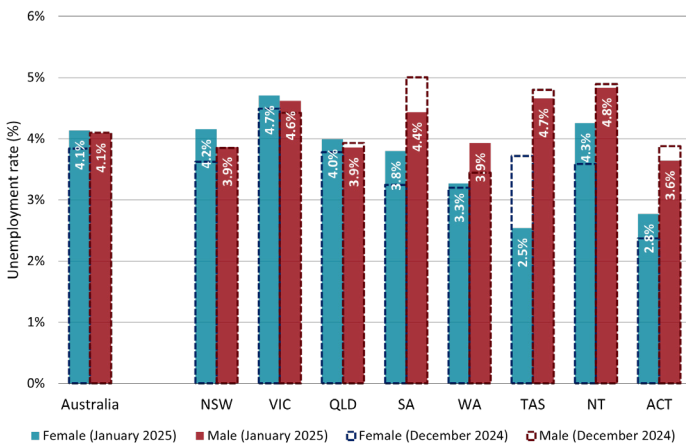
The national underemployment ratio for January 2025 remained constant at 6.2 per cent (Figure 4); with a 0.1ppt increase for men (to 5.2%), and a 0.1ppt decrease in the underemployment rate for women (to 7.4%). The overall underemployment ratio has trended steadily downwards since peaking at 7.0 per cent in May of 2024.

Table 2: Unemployment rates and changes: states and territories

	Unemployment Rate		Change (ppt) from:		Unemployed ('000)	Change ('000) from:	
	January 2025	Rank	December 2024	January 2024	January 2025	December 2024	January 2024
Australia	4.1%	--	▲ +0.1	0.0	627.5	▲ +23.4	+25.1
NSW	4.0%	5	▲ +0.3	-0.1	188.6	▲ +13.3	+2.0
VIC	4.7%	8	▲ +0.2	+0.8	185.5	▲ +8.5	+36.0
QLD	3.9%	4	0.0	-0.2	122.3	▲ +1.9	-0.1
SA	4.1%	6	▼ -0.1	0.0	41.8	▲ +0.5	+2.2
WA	3.6%	2	▲ +0.3	-0.7	61.8	▲ +5.2	-8.3
TAS	3.6%	3	▼ -0.7	-1.0	10.8	▼ -1.7	-2.8
NT	4.5%	7	▲ +0.3	+0.2	6.6	▲ +0.5	+0.4
ACT	3.2%	1	▲ +0.1	-1.0	9.1	▲ +0.3	-2.5

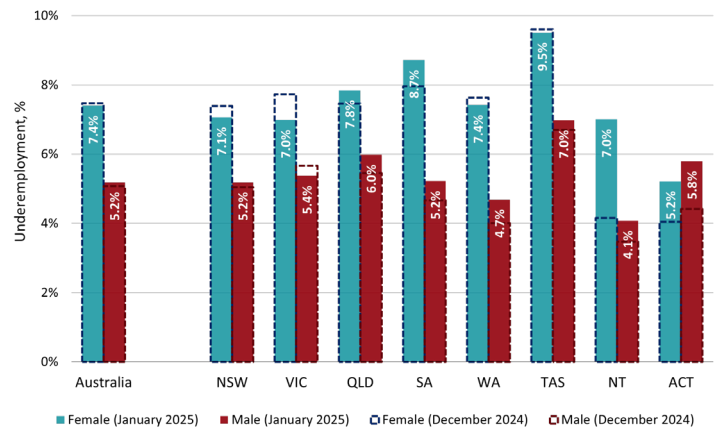
Notes: Seasonally adjusted values are used. State and territory numbers of unemployed people do not sum to the figures for Australia due to ABS seasonal adjustment methods. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No 6202.0.

Figure 3: Unemployment rate by state and gender



Notes: Seasonally adjusted values are used. 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.

**Strength of the labour market**

**Key takeaways**

- The national Internet Vacancy Index grew by 4.0 per cent in January 2025.
- Sales workers saw the largest increase in vacancies, growing by 8.6 per cent.
- Average monthly hours worked per worker saw a 0.7 per cent increase, down to 134.7 hours.

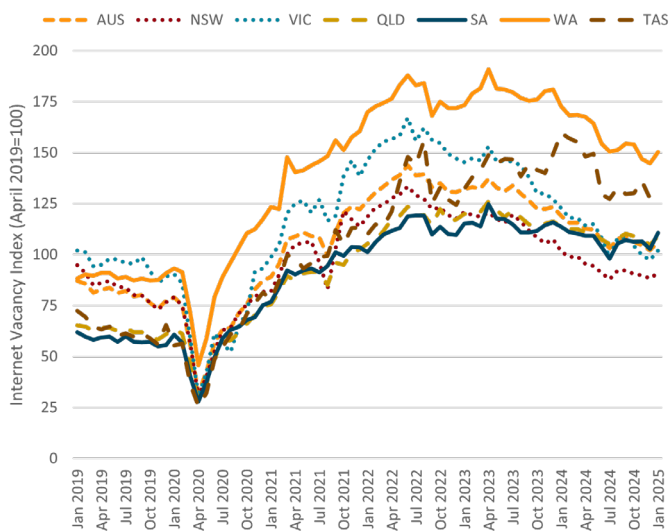
The national Internet Vacancy Index saw a 4.0 per cent increase in January 2025, clawing back around half the decline seen over the previous 3 months. Job vacancies in Australia continue to stand well above their pre-pandemic levels and, even with the downward trend over the last two years, Australia’s labour market remains quite strong. At the state level, SA saw the largest increase in advertised online vacancies this month (+7.7%), whilst TAS was the only state to record a decrease (-4.0%).

Broken down at the occupational level (Table 3), advertised online vacancies saw an across-the-board increase in January 2025; with sales workers seeing the largest increase at the national level over the month (+8.6%). Machinery operators and drivers also saw strong vacancies growth (+8.0%), followed by managers (+6.3%). Growth in demand for sales workers was primarily driven by VIC with

a major 16.6 per cent increase over the month. Community and personal service workers saw the smallest increase in vacancies at the national level (+0.6%), thanks to declines in NSW (-1.9%) and VIC (-1.0%).

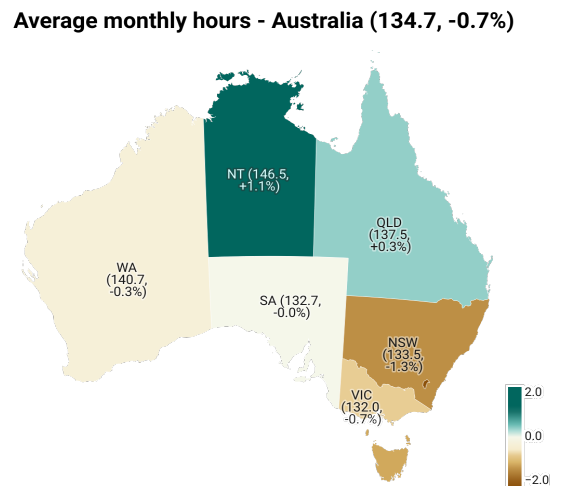
The average monthly hours worked per worker fell by 0.7 per cent over January 2025, down to an average of 134.7 hours (Figure 6). This decline was primarily driven by the major eastern states, with a drop of 1.3 per cent in NSW (to 133.5 hours), as well as a 0.7 per cent decline in VIC (to 132.0 hours). Average monthly hours also fell in WA, by 0.3 per cent to 140.7 (still the highest of the states). QLD, meanwhile, saw a 0.3 per cent increase (up to 137.5 hours), though the NT saw the largest increase out of the states and territories, with average hours growing by 1.1 per cent (to 146.5 hours per worker).

Figure 5: Internet Vacancy Index, by State: January 2019 to January 2025



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

Table 3: Change in Internet Vacancy Index, by occupation: December 2024 to January 2025

Major Occupation Group	Australia	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Managers	+6.3%	+5.8%	+8.7%	+4.3%	+15.9%	+6.5%	-2.3%	+5.2%	+1.2%
Professionals	+1.7%	+0.6%	+5.2%	+0.8%	+8.6%	+2.1%	-2.9%	+4.8%	-3.6%
Technicians And Trade Workers	+3.5%	+1.2%	+1.4%	+5.8%	+3.9%	+4.8%	-5.6%	+9.2%	-0.7%
Community And Personal Service Workers	+0.6%	-1.9%	-1.0%	+1.4%	+3.3%	+5.0%	-3.5%	+6.1%	+2.2%
Clerical And Administrative Workers	+4.7%	+5.3%	+5.4%	+5.0%	+14.6%	+0.2%	-5.5%	+5.1%	+1.8%
Sales Workers	+8.6%	+8.8%	+16.6%	+5.5%	+6.2%	+1.8%	+11.5%	+8.7%	+12.0%
Machinery Operators And Drivers	+8.0%	+5.5%	+4.4%	+12.2%	+12.2%	+5.3%	-2.6%	+3.6%	+15.0%
Labourers	+4.1%	+3.7%	-0.5%	+7.8%	+4.8%	+6.2%	-4.9%	+10.5%	+4.6%
Total	+4.0%	+3.0%	+4.7%	+4.3%	+7.7%	+3.9%	-4.0%	+5.7%	-0.5%

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

Focus on wages

Key takeaways

- Real wages grew in all states in the December 2024 quarter.
- Introducing a new, forward-looking indicator of wage movements, the ‘average annualised wage increase’, based on increases negotiated in enterprise agreements lodged with the Fair Work Commission.

Along with January’s labour force figures, updates on two key wages series were released last week: the December quarter 2024 Wage Price Index (WPI) and Average Weekly Earnings (AWE) estimate for November 2024. Given their importance to the inflationary outlook, it’s timely to take stock of wage movements. We’re also introducing a new wages series to the MLMU: the ‘average annualised wage increase’ (AAWI).

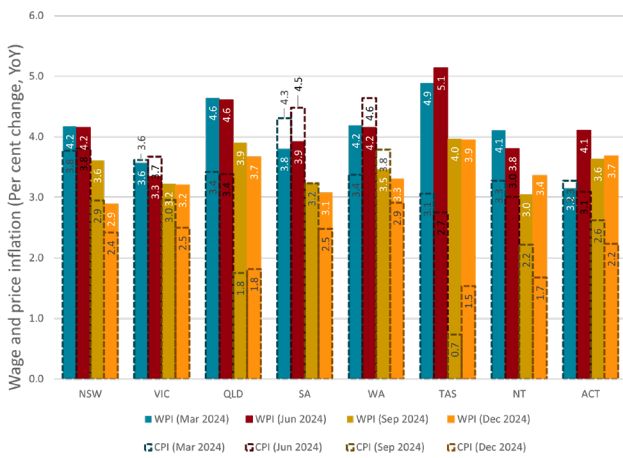
The WPI measures changes in what employers pay for each type of labour, and therefore abstracts from compositional changes, such as by occupation. In contrast, AWE provides a direct measure of what workers end up with in their pay packets. While these provide valuable perspectives, they are released with a considerable lag, and with AWE estimates available only twice each year (for May and November).

Published by the Fair Work Commission, the AAWI reports the average wage increases contained in recently lodged

enterprise agreements. It is therefore forward looking in nature and, while publication is yet to resume for 2025, is generally updated on a fortnightly basis with around a one-month lag. Hence, we believe it to offer a valuable leading indicator of wage movements.

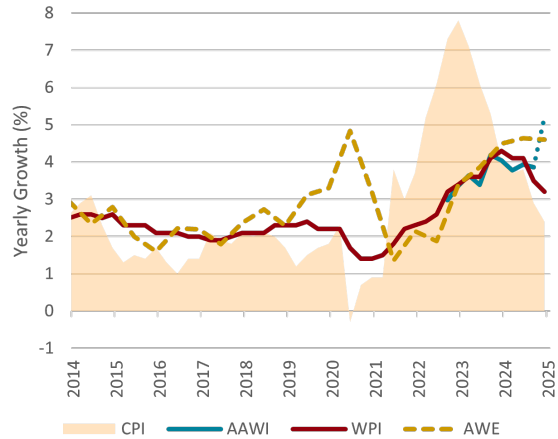
The annual rate of growth in the WPI eased to 3.2 per cent in the December 2024 quarter in nominal terms, and stood at 0.7 per cent in real terms for the December and September quarters. All states and territories saw real gains in the WPI in the December quarter. In contrast, AWE was up by 2.1 per cent in real terms for the year to November. While we only have some of the December quarter AAWI data, initial agreements lodged in that period had an average 5.2 per cent increase in wages, well above the current rate of inflation (2.4%). These signs of real wage growth will be welcomed by workers, but make the task of keeping inflation below 3 per cent more challenging.

Figure 7: WPI and CPI growth per annum by state. Q1 to Q4 2024

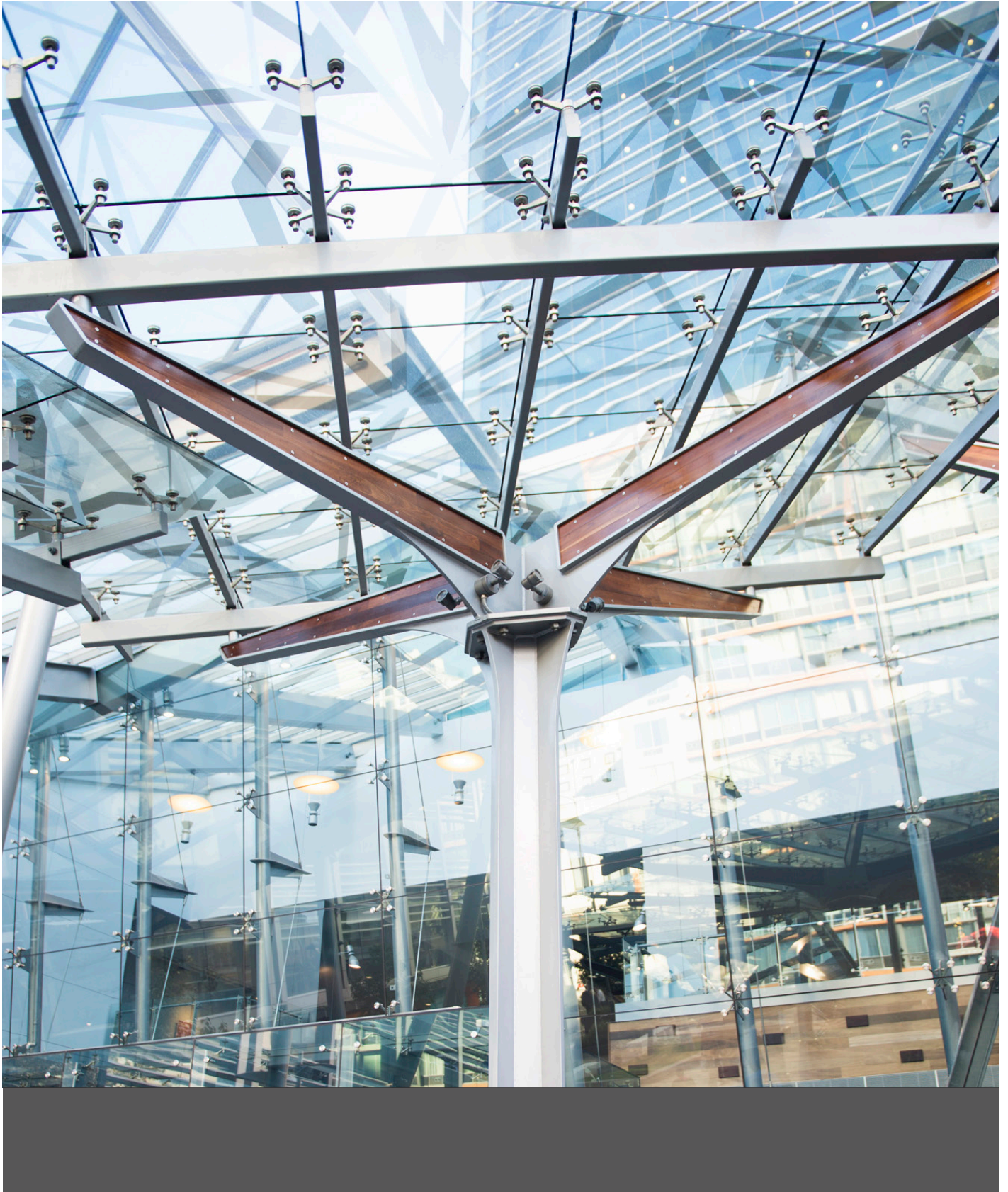


Notes: Seasonally adjusted values are used. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No. 6401 Table 5, Cat No. 6345 Table 26b

Figure 8: Nominal growth in wages (AAWI, WPI, and AWE) versus inflation (CPI), 2014 Q1 to 2024 Q4



Notes: Seasonally adjusted values are used. AAWI for December quarter 2024 is based on preliminary data and subject to revision. AWE series is for full-time adult ordinary-time earnings. Source: BANKWEST CURTIN ECONOMICS CENTRE | Australian Bureau of Statistics Cat No. 6401 Table 5, Cat No. 6302 Table 1, Cat No. 6345 Table 2b and 26b, Fair Work Commission Enterprise Agreements Data.



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