SEEK Economist Insights

seek

SEEK Labour Market Balance Report

How tight is the Australian labour market?

Contents

How tight is the Australian labour market?

The labour market is not as tight as it was, but it is still relatively tight.

To help job seekers and hirers understand broadly where the labour market stands, this report brings together various indicators and discusses how they have evolved since the onset of COVID. We have also brought these indicators together into a single summary indicator, to give a sense of where the labour market stands at a quick glance.

A tight labour market means that it is easier for job seekers to find work but harder for hirers to find suitable candidates. In contrast, a loose labour market means that there is more competition amongst job seekers for fewer roles, but this can make it easier for hirers to find the right candidate.

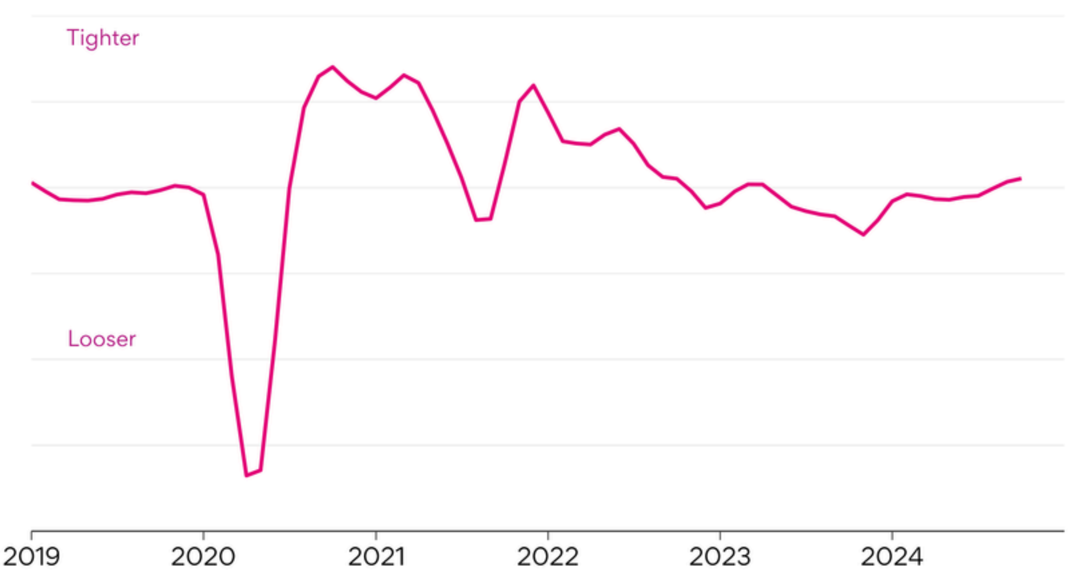
According to most indicators the labour market has loosened since late 2022 but remains tighter than it was prior to the onset of COVID. So, there are still jobs out there for those searching but they are not as plentiful as they were. It is taking 10 weeks longer for the average job seeker to find a job and there is more competition for roles. From a hirer perspective, this means that there are now more potential candidates to choose from and roles should be easier to fill than in 2022.

Our summary measure suggests that the labour market after loosening since 2022 has tightened since late 2023 and is now broadly balanced.

While demand for workers has eased since its peak, it has not eased across all roles to the same extent, despite a slower economy. Job ads for Healthcare & Medical, Community Service & Development, and Manufacturing, Transport & Logistics remain elevated. In contrast ads for some higher paying jobs, such as those in Information & Communication Technology and Banking & Finance have fallen below their pre-COVID levels.

Going forward, SEEK will be monitoring these indicators and our summary measure to understand current conditions and to assess whether the market is continuing to loosen slowly as most economists expect. Of course, labour market conditions vary across Australia, something that we intend to explore in future insights.

SEEK labour market balance indicator



Source: ABS, SEEK, Treasury, DSS, JSA

A summary indicator

Our balance indicator suggests conditions have tightened since late 2023 to be broadly balanced.

Combining different indicators into a single summary measure is useful to get a quick gauge of what they are telling us.[1] Dips in the resulting balance measure represent a loosening while increases represent a tightening. When the labour market is particularly loose, like the 1980s and 1990s recessions, the early 2000 labour market downturn, the Global Financial Crisis and during , the balance indicator drops quickly.

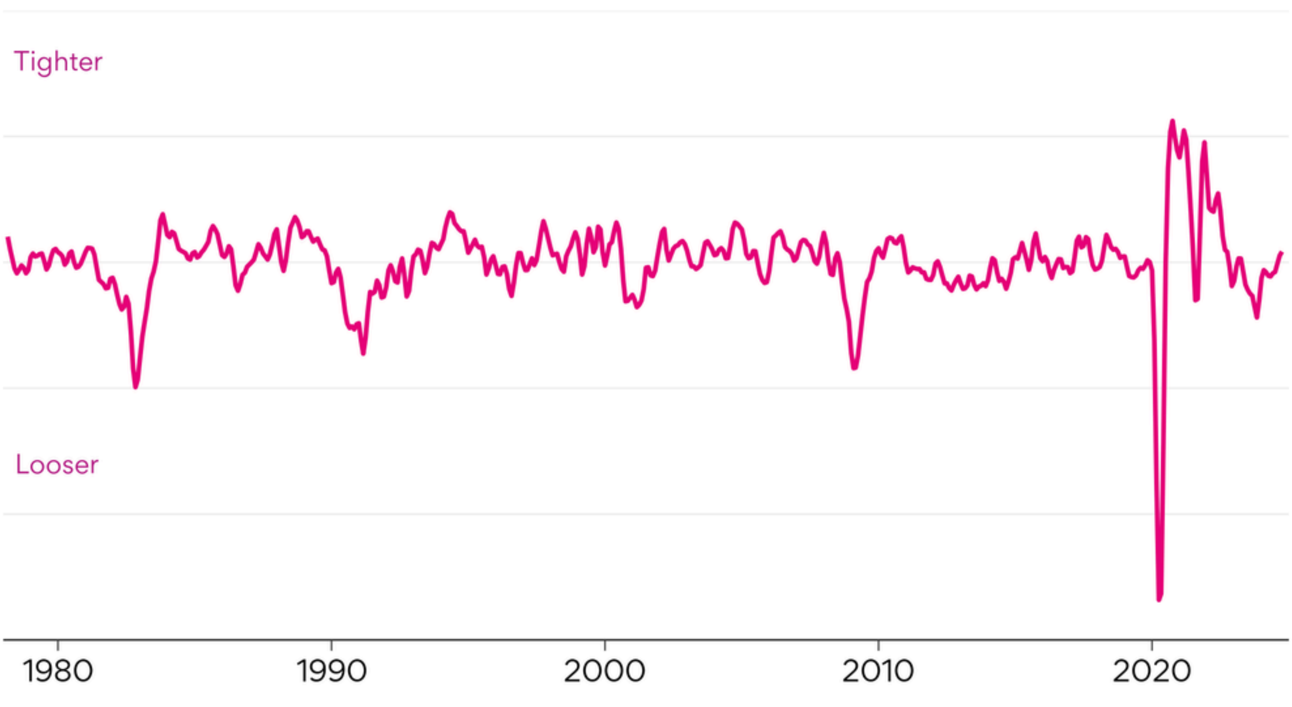
In 2019, prior to the onset of COVID, the balance indicator suggests that the labour market was sitting slightly on the loose side.

Although it is generally slow moving, the balance can switch quickly. For example, it swung from very loose to very tight following the reopening of the Australian economy after stay-at-home orders ended in 2020 and has been broadly loosening since then.

Over the second half of 2023, the balance indicator dipped to suggest a notable loosening. This loosening is reflected in almost all the indicators, with all the underutilisation measures increasing, the part-time share of employment increasing, average hours worked declining, job ads declining, and applications per ad increasing.

In 2024, we have seen the labour market tighten to become broadly balanced. Unlike late last year when almost all the indicators were worsening, we have seen some indicators improve this year. For example, the employment-to-population ratio has ticked up, average hours worked have increased from their lows, and the underemployment rate has declined a little. The unemployment rate is also little changed from the beginning of the year.

SEEK labour market balance indicator



Source: ABS, SEEK, Treasury, DSS, JSA

[1] The balance indicator is the first estimated factor from a dynamic factor model based on the different indicators of tightness.

Looking forward, the balance indicator shows that we should expect the unemployment rate to change slowly with the conditions currently broadly balanced.

The underlying measures

Assessing the tightness of the national labour market is not straightforward. There are several measures to consider and more than one way to define tight. One way to assess tightness is to look at how much 'spare capacity' there is to meet the demand for labour.

The spare capacity lens naturally leads to assessing tightness through measures that focus on how many people are available to work and searching for work, such as the unemployment rate, and measures that look at how many people would like to work more hours, such as the underemployment rate. These supply measures can be looked at in terms of the number of available hours in addition to the number of available people.

Another way to think about tightness is to look at how much labour is currently being used. The employment-to-population ratio is a key ratio telling us the share of the population that is currently working. The employment-to-population ratio is currently at a record level of 64.4%, above the 62.3% we saw on average in 2007 before the GFC and again in 2019 before the onset of COVID-19, suggesting a tight labour market. Employment generally grows over time alongside population growth, so it is important to control for the size of the population when assessing tightness. The participation rate is like the employment-to-population ratio but includes people looking for work in addition to employed people.

Movements in the demand for labour can also tell us about how tight conditions are. SEEK job ad volumes are one such indicator of demand and are timelier and more frequent than most other indicators of demand. Ad volumes tend to increase in a tighter market because more businesses are looking for workers and it takes longer to find suitable candidates. The number of unemployed per job vacancy, or applications per ad on SEEK, are possibly better indicators of the relative tightness than the vacancy rate or job ads alone, as they give a sense of the ability for supply to meet demand.

For individual businesses, a tight market is likely to be reflected in longer recruitment times or in greater difficulty recruiting. Businesses might also consider that finding suitable workers is preventing them from increasing their output, so when conditions are tight, more businesses will report that labour is a constraint.

There are many measures, but almost all are showing a loosening has occurred.

Wages also tend to grow faster when the market is tight because businesses have to offer higher wages to attract the best candidates, so the growth of wages and labour costs can also be used to gauge relative tightness. However, wages can take time to reflect an imbalance in the market because of the nature of wage setting in Australia. SEEK's monthly Advertised Salary Index reflects new wage offers and so movements in the index are more reflective of, and responsive to, current conditions than other available wage measures.

Many measures only allow us to think about current conditions relative to history. To understand if the market is tight now, we need a benchmark to compare to.

The Reserve Bank of Australia (RBA) , which is tasked with keeping inflation between 2 and 3% and the labour market at 'full employment', thinks the labour market is tight when employment is above 'full employment' or the unemployment rate is below its 'full employment' equivalent. Full employment is the maximum level of employment consistent with inflation being within the RBA's target 2-3% band. They use several models to assess the amount of spare capacity in the economy, but they are all broadly based on the relationship between inflation and the unemployment or underutilisation rate over time, in terms of either number of people unemployed or the number of hours available. [2]

Their current assessment is that the labour market is on the tight side, with unemployment below its full employment level.

Loosening Market

The labour market is not as tight as it was, but it is still tight relative to 2019.

Most indicators suggest the labour market is looser now than it was on average in 2023 but tighter than five years ago. Although, some of the measures, which tend to be more leading, suggest it is looser now than it was in 2019. If the Australian economy is operating at its full potential, the labour market should be a little tighter than it was in 2019, when the RBA was cutting the cash rate to encourage faster economic growth, and the labour market was not tight.[3]

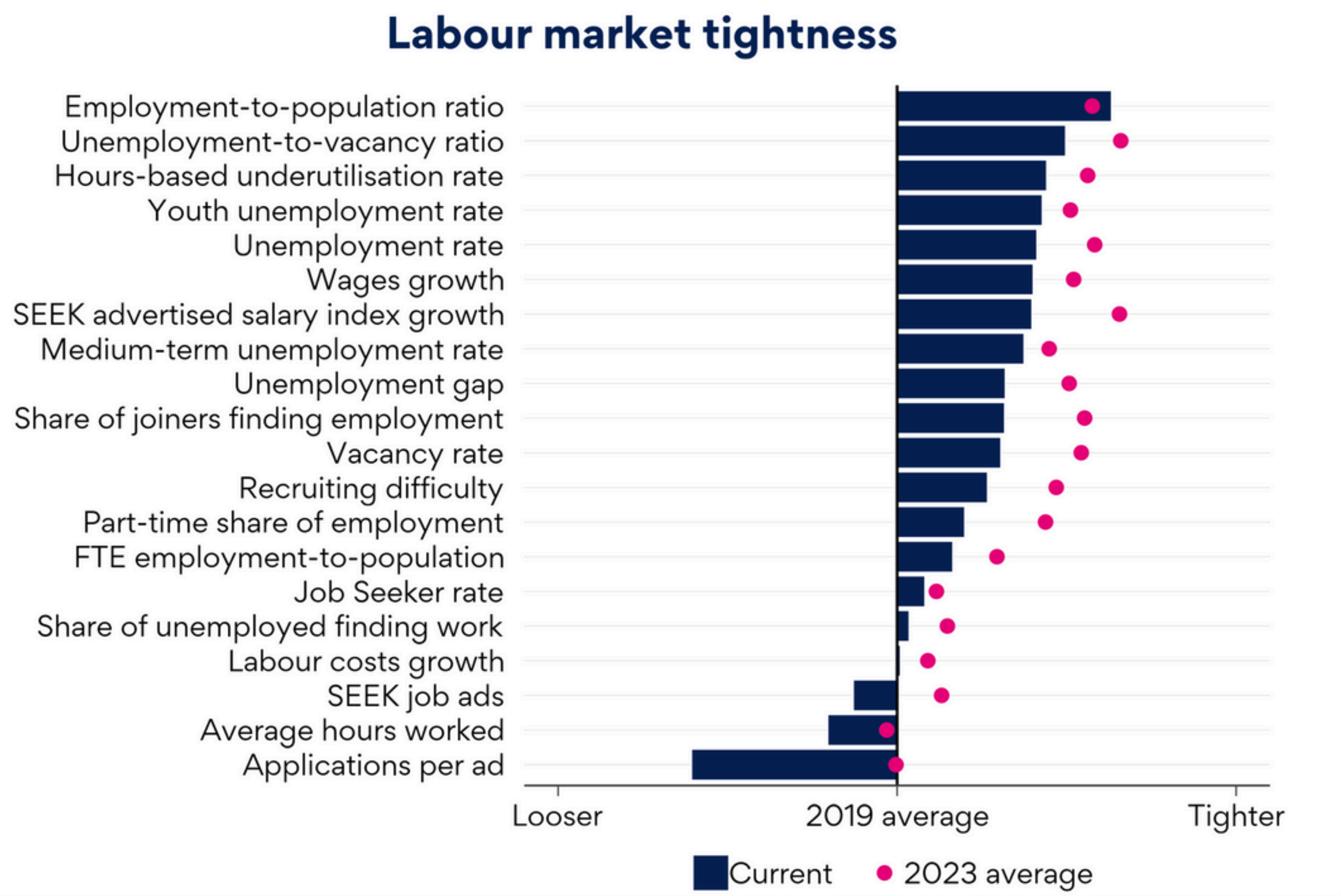
While the labour market was slightly loose in 2019 on average, it is a natural comparison point to use for assessing where we sit today, as it was the last year before we experienced the massive disruptions caused by COVID and the economy was relatively stable.

Only the employment-to-population ratio and participation rate suggest a tighter market now than in 2023 on average. The higher employment-to-population ratio may, at least in part, indicate that the current cost of living pressures are encouraging more people to work. However, the higher employment-to-population ratio is somewhat offset by a slight decline in hours worked over the last year.

The labour market was at its tightest in 2022, but since then the reopening of borders has helped it loosen by adding to labour supply. At the same time there has been restrictive monetary policy from the RBA, as it aims to reduce inflation to its target band. These settings are having their intended outcome of slowing the economy and growth in labour demand, albeit at a slower rate than the RBA may have expected.

With the RBA likely to keep monetary policy restrictive in the near term, most economists expect a further loosening from here. The good news for most people is the loosening of the labour market is likely to occur through slower jobs growth and a reduction in hours worked, rather than people losing jobs, although this does mean that it will probably take longer for job seekers to find a job.

[2] Broadly speaking, in these models higher average inflation for a given unemployment or underutilisation rate will increase the full employment estimate, what the RBA refer to as the non-accelerating inflation rate of unemployment (NAIRU) or non-accelerating inflation rate of labour underutilisation (NAIRLU). So, in an inflation-based model if an international supply shock increases the level of inflation for a prolonged period but wages and the Australian unemployment rate are unchanged, then the model's NAIRU/NAIRLU estimate increases unless the models explicitly control for the supply shock. Similarly, in a wages-based model, if wages growth accelerates due to a government policy rather than in response to underlying conditions then the model's NAIRU/NAIRLU estimate increases.
[3] The weak employment and inflation outcomes in the years pre-COVID were highlighted in the Australian Government's Review of the Reserve Bank of Australia (2023).



Note: Variables normalised around the 2019 mean. The Job Seeker data also includes Youth Allowance for job seekers with no earnings.

Source: ABS, SEEK, Treasury, DSS, JSA

The post-COVID experience - indicator by indicator

Hereafter, the report discusses the evolution of the labour market over recent years by looking at the different indicators over time.

The discussion begins with probably the most common indicator, the unemployment rate, and the closely related underemployment and underutilisation rates before discussing some faster moving indicators of the market and its momentum, youth unemployment rates and unemployment rates by duration. These unemployment rates have all increased from their post-COVID lows but remain low relative to their levels in the decade prior to COVID.

Movements of people out of unemployment and into the labour force are then discussed. One of the most notable impacts of COVID was an increase in the share of people who are joining the labour force into a full-time job. While this has begun to unwind it remains elevated relative to pre-COVID levels.

An inspection of administrative data highlights the deviation between the number of unemployed and the number of people receiving job seeker benefits as the economy has recovered post-COVID. This suggests there is potentially more spare capacity available than indicated by the unemployment rate, although there are some complicating factors to consider in this comparison.

Broader measures of underutilisation are then examined with the increasing importance of part-time work and declining average hours since the 1980s explored before the increases in the hours-based underutilisation rates are considered.

Discussion then turns to how important increases in the participation rate and population growth have been for preventing an even tighter labour market. The rapid increase in both, following the reopening of the economy post-COVID, stands in contrast to the 2010s, which began with a participation rate of 65.4% in January 2010 and finished with a participation rate of 65.7% in December 2019, while the employment-to-population ratio increased by only 0.6ppt over the same period.

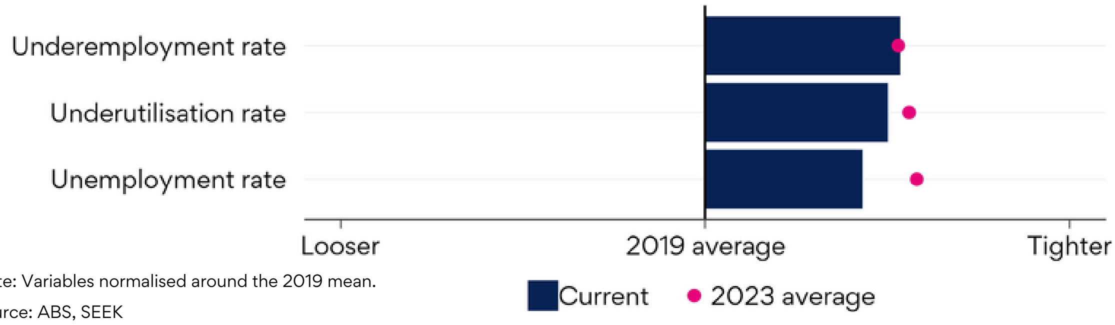
An analysis of labour demand, as measured by job vacancies and SEEK job ads, notes the rapid increase in both before discussing why the two series appear to have deviated since 2019. This is followed by a comparison of the number of unemployed per vacancy and the average number of applications received per ad on SEEK.

Recruitment difficulty is quickly discussed before an analysis of the acceleration and subsequent deceleration of wages, SEEK's Advertised Salary Index and labour cost growth.

The examination of the post-COVID period finishes by considering where Australia stands today using two alternate measures of full employment, with one suggesting that things remain slightly too tight, while the other indicates things are just about right.

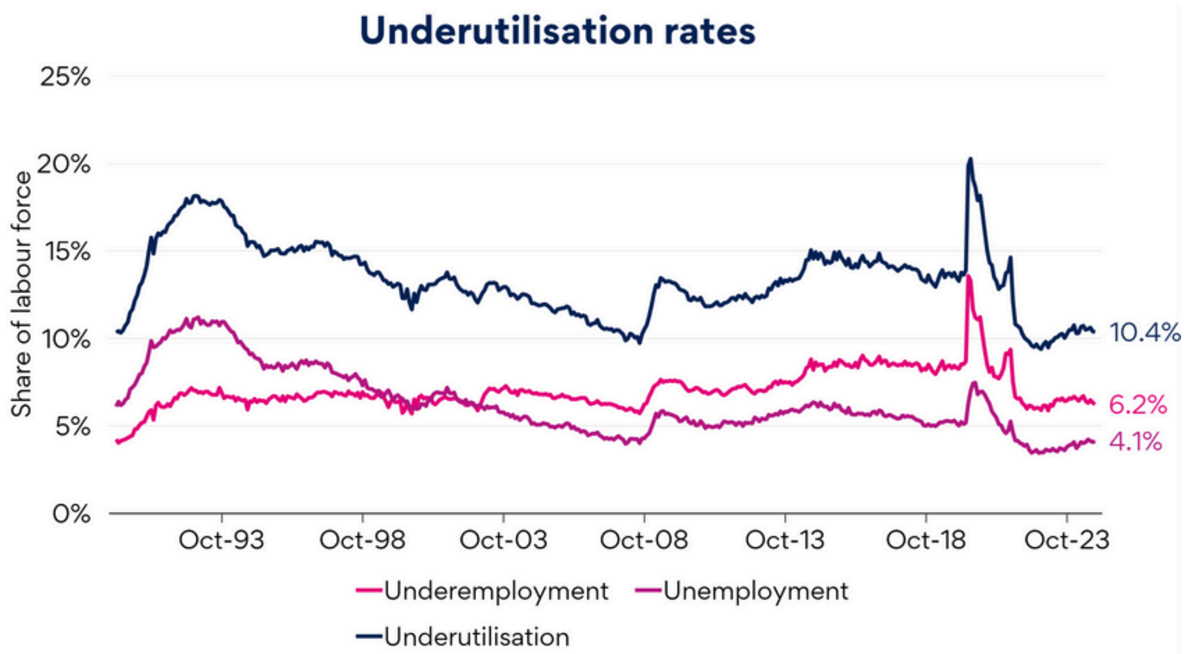
1. Underutilisation rates

Slowly increasing unemployment and underemployment rates point to increasing spare capacity.



Note: Variables normalised around the 2019 mean.
Source: ABS, SEEK

The unemployment rate, a ratio of how many people are searching for work and available to start in the labour force, is the main measure used to assess spare capacity in the labour market. It suggests a slow loosening has been underway since October 2022, as spare capacity has been increasing, with an increasing share of the labour force unable to find work, although it has been little changed in recent months.



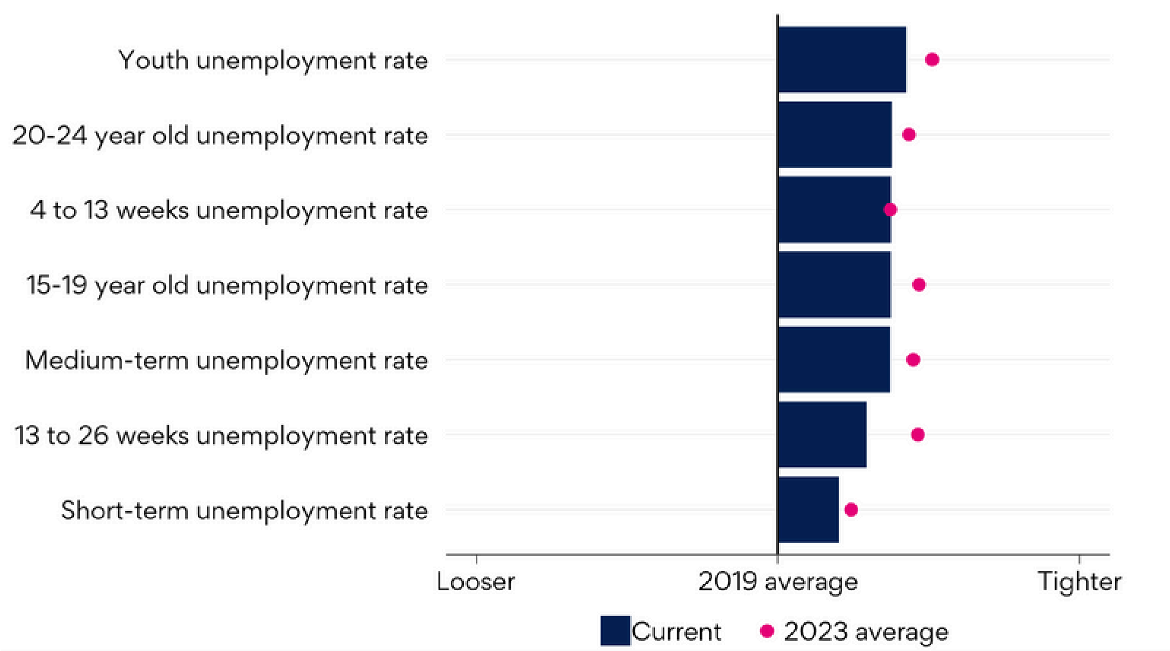
Source: ABS, SEEK

The underemployment rate, which is the share of the labour force who are currently employed but would like to work more hours, has also been increasing slowly since its trough in February 2023. So, the number of workers who would like to work more hours has also been increasing, driving up spare capacity over this period. The underutilisation rate, which is the sum of the unemployment and underemployment rates, has also increased.

Although the unemployment, underemployment and underutilisation rates all point to growing spare capacity, they all remain below their pre-COVID levels. So, by these measures there has been a relative loosening since late 2022 but the labour market remains tight compared to 2019.

2. Youth unemployment rates and unemployment rates by duration

These early indicators of spare capacity had increased more notably than the headline measures but some have declined more recently.

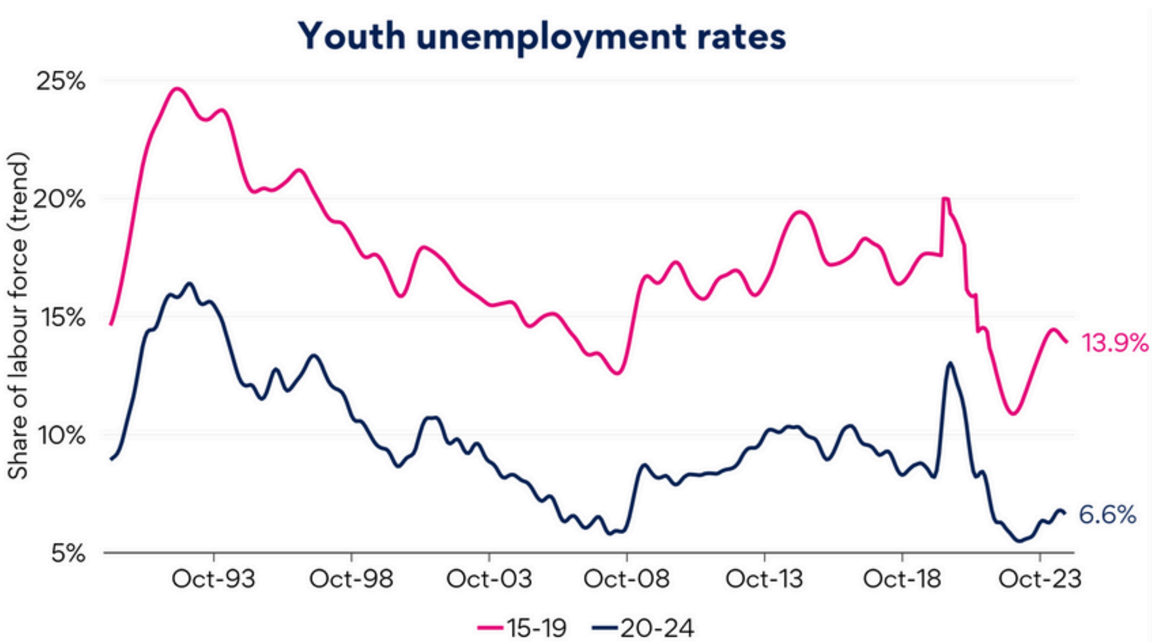


Note: Variables normalised around the 2019 mean.

Source: ABS, SEEK

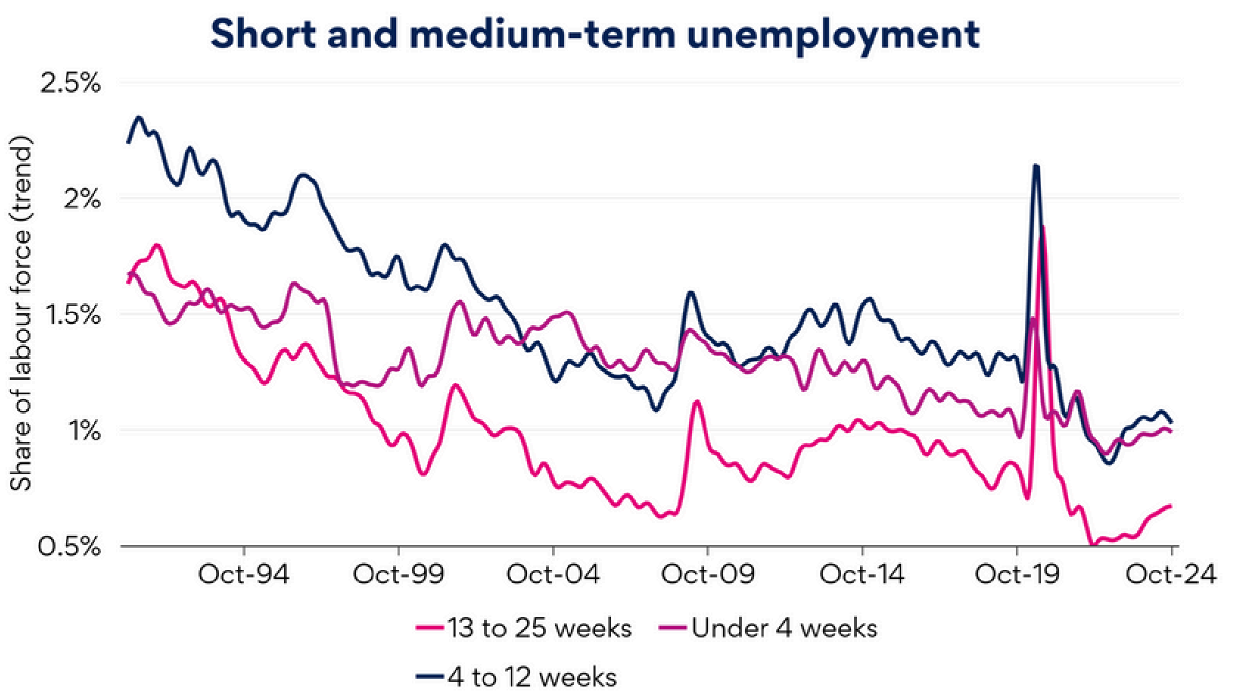
While the aggregate unemployment rate has increased only slowly and by a relatively small amount, some of the more detailed measures of unemployment have moved more notably.

Youth unemployment rates, which tend to be more volatile and reactive to changing conditions, have increased sharply since their troughs in late 2022. However, they remain well below the levels seen over the decade pre-COVID, so, like the aggregate unemployment rate, the youth unemployment rates show that spare capacity is increasing but that conditions are still relatively tight.



Source: ABS

Looking at unemployment rates by duration gives a sense of momentum, increases in the medium-term unemployment rates give a sense of how quickly people who are searching for a job can find work. The unemployment rate for those unemployed for 4 weeks to 12 weeks has been increasing since 2022. The unemployment rate for those unemployed for a little longer, 13 weeks to 25 weeks, had held steady at around 0.6% over 2023 but has started increasing more notably since the beginning of 2024. These unemployment rates again suggest that spare capacity is increasing but that the market is still tight relative to pre-COVID.



Source: ABS, SEEK

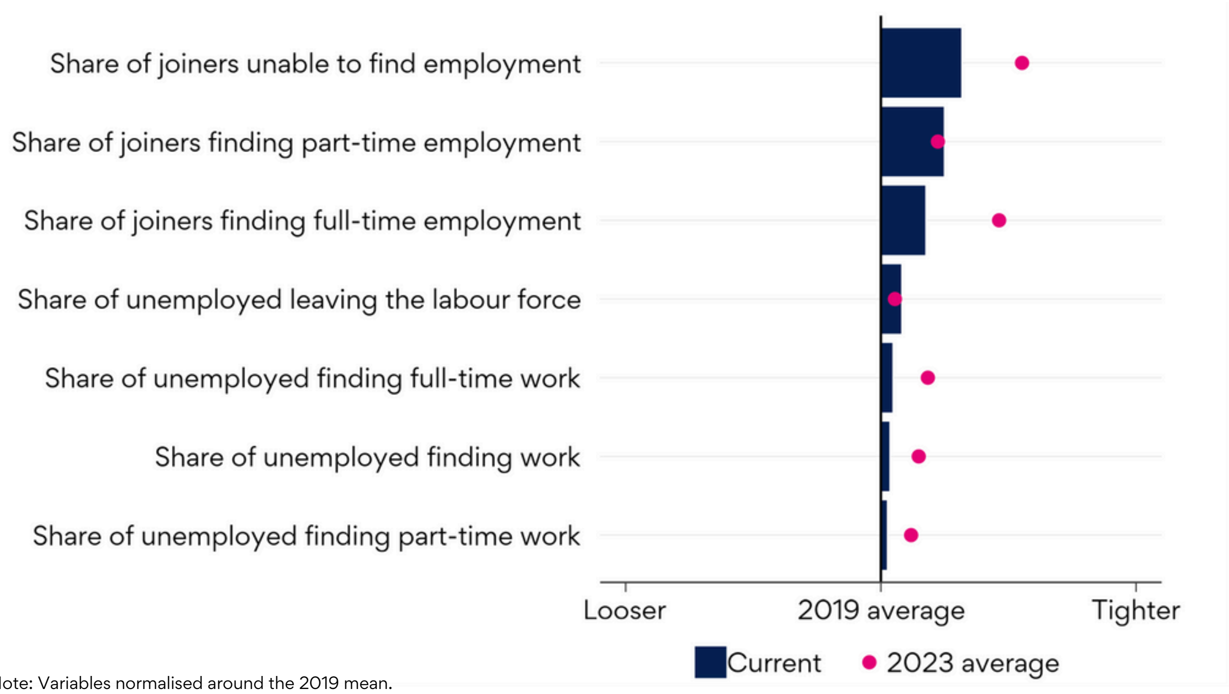
Overall, the average unemployed person is now spending an extra 10 weeks searching for work relative to early 2023.[4] The median duration of unemployment, which is less influenced by the very long-term unemployed, has increased by around 4 weeks from its post-COVID low to 13 weeks.

Changes in the average and median duration of job search could reflect improving conditions but similarly could reflect worsening conditions. For example, May and June 2020 represent the lows for the two series but the driver of the smaller search time was a large increase in the number of unemployed caused by responses to COVID. In contrast, the declines in both series between early 2021 through to 2023 represent improving conditions.

[4] Calculated using SEEK's seasonally adjusted series based on ABS data, before seasonal adjustment search duration often dips in January alongside a large increase in job seekers following the Christmas period.

3. Movements into employment

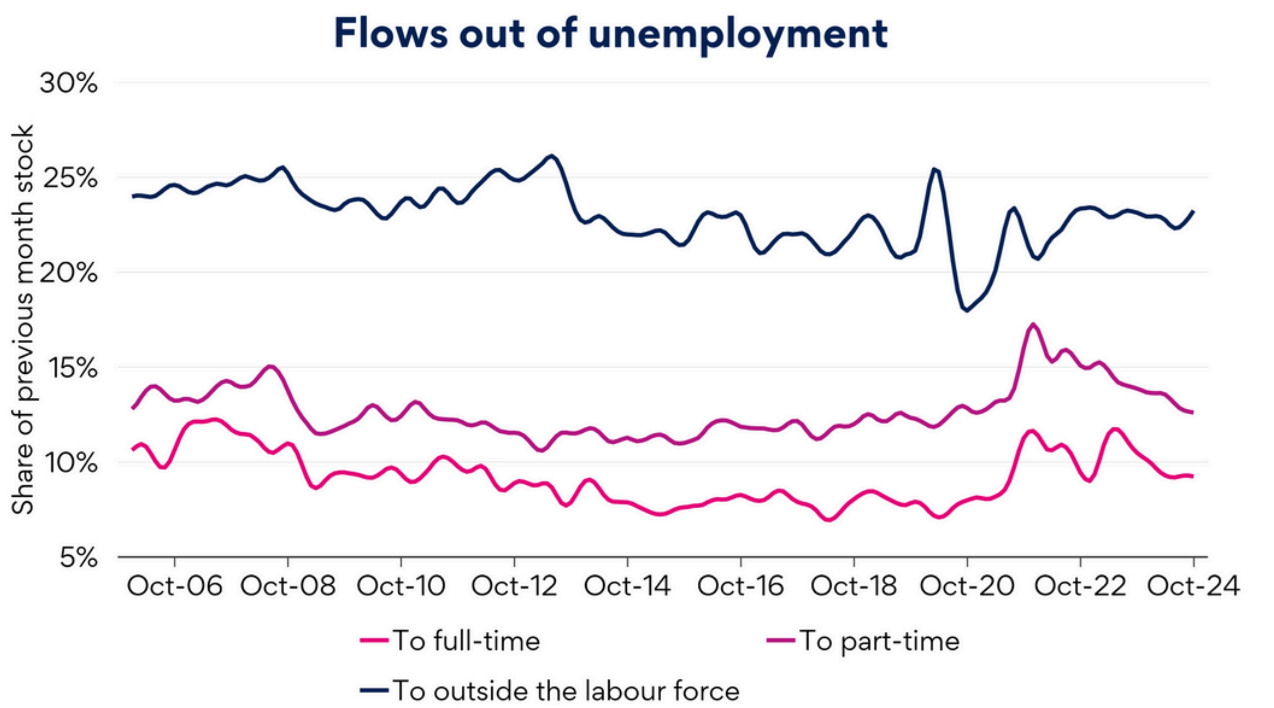
It is becoming harder for job seekers to find work, but it is still easier than pre-COVID.



Note: Variables normalised around the 2019 mean.

Source: ABS, SEEK

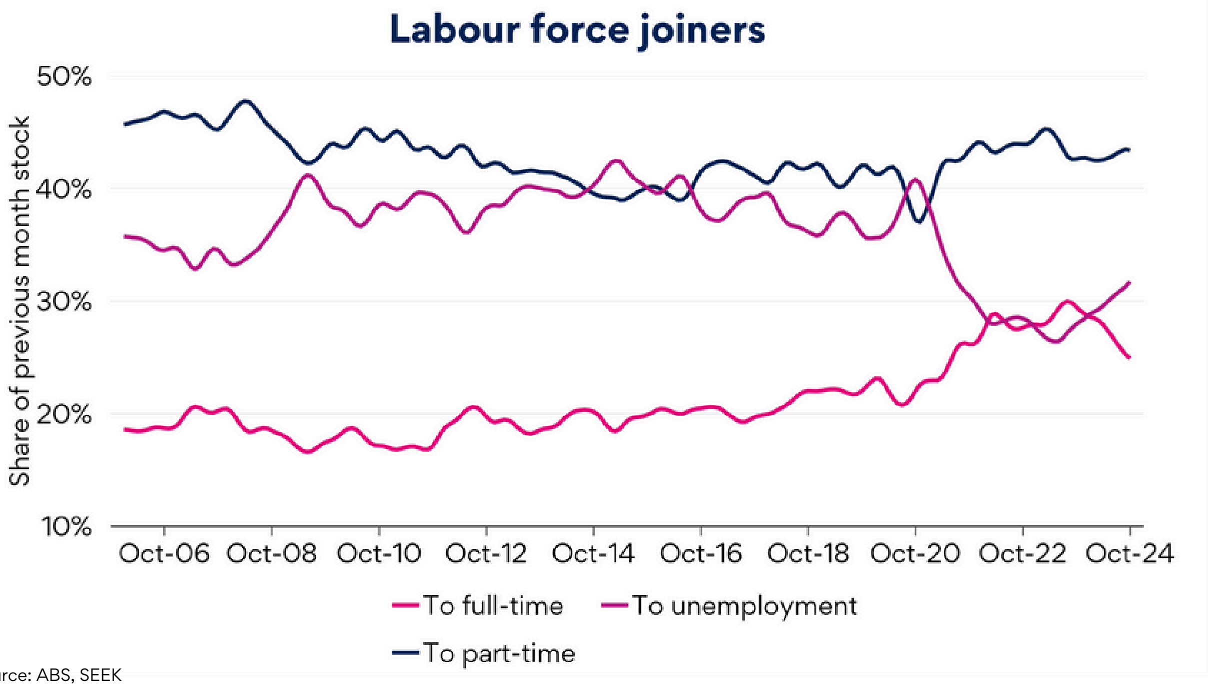
The movements between unemployment and employment each month confirm that it has become harder for unemployed people to find work, with the share of unemployed moving to employment each month trending down over the second half of 2023 and into 2024. But again, the share of unemployed moving to employment each month is still above pre-COVID levels, indicating a relatively tight labour market compared to pre-COVID.



Source: ABS, SEEK

The share of those joining the labour force that are joining directly into employment is still elevated, driven by people joining full-time employment. Recently there has been an increase in the share of people joining the labour force through unemployment but this share is still well below pre-COVID levels. The decline in the share of those joining the labour force in employment and the corresponding increase in the share entering unemployment is a sign of a loosening market, as it is becoming harder for people to find employment.

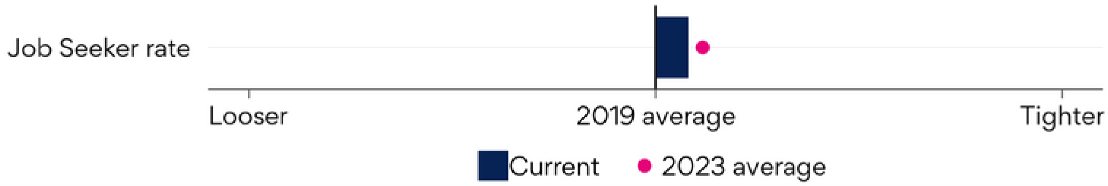
These movements, together with the decline in the share of unemployed finding work each month, mean the unemployment rate will increase unless there is an offsetting increase in the share of unemployed leaving the labour force.



Source: ABS, SEEK

4. Administrative data

The number of individuals receiving Job Seeker and Youth Allowance for job seekers suggests there may be more spare capacity than the unemployment rate is indicating.

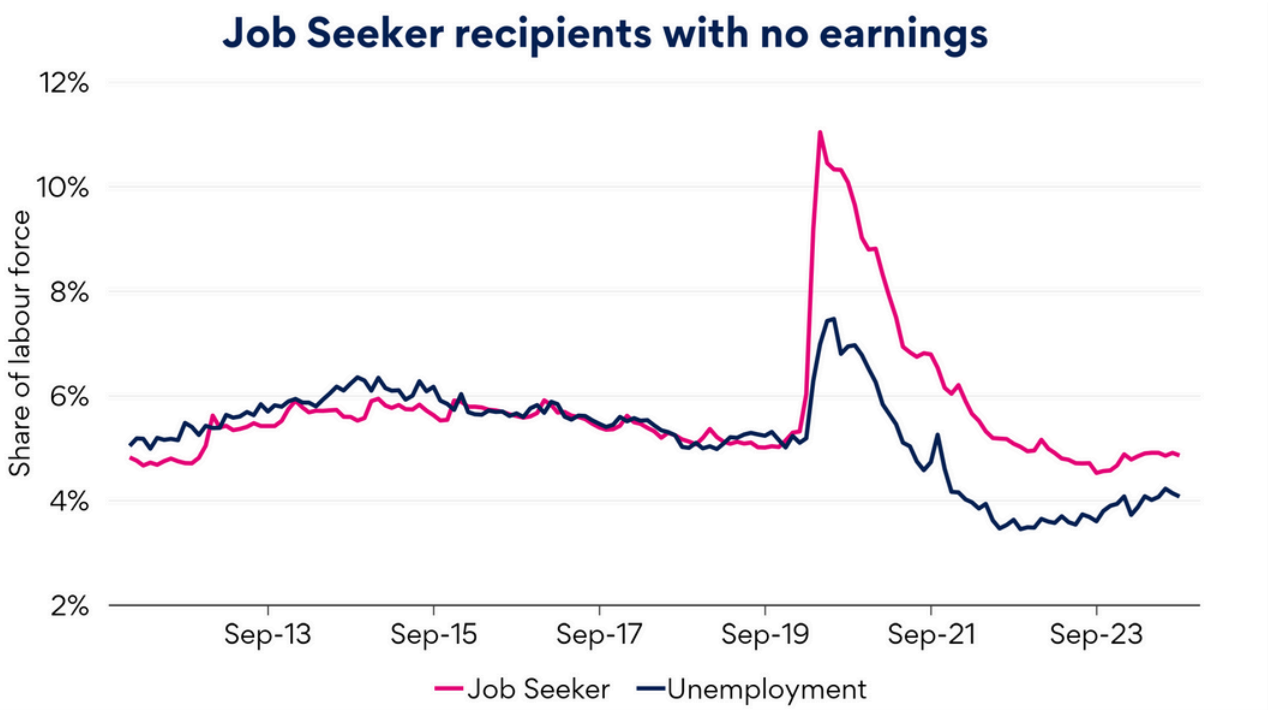


Note: Data include Job Seeker and Youth Allowance for job seekers recipients with no earnings. Variables normalised around the 2019 mean.
Source: ABS, Department of Social Services, SEEK

Administrative data also provide a relatively timely indicator of potential spare capacity. The number of Job Seeker (JS) and Youth Allowance for job seekers (YA) recipients that had no earnings was well-aligned with the number of unemployed prior to the onset of COVID even though the two groups are not necessarily the same.[5]

During COVID, mutual obligations, which includes requiring recipients to undertake activities such as searching for work, were suspended, and the unemployment rate and those on benefits as a share of the labour force diverged. Mutual obligations have since been reinstated for most JS and YA recipients and requires many of them to apply for a minimum of four jobs each month, although obligations vary with an individual's personal circumstances and can be met through other activities. Even so, the gap between the level of JS and YA recipients with no earnings and the unemployed has not closed yet.

The JS and YA measure suggests that there is more spare capacity than the unemployment rate is indicating and that the market is tighter than it was pre-COVID but not as tight as the unemployment rate suggests.



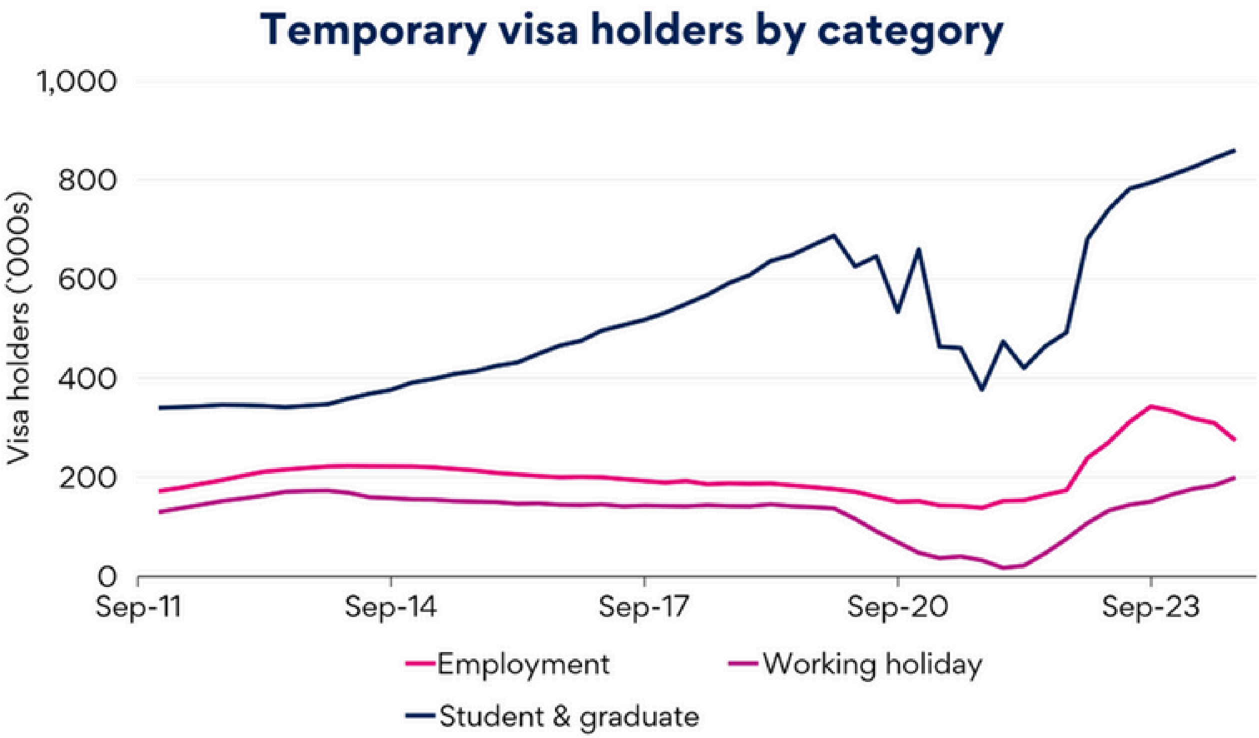
Note: Data include Job Seeker and Youth Allowance for job seekers recipients with no earnings.
Source: ABS, Department of Social Services, SEEK

[5] Youth Allowance is available to individuals under the age of 24 who are studying, an apprentice or job seeking. Youth Allowance for job seekers captures the group of individuals who are mostly likely to represent spare capacity as they do not already have a job, like apprentices and are not full-time students. Measuring overlap between the unemployed and people 'on the dole' (Parliamentary Library, 2019) discusses the overlap between those who are unemployed and those on Job Seeker and Youth Allowance for job seekers prior to the onset of COVID.

For a few reasons, the same level of benefit recipients may not represent the same amount of spare capacity as it did in 2019. One reason is the pension eligibility age increased from 66 to 67 between July 2019 and July 2023. This change is likely responsible in part for the additional 32,000 aged over 65 on JS today relative to December 2019. If these people are searching for work rather than having left the work force, then they are additional spare capacity that could be used. However, the number of over 65s counted as unemployed has only increased by around 9,000 since December 2019. The difference between the two could be accounted for by people who do not have the capacity to work or chose to volunteer rather than search for work.

Another possible reason for the higher level of JS and YA is a greater uptake of the benefits. The onset of COVID saw a large increase in uptake, with benefits becoming larger and many eligibility conditions weakened or waived. Although the benefits have been reduced and the eligibility conditions tightened again, the number of recipients has remained higher. In addition, the current cost-of-living pressures may be driving more people to seek out the benefits.

However, there are also reasons that JS and YA figures may understate the amount of spare capacity, with several groups excluded from receiving the benefits due to the eligibility conditions. These groups include temporary foreign visa holders, such as international students and working holiday makers, and newly arrived permanent residents. In September 2024, there were almost 41,000 additional student visa holders, 57,000 additional working holiday makers, 103,000 more temporary work visa holders and 133,000 more temporary graduate visa holders compared to September 2019.[6]



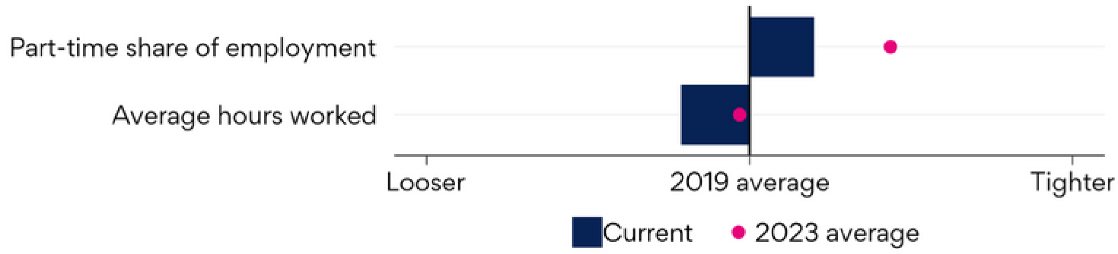
Note: Data include Job Seeker and Youth Allowance for job seekers recipients with no earnings.

Source: ABS, Department of Home Affairs, SEEK

[6] Data sourced from Department of Home Affairs Temporary entrants visa holders pivot table and include both primary and secondary visa holders. The unemployment rate, which is derived from the ABS' Labour Force Survey (LFS), may also understate spare capacity coming from temporary visa holders with the survey scope limited to usual residents of Australia.

5. Hours worked and part-time employment

The part-time share of employment is below its pre-COVID average, suggesting conditions are still tight.



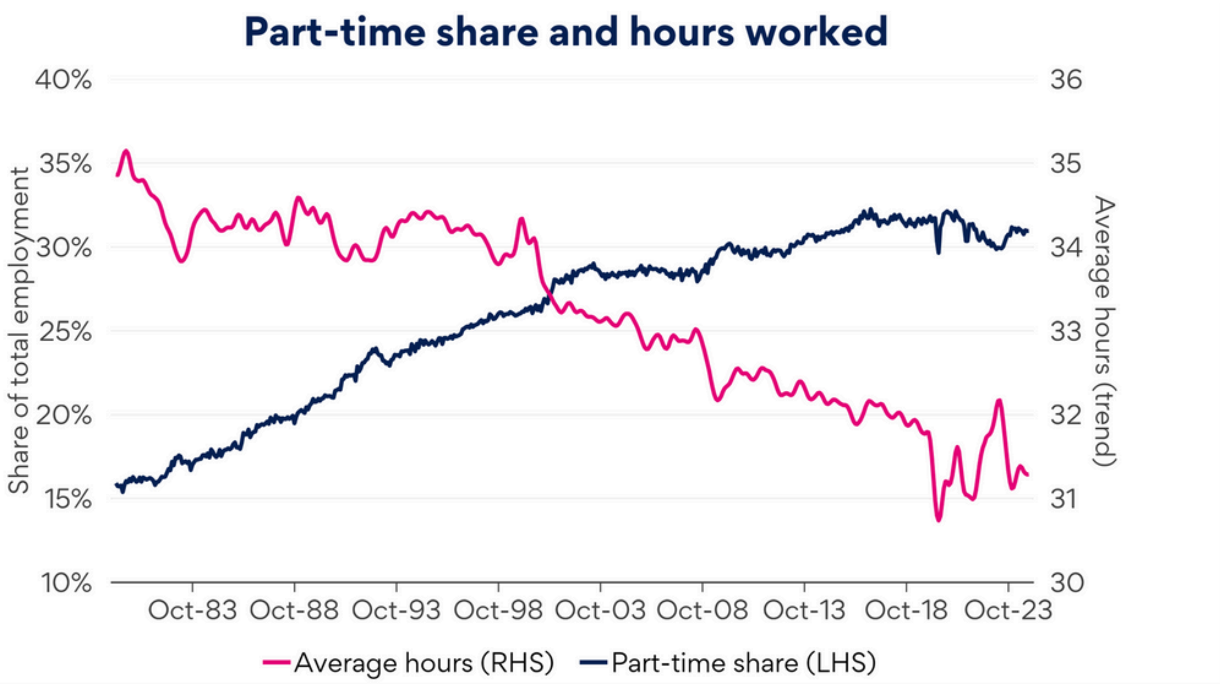
Note: Data include Job Seeker and Youth Allowance for job seekers recipients with no earnings.
Source: ABS, SEEK

Over the last 40 years the Australian economy has been under a state of continual transition away from a primarily goods-based economy to be a more service-based economy. This transition has seen employment in the agriculture and manufacturing industries decline and employment increase in the healthcare & social assistance industry.

The changing nature of the Australian economy, the work we do, and the way we do it is reflected in a doubling of the share of people working part-time and a decline in the average hours people are working each week since the early 1980s.

There has been the occasional economic shock that has disrupted these longer run trends, at least temporarily. The Global Financial Crisis (GFC), which began in 2007, was one such shock. The GFC saw a notable increase in the share of people working part-time and a sharp reduction in average hours worked, as the economy adjusted to weaker global demand for Australia's goods and services.

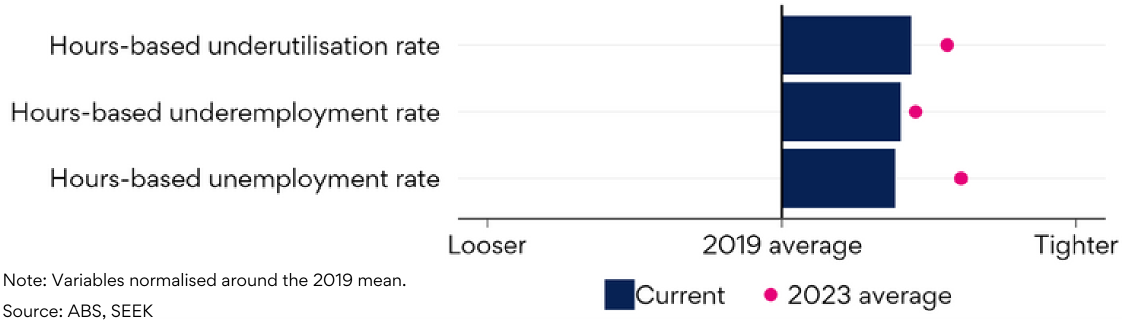
The recent COVID pandemic and subsequent recovery also disrupted the longer-run trends in part-time employment and hours worked. The initial responses to COVID saw a large reduction in average hours worked and an increase in the part-time share of employment. The subsequent recovery saw the part-time share decline and average hours worked pick-up, as previously underemployed workers were able to find full-time positions and longer hours, with many workers transitioning from part-time to full-time employment. A rebound of the part-time share and a decline in average hours worked is a sign of the loosening since 2022.



Source: ABS, SEEK

6. Hours-based underutilisation

The hours-based underutilisation rate has been trending up since late 2022 indicating a loosening labour market, but it is still well under its pre-COVID level.



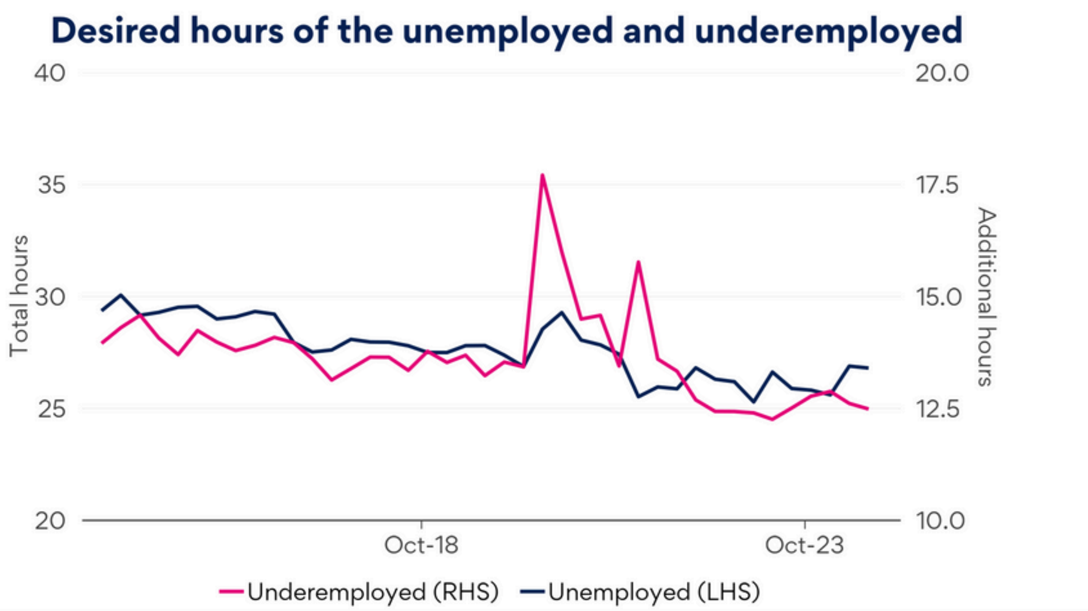
Note: Variables normalised around the 2019 mean.
Source: ABS, SEEK

In our modern economy, simply counting the number of people who would like more hours may not paint a complete picture of the amount of spare capacity the unemployed and underemployed represent. Fortunately, the Australian Bureau of Statistics (ABS) also ask individuals about the number of hours they would like to work.[7] The underutilisation rates constructed using hours rather than head count are referred to as volume-based or hours-based underutilisation rates.

Unlike the heads-based equivalents, the hours-based unemployment rate is above the underemployment rate because unemployed people generally want more hours of work than underemployed workers, who are only looking for additional hours of work on top of the hours they are currently working. Prior to the onset of COVID, the average unemployed worker was looking for around 27.5 hours, while the average underemployed person was looking for an additional 13.5 hours. The number of hours that the unemployed and underemployed were looking for declined in 2021 and 2022 following the reopening of the economy but have started increasing again since early 2023. Underemployed people are currently looking for an additional 12.5 hours on average while unemployed people are looking for an additional 26.8 hours on average.

The hours-based unemployment rate has increased by 0.8ppt since its low of 2.4% in November 2022 and the hours-based underemployment rate has increased by 0.2ppt from its low of 2.0% in February 2023, so that the hours-based underutilisation rate has increased by 1.0ppt to 5.4% over the past couple of years.

Like the heads-based measures, the hours-based underutilisation measures all point to growing spare capacity and a loosening since 2022, but all are still below their pre-COVID levels.

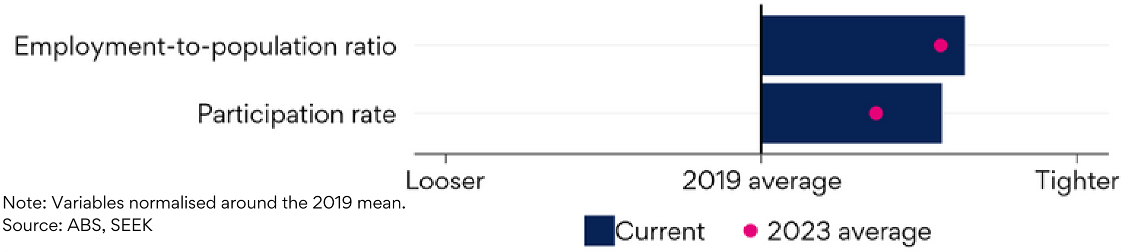


Source: ABS

[7] Unfortunately, the questions that support the construction of these measures have changed slightly overtime and to ensure individuals are considering a consistent and comparable time-series the ABS only release the data from 2014. The RBA maintains its own historical series for the measures that they join to the published ABS series.

7. Labour force participation and employment-to-population

The share of the population employed is still around record levels, suggesting the labour market is still tighter than it was pre-COVID.

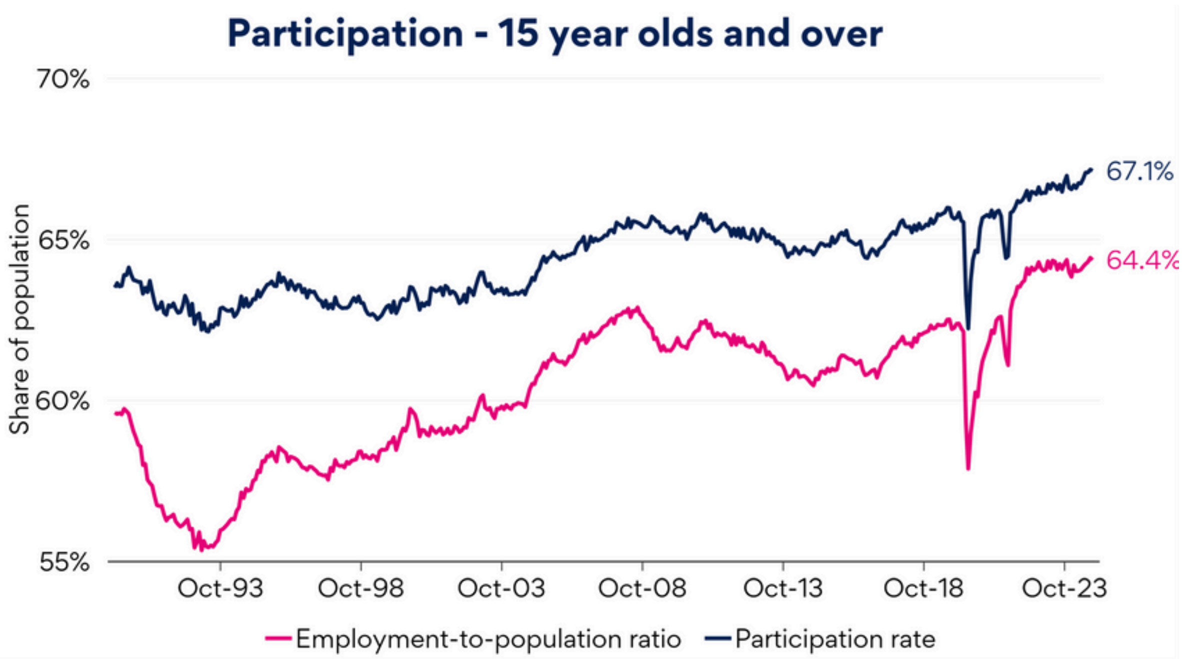


Note: Variables normalised around the 2019 mean.
Source: ABS, SEEK

Only measures of underutilisation have been discussed so far. However, these measures only consider people who are already in the labour force, people who are employed or searching for work, they don't consider the large pool of people who are not in the labour force. There is around 3.5 million people between the ages of 15 and 64 who are not in the labour force, there is also another roughly 4 million people aged 65 and over who are not in the labour force. Of course, not all these people want to work or are available for work, but this still represents a large amount of additional labour supply, or spare capacity, that is not captured by the underutilisation measures.

The labour force has grown by 2.2 million people since the initial COVID stay-at-home orders in May 2020 saw it decline sharply. While population growth, in particular migration, has supported the growth in the labour force it is only half the story. The working-age population has increased by 1.8 million since May 2020 but not all those people are employed or looking for work, so population growth has roughly added 1.1 million people to the labour force. The participation rate, the share of the population who are employed or searching for work, has increased from a low of 62.2% to be around a record high at 67.1%. This increase in the participation rate represents another 1.1 million additional people in the labour force today compared to May 2020.

Unlike the participation rate, the employment-to-population ratio has been broadly flat, fluctuating around 64% since mid 2022, as rapid population growth has matched the employment growth over that time. The gap between the participation rate and the employment-to-population ratio reflects the share of the population that is unemployed (not quite equal to the unemployment rate because it includes those not in the labour force in the ratio's denominator).



Source: ABS

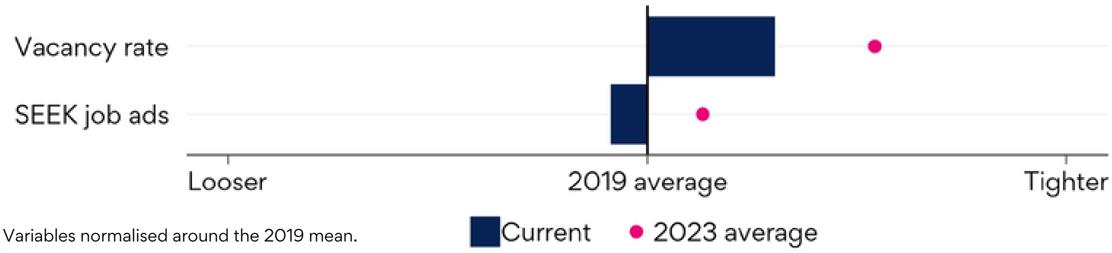
The increase in the participation rate relative to 2019 has not been uniform across age groups, with more notable increases in the participation rates of those aged 15 to 19 and those aged between 55 and 64. For most age groups the increase in participation is a continuation of pre-existing trends that were only temporarily disrupted by COVID. The increasing participation rates reflect changing social norms, better health of older workers and changes in government policy with respect to pension and superannuation preservation ages.

In contrast, the increase in the participation rates of younger workers compared to pre-COVID levels unwinds the declines that occurred between 2008 and 2019. More recently, the participation rates for those aged 15 to 19 and 20 to 24 have fallen from their post-COVID highs but remain above 2019 levels.

The relatively high employment-to-population ratio represents elevated levels of labour utilisation over recent years and a tight labour market. Since borders reopened in early 2022 the increase in labour supply through population growth and the increase in the participation rate has prevented a further tightening, keeping the employment-to-population ratio relatively unchanged. However, population growth has begun to slow, the participation rate for some groups is no longer increasing and until recently, employment growth had also slowed. Taken together, this suggests that the employment-to-population ratio may begin to decline with less labour being utilised and spare capacity increasing.

8. Job ads and vacancies

The demand for labour has eased substantially, with job ads and vacancies declining notably since late 2022.



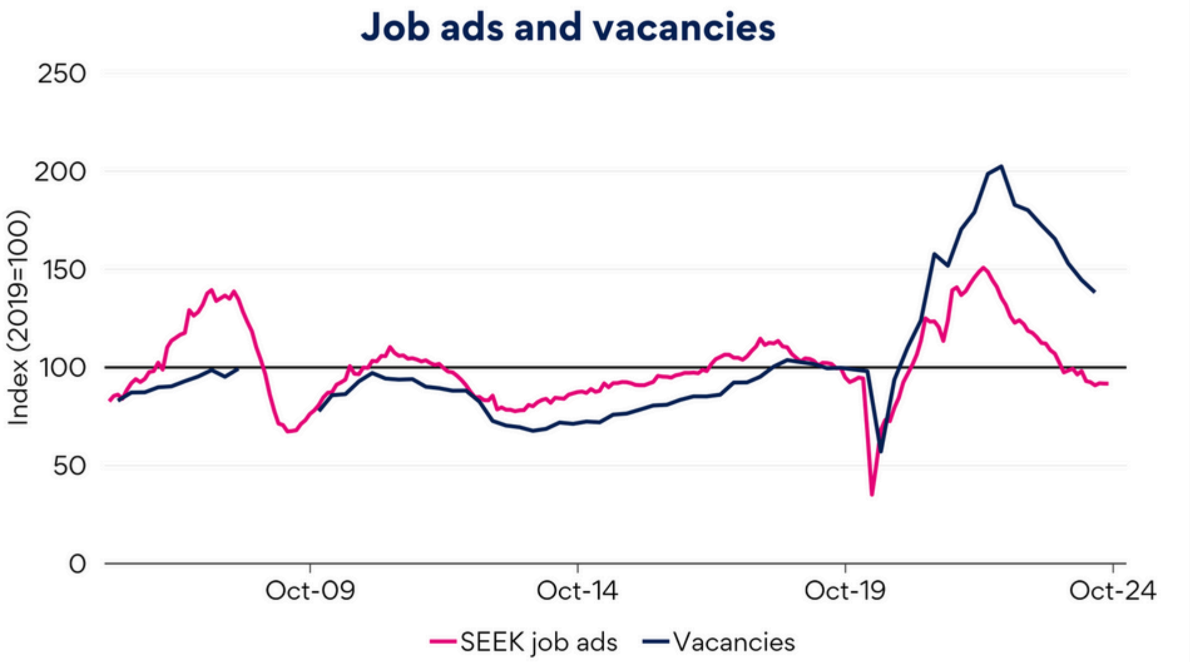
Note: Variables normalised around the 2019 mean.
Source: ABS, SEEK

The employment-to-population ratio and labour underutilisation rates give an indication of how labour is being used and how much spare capacity there is, but they don't tell us how much labour demand, and especially unmet labour demand, there is in the economy.

Job vacancies and ad volumes over time give us a good sense of how labour demand is evolving. The onset of COVID saw a sharp decline in job ads and vacancies before they rebounded alongside the re-opening of the economy. The rebound in job ads was not as large as the rebound in vacancies, partly because one job ad can represent multiple vacancies. For example, a single ad on SEEK for a government or call centre role will often say that they are seeking to fill multiple positions. The share of ads on SEEK that highlighted that the ad was for multiple positions almost tripled from 2019 to 2022.

Since peaking in 2022 both job ads and vacancies have declined notably, with job vacancies staying significantly above their pre-COVID levels. In contrast, job ads are now around their pre-COVID level, although the number of job ads stating they are for multiple positions is still above its pre-COVID level.

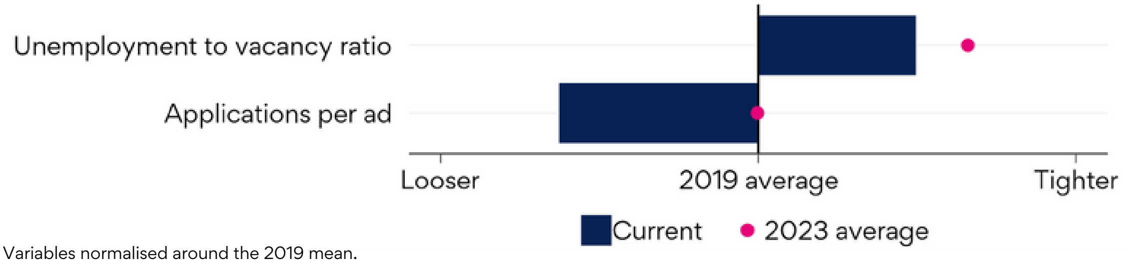
Another consideration when comparing job ads to their pre-COVID level is a change in pricing that SEEK began implementing at the end of 2019 for some hirers, particularly recruiters. The implication of the change is that job ads posted by recruiters now represents a smaller share of total job ad volumes, resulting in fewer total job ads following the change but a broader mix of hirers. Both job ads and vacancies suggest the labour market has loosened since 2022, but vacancies suggest it is still relatively tight compared to pre-COVID.



Note: The ABS suspended the Job Vacancies Survey between August 2008 and August 2009.
Source: ABS, SEEK

9. Applications per ad and unemployed per vacancy

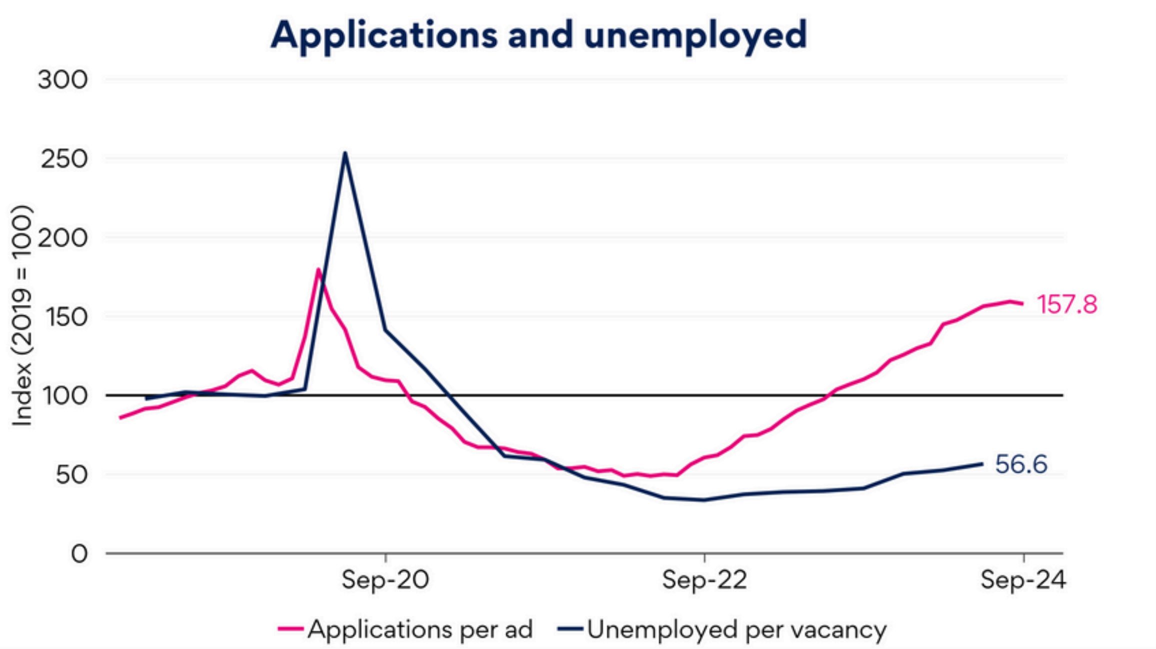
Applications per ad suggest there has been a notable loosening in some pockets of the labour market since 2022.



Note: Variables normalised around the 2019 mean.
Source: ABS, SEEK

To get a sense of the balance between spare capacity and unmet demand in the economy we can look at how many unemployed there are per vacancy and the average number of applications there are per job ad. Both series have increased since the trough in 2022 suggesting a loosening of the labour market. Applications per ad have risen more than unemployed per vacancy and are back above their pre-COVID levels, and not too far below their COVID peaks, suggesting relatively loose conditions compared to the last few years.

Applications per ad for occupations with lower advertised salaries increased notably in 2020 while applications per ad for higher salaried roles did not increase as much. This was driven by an increase in applications for occupations in lower salary bands. However, since 2022 applications per ad for higher salaried roles have increased to a greater degree. This has been partly driven by an increase in applications per ad for certain role types since 2022, with Information & Communication Technology applications per ad more than doubling, which, in part, reflects a decline in demand for these roles since 2019. It is one of a handful of SEEK classifications where ads are currently below their 2019 levels and applications per ad are elevated as a result. So, there has definitely been a loosening in some pockets of the labour market relative to 2019.



Source: ABS, SEEK

10. Recruitment difficulty

Businesses aren't having as much trouble finding workers suggesting a loosening labour market.

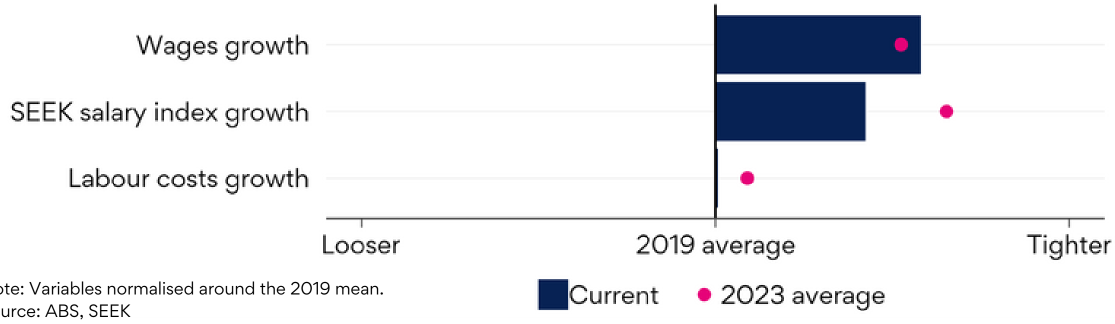
Note: Variables normalised around the 2019 mean.
Source: Jobs and Skills Australia, SEEK

From a business perspective conditions are tight when it is hard to find the right workers, or they must pay more to get the right workers. The share of businesses who are reporting they are having difficulty recruiting has fallen notably since it peaked in 2022, with just under half of recruiting employers reporting difficulty, compared to 75% in the middle of 2022.

Source: Jobs and Skills Australia

11. Wage growth

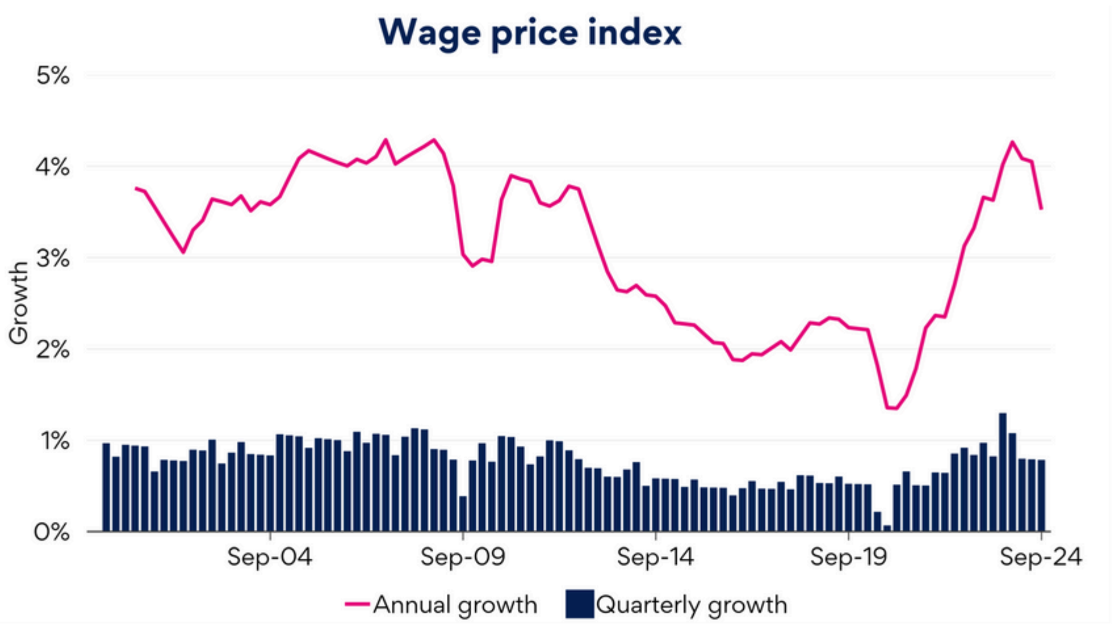
Salary offers aren't growing as fast as they were, but they are still growing faster than pre-COVID.



Note: Variables normalised around the 2019 mean.
Source: ABS, SEEK

The tightness in the labour market is also generally reflected in faster wages growth, with tighter conditions giving workers more bargaining power during wage negotiations. Although, the wage setting methods in Australia mean that there can be lags between a tightening labour market and wages growth picking up. The lagged nature of wages and salary growth and the influence of policy decisions on both series is reflected in the timing of their peaks relative to other series. Most metrics began turning in late 2022 or early 2023 but wage price index (WPI) growth did not peak until the December quarter of 2023, while the SEEK Advertised Salary Index (SEEK ASI), peaked a quarter earlier.

Wages grew quickly in 2023, most notably in the September quarter when the Fair Work Commission's (FWC) Annual Wage Review decision was implemented, increasing the National Minimum Wage and the minimum wages rates in modern awards by 5.75%. Wage growth has been slower over 2024 likely reflecting looser conditions over the past year and slower inflation. In addition, the FWC decided to increase minimum wages by 3.75% on 1 July 2024 which will add less to overall wage growth than their decision in 2023.

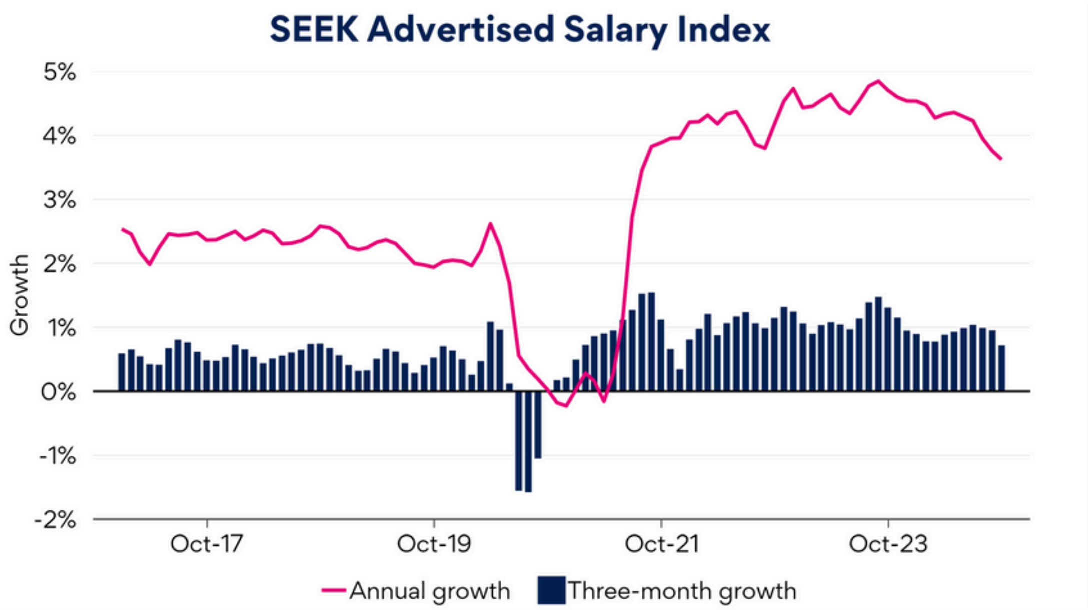


Source: ABS

The WPI is intended to capture the movement in wages for all roles across the economy so can be slow to reflect changes in salary offers for new roles, and it is only published quarterly. The SEEK ASI, published monthly, measures the change in advertised salaries over time for jobs posted on SEEK so should be a more responsive and timelier indicator of wages growth and tightness in the labour market.[8]

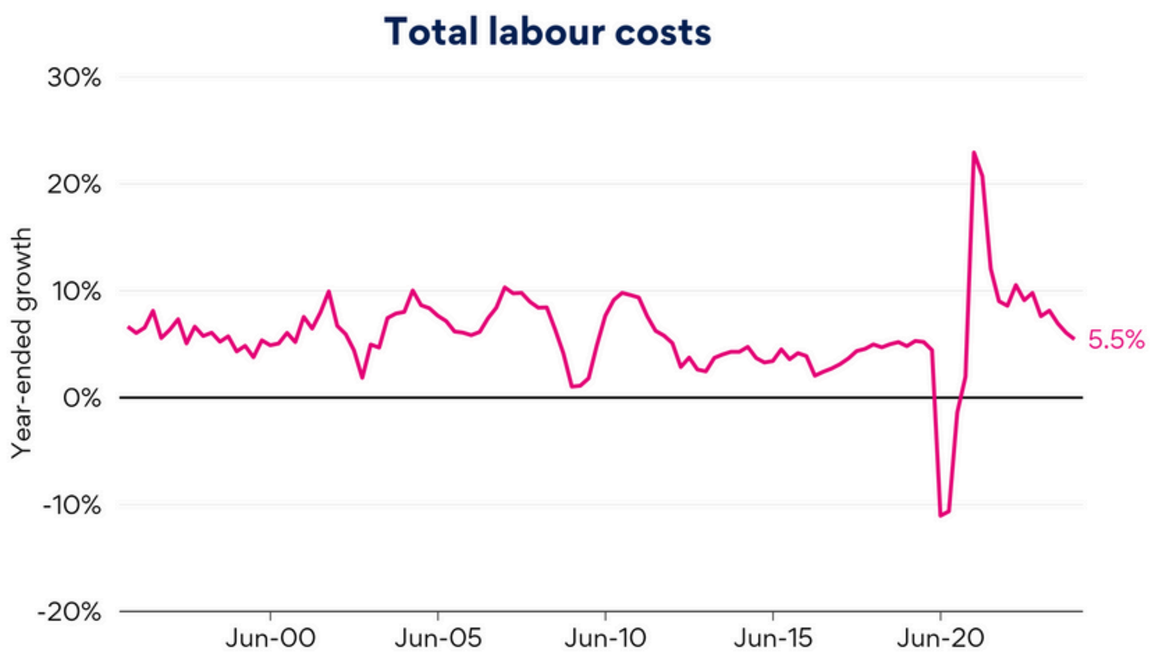
[8] The relationship between SEEK ASI and the WPI is like the relationship between the growth in advertised rents and growth in rents as captured in the consumer price index (CPI).

The SEEK ASI peaked in September 2023, at 4.8% year-ended, and has since declined to 3.6%. The downward trend in the SEEK ASI suggests that WPI growth should also continue to decline, as less wages growth is embedded in the earnings of new employees.



Source: SEEK

Wages and salaries are only part of the story when it comes to labour costs for businesses, with training costs, recruitment services costs and payroll taxes, as well as superannuation contributions also included. Government policies during COVID, such as JobKeeper and payroll tax relief, resulted in wild swings in the growth of labour costs faced by businesses before settling at around 9 to 10% year-ended in 2023. Since then, total labour costs have been declining but growth in total labour costs remains above pre-COVID levels.



Source: ABS

Growth in unit labour costs, which is essentially the cost of labour per unit of output, has exhibited a similar pattern to total labour costs declining after increasing notably post-COVID.

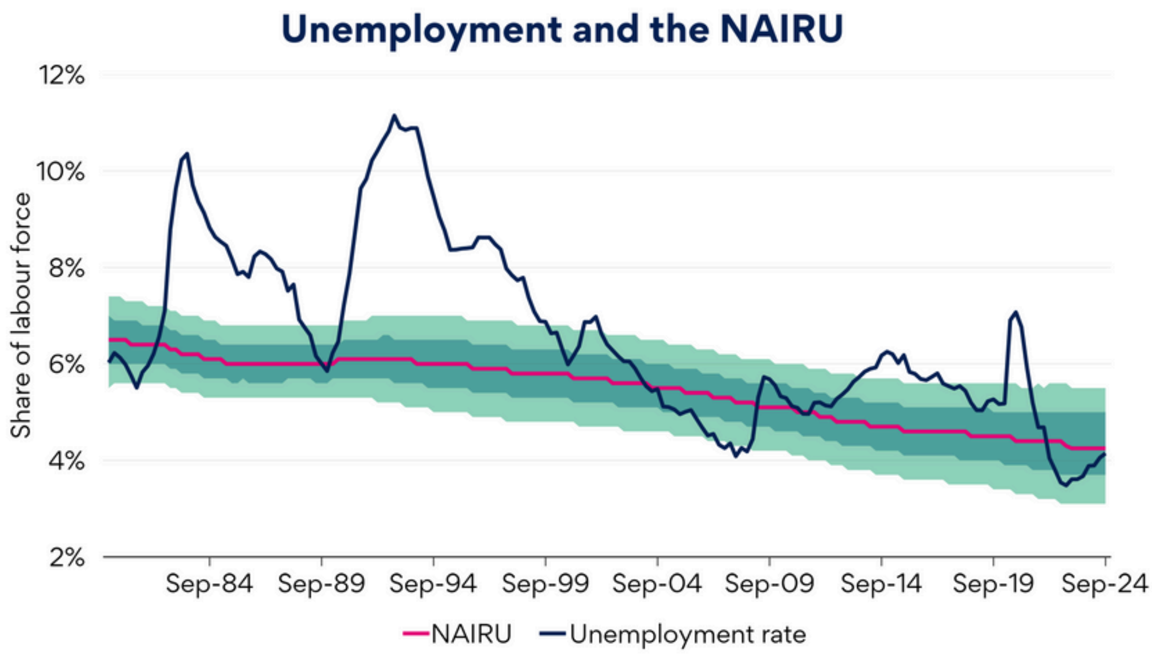
12. Full employment measures

The labour market isn't too far away from full employment.

Note: Variables normalised around the 2019 mean.
Source: ABS, Treasury, SEEK

All the potential measures of tightness discussed so far only give us a sense of relative tightness, and except for ad volumes, applications per ad and average hours worked, they all say the labour market is looser than it was in 2022 but tighter than it was in 2019. A benchmark is needed to understand whether the labour market is tight.

The benchmark that macroeconomists have used since the 1970s for assessing tightness, or 'full employment', is the nonaccelerating inflation rate of unemployment or NAIRU. It is based on the idea that there is a trade-off between unemployment and inflation in the short term and that there is a level of unemployment that is consistent with stable inflation.[9] If the unemployment rate is below the NAIRU, then the labour market is too tight, and inflation will accelerate and vice versa. In Australia, the NAIRU is the unemployment rate that is consistent with inflation between 2 and 3%. Both the RBA and Commonwealth Treasury maintain models of the NAIRU for Australia. These models suggest that the NAIRU is currently around 4.25 to 4.5%, indicating that the labour market is just on the tight side with the national unemployment rate sitting at 4.1%.



Notes: Green and teal ranges indicate the 68% and 95% confidence intervals.
Source: ABS, Treasury, SEEK

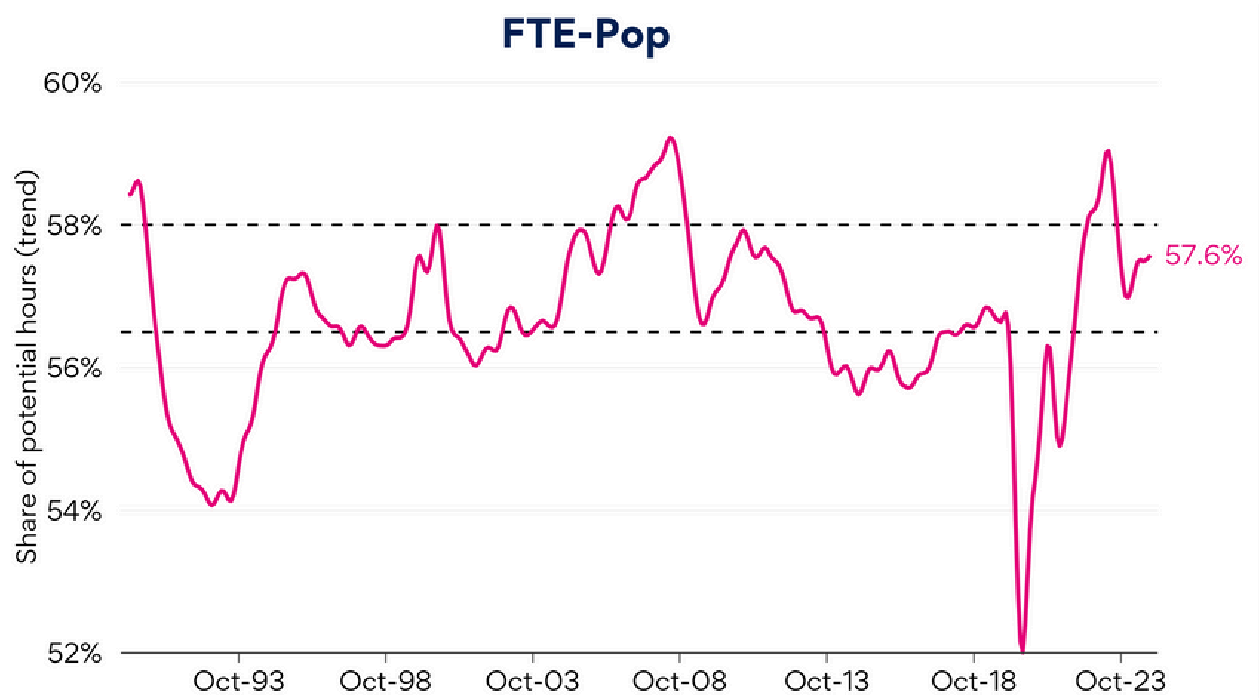
For several decades most economists focused solely on the heads-based unemployment rate when calculating the NAIRU but the changing nature of employment in many economies has seen economists estimate alternate measures based on broader measures of underutilisation.

[9] Many reasons why this relationship exists have been proposed such as imperfect information, labour contracts, and price adjustment costs.

The RBA has recently started releasing their assessment of spare capacity based on the hours-based underutilisation rate in addition to their assessment based on the unemployment rate.[10] Their most recent assessment is that the labour market remains tight, with the current levels of the unemployment rate and hours-based underutilisation rates below their full employment equivalents.

Another way to assess full employment is to look at how much labour is being utilised, rather than the amount of spare capacity. One way to do this is to combine the employment-to-population ratio and hours worked by assuming that everyone in the population could work full-time. This gives a full-time-equivalent employment-to-population ratio (FTE-Pop) which captures the share of potential hours in the economy that are currently being worked.[11]

Comparing FTE-Pop over time with inflation indicates that inflation is generally between 2 and 3% when 56.5% to 58% of potential full-time hours are being worked. Recently, FTE-Pop has increased slightly after falling notably since early 2023. The decline in FTE-Pop reflects a notable decline in average hours worked, with strong employment growth being broadly offset by fast population growth (as shown by the employment-to-population ratio being little changed). FTE-Pop is currently towards the upper end of the range consistent with inflation, suggesting that conditions are consistent with stable inflation. This indicates there is less upwards pressure on inflation than there was in 2022 and early 2023. The slow pass-through of those past pressures may be keeping inflation higher now than warranted by current conditions.[12]



Notes: Dashed lines indicate the range consistent with 2 to 3% inflation.
Source: ABS, SEEK

[10] See RBA, Statement on Monetary Policy - November 2024 (RBA, 2024) for their latest assessment.
[11] This concept was first introduced in A more stable indicator of full employment in Australia, (ANZ Research, 2023).
[12] The Bank of England have broken inflation into several categories, one being nominal inertia which includes wage growth and past inflation values (Bank of England, 2024). In some of the models used by the RBA to estimate the NAIRU, persistent inflation through nominal inertia is likely to translate into a higher NAIRU estimate. This is because recent values of the unemployment rate are associated with faster inflation than in the historical data that the model had previously been estimated on.

Thank you

About Blair Chapman, PhD
Dr Blair Chapman is SEEK's Senior Economist. Blair undertakes economic analysis and forecasting of the Australian and New Zealand economies and labour markets. He leverages SEEK's data to develop unique insights about the Australian economy.

Blair's economic analysis and forecasting skills have been honed across both private and public organisations including ANZ, Deloitte Access Economics, the Reserve Bank of Australia (RBA) and the Australian Bureau of Statistics (ABS). While at the RBA, Blair was their representative on the ABS's Labour Statistics Advisory Group for several years.

Blair holds a PhD in Economics from Johns Hopkins University where his studies concentrated on macroeconomics and labour. He completed his undergraduate studies at Monash University, where he majored in Economics, Econometrics and Accounting.

About SEEK
SEEK is a market leader in online employment marketplaces in Australia, New Zealand and across South-East Asia, with minority investments in China, South Korea and a number of other countries.

SEEK leverages its unique data and technology to create innovative solutions and insights into the future of work, while protecting its customers' privacy and using data ethically.

SEEK has approximately 400,000 hirer relationships and facilitates 40 million candidate relationships.

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