



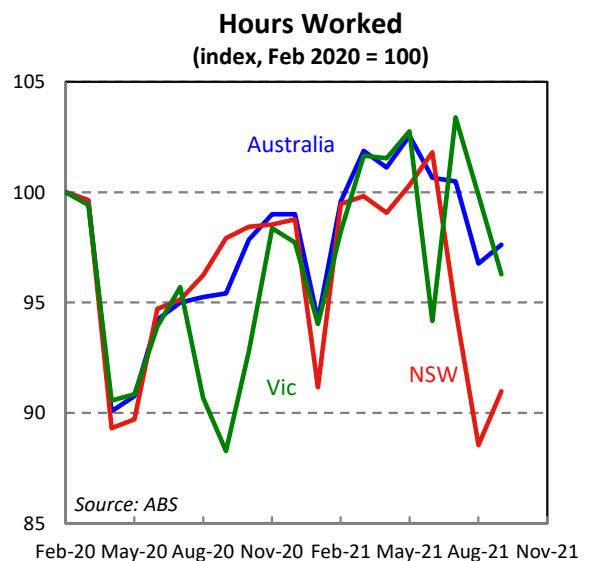
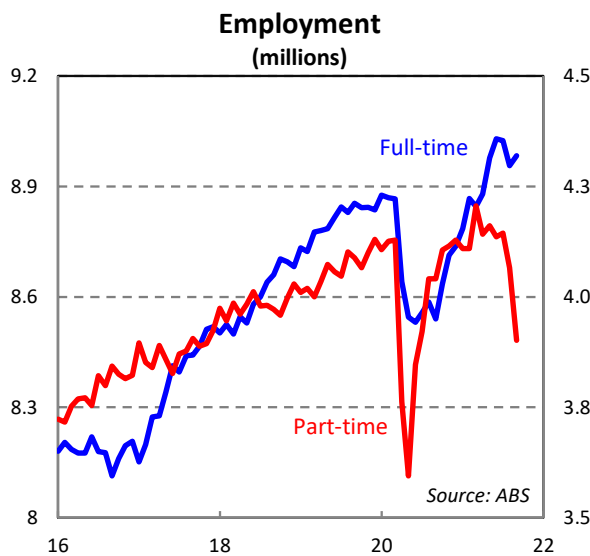
Thursday, 14 October 2021



Labour Force

Victoria Jobs Hit, NSW Stabilising

- The labour force numbers for September paint a mixed picture. There are tentative signs of stabilisation in the labour market in NSW, while there was big hit to the jobs market in Victoria.
- Across the country, employment declined by 138.0k, driven predominantly by a 122.8k fall in jobs in Victoria. The unemployment rate edged 0.1 percentage points higher to 4.6%. The participation rate to 64.5%, its lowest reading since June 2020.
- But it is not all bad news. Hours worked – a better measure of the impact of lockdowns – actually increased 0.9% in September, led by Queensland and NSW.
- The decline in jobs was also entirely driven by part-time employment, which fell 164.7k. Meanwhile, full-time employment rose 26.7k.
- The underemployment rate – which captures people who are employed but want to work more hours – edged down 0.1 percentage points to 9.2% while the underutilisation rate edged up marginally to 13.9%, following a sharp increase in August.
- Job ads declined for the third consecutive month in September, however, are still well above pre-pandemic levels. This is an encouraging sign for employment growth as restrictions ease.
- We expect employment will recover as the reopening of the economy provides welcome relief to businesses. The unemployment rate may increase further over the coming months as people return to the labour force and the participation rate increases. However, we expect unemployment will trend down over the next year, falling below 4.0% by the end of 2022.



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Hours worked – a better measure of the impact of lockdowns – actually increased 0.9% in September.

The decline in jobs was also entirely driven by part-time employment, which fell 164.7k. Meanwhile, full-time employment rose 26.7k, to be more than 1% above its pre-pandemic level. At the same time, part-time employment is now more than 5% below its pre-COVID level.

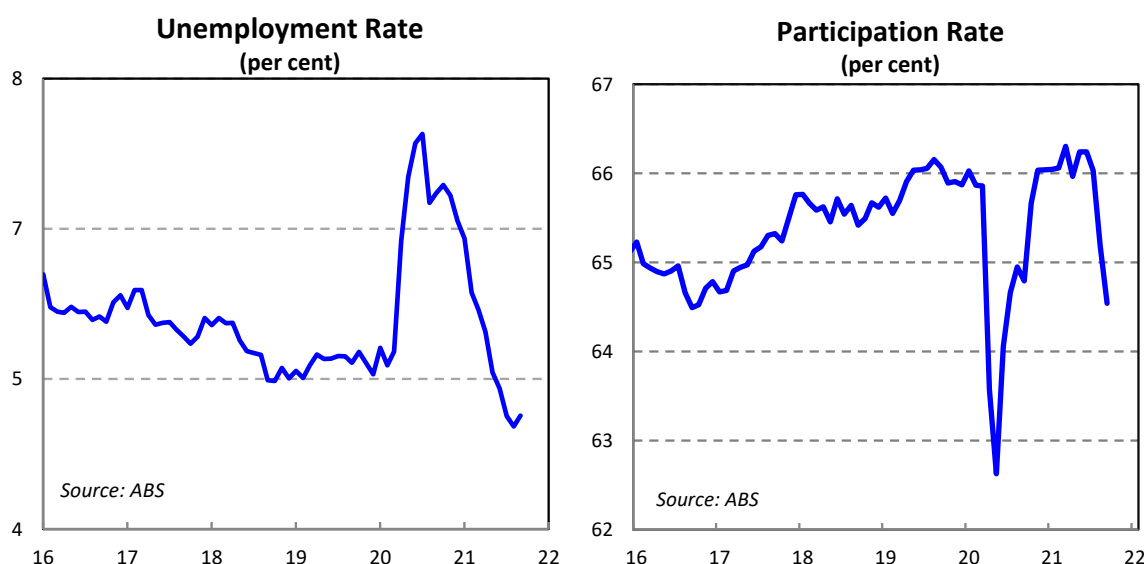
Hours worked

Economists keep a close track of working hours during lockdowns. This is because employers tend to reduce the hours worked of their staff, rather than letting them go. This helps employers maintain a relationship with their employees and ramp hours worked back up once lockdowns lift. Plus, some businesses were having difficulty finding labour ahead of the Delta outbreak, and so are reluctant to cut staff only to then have to rehire after reopening.

The lift in hours worked in September was led by Queensland (5.4%) and NSW (2.7%). The increase in NSW is an encouraging sign. It follows two months of sharp falls. However, hours worked in NSW is still 9% below pre-pandemic levels.

Meanwhile, hours worked in Victoria fell 3.6% in September, and are now almost 4% lower than prior to the pandemic. However, hours worked in the state are still considerably higher than during the lengthy lockdown in the second half of 2020.

The number of people working zero hours due to economic reasons, which captures people who have been stood down, fell 64.1k to 184.8k.



Unemployment rate and participation rate

The unemployment rate edged 0.1 percentage point higher to 4.6%. And while the unemployment rate continues to hover around its lowest level in more than a decade, this largely reflects a large drop in participation in the labour market.

In September, the fall in employment was partly offset by another large step down in the participation rate. The participation rate fell to 64.5%, from 65.2% in August, hitting its lowest reading since June 2020.

The states

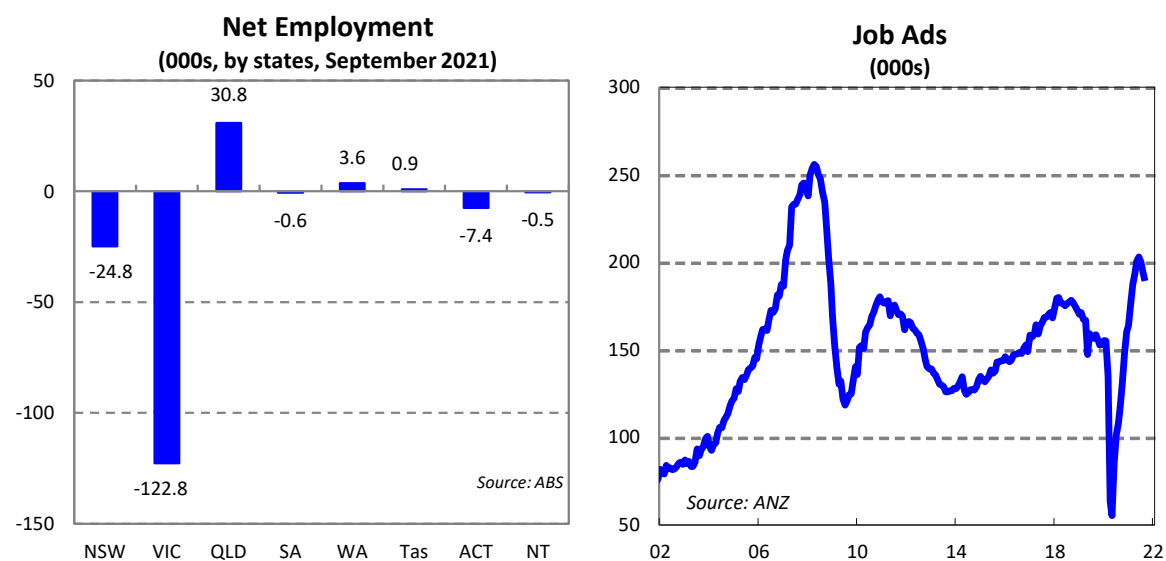
September was a difficult month for Victoria, with employment falling 122.8k, marking the first sizeable hit from the Delta outbreak to jobs in the state. Hours worked fell 3.6% in Victoria after a 3.4% fall in August.

In NSW, employment declined a more modest 24.8k. However, this is the fourth consecutive decline in employment in the state, with jobs falling a cumulative 244.0k over four months. This compares to a 265.7k decline in jobs in NSW over April and May last year when lockdowns were first imposed. However, the slowdown in the pace of job losses, plus the increase in hours worked could suggest the jobs market is showing tentative signs of stabilising in the state.

The ACT was hit by a 7.4k decline in jobs – the largest fall on record in the state – alongside the lockdown in the territory.

Elsewhere, jobs rose in Queensland (30.8k), WA (3.6k) and Tasmania (0.9k) and edged down slightly in SA (-0.6k) and the NT (-0.5k).

Similar to the national figures, unemployment rates across the states and territories have been distorted by the fall in participation. The jobless rate is highest in SA at 5.1% and lowest in WA and the ACT at 4.1%.



Other labour market measures

Other important measures of slack in the labour market showed signs of stabilisation in September. The underemployment rate – which captures people who are employed but want to work more hours – edged down 0.1 percentage points to 9.2% while the underutilisation rate edged up marginally to 13.9% following a sharp increase in August.

Job ads, a leading indicator of employment, declined for the third consecutive month in September. However, jobs ads are still well above pre-pandemic levels – reflecting the strong momentum in the labour market ahead of the recent lockdowns. The resilience of job ads is an encouraging sign for employment growth as restrictions ease.

Outlook

We expect employment numbers will recover as the economy reopens over the coming months. It is possible the unemployment rate will tick up further, driven by an increase in participation as people return to searching for work as restrictions lift.

However, beyond the near-term uncertainty, we expect the unemployment rate will trend down over the next year, falling below 4.0% by the end of 2022. Government support, low rates, robust household and business balance sheets, and resilient consumer and business confidence will all help to get Australians back in jobs.

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