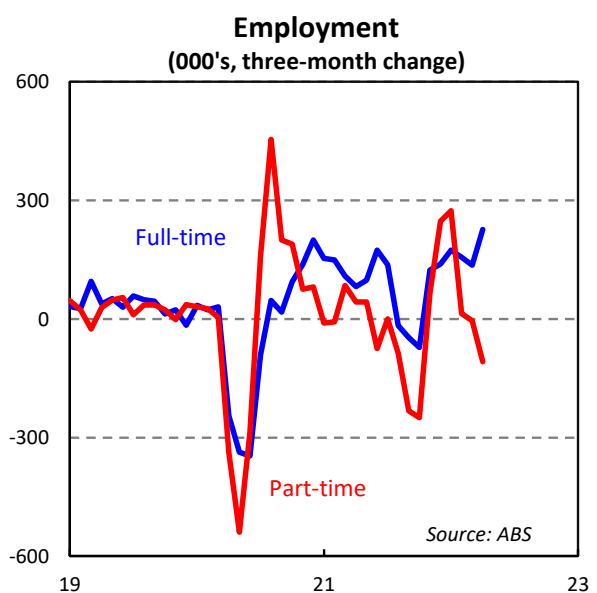
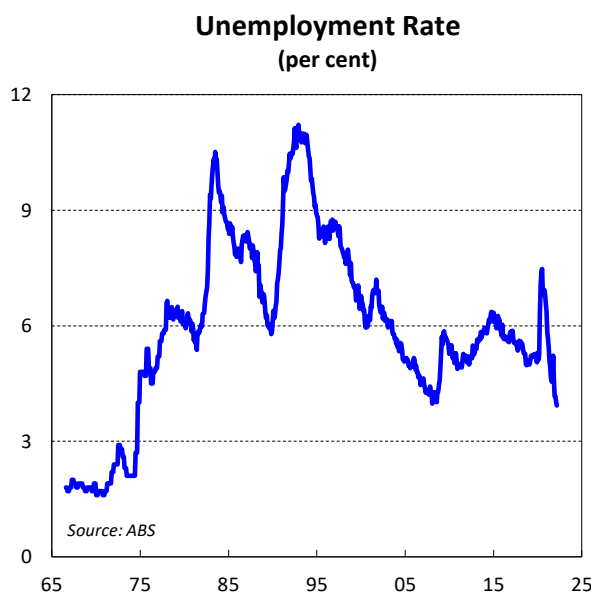




Thursday, 19 May 2022

Labour Force Unemployment Rate Cracks the '3s'

- The unemployment rate fell 0.1 percentage points to 3.9% in April – the lowest rate since August of 1974!
- However, jobs growth stalled in the month. Only 4k jobs were added, marking the slowest gain in six months, possibly an early sign that skills mismatches are hampering the pace of job gains.
- In recent months, full-time jobs have grown rapidly. Indeed, in the three months to April, a record number of full-time jobs were added. The expansion in full time employment reflects the strengthening of the jobs market as some part-time workers likely move to full-time.
- The underemployment rate – which includes people who are employed but wish to work more hours – fell for a sixth consecutive month in April to 6.1%. This is the lowest level of underemployment since September 2008.
- Job vacancies were at their highest level on record in February, so there are clearly plenty of jobs to be filled. But these positions cannot be filled if businesses can't find the right people.
- The marginal decline in the unemployment rate was largely driven by a modest pullback in the participation rate to 66.3% – off a record high of 66.4%. Meanwhile, hours worked rose 1.3% in the month to a new record high, as employers look to utilise more labour.
- Employment gains in Victoria and NSW were notable. Employment in each of these states rose to a record high.



Demand for labour is booming as we learn to live with COVID-19. Economic activity is increasing and businesses are looking to hire. This was again evident in the labour force survey in April. There were broad signs of an ongoing tightening in the jobs market.

The unemployment rate fell to 3.9%. The last time the unemployment rate was lower was in August 1974, when it was measured on a quarterly basis. In other words, the jobless rate hit its lowest level in more than 47 years!

The decline in the jobless rate in April was slight, after a revision in March's result from 4.0% to 3.9%. We need to go to the second decimal place to see the decline in April; the unemployment rate fell from a revised 3.93% in March to 3.85% in April.

Jobs growth stalled in the month – only edging 4k higher and marking the slowest monthly growth in six months. It could be an early sign that skills mismatches are beginning to hamper jobs growth. In total, 566k jobs have been added over the past six months, as the jobs market bounced back from the impact of the Delta lockdowns.

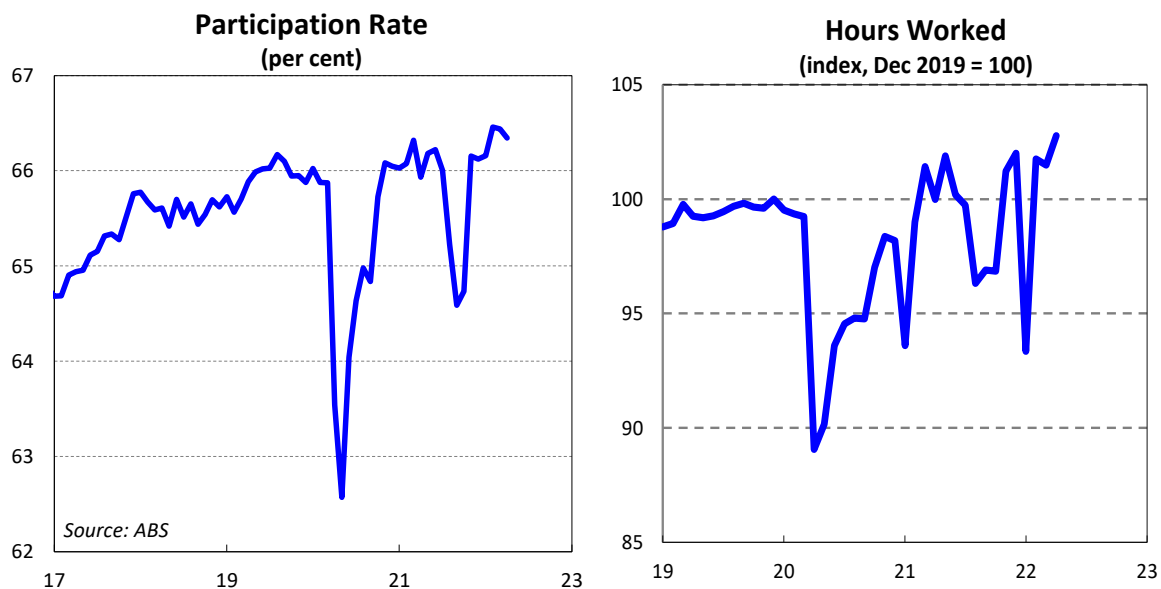
Job vacancies were at their highest level on record in February – so there is clearly plenty of jobs to be filled. But these positions cannot be filled if businesses can't find the right people.

Unemployment rate

The male unemployment rate fell 0.2 percentage points to 4.0% in April, hitting its lowest level since October 2008. The female unemployment rate remains lower at 3.7% – unchanged from March and the lowest since May 1974.

The marginal decline in the unemployment rate was largely driven by a modest pullback in the participation rate to 66.3% – off a record high of 66.4%.

In recent months, there has been a divergence between full-time and part-time employment. This continued in April. Full-time jobs rose by 92.4k, although this was almost entirely offset by an 88.4k decline in part-time employment. The expansion in full time employment reflects the strengthening of the jobs market as some part-time workers likely move to full-time.



In fact, over the last three-months, there were 225.6k full-time jobs added – a record high. Meanwhile, part-time jobs have declined by 107.6k over the same period. Part-time employment is now slightly below its pre-pandemic level, as of February 2020. However, there are more people in jobs in Australia than ever before.

Hours worked

Hours worked increased a solid 1.3% in the month to a new record high. Hours worked is now 2.8% higher than its pre-covid level, as of February 2020. Hours worked are also above their pre-covid level in all states.

The gains in April were led by Queensland (3.3%) and NSW (2.5%) as they bounced back from flood-related declines in hours worked in March. Hours worked in WA (1.8%) also rose. There were modest declines in hours worked in Victoria (-1.4%), SA (-0.8%) and Tasmania (-0.3%).

The spread of COVID-19 continued to disrupt workplaces as the number of employed people working fewer hours due to illness increased to 742k in April, just shy of the record high of 746k in January. However, this may also partly reflect the resurgence of the flu which hasn't spread nearly as virulently over the past two years due to COVID-19 restrictions.

The states

Employment growth was mixed across the states and territories in April.

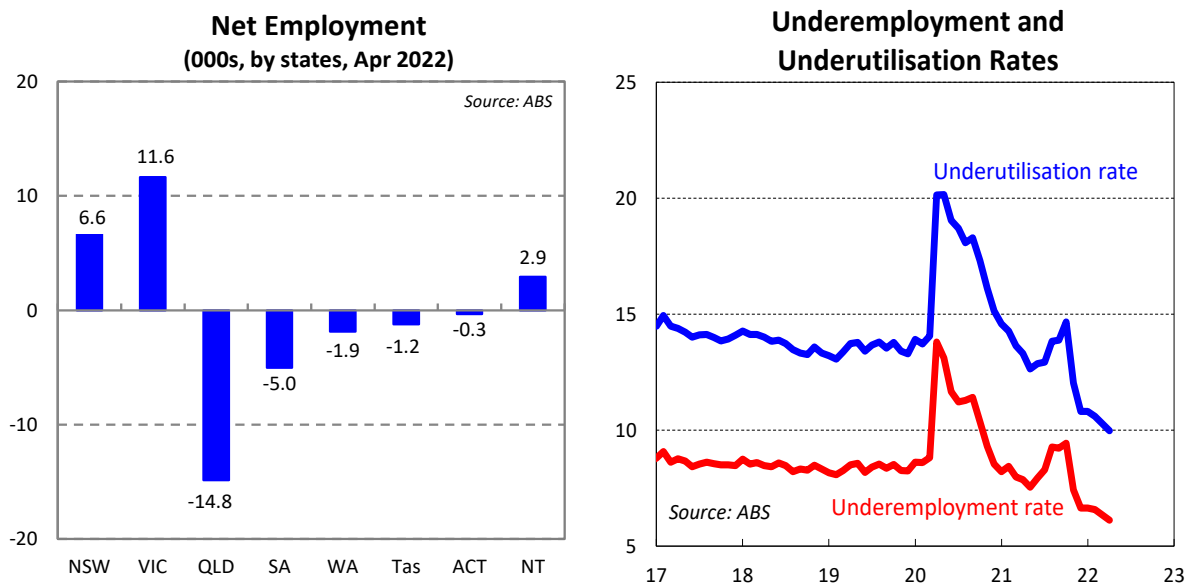
Victoria (+11.6k) and NSW (+6.6k) did most of the heavy lifting, pushing employment to record highs in both states. Queensland (-14.8k) reported its first monthly decline in employment in six months, while employment also eased modestly in SA (-5.0k), WA (-1.9k), Tasmania (1.2k) and the ACT (0.3k). The NT (+2.9k) contributed solidly to employment growth in April, ensuring job gains were enough to offset losses in other parts of the country.

Participation was broadly lower across the states and territories in April, apart from Victoria where participation rose to a record high of 67.4%.

NSW posted its lowest unemployment rate on record at 3.5%, helped by a fall in participation and strong employment growth. The unemployment rate edged lower in WA (2.9%), Tasmania (3.8%), the ACT (3.1%) and SA (4.5%) as lower participation more than offset the fall in employment in these regions. Queensland (4.5%), Victoria (4.2%) and the NT (4.1%) recorded increases in their respective unemployment rates but all remain low by historical standards.

Other labour market measures

Other labour market indicators provide further evidence of the tightening in the labour market in April.



The underemployment rate – which includes people who are employed but wish to work more hours – fell for a sixth consecutive month in April to 6.1%. This is the lowest level of underemployment since September 2008. The underutilisation rate – which is the combination of the unemployment and the underemployment rates – dropped 0.3% to 10.0%, respectively, each the lowest since August 2008. The underemployment and underutilisation rates are considerably lower than their respective 10-year averages and are a far cry from their peaks of 13.8% and 20.1%, respectively, in April 2020.

Despite the rapid tightening the labour market, labour demand remains strong. Job vacancies as a share of the labour force rose to a record high in February and job ads remain around their highest level in almost 14 years.

Outlook

Demand for labour remains robust and labour shortages are top of mind for businesses. Wage pressures are building. We expect the labour market will continue to tighten and for the unemployment rate to fall below 3.5% later this year. An unemployment rate below 4% has not been sustained since the 1970s. As the unemployment rate declines further, it will become increasingly challenging for businesses to fill positions as they struggle to find the right talent. This will ultimately limit how far the unemployment rate can fall.

The unemployment rate has now been hovering in full employment territory for a number of months. Full employment is estimated by the Reserve Bank (RBA) to be when the unemployment rate is around the high 3s or low 4s.

The RBA Board will be looking closely at yesterday's wages data, alongside today's job figures and the upcoming national accounts data at its upcoming June meeting. The Governor has stressed the importance of getting "back to business as usual". Today's employment figures are unlikely to sway the RBA from this path. Our core view is for a rate hike of 40 basis points in June. However, yesterday's softer-than-expected wages outcome might mean the odds have shortened for a more "standard" sized move of 25 basis points next month.

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