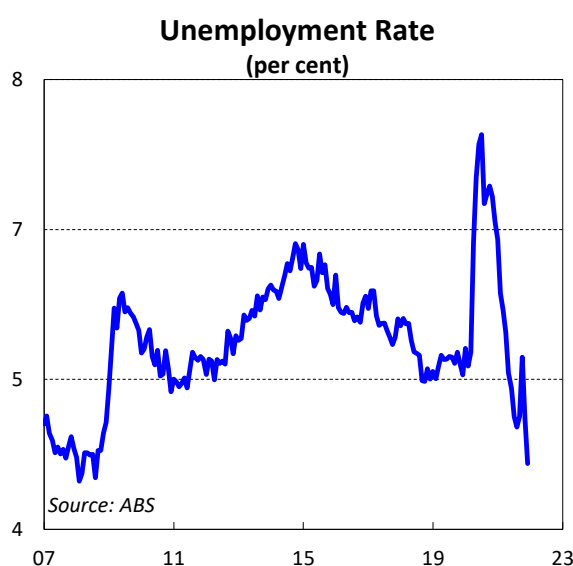
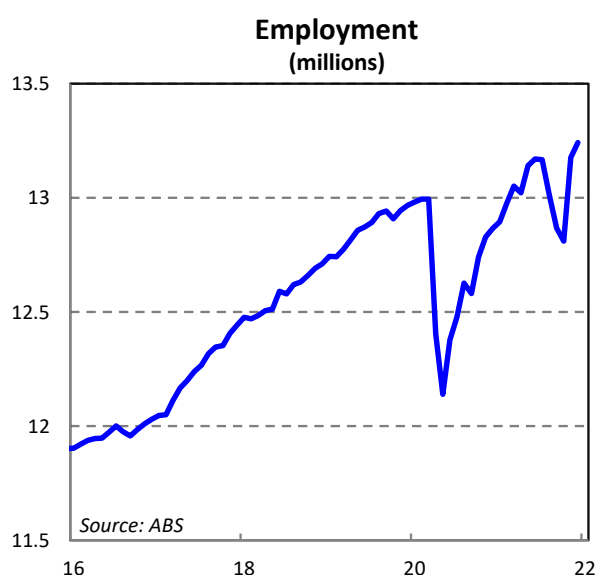


Thursday, 20 January 2022

## Labour Force

### Jobs At Record Level Pre-Omicron Hit

- The labour market continued to rebound from the Delta lockdowns in December, before Omicron disruptions took hold, with 64.8k jobs added. This follows the record 366.1k jobs added in November, and puts the number of people employed in Australia at an all-time high.
- The unemployment rate fell to 0.4 percentage points to 4.2% – the lowest level since August 2008. Unemployment rates in SA and Tasmania dropped to record lows. The unemployment rate is set to drop under 4% later this year, a level it has not sustained since the 1970s! This will add to mounting wage pressures.
- Hours worked lifted 1.0% in December to hit a new record nationally, and were at or near record highs in individual states.
- NSW and Victoria continued to drive the gains in employment, as the states recovered from the lifting of lockdowns in October.
- More recently, many businesses have grappled with more severe labour shortages and supply-chain disruptions due to millions of Australians isolating alongside surging COVID-19 case numbers. These effects will be more pronounced in the January data out next month.
- While Omicron presents near-term challenges, the outlook for the labour market is strong. Isolation requirements will continue to impact businesses in the coming months, but the immediate sharp pressures will ease as case numbers decline and workers exit isolation.



The labour market went from strength to strength in December. The economy continued to rebound from the Delta lockdowns, before the disruptions from Omicron took hold.

There were 64.8k new jobs added in December, close to the consensus forecast of a 60k gain. This follows the record 366.1k jobs added in November and puts the number of people employed in Australia at an all-time high.

The unemployment rate fell to 0.4 percentage points to 4.2% – the lowest level since August 2008. The participation rate was unchanged at 66.1%. Hours worked also hit a new record.

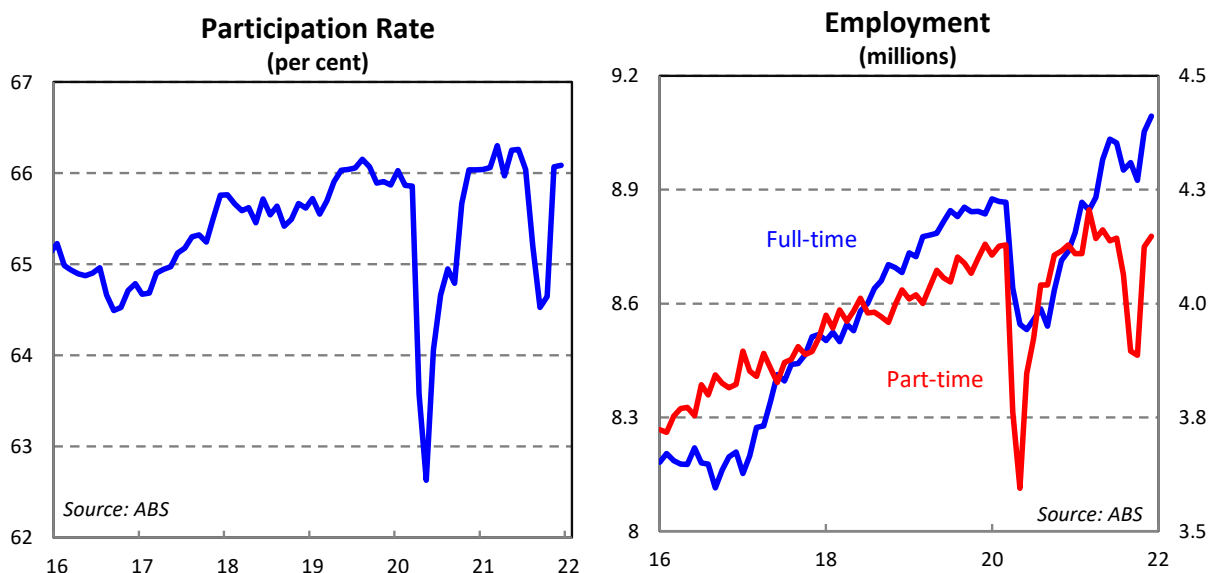
The rapid recovery in the labour market reflects the strength of the underlying momentum in the economy in December, and the lead up to December. Indeed, reports of labour shortages have been widespread, with many businesses having difficulty securing staff.

More recently, these shortages have been exacerbated as millions of Australians entered isolation alongside surging COVID-19 case numbers. Many businesses have been forced to temporarily close their doors or operate with at reduced hours. These effects should be more pronounced in the January data out next month.

### Unemployment rate

The unemployment rate continued its downward trend, dropping from 4.6% to 4.2% in December. In the fallout from the Delta lockdowns, the unemployment rate briefly climbed to 5.2% in October.

The participation rate held steady at 66.1% in December, not far from its record high of 66.3%. Participation in the jobs market snapped back quickly following the lockdowns earlier in 2021. People tend to temporarily exit the labour force during lockdowns because of caring responsibilities or the difficulties associated with finding a new job.



Most of the drop in participation during the lockdowns over the past two years was reflected in a decline in part-time workers; they tend to more readily enter and exit the workforce than full-time employees. In December, full-time employment rose 41.5k and part-time employment increased 23.3k.

Both full-time and part-time jobs have rebounded in recent months. However, full-time employment has bounced back faster and now sits at a record high. Meanwhile, part-time employment is at its highest level since May 2021.

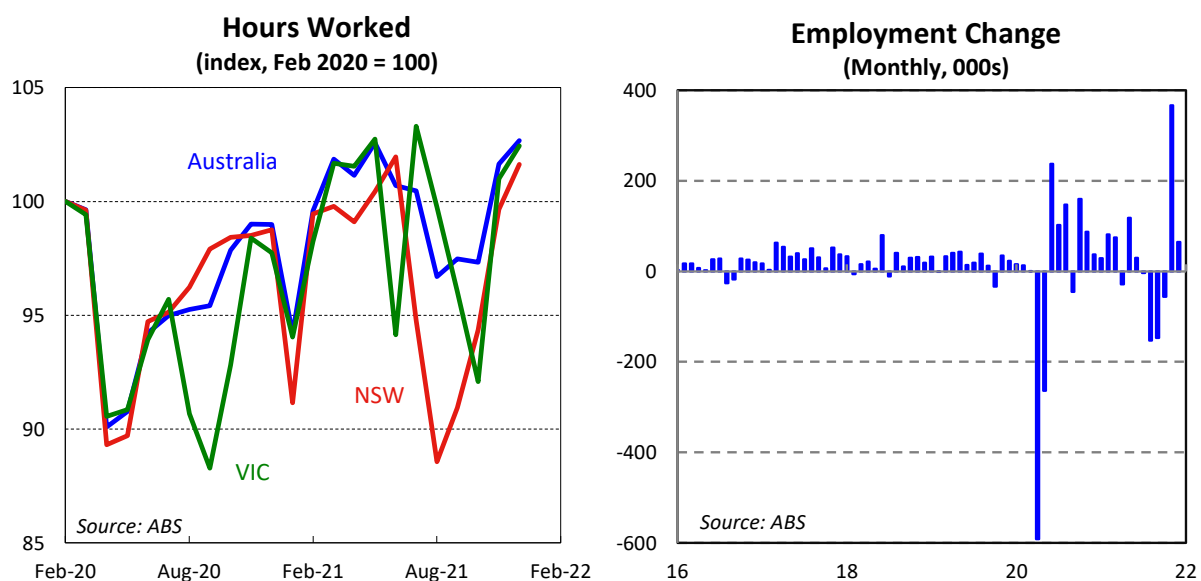
## Hours worked

Another important measure of the labour market – hours worked – rose 1.0% in December, alongside the jump in jobs. This is off the back of the sharp 4.5% increase in hours worked in November.

Hours worked tend to be a better measure of the impact of lockdowns on the labour market than jobs numbers, because employers favoured cutting hours rather than staff numbers, where possible.

The increase was led by NSW, Victoria and WA, while other states recorded modest declines. Regardless, hours worked were at or near record highs across all states.

The number of people working zero hours due to economic reasons, which captures people who have been stood down, dropped sharply to around 40k from 80k in November. This is the lowest level since the onset of the pandemic.



## The states

The increase in jobs was once again led by NSW and Victoria, following the end of lockdowns in October. The changes in employment were less pronounced across the other states and territories.

NSW added 32.3k new jobs in December, following the record 179.8k surge in November. NSW has added 230.0k jobs since lockdowns ended in October – this is the fastest 3-month increase in employment on record.

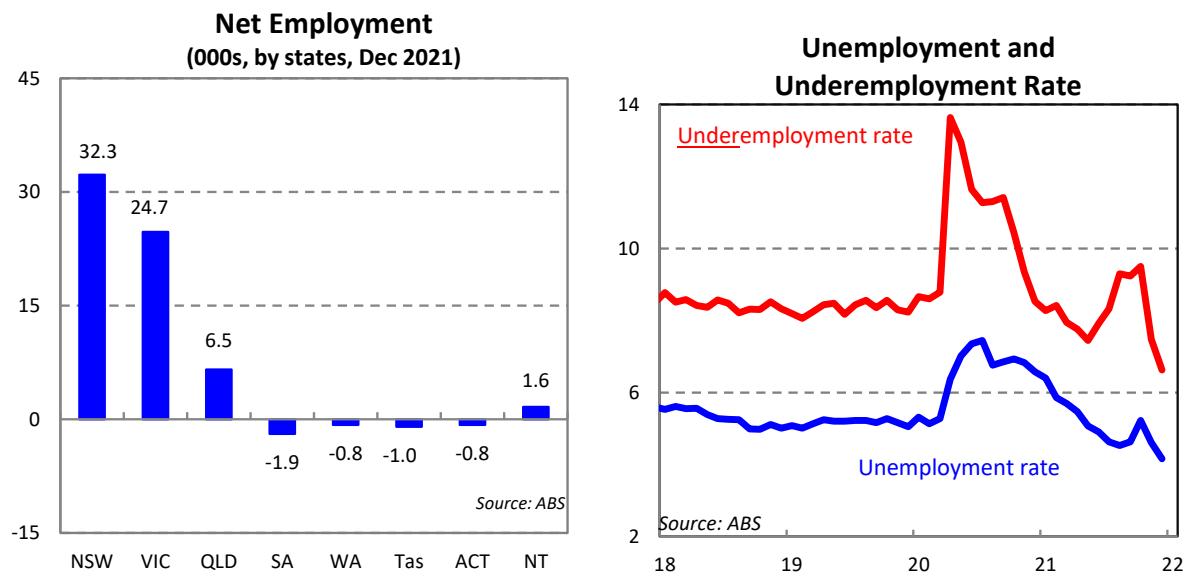
The rapid rebound in employment in NSW has pulled the unemployment rate down to 4.0%, from 4.6% in November. The unemployment rate in NSW is at its lowest level since January 2019 and the second lowest level in the history of the series. The participation rate stands at 65.0%, well above the 10-year average of 64.1%.

Victoria experienced a similar pick up in employment in December, adding 24.7k jobs in the month. The participation rate picked up to a record 66.9%, narrowly eclipsing the previous high set in August 2021, prior to the Delta outbreak. The increase in jobs was enough to offset the uptick in participation, driving the unemployment rate down to 4.2%, from 4.7% in November.

Queensland (6.5k) and the NT (1.6k) also recorded an increase in employment in December. There

were modest declines in jobs in SA (-1.9k), Tasmania (-1.0k), WA (-0.8k) and the ACT (-0.8k).

The unemployment rate dropped in all states and territories, apart from the ACT. The unemployment rate in SA (3.9%) and Tasmania (3.9%) hit record low levels.



### Other labour market measures

The underemployment rate and the underutilisation rate also point to a further tightening in the labour market, falling to their lowest levels since November 2008.

The underemployment rate – which includes people who are employed but wish to work more hours – dropped to 6.6% from 7.5% in November.

The underutilisation rate, the combination of the unemployment and underemployment rates, fell from 12.1% in November to 10.8%.

Job ads, a leading indicator of employment, pulled back 5.5% following a more than 13 year high in November. Despite the pull back, job ads are almost double the long-run average, an indicator that labour demand remains strong, and reflecting the widespread labour shortages businesses continue to face.

### Outlook

While Omicron presents near-term challenges, the outlook for the labour market is strong. Isolation requirements will continue to impact businesses in the coming months, but the immediate sharp pressures on businesses from staff shortages will ease as case numbers decline.

Beyond the near-term uncertainty, there are considerable tailwinds for the labour market which we expect will drive the unemployment rate below 4% by the end of 2022. Low rates, government stimulus and high vaccine coverage will all support hiring. And encouragingly, the latest read on business confidence, which was prior to the omicron surge, showed that business confidence was elevated. Australia's economy and businesses have continually proved resilient throughout the pandemic. And this time should not be too different.

**Matthew Bunny, Economist**  
**Jameson Coombs, Associate Economist**  
 Ph: (02) 8254 0023

## Contact Listing

**Chief Economist**

Besa Deda  
dedab@bankofmelbourne.com.au  
(02) 8254 3251

**Economist**

Matthew Bunny  
matthew.bunny@bankofmelbourne.com.au  
(02) 8254 0023

**Senior Economist**

Jarek Kowcza  
jarek.kowcza@bankofmelbourne.com.au  
0481 476 436

**Associate Economist**

Jameson Coombs  
jameson.coombs@bankofmelbourne.com.au  
0401 102 789

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