



Australian Government
Jobs and Skills Australia

International Labour Market Update

September 2023



International Labour Market and Skills Shortages¹

The International Monetary Fund (IMF)² has found that labour markets in advanced economies, especially the United States of America (USA), are strong. Incomes are expected to grow slowly over 2023, and unemployment is expected to rise by the end of the year. Unemployment rates are at historic lows, while vacancies per employed person are high in the USA and the Euro area³.

The Organisation for Economic Co-operation and Development (OECD)⁴ has found that labour markets remained tight across most OECD economies, with some signs that labour market pressures may begin to ease in 2023⁵. Vacancies are falling in many OECD countries and unemployment rates remain low in mid-2023. Migration flows to several advanced economies have increased, reflecting a catch-up from the interruption of 2020-21 during the COVID-19 pandemic. This may contribute to labour force growth in many OECD countries being above projections which may increase output.

Labour supply and skill shortages are high across the global economy signalling the need for targeted reforms in some countries. For the European Union, (EU) job vacancies have been consistently high following the COVID-19 pandemic period, particularly in the healthcare and information and communication technology (ICT) sectors.

Eurofund has attributed shortages in the ICT sector to a skills mismatch as one-third of workers in the EU lack basic digital skills. A 2021 Eurostat ICT survey also found that 8.5% of Europeans had limited or no overall digital skills, with the share highest in Romania (25%) and lowest in the Netherlands (less than 1%). A survey by the European Centre for Development of Vocational Training found 87% of jobs in the EU required at least basic digital skills.⁶

OECD analysis of the cyber security workforce in five countries⁷ found that vacancy growth is very strong in Australia and New Zealand (NZ), particularly for senior and experienced cyber security professionals. In comparison, the USA which has a larger and more mature cyber security labour market had a lower growth rate in vacancies for the decade to 2022.

The United Kingdom (UK) has also experienced major labour and skills shortages in both the construction and hospitality sectors, with contributing factors being the decision to leave the EU and the COVID-19 pandemic. The UK's Migration Advisory Committee (MAC) noted that vacancies increased by 72% for hospitality and 65% for construction between the start of the pandemic (January to March 2020) to the November 2022 to January 2023 period.

¹ Charts in this publication are sourced and produced in the London Stock Exchange Group's (LSEG) Datastream platform. All charts are based on seasonally adjusted data from national sources, where available.

² <https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023>

³ The Euro Area comprises Austria, Belgium, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia and Spain.

⁴ OECD Countries include: Australia, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Türkiye, UK and the USA.

⁵ [OECD Economic Outlook](#)

⁶ As of 2021. See [Living and working in Europe | Eurofound \(europa.eu\)](#)

⁷ <https://www.oecd.org/publications/building-a-skilled-cyber-security-workforce-in-five-countries-5fd44e6c-en.htm>

A report by Statistics Canada found that job shortages in Canada are mostly low-skilled positions with vacancies reflecting low wage offers, work schedules and shortages of candidates with relevant experience. In the fourth quarter of 2022, there were 497,000 vacancies requiring a high school diploma or less, compared to the 296,000 unemployed Canadian individuals and 70,000 unemployed immigrants with matching credentials.⁸ In 2023 Canada's labour market has remained tight, however the OECD points to large migrant arrival numbers which appear to be relieving skills shortages.

Job openings in the USA increased by 358,000 from April to May 2023 to reach a total of 10.1 million openings.⁹ The manufacturing, wholesale and retail trade, and education and health services industries all have more unfilled job openings than unemployed workers with experience in their respective industry. For example, the United States Chamber of Commerce predicts that if every unemployed worker with experience in the durable goods manufacturing industry were employed, the industry would only fill 44% of their vacancies.¹⁰

⁸ [Unemployment and job vacancies by education, 2016 to 2022 \(statcan.gc.ca\)](https://www150.statcan.gc.ca/n1/pub/75-602-x2023001/article/00001-eng.htm)

⁹ [Job Openings and Labor Turnover Summary - 2023 M04 Results \(bls.gov\)](https://www.bls.gov/news.release/jobopenings/20230401.pdf)

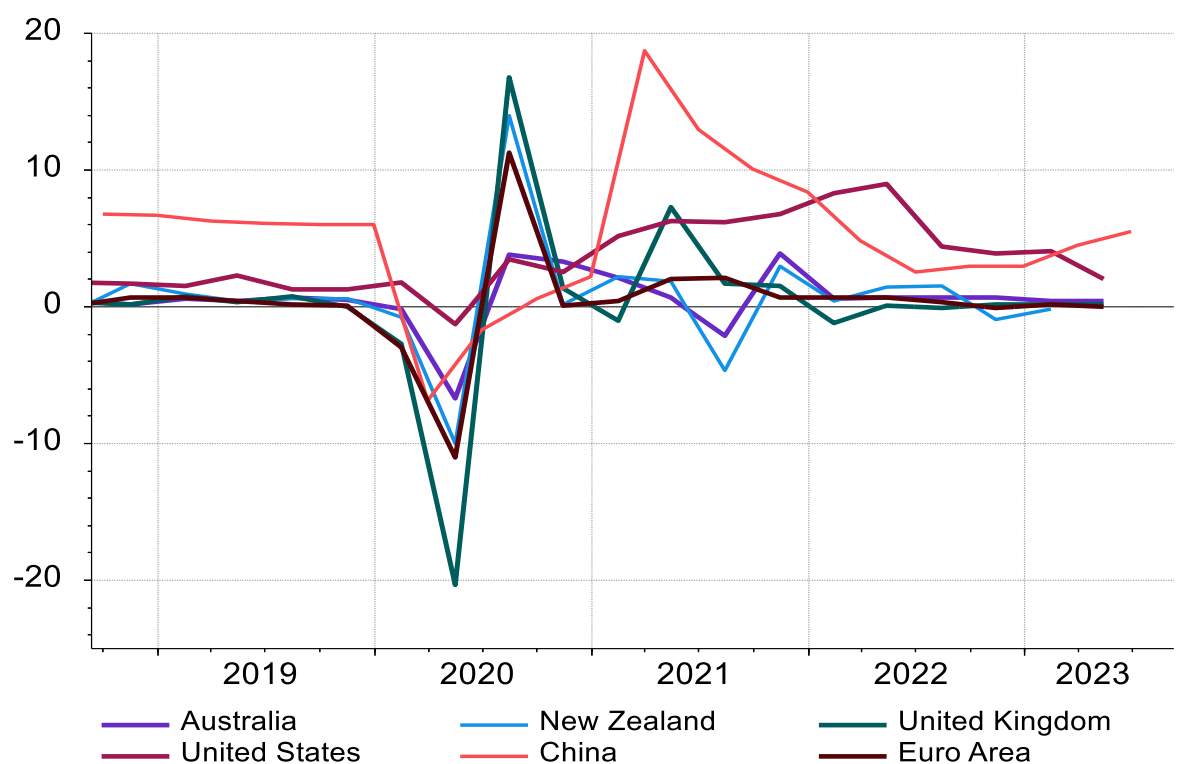
¹⁰ [Understanding America's Labor Shortage: The Most Impacted Industries | U.S. Chamber of Commerce \(uschamber.com\)](https://www.uschamber.com/economy/understanding-americas-labor-shortage-the-most-impacted-industries)

Economic outlook

Since the COVID-19 pandemic, most nations have seen a recovery in GDP growth, and the OECD predicts that global economic growth will be 2.7% in 2023 and 2.9% in 2024. Both are below the average global growth rates in the decade prior to the COVID-19 crisis.

In its June 2023 Economic Outlook, the OECD predicts Australia's economic growth to slow further. Australia's real GDP is expected to grow by 1.8% in 2023 and 1.4% in 2024. Figure 1 shows that Australia and NZ experienced negative GDP growth after the pandemic in mid-2021 and that GDP growth slowed for Australia in 2023, estimated at 0.4% in the June quarter.

Figure 1: GDP growth in selected countries (%), September 2018 to September 2023



Source: LSEG Datastream

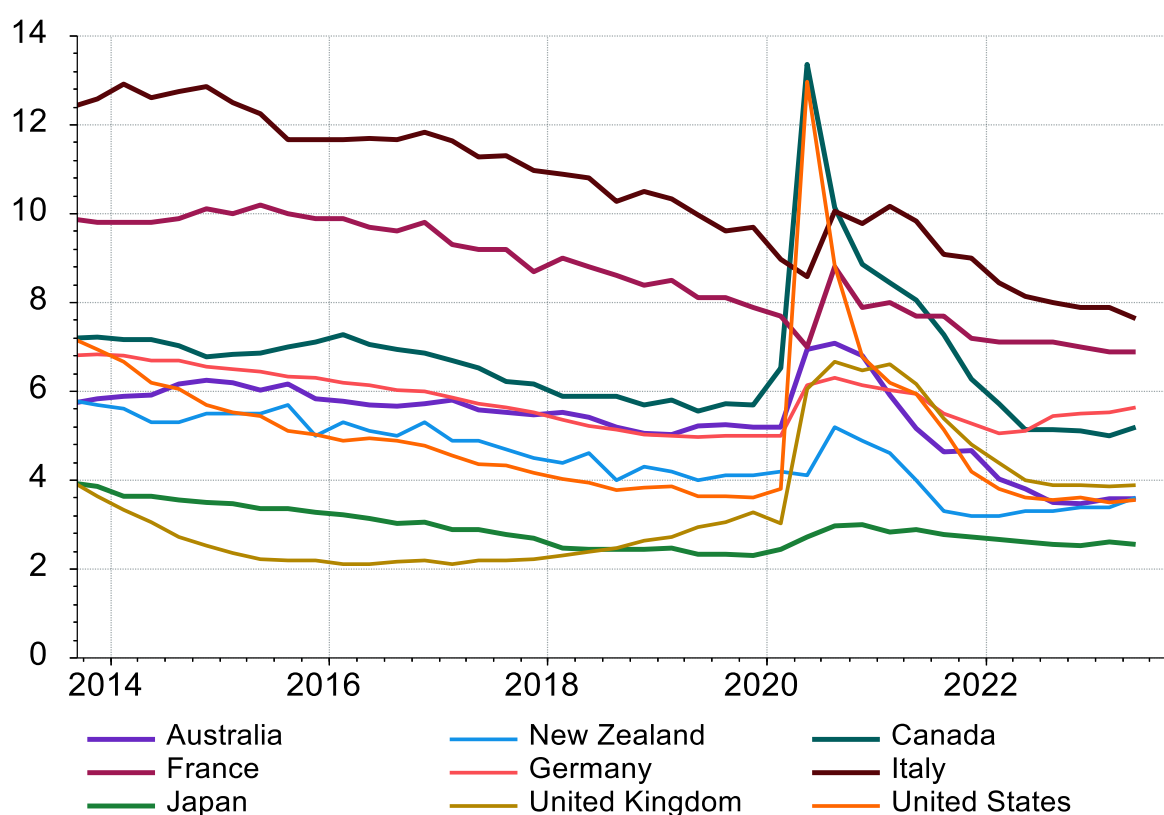
GDP growth has slowed for most advanced economies in 2023. This follows the negative growth in 2020 during the COVID-19 pandemic, with most countries making a strong recovery into 2021. Mainland China has consistently seen higher levels of growth with a peak GDP growth of 18.7% in the first quarter of 2021. GDP growth has been less volatile in the Euro Area, UK and NZ, with growth slowing since mid-2022 in the USA.

Unemployment

In Australia, labour markets have remained tight following the COVID-19 pandemic with historically low unemployment rates in 2023. OECD data shows tight labour markets in many countries, highlighting increasing global challenges for employers in finding workers with required skills.

The OECD has suggested that labour market pressures may be easing as the number of vacancies and hours worked are beginning to decline from elevated levels. The unemployment rate in Australia is predicted to rise to 4.6% by the end of 2024. This is similar for likeminded countries with both the UK and USA's unemployment rates expected to rise to 4.5% in 2024.

Figure 2: Unemployment Rates for selected countries (%) September 2013 to September 2023¹¹

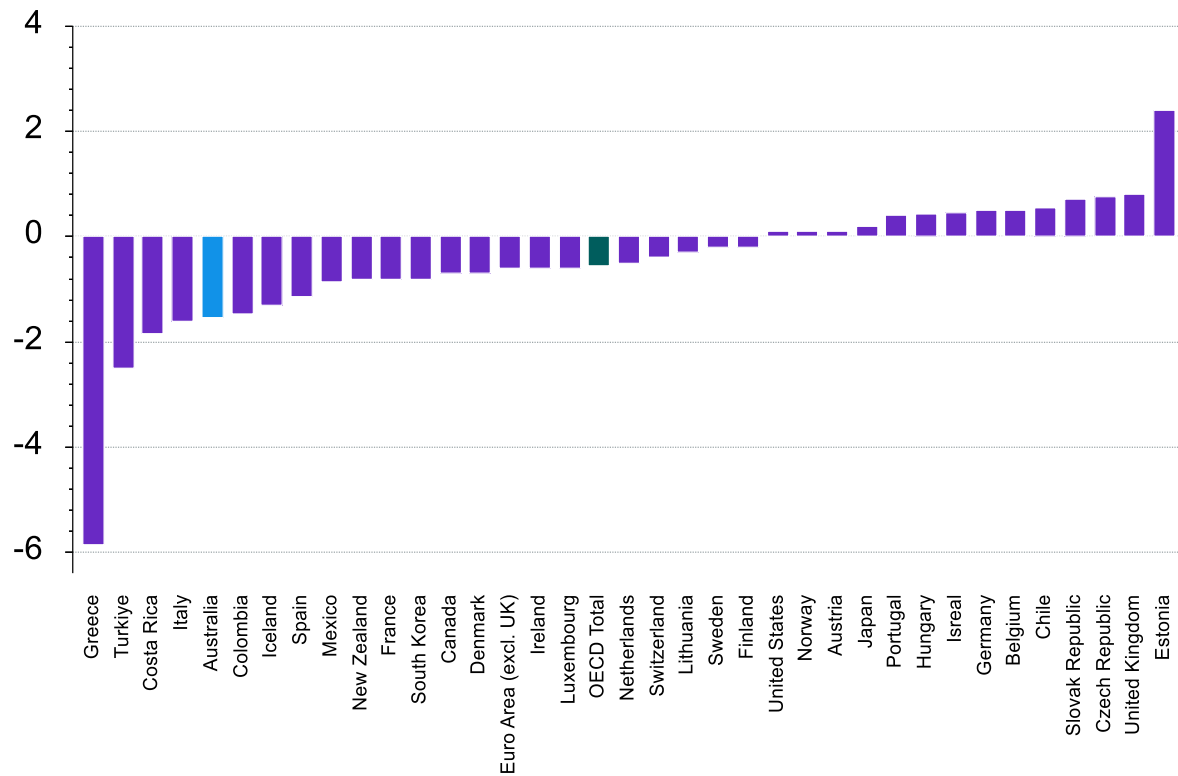


Source: LSEG Datastream

Figure 2 shows that unemployment levels peaked for most countries in 2020 before tapering off in the 2021-22 period. At the end of 2022, nations including Australia, France, NZ, Canada, Italy and the USA were experiencing unemployment rates at below pre-pandemic levels.

¹¹ All data in this figure is seasonally adjusted.

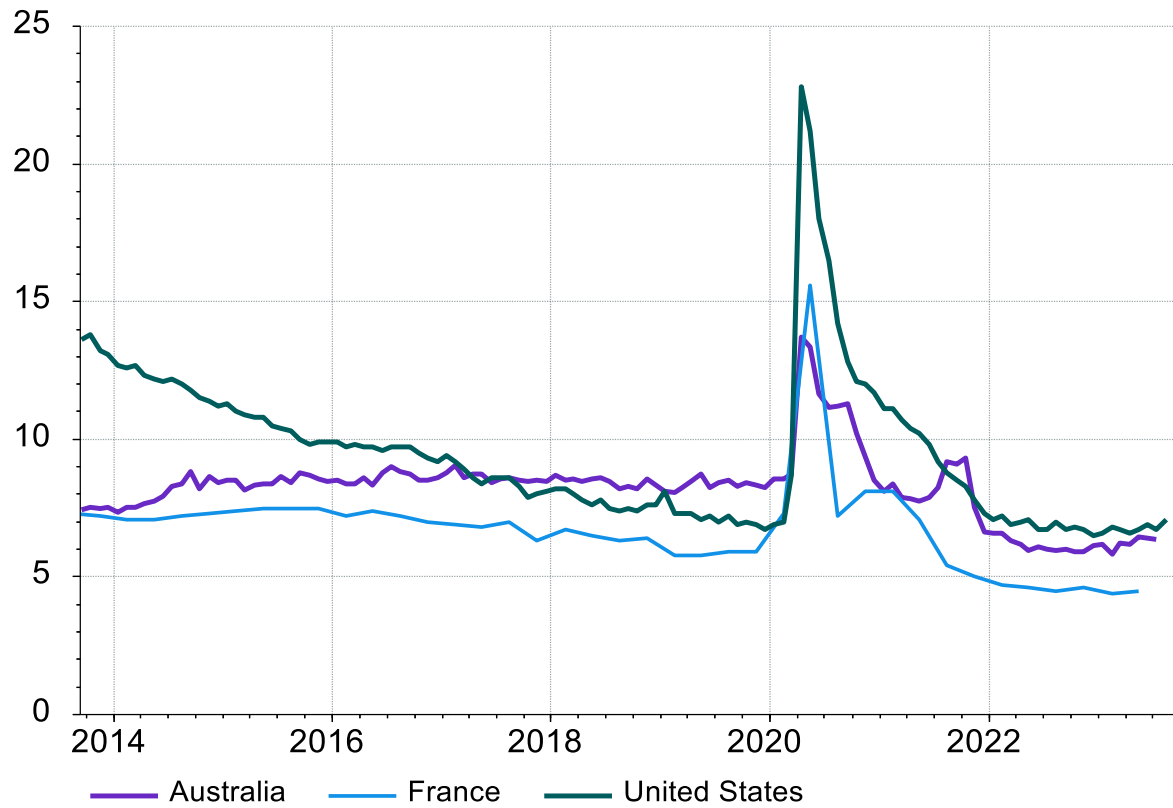
Figure 3: Changes in Unemployment Rates for OECD countries (percentage points), February 2020 to February 2023



Source: LSEG Datastream

Figure 3 shows that while in 2023 about two-thirds of OECD nations have an unemployment rate that is below the level recorded in February 2020 (prior to the COVID-19 pandemic), Australia’s unemployment rate decline is among the largest.

Figure 4: Underemployment rates for selected countries (%), September 2013 to September 2023



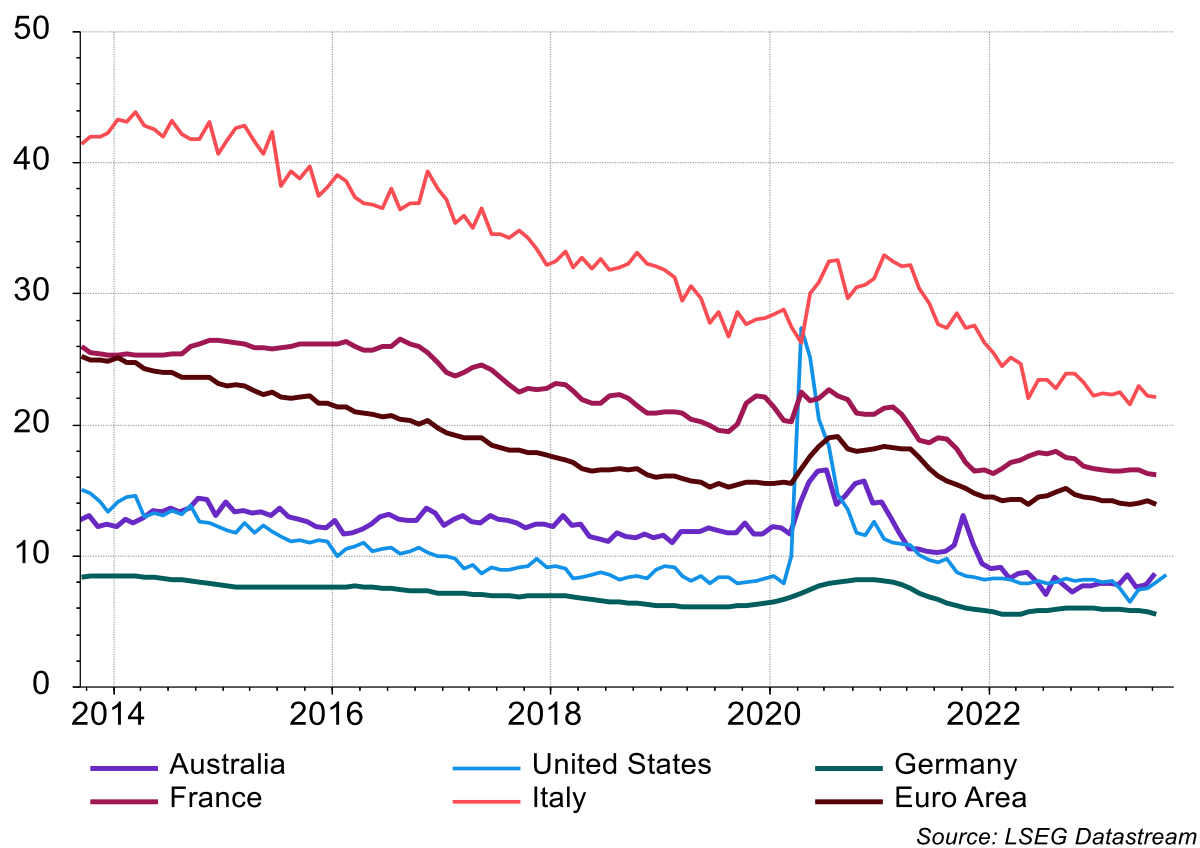
Source: LSEG Datastream

Figure 4 shows underemployment grew significantly for Australia, France and the USA in 2020-21 before returning to its pre-pandemic rates in 2022.

The International Labour Organisation’s (ILO) 2023 World Employment and Social Outlook Trends paper¹² noted that young people (aged 15-24) fared significantly worse in the labour market throughout 2022 than their adult counterparts. The global youth unemployment rate was about 14% in 2022 and more than one in five (23.5%) young people were not in education, employment or training (NEET). Further, the global employment participation rate for young people was 34.5% in 2022, 0.7 percentage points below the 2019 level.

The ILO expects 1 million young people will become unemployed between 2022 and 2023 and youth unemployment will remain relatively stable in 2024. Figure 5 shows that the youth unemployment rate for selected countries is significantly higher than that of the total labour force (aged 15-64) but has been trending downwards since 2014.

Figure 5: Youth Unemployment Rate for selected countries (%), September 2013 to September 2023



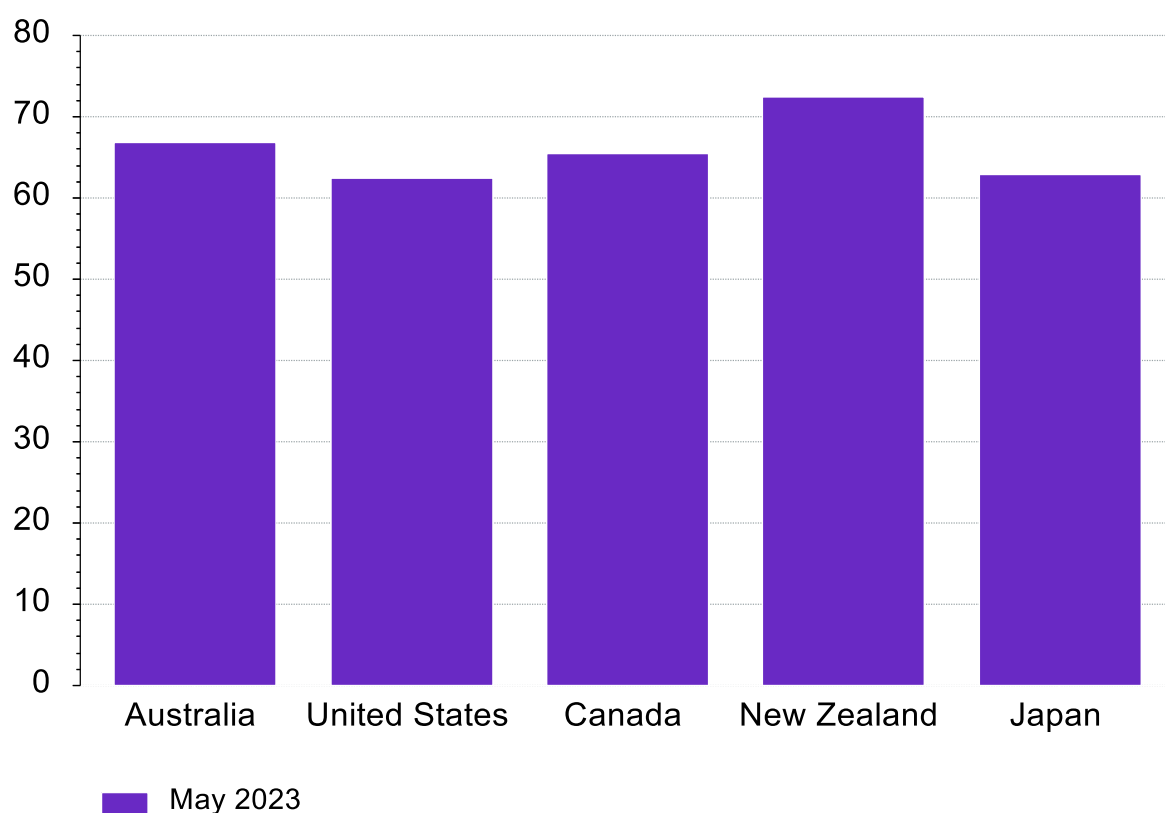
¹² https://www.ilo.org/global/research/global-reports/weso/WCMS_865332/lang-en/index.htm

Labour force participation

Findings from the ILO show that the global labour force participation rate recovered to around 60% in 2022. It is expected to decline by 0.2 percentage points by 2024. The decline in the participation rate may reflect youth spending more time in education and older generations having longer periods of retirement. The ILO suggests that participation is also being driven down by a lack of opportunities for disadvantaged groups.

Figure 6 shows the labour force participation rate of Australia, the USA, Canada, NZ and Japan. NZ had the highest labour force participation rate in May 2023 at 72.4%, followed by Australia at 66.8%.

Figure 6: Labour Force Participation Rate (%) for selected countries, May 2023



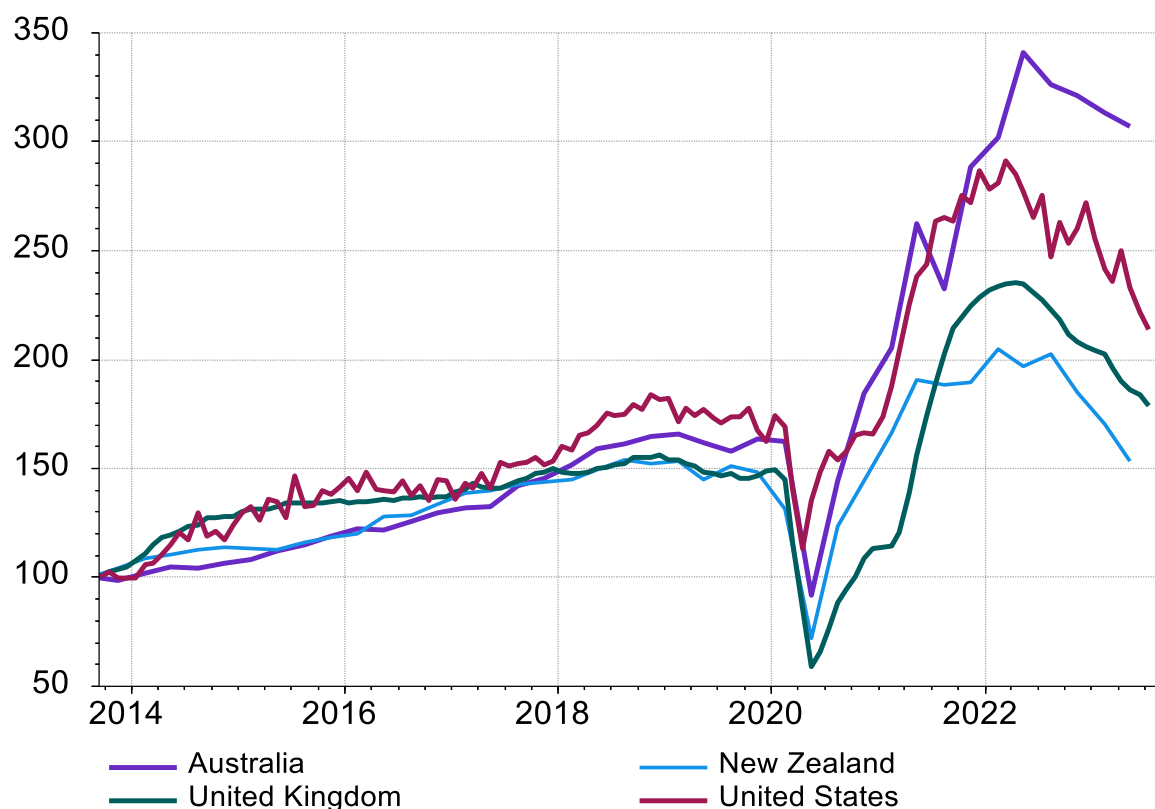
Source: LSEG Datastream

Job vacancies

Job vacancies have grown significantly beyond their pre-COVID levels in Australia and other English-speaking economies. However, in comparison to the UK and NZ, job vacancies continued to increase in Australia following the opening of international borders. See Figure 7, noting:

- indexed vacancies for all four nations followed a similar pattern as they dropped at the start of 2020 before a significant increase in the 2021-22 period. This drop was less dramatic for the USA
- trends indicate that vacancies are beginning to taper off in 2023 but they remain at substantially higher levels than prior to the pandemic, particularly in Australia and the USA.

Figure 7: Indexed Job Vacancies, September 2013 to September 2023

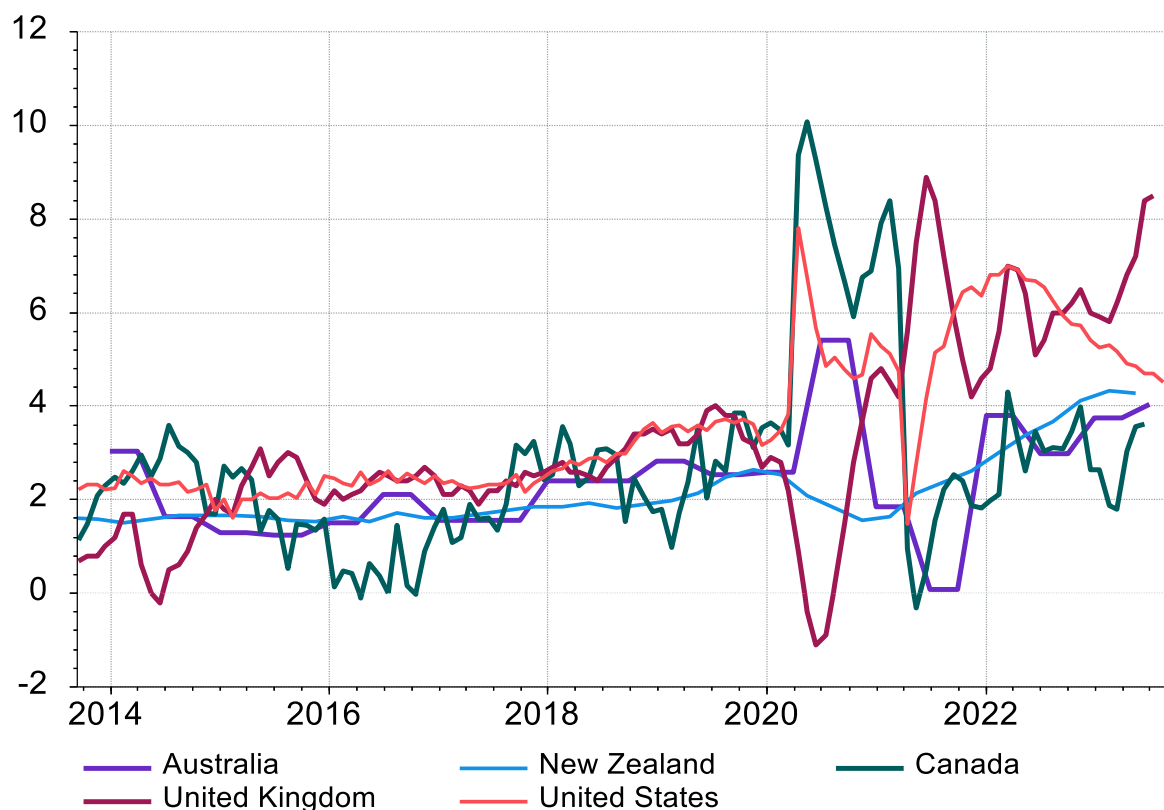


Source: LSEG Datastream

Employee earnings

Findings from the IMF suggest that while global real wage growth has fallen since the end of 2021, incomes are expected to grow slowly in 2023. Figure 8 shows earnings growth over the past ten years. Most countries have experienced high levels of volatility in earnings growth with the greatest gaps seen during the COVID-19 pandemic in 2020.

Figure 8: Earnings growth for selected countries (yearly percentage change), September 2013 to September 2023¹³



Source: LSEG Datastream

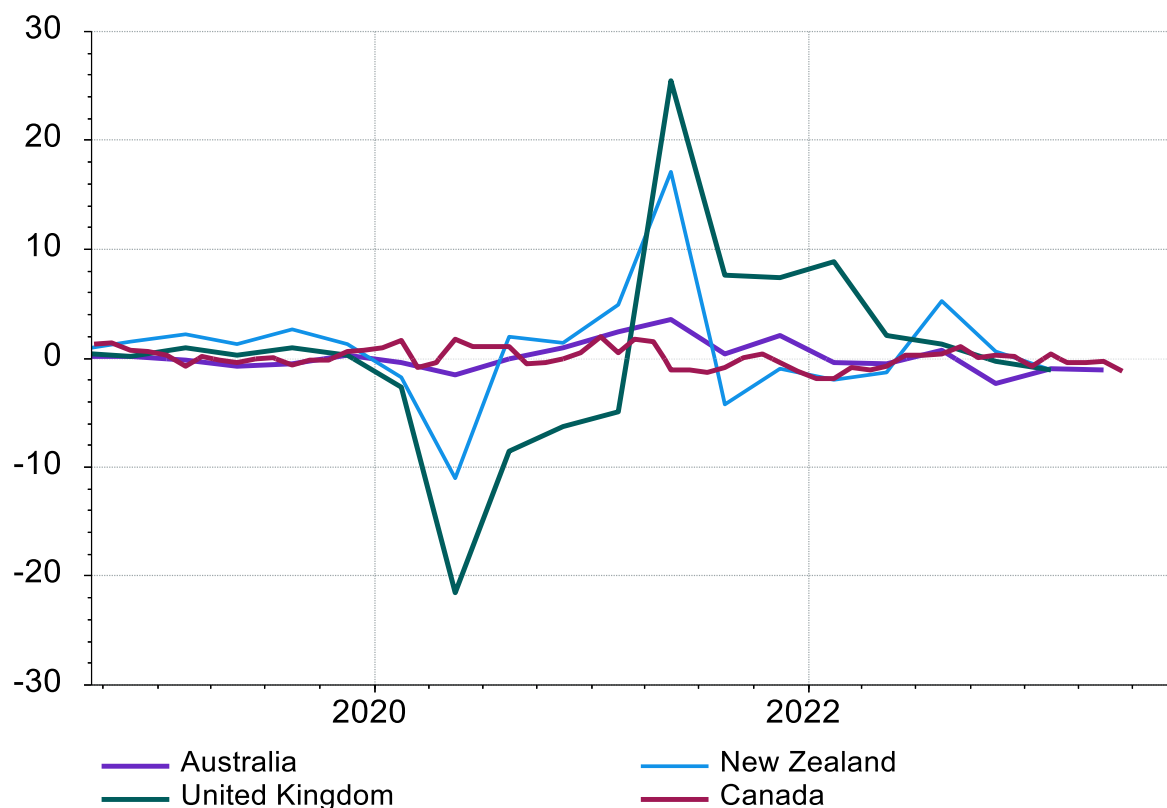
Compared to the USA and the UK, Australia has seen weaker earnings growth despite its tight labour market. This may be attributed to institutional and legislative factors such as collective bargaining that cause wages in Australia to be less sensitive to labour market tightness than in other advanced economies. Collective wage agreements continue to cover a substantial portion of the workforce in Australia. The average duration of these agreements increased to around three years in 2022.

¹³ Data for Australia, NZ, Canada and the UK for yearly growth in average weekly earnings, and for yearly growth in average hourly earnings for the USA. Data for NZ is a price index. All data are seasonally adjusted.

Productivity

Figure 9 shows Australia's productivity growth was more stable than the UK and NZ during the COVID-19 pandemic. In February 2023, productivity growth was negative for Australia, NZ and the UK. Canada's productivity growth has been consistently negative since March 2023.

Figure 9: Productivity Growth for selected countries (Yearly Change in Output per Worker), September 2018 to September 2023

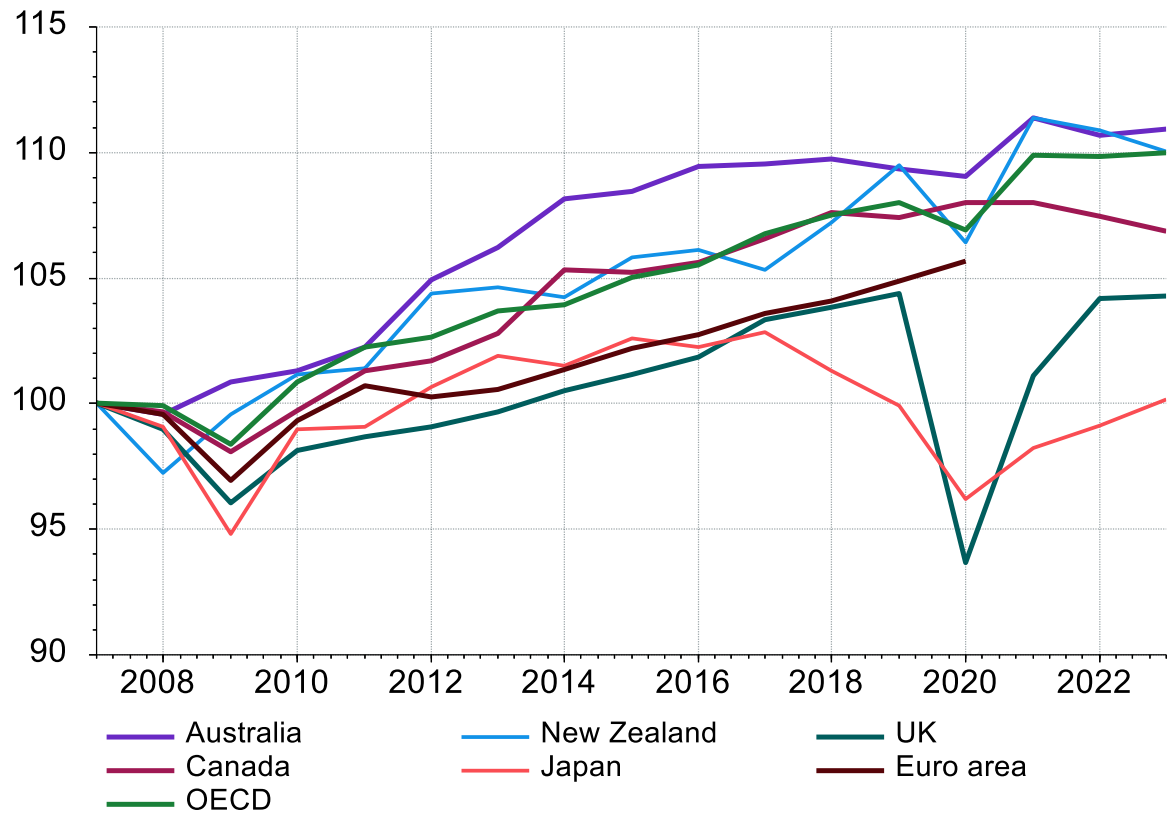


Source: LSEG Datastream

Findings from the IMF indicate that between 1991 and 2021, labour productivity grew by 46% in high-income countries and only by 16% in low-income countries. Figure 10 shows how Australia's labour force productivity has consistently grown since 2008 despite both the Global Financial Crisis and the COVID-19 pandemic.

Australia's labour productivity growth remains above the OECD average in 2023. Conversely, other economies have seen considerable drops in labour productivity in both 2008-09 and 2020. Particularly, Japan and the UK saw significant decreases in labour productivity possibly reflecting differences in policies addressing the pandemic.

Figure 10: Indexed Labour Productivity Growth for selected countries, January 2007 to September 2023



Source: LSEG Datastream / Fathom Consulting