



Spotlight – 2022 in Review

Overview

Employers faced tight labour market conditions in 2022, with almost 50-year low unemployment rates combined with a high number of vacancies¹. Findings from [Jobs and Skills Australia's Recruitment Experiences and Outlook Survey \(REOS\)](#) reflect these conditions with a higher proportion of employers reporting difficulty recruiting in 2022 compared with 2021.

This report presents the major findings of the REOS for 2022. With the declining impact of the COVID-19 pandemic, the recruitment rate and recruitment difficulty rate increased notably in the first half of 2022. Since then, there has been a slight easing in labour demand and corresponding difficulty filling vacancies, although remaining at near record high levels.

REOS data in this report is presented as smoothed data² to remove the irregular month-to-month variability of original data and to highlight underlying trends.

Recruitment activity

National level

The REOS measures recruitment activity through an indicator called the 'recruitment rate'. This is the proportion of employers who were either currently recruiting at the time of the survey, or who had recruited in the previous month.

Following the easing of restrictions related to COVID-19 in late 2021, there was a steep increase in the recruitment rate to May 2022, rising from 42% to 58% of employers in smoothed terms. For the remainder of 2022 the recruitment rate has remained very high compared with historical levels, while tapering off slightly towards the end of the year.

Figure 1. Recruitment rate, June 2020 - December 2022



¹ Source: ABS Labour Force, Australia; and Jobs and Skills Australia's, Internet Vacancy Index, December 2022.

² REOS monthly data is smoothed by applying a Henderson 13 term moving average.

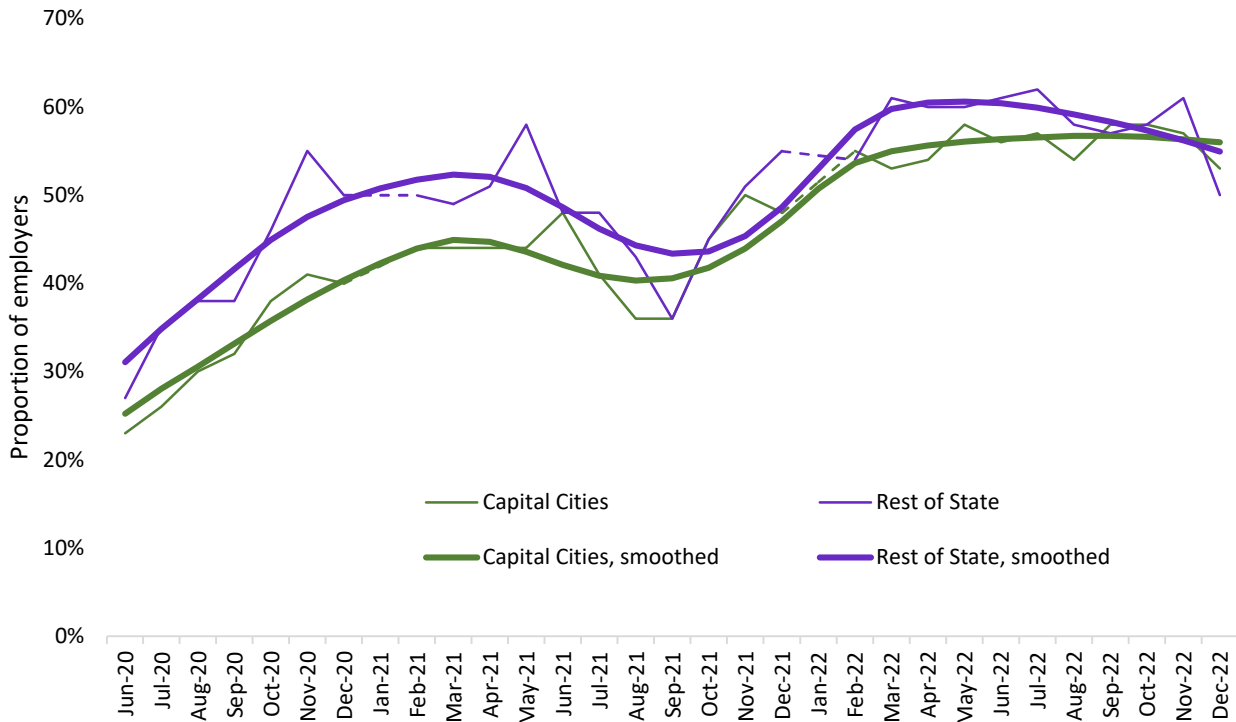
Capital City and Rest of State areas

The second half of 2022 saw a convergence between the recruitment rates in Capital Cities compared with Rest of State areas (which generally cover regional Australia). Prior to this, the recruitment rate in Rest of State areas had consistently outpaced that recorded in Capital Cities.

As with the movements in the recruitment rate at the national level, following the removal of COVID-19 restrictions, the recruitment rates across Capital City and Rest of State areas recovered strongly in late 2021 and into 2022. In smoothed terms, the recruitment rate for Capital Cities increased from 40% in August 2021 to 57% in July 2022, while the recruitment rate for Rest of State areas increased from 43% in September 2021 to 61% in May 2022.

From mid-2022 the recruitment rate in Capital City areas, in smoothed terms, remained relatively stable, while in Rest of State areas, the recruitment rate declined to stand at 55% in December 2022, marginally lower than the 56% recorded for Capital City areas.

Figure 2. Recruitment rates in Capital Cities and Rest of State areas, June 2020 – December 2022*



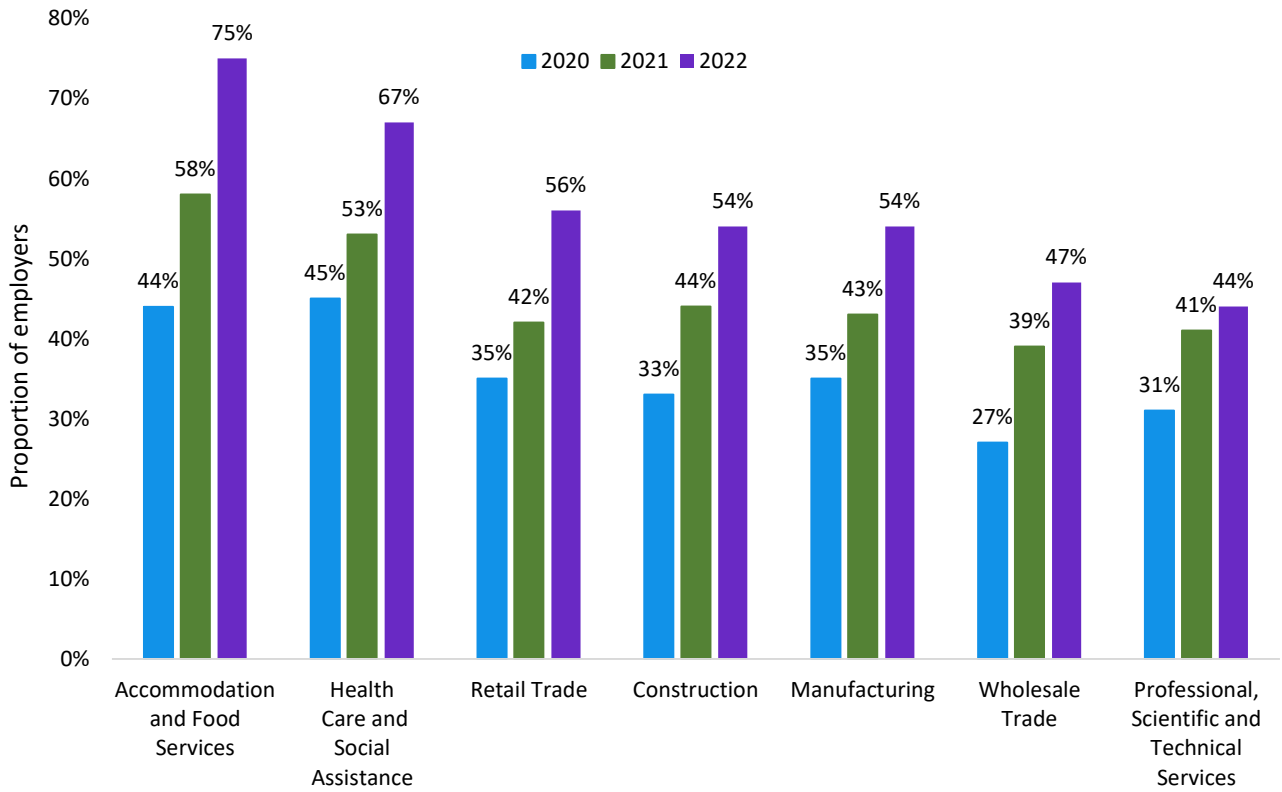
*Note: Disaggregated data (in original terms) for January 2021 and January 2022 are not available.

Selected industries

The recruitment rate for all reportable industries³ has increased from 2020 to 2022.

In 2022, the industry divisions with the highest recruitment rates were Accommodation and Food Services (75%), and Health Care and Social Assistance (67%). They were lowest for Wholesale Trade (47%), and Professional, Scientific and Technical Services (44%).

Figure 3. Recruitment rates by selected industries, 2020 to 2022

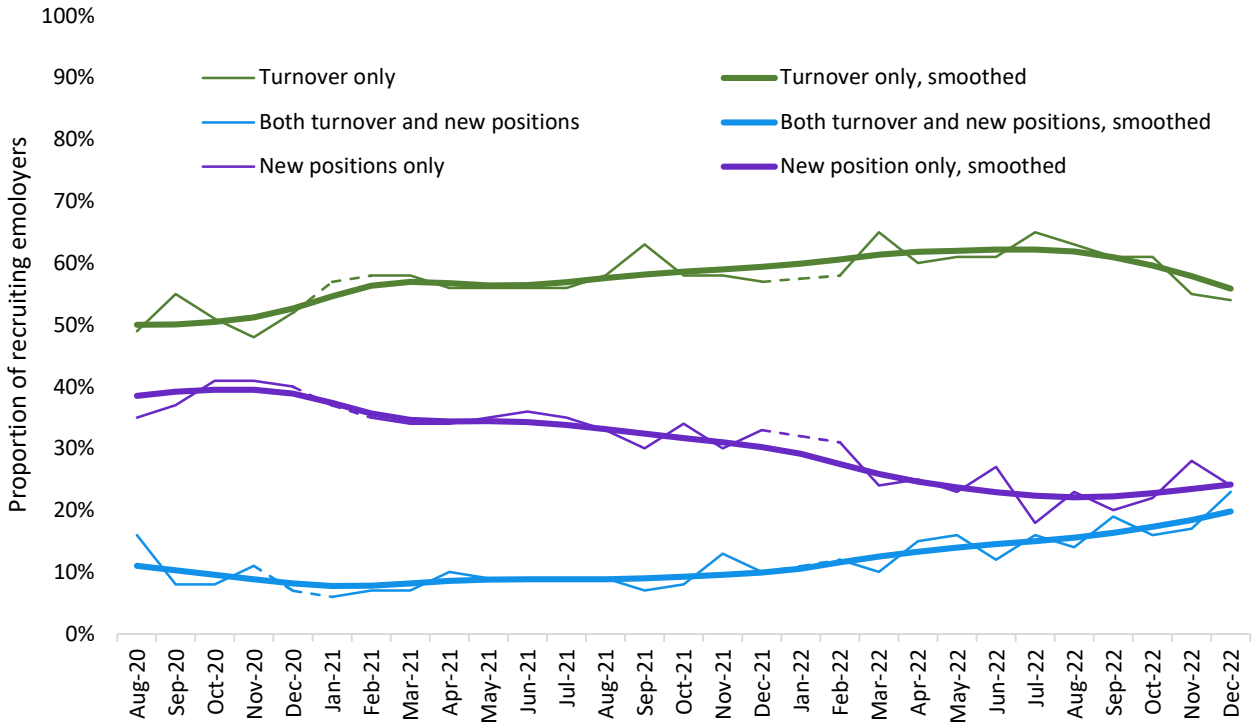


³ These include all industry divisions for which sufficient sample and coverage is available in REOS to release reliable estimates.

Reasons for recruitment

As shown in Figure 4, turnover was the primary reason for recruitment in 2022, with 56% of employers recruiting for 'turnover only' and a further 20% recruiting for a mix of both turnover and new positions in December 2022 (smoothed series). Recruiting for 'turnover only' has declined from the peak of 62% recorded in July 2022.

Figure 4. Reasons for recruitment, August 2020 to December 2022*



*Note: Disaggregated data (in original terms) for January 2021 and January 2022 are not available.

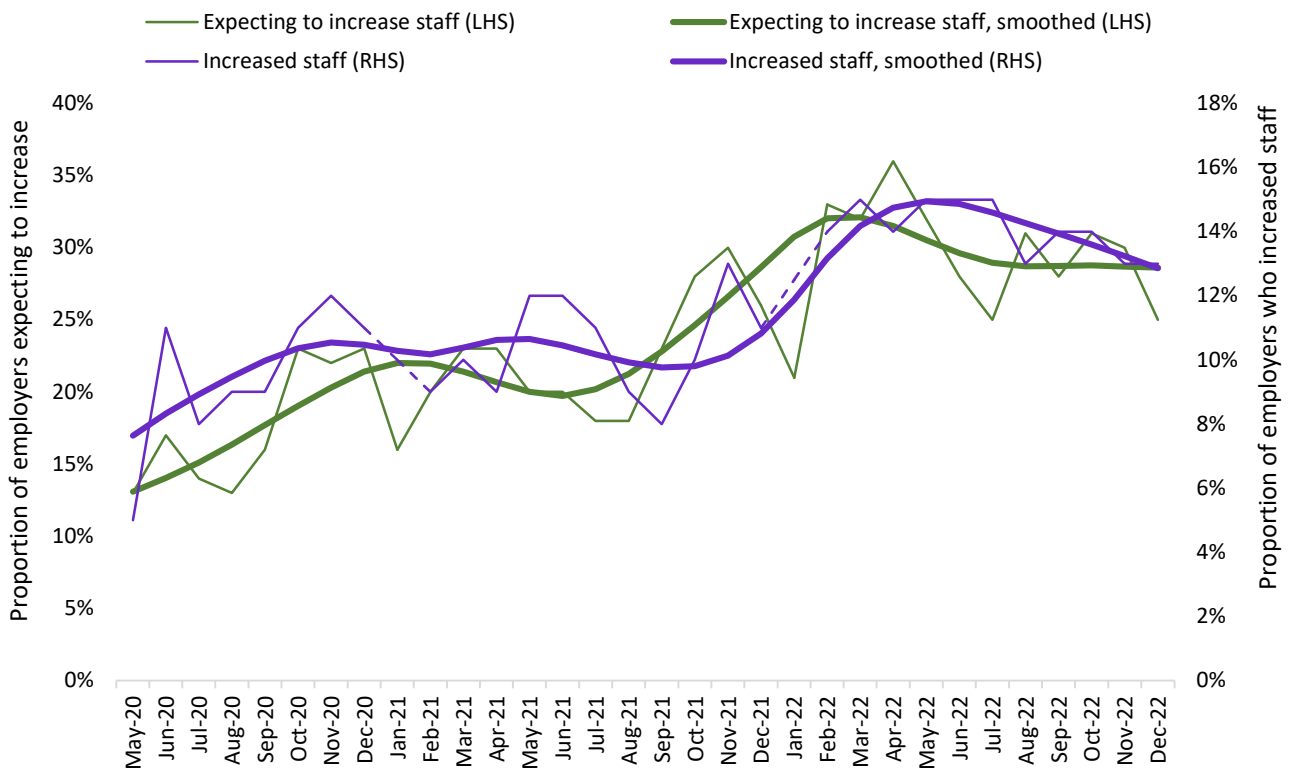
Changes in staffing levels

As part of the REOS, employers are asked about their expectations to increase or decrease their staffing levels in the three months following the survey. This measure is an indication of business confidence and employers' outlook for the near future.

The proportion of employers that expected to increase staff in the three months following the survey increased from 20% in June 2021 to 32% in March 2022 (smoothed series). The proportion slowly decreased through the remainder of the year, to stand at 29% in December 2022.

The proportion of employers who increased staff in the month prior to the survey generally follows the same overall trend as those expecting to increase staff, albeit at a lower level and with a three-month lag. This demonstrates the value of the series as an early labour market indicator.

Figure 5. Proportion of employers who expect to increase staffing levels in the next three months, compared with employers who increased staffing levels, May 2020 - December 2022*



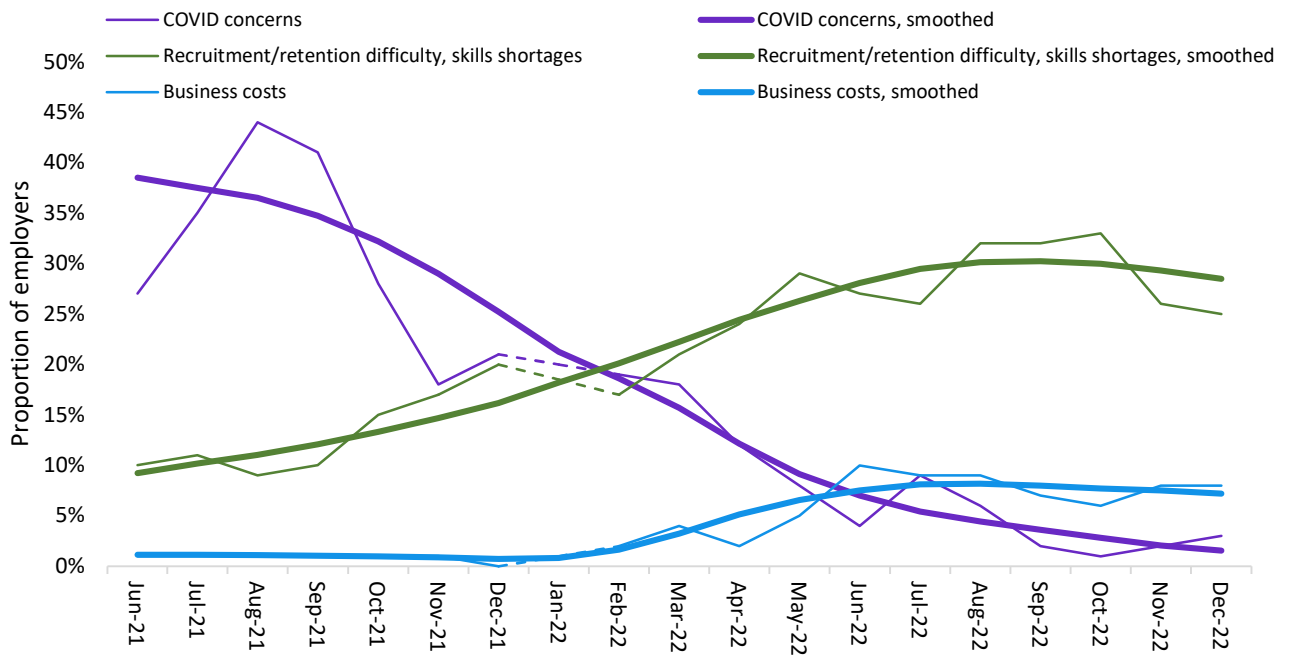
*Note: Disaggregated data (in original terms) for proportion of employers who increased staff in January 2021 & January 2022 are not available. The REOS survey is not a longitudinal survey, each month a unique group of employers are surveyed.

Employers' greatest future concern for the next three months

In 2021, employers understandably cited COVID--19 and its direct impacts as their greatest concern for the future. However, this was no longer the case in 2022. In line with tight labour market conditions, employers increasingly reported that recruitment or retention difficulty was their greatest concern, becoming the most common concern in February 2022, and standing at 28% of employers in December 2022 (smoothed series).

In 2022, business costs, which includes costs associated with increases in both inflation and interest rates, was reported by just under 1 in 10 employers as their greatest concern.

Figure 6. Employers' greatest concern for the next 3 months, June 2021 - December 2022*



*Note: Disaggregated data (in original terms) for January 2022 are not available. 'COVID concerns' include isolation and quarantine requirements, travel restrictions, border closures, COVID lockdowns (current or future), lack of vaccines or people not wanting COVID vaccinations and staff contracting COVID-19 or needing to isolate.

Recruitment difficulty

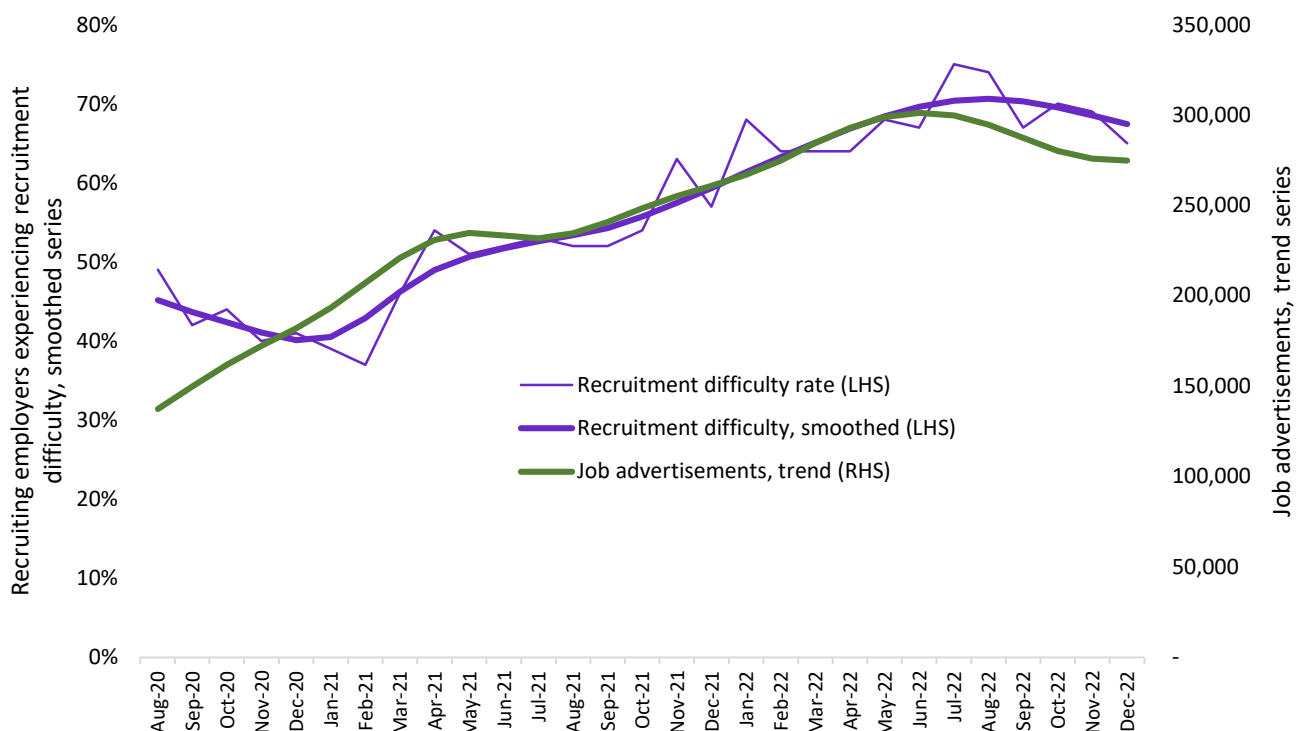
The proportion of employers reporting difficulty filling their vacancies in their most recent recruitment round⁴ is referred to as the 'recruitment difficulty rate'. The recruitment difficulty rate has increased to record levels and is another measure of the tight labour market in 2022. Recruitment difficulty may also be a sign of labour market mismatch, which occurs when the skills and attributes of job seekers do not match employer requirements.

National

The recruitment difficulty rate started rising in early 2021 to reach a record high⁵ in mid-2022, with 71% of recruiting employers having trouble filling their vacancies in their most recent recruitment round (smoothed series). Over the second half of 2022, the recruitment difficulty rate slightly tapered off, falling 4 percentage points by December 2022.

The recruitment difficulty rate has moved in line with the number of job advertisements as measured by Jobs and Skills Australia's *Internet Vacancy Index (IVI)*⁶, with both series showing an easing in labour demand in late 2022.

Figure 7. Recruitment difficulty (original and smoothed) and IVI job ads (trend), August 2020 to December 2022



⁴ Within the month prior to being surveyed.

⁵ Since the survey began in 2011.

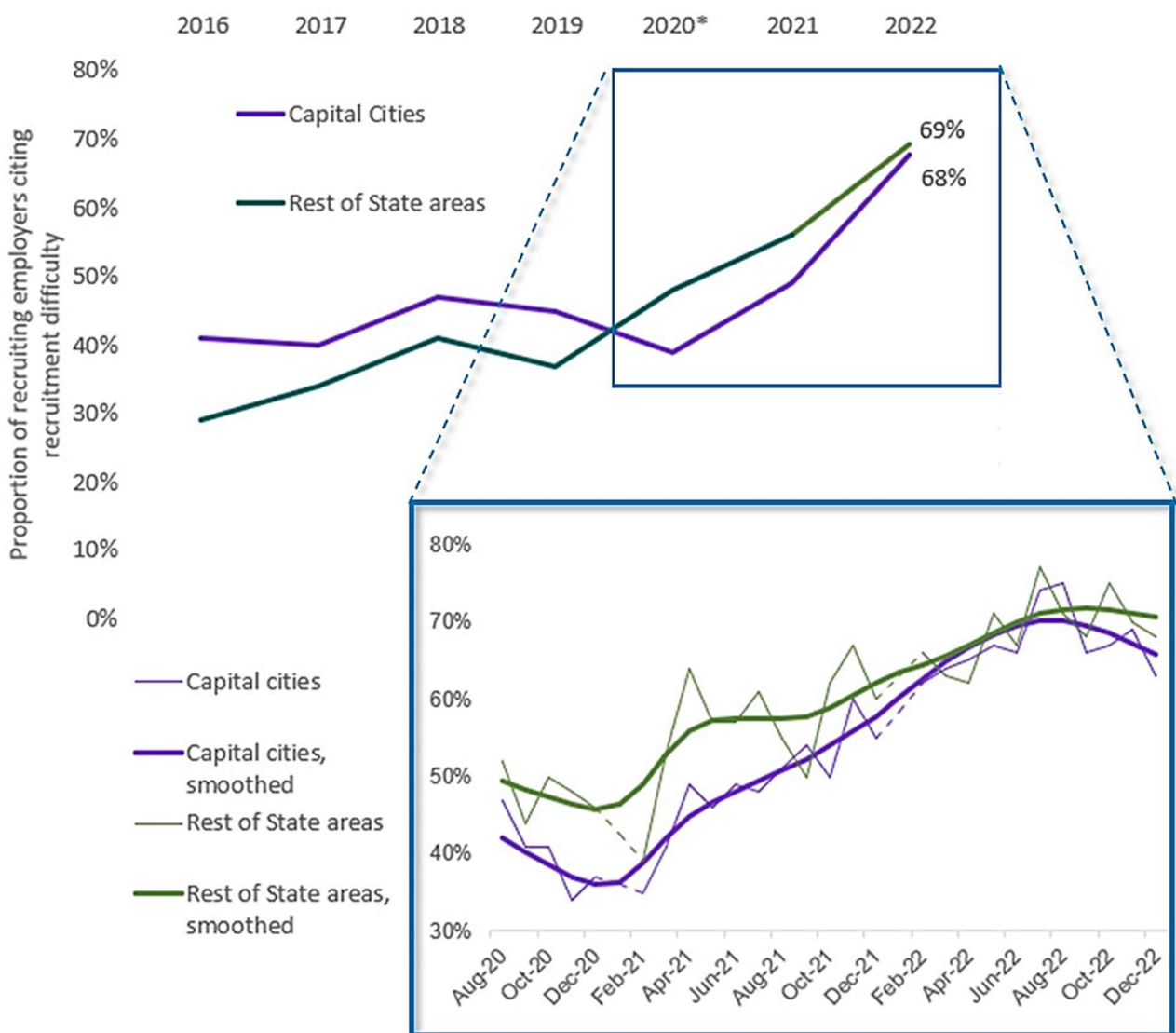
⁶ Data from Jobs and Skills Australia, *Internet Vacancy Index*, is available here: [Internet Vacancy Index | Jobs and Skills Australia](#).

Capital Cities and Rest of State areas

Recruitment difficulty (for recruiting employers) in Capital City and Rest of State areas followed a similar pattern to the national level, rising from early 2021 through to mid-2022 before declining slightly towards the end of the year.

Compared to the pre COVID 19 rates, the recruitment difficulty rate for both Capital City and Rest of State areas is much higher in 2022. The recruitment difficulty rate was 68% for Capital Cities in 2022, an increase from 45% in 2019; and 69% for Rest of State areas in 2022, an increase from 37% in 2019. For the first half of 2022, the recruitment difficulty rate was similar between Capital Cities and Rest of State areas (in smoothed terms). In the second half of the year the rates diverged, with the rate for Rest of State areas higher compared to Capital Cities.

Figure 8. Recruitment difficulty rates, by Capital Cities and Rest of State areas, annual data 2016 – 2022 and monthly data August 2020 – December 2022 in inset*

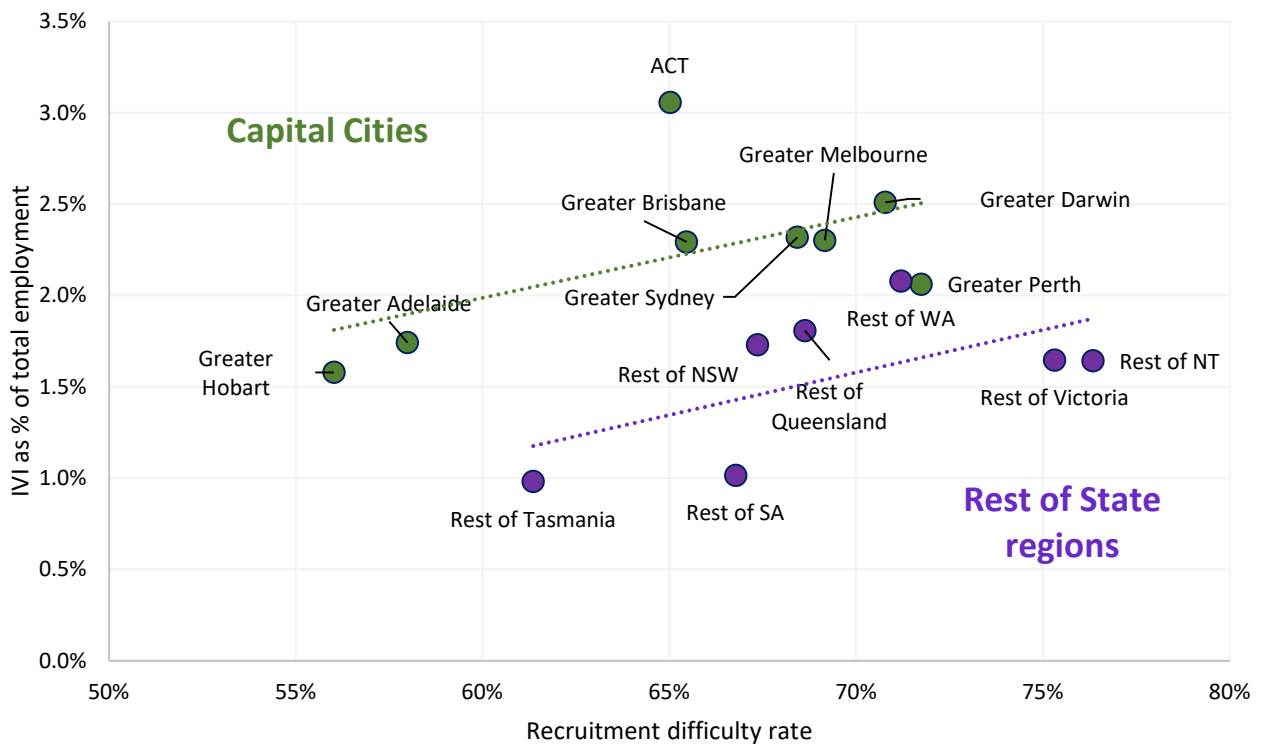


*Note: 2020 data covers the period from August 2020 to December 2020. As a result, it does not reflect recruitment conditions for all of 2020.

While Figure 7 illustrates the alignment between the recruitment difficulty rate and job advertisements via the Internet Vacancy Index (IVI), there is notable variation across regions.

In general, for Capital Cities and Rest of State regions the higher the labour demand (as measured by IVI as a proportion of employment, to allow comparisons across regions) the higher the recruitment difficulty rate. However, Capital Cities will have much higher labour demand relative to difficulty compared with Rest of State regions.

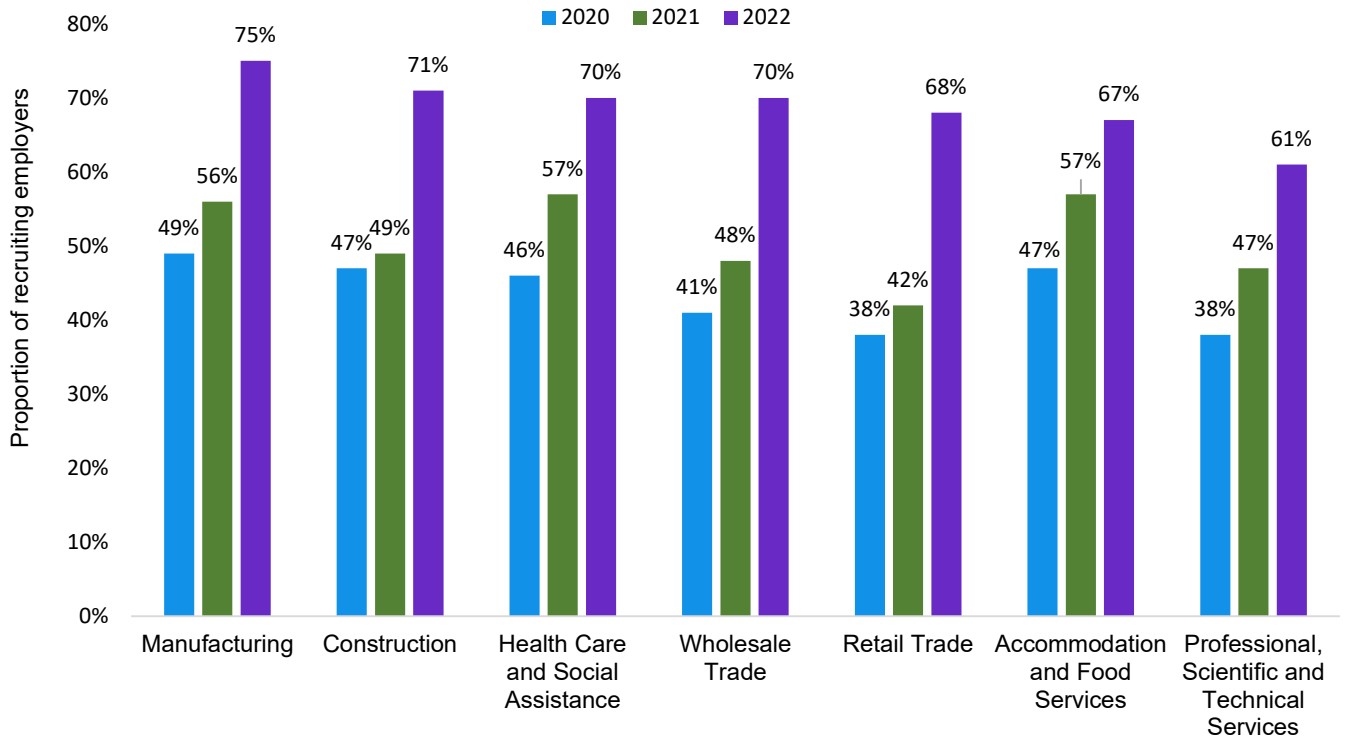
Figure 9. Recruitment difficulty rate and IVI as a share of total employment, Capital Cities and Rest of State regions, 2022



Selected industries and occupations

Recruitment difficulty rates were higher in 2022 across a range of industries⁷ relative to 2021. The highest annual recruitment difficulty rate for 2022 was for Manufacturing, with 75% of recruiting employers having difficulty recruiting. Construction (71%), Health Care and Social Services (70%), and Wholesale Trade (70%) had the second highest and equal-third highest annual recruitment difficulty rates of 2022, respectively.

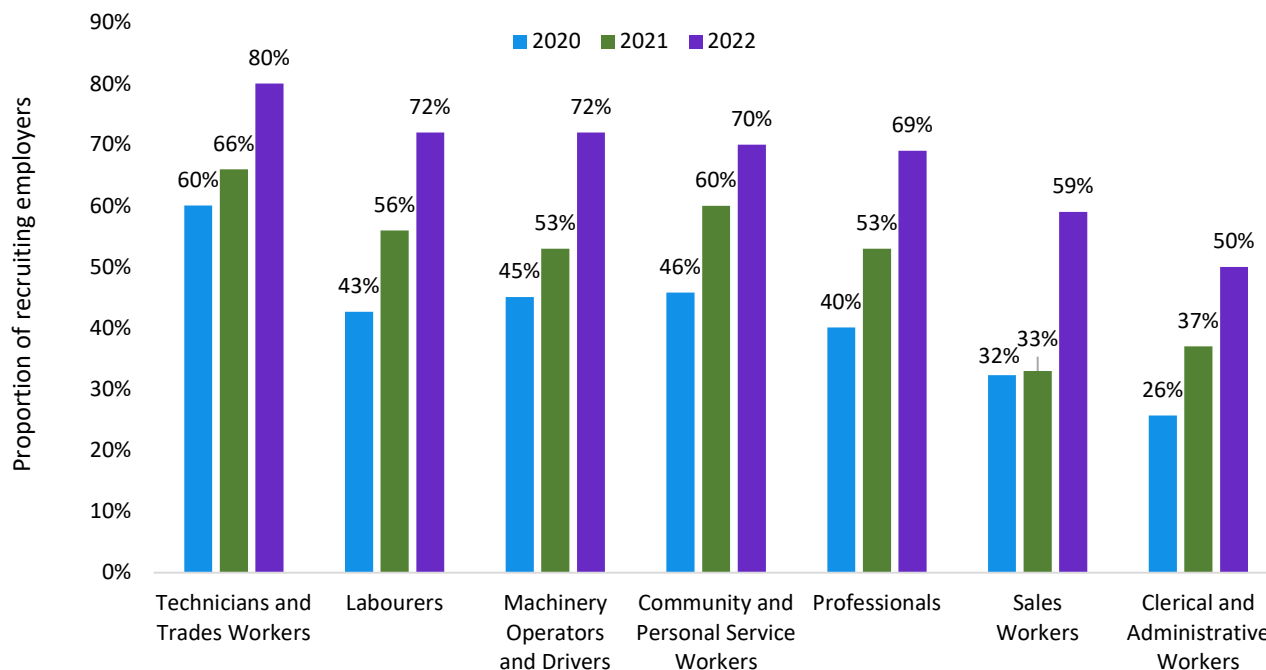
Figure 10. Recruitment difficulty rates, by selected industries, 2020, 2021 and 2022



⁷ These include all industry divisions for which sufficient sample and coverage is available in REOS to release reliable estimates.

Recruitment difficulty rates vary notably across occupation groups (see Figure 11), with the highest rates in 2022 recorded when recruiting for Technicians and Trades Workers (80%), Labourers (72%) and Machinery Operators and Drivers (72%). While employers recruiting for Clerical and Administrative Workers had the lowest rate, half of employers still reported it difficult to fill these vacancies. While the recruitment difficulty rate for each occupation group has increased each year since 2020, Sales Workers has particularly risen in 2022 – by 26 percentage points since 2021.

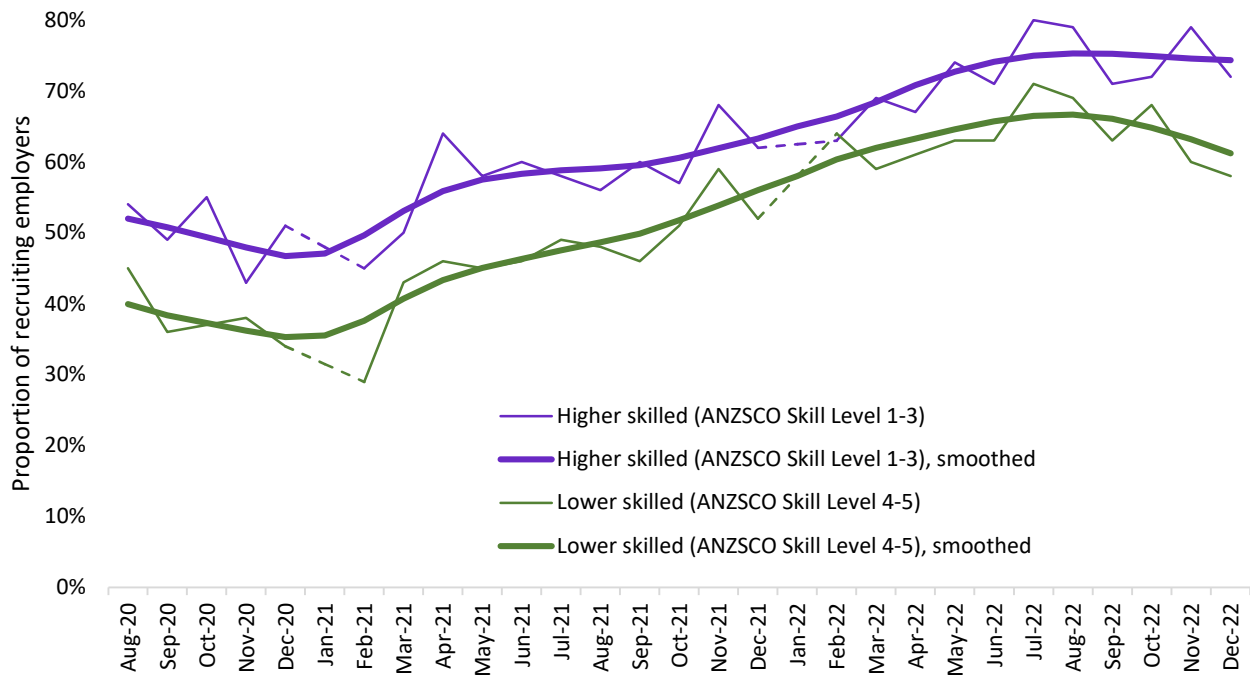
Figure 11. Recruitment difficulty rates, by occupation group, 2020, 2021 and 2022*



* Note: Managers are excluded due to small sample size.

Figure 12 shows that employers recruiting for higher-skilled occupations experienced a higher recruitment difficulty rate compared with those recruiting for lower-skilled occupations. While the rates for each series peaked in mid-2022, the rate for higher skilled occupations has remained relatively stable while the rate for lower skilled has decreased by 6 percentage points (in smoothed terms), with the rate for Sales Workers in particular decreasing over the last six months (after increasing in the first half of 2022). The difference between higher and lower skilled rates is, in December 2022, as high as it has been over the last few years.

Figure 12. Recruitment difficulty by skill level of occupation, August 2020 to December 2022*



*Note: Disaggregated data (in original terms) for January 2021 and January 2022 are not available and are inferred with a dotted line between December 2021 and February 2022.

Reasons for recruitment difficulty

Recruiting employers who experienced recruitment difficulty were asked why their recruitment was difficult.

In both 2021 and 2022, a 'lack of applicants', and a 'lack of suitable applicants' were the top reasons given, although both proportions have decreased in 2022.

- Lack of applicants: from 40% in 2021, to 36% in 2022.
- Lack of suitable applicants: from 44% in 2021, to 28% in 2022.

By contrast, there was an increase in employers who reported having recruitment difficulty because applicants perceived that 'vacancies had undesirable working conditions or hours', from 8% in 2021 to 19% in 2022.

The proportion of employers with recruitment difficulty who cited 'other difficulties' which frequently include competition from other employers for applicants, increased from 6% in 2021 to stand at 13% in 2022.

Figure 13. Reasons for recruitment difficulty, 2021 and 2022



Time to fill vacancies and recruitment difficulty

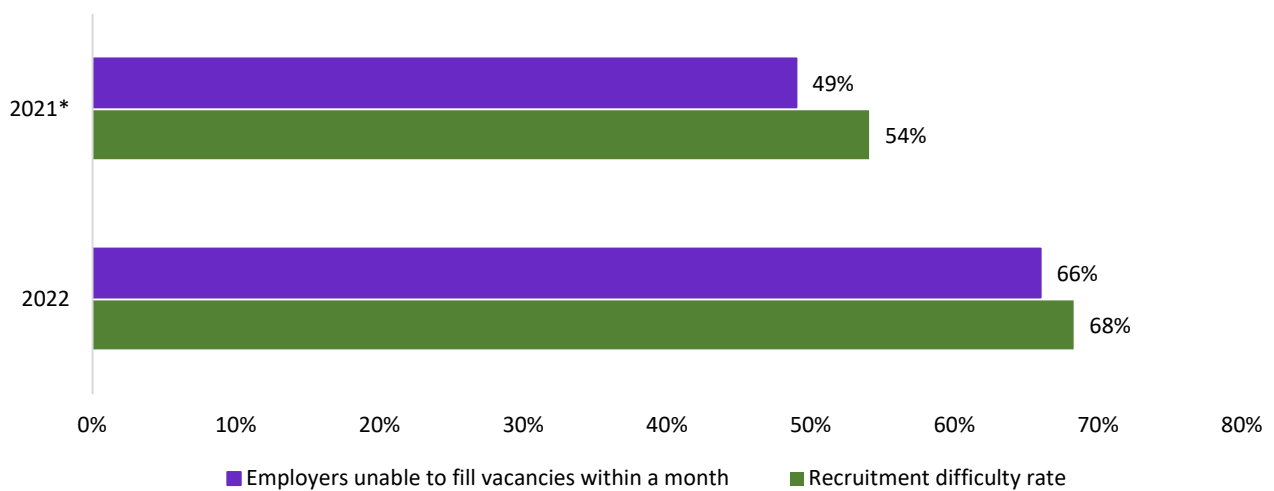
Employers are finding it increasingly time consuming to fill their vacancies. In 2022, 66% of recruiting employers were unable to fill their vacancies within a month, an increase from 49% in 2021.

Of those recruiting employers surveyed in 2022:

- 28% filled vacancies within a month (down from 41% in 2021);
- 16% had not yet filled vacancies but had been looking for less than a month (down from 20% in 2021);
- 17% filled vacancies but it took longer than a month (unchanged since 2021); and
- 38% had unfilled vacancies for more than a month (up from 22% in 2021).

The time taken to fill vacancies has increased in line with the recruitment difficulty rate since 2021.

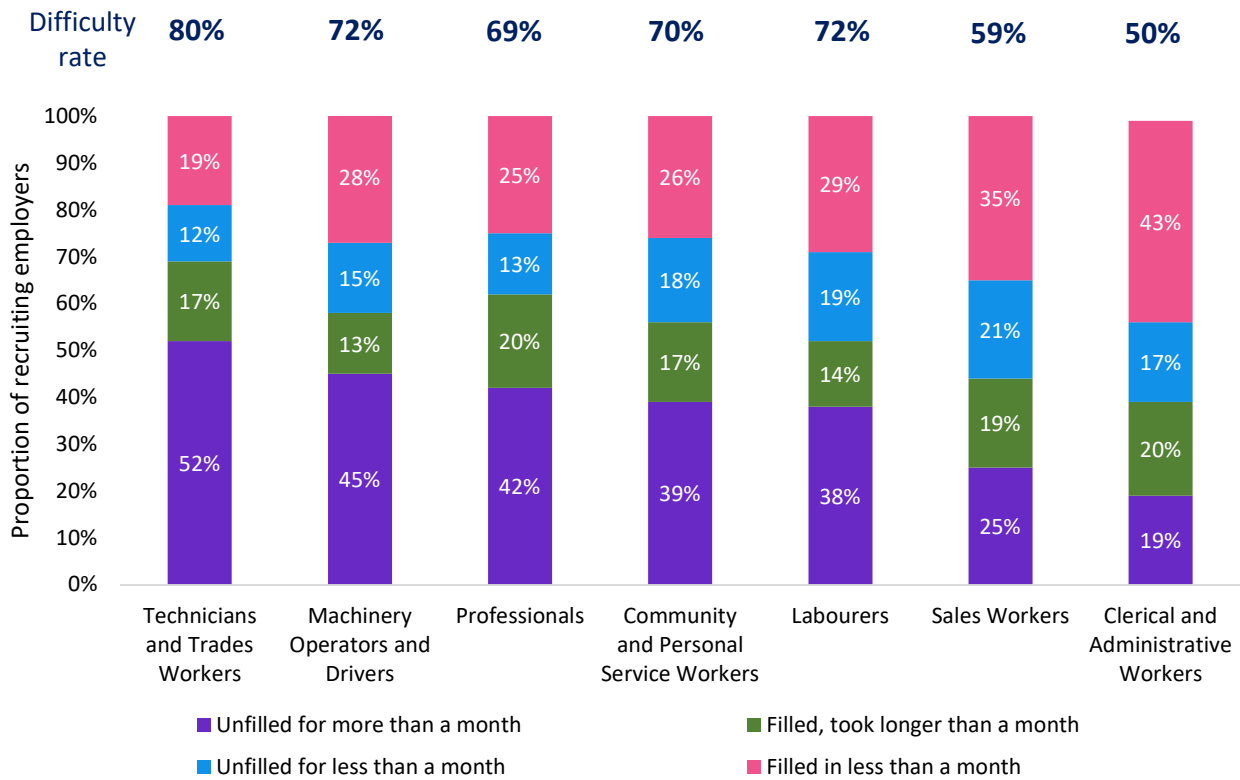
Figure 14. Time to fill vacancies and recruitment difficulty rate, –2021 and 2022*



* Note: 2021 only includes data from May to December 2021.

In 2022, employers recruiting for Technicians and Trades Workers were the most likely to have unfilled vacancies which they had been trying to fill for over a month (52%), followed by Machinery Operators and Drivers (45%), and Professionals (42%). On the other hand, only 19% of employers recruiting for Clerical and Administrative Workers had unfilled vacancies which they had been trying to fill for over a month.

Figure 15. Time to fill vacancies and recruitment difficulty rate, by selected occupation group, 2022



Note: Managers are excluded due to small sample size.

Technical notes

The *Recruitment Experiences and Outlook Survey* (REOS) is a telephone administered survey with the business owner or other person in the business responsible for recruitment.

All figures presented in this report have been weighted by location and workplace size, according to the Australian Bureau of Statistics [Counts of Australian Businesses, including Entries and Exits](#) (June 2018 to June 2022) publication. The weighted figures are intended to create nationally representative results by correcting for the oversampling of smaller regions compared with larger regions.

Data collected in the survey have been coded and reported according to the following ABS classifications:

- Industry is defined by the [Australian and New Zealand Standard Industrial Classification \(ANZSIC\)](#), 2006, Version 2.0.
- Occupation is defined by the [Australian and New Zealand Standard Classification of Occupations \(ANZSCO\)](#), 2013, Version 1.3.
- Capital City and Rest of State areas are defined by the [Australian Statistical Geography Standard \(ASGS\): Volume 1 - Main Structure and Greater Capital City Statistical Areas](#), July 2016.

Background

Information in this report is based on the *Recruitment Experiences and Outlook Survey* (REOS), which is an ongoing survey of employers across Australia. Approximately 1,200 employers are surveyed each month, with data published on the Jobs and Skills Australia website (jobsandskills.gov.au). While the data are indicative of recruitment activity, they may be subject to seasonal factors and other volatility and should therefore be used with caution. In addition, the survey is targeted towards employers with 5 or more employees, and excludes many government organisations.

REOS results may not reflect the full impact that outbreaks of COVID-19 and associated restrictions have had on employers and their recruitment experiences since the survey is unable to gather data from employers who have closed (even temporarily), and response rates can vary significantly by industry in areas that were under lockdown restrictions at the time of survey. Furthermore, the survey was paused and adapted, particularly during 2020, to reflect changing labour market conditions due to the impacts of the COVID-19 pandemic.

Please note that data collection paused over the Christmas and New Year periods as follows:

- 21 December 2020 until 8 January 2021;
- 18 December 2021 to 7 January 2022; and
- 17 December 2022 to 9 January 2023.

Data in this release should be referenced as – *Jobs and Skills Australia, Recruitment Insights Report, January 2023*.

For additional information email: REOS@jobsandskills.gov.au.