



AHRI's Quarterly Australian Work Outlook

A forward-looking view of the
Australian labour market.

**JUNE
QUARTER
2023**

Contents

- 03** Foreword from AHRI's CEO
- 05** Summary of key findings
- 07** Employment outlook
- 16** Wages outlook
- 20** Policy focus – casual workers
- 29** Research methodology

AHRI's inaugural Quarterly Australian Work Outlook report

AHRI's Quarterly Australian Work Outlook – a new quarterly report monitoring the state of the Australian labour market – offers a forward view of the work environment facing HR professionals and business leaders.

I am delighted to introduce this new research series from AHRI, which will be released ahead of the previous month's ABS Labour Force Survey data each quarter.

Our June quarter 2023 report draws on responses from 614 senior HR professionals and decision makers in Australian organisations. Respondents represent large and small employers in the private, public and not-for-profit sectors, and cover all Australian states and territories.

Each report will examine recruitment intentions and challenges, employee turnover, redundancy and pay intentions, and other topical workplace issues.

The report will provide data for use by HR professionals, executives and boards, and will provide useful input into policy development and decision-making for federal and state government departments and other agencies.

The inaugural *AHRI Quarterly Australian Work Outlook* shows strong short-term employment intentions among Australian employers, with the *AHRI Net Employment Intentions Index* firmly in positive territory (+45). This is due to expected low redundancy activity and anticipated high recruitment activity.

This might be a surprising finding given projections for lower economic growth in 2023 and a pattern of falling job vacancies since mid-2022. However, job vacancies remain high and it's possible that the relatively strong employment intentions balance is due to a 'recruitment catch-up' – that is, employers are now filling vacancies that they previously struggled to fill.

Unsurprisingly, recruitment difficulties remain a concern for almost half (47%) of employers who are currently recruiting employees. At the same time, average employee turnover for Australian workplaces in the 12 months to the end of April 2023

was reported at **12%**, with **20%** of organisations reporting annual turnover of **20%** and above.

The data suggests that the positive recruitment intentions are not putting strong upward pressure on wages. Employers say that the mean basic pay increase in their organisation (excluding bonuses) will be **3.3%** in the 12 months to April 2024. For the same period, public sector employers' pay intentions are higher (**4.4%**) than in the private (**3.2%**) and not-for-profit (**2.2%**) sectors.

Overall, the data offers mixed signals to employers and policymakers who will be concerned about possible inflationary pressures that strong employment intentions might cause. However, there is no sign of increasing pay inflation in the data.

Each *AHRI Quarterly Australian Work Outlook* will discuss a specific workplace issue. In this report, the employment of casual workers is explored. The research suggests that casual employment has positive impacts on both employers and individuals, especially in terms of higher levels of flexibility afforded and higher pay rates.

On average, employers are also more likely to perceive casual employees as more engaged than permanent employees. In addition, almost a fifth of employers do not give casual employees the same access to training and development opportunities as permanent employees.

The survey also asked about the use of fixed-term contracts and found that more than one in three (**36%**) employers who employ fixed-term workers say these employees' length of service at their organisation is more than two years.

I hope you find these insights useful. We will be releasing the next report in August 2023, including comparative data so we can develop an evolving picture of Australia's labour market.

AHRI would like your feedback on this report and any suggestions for how the quarterly series might be developed.

Please send any thoughts to:
gerwyn.davies@ahri.com.au.

Sarah McCann-Bartlett,
CEO, Australian HR Institute



Summary of key findings

Based on survey responses from over 600 senior business decision-makers, AHRI has been able to paint a picture of the near future of the Australian labour market.

General insights

Recruitment intentions are strong

The *AHRI Net Employment Intentions Index*, which measures the difference between the proportion of employers that expect to increase staff levels and those that expect to decrease staff levels in the June 2023 quarter of 2023, is firmly in positive territory **(+45)**. **46%** of organisations plan to increase staff levels in the quarter, compared with just **1%** that plan to reduce the size of their workforce over the same period.

Public versus private sector

Net employment expectations are higher in the public sector **(+54)** than in the private **(+44)** and not-for-profit sectors **(+39)**. Public sector employers' pay intentions in the 12 months to April 2024 higher **(4.4%)** than in the private **(3.2%)** and not-for-profit **(2.2%)** sectors.

Low redundancy intentions

Just **16%** of employers are planning redundancies in the second quarter of 2023.

Recruitment challenges

While **69%** of employers are planning to recruit in the June 2023 quarter, **47%** of employers currently hiring are experiencing recruitment difficulties.

Turnover rates

The 12-month employee turnover rate to the end of April 2023 is currently **12%**, with **20%** of organisations reporting annual turnover of **20%** and above.

Pay rise intentions

Employers reported that the mean basic pay increase in their organisation (excluding bonuses) will be **3.3%** in the 12 months to April 2024.

KEY INSIGHTS

Casual worker insights

Casual employment insights

The most common reasons for employing casual employees include managing short-term fluctuations in demand (**46%**), providing flexibility for the individual (**42%**), managing changes in business conditions (**37%**) and employee preference, e.g. higher pay (**31%**).

Casual employees' tenure

Almost a quarter (**24%**) of employers say the typical length of service of casual employees at their organisation is more than two years.

Training opportunities for casuals

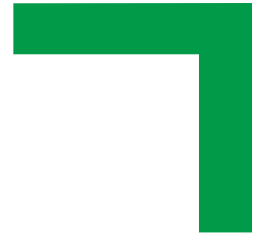
Around a fifth (**17%**) of casual employees are not eligible for the same training and development opportunities as permanent employees.

Engagement rates

Around two thirds of employers (**66%**) report no difference between the engagement levels of permanent employees and casual employees. However, a quarter of organisations (**25%**) say that employee engagement levels are higher among casual employees compared with permanent employees.

Casuals are paid higher rates

More than half (**58%**) of employers say they pay a higher rate for casual workers, compared with one in ten (**10%**) employers who say casual employees are paid less than permanent employees for doing the same or a similar role in their organisation.



1. Employment outlook for upcoming quarter

Overall, the survey responses indicate that strong employment growth looks set to continue in the second quarter of 2023.

AHRI's Net Employment Intentions Index for the June 2023 quarter is firmly in positive territory (**+45**), with **46%** of organisations planning to increase employment levels in the June 2023 quarter compared with just **1%** of organisations that plan to reduce the size of their workforce over the same period.

Net employment intentions are higher in the public sector (**+54**) than in the private (**+44**) and the not-for-profit sectors (**+41**).

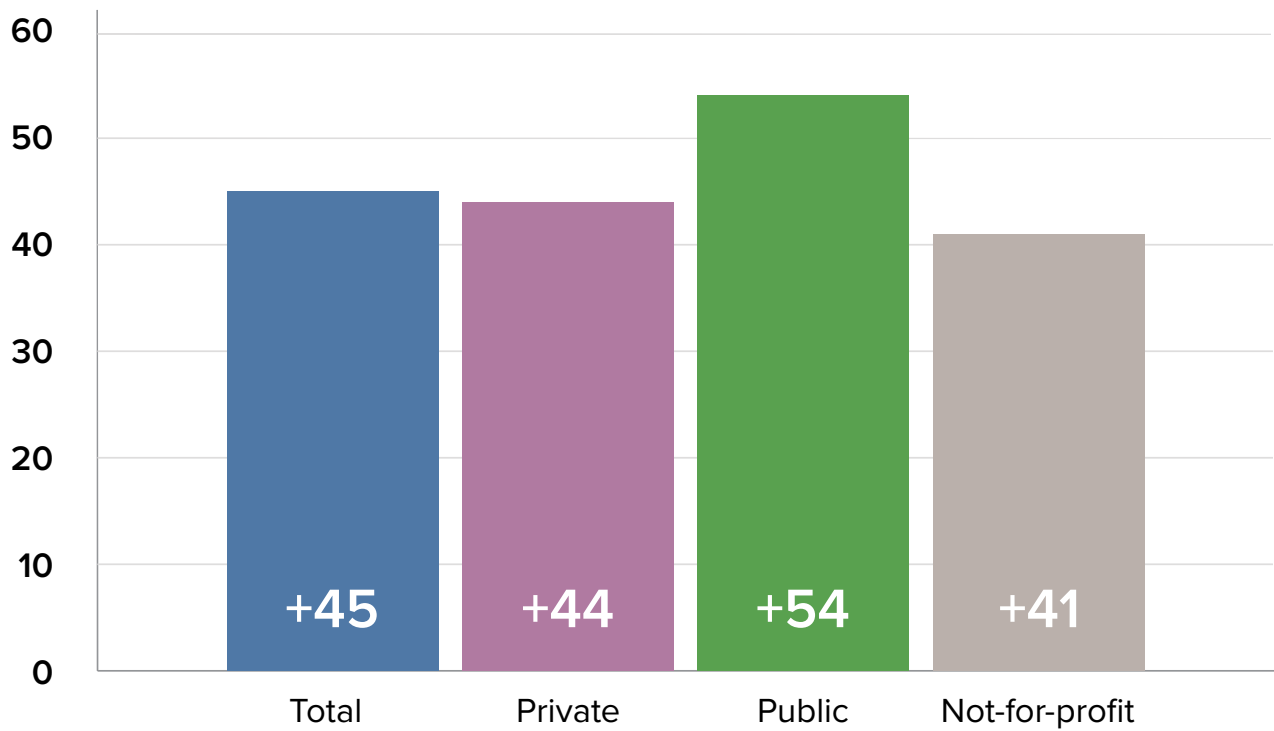
The *AHRI Net Employment Intentions Index* can be used as a proxy for employers' overall projected demand for labour and provides an indicator of how the jobs market may fare in the current quarter.

What is the *AHRI Net Employment Intentions Index*?

This index is calculated by taking the percentage of employers intending to increase staffing levels and subtracting the percentage of employers intending to decrease staffing levels. For example, an index of +100 would mean all organisations intend to increase staffing levels; -100 would mean all organisations intend to decrease staffing levels; and a zero index would mean either all organisations expect no change, or that 50% of employers plan to increase while the other 50% plan to decrease staffing levels.

EMPLOYMENT OUTLOOK

Figure 1: Net employment intentions by sector



Base: June quarter 2023, all employers (n=614; private: n=506; public: n=43; voluntary: n=65)

At a glance:

46% of organisations plan to increase employment levels in the June 2023 quarter.

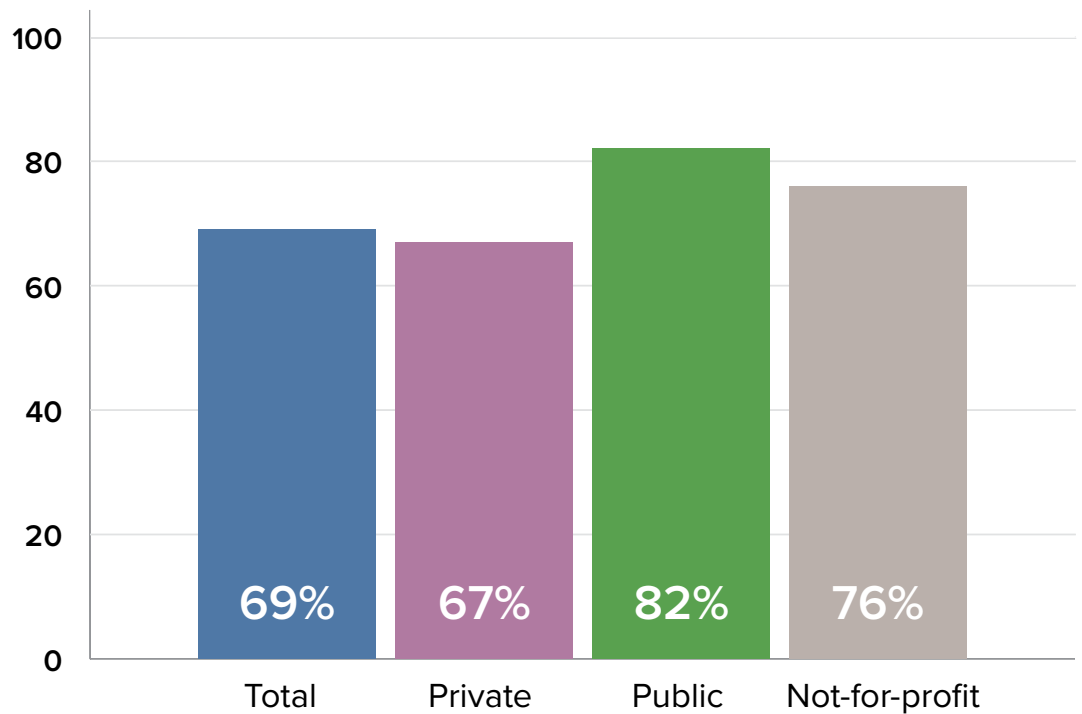


Recruitment intentions

Almost seven in ten (69%) organisations plan to hire staff in the second quarter of 2023.

Recruitment intentions are higher among public sector organisation (82%) and not-for-profit organisations (76%) than in the private sector (67%).

Figure 2: Recruitment intentions by sector, June quarter 2023



Base: June quarter 2023, all employers (n=614; private: n=506; public: n=43; voluntary: n=65)

At a glance:

Nearly 7 in 10 organisations plan to hire staff in the second quarter of 2023.



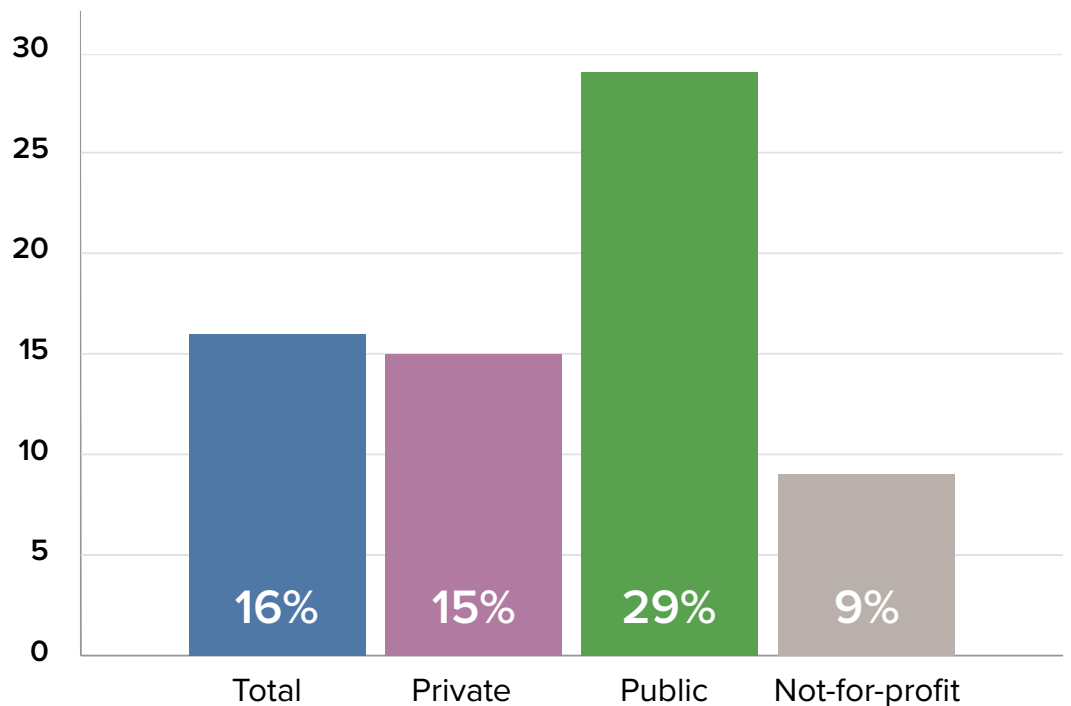
Redundancy intentions

Sixteen per cent of employers responding to the survey plan to make workers redundant in the June quarter 2023.

Almost three in ten (29%) public sector employers plan to make redundancies, compared with 15% in the private sector and just 9% in the not-for-profit sector.

Interestingly, just 8% of small employers plan to make redundancies during the second quarter, which suggests that some of the high-profile restructuring activity reported in some of the larger organisations in Australia is not reflective of the broader economy.

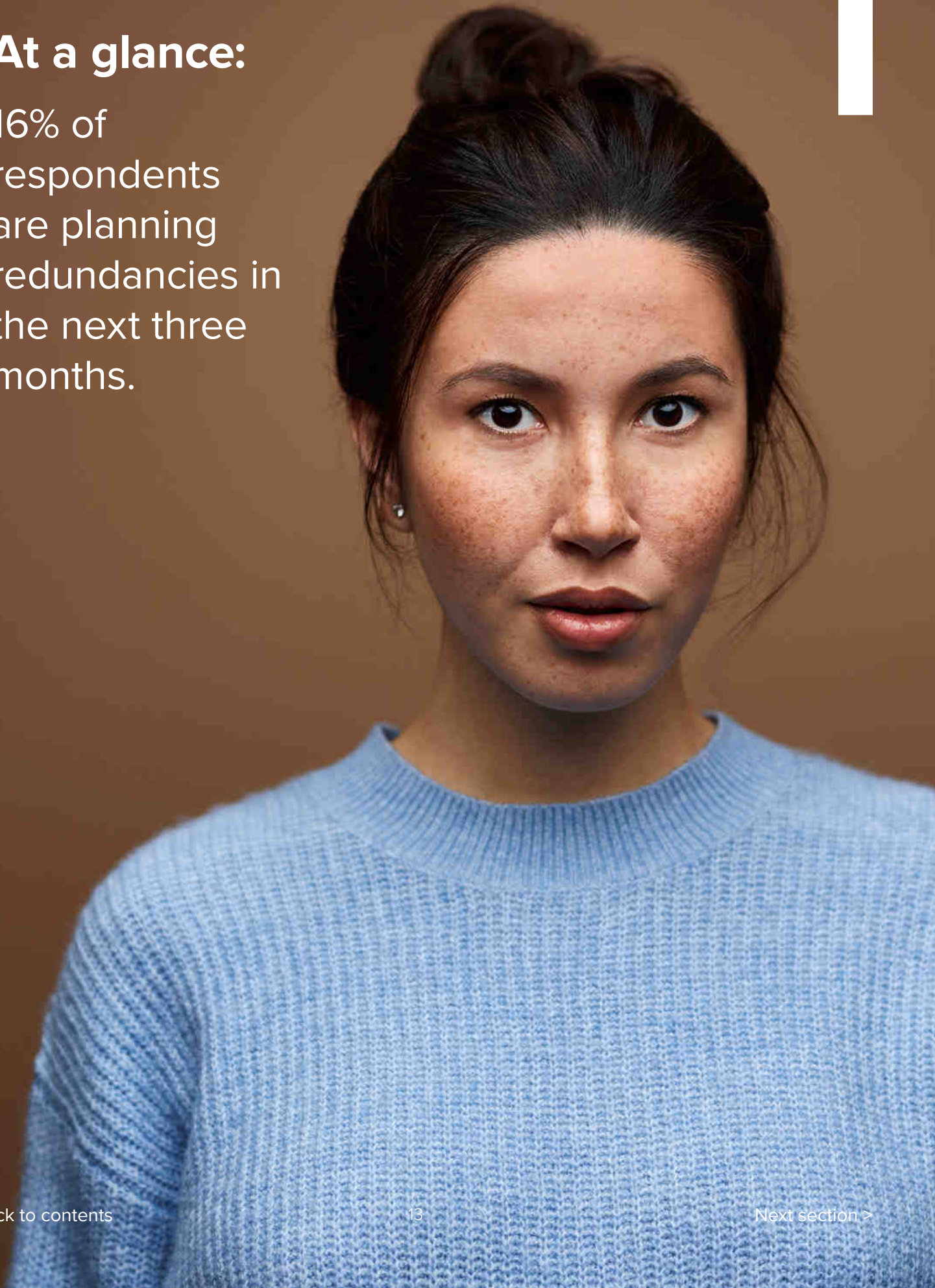
Figure 3: Redundancy intentions in Q2 2023 (by sector)



Base: June quarter 2023, all employers (n=614; private: n=506; public: n=43; voluntary: n=65)

At a glance:

16% of respondents are planning redundancies in the next three months.



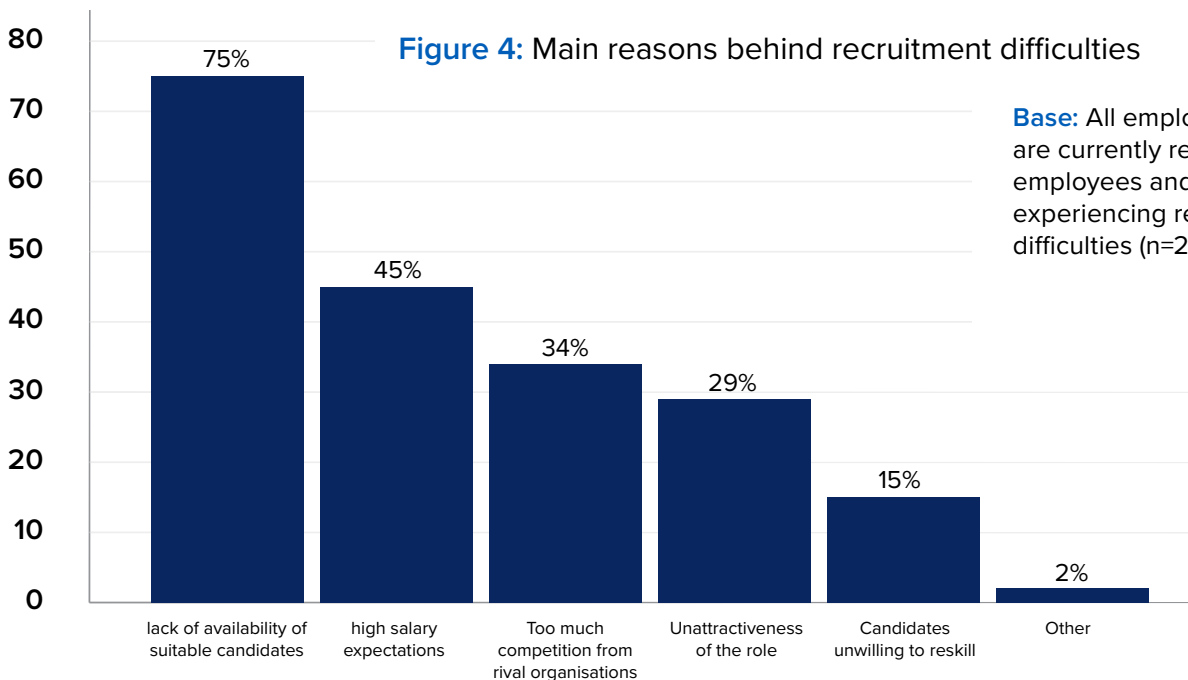
Recruitment difficulties

Almost half (47%) of employers who are currently hiring report they are experiencing recruitment difficulties.

This is higher than official data published in June 2022¹, which reported almost a third of recruiting organisations were having difficulty finding suitable staff. Recruitment difficulties are more prevalent among public sector organisations (71%) than private sector firms (43%) and not-for-profit organisations (33%).

The top three reasons for the difficulties were:

- 01 A lack of suitable candidates (75%)
- 02 High salary expectations (45%)
- 03 Too much competition from rival organisations (34%)



Base: All employers who are currently recruiting employees and who are experiencing recruitment difficulties (n=246).

1. Almost a third of employing businesses unable to find suitable staff | Australian Bureau of Statistics (abs.gov.au)

Employee turnover

Respondents were also asked to report their employee turnover for the 12 months to April 2023.

There is considerable variation across organisations (see Figure 5). On one end of the spectrum, a fifth of organisations report that annual employee turnover is 20% and above, compared with 39% that say their annual employee turnover is less than 5%.

Overall, the average employee turnover for the 12 months to the end of April 2023 was reported at 12%. Additionally, average annual employee turnover was reported as higher in the public sector (17%) than in the private (12%) and not-for-profit sectors (9%).

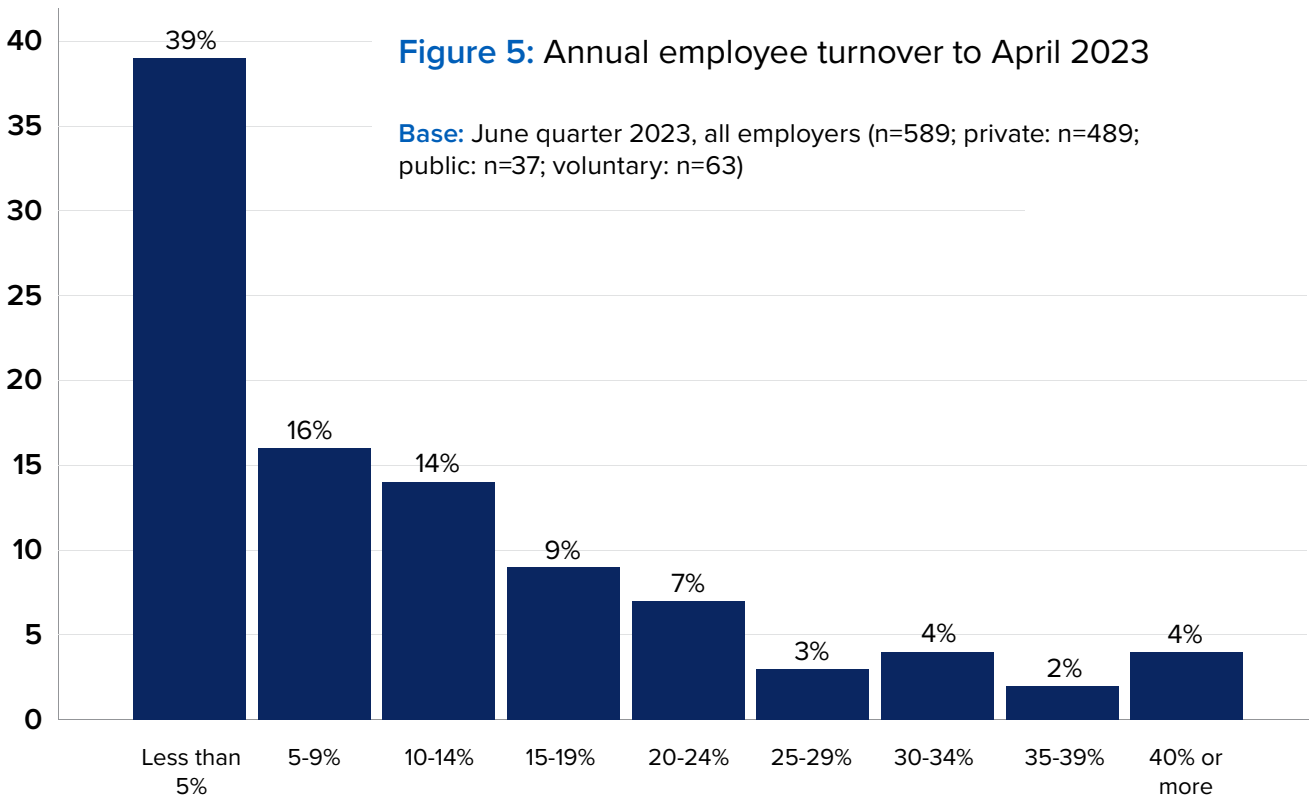


Figure 5: Annual employee turnover to April 2023

Base: June quarter 2023, all employers (n=589; private: n=489; public: n=37; voluntary: n=63)



2. Wages outlook for the upcoming quarter

AHRI asked employers how they expect wages to change in the next 12 months and how they have changed over the past year.

Respondents told us that:

- The mean basic pay increase in organisations (excluding bonuses) was expected to be **3.3%** in the 12 months to April 2024. This is at the same level as the Australian Bureau of Statistics's annual seasonally adjusted Wage Price Index to December 2022.²
- Public sector employers' pay intentions are higher (**4.4%**) than in the private (**3.2%**) and not-for-profit (**2.2%**) sectors. This would represent a continuation of the recent pattern of wage growth picking up in the public sector, which, as the Reserve Bank of Australia recently noted, is partly due to several governments having increased their wage caps.³
- Less than one in five (**19%**) employers plan to implement a pay freeze.

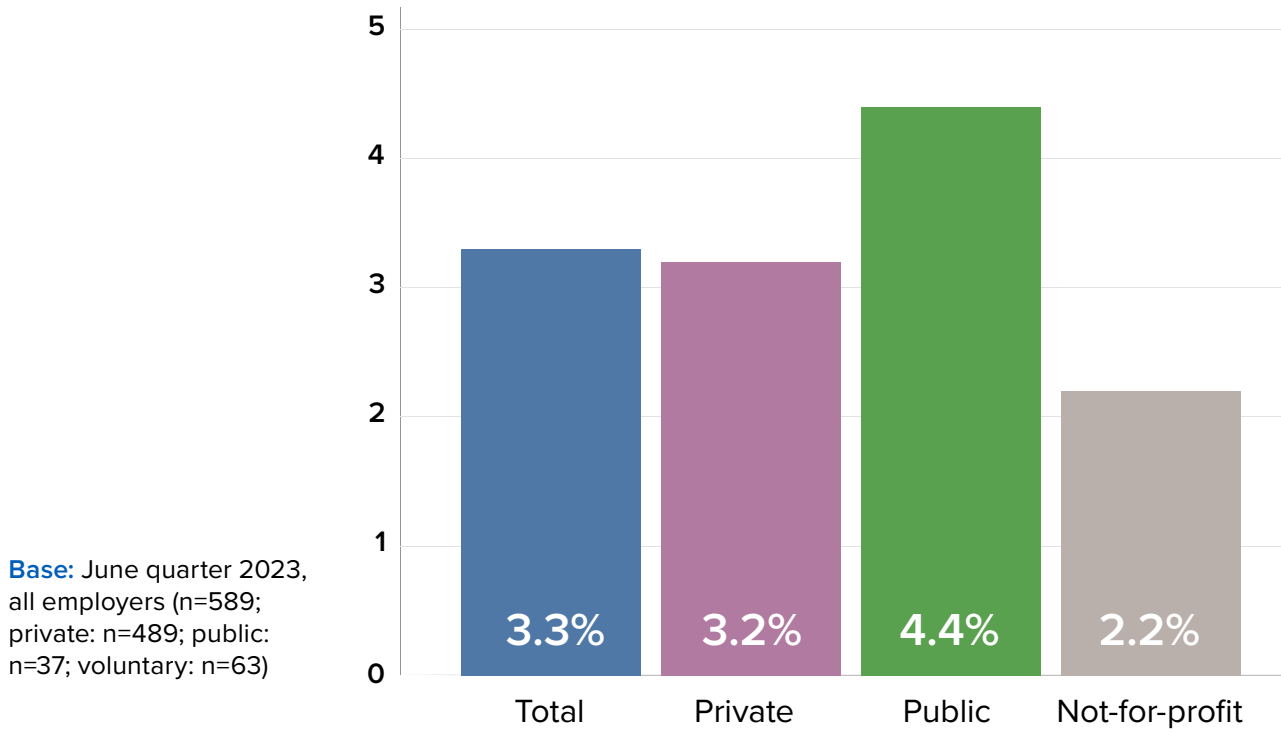
Some care should be taken not to over-interpret the data, because almost a third (**31%**) of employers reported that they do not yet know the extent of wage increases in their organisation for the 12 months to April 2024. Wage expectations vary across the different pay methods used by employers to set pay for non-managerial roles. Pay intentions are higher for organisations that use collective agreements (**3.9%**) than those using individual agreements (**3.4%**) and awards (**3%**).

2. Wage Price Index, Australia, December 2022 | Australian Bureau of Statistics (abs.gov.au)

3. Statement on Monetary Policy (rba.gov.au)

WAGES OUTLOOK

Figure 6: Employers' mean total fixed remuneration expectations by sector for the 12 months to April 2024

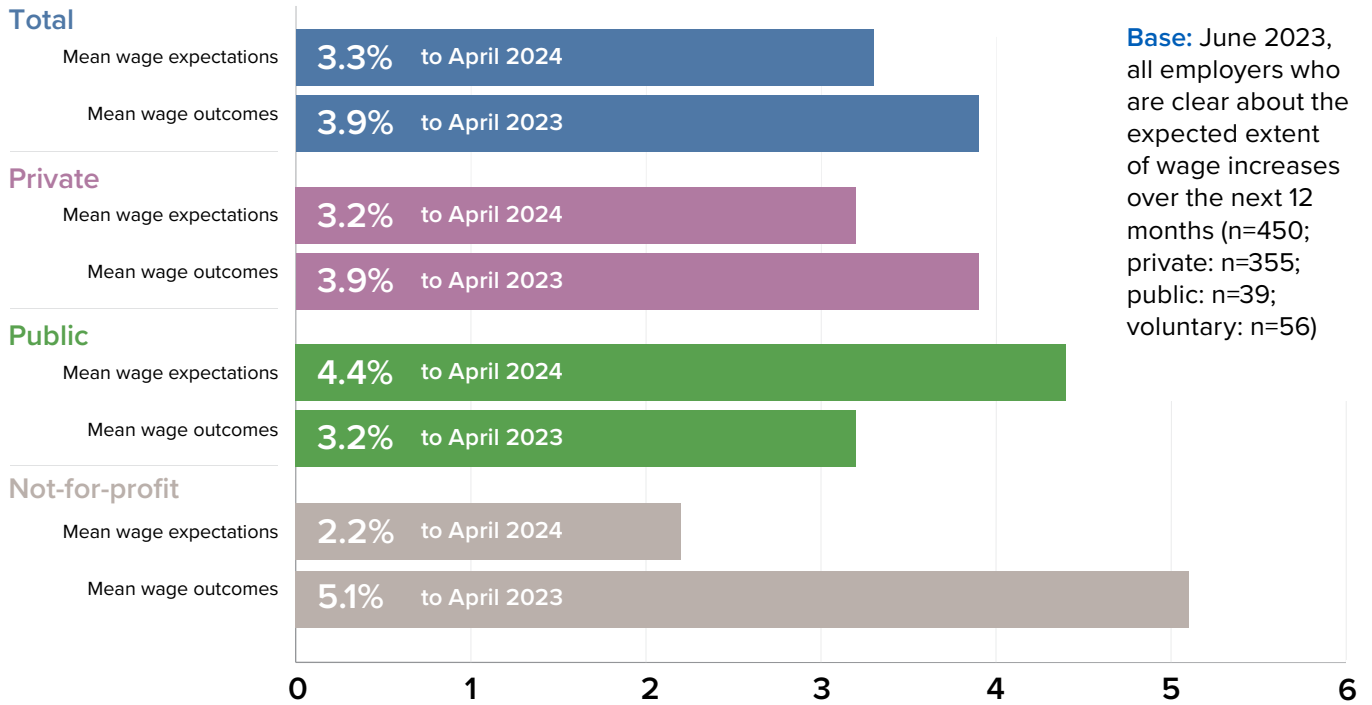


Wages over the past 12 months (to April 2023).

We also asked respondents how much total fixed remuneration had changed in their organisation over the past year. The average total fixed remuneration increase (excluding bonuses) in the 12 months to April 2023 was 3.9% (Figure 7). In terms of sector, the average total fixed remuneration increase for private sector employees was 3.9% compared with a 3.2% increase for public sector organisations and a 5.1% increase for not-for-profit employees.

WAGE OUTLOOK

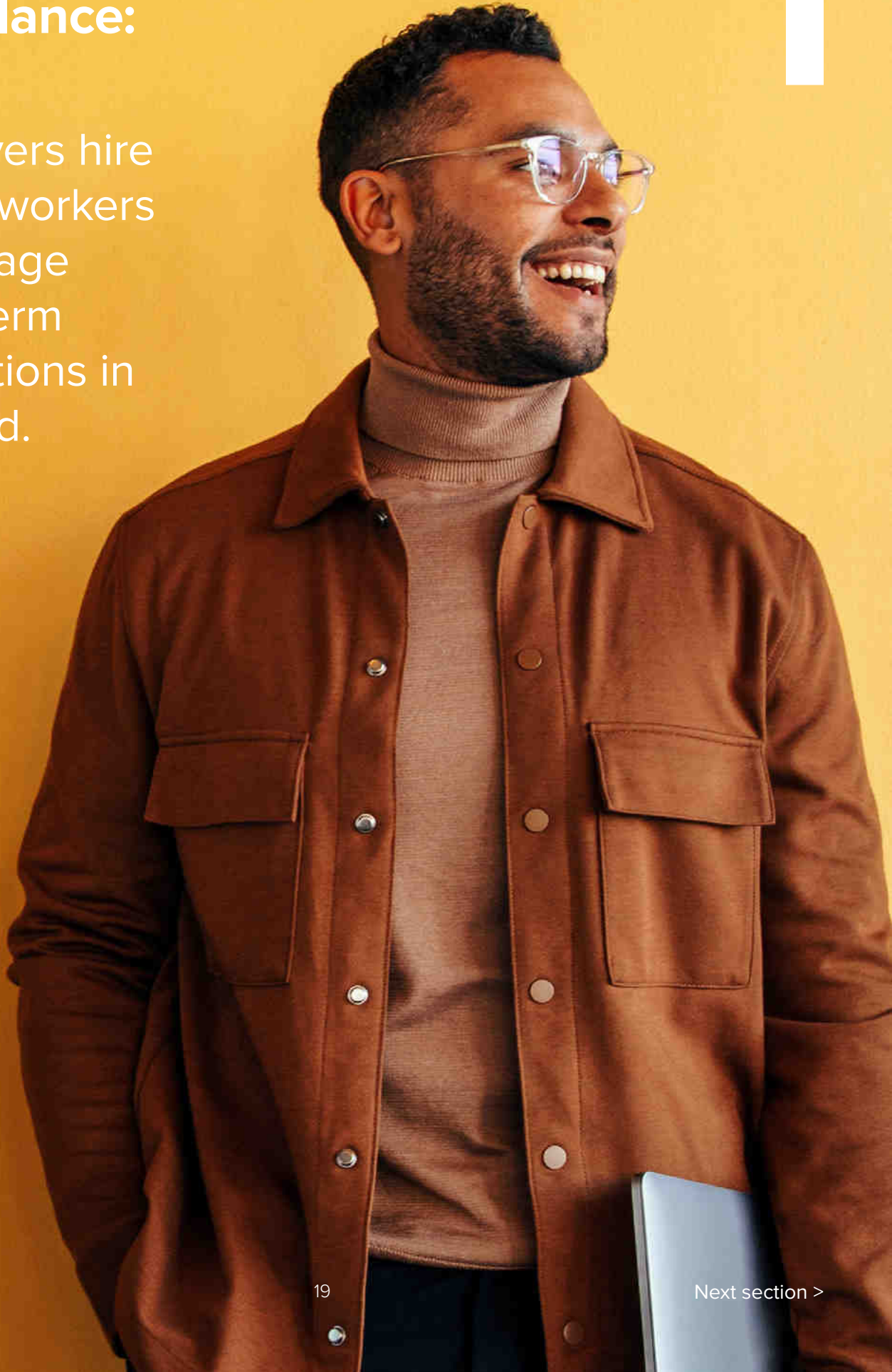
Figure 7: Employers' mean total fixed remuneration expectations for the 12 months to April 2024 compared with employers' mean total fixed remuneration changes over the 12 months to April 2023



Base: June quarter 2023, all employers who indicated the extent to which wages increased, decreased or stayed the same over the 12 months to April 2023 (n=614; private: n=509; public: n=49; voluntary: n=56)

At a glance:

46% of employers hire casual workers to manage short-term fluctuations in demand.





3. Policy focus – casual workers

The policy focus of this quarter’s report is employers’ use and experience of employing casual employees, a subject that has gained considerable attention in the past year as the government considers legislation pertaining to casual employment.

Given the fluctuating demand for staff in many organisations, the survey asked what proportion of the workforce is typically made up of casual employees across each quarter of the year. During the course of the year, employers reported that the proportion of casual employees in Australian workplaces was at its lowest point (**19.6%**) in Q1 2023 and at its highest (**22.4%**) in Q2 2022.

Reasons for using casual employees

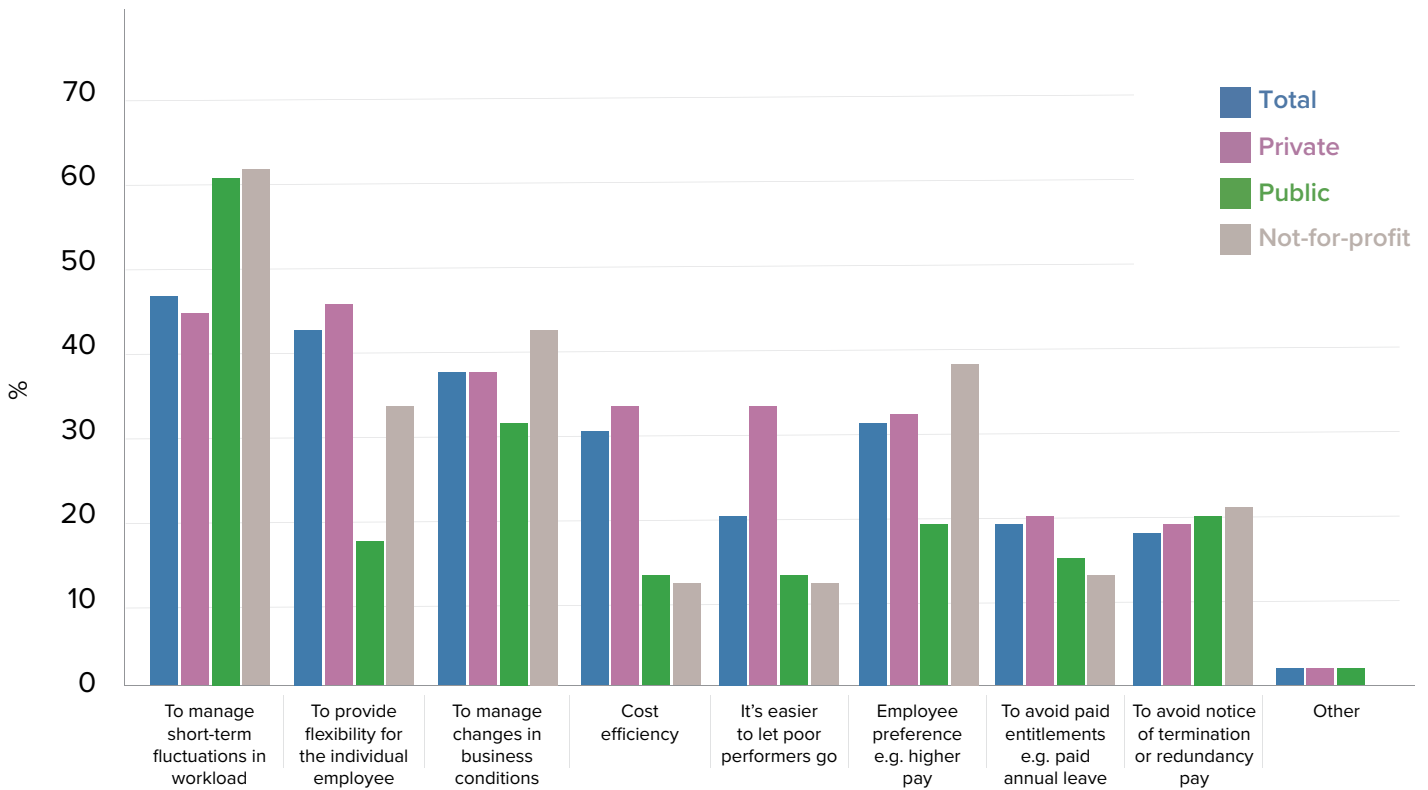
Flexibility seems to lie at the heart of employers’ rationale for employing casual employees. The most common reason for employing casual employees is to manage short-term fluctuations in demand, with almost half (**46%**) of employers citing this (Figure 8).

Employers also regard casual employees as a means of providing flexibility for staff, with a similar proportion (**42%**) saying they employ casual employees to provide flexibility for the individual. Other popular reasons include managing changes in business conditions (**37%**) and employee preference, e.g. higher pay (**31%**).

POLICY OUTLOOK

Managing costs is also a theme that comes across in the survey. In all, three in ten (**30%**) employers say they employ casual employees to provide cost efficiency, **19%** say it is to avoid paid entitlements and **18%** say that it is to avoid notice of termination or redundancy pay.

Figure 8: Why has your organisation employed casual employees in the 12 months to April 2023?



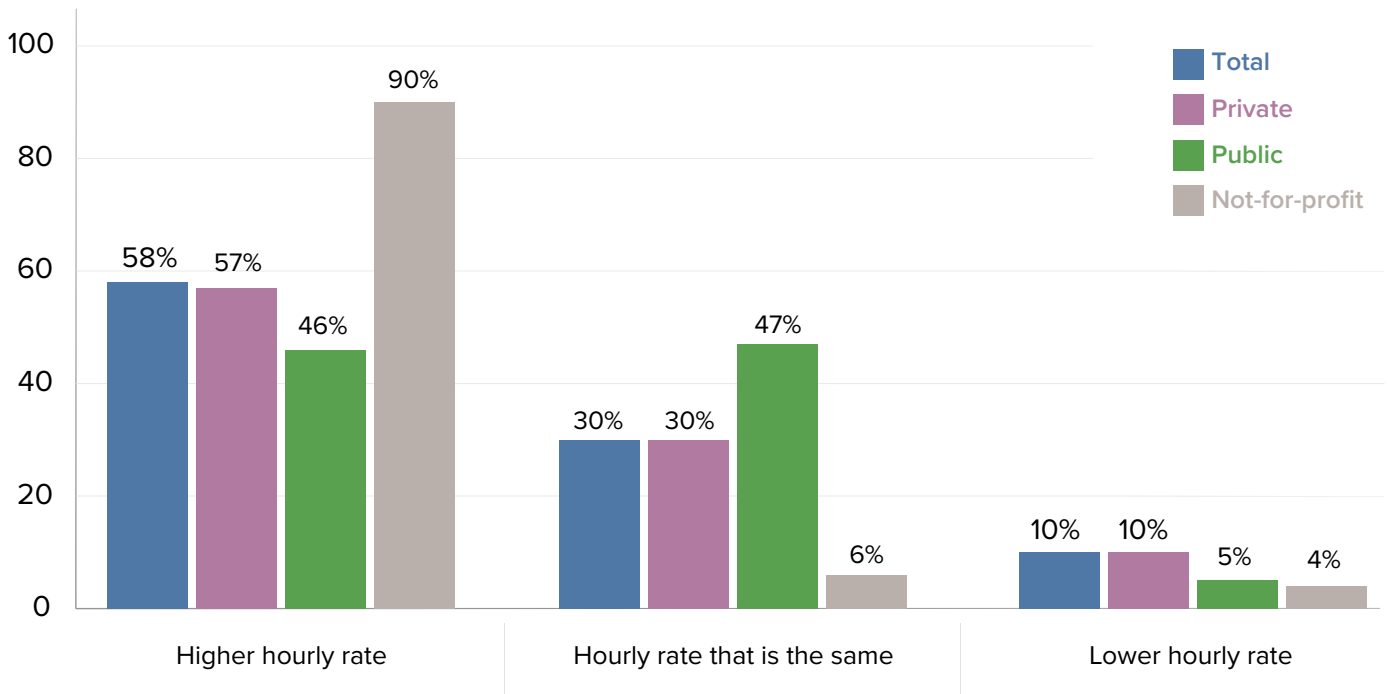
Base: All organisations that employ casual employees (n=443; private: n=386; public: n=38; not for profit: n=19).

POLICY OUTLOOK

Are casual employees paid comparably with permanent employees doing similar jobs?

AHRI's research finds that employers are more likely to pay casual employees a higher hourly rate than a permanent employee for doing the same job (Figure 9). More than half (58%) of employers say they pay a higher rate compared with one in ten (10%) who say casual employees are paid less than permanent employees for doing the same or a similar role at their organisation.

Figure 9: On average, how does the hourly rate paid to a casual employee (including loadings) compare to the equivalent hourly rate of a permanent employee that does the same job?



Base: All organisations that employ casual employees (n=443; private: n=386; public: n=38; not for profit: n=19).

POLICY OUTLOOK

Do casual employees have the same access to training opportunities as permanent employees doing similar jobs?

More than three quarters (**76%**) of casual employees are eligible for the same training and development opportunities as permanent employees.

Overall, 17% of employers say that casual employees are not eligible for the same training and development opportunities as permanent employees. However, there is some variation between sectors. Three in ten (**30%**) public sector organisations say casual employees are not eligible for the same training and development opportunities, compared with **16%** of private and **14%** of not-for-profit organisations.



At a glance:

Nearly 60% of employers pay their casual workers a higher rate.

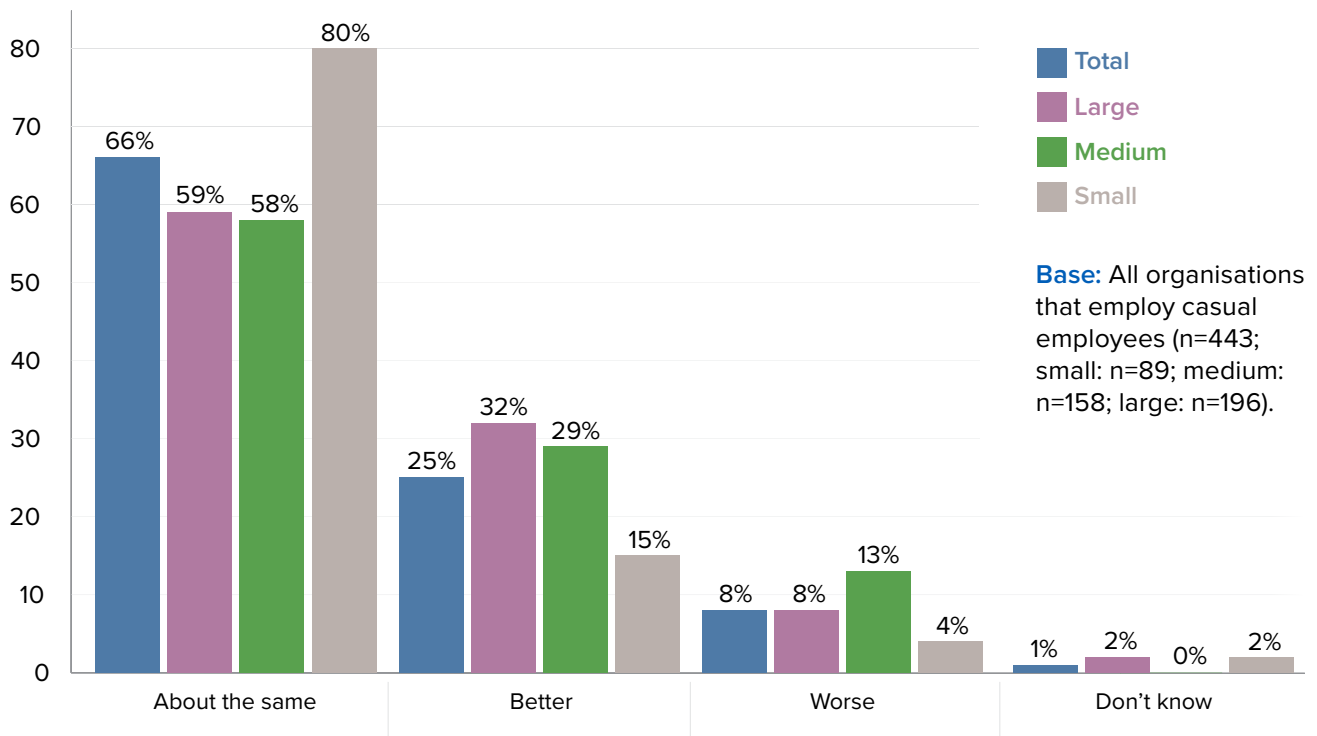


POLICY OUTLOOK

Do casual employees have similar levels of employee engagement as permanent employees?

Around two thirds (**66%**) of employers who employ casuals report no difference between the employee engagement levels of permanent employees and casual employees (Figure 10). However, a quarter (**25%**) say that employee engagement levels are higher among casual employees compared with permanent employees. In terms of organisation size, almost a third (**32%**) of employers from large enterprises say employee engagement levels are higher among casual employees.

Figure 10: How does the level of employee engagement among casual employees compare with permanent employees? (by size of organisation)



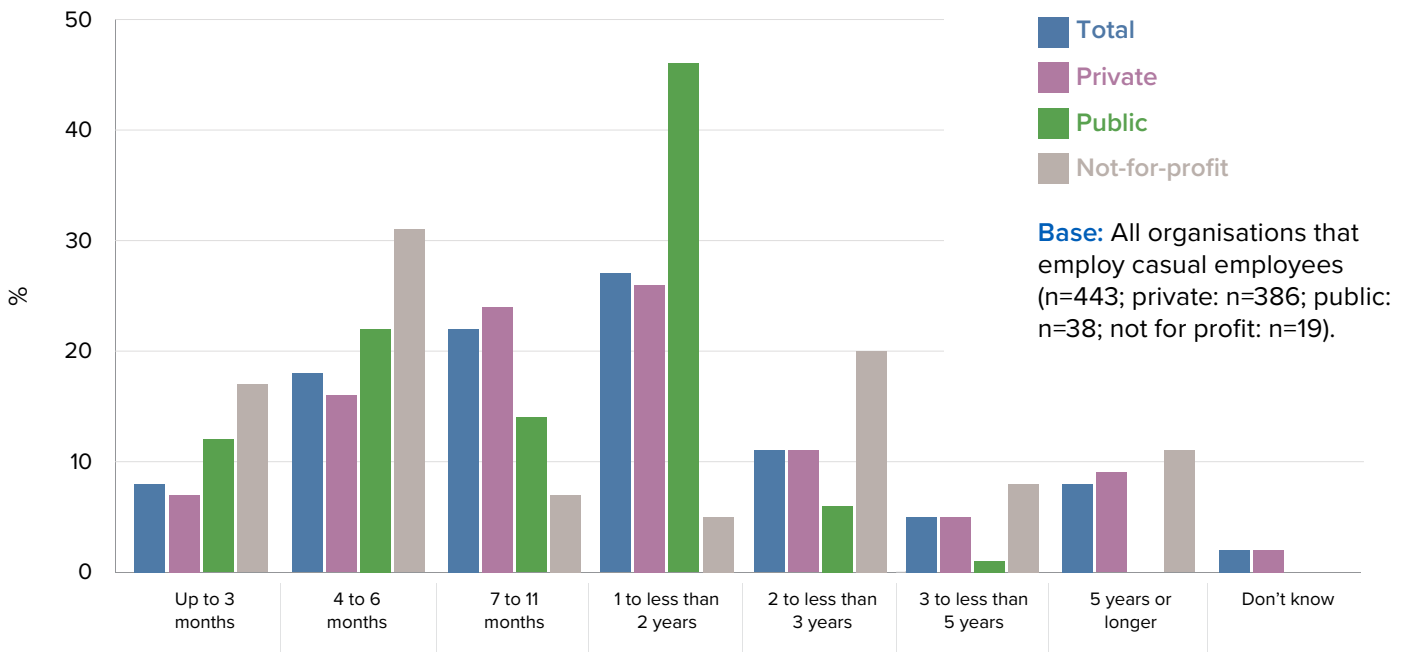
Length of service

Many employers who employ casuals do not see this type of work as a short-term or temporary arrangement.

Almost a quarter (24%) of employers say that the typical length of service of casual employees at their organisation is more than two years (Figure 11). Small employers (2-19 employees) are most likely to report this (38%). In addition, public sector employers are most likely to see employing casual employees as a short-term or temporary arrangement, with just 7% saying they employ casual employees for more than two years.

Figure 11: During 2022, what was the most typical length of service of casual employees in your organisation?

Employers in the non-for-profit sector were most likely to report employing casual employees for two years or more (39%). More than half (51%) of respondents report that casual employees' tenure typically lasts more than 12 months.



POLICY OUTLOOK

Fixed-term contracts

Given the recent legislative changes to fixed-term contracts, which will come into force in December 2023, the survey also asked about employers' use and experience of fixed-term contracts.

Respondents were asked about the potential impact of not being able to engage fixed-term employees, subject to a number of exceptions:

- For a period of more than two years
- Under a contract that can be renewed more than once, or
- Under a series of more than two contracts

The data suggests that the new rules have been well received by employers. Almost half (47%) say the rules will have a positive impact on them, compared with just over a third (34%) who say it will have a neutral impact. Just 12% predicted it would have a negative impact on them and 8% were unsure.

POLICY OUTLOOK

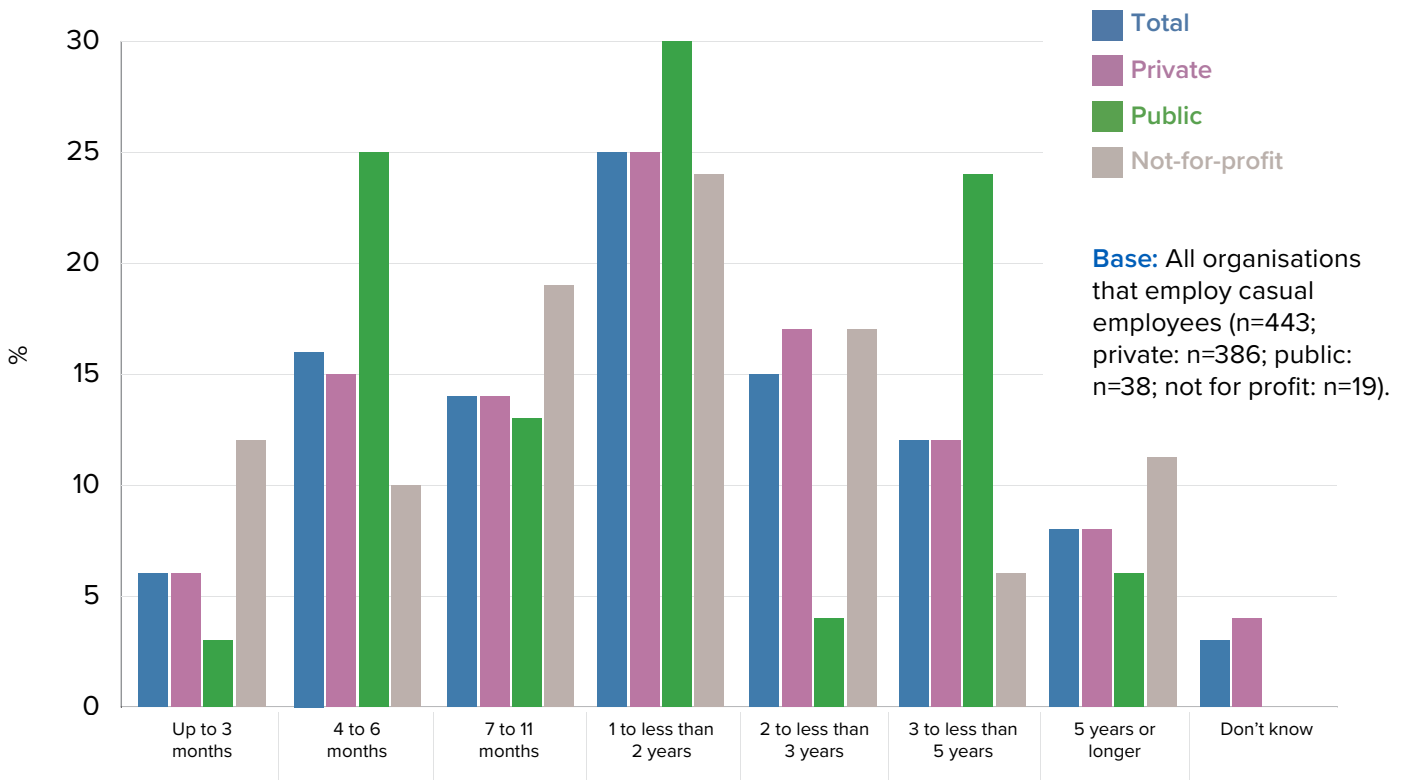
Length of service

Consistent with the data relating to the use of casual employees, the data also suggests that many employers do not see fixed-term contracts as a short-term or temporary arrangement.

More than one in three (**36%**) employers who engage fixed-term employees say these employees' typical length of service at their organisation is more than two years.

Small employers (2-19 employees) are most likely to report this (**49%**). In addition, private sector employers are the least likely to see employing fixed-term employees as a short-term or temporary arrangement, with **37%** saying they typically employ fixed-term employees for more than a year.

Figure 12: During 2022, what was the most typical length of service of fixed-term employees in your organisation? (This should include fixed-term employees whose contracts are being rolled over).





Research methodology

All data, unless otherwise stated, is from YouGov Plc.

The total sample size for this report included 614 senior business decision-makers from business with two or more employees.

Fieldwork was undertaken online between 5th-18th April 2023.

The figures have been weighted by workforce size, state and industry to reflect the latest ABS Industry Employment estimates.

Media contact:

Julie McNamara
julie@mahlab.co
0419 595 688

AHRI welcomes feedback on this report, and ideas and suggestions for how the quarterly series might be developed. These should be sent to: gerwyn.davies@ahri.com.au.

Breakdown of the sample by number of employees per organisation

Employer size band	2-19	20-119	200+	Total
Count	151	187	276	614

Breakdown of the sample by sector

Sector	Private	Public	Not-for-profit	Total
Count	506	43	65	614



Celebrating
80
Years

This report represents the responses of survey respondents. Although AHRI has exercised due care and skill in its preparation, it does not warrant its accuracy, completeness, currency or suitability for any purpose. AHRI expressly disclaims any and all liability for any loss or damage arising from reliance upon any information contained in this report.