

Skills and work: What's changed in a year?

ABS Business Conditions and Sentiments

RESEARCH INSIGHT, AUGUST 2022



Taking a deeper look at skill and workforce challenges

Recent Australian Bureau of Statistics (ABS) data provides a snapshot of the significant skill and workforce challenges being experienced by Australian businesses in 2022.

It shows skill and labour shortages becoming more acute right across the economy over the last year, and hybrid work arrangements becoming the norm for around a third of the workforce.

Every month, the ABS surveys a random sample of 2,000 businesses (June response rate was 61%) across Australia to gather timely insights about business conditions and sentiments. The June Business Conditions and Sentiments survey took a closer look at the causes of, and responses to the skill and labour shortages challenging Australian businesses. It explored:



1. The increasing difficulty finding suitable staff



2. Factors contributing to the rising difficulty in finding staff



3. How businesses expect to respond to these challenges



4. Work from home and the longevity of hybrid work

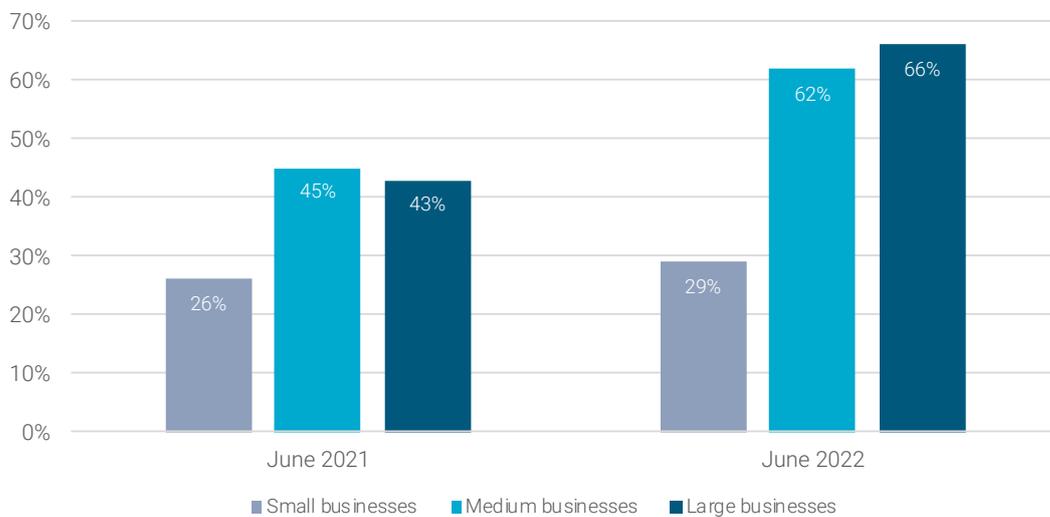




Finding suitable staff

Businesses of all sizes reported increased difficulty finding suitable staff for vacant positions.

Businesses reporting difficulty finding suitable staff



Medium and large businesses reported the biggest increase in difficulty.

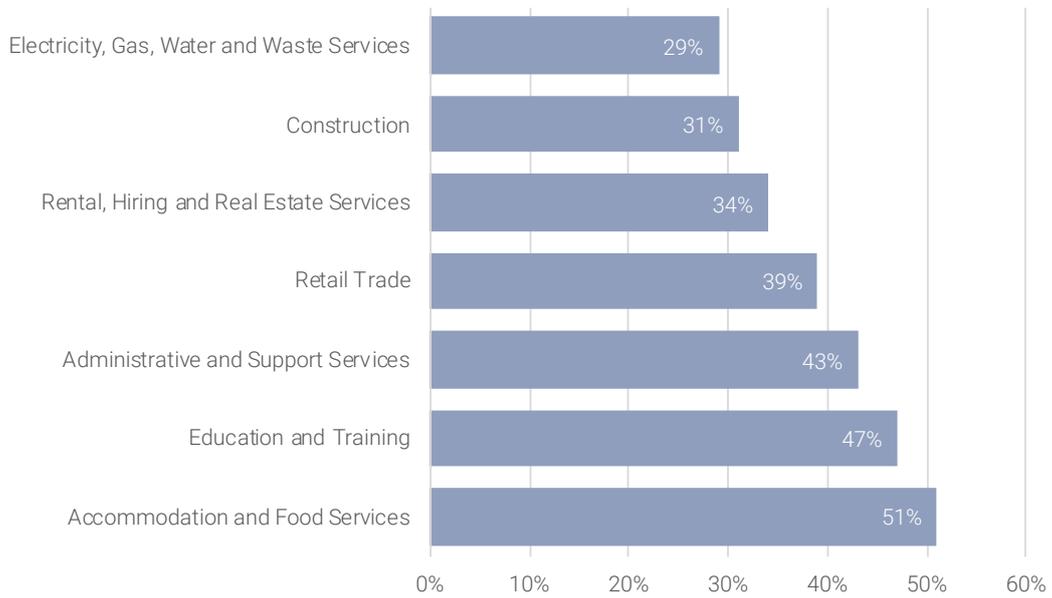
62%

of medium business (up 17% from 45% in June 2021) and 66% of large business (up 23% from 43%) reported difficulty recruiting suitable talent.

Accommodation and Food Services businesses have been the hardest hit with labour and skill shortages, with just over half unable to find suitable staff. This is closely followed by Education and Training (47%) and Administrative Support Services (43%).

Whilst certain industries are under unprecedented pressure to find skills, over three quarters of surveyed businesses in the Mining, Manufacturing, Financial Services and Wholesale Trade sectors are not reporting difficulty finding suitable talent.

Industries with highest reported difficulty finding suitable staff



Sectors that were hardest hit by lockdowns in 2020 and 2021 (i.e., retail, construction, accommodation and food services) have had strong rebounds in demand. In the aftermath of lengthy lockdowns and a general slowdown in these sectors, the labour force may have been redeployed to other active parts of the economy. As the demand for talent has intensified across the economy these workers may also be finding more flexible or higher paid opportunities.





Factors affecting the ability to find staff

The top factors reported as impacting the ability of firms to find staff in 2022 include:

Lack of applicants **79%**

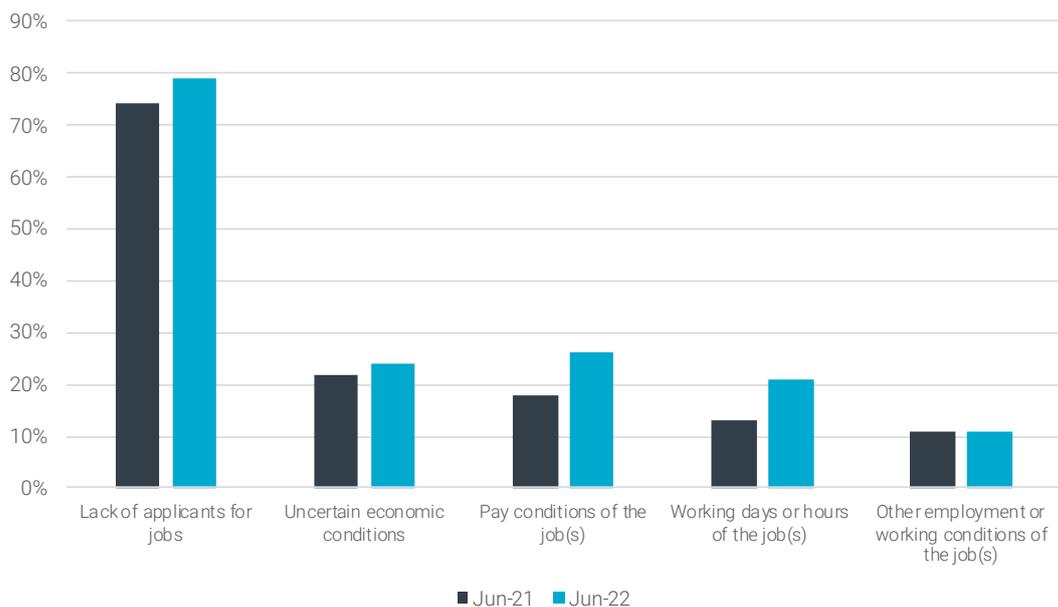
Lack of skills and experience of candidates **59%**

Pay conditions **26%**

Location of jobs **24%**

Uncertain economic conditions **24%**

Factors affecting ability to find suitable staff - increasing



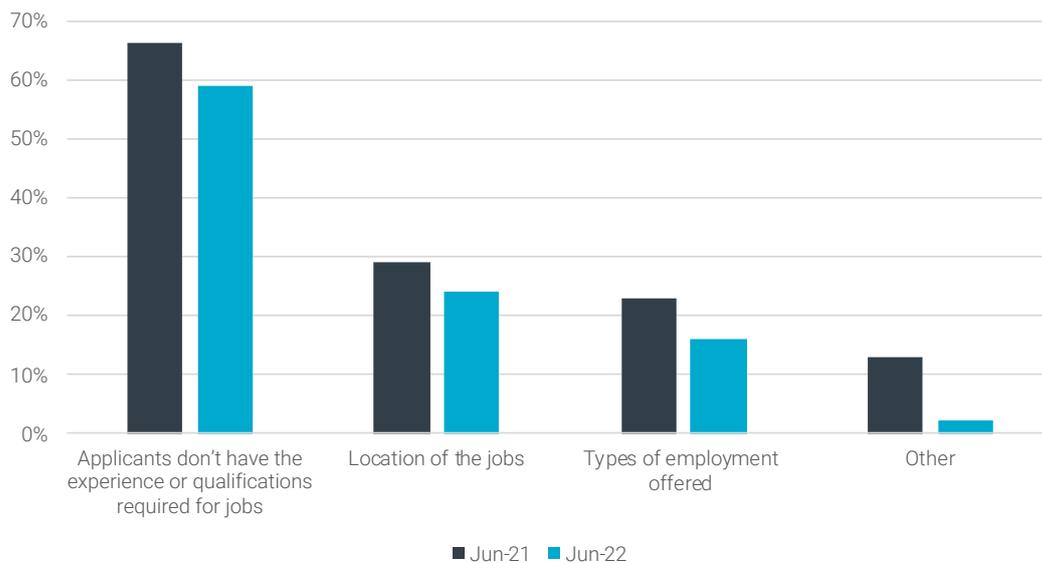
Businesses are reporting a host of reasons impacting their ability to find staff in the current climate.

Four stand out factors have increased from June 2021 to June 2022:

- ▶ uncertain economic conditions (up 2%)
- ▶ lack of applicants (up 5%)
- ▶ working days or hours of the job (up 8%)
- ▶ pay (up 8%)

At the same time, the number of businesses reporting ‘applicants lacking the required skills and experience’ to qualify for the advertised roles decreased from 2021 (down 8% to 59% of businesses).

Factors affecting ability to find suitable staff - decreasing



This tells a story of a labour shortage becoming more acute, with employers more concerned about finding people, rather than people with the right skills and experience.

It also shows businesses are increasingly competing for talent, with candidates shopping around for

the best conditions – on pay and job flexibility. Businesses appear to be lowering their expectations on the level of skill and experience of applicants in order to fill urgent labour gaps. Uncertain economic conditions also appear to be more of a contributing factor to skill shortages in 2022.



How businesses plan to respond to these challenges over the next three months

In response to the challenge to find talent, businesses are exploring ways to attract and retain their workforce. The top three strategies businesses reported were: increase wages and salaries (30%), increase staff numbers (27%) and retrain existing staff (23%).

Top planned actions

Top industries



30%

Increase wages or salaries

59% Administrative and Support Services

45% Other Services

42% Accommodation and Food Services



27%

Increase staff numbers

44% Retail Trade

45% Other Services

38% Education and Training



23%

Retrain existing staff

47% Administrative and Support Services

38% Accommodation and Food Services

33% Electricity, Gas and Waste Services

The least common strategies reported included reducing staff numbers (2%), reducing staff hours (5%) and introducing new benefits (8%).

The Administrative and Support Services sector appeared the most motivated to attract and retain talent,

as they are one of the top industries reporting measures to respond to skill and labour shortages. Even amongst the least popular measures, such as introducing new benefits, this sector had 31% of respondents claiming to be considering this as a strategy.



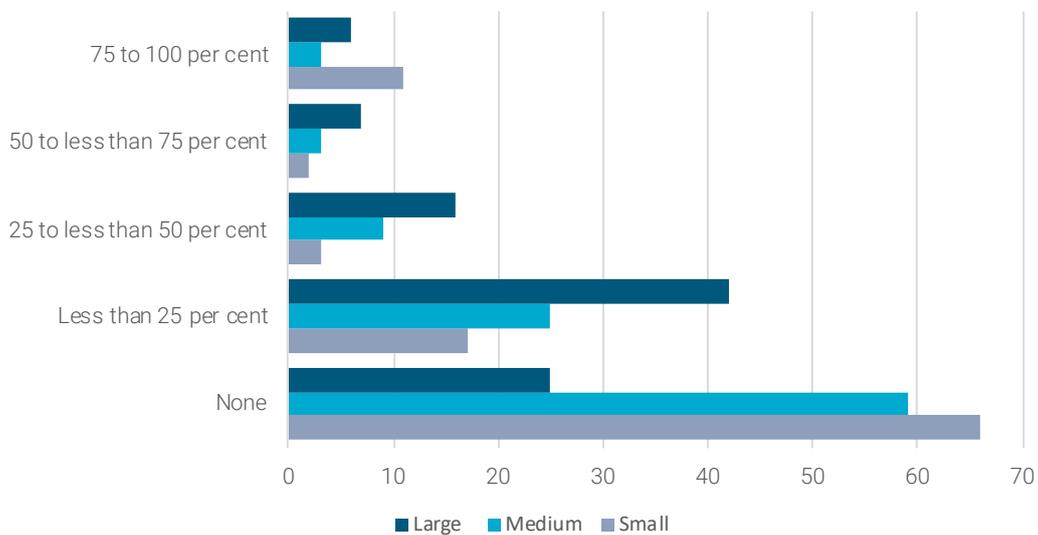
Working arrangements and working from home

34%

of businesses reported that their workforce is working from home or telecommuting at least some of the time. However, the majority of businesses reported none of their workers telecommuting (66%).

Only a very small proportion of businesses (around 6%) are working predominantly from home (75-100% of the workforce).

Percentage of workforce currently teleworking, by employment size

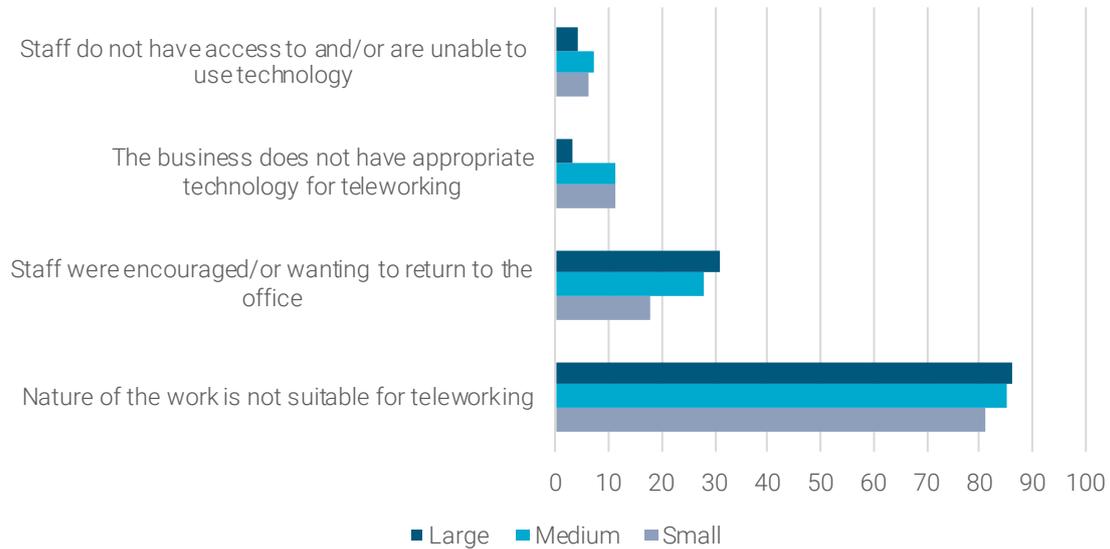


Of the business that have no teleworking, 80% of small, medium and large businesses reported that the main factor preventing this is that the nature of their work is unsuitable for telecommuting. This is evenly reported across all business sizes.

11%

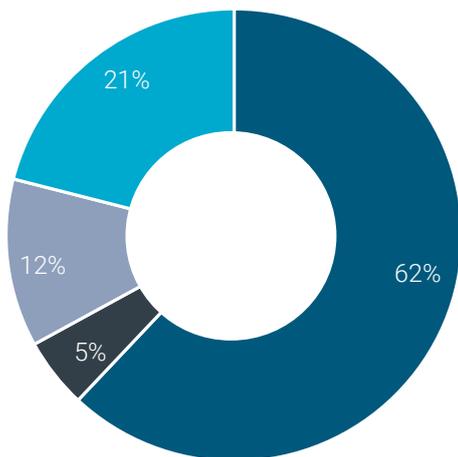
of businesses indicated that they lack the technology that would enable teleworking to occur in their business.

Factors preventing workforce from teleworking, by employment size



The outlook for working arrangements

Expected long-term change in staff teleworking



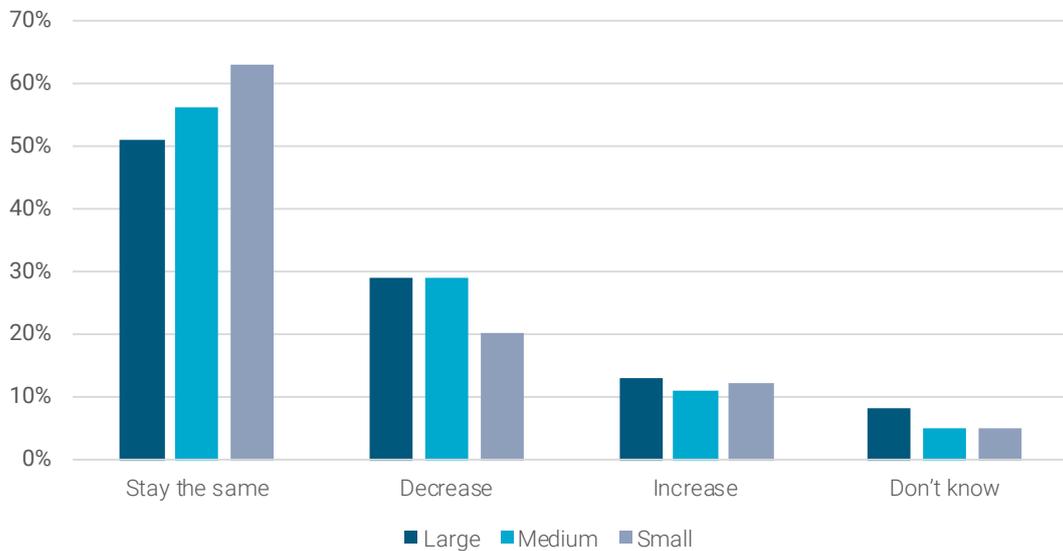
- Stay the same
- Don't know
- Increase
- Decrease

A majority of businesses reported that they expect the current level of work from home arrangements to stay the same over the long run (62%).

Around a fifth of the respondents expected teleworking to decrease over the long run and 12% expect this to increase.

The pattern of responses is largely consistent across businesses of all sizes, with slightly more small businesses expecting things to stay the same.

Expected long-term change in staff teleworking, by employment size



This may signal the economy has adapted to the new ‘work from home’ paradigm.

There is a considerable amount of work across the economy that must be done at a place of business (such as manufacturing, construction and health care) which limits the level of teleworking that is possible for the workforce as a whole.

For a smaller percentage of the workforce, they are awaiting new technology and developments that would enable some degree of teleworking flexibility that is currently not feasible.

Overall, the dynamism of the last two years may have slowed, as it appears likely that the hybrid settings currently being utilised by around a third of the workforce may continue into the longer term.

Contact for this report

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