



AHRI Quarterly Australian Work Outlook

A forward view of the
Australian labour market.

**DECEMBER
QUARTER
2023**

Contents

- 03** Foreword
- 05** Summary of key findings
- 07** Employment outlook
- 16** Wages outlook
- 20** Policy focus – absence management
and the right to disconnect
- 29** Research methodology

AHRI's Quarterly Australian Work Outlook report

AHRI's Quarterly Australian Work Outlook – a 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 pleased to introduce the findings from AHRI's Australian Work Outlook for the December quarter of 2023, a comprehensive survey of 600+ senior HR professionals and decision-makers across private, public and not-for-profit organisations across all Australian states and territories.

This report serves as a valuable resource for HR professionals, executives, board members and government departments, as it offers essential insights into recruitment and redundancy intentions, employee turnover rates and pay expectations. When we draw on the three quarters' worth of data that we've collected as part of this research series, some measures reflect a difficult economic environment. However, the situation is not clear-cut.

Net employment intentions remain strong, with employers telling AHRI they expect to increase staffing levels in the December quarter. With net employment intentions consistent with those in the September quarter, there has been a strong ongoing expectation that staffing levels would increase across both survey periods.

Net recruitment intentions support this view, and after easing in the September quarter, employers' intentions to recruit are now back at June quarter levels, with over **70%** of respondents expecting to recruit in the December quarter.

At the same time, redundancy intentions saw a sharp increase this quarter, with around a third of employers saying they intend to make at least some staff members redundant. At the time of writing, this was reflected in a number of media stories featuring large organisations, particularly in the professional services sector.

The question is, what is driving this tension between the intention to recruit and increase staffing levels on one hand, and the sharp increase in redundancy intentions on the other?

Like the trends we're seeing in the data, the answer is not explicit, and may differ depending on sector, organisation size and industry. However, the data sets collected by AHRI may assist in making sense of these trends.

There seem to be a number of factors driving employment intentions and recruitment activity, including ongoing high employee turnover rates, leaving essential roles vacant. The continuing recruitment difficulties reported by respondents, supported by low unemployment data, could be drawing out the need for ongoing recruitment, as could the proficiency gaps reported by some employers in the previous quarter's report. What is interesting about these responses is that they are suggesting recruitment as an ongoing backfilling activity rather than a response to or driver of business growth.

Viewed this way, the positive employment and recruitment indicators and the higher redundancy intentions reported this quarter are not incompatible.

These higher redundancy intentions, combined with modestly lower wage intentions, might also serve as a forward indicator of economic challenges that HR professionals will need to consider in their planning for 2024.

It will be important to consider strategic HR measures to control costs, enhance productivity, and attract and retain skilled employees. The modest fall in forward wage growth expectations from **2.8%** in Q3 to **2.6%** in this quarter's research could point to a reassessment of compensation and total reward packages to help organisations remain competitive in 2024.

Each Australian Work Outlook report examines one or more topical workplace issues. In this quarter, we examined employee absence, as well as the concept of the right to disconnect.

The research indicates that organisations are seeing an overall increase in unscheduled employee absence, driven in large part by COVID-19, home responsibilities and minor illnesses. Overall, the average Australian worker took six days off during the past financial year.

The data also reveals employees' most significant stressors. Cost-of-living pressures rank highest (**51%**), closely followed by concerns regarding work-life balance (**40%**) and excessive workloads (**38%**).

However, there's an encouraging realisation that good people management practices can significantly mitigate these challenges. The survey identifies investment in line management capability as one of the most effective interventions to reduce absence, underscoring the potential for HR to lead the way in creating a more resilient and engaged workforce.

I look forward to engaging further with our members on the findings of this quarter's report and their implications for HR and workplaces.

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.

Sarah McCann-Bartlett,
CEO, Australian HR Institute



Summary of key findings

1

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 December quarter of 2023, remains in positive territory (+41). This is unchanged compared to the previous quarter.

2

45% of organisations plan to increase staff levels in the quarter, compared with just **4%** that plan to reduce the size of their workforce over the same period.

3

Redundancy intentions have risen sharply to **31%** in the December 2023 quarter from **17%** in the September 2023 quarter. At the same time, recruitment intentions have risen from **61%** to **71%** over the same period.

4

The 12-month average employee turnover rate to the end of October 2023 is **14%**, unchanged compared with the previous quarter. The employee turnover rate is highest among (private sector) manufacturing and production firms (**18%**) and lowest among public sector (**12%**) and not-for-profit organisations (**12%**).

5

The share of employers who have experienced recruitment difficulties in the past three months is **47%**, around the same level as the previous quarter's data.

6

Employers reported that the mean basic pay increase in their organisation (excluding bonuses) is expected to be **2.6%** in the 12 months to October 2024, down from **2.8%** in the 12 months to July 2024 reported in the previous report.

7

Unscheduled workplace absences averaged six working days per employee per year in the past financial year.

8

Employers report that absence levels in their organisation have increased (**40%**) rather than decreased (**19%**) over the past financial year.

9

The most effective measures to improve absence are making or simplifying processes for obtaining reasonable adjustments (**36%**), investigating and reviewing job quality (**35%**) and investing in leadership management and capability (**31%**).

10

The three most common causes of unscheduled absence are home responsibilities (**77%**), minor illnesses (**72%**) and COVID-19 (**65%**), according to survey respondents.

11

The biggest drivers of stress for employees are considered to be cost-of-living pressures (**51%**), poor work-life balance (**40%**) and excessive workload (**38%**).

12

Almost two-thirds (**64%**) of employers believe that a law or policy that gives employees the right to disconnect from work-related communications outside of working hours would have a positive impact on employees in terms of them being able to perform work flexibly.



1. Employment outlook for the upcoming quarter

Net employment intentions, December quarter 2023.

The survey indicates that employment growth will continue in the fourth quarter of 2023.

AHRI's Net Employment Intentions Index for the December 2023 quarter, which measures the difference between the proportion of employers that expect to increase staff levels and those that expect to decrease staff levels, remains firmly in positive territory.

The AHRI Net Employment Intentions Index for the December quarter of 2023 is +41, the same as in the previous quarter. Making up the Index, **45%** of organisations are planning to increase employment levels in the December 2023 quarter compared with just **4%** of organisations who are planning to reduce the size of their workforce over the same period.

The AHRI Net Employment Intentions 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:

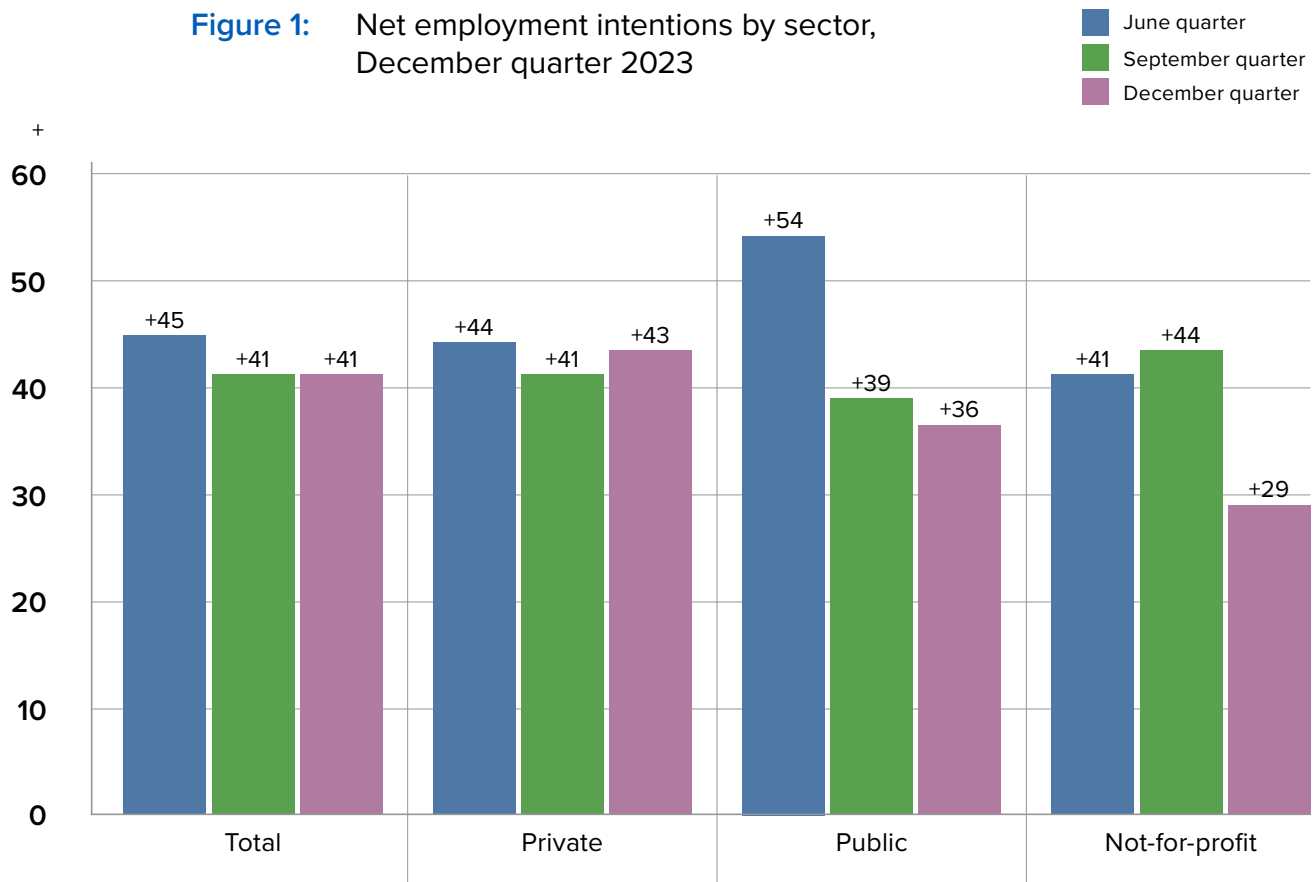
- An index of +100 would mean that all organisations intend to increase staffing levels
- An index of -100 would mean that all organisations intend to decrease staffing levels
- A 0 index could mean that either all organisations expect no change in employment levels, or that **50%** of employers intend to increase staffing levels while the other **50%** intend to decrease staffing levels.

EMPLOYMENT OUTLOOK

Employment growth intentions remain strong across the not-for-profit sector (+29), private sector (+43) and public sector (+36).

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

Figure 1: Net employment intentions by sector, December quarter 2023



Base: December 2023, all employers (n=604; private: n=486; public: n=103; not-for-profit: n=15¹)

¹ Some care should be taken not to over-interpret the data for the not-for-profit sector throughout this report due to a small sample size.

At a glance:

Seven in ten organisations plan to hire staff in the December 2023 quarter.



Recruitment intentions

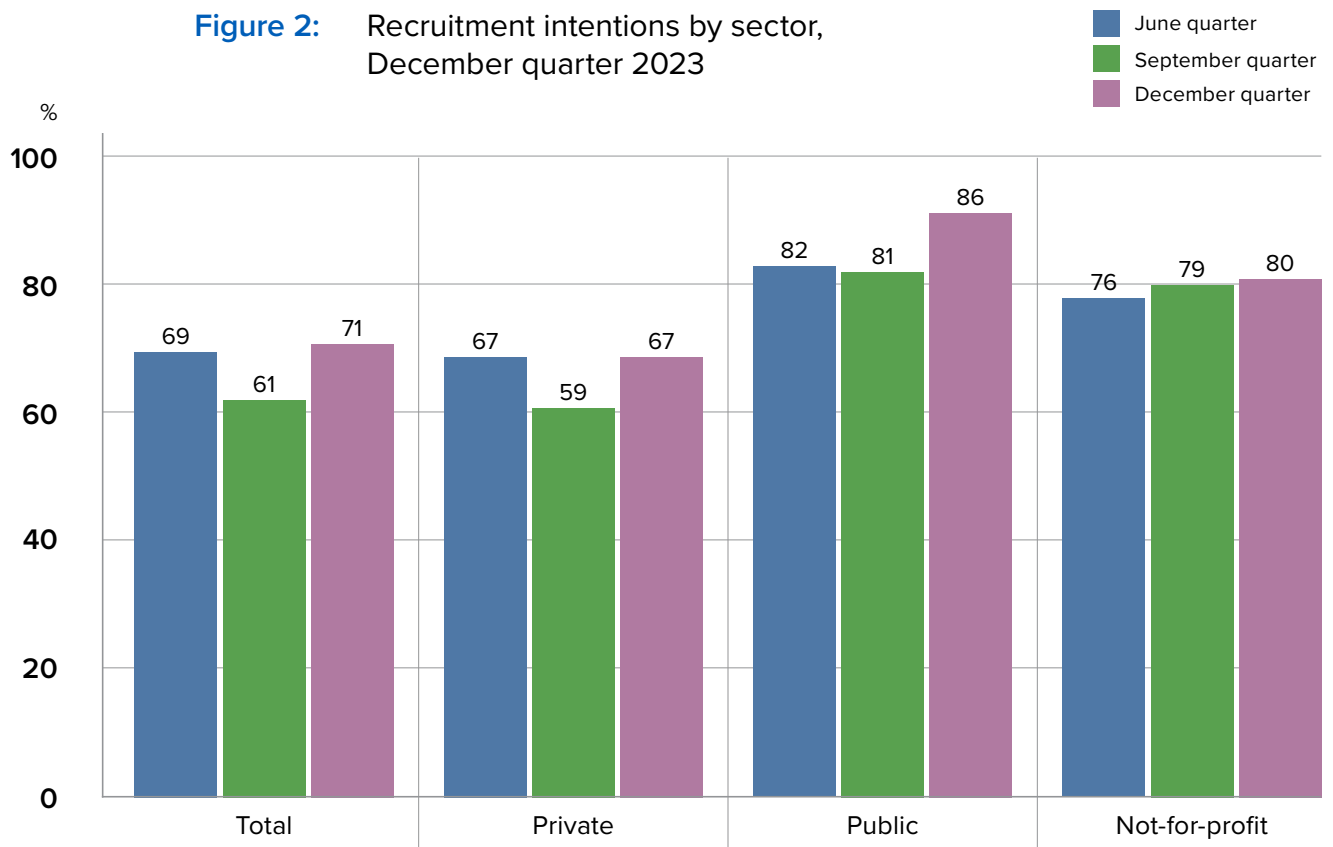
December quarter 2023

AHRI asked respondents to share their recruitment intentions for the upcoming quarter.

Around seven in ten (**71%**) organisations plan to hire staff in the December quarter of 2023, up from **61%** in the September quarter and around the same as in the June quarter.

Recruitment intentions are more positive among public sector organisations (**86%**) and not-for-profit organisations (**80%**) than in the private sector (**67%**).

Figure 2: Recruitment intentions by sector, December quarter 2023



Base: December 2023, all employers (n=604; private: n=486; public: n=103; not-for-profit: n=15)

Increase in redundancy intentions

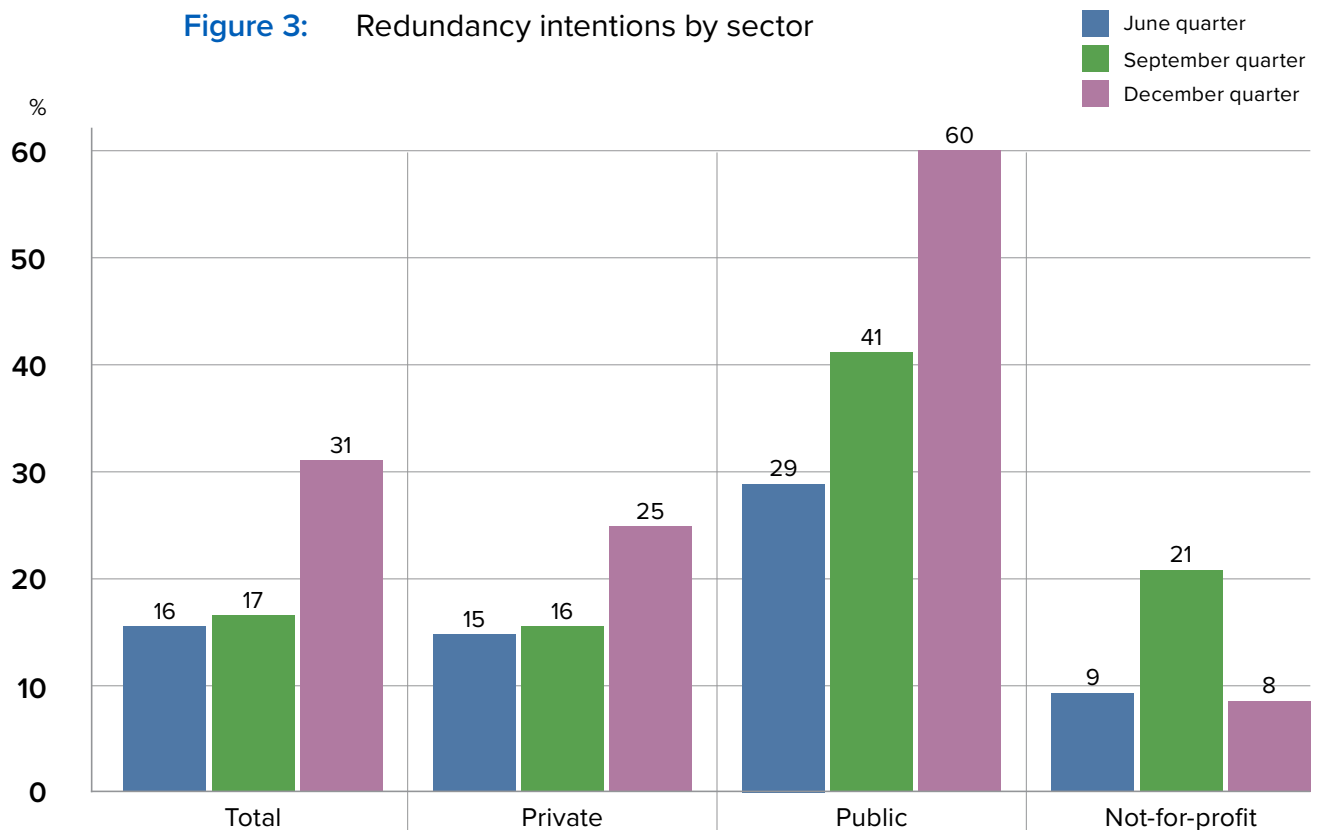
December quarter 2023

There has been a sharp rise in the proportion of employers expecting to make at least some staff redundant in Q4.

Almost a third (31%) of respondents plan to make workers redundant in the December quarter of 2023, which is higher than the 17% recorded in the September quarter of 2023.

There is a large variation across sectors and industries in terms of redundancy intentions – they are strongest in the public sector (60%) and in the manufacturing and production sector (37%).

Figure 3: Redundancy intentions by sector



Base: December 2023, all employers (n=604; private: n=486; public: n=103; not-for-profit: n=15)

At a glance:

31% of organisations are planning redundancies, up from 17% in the September quarter.



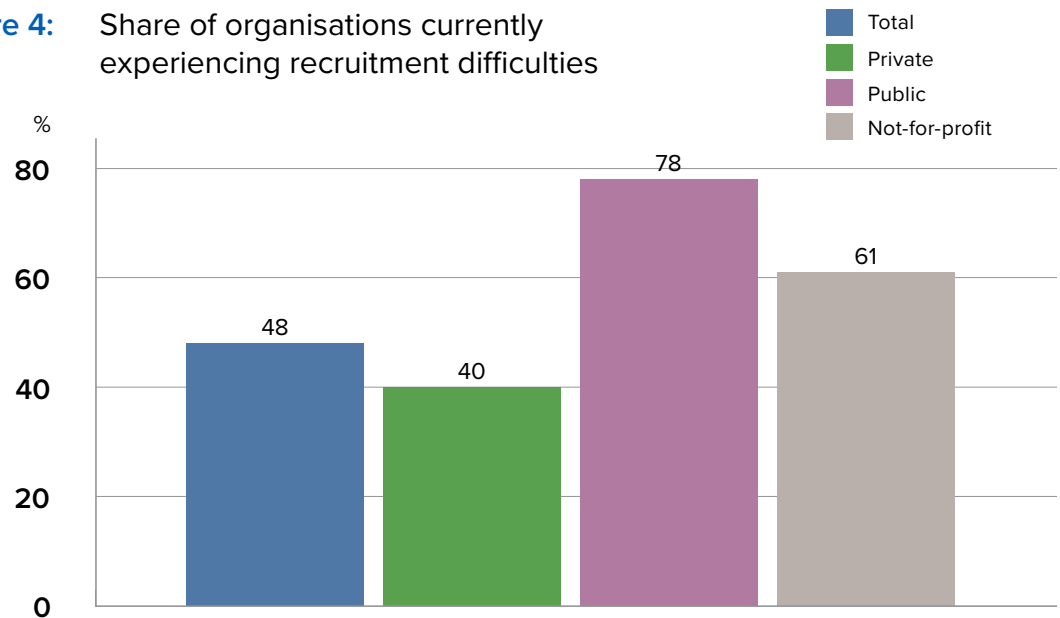
Persistent recruitment difficulties

Recruitment difficulties remain a cause for concern for a significant share of employers.

The share of employers currently experiencing recruitment difficulties has risen modestly to **48%** (from **43%** in the previous quarter) during the past three months (Figure 4).

The survey data splits the private sector into two sub-sectors (services and manufacturing, and production). Within the private sector, recruitment difficulties are more prevalent among manufacturing and production companies (**53%**) than services companies (**35%**).

Figure 4: Share of organisations currently experiencing recruitment difficulties



Base: December 2023, all employers (n=604; private: n=486; public: n=103; not-for-profit: n=15)

Employee turnover

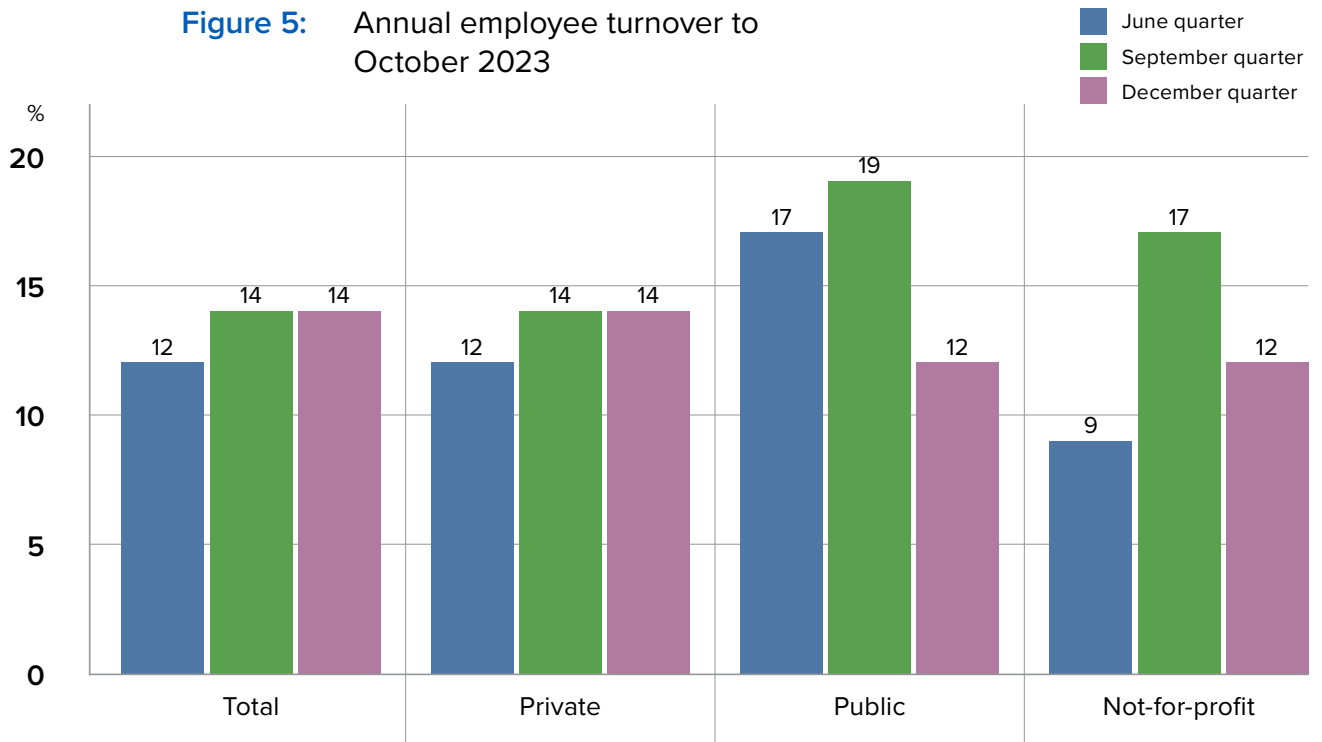
The average employee turnover rate in Australian workplaces, for the 12 months to the end of October 2023, was 14%.

This is the same figure seen in the previous quarter (Figure 5).

However, there is considerable variation across organisations. On one end of the spectrum, a quarter (25%) of organisations report that annual average employee turnover is 20% and above, which is leading to ongoing recruitment and retention pressures.

In contrast, around three in ten employers (29%) reported that their annual employee turnover was less than 5%.

Figure 5: Annual employee turnover to October 2023



Base: December 2023, all employers (n=604; private: n=486; public: n=103; not-for-profit: n=15)

At a glance:

48% of organisations are experiencing recruitment challenges.





2. Wages outlook for the 12 months to October 2024

This quarter, AHRI asked employers how they expect wages to change in the 12 months to October 2024 and how they have changed over the past year.

AHRI found that pay expectations have fallen modestly since the previous quarter.

The data tells us that:

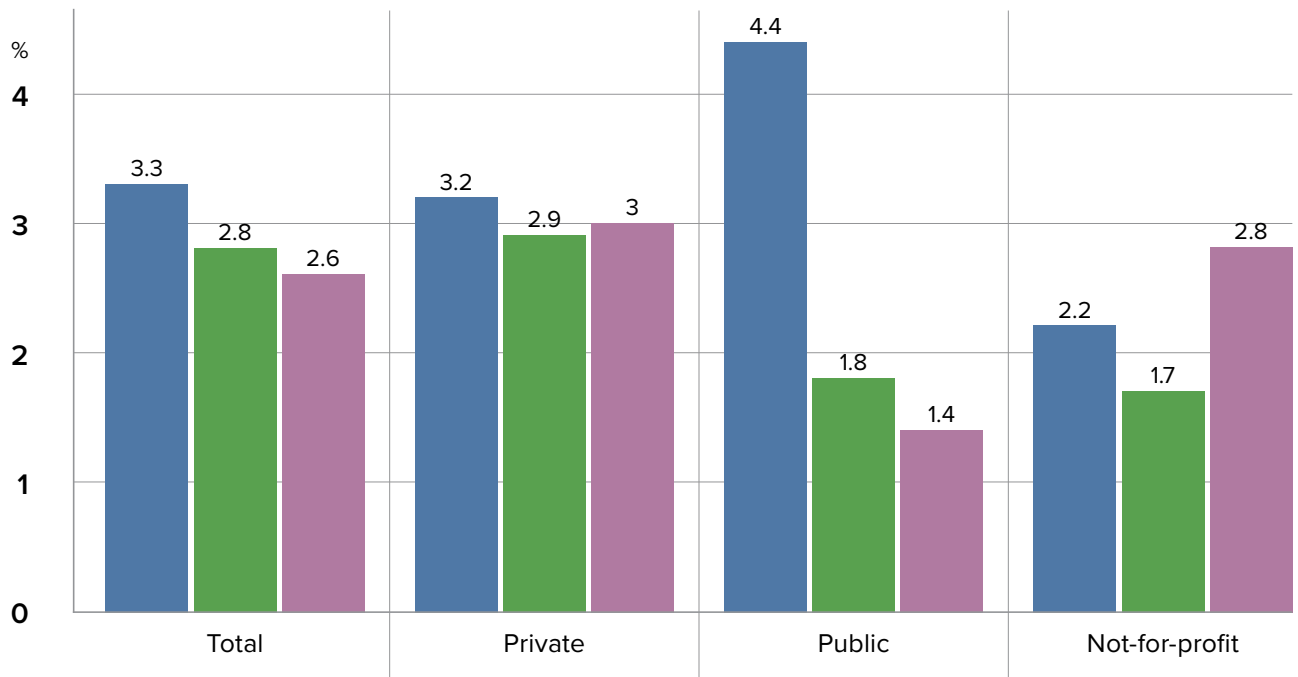
- The mean basic pay increase in organisations (excluding bonuses) is expected to be **2.6%** in the 12 months to October 2024, down from the **2.8%** previously expected in the 12 months to July 2024 and the **3.3%** previously expected in the 12 months to April 2024.
- Private sector employers' pay expectations are higher (**+3%**) than in the public sector (**+1.4%**).
- Seventeen per cent of employers reported they are planning to implement a pay freeze, down from **20%** in the previous quarter.

WAGES OUTLOOK

It's important to note that around a quarter (**27%**) of employers reported that they do not yet know the extent of wage increases in their organisation for the 12 months to October 2024.

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

■ June quarter
■ September quarter
■ December quarter



Base: December 2023, all employers (n=604; private: n=486; public: n=103; not-for-profit: n=15)

Employer responses to pay secrecy legislation

AHRI asked employers how they had changed or planned to change their practices on pay secrecy in response to recent legislative changes.

In late 2022, the Federal Government passed an amendment that allows employees to disclose and ask others about their pay, and banned new employment contracts from including pay secrecy clauses. These new measures have applied to Australian organisations since 7 December 2022.

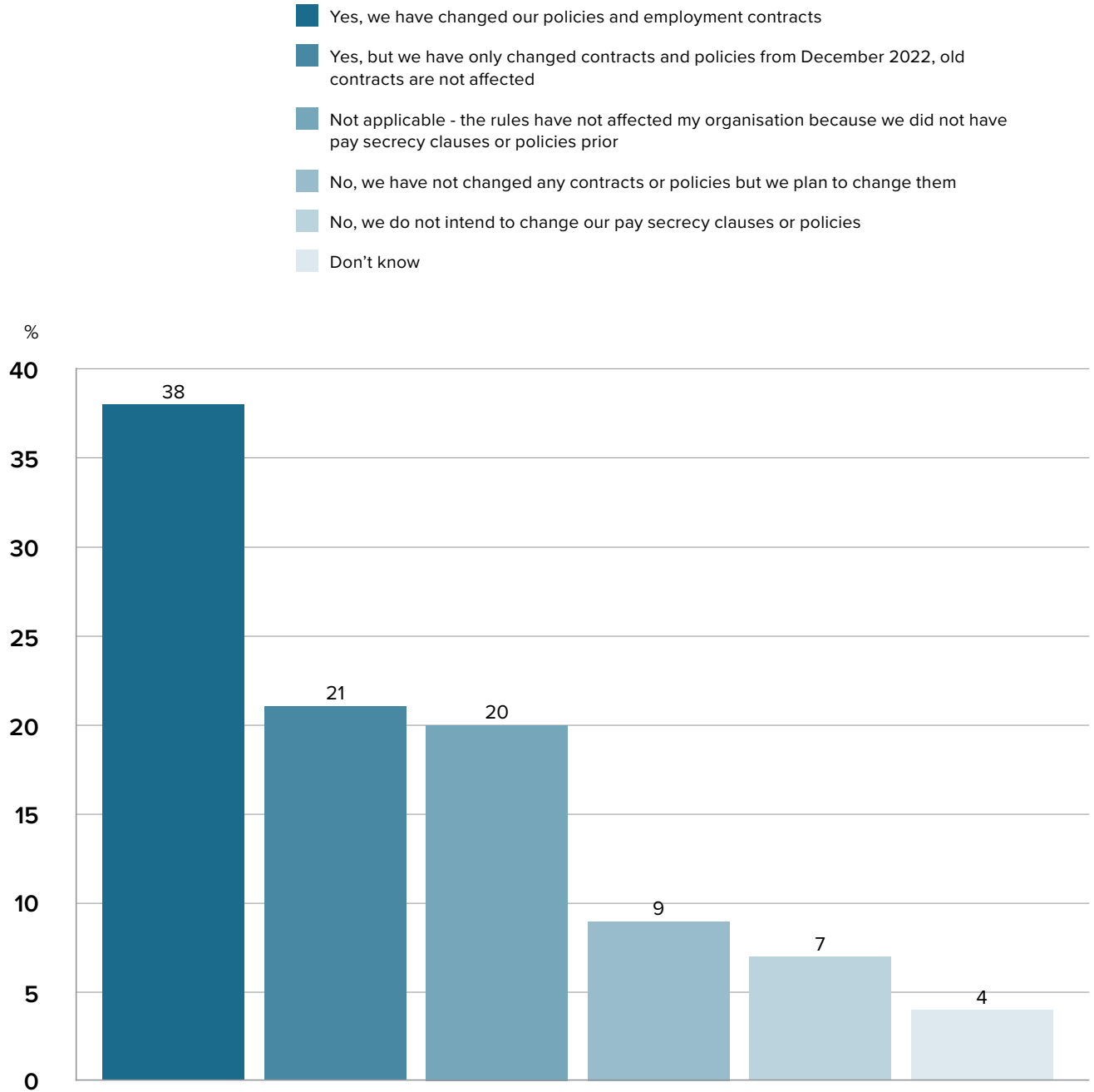
When asked about their responses to the new legislation, the most frequent employer response was to change both the organisational policy and all employment contracts (**38%**).

Just over a fifth (**21%**) of employers report that they have only changed contracts that date from December 2022, suggesting that those that pre-date December 2022 have remained unchanged.

A fifth (**20%**) of organisations say that the rules do not affect them because they do not have pay secrecy clauses. Seven per cent of organisations admit to not changing pay secrecy clauses or policies despite the legislation.

WAGE OUTLOOK

Figure 7: Most popular employer responses to the recent introduction of pay secrecy legislation



Base: December 2023, all employers (n=604; private: n=486; public: n=103; not-for-profit: n=15)

At a glance:

A quarter of respondents say their average turnover rates are over 20%





3. Policy focus

The policy focus of this quarter's report is absence management and the right to disconnect.

Who measures absence and how regularly?

The majority (**82%**) of organisations say they measure unscheduled absence levels.²

Respondents were also asked how regularly they measure unscheduled absences (Figure 8). Once every two to three months was the most common organisational policy (**34%**), followed by once every four to six months (**21%**) and once a month (**17%**).

Seven per cent of survey respondents say that they only measure unscheduled absence levels annually.

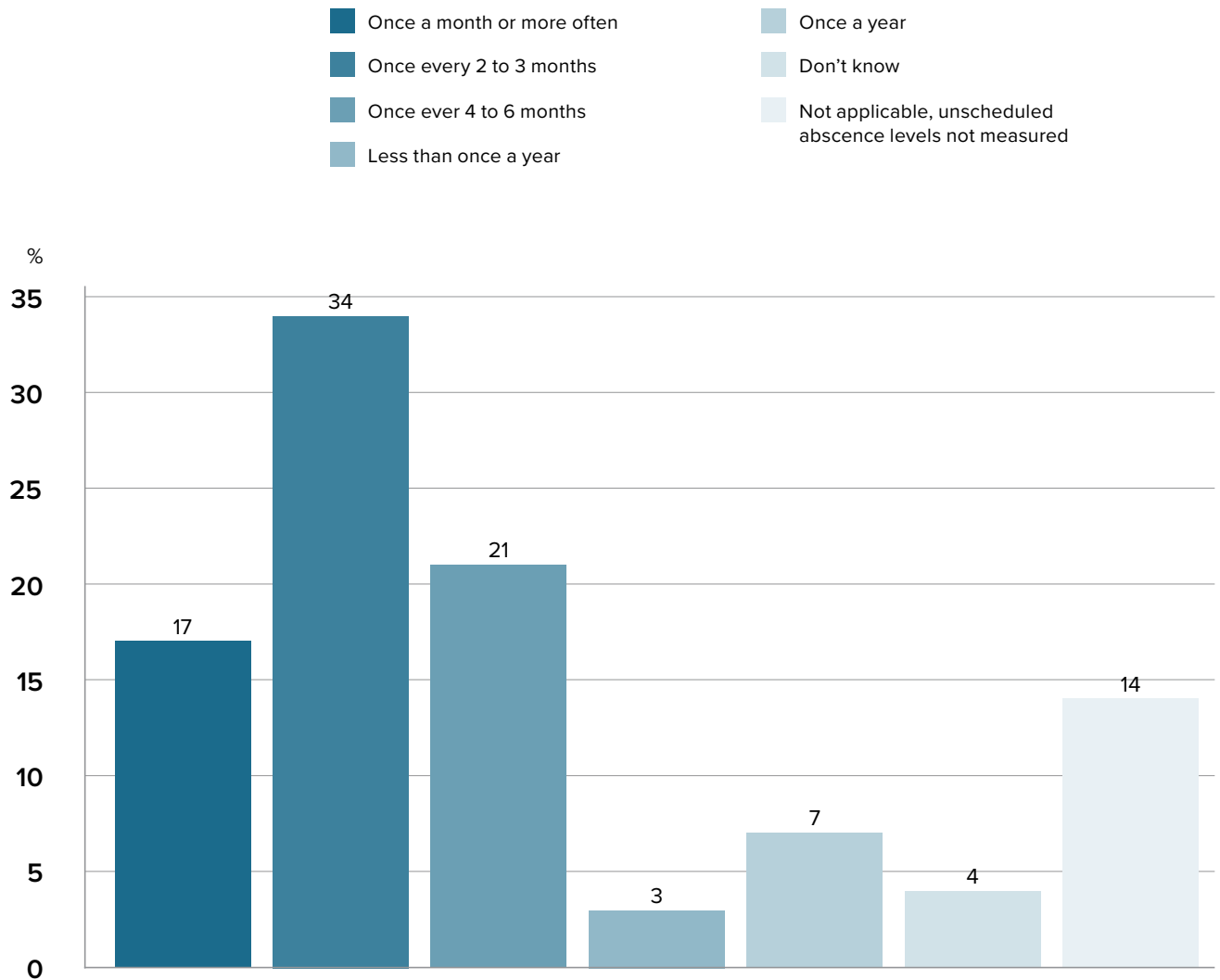
The survey also revealed that the mean rate of unscheduled absence is around six working days per employee per year.

The incidence of unscheduled absence is highest among not-for-profit and manufacturing and production firms (both seven days). It is lowest among public sector employers and private sector services firms (both six days).

² By 'unscheduled absence', survey respondents were told that this includes personal leave, emergency leave, carers' leave and miscellaneous leave (bereavement, compassionate, etc.).

POLICY OUTLOOK

Figure 8: Frequency with which employers measure unscheduled absences

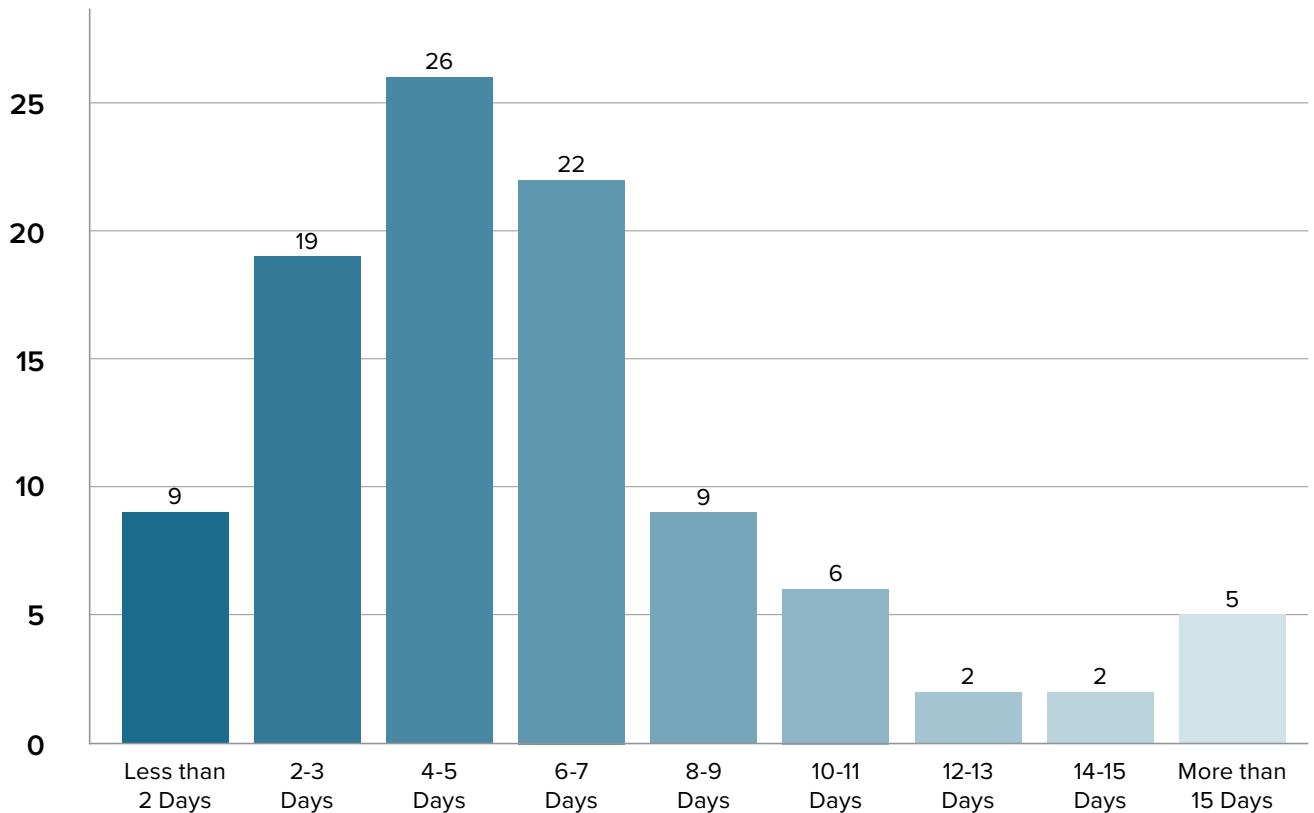


Base: December 2023, all employers (n=604; private: n=486; public: n=103; not-for-profit: n=15)

POLICY OUTLOOK

However, as Figure 9 indicates, there is considerable variation across responses. In addition, it should be noted that the majority of employers (**54%**) say that unscheduled absence levels in their organisations was fewer than six days.

Figure 9: Average level of unscheduled absence



Base: Base: December 2023, all employers (n=604; private: n=486; public: n=103; not-for-profit: n=15)

At a glance:

17% of employers plan on implementing a pay freeze, down from 20% in the previous quarter



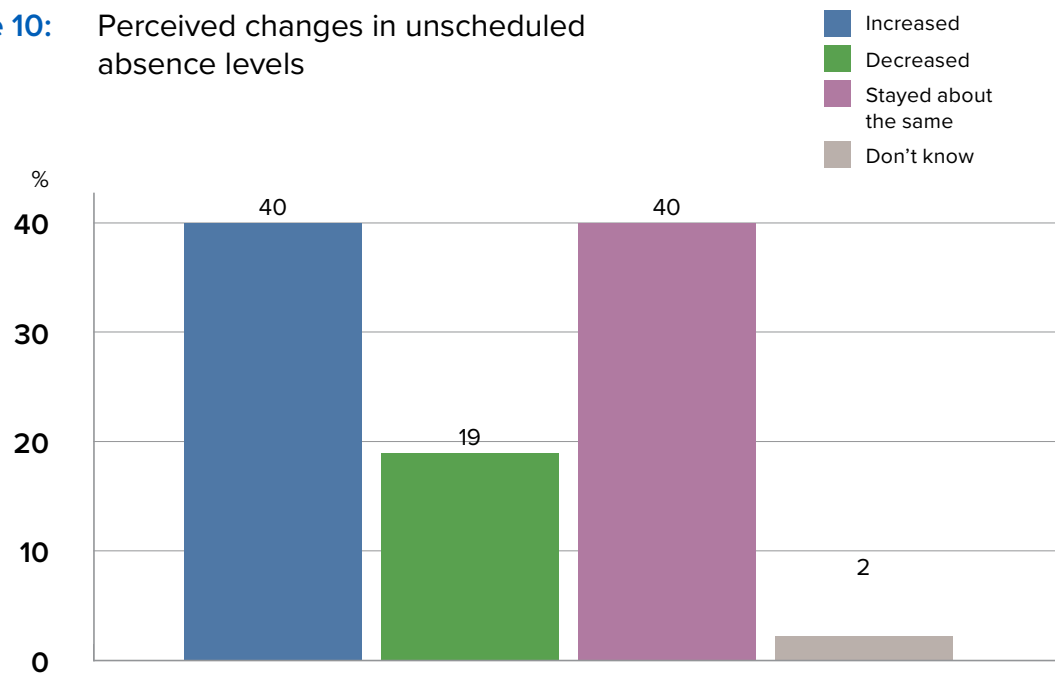
POLICY OUTLOOK

The HR professionals and senior decision-makers who responded to the survey were also asked to assess whether unscheduled absence levels in their organisations had increased, decreased or stayed the same during the 2022/23 financial year compared with the previous 12-month period.

Despite the considerable disruption caused by COVID-19 in the 2021/22 financial year, more employers said that unscheduled absence levels had increased in the 2022/23 financial year than those who said they had decreased (Figure 10).

The research shows a large variation across sectors and sub-sectors. Almost six in ten (**58%**) manufacturing and production firms report that unscheduled absence levels have increased compared with last year.

Figure 10: Perceived changes in unscheduled absence levels



Base: December 2023, all employers (n=604; private: n=486; public: n=103; not-for-profit: n=15)

POLICY OUTLOOK

Main reasons for unscheduled absence

Respondents were provided with a list of possible reasons for unscheduled absence and were asked which of them were the main drivers of unscheduled absence at their organisation.

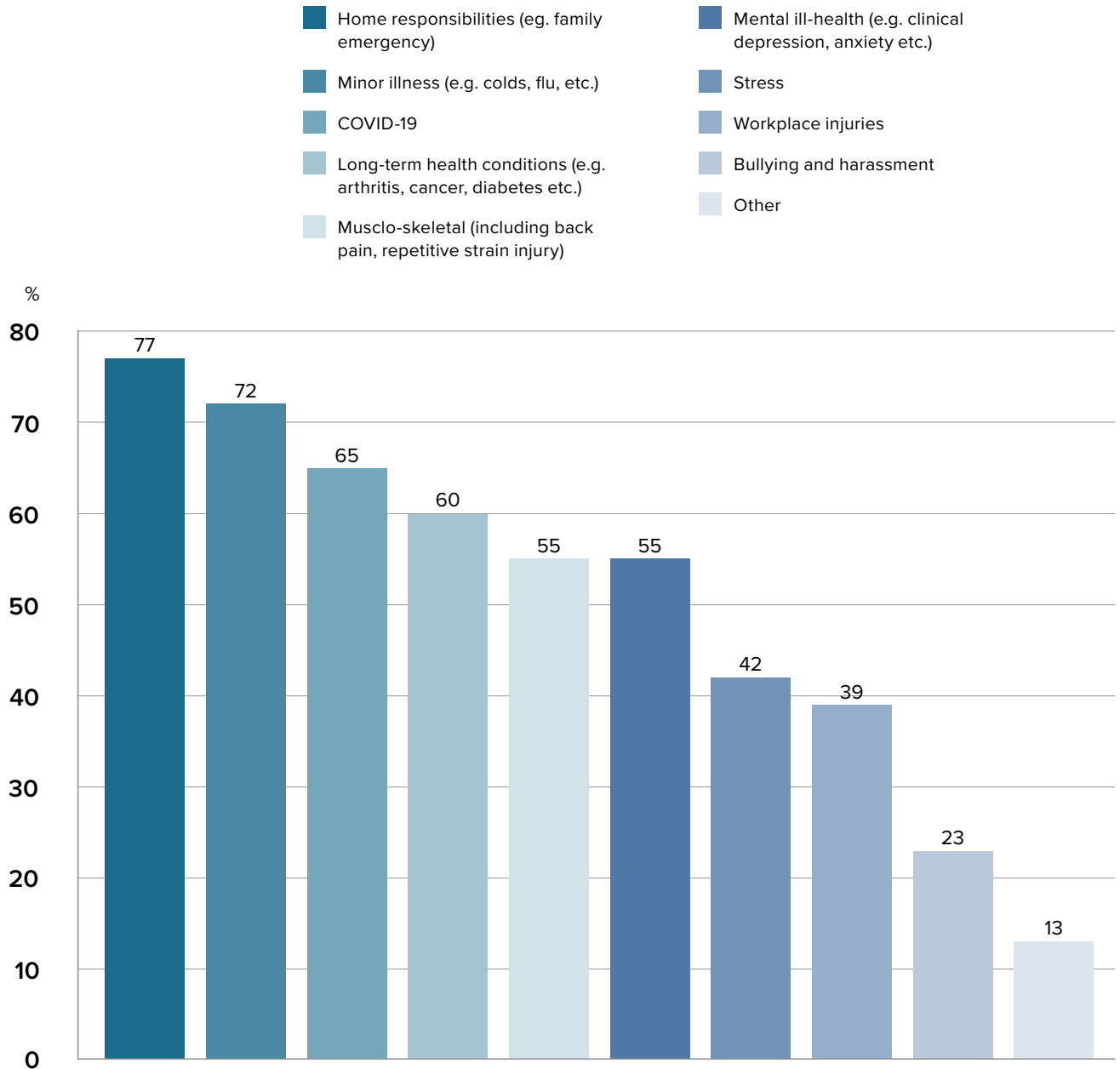
Among the options presented, the most common reasons for unscheduled absence are reported to be: home responsibilities (77%), minor illnesses such as cold and flu (72%) and COVID-19 (65%). Other common reasons for absence include long-term health conditions, musculo-skeletal conditions, mental ill-health and stress (Figure 11).



POLICY OUTLOOK

Totals may add to over 100 as respondents were able to provide multiple responses.

Figure 11: Main causes of absence



Base: December 2023, all employers (n=604; private: n=486; public: n=103; not-for-profit: n=15)

POLICY OUTLOOK

With stress remaining a persistent reason for unscheduled absence in Australian workplaces, the survey also asked respondents what they perceive to be the key cause or causes of work-related stress in their organisations.

The survey data suggests that the top three causes of stress are:

- Cost-of-living pressures (**51%**)
- Poor work-life balance (**40%**)
- Excessive workload (**38%**)

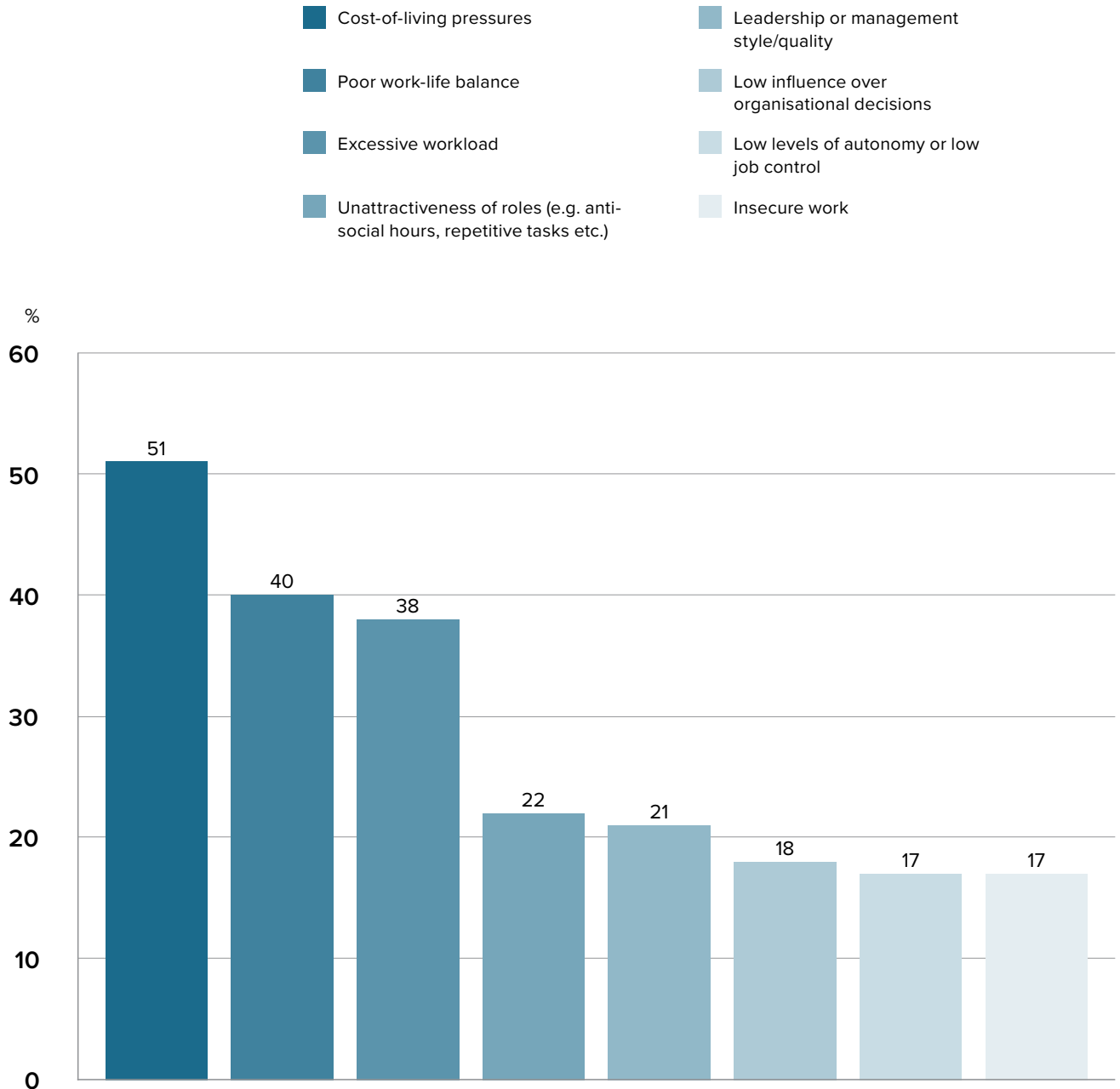
Survey respondents were also asked for their views regarding which of the various approaches to managing unscheduled absence were the most effective (Figure 13).

According to Work Outlook employers, the three most effective interventions or policies to help reduce working days lost to unscheduled absence are:

- Making or simplifying processes for obtaining reasonable adjustments (e.g. changes to working hours or duties, work station, etc.) (**36%**)
- Investigating and reviewing job quality (e.g. job design, whether people have the tools and resources they need to do their jobs effectively, relationships with supervisors or managers, working hours, work intensity, etc.) (**35%**)
- Investing in leadership and management capabilities (**31%**).

POLICY OUTLOOK

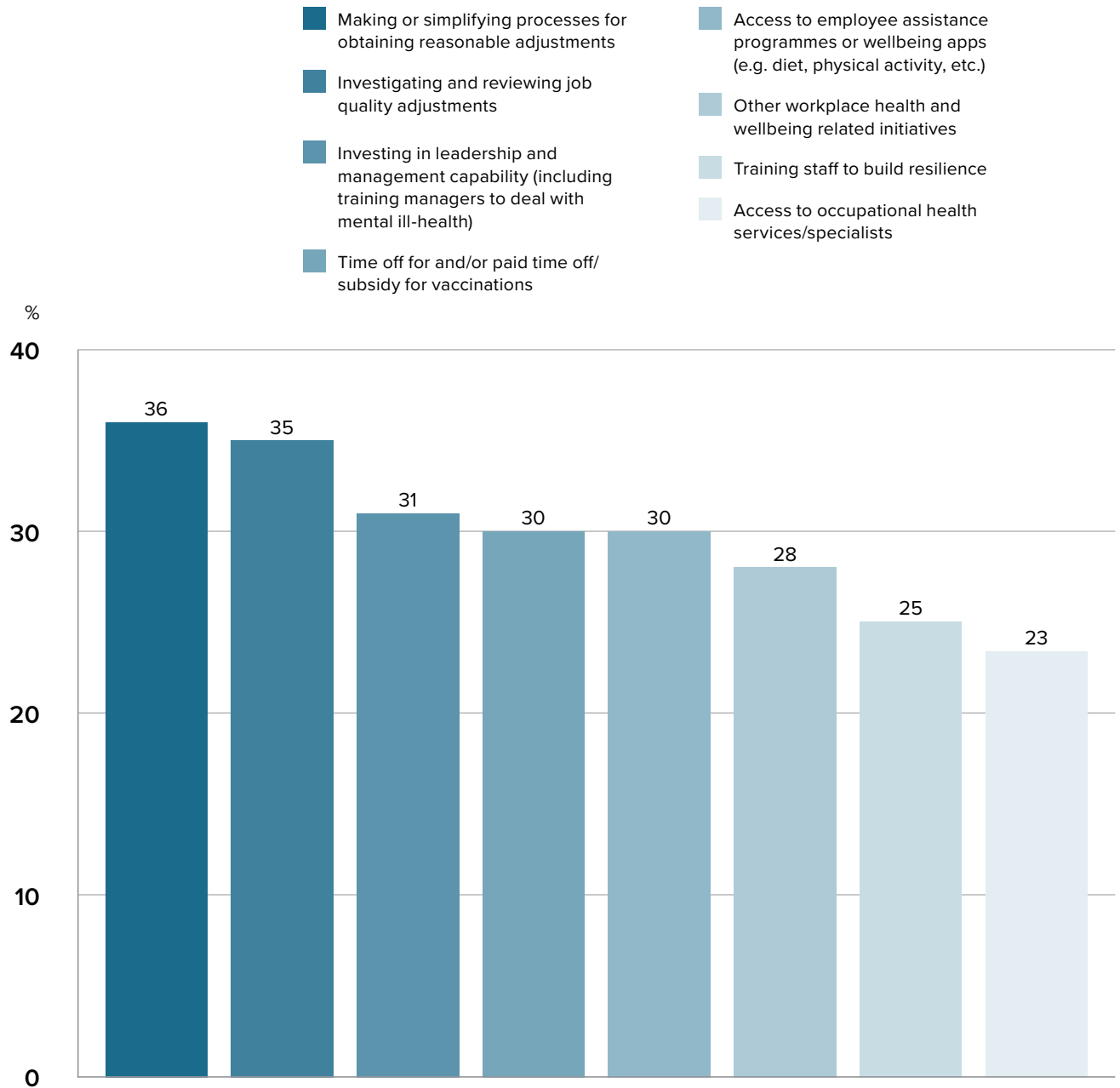
Figure 12: Main causes of stress



Base: December 2023, all employers (n=604; private: n=486; public: n=103; not-for-profit: n=15)

POLICY OUTLOOK

Figure 13: The most effective policies or measures that help reduce unscheduled absence levels



Base: December 2023, all employers (n=604; private: n=486; public: n=103; not-for-profit: n=15)

At a glance:

The mean rate of unscheduled absences is six days per employee per year.



POLICY OUTLOOK

The right to disconnect

This research indicates that there is support among HR professionals and senior decision-makers for a right to disconnect policy in their organisation. This would mean employees would have a legal right to disconnect from work-related communications out of hours.

Forty-five per cent of employers report that a formal right to disconnect from work-related communications outside of working hours is necessary in their organisation. Appeal for such a policy is much higher among manufacturing and production firms (**58%**) than public sector employers (**20%**).

There has already been a noticeable uptake of right to disconnect policies (or equivalent), with around four in ten (**41%**) employers reporting that they already have a right to disconnect policy in their organisation.

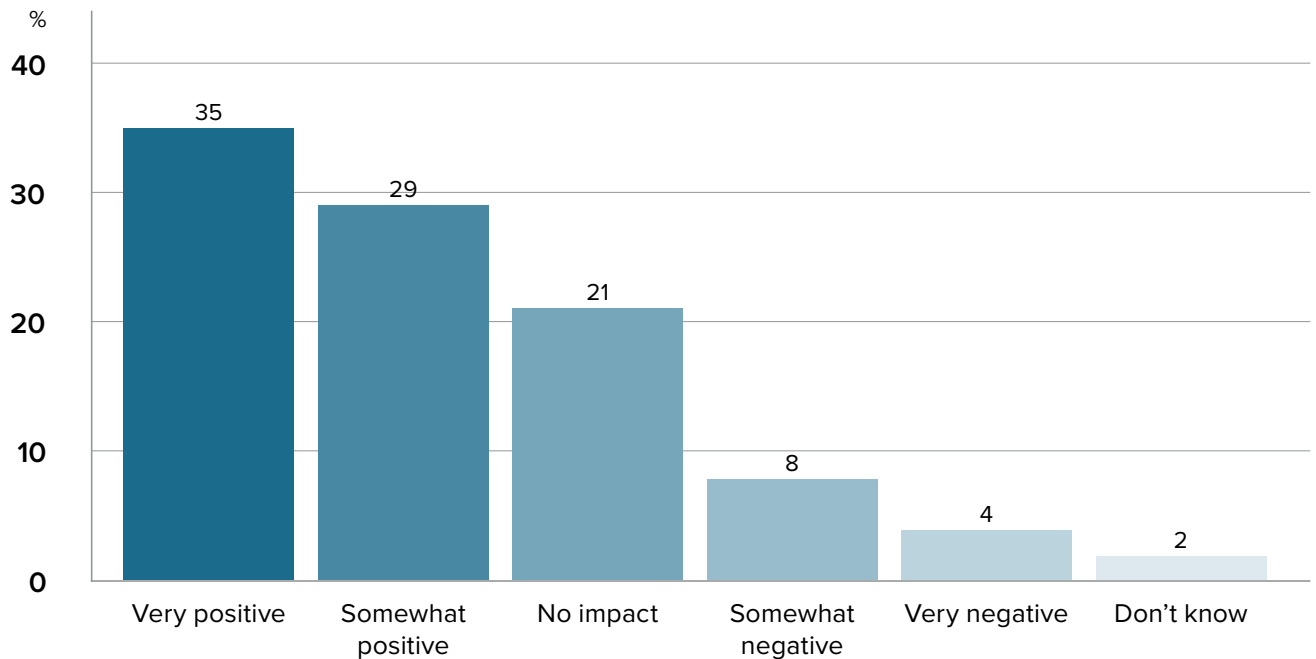
Employers report that these policies typically apply widely to employees, with just over two thirds (**68%**) of employers reporting that all employees are covered by the policy. However, around a quarter (**25%**) exempt senior management and managers from the right to disconnect.

Employers report a very high level of compliance with the policy, with almost nine in ten organisations (**89%**) saying they believe that employees at their organisation readily comply with their right to disconnect policy.

POLICY OUTLOOK

Against the backdrop of some European countries introducing laws that give employees the right to disconnect, almost two thirds (**64%**) of survey respondents say it would have a positive impact on being able to work flexibly. Thirteen per cent of employers say that such a policy would have a negative impact and just over a fifth (**21%**) say that it would have no impact.

Figure 14: Employers' assessment of the potential impact of a right to disconnect law or policy in terms of being able work flexibly



Base: December 2023, all employers (n=604; private: n=486; public: n=103; not-for-profit: n=15)



Research methodology

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

The total sample size for this survey was 604 senior business decision-makers, including HR, from organisations with 2+ employees.

Fieldwork was undertaken online between 5 and 16 October 2023.

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

Respondent profile

Breakdown of the sample by number of employees per organisation

Employer size band	2-19	20-119	200+	Total
Count	174	156	274	604

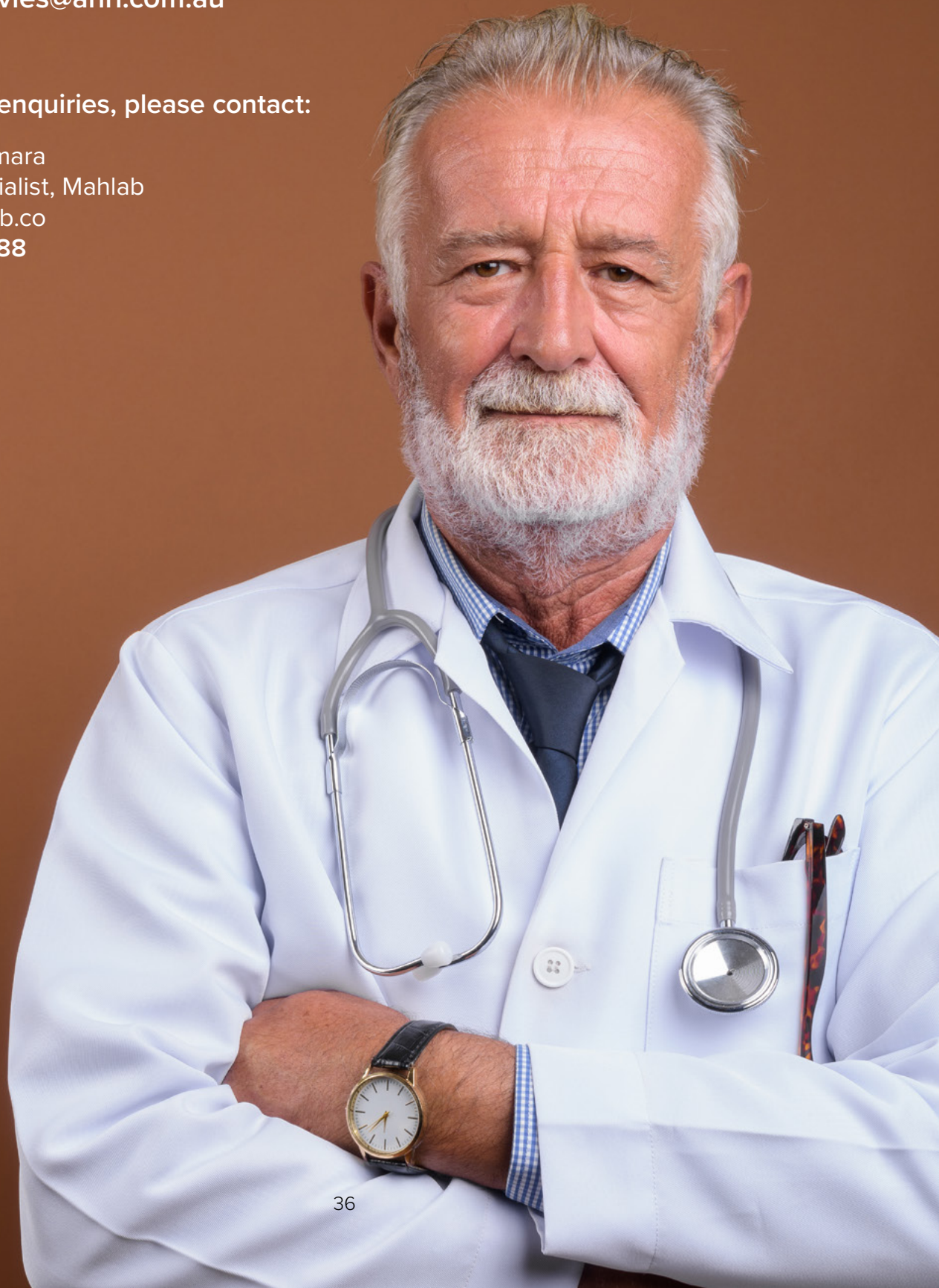
Breakdown of the sample by sector

Sector	Private	Public	Not-for-profit	Total
Count	486	103	15	604

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

For media enquiries, please contact:

Julie McNamara
Media Specialist, Mahlab
julie@mahlab.co
0419 595 688





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.