

Trends report

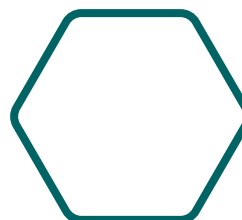
# The great rebalance

July 2023



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With talent at a premium in Australia, it's clear that **talent retention will be crucial for the rest of 2023 and into 2024**, helping smart businesses create a competitive advantage.

According to the latest Jobs and Skills Australia's Labour Market Update 2023, labour market conditions in Australia were particularly robust in 2022 and the unemployment rate fell to levels not seen in close to 50 years.

There was an increase in employment of 0.6% (or 87,300 positions), driven primarily by the creation of new full-time jobs, and the **unemployment rate decreased from 3.6% to 3.5%**.

With a corresponding growth in labour supply and ongoing strong demand for jobs, **the Wage Price Index (WPI) rose by 0.8% in the December quarter, hoisting annual wage growth to 3.3%**.

Despite labour markets showing greater stability, talent shortages persist in 2023 and forward-looking leaders are moving beyond what many called 'The Great Resignation' and 'Quiet Quitting' to address a series of new difficult challenges.

Experts say the strong pace of employment growth will be difficult to sustain and the Australian labour market is not immune to the international forces driving higher inflation and slower global growth.



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**More persistent global inflation than currently anticipated could result in tighter global monetary policy, which would further slow global growth, and dampen confidence and export earning.”**

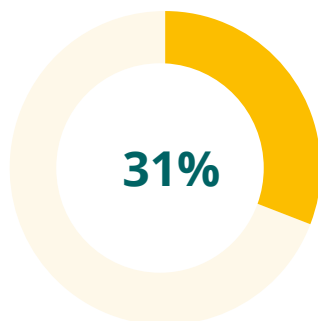
**Jim Chalmers**  
Treasurer of Australia



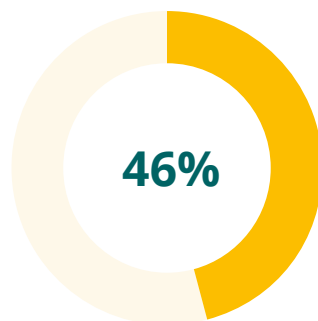
In early May 2023, Treasurer Jim Chalmers warned Australians that **“hard times” are coming**, with years of weak economic growth and rising inflation ahead, saying as a result more businesses could delay investment decisions.

Immigration has also had a huge knock-on effect. Temporary work visa holders make an important contribution to the Australian labour market, providing short-term skills and labour in many industries. Due to border closures during the pandemic, Australia lost two years’ worth of new migrants — around 400,000 people — and **labour shortages are a top business challenge**.

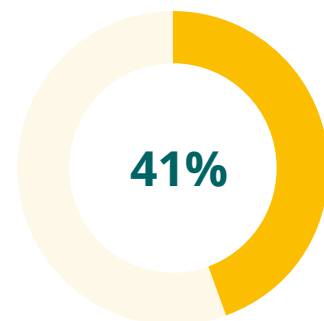
According to recent data from the Australian Bureau of Statistics (ABS) there were **444,000 job vacancies** in November 2022 – equivalent to a shocking 3.2% of all jobs being currently unfilled, and 28% of businesses are currently reporting vacancies.



Almost a third of employing businesses are having **difficulty finding suitable staff**.



Nearly half of all businesses experienced **increases in their operating expenses**.



More than two in five businesses faced **supply chain disruptions**. This has remained steady since it peaked in January 2022 (47%).



Despite this, thousands of Australians have been **locked out of the job market and trapped in unemployment for years** as entry-level jobs slowly disappear.

Research from Anglicare found on average in Australia there are **15 people to every entry-level job**. Of these 15 people, on average two experience significant barriers to gaining work, meaning **they often don't stand a chance of securing a job**.

The report found the ratio was worst in Tasmania where on **average six people with barriers are competing against 30 others for each entry-level job**.



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**We’ve come through a period of high employment, yet our findings show there’s a pool of Australians that have not shared in this prosperity and have remained long-term unemployed.”**

**“That shows the employment services are not doing their job, and the job market does not work well for those looking for entry-level jobs.”**

**Kasy Chambers**  
Executive Director, Anglicare

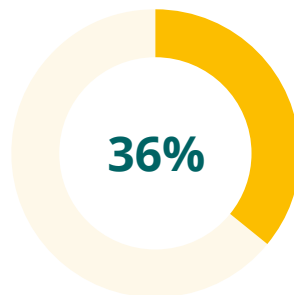
The new report found skill shortages were still particularly intense in regional areas, especially in engineering and medical fields. New into the top 20 skill shortage occupations are advertising and marketing professions, database and systems administrators, and ICT security specialists.

New research from Ai Group, Australia’s peak industry association, shows staffing shortages are one of the three top challenges – the others being inflation and supply chain disruptions – identified by business leaders for 2023.

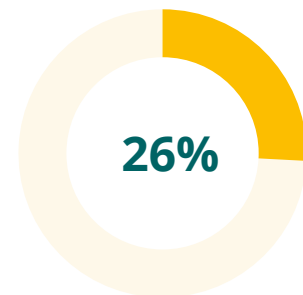
**Ai Group’s Australian survey shows:**



90% of businesses expect to be affected by **staffing shortages in 2023.**



36% report that skills shortages will **inhibit their business growth.**



26% say that total labour shortages – both skilled and non-skilled – **inhibit growth.**

Seven of the top 10 occupations with the most chronic shortages in Australia are low to medium-skill level jobs that require a vocational qualification. Across all occupational classes – high and low skilled, professional and technical – employers simply cannot recruit and retain the staff they need.

As a result of all this, Australian businesses are tightening their belt. Unlike 12 months ago when candidates in professional positions could almost demand their price and businesses had to meet them, businesses just don’t have the same budgets and their risk profiles have changed.

On the other hand, the skills shortage has hiked up permanent salaries and contractor rates. For skills in high demand, employers are usually offering a salary increase in line with CPI (the consumer price index) to secure their preferred candidates.

The Reserve Bank of Australia (RBA), which sets interest rates and is primarily focused on reducing inflation, is keeping a close eye on rising wages, and any significant increase above the current levels may encourage the RBA to keep interest rates higher for longer.

With workers demanding more money as the cost of living rises, and with a mismatch of candidate expectation (salary) vs business budget, there is going to be a re-balance on professional salaries, it’s just a matter of when.



## Business confidence

**The National Australia Bank (NAB) Business Confidence Index rates the current level of business conditions in Australia. A level above zero indicates improving conditions; below indicates worsening conditions.**

Changes in business sentiment can be an early signal of future economic activity such as spending, hiring, and investment. Australia's NAB business confidence index was up 1 point to 0 in April 2023, the highest reading since January. Wholesale led the increase (up 11pts), alongside small improvements in finance, business and property, retail and construction, although manufacturing fell 9 points. In trend terms, confidence was still negative in retail, wholesale, and finance, business and property, and turned negative in recreation and personal services, but was positive in other sectors. Cost growth remained a challenge. The labour costs measure solidified at a quarterly rate of 1.9%, and purchase costs picked up to 2.3% from 1.9% in March. The index is based on data collected from a survey of around 350 companies.



# Eight trends we're seeing in Australia's labour market

## How uncertainty, soaring living costs and inflation are shaping the job market in 2022

LinkedIn data says **59% of Australian workers are considering a change in job this year** and **41% feel confident in securing a new role**. This confidence flies in the face of economic factors that would typically convince staffers to stay put. The top thing participants in the survey said they were looking for in a new role is a bigger pay packet. Due to grim home ownership prospects for those on low and even middle incomes in major cities, working from home continues the trend of 'moving bush'. A 2022 Employment Hero study found 64% of workers considered relocating further away from the office and 76% have considered working remotely on a permanent basis.





## Flexibility and remote working

More and more, Australian workers are looking at ways to maintain a healthy work-life balance. Flexible working hours and being able to work from home remain major factors when it comes to choice of employer. The effects of the pandemic have all but cemented working from home as a must-have. The Employment Hero study found **50% of hybrid and remote workers said they'd quit their jobs if their management opted for a full-time return to the office.** That number increased to 61% for millennials.

## Training

Given that Australia's talent shortage remains acute, retaining workers – increasingly in remote settings – is critical. Ai Group's 2023 CEO Survey shows that with **skills gaps and labour shortages rife throughout the economy, on-the-job training has become the No.1 priority for businesses.** A key purpose of the labour market is to match the skills required by employers with the skills and capabilities of current and potential employees. Providing access to training and education helps people who want to get into higher-paying careers do so and is also necessary for some whose jobs will not be coming back. Matching workers to jobs in this uncertain and evolving environment requires the ability to quickly identify skills needs and retrain people for jobs that are in demand. Identifying training opportunities that can link to a variety of jobs provides a degree of insurance against uncertainty during such periods of rapid labour market change, and helps with staff retention.

## Digital transformation

During the pandemic, cloud technologies and platforms gave organisations the scale and flexibility to enable employees to work remotely and collaborate, including storing and sharing data across third-party networks enabled by artificial intelligence (AI) and machine learning (ML) algorithms. Research from Deloitte's 2023 Global Life Sciences Outlook found COVID-19 has shown companies that they need to embrace digital transformation, and most of them are taking more risks and investing in new technology. Those that don't may be left behind or at least find themselves at a competitive disadvantage.

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**A few years ago, we were all talking about Data and Digital as a concept. Today, we're talking about how it drives value in the operations and innovation engines of our company. And now, we need to start scaling these innovations across products, countries and operations.”**

**Gregory Hersch**

President for Enterprise Strategy and  
Venture, Merck



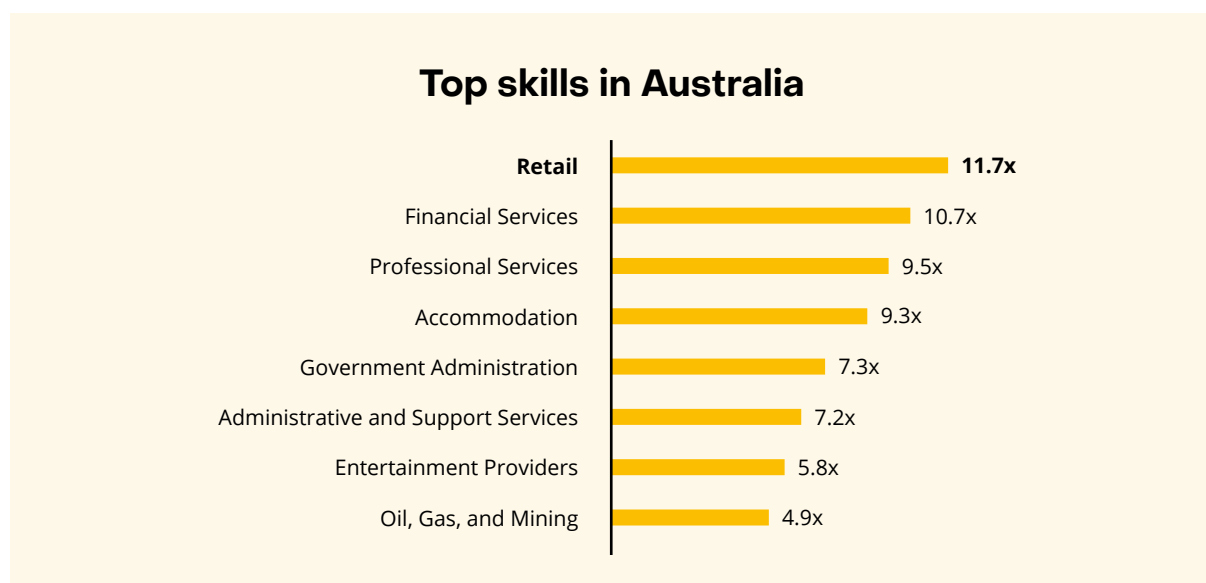
## Workplace culture

Research for SEEK shows 75% of Australians find workplace culture important. Two in three even rate it as more important than a higher salary, so if you want to attract and retain great employees, especially in this competitive market, culture needs to be on your radar. Mental health support, diversity and the increased participation of a values-driven Generation Z in the workforce all play a role, too.

## Skills-first hiring

The World Economic Forum says “skills-first hiring” is the solution to the global talent shortage, allowing employers to find the best workers and also retain them in the face of heightened competition. By assessing candidates based on their skills and abilities, rather than academic qualifications, employers in industries where labour market conditions are tight effectively tackle the issue of skills shortages, while also providing more opportunities for individuals seeking to enhance their employment prospects.

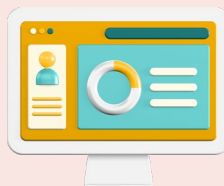
These industries could also present an excellent opportunity for career changers and recent graduates seeking employment. LinkedIn data shows that a skills-first approach to hiring talent will ensure businesses have access to wider talent pools to meet their skills needs, especially those in sectors that are aggressively looking for talent. For example, global companies that hire for skills - instead of direct experience - grow their talent pipeline by a factor of 9.4 compared to those that hire based solely on direct job experience. Hiring for skills has an even bigger impact in APAC, helping companies in India grow their talent pipeline by a factor of 12, and by 13 in Indonesia.



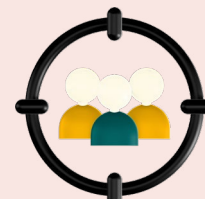
## Outsourcing

There has been a growth in outsourcing and also for on-demand talent platforms which link workers and employers. There are 34,785 Business Process Outsourcing (BPO) companies in Australia as of 2023. Australia represents the second largest market for BPO services in the Philippines, just behind the United States.

Filipinos earn a fraction of workers in Australia for the same role (for example, a call centre agent earns around one fifth), however, there are many other costs and overheads involved in having staff offshore – a 50% saving all up is realistic for a high-level business case. Australian government departments, enterprises and other organisations with large contact centres and large admin departments including banks, telcos, medical centres and insurance companies are finding great success in this space. Telstra and Optus alone provide thousands of jobs to Filipinos via their outsourcing partners. The two most popular models in the Philippines are:



**Traditional outsourcing:** A fully managed service where the BPO takes responsibility for staff management, KPIs and outcomes.



**A staff leasing model,** where the BPO helps you find staff and houses them, but does not directly manage them.

## On-demand talent

On-demand platforms match hundreds of temporary and permanent positions with thousands of pre-qualified and available staff across Australia and the rest of the world to fill urgent, full full-time, temporary, in-office or hybrid positions, linking employers with non-payroll workers like freelancers, independent contractors, gig workers, and contractors at the right time. There are many benefits (see below) including the ability to find staff urgently, fill roles at lightning speed, even the very next day. The on-demand marketplace works well with companies whose contact centres experience cyclical call volumes with ups and downs throughout the year that they need to staff up and down to handle.

# The 5 benefits of on-demand talent

It's not about replacing traditional workers, but outsourcing and working with on-demand talent companies creates a hybrid workforce and helps Australian businesses increase efficiencies, reduce costs, and boost productivity. This collaborative approach allows organizations to tap into specialized skills and resources as needed, fostering innovation and agility in an ever-evolving business landscape. The top 5 benefits of on-demand talent are:



## Reduced costs

The most obvious benefit of employing on-demand talent is that you can significantly reduce your costs. Most people are happy to agree to a smaller salary if they can work from the comfort of their own home, meaning overheads are slashed, especially if businesses no longer have to pay for real estate. With a hybrid model, you can stagger schedules so that you can lease a smaller office space. All your flexible staff need is a computer, internet connection, training, the right headset, and the added advantage of a flexible work environment that promotes work-life balance.

## Broad talent pool

Thrive in a tight labour market by increasing the pool of candidates from which you can draw. Rather than relying on local talent, on-demand platforms can help you handpick the best talent from around the world. Evaluating new hires based on their skill sets instead of their work history can help level the playing field. It also makes talent pools more diverse and often makes hiring more effective. In addition, offering a remote working environment attracts talented applicants looking for flexibility, short-term and temporary engagements, as well as those who may not want to work in an office due to responsibilities at home, such as childcare, and retirees.

## Greater staffing flexibility

Maintaining proper staffing levels can be a constant challenge, especially for companies that have seasonal peaks in demand, such as lawn care or tax preparation. Dovetailing with remote workers means more scheduling flexibility and the ability to staff up and down as needed, making it easier to manage seasonal fluctuations.

## Improved customer satisfaction

With a remote strategy, businesses can hire top talent, empower them with the tools that they need, and keep them satisfied in their roles. Happy and supported employees are also more productive and efficient in their work, meaning they work more efficiently, help customers faster and deliver better-quality assistance to customers.



## Improve agent job satisfaction

The best employees aren't just taking directions from their managers, they're actively engaged in the work they're doing, able to work autonomously, and hold themselves accountable for their results. When you allow your call centre employees to work remotely, you're giving them more autonomy and the opportunity to truly take ownership of the work they're doing. This is why proactive businesses should consider the current climate as a chance to think outside the box when it comes to workforce management. Exploring outsourcing and on-demand talent platforms makes hiring flexible workers fast, simple, and cost-effective. These platforms also do all the heavy lifting when it comes to recruitment, wages and training.







## Summary

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The combination of labour shortages, skills gaps and wage pressures means **finding quality candidates is not going to get easier any time soon**. This is why businesses need to **adapt to the changing times and tailor their recruitment and retention strategies to meet the realities of the modern landscape**.

Whether it's identifying, training and nurturing internal talent, offering more flexibility, introducing a strong workplace culture, teaming with an external **specialist in remote workers**, and/or looking to an **on-demand talent platform**, the time for innovation is now.



## About flexhive

**The on-demand digital platform for all your staffing needs.**

Backed by Hudson, one of the biggest in white collar recruitment, flexhive brings you the flexibility to quickly find qualified personnel who are the best fit for your organisation.

Our platform's AI tech matches your job role against 30,000+ pre-qualified local, national and offshore workers. You select only from the best-fit candidates who are available and interested, and hire them with a single click.

We take care of compliance, contracts, onboarding, payroll and other HR admin – and you can manage your entire workforce and see your total labour costs from a single dashboard. We even provide your flexhivers with additional benefits like gym membership and discounts, and conduct regular check-ins to keep engagement high and churn low.

With flexhive you can confidently and quickly recruit, onboard, retain, and manage on-site, remote or offshore workers, safe in the knowledge that we've got their back as well as yours.

Visit our website at <https://au.hudson.com/flexhive/>